

# Tennessee Valley Authority

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## Second Quarter Fiscal Year 2026 Earnings Webcast

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### **CORPORATE PARTICIPANTS**

**Mike Skaggs**--*Interim 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**

### **Clifton Lowry**

Good morning, everyone, and thank you for joining us for the Tennessee Valley Authority second quarter fiscal year 2026 financial review. I'm Clifton Lowry, TVA's vice president of planning and investor relations. And I'm pleased to have with me today TVA's interim chief executive officer, Mike Skaggs, and TVA's chief financial officer, Tom Rice.

Mike was recently named by the TVA board as interim president and CEO, following Don Moul's announcement earlier last month of his intention to retire. I want to thank Don for his service to TVA, TVA's employees, and the people of the Tennessee Valley region. Under his leadership, TVA demonstrated strong operational and financial performance and delivered affordable, reliable electricity to the communities that we serve.

As we look forward, I'm excited to have Mike Skaggs as TVA's interim president and CEO. Mike has more than 40 years of experience in the utility industry, including over 25 years at TVA, with three of those spent serving as TVA's chief operating officer from 2018 to 2021.

Mike's leadership and deep operational knowledge, particularly in nuclear generation and system reliability, align directly with TVA's strategic focus on expanding our generation and transmission system and modernizing our nuclear fleet to support the region's growing energy needs. Today, Mike will provide opening remarks, and Tom will follow with a business update, as well as a review of TVA's financial performance through the second quarter of fiscal year 2026.

As a reminder, today's press release and TVA's quarterly report on Form 10-Q for the second quarter, ended March 31, 2026, are available on TVA's investor relations website at [tva.com/investors](http://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, so please refer to TVA's quarterly report on Form 10-Q for the quarter ended March 31, 2026, 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'll now turn the call over to TVA's interim president and CEO, Mike Skaggs.

### **Mike Skaggs**

Thank you, Clifton. And hello to those listening to our quarterly investor call. I'm Mike Skaggs, and I'm honored to return to TVA as the interim president and CEO. I also appreciate the board of directors selecting me for this role, and I appreciate the support I've received from our employees, many of whom I've worked with in my previous time here.

The question I received the most during my first week as CEO is, why did you return to TVA? The answers are straightforward. I believe in TVA's mission of service and the remarkable impact we have on this region. Our energy is critical for millions of families, for both existing and new industries investing here, and in developing advanced technologies where the US needs to lead. I believe the TVA team is one of the most talented and dedicated groups in the utility industry. We have broad energy experience, strong relationships with our union partners, and a solid leadership team focused on success. And TVA remains well-positioned to deliver results for our many stakeholders, the federal administration, state, and local officials, our local power company partners, and our direct serve customers, community organizations, and our hometowns, and the investor community that supports us.

As I talk to people across the organization, my goal is to look deeper into the performance of TVA, including many areas where our team is delivering excellence and specific areas where we can improve. I also want to make sure our team is aligned around our long-term strategy and the investments we are making to serve growing energy demand.

Two of my near-term strategic priorities are completing and issuing a high-quality integrated resource plan to guide TVA's future, resource planning, and investment decisions, and set a strong foundation for our long-range financial plan, and establishing clarity on our position around new nuclear technologies. TVA is a pro-nuclear organization. We operate one of the largest nuclear fleets in the nation, and nuclear is a good investment to meet our future energy needs. We need to work with the federal administration and our board of directors to clarify TVA's path going forward and the US nuclear development and regional deployment.

Throughout my years here, I've always been proud of TVA and employees who work here each day. I've been proud of the impact we have on this region as part of our iconic mission. Today, my job coming in as CEO is to listen, learn, and help our team deliver excellence across the organization to benefit everyone we serve. I'll now turn it over to Tom Rice for a business update and review of TVA's financial performance through the second quarter of our fiscal year.

### **Tom Rice**

Thanks, Mike. And hello, everyone, I'm Tom Rice, TVA's Executive Vice President and Chief Financial Officer.

As we welcome Mike as our new interim President and CEO, I want to give you a few business updates and our second quarter financial update. Discussing our mission of service together will help paint a clearer picture of how TVA is continuing to build on its mission of service now and into the future.

Since 1933, TVA's mission has remained essentially the same, to serve the people of the Tennessee Valley region and make life better. Today, we define this mission with the three E's.

Energy, delivering reliable, low-cost power to the 10 million-plus people in our service territory. Environmental stewardship, caring for the region's natural resources, including one of the nation's largest river systems, and one of the largest collections of public lands east of the Mississippi River. And third, economic development, with TVA supporting the creation and expansion of businesses and industries, which encourages regional job growth.

And to meet rising energy demand, we are building out the region's energy system through one of the largest capital investment campaigns in our history. We are investing in the long-term reliability and efficiency of our existing assets, including extending the licenses of our three nuclear plant sites for an additional 20 years. The Browns Ferry site license extension has already been approved by the Nuclear Regulatory Commission. And following approval from the TVA board in February, we are taking steps to continue operations of TVA's coal fleet, including operating our Kingston and Cumberland coal plants beyond their previously announced retirement dates, subject to all applicable permits and regulatory requirements.

We continue to focus on operational excellence across our entire generation fleet, ensuring our diverse portfolio of resources operate safely and reliably to meet growing seasonal peaks. And the value of this diverse generation fleet was on display in January of 2026, when Winter Storm Fern brought five days of demand exceeding 30,000 megawatts and a peak nearing 33,000

megawatts. TVA's team performed well, from the reliable operation of generating units to rapid recovery of transmission lines and delivery points impacted by the icy conditions.

To provide future reliability in the face of rising demand, we have a pipeline of new generation planned with 3,770 megawatts actively under construction. This includes new natural gas generation at our Cumberland, Tennessee site that is expected to be operational by the end of 2026. New gas generation at our Kingston, Tennessee site that is expected to be operational by the end of 2027. And new gas turbines adding megawatts at our sites in Memphis, Tennessee and New Caledonia, Mississippi. We continue to evaluate additional gas generation investments and a potential hydro pump storage facility in North Alabama, pending all reviews and board approval.

And beyond TVA's own capital investment, in March, we entered into a 20-year energy storage agreement to develop the Bobwhite Energy Storage project, a 225-megawatt battery storage in East Tennessee. Construction is expected to begin in 2027, with commercial operation targeted for late 2029. This facility will support grid reliability, peak demand management, and the integration of additional energy resources across our service territory.

As we grow America's energy dominance by expanding our generation fleet today, TVA is also building future American energy innovation. And we remain at the forefront of our nation's new nuclear development. And we are well-positioned with Mike as our interim CEO and President.

Across his 40 years of utility experience, Mike held top management jobs at all of TVA's nuclear sites and was responsible for the successful completion and startup of our Watts Bar unit, the first new nuclear generation of the 21st century.

We remain committed to leading new nuclear development, from the generation itself to the supply chain and the labor force needed to sustain success nationwide. TVA is capable and positioned to support the administration's goals on advancing nuclear energy as part of the broader energy dominance agenda. And we are looking forward to Mike's guidance and direction on our new nuclear strategy.

To make our plan and any potential future investments, we are evaluating our long-term plan to ensure we maintain financial strength. So let me switch gears and talk about our most recent financial results. And I will begin with a quick summary of our financial results for the first six months of fiscal year 2026. And, as you can see, we delivered higher sales volume year-over-year, driven primarily by growth across the system that I'll discuss more in a moment. And as you would expect, this growth translated into higher operating revenue and higher net income compared to the prior year. And I'll walk through the key drivers behind these results in more detail.

As we look into sales and revenue, you can see TVA's power sales were up approximately 1% year-over-year, as shown in the chart to the right. Total degree days were 6% below normal and 1% lower than the prior year, reflecting overall milder weather. Because of that, weather did not contribute to the increase in sales. Instead, the growth we saw was primarily driven by higher sales within the data processing, hosting, and related services sector, which more than offset the milder weather.

The increase in sales, which has contributed to higher base revenue, is driving higher operating revenues as well for the year, which, as you can see, were approximately \$6.6 billion for the first six months of the year, an increase of \$143 million, or about 2% compared to last year. And as

you can see at the bottom, our total effective rate came out to \$0.08 per kilowatt hour, enabling us to provide affordable, reliable power while continuing to support system growth.

As I mentioned previously, we continue to rely on a diverse mix of nuclear, natural gas, hydro, coal, and storage technologies to 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 significantly higher this year, reflecting the strong performance and increased availability across our nuclear fleet. TVA-generated resources met 84% of demand, up from 80% last year, demonstrating the strong performance across our owned fleet and a corresponding reduction in purchase power.

This winter, a combination of mild and dry weather resulted in less natural gas and hydro generation as compared to last year. And coal generation remained consistent year-over-year. The chart on the right shows total power supply by resource type, including purchase power allocated by resource type. This highlights the strength of TVA's balanced generation mix. And our strong and diverse generation portfolio continues to deliver benefits, helping us maintain affordability and reliability throughout the winter season and reduce exposure to fuel price volatility across the various commodities.

Now I want to look at our income statement, and I'll start at the top. As you can see, base revenue, which we discussed, was 2% higher than the prior year. Fuel revenue was \$48 million higher year-over-year, primarily driven by a \$31 million increase in fuel rates due to higher natural gas prices.

On the expense side, fuel and purchase power expense increased \$144 million year-over-year, reflecting higher natural gas and purchased power market prices. O&M expenses decreased \$118 million, driven primarily by tax credits and lower payroll and benefit costs, as we continue executing on our enterprise transformation program to build a more efficient workforce. Taxes, depreciation, and other expenses decreased \$52 million. And while several factors contribute to this, the primary drivers are the Browns Ferry Nuclear Plant license extension and other asset-related decisions.

Interest expense was \$44 million higher, reflecting higher average balances and rates on long-term debt. And, at the bottom, you can see that TVA delivered \$658 million in net income, \$125 million higher than the same period last year, primarily due to higher operating revenues. And this strong financial performance enables us to reinvest in the power system, maintain reliability, all while keeping rates competitive.

Now on to the cash flow statement, where you can see operating cash flow through the second quarter was \$1.1 billion, which was \$355 million lower than the same period last year. This was mainly due to the higher fuel and purchase power payments, as well as significantly fewer customer deposits and lower customer collections as compared to the same period in the prior year.

Looking at investing cash flows, you can see investing activities decreased \$463 million compared to the prior year, mainly due to less spending on capacity expansion projects, chiefly related to the Cumberland natural gas project that is nearing completion and higher spending on the Kingston natural gas project in the prior year.

Financing cash flow decreased \$1.2 billion year-over-year, primarily because we entered the quarter with significantly higher cash position to pay down maturing debt as we entered fiscal year

2026. The decline also reflects the timing of debt maturities and lower proceeds from variable interest entities year-over-year.

We continue to manage our debt levels in the near term. But as we invest in power system assets, we expect financing cash flows to increase in future periods as we raise additional debt to support the growth. And at the bottom of the table, you will see that debt and total financing obligations were \$23.7 billion as of March 31, which is slightly lower than the beginning of the fiscal year but higher than the same period last year as we continue executing our capital plan.

So, to recap the financial results, you can see we delivered a strong first half of fiscal year 2026, supported by growing power demand and financial discipline as we manage cost. Higher sales driven by system growth and the data processing, hosting, and related services sectors resulted in stronger operating revenue and net income. And our balanced and strong power system continues to perform very well, ensuring affordability and reliability for the people we serve. And as we look ahead, we are planning to increase capital market activity to support and execute one of the largest capital investment plans in TVA's history. These are investments that will strengthen the power system and position TVA to serve a growing region for decades to come.

So, as we close, I want to thank you for joining the call and helping us welcome longtime TVA veteran Mike Skaggs back to lead our organization as Interim President and Chief Executive Officer. As you have heard, we have large-scale investments, both actively under construction and in our evaluation pipeline, to meet the growing regional energy demand and support US energy dominance. TVA's mission of service is as critical today as it has ever been, and we remain focused on delivering the reliable and affordable energy necessary for ongoing economic success. Thank you for your support of TVA and have a great day.