



6:00 a.m. somewhere
in the Valley.

CORPORATE PROFILE

POWER GENERATION

- Nation's largest public power system
- 31,658 megawatts of capacity (net winter dependable)
- 11 fossil plants (59 units)
- 3 nuclear plants (5 units)
- 29 hydro plants (109 units)
- 6 combustion turbine plants (72 units)
- 15 solar energy sites
- 1 wind energy site (3 turbines)
- 1 pumped storage plant (4 units)

CUSTOMERS

- 158 power distributors
- 62 directly served customers
- 12 exchange power arrangements*

TRANSMISSION

- Reliable, even under severe conditions
- 99.999 percent reliability
- 17,000 miles of transmission lines
- 117,000 transmission line structures
- 1,015 individual interchange and connection points
- 240,000 right-of-way acres
- 80,000-square-mile service area

STEWARDSHIP

- Nation's fifth-largest river system
- 800 miles of commercially navigable waterways
- 49 dams for integrated river management
- 50 million short-tons of goods shipped annually
- \$500 million in potential flood damage avoided in 2003
- 11,000 miles of reservoir shoreline
- 228,000 acres of public land for resource management
- 650,000 surface acres of water for recreational use
- 100 public recreation areas

ECONOMIC DEVELOPMENT

- \$329 million in tax-equivalent payments to Valley states and counties
- \$1.4 billion total TVA employee compensation
- \$21 million in economic development loan commitments to Valley businesses
- \$2.5 billion spent in Valley states for goods, fuel, and services
- 47,000 jobs attracted or retained by TVA and its strategic partners
- \$1.6 billion in capital leveraged by Valley investors and strategic partners

TVA SERVICE AREA



	State Line
	Water
	Power Service Area
	TVA Dam
	TVA Fossil Plant
	TVA Nuclear Plant
	TVA Combustion Turbine Plant
	TVA Pumped-Storage Plant
	TVA Customer Service Office
	TVA Economic Development Office
	Green Power Switch® Solar Site
	Green Power Switch® Wind Site
	Green Power Switch® Methane Site



*Includes an exchange arrangement with TAPOCO Inc., a division of Alcoa Inc., which is one of TVA's 62 directly served customers.

Somewhere in the Valley, TVA is implementing new clean-energy initiatives, and a soccer team practices near a row of solar panels.

Somewhere in the Valley, TVA is improving reliability, and a medical technician performs an MRI scan.

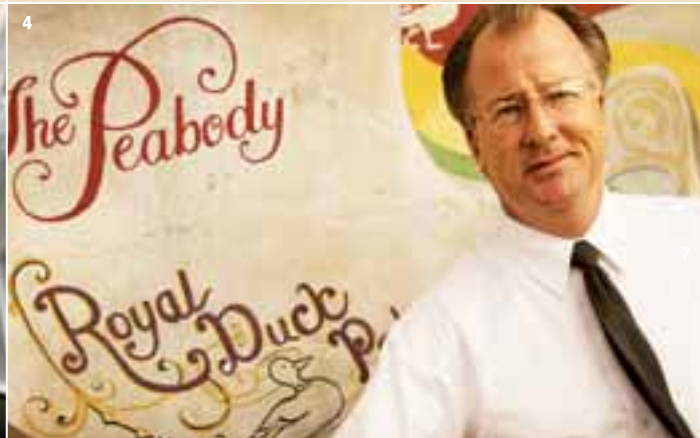
Somewhere in the Valley, TVA is discussing the terms of a minority loan fund, and an environmentally sensitive business decides to build a plant in the Valley.

Somewhere in the Valley, TVA is working with local coalitions to improve water quality, and a dad and daughter go fishing.

Every day begins the same. A light is turned on. Businesses grow. Families thrive. And TVA is there. By providing affordable, reliable energy, serving as a steward of the environment and the public assets entrusted to us, and focusing on sustainable economic development, TVA is connecting the Valley.

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1. 6:12 a.m. Lights aren't the only demand in the early morning—breakfast is a must. Just ask manager Ginny Elmore and assistant manager Josh Ryan of Kirchhoff's Bakery in Paducah, Ky. **2. 6:16 a.m.** Frank Kish installs the vinyl trim on the underside of the doorframe of a Saturn Vue, a mid-sized SUV, at the Saturn manufacturing facility in Spring Hill, Tennessee. Workers at the Spring Hill plant manufacturer approximately 400 SUVs each day. **3. 7:08 a.m.** Dustin Ingram, Andy Wright, and Tim Thompson work on selective catalytic reduction (SCR) system components at Cormetech, Inc. in Cleveland, Tenn. **4. 7:48 a.m.** "Duckmaster" Daniel Fox escorts the famous Peabody ducks to and from the lobby each day at the Peabody Hotel in Memphis. **5. 7:50 a.m.** Chef Ira Stone takes a break at the English Rose Tea Room in Chattanooga. **6. 7:52 a.m.** Jerry Coffey delivers soda in Duffield, Va. **7. 8:18 a.m.** Elsewhere in Duffield, Linda Dean makes T-shirt rags at Independence Unlimited. Through the Business Incubation Program, TVA helps firms like Independence survive their start-up years and grow into thriving businesses.

FINANCIAL HIGHLIGHTS—POWER PROGRAM

At September 30 or for the years ended September 30, as appropriate (in millions)	2003	2002	PERCENT CHANGE
Summary statements of income			
Operating revenues	\$ 6,952	\$ 6,796	2
Operating expenses	(5,375)	(5,147)	4
Operating income	1,577	1,649	(4)
Other income, net	12	7	NM*
Loss on plant cancellation	–	(154)	NM
Interest expense, net	(1,350)	(1,429)	(6)
Income before cumulative effects of accounting changes	239	73	227
Cumulative effects of accounting changes	217	–	NM
Net income	\$ 456	\$ 73	525
Total assets	\$ 32,393	\$ 30,158	7
Discount notes	\$ 2,080	\$ 3,492	(40)
Long-term debt, including current maturities	22,795	21,763	5
Total indebtedness	\$ 24,875	\$ 25,255	(2)
Cash flows from operations	\$ 1,632	\$ 1,347	21
Construction expenditures	\$ 1,693	\$ 1,231	38

*NM = Not meaningful



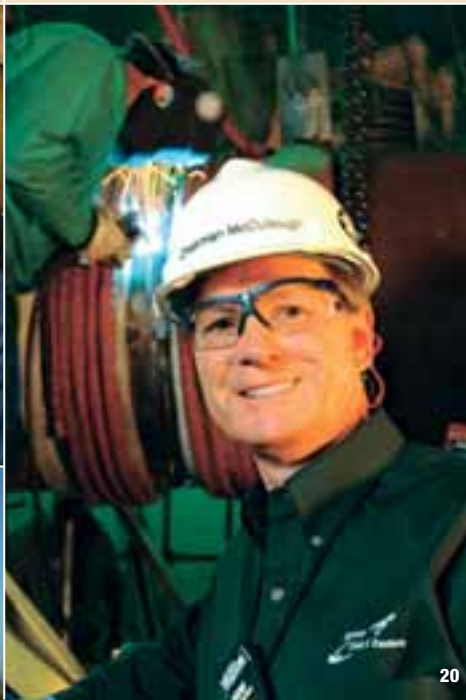
8. 8:20 a.m. Tony Pane, a district coordinator for the Virginia Department of Conservation and Recreation, makes a cast on the Clinch River north of Kingsport, Tenn. **9. 8:23 a.m.** The Honorable James Beasley, Jr., starts a day of dispensing justice in the Memphis Criminal Courts. **10. 8:34 a.m.** Frank Mallory sets and removes meters for Cumberland Electric Membership Corporation in Clarksville, Tenn. **11. 8:40 a.m.** Matthew Swift is Vice President of the Government of Singapore Investment Corporation. Investors in all 50 states and over 60 countries have bought TVA securities. **12. 8:49 a.m.** Technician Kim Osburn helps Dr. James Bolles treat a kitten at Murphy Road Animal Hospital in Nashville, Tenn. **13. 8:57 a.m.** A morning crew of the largest distributor of TVA power, Memphis Light, Gas & Water. **14. 8:59 a.m.** Honor Brandao, President of Tennessee Turbo Charger Components in Rossville, Ga., eyes compressor wheels. A TVA loan helped Brandao move his company from the R&D phase into production. **15. 9:00 a.m.** Israel Martinez works on clean air technology at Cormetech, Inc. **16. 9:14 a.m.** Alma Moss, Membership and Marketing Director for the Chamber of Commerce in Hopkinsville, Ky., knows that TVA helps businesses grow. **17. 9:28 a.m.** Attorney Linda Sales-Long handles employment litigation and labor law in TVA's Office of the General Counsel.

POWER SYSTEM STATISTICS

At September 30 or for the years ended September 30, as appropriate	2003	2002	PERCENT CHANGE
System input (millions of kilowatt-hours)			
System generation			
Hydro, including pumped storage	16,103	10,205	58
Fossil	90,975	94,930	(4)
Nuclear	43,167	45,179	(4)
Combustion turbine	817	1,190	(31)
Green power	15	18	NM
Total net generation	151,077	151,522	—
Purchased	15,760	12,241	29
Total system input	166,837	163,763	2
System output (millions of kilowatt-hours)			
Sales			
Municipalities and cooperatives	130,769	128,600	2
Industries directly served	27,756	26,478	5
Federal agencies and other	3,009	3,579	(16)
Total sales	161,534	158,657	2
Other	1,902	1,098	73
Losses	3,401	4,008	(15)
Total system output	166,837	163,763	2
Net winter dependable capacity (megawatts)	31,658	31,517	—
System peak load (megawatts) – summer	28,530	29,052	(2)
System peak load (megawatts) – winter	29,866	26,061	15
Annual load factor (percent)	63.2	63.5	—
Number of employees at September 30	13,379	13,444	—
Percent winter dependable capacity by fuel source			
Fossil	49%	49%	—
Nuclear	18%	18%	—
Hydro	18%	18%	—
Combustion turbine	15%	15%	—



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18. 9:31 a.m. Electrical engineer Chuck Shue analyzes the power flow of TVA's transmission grid to maintain and improve system reliability. **19. 9:42 a.m.** A transmission tower at Allen Fossil Plant outside Memphis. **20. 9:45 a.m.** Chairman Glenn McCullough gets an up-close look at William King's welding work at Browns Ferry Nuclear Plant near Decatur, Ala. **21. 9:50 a.m.** 101st Airborne Division (Air Assault) soldiers at Ft. Campbell, Ky., prepare for deployment to Iraq. **22. 10:00 a.m.** Jessie Sloat, a junior at the University of Tennessee at Chattanooga, works part-time at the Mudpie Coffee House and Restaurant and enjoys life in revitalized downtown Chattanooga. **23. 10:04 a.m.** Joe Parks repairs and maintains transmission lines with TVA's Winchester, Tenn., line crew. **24. 10:08 a.m.** Professor Jimmy Davidson of the Vanderbilt University School of Engineering shows TVA Director Skila Harris how diamonds can be used in high-power-switch technology. Davidson is principal investigator for the Advanced High Power Switch Development Program, a joint program between TVA and Vanderbilt to better manage electric power transmission and improve reliability.

CHAIRMAN'S LETTER

Empowering Life in the Valley...Every Day

TVA touches lives across the Tennessee Valley every day: The lights that go on at the start of the day. The goods carried by barge through 14 locks and 800 miles of waterways. The scenery, boating, fishing, and recreational opportunities at reservoirs, campsites, and picnic grounds. The manufacturing plants fueled by affordable, reliable electric power.

Through the combined benefits of energy, environmental stewardship, and economic development, TVA empowers life in the Valley.

TVA first empowered my hometown of Tupelo, Mississippi, on November 18, 1934. On that day, my father was an excited 5-year-old sitting on his older brother's shoulders to get a glimpse of President Roosevelt as he flipped the ceremonial switch on the first electric light, proclaiming Tupelo the First TVA City and starting a new chapter of opportunity in the lives of the people of the Tennessee Valley. That day a crowd of thousands stood between my father and the dignitaries, but in the years that followed he has seen up close the lights and appliances that have come to homes and farms, the modern farming and fertilization methods that have replenished the region's depleted soil, the businesses that have opened, and the economy that has grown as the Tennessee River system has been tamed to provide the

benefits of flood control, commercial navigation, power production, recreation, water supply, and land use.

Today, TVA's mission is more relevant and valuable than ever to the people of the Valley, empowering the people we serve to achieve a better life. Boaters and anglers enjoy the recreational value of TVA's reservoirs. The impacts of once-devastating yearly floods have been reduced, as shown during the heavy spring rains of 2003. River water powers hydroelectric plants and cools fossil and nuclear plants that fuel our region's economy. And the river system provides lower-cost commercial transportation. The Boeing Delta IV rocket plant in Decatur, Alabama, for example, floats its massive boosters by river barge to launch pads in Florida.

Working with economic development partners across the Valley, TVA helps attract businesses like American Eurocopter, which this year selected Columbus, Mississippi, as the site for a helicopter manufacturing facility; Bodine Aluminum, which chose Jackson, Tennessee, for its automobile engine plant; Topre America, which is locating an auto parts plant in Cullman, Alabama; and Paris Packaging, which located a new facility in Hopkinsville, Kentucky.

As TVA faces the business challenges of a changing electric utility industry, we never forget what TVA means to the 8.5 million people of the Tennessee Valley.



25. 10:15 a.m. A soldier with the 101st Airborne Division at Ft. Campbell, Ky., checks in other soldiers as they arrive at the base. **26. 10:17 a.m.** A plume of water gushes from Fontana Dam into the Little Tennessee River in western North Carolina. **27. 10:20 a.m.** Mechanic Joel Miller keeps the trucks rolling for Blue Ridge Mountain Electric Membership Corporation in Young Harris, Ga. **28. 10:27 a.m.** Pat Stansell, manager of Florence Harbor Marina in Florence, Ala., depends on the clean, navigable water of the Tennessee River. **29. 10:45 a.m.** Alex Fischer, Director of Technology Transfer and Economic Development at Oak Ridge National Laboratory, and TVA Director Bill Baxter inspect a hybrid solar lighting collector in Oak Ridge, Tenn. **30. 10:47 a.m.** Marcus McGoy gets ready to charge the furnace at CC Metals and Alloys, Inc. in Calvert City, Ky. **31. 10:50 a.m.** Patrick Biddle looks for skipping stones by the Little River along the Middle Prong Trail in the Great Smoky Mountains National Park.

TVA means that the lights stay on, because—working with the 158 local distributors of TVA power—we have paid attention to the fundamentals of generation and transmission. TVA means the bill is affordable, because the men and women of TVA are working around the clock to control costs and continually improve our operations and business practices.

TVA means the river is healthier and provides clean water, recreation, navigation, and affordable power to the public. And TVA means the creation and retention of more and better jobs, empowering families to work hard and build better lives for themselves and their children.

The TVA Board has responded to a changing electric utility industry with a strategic plan based on sound operations, prudent planning, environmental responsibility, and fiscal strength with flexibility in balancing the investments we make.

First, **sound operation**—and keeping the lights on. TVA is committed to maintaining and upgrading our diverse mix of generating plants and 17,000-mile transmission system. Over the past eight years, TVA has invested \$1.3 billion in its transmission system, and this investment has paid off. For the fourth year in a row, TVA achieved 99.999 percent reliability in delivering power to our customers—the 158 power distributors and 62 large industrial customers across the Valley. To the customers we serve, this means that TVA's electric power is there when they need it.

Second, **prudent planning**—in keeping power plentiful and affordable. TVA must continue to keep up with the demand

created by our region's growing economy, which brings jobs to the people of the Tennessee Valley. Because of sound investments made in new generating facilities over the past decade, the TVA power system was able to meet an all-time record peak power demand of 29,866 megawatts on the cold morning of January 24, 2003. The recovery of Browns Ferry Nuclear Unit 1 (BFN1) near Decatur, Alabama, is expected to be a \$1.8 billion investment and is scheduled to add 1,280 megawatts to our system in 2007. The recovery of BFN1 is expected to pay for itself through power revenues by 2015 and operation of Unit 1 is expected to lower TVA's average delivered cost of power.

Third, **environmental responsibility**. Having already invested almost \$4 billion in clean-air equipment, we are committed to continuing to do our part for clean air. The 6.1 percent rate adjustment effective in fiscal year 2004, only the second rate increase in 16 years, will enable TVA to invest an additional \$2 billion—about a million dollars a day through the end of this decade—in scrubbers to extract sulfur dioxide and selective catalytic reduction (SCR) and other systems to reduce nitrogen oxides emissions. Through our Reservoir Operations Study, we are examining whether changes in the way we operate the Tennessee River system would produce greater overall public value for the people of the Valley, while our Environmental Management System continues to drive improvement in our environmental performance.

Fourth, and equally important, **fiscal strength**. In fiscal year 2003, the TVA power system earned nearly \$7 billion in revenues



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32. 11:00 a.m. Children pause in their game of tag at William Powell Park in Knoxville, Tenn. **33. 11:15 a.m.** Richard Thompson, owner of Farmer's Produce in Hiltons, Va., is a graduate of the TVA Business Incubation Network, which includes 24 operational sites across the Valley where tenants share services, equipment, and building space. **34. 11:27 a.m.** Jesus Retos and Juan Rangel work together at Tree Nursery in Hiltons, Va. **35. 11:33 a.m.** In Princeton, Ky., Richie McKinney is known for his art. To the distributors of TVA power, he's always a customer first. **36. 11:35 a.m.** Mike Thompson manages hydro outages at Fort Loudoun Dam, one of TVA's 29 hydroelectric dams. Eighteen percent of TVA's power generation capacity is provided by hydro operations. **37. 11:45 a.m.** Stevy Radford, head cook at Jerry's Bar-B-Q Shack in Cadiz, Ky., prepares for the lunchtime rush.

TVA's Strategic Objectives

- **Improve life in the Tennessee Valley through integrated management of the river system and environmental stewardship**
- **Meet customers' needs with affordable, reliable electric power**
- **Demonstrate leadership in sustainable economic development in the Valley**
- **Continue the trend of debt reduction**
- **Reduce TVA's delivered cost of power relative to the market**
- **Strengthen working relationships with all of TVA's stakeholders**

and paid down the outstanding balance of bonds and notes by \$380 million. In the past seven years, TVA has reduced the balance of its statutory debt by \$2.8 billion, from \$27.7 billion to \$24.9 billion today. Over the past four years, TVA has entered into five lease/leaseback transactions, financing power assets more cheaply than it could with statutory debt. In the past seven years, by moving quickly to take maximum advantage of favorable markets, we have lowered the amount of each revenue dollar going toward interest on the debt from 34 to 19 cents. The Board is committed to continue to build TVA's financial strength and flexibility.

TVA is pleased to report the details of its fiscal year 2003 performance in a complete, open, and transparent manner in the spirit of the Sarbanes-Oxley Act, the Congressional measure passed to raise the standards of corporate accountability. As a public power company, TVA follows conservative risk policies and practices and receives oversight from the U.S. Congress and the Executive Branch. For the people we serve, this annual report demonstrates that TVA is a company you can trust and rely on.

Energy, environmental stewardship, and economic development are, as they have been since my father stood at the back of that crowd in 1934, the three parts of TVA's mission, working together to form a unique and powerful foundation, enabling the people of the Tennessee Valley to improve their quality of life. TVA remains committed to the future of our region. In this annual report, we present the faces of TVA, our customers, our investors, and others who depend on us to keep the lights on, reduce the impact of floods, contribute to keeping the air and the water clean, provide recreation and navigation, and enable our region to compete for manufacturing and high-tech jobs to keep our families in the Valley.

Directors Skila Harris, Bill Baxter, and I are proud to share with you these reflections of how TVA empowers life in the Valley each day.

Glenn L. McCullough, Jr.
Glenn L. McCullough, Jr.



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38. 12:00 p.m. TVA employee Katie Smith keeps the powerhouse clean, assists craft workers, and serves as an environmental contact at Wilson Hydro Plant near Muscle Shoals, Ala. **39. 12:02 p.m.** The lock at Kentucky Dam marks the beginning of the 652-mile navigation system between Paducah, Ky., and Knoxville, Tenn. **40. 12:08 p.m.** Security checkpoint at Sequoyah Nuclear Plant north of Chattanooga. **41. 12:15 p.m.** Summer Wilkes, Director of Marketing and Public Affairs at the Museum of the American Quilter's Society, Paducah, Ky. **42. 12:21 p.m.** Paul Long, General Manager of Central Electric Power Association in Carthage, Miss., is pleased that an innovative pilot project is helping to control sags and surges in TVA power. **43. 12:27 p.m.** Once it is restarted, Browns Ferry Nuclear Plant Unit 1 is expected to generate enough power to meet the needs of about 650,000 homes. **44. 12:30 p.m.** X-ray technician LeAnn Underwood awaits her next patient at the Ft. Campbell base hospital. **45. 12:38 p.m.** Since its inception in 2000, TVA's Surplus Computer Donation Program has donated more than 2,000 computers to schools such as the Woody Gap School in Suches, Ga. **46. 12:45 p.m.** TVA originally developed much of the fertilizer technology used around the world today, such as that used at Moody's Co-op near Dyersburg, Tenn., where a worker fuels a combine.

CONNECTING THE VALLEY THROUGH ENERGY, ENVIRONMENT, AND ECONOMIC DEVELOPMENT

The 8.5 million residents of the Valley know it—when you hit the switch, the light comes on. That’s because TVA has maintained **99.999 PERCENT RELIABILITY** in delivering electricity to our customers over the last four years. This continued reliability is made possible through professional commitment and innovation.

As the largest public power provider in the country, TVA has been a leader in incorporating transmission innovations, including being the first to widely adopt 500 kilovolts as a transmission line voltage, the first to build major interconnections with surrounding utilities, the first to use large-scale Flexible Alternating Current Transmission System devices, and the first to commercially utilize a superconducting Synchronous Compensator device to stabilize grid voltage.

In 2003, TVA invested more than \$222 million in capital additions and improvements to its transmission system, including the construction of nearly 140 miles of new transmission line and 34 new customer delivery points in the 80,000-square-mile service area.

Residents and businesses of the Valley are not the only ones benefiting from TVA’s reliability and innovation. By placing a strong emphasis on reliability and by investing in new transmission infrastructure and research, **TVA MAKES A STRONG CONTRIBUTION TO THE SECURITY** of the overall grid.

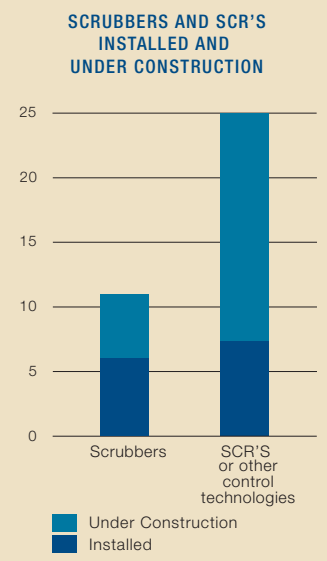
To further ensure grid reliability, TVA works closely with independent generators to ensure compatibility with the transmission system, develop and implement consistent operating procedures, and minimize practices that can result in interrupted service.



47. & 50. 12:55 p.m. TVA watershed team members Anthony Duncan and Amanda Wood help a citizen-based effort called SOS (Save Our Streams) collect water samples on the Clinch River in Spear Ferry, Va. TVA provides technical services to SOS. **48. 1:00 p.m.** Watts Bar Nuclear Plant in Spring City, Tenn. **49. 1:06 p.m.** This sign marks a special place in the history books held by Tupelo, Miss., dating back to 1934. A year later Tupelo earned another, as the birthplace of Elvis Presley. **51. 1:10 p.m.** Steve Hillenbrand representing TVA Economic Development, David Blumenthal of Engineering Management Associates, and Earl Sullivan of Land Technical Services, Inc. review plans for Blue Ridge Mountain Industrial Park in Young Harris, Ga. **52. 1:16 p.m.** Marc McGee and Clifton Fowler of Golden Triangle Enterprise Center work to bring jobs and opportunities to Starkville, Miss. **53. 1:21 p.m.** Eric McHenry checks the schoolwork of a first-grader at Orchard Knob Elementary School in Chattanooga. He is a volunteer mentor as a member of the 100 Black Men of Chattanooga, which TVA supports through employee volunteerism. **54. 1:30 p.m.** Caldwell County Hospital CEO Charles Lovell, Jr., serves up chili at a Caldwell County Chamber of Commerce appreciation luncheon in Princeton, Ky.

TVA is in the midst of one of the most aggressive emissions reduction programs in the nation. **TVA WILL HAVE SPENT ABOUT \$6 BILLION ON CLEANER AIR** when its current emissions reduction program is completed. Scrubbers to reduce sulfur dioxide (SO₂) emissions are currently operating on six generating units in Alabama, Kentucky, and Tennessee. Five more scrubbers are planned or under construction to reduce emissions from 12 additional generating units. SO₂ emissions have been reduced by 76 percent since 1977. When completed, these additional scrubbers are expected to collectively reduce emissions of SO₂ by an additional 200,000 tons per year, resulting in an overall TVA system reduction since 1977 of about 85 percent.

About \$1.3 billion is being invested to reduce nitrogen oxides (NO_x) emissions through the construction of selective catalytic reduction systems (SCRs) or similar technologies for use on TVA's coal-fired generating units. Eight of the planned systems are operable. Annual NO_x emissions have been reduced by about 50 percent since 1995. By 2005, NO_x emissions during the summer ozone season are expected to be reduced 70 to 75 percent from 1995 levels.



Power is the commodity that TVA provides, both literally—with affordable, reliable power—and figuratively—through economic development programs. **TVA ADDS TO THE REGION'S POWER TO ATTRACT AND RETAIN GOOD JOBS** for the people of the Tennessee Valley.

The past year has been no exception. In fiscal year 2003, TVA committed to loaning \$21 million from various funds, leveraging \$327 million in capital investment. Through various economic development activities, TVA and its partners attracted or retained an estimated 47,000 jobs, leveraging \$1.6 billion in projects this year.

TVA spent approximately \$2.5 billion in Valley states in 2003 on materials, fuel, and services. Three out of every four dollars TVA spends are spent with businesses located in the Valley.



55. 1:34 p.m. Chris Cooper installs a battery for a helicopter at American Eurocopter in Columbus, Miss. **56. 1:46 p.m.** Randy Crawford, a Senior Instrument Mechanic, calibrates a valve positioner at TVA's Kingston (Tenn.) Fossil Plant. **57. 2:00 p.m.** Listed as a historical landmark, Wilson Dam in Florence, Ala., is one of TVA's most productive hydroelectric dams. **58. 2:30 p.m.** A kayaker enjoys the Olympic-caliber whitewater on the Ocoee River. TVA scheduled water releases to assist with the 1996 Summer Olympics. **59. 2:51 p.m.** Jim Krekeler, Principal at Edward Jones in St. Louis. Edward Jones underwrites TVA Power Bonds that are tailored for individual investors who seek high-quality, long-term investments. **60. 3:00 p.m.** Jeff Grubb, an operator at Olin Chlor Alkali Products in Charleston, Tenn., prepares product that will be shipped throughout the U.S. for use in water systems, swimming pools, and many household items. **61. 3:15 p.m.** The Ohio County (W. Va.) Youth Soccer U-14 girls prepare for a game at Lovers Lane Soccer Complex in Bowling Green, Ky. TVA supplied solar panels for the complex, which also provide a covered picnic and viewing area for the fields.

For Valley residents and businesses, an average temperature of 6 degrees on January 24, 2003, went beyond cold. **TVA WAS ABLE TO MEET ITS ALL-TIME PEAK POWER SYSTEM DEMAND** of 29,866 megawatts that morning, in the same reliable way it was able to meet the previous record demand of 29,344 megawatts on a hot day in August 2000.

TVA is doing more than meeting weather-related demands; it has reduced the frequency of power interruptions to its customers by 51 percent in the past seven years and the duration of customer interruptions by 55 percent in the past four years.

TVA'S TRANSMISSION SYSTEM IS STRONG AND RESILIENT.

The 2003 blackout that affected so much of the midwestern and northeastern U.S. has made it apparent that a focus on new generation is not enough. TVA is committed to doing its part to improve the nation's power grid by working closely with those connecting new generation to the TVA system and with neighboring transmission providers to coordinate service.

This focus includes a new partnership with the Oak Ridge National Laboratory to create the National Transmission Technology Research Center in Oak Ridge. With this center, TVA is able to embrace advances in material sciences to deploy power lines that carry more electricity, capacitors that keep voltages stable, and high-speed switches that can react instantly to problems on the grid.



62. 3:20 p.m. Michael Wilson, tour guide at Lost River Cave in Bowling Green, Ky., knows as much as anyone about the lakes and rivers of the Tennessee Valley. **63. 3:24 p.m.** Edward Pedigrew takes orders at Jim Neely's Interstate Bar-B-Que in Memphis. TVA provided Neely's with a loan for its upcoming expansion. **64. 3:27 p.m.** Nick Ardillo of the Columbus, Miss., Airport Authority (center, holding helicopter), Teresa Miley, and David Eudy—Deputy Director and Executive Director, respectively, of the Golden Triangle Regional Airport—visit the new American Eurocopter plant. **65. 3:30 p.m.** A busy afternoon at Wright's Cabinet Manufacturer, Inc., a TVA incubator expansion in Louisville, Miss. **66. 3:33 p.m.** A young visitor learns a lesson in electricity at the American Museum of Science and Energy in Oak Ridge, Tenn. **67. 3:35 p.m.** As manager of the City of West Point (Miss.) Electric System, Dewel Brasher helps deliver TVA power to more than 4,000 residential and commercial electric customers. **68. 3:41 p.m.** For Jim Fortune, manager of Rock Creek Down Under outfitters in north Chattanooga, the water-related recreation business is good. **69. 3:49 p.m.** Scrubbers like these at Paradise Fossil Plant in Kentucky reduce sulfur dioxide emissions.

Millions of people call the Valley home, and thousands of businesses rely on the region's waterways. To them, the river is more than a power source. It's a place for play and a place of beauty. It provides transportation and increases profits.

That's why TVA has conducted a comprehensive two-year **RESERVOIR OPERATIONS STUDY**. The results—based on state-of-the-art analytical tools and input from thousands of Valley residents—will show whether changes in the operation of TVA reservoirs would produce greater public value. The TVA Board is expected to make a decision in 2004 after considering many factors, including recommendations from TVA staff and comments from the public and other interested parties.

TVA is in the power business to support the economic development of its communities. As the one economic development source that covers the seven-state Tennessee Valley region, **TVA IS IN A UNIQUE POSITION** to partner with state and local governments, local power distributors, community and business leaders, and other stakeholders.

The partnerships paid off in Memphis, where TVA and Memphis Light, Gas & Water helped the city land a \$50 million expansion by Medtronic, a global leader in medical appliances. The expansion provided 600 new jobs paying an average annual salary of \$55,000.



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70. 3:50 p.m. Volunteer Franklin Hunsberger works on the stair rail of a Habitat for Humanity House in Lenoir City, Tenn. **71. 3:51 p.m.** The Gomar sisters of Weatherford, Tex., exit the last tour boat of the day at Lost River Cave. **72. 3:55 p.m.** Pickwick Landing Dam on the Tennessee River in Hardin County, Tenn. Thanks to TVA's tailwater improvements program, fish have increased in number and diversity downstream from TVA dams. **73. 3:59 p.m.** Cable-car operator James McAfee of Holly Springs, Miss., understands the importance of reliable power throughout his workday (see Photo 77, far right). **74. 4:00 p.m.** As owner of Peanut Gallery Toys in Murfreesboro, Tenn., Stacy Long can appreciate the impact that low utility bills have on profits. **75. 4:03 p.m.** TVA Map and Photo Records employees like Mark Riggs are providing assistance to the Iraqi war effort. **76. 4:06 p.m.** James Farley, a volunteer from Chattanooga, inspects a nest box that was constructed in Decatur, Tenn., as part of a partnership between TVA and Ducks Unlimited. Nest boxes substantially increase local duck populations. **77. 4:11 p.m.** James McAfee pilots his electric cable car. **78. 4:15 p.m.** Austin Schneller, who plays soccer at Lovers Lane Soccer Complex in Bowling Green, Ky., says his team is No. 1.

The most important measures of TVA's success are reflected in its strategic objectives—those measures that directly reflect the impact of TVA's work on its customers, environment, and neighbors.

The industry often recognizes this dedication with public praise, and the past year has been no different. Included among the accolades TVA has recently received:

■ *Nucleonics Week* named **SEQUOYAH NUCLEAR PLANT THE MOST EFFICIENT GENERATOR** in the nation over a three-year period (2000-2002). Browns Ferry came in second, and Watts Bar placed 12th. TVA is the only utility listed with three plants in the top 15 for the three-year period.

■ In February 2003, TVA Nuclear (TVAN) received the **TENNESSEE QUALITY EXCELLENCE AWARD**, presented to organizations that have demonstrated excellence in their practices and achievements and serve as world-class models.

■ TVAN received the **TOP INDUSTRY PRACTICES (TIP) "BEST OF THE BEST" AWARD** for the strategic planning programs and processes at its nuclear power plants. TVAN was also presented a TIP Management Configuration Process Award for the permanent drywell shielding installed at Browns Ferry.



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79. 4:20 p.m. A shipment moves through the rapid coal unloader/loader at Kingston Fossil Plant in Kingston, Tenn. Kingston generates about 10 billion kilowatt-hours a year, or enough electricity to supply 700,000 homes. **80. 4:23 p.m.** At Guntersville (Ala.) Reservoir, TVA employees and volunteers with the Huntsville Chapter of the Sierra Club clear the Buck Island Trail, which was created to counteract abuse of the land from dumping. **81. 4:28 p.m.** A group of TVA retirees involved in distributing seed and garden supplies gathers in Muscle Shoals, Ala. **82. 4:33 p.m.** A white-tailed deer grazes at Cades Cove in the Great Smoky Mountains National Park. **83. 4:37 p.m.** Shirley Smith assembles industrial filters at Hewlett Industries in Louisville, Miss. **84. 4:40 p.m.** For clerk Lonnie D. Robinson, home is Newsom's Old Mill Store in Princeton, Ky., where the employees and customers are family. **85. 4:42 p.m.** A turbine at Sequoyah Nuclear Plant. This plant produces enough electricity to supply 1.3 million homes. **86. 4:51 p.m.** John LeVan, a luthier in Nashville, Tenn., repairs a Fender Telecaster guitar.

After several years of drought, above-normal rainfall in 2003 put the TVA system of dams and reservoirs to a test. A major rainfall in May resulted in the second-highest flood stage in Chattanooga in TVA's history and caused considerable property damage, but it could have been much worse. Without upstream flood storage space, the river would have risen much higher and could have caused more than \$400 million in estimated damage to the Chattanooga area alone. Over the years, **TVA'S FLOOD CONTROL OPERATIONS** have helped avert more than \$5 billion in damages.

It's not just about protecting Valley homes and businesses. TVA waterways serve as major transportation arteries, linking the Tennessee Valley to ports in 20 states and to the world. Use of the river as a commercial waterway means savings for local industries, lower consumer prices, and an overall benefit for the economic competitiveness of the region.

With economic development assistance from TVA and Jackson Energy Authority, the state of Tennessee's economic development team and the Jackson Area Chamber of Commerce were able to convince Bodine Aluminum (a wholly owned subsidiary of Toyota) to locate a new aluminum die-casting facility in Jackson, Tennessee. The plant is expected to bring an investment of \$124 million to the community and approximately 200 jobs with an average salary of over \$50,000.

The Bodine development was part of **TVA'S NEW VALLEY ADVANTAGE PROGRAM**, announced in October 2002, which provides financial incentives to large relocation or expansion projects in the Valley. The financial and technical investments provided by the program require that participants achieve established milestones that will have a significant impact on the area's economy.



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87. 4:55 p.m. In Chattanooga, electric buses provide environmentally friendly transportation. **88. 5:00 p.m.** For Jimmy Williamson, Manager of Dyersburg (Tenn.) Electric System, one of the most important benefits of providing affordable, reliable power is supporting job growth, which in turn raises the standard of living for Dyersburg citizens. **89. 5:01 p.m.** Homma Jackson eyes his safety glasses before getting back to his job operating a table saw at WCM, Inc. in Louisville, Miss. **90. 5:07 p.m.** Owen Kelly of Nashville dreams of becoming a police officer. **91. 5:10 p.m.** Kem Carr is general manager of Decatur (Ala.) Utilities, which serves almost 28,000 customers. **92. 5:16 p.m.** TVA Water Processes Specialist Les Behrends developed the technology for TVA's patented wastewater treatment system, which uses constructed wetlands technology and is less expensive to operate and maintain than conventional treatment systems. **93. 5:20 p.m.** Andy Gressett and David Fletcher of EKA Chemicals in Columbus, Miss. **94. 5:22 p.m.** In the past two years, TVA's watershed teams and 8,000 volunteers have conducted 99 cleanups. Nearly 600 tons of trash have been collected from area waters, the equivalent of 65 to 70 tractor-trailer loads.

In fiscal year 2003, Widows Creek Fossil Plant in Stevenson, Alabama, generated more than 10 billion kilowatt-hours of electricity—more than any other year in its history. **TVA'S COAL-FIRED SYSTEM GENERATED 91 BILLION KILOWATT-HOURS**, the 11th straight year above 90 billion kilowatt-hours.

The power needs in the Valley continue to grow and change. The fiscal year 2002 decision to restart Browns Ferry Nuclear Unit 1 is an example of how **TVA IS GROWING AND CHANGING TO MEET THIS NEW DEMAND**. Sixteen months into the 60-month project, the effort is going according to plan, with good prospects for continuing that trend, in line with the anticipated 2007 completion date. This means Valley citizens are expected to begin reaping the benefits of an additional 1,280 megawatts of economically produced and reliably delivered electricity in fiscal year 2007.

Aided by heavy rainfall through much of the year, **TVA HYDRO GENERATED MORE THAN 16 BILLION KILOWATT-HOURS**—an increase of approximately 58 percent over fiscal year 2002.



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95. 5:25 p.m. TVA Police Officer John Neal stands watch at Buffalo Mountain Wind Park near Oliver Springs, Tenn. **96. 5:30 p.m.** TVA retiree Bonnie Morgan Boone, E-business Manager Karen Gillis, and Supply Chain Associate Michelle Loveless serve dinner at the Ronald McDonald House in Chattanooga as part of TVA's Combined Federal Campaign. **97. 5:32 p.m.** Zach Mills is a team leader in assembly at Toyota Motor Manufacturing Alabama in Huntsville, which opened in April 2003. It's the first Toyota plant outside Japan to build a V-8 engine and one of the first in the world to begin production as a zero-landfill facility. **98. 5:33 p.m.** Debra Taylor at her shop, D'Edge Art and Unique Treasures, in Memphis. **99. 5:37 p.m.** A bench awaits visitors at the Hays Preserve along the Flint River in Madison County, Ala. TVA's environmental partnership with the city of Huntsville supports programs that help keep the Flint River beautiful. **100. 5:40 p.m.** Jerome Burch helps his son Nicholas and members of Cub Scout Pack 3172 build birdhouses in Chattanooga. The boys are from St. Jude Catholic School. **101. 5:51 p.m.** Pennington Seed Company salesperson Billy Adams of Friendship, Tenn., loads a customer's order.

TVA'S STEWARDSHIP PROGRAM recently earned the highest program rating from the U.S. Office of Management and Budget. Only 6 percent of federal programs received this recognition.

For southwestern Virginia residents and businesses, evidence of TVA's environmental stewardship is easily found. For years, the Guest River portion of the Clinch watershed had suffered sedimentation and bacterial contamination from sources such as mining, agriculture, timber harvesting, and inadequate waste treatment. With the help of local communities and some 20 organizations, **TVA HAS RECEIVED NATIONAL RECOGNITION** for guiding restoration funding and efforts to repair the damage. This year, the state of Virginia revised its assessment of conditions from non-support of its intended uses—fishing, drinking, swimming, aquatic habitat—to partial support of its intended uses.

Breaking ground for the 100,000-square-foot American Eurocopter plant in Columbus, Mississippi, on August 7, 2003, had special significance for TVA. Working with the Golden Triangle Regional Airport, the Greater Starkville Economic Partnership, the Appalachian Regional Commission, and Congressional, state, and local officials, **TVA WAS INSTRUMENTAL** in convincing the subsidiary of the European Aeronautic Defence and Space Company that northeast Mississippi was its ideal location. The plant, which will assemble and customize helicopters, is projected to have an initial workforce of 100, an annual payroll of \$5 million, and an estimated annual economic impact of \$17 million.



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102. 6:00 p.m. Aerospace Program Counselor John Softley teaches space campers at the U.S. Space and Rocket Center in Huntsville, Ala. **103. 6:04 p.m.** Betty McManus of the River Heritage Museum in Paducah, Ky., supports TVA's efforts to maximize enjoyment of the Valley's waterways. **104. 6:15 p.m.** As manager of the Holly Springs (Miss.) Electric Department, Tom Boone helps fuel the north Mississippi economy. **105. 6:18 p.m.** Lee Partridge, Portfolio Manager-Fixed Income for the Teacher Retirement System of Texas, keeps the interests of Texas teachers in mind when investing in TVA Power Bonds. **106. 6:22 p.m.** Camelia Cox inspects cartons at the new Paris Packaging facility that opened in Hopkinsville, Ky., with technical assistance from TVA Economic Development. **107. 6:27 p.m.** Not far away, welder and maintenance worker Kerry Williamson nears the end of a workday at the Hopkinsville Elevator construction site. **108. 6:30 p.m.** Steve Wright works the counter at a hardware store in Dyersburg, Tenn. **109. 6:50 p.m.** The Hagan—dad James, mom Kate, son Seamus, and daughter Aisling—take a break from painting their living room in Jonesborough, Tenn. **110. 7:00 p.m.** In Knoxville, Tenn., a concerned citizen responds to alternatives generated by TVA's Reservoir Operations Study.

As a public power company, TVA relies on funds from operating activities, bonds, and other power financings for its capital needs, unlike private power companies that can also issue stock.

TVA'S FOCUS ON IMPROVING ITS FINANCIAL FLEXIBILITY IS DEMONSTRATED through its use of lease/leaseback arrangements to finance power assets and through its reduction of statutory debt. In conjunction with a 6.1 percent rate increase—only the second increase in 16 years—these efforts will allow TVA to continue pursuing environmental improvements and advancing the economic vitality of our communities, while keeping the delivered cost of power among the lowest in the nation.

The history of the Tennessee Valley is as interesting and diverse as the people who live here today. Proof can be found in the more than 300 prehistoric sites that lie within the Seven Mile Island area of the Tennessee River Valley. This nationally recognized Archaeological District is a source of great scientific, cultural, and religious value, especially to the Native American tribes who trace their origins here. **THE TVA CULTURAL RESOURCES PROGRAM IS DEDICATED TO PRESERVING THESE SITES** from the damage being inflicted through looting and erosion.



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111. 7:17 p.m. Residents and visitors enjoy a performance of *As You Like It* at Market Square Mall next to the TVA Towers in Knoxville. **112. 7:30 p.m.** One of TVA's three wind turbines atop Buffalo Mountain in Oliver Springs, Tenn. TVA built the first commercial wind-powered turbines in the Southeast. **113. 8:00 p.m.** Roger Gibbs and his girlfriend, Nykie, visit their local laundromat in Nashville, Tenn. **114. 8:30 p.m.** Anna Batchelder enjoys some birthday cake at her home in Mt. Juliet, Tenn. **115. 8:45 p.m.** A marina on Kentucky Lake. **116. 10:32 p.m.** Randy Vasofsky, who works at Quantum Showrooms in Memphis, and his wife, Stephanie, watch television in their Cordova, Tenn., home. As a teacher, Stephanie knows that the health of a local economy directly impacts the quality of education. TVA and its partners helped attract or retain more than 47,000 jobs in the Valley in 2003. **117. 11:15 p.m.** The colorful generator floor at TVA's Raccoon Mountain Pumped Storage Plant, located deep inside a mountain near Chattanooga, Tenn. The plant can provide over 1,600 megawatts of power when needed.

TVA's vision, "Generating Prosperity in the Valley," is not just an economic goal. It also means fostering a prosperous natural environment. As part of TVA's continued monitoring and protection of threatened and endangered species, **TVA BIOLOGISTS DEVOTED SIGNIFICANT TIME IN THE PAST YEAR** to improving access barriers to caves used by maternity colonies of endangered gray bats along TVA waterways. Two structures were replaced as part of the effort, with follow-up surveys indicating that these modified structures have greatly reduced the problem of human disturbance and increased the protection of the colonies.

What could have been a negative economic event became one of the year's great success stories. Looking at the closing of an International Paper facility in rural Christian County, Kentucky, as an opportunity, **TVA'S ECONOMIC DEVELOPMENT TEAM RESPONDED** quickly, working to lessen the economic impact of the loss of nearly 300 jobs. Joining forces with area economic developers and the local power provider, TVA was able to demonstrate to Paris Packaging, Inc. of Paris, Texas, that the closed manufacturing plant was the perfect location for its first Kentucky manufacturing facility.

It happens every day. Decisions are made to improve the economy. Employees search for new ways to improve energy production and efficiency. Efforts are made to ensure the environment is better than the day before. Every day, in thousands of different ways, TVA benefits the Valley.

But, still, every day ends the same. Lights are turned out in children's bedrooms. And TVA looks forward to another day, improving the lives and businesses of the Valley.



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118. 11:49 p.m. Civil engineer Mira De is part of a 24/7 team at TVA's River Operations Center in Knoxville. **119. 12:34 a.m.** City of Tupelo (Miss.) Water & Light Department towers are lighted red, white, and blue in a show of patriotism. **120. 1:22 a.m.** Kathy Miller makes hamburgers for late-night customers at Ferrell's in Hopkinsville, Ky. **121. 2:30 a.m.** Danny Dedmon, owner and pharmacist of City Drug Company in Dyersburg, Tenn., stays busy thanks to the city's booming medical community and a growing population drawn to the area's quality of life and business expansions. **122. 3:45 a.m.** While most of the Valley is sleeping, Watts Bar Nuclear Plant, located at the northern end of Chickamauga Reservoir in east Tennessee, continues to generate enough electricity to power 650,000 homes. **123. 4:57 a.m.** In the Systems Operations Center, Cletus Rodgers helps manage TVA's power assets. This includes ensuring that plants don't have simultaneous maintenance downtime, monitoring unit availability to match demand, and acting as the agency point of contact in emergencies. **124. 5:35 a.m.** A Memphis Light, Gas & Water crew works at Memphis' Third and Beale streets, in front of B.B. King's Blues Club.

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SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The condensed financial information on the following pages is presented to the stakeholders of the Tennessee Valley Authority as a review of TVA's power program operations for the fiscal year ended September 30, 2003. It is not considered a substitute for the full financial statements, inclusive of footnotes, which are included in the 2003 Information Statement. The 2003 Information Statement is an integral part of this annual report and is incorporated herein by reference. Investors should read the 2003 Information Statement in its entirety before making an investment decision.

GENERAL

TVA is a wholly owned corporate agency and instrumentality of the United States government created in 1933 by Congress and charged with providing navigation, flood control, and agricultural and industrial development, while providing reliable electric power to the Tennessee Valley region. TVA has developed and operates one of the largest electric power systems in the United States, having produced over 151 billion kilowatt-hours (kWh) of electricity in 2003. TVA is administered by a board of three persons appointed by the President and confirmed by the United States Senate. Appointments are for nine-year staggered terms, with one term expiring each three-year interval.

TVA is primarily a wholesaler of power with three major customer groups: distributors, industries, and federal agencies. In addition, TVA sells and buys power through exchange power arrangements with most of the surrounding electric systems. TVA receives no appropriations from Congress to fund TVA's power system or river-management functions.

Key Objectives and Indicators

The Tennessee Valley Authority serves the people of the Tennessee Valley by providing reliable, affordable

electric power, supporting sustainable economic development, and maintaining stewardship of the region's natural resources. TVA's business operations utilize the best practices of private enterprise to achieve excellence in business operations and public service.

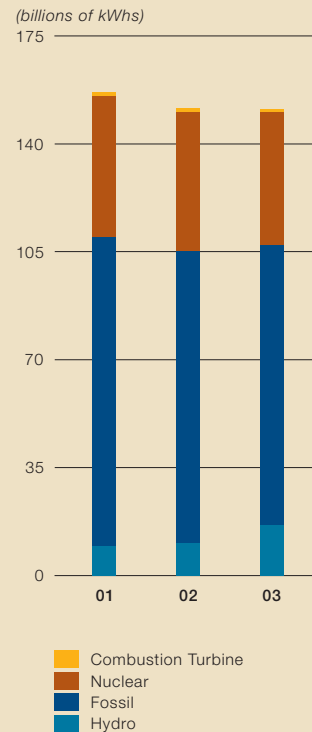
TVA's Six Strategic Objectives

TVA's strategic objectives encompass excellence in operating performance, leadership in economic development, and sensitivity to its stakeholders' needs. Critical success factors have been developed and targets established to reach performance goals. TVA's six strategic objectives are:

- *Improve life in the Tennessee Valley through integrated management of the river system and environmental stewardship.* TVA will improve the quality of life in the Valley by managing the Tennessee River system in accordance with a strategy that balances the diverse benefits of navigation, flood control, power production, water quality, and recreation for the greatest public good.

- *Meet customers' needs with affordable, reliable electric power.* Electric power is the fuel of TVA's regional economy, and TVA's power system is growing and improving to keep pace with the ever-increasing demand. In

GENERATION BY SOURCE



step with America's energy policy for the 21st century, TVA is prepared to play a vital role as a public power provider, dedicated to public service and providing competitively priced electricity in an increasingly open energy marketplace.

- *Demonstrate leadership in sustainable economic development in the Valley.* TVA will continue to work with the communities it serves in order to

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

help attract and retain new and better jobs for the people of the Valley.

■ *Continue the trend of debt reduction.* TVA is committed to reducing its level of total financing obligations in order to create more financial flexibility for the future business environment.

■ *Reduce TVA's delivered cost of power relative to the market.* TVA's bottom line is the creation of value for the public. TVA will be responsive to the marketplace through its initiatives

for promoting innovation and continuous improvement. TVA will generate more for less for the good of many.

■ *Strengthen working relationships with all of TVA's stakeholders.* TVA will strengthen its relationships with Valley residents, communities, and businesses; with customers and suppliers; and with leaders at all levels of government.

Strategic Plan

During 2003, TVA developed a draft strategic plan to guide decision-

making as it prepares for a more competitive market and customer choice. Despite the current uncertainty, TVA believes that wholesale competitive markets are going to continue to evolve and bring four fundamental changes to the business environment:

■ The emerging wholesale electricity markets that surround TVA either already have or are expected to include the following core features:

■ Independent, real-time operation of the regional transmission system, integrated with

KEY OBJECTIVES AND INDICATORS

↑ = Better than target → = On target ↓ = Worse than target

MEASURE	STRATEGIC OBJECTIVE	INDICATOR	PERFORMANCE RESULTS	
			2003 ACTUAL	2003 TARGET
Customer	Meet customers' needs with affordable, reliable electric power	Customer satisfaction on ease of doing business and issue resolution (percent)	↑ 81.1	80.0
	Demonstrate leadership in sustainable economic development in the Valley	Jobs added or retained in the Valley, capital investment leveraged, and quality-jobs measure (index)	↑ 119	100
Operations	Improve life in the Valley through integrated management of the river system and environmental stewardship	Watershed water quality (number of watersheds rated good to fair out of a maximum of 611)	↑ 519	515
	Meet customers' needs with affordable, reliable electric power	Generation availability (ratio of actual to plan)	↓ 0.958	1.000
Financial	Reduce TVA's delivered cost of power relative to the market	Delivered cost of power (cents/kWh)	↑ 4.11	4.12
	Continue trend of debt reduction	Relationship of debt to capacity (\$/kW)	→ 808	808
	Meet customers' needs with affordable, reliable electric power	Manage our production costs (\$/MWh)	↑ 8.57	8.58
People	Strengthen working relationship with all of TVA's stakeholders	All injury rate (injuries/hours worked)	↓ 2.66	1.92

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

- Voluntary day-ahead and real-time energy markets
- Locational marginal pricing to reflect locational differences in generation costs caused by transmission constraints, and
- Financial congestion revenue rights to allow buyers and sellers to hedge the cost of energy delivered to a particular location.

■ TVA must begin to prepare for a future where the laws restricting competition are modified, allowing distributors to choose other suppliers for all or part of their energy needs and allowing TVA to sell surplus power outside the region.

■ TVA's historic monopoly position with respect to bulk power sales in the Tennessee Valley appears likely to change.

■ The cyclical and capital-intensive nature of unregulated power generation poses significant financial risk and will require more financial flexibility.

The draft plan was made available to members of Congress and the Administration, distributors of TVA power, employees, and other stakeholders. With input from the various stakeholder groups, the plan was approved by the TVA Board of Directors (Board) in January 2004. Because the plan is a "living" document, it will continue to evolve, providing a framework for TVA to respond to future market challenges.

RESULTS OF OPERATIONS

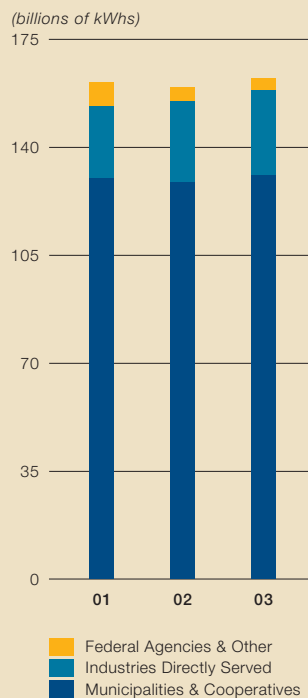
Net income for 2003 was \$456 million, compared with net income of \$73 million for 2002. A portion of the increase, \$217 million, was due to two non-cash accounting changes implemented during the first quarter of 2003: a \$412 million gain related to a change in accounting for unbilled revenue and a \$195 million charge related to a change in accounting for asset retirement obligations. In 2002, TVA elected not to complete a gas-fired combined cycle plant. Accumulated

costs of the project totaled \$154 million, which TVA recognized as a loss on plant cancellation during 2002.

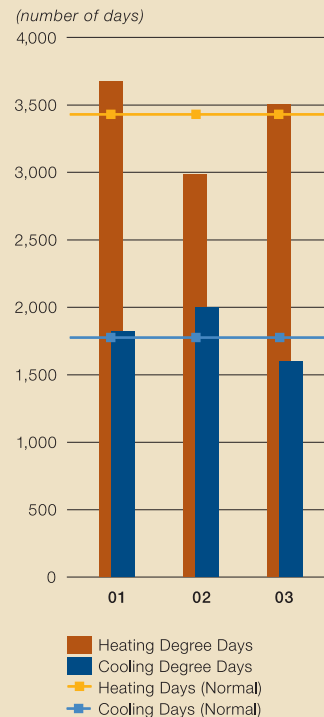
Operating Revenues

Operating revenues were \$6,952 million in 2003 and \$6,796 million in 2002. The increase in operating revenues was primarily related to the \$167 million increase in sales of electricity related to increased volume, primarily due to the impacts of colder winter weather, higher average rates, and increased demand in the industrial sector. Accordingly, total kWh sales to customers increased slightly, from

SALES OF ELECTRICITY



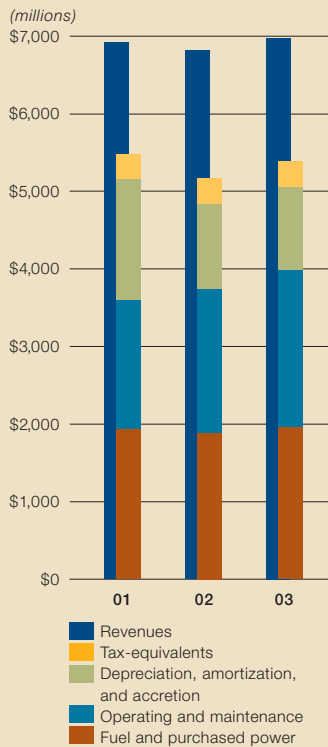
WEATHER DEGREE DAYS



A Degree Day is a unit of measure used to express the extent to which temperatures vary from a specific reference temperature during a given period. TVA uses 65 degrees Fahrenheit as its reference temperature.

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

OPERATING REVENUES & OPERATING EXPENSES



158.7 billion in 2002 to 161.5 billion in 2003, or 2 percent.

Operating Expenses

Total operating expenses increased \$228 million, or 4 percent, from \$5,147 million in 2002 to \$5,375 million in 2003. Fuel cost decreased \$32 million, or 2 percent, resulting from reduced system availability related to several forced outages at TVA generating plants. A portion of TVA's native load demand was met by purchasing power. Purchased power costs increased \$113 million, or 35 percent. Operating and maintenance expenses (O&M) consisting of base O&M, outage, project, and other expenses increased \$178 million, or 10 percent. Base O&M costs increased \$77 million over the prior year due to several unplanned

outages. Planned outage costs were \$16 million lower than the prior year as a result of rescheduling outages necessitated by the unplanned outages and system load requirements. Project costs were also \$32 million lower than the prior year due to project costs for Browns Ferry Unit 1 being capitalized during 2003. Other O&M costs increased \$135 million in comparison with the prior year due to increased pension expense of \$94 million resulting from actuarial decreases in asset returns and the change in related discount rate, increased benefit costs of \$19 million, increased workers' compensation costs of \$27 million, and increased provisions for inventory obsolescence of \$9 million. Depreciation, amortization, and accretion expense increased \$35 million from the same period last year.

CONDENSED STATEMENTS OF INCOME — POWER PROGRAM

For the years ended September 30 (in millions)

	2003	2002
Operating revenues		
Sales of electricity	\$ 6,875	\$ 6,708
Other	77	88
Total operating revenues	6,952	6,796
Operating expenses		
Fuel and purchased power	1,957	1,877
Operating and maintenance	2,027	1,849
Depreciation, amortization, and accretion	1,062	1,093
Tax-equivalents	329	328
Total operating expenses	5,375	5,147
Operating income	1,577	1,649
Other income, net	12	7
Loss on plant cancellation	—	(154)
Interest expense, net	(1,350)	(1,429)
Income before cumulative effects of accounting changes	239	73
Cumulative effects of accounting changes	217	—
Net income	\$ 456	\$ 73

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The increase is due to increased depreciation expense of \$24 million for capital projects placed in service during the year and increased accretion expense of \$11 million related to the adoption of Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations*. Accelerated amortization decreased \$66 million in 2003 as compared to 2002 due to complete amortization of certain regulatory assets.

Other Income

TVA had net other income of \$12 million in 2003 compared with \$7 million in 2002. The increase in net other income relates to an increase in non-electric business activity.

Loss on Plant Cancellation

Due to changes in the market forecast for electricity, TVA elected during 2002 not to complete a gas-fired combined-cycle plant that would have provided 510 megawatts of power beginning in 2004. Accumulated costs of the project totaled \$154 million, which TVA recognized as a loss on plant cancellation in 2002.

Interest Expense

Net interest expense declined \$79 million, from \$1,429 million in 2002 to \$1,350 million in 2003. Total outstanding indebtedness, excluding discounts and premiums, as of September 30, 2003, was \$24.9 billion, with a blended average interest rate (of long-term and short-term debt) of 5.66 percent; as of September 30, 2002, outstanding indebtedness, excluding discounts and premiums, was \$25.3 billion, with a blended average interest rate of 6.06 percent.

Cumulative Effects of Accounting Changes

The net gain of \$217 million from accounting changes during 2003 included a gain related to a change in accounting for unbilled revenues of \$412 million, partially offset by a charge related to a change in accounting for asset retirement obligations of \$195 million.

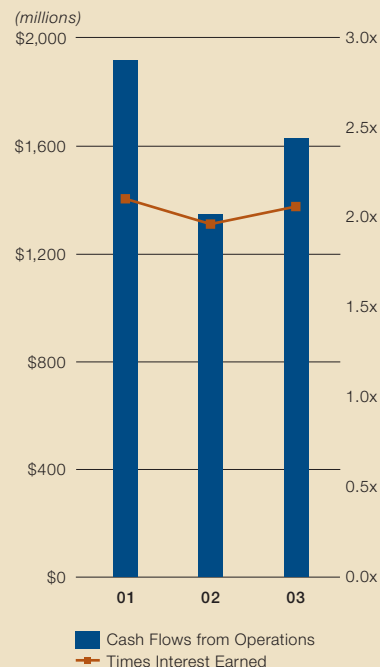
LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

In 1959, TVA received Congressional approval to issue bonds in order to finance its growing power program. Since that time, TVA's power program has been required to be self-supporting. As a result, TVA funds its capital requirements through internal cash generation, debt issuances (subject to a congressionally mandated \$30 billion limit), and other financing arrangements, including lease/leaseback transactions and sales of discounted energy units (DEUs). DEUs allow a distributor customer to prepay a portion of the price of a block of kilowatt-hours and receive a credit on its power bill over a period of years.

Primarily during the first 25 years of TVA's existence, the U.S. Government made appropriation investments in TVA power facilities. TVA is required to pay the U.S. government a return on the appropriation investment in TVA power facilities, plus a repayment of the investment as specified by law. The combined payment for 2003 was \$42 million. Cumulative repayments and return on investment paid by TVA's

CASH FLOWS FROM OPERATIONS & TIMES INTEREST EARNED



power program to the U.S. Treasury are about \$3.5 billion. Approximately \$975 million of the government's appropriation investment of \$1.4 billion has been repaid by TVA.

Net cash provided by power program operating activities increased \$285 million from 2002 to 2003. The increase was primarily due to an increase in operating revenues of \$156 million as a result of increased sales volume, increased rates for certain customers, and net weather effects as compared with the prior year. Cash expended for interest was \$72 million less than the prior year. Cash margin from power sales was partially offset by an increase in cash paid for purchased power of \$98 million to meet higher demand and replace power lost during unplanned outages, and an increase in cash operating and

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CONDENSED BALANCE SHEETS — POWER PROGRAM

At September 30 (in millions)	2003	2002
Assets		
Cash and cash equivalents	\$ 532	\$ 397
Other current assets	1,521	1,133
Property, plant, and equipment, net	26,634	25,679
Regulatory assets	1,862	1,452
Other assets	1,844	1,497
Total assets	\$ 32,393	\$ 30,158
Liabilities and proprietary capital		
Current liabilities	\$ 5,896	\$ 4,809
Long-term debt, net of discount	20,201	21,358
Deferred liabilities	3,394	2,413
Asset retirement obligations	1,725	891
Retained earnings	783	349
Accumulated other comprehensive loss	(74)	(150)
Other proprietary capital	468	488
Total liabilities and proprietary capital	\$ 32,393	\$ 30,158

CONDENSED STATEMENTS OF CASH FLOWS — POWER PROGRAM

For the years ended September 30 (in millions)	2003	2002
Cash flows from operating activities		
Net income	\$ 456	\$ 73
Items not requiring cash	1,069	1,369
Changes in current assets and liabilities	173	21
Other, net	(66)	(116)
Net cash provided by operating activities	1,632	1,347
Cash flows from investing activities		
Construction expenditures	(1,693)	(1,231)
Nuclear fuel	(187)	(146)
Other, net	(63)	31
Net cash used in investing activities	(1,943)	(1,346)
Cash flows from financing activities		
Long-term debt, net	1,024	(600)
Short-term debt, net	(1,412)	476
Proceeds from other financing activities, net	934	289
Other, net	(100)	(108)
Net cash provided by financing activities	446	57
Net change in cash and cash equivalents	135	58
Cash and cash equivalents at beginning of period	397	339
Cash and cash equivalents at end of period	\$ 532	\$ 397

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

maintenance costs of \$60 million as a result of several unplanned outages and higher generation expenses. The change in certain working capital components increased \$152 million, from \$21 million in 2002 to \$173 million in 2003. The increase resulted from a larger reduction of accounts receivable of \$12 million and an increase in accounts payable and accrued liabilities of \$158 million as opposed to a reduction of those items of \$3 million, partially offset by a larger increase in inventories and other of \$16 million and a smaller increase in accrued interest of \$5 million. Other items requiring cash decreased \$50 million, primarily due to the receipt of distributor prepayments.

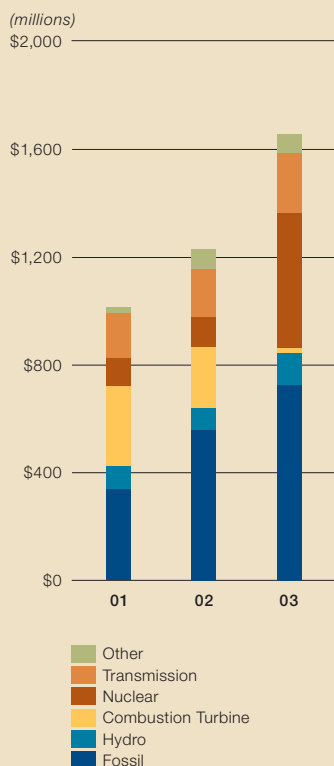
Cash used in investing activities increased \$597 million, primarily due to additional construction expenditures for capital projects of \$462 million mainly related to the Browns Ferry Unit 1 restart and clean air initiatives, an increase in fabrication of nuclear fuel of \$41 million due to timing of enrichment services received, and other investing activities of \$107 million, primarily due to an increase in investment purchases of \$99 million.

Net cash provided by financing activities increased \$389 million during 2003, primarily as a result of an increase in net proceeds from alternative financing activities of \$645 million partially offset by a \$264 million net reduction in long- and short-term bonds and notes from 2002 to 2003.

Capital Requirements

TVA has incurred and continues to require construction expenditures for maintenance and improvements to

CONSTRUCTION EXPENDITURES



facilities to enhance their efficiency and reliability, to extend their useful lives, and to maintain and improve the safety and reliability of TVA's electric transmission system as well as projects associated with customer service improvements and environmental laws and regulations. TVA's total construction expenditures, including the allowance for funds used during construction (AFUDC), were \$1,693 million for 2003. Capital requirements are forecast for future years, and because of changing requirements these forecasts are updated quarterly. It is anticipated that environmental requirements will become more stringent and that compliance costs will increase. Although TVA cannot, with certainty, project the costs of addi-

tional emission control requirements for nitrogen oxides, sulfur dioxide, and particulate matter beyond those required by the acid rain provisions of the 1990 Clean Air Act Amendments, the total costs through 2020 could exceed \$4 billion, exclusive of the costs of the planned selective catalytic reduction systems, or other advanced systems, and scrubbers.

Reflecting the renewed interest in nuclear generation, the Board initiated the recovery and restart of Unit 1 at Browns Ferry Nuclear Plant in northern Alabama in 2002 in order to meet long-term energy needs in the Tennessee Valley. It is anticipated that the Browns Ferry Unit 1 recovery project will cost approximately \$1.8 billion, excluding AFUDC. Unit 1 is expected to return to service in 2007 and the additional nameplate capacity of approximately 1,280 megawatts is expected to help lower the average cost of power and provide additional cash flow. As of September 30, 2003, TVA had incurred approximately \$406 million in costs on the restart project, which is in line with the total planned costs for the project.

The funds necessary for capital requirements will be obtained from internal sources, principally cash flows from operations, and external sources, including short-term financing, long-term financing, and prepaid revenue.

Capital Resources

For purposes of refinancing outstanding debt, TVA continued to access capital markets through cost-effective, long-term financing structures and continued to expand its global investor base, as well as its domestic retail investor base.

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

From October 1, 2002, to September 30, 2003, TVA issued \$564 million of electronotes[®] with an average interest rate of 4.49 percent. In addition, in June 2003, TVA issued £150 million (\$245 million) of 2003 Series A global bonds, which were swapped back to a U.S. dollar interest rate of 4.96 percent, and \$500 million of 2003 Series B global bonds with an interest rate of 4.70 percent. TVA also issued \$1 billion of 2003 Series C global bonds in August 2003 with an interest rate of 4.75 percent. During 2003, TVA redeemed \$303 million of electronotes[®] carrying an average interest rate of 5.28 percent. TVA also redeemed other issues totaling \$982 million with an average interest rate of 7.02 percent.

During October 2002, TVA introduced the Discounted Energy Units program as another way of providing value to its customers. Annually for program fiscal years 2003 to 2007, TVA customers may purchase DEUs in \$1 million increments, which entitle them to a 0.025 dollar/kilowatt-hour discount on a specified quantity of firm load over a period of years (five, 10, 15, or 20) for each kilowatt-hour in the prepaid block. The remainder of the price of the kilowatt-hours delivered is due upon billing. As of September 30, 2003, TVA had entered into sales agreements totaling over \$50 million, which are recorded in Other liabilities on the Balance Sheet.

TVA monetized the call provisions on a \$1 billion public bond issue and a second public bond issue of \$476 million by entering into swaption agreements with third parties in exchange for proceeds of approximately \$256 million during 2003. The swaptions

essentially grant the third party the right to exercise the embedded call provision of the applicable bond while TVA continues to pay the holders of the swaptions pursuant to the original bond issuance. The swaptions are recorded in Other liabilities on the Balance Sheet.

During the summer of 2002, TVA completed construction of two sets of four combustion turbine units that were part of a series of new peaking combustion turbine units. Of the financing options available to TVA for these units, long-term lease and leaseback arrangements provided outcomes that were the most economically favorable to TVA. The lease/leaseback agreement for the first set of four units was finalized during the first quarter of 2003 and provided about \$163 million in lease proceeds. The cost of the first lease/leaseback agreement approximated a full-term implicit rate just above 4 percent. The lease/leaseback for the second set of four units was finalized during the third quarter of 2003 and provided about \$162 million in lease proceeds. The cost of the second lease/leaseback agreement approximated a full-term implicit rate of slightly more than 3.5 percent.

Following on the success of the favorable lease/leaseback financing for the combustion turbines described above, TVA entered into a similar financing arrangement for qualified technological equipment (QTE), consisting of certain transmission equipment and related software, late in 2003. The transaction resulted in financing proceeds of about \$389 million. The cost of the QTE lease/leaseback agreement approximated a full-term implicit rate of slightly less than 4 percent.

TVA accounted for the respective lease proceeds as financing obligations in accordance with SFAS No. 66, *Accounting for Sales of Real Estate*, and SFAS No. 98, *Accounting for Leases*. As of September 30, 2002, the outstanding financing obligations of \$561 million were included in Current liabilities (\$18 million) and Other liabilities (\$543 million), respectively, in TVA's 2002 year-end Balance Sheet. The outstanding financing obligations of \$1,239 million at September 30, 2003, are included in Current liabilities (\$68 million) and Other liabilities (\$1,171 million), respectively, in TVA's Balance Sheet for the year ended September 30, 2003.

OTHER MATTERS

Rate Actions

The TVA Act requires the power program to be self-supporting from power system revenues and from power program financings. The Act also gives the Board sole responsibility for establishing the rates TVA charges for power and authorizes the Board to include in power contracts terms and conditions that it judges necessary or desirable for carrying out the purposes of the Act.

On August 27, 2003, the Board approved rate actions to fund certain clean-air improvements for the next 10 years and to help retain manufacturing jobs in the Tennessee Valley. The three member Board approved a 6.1 percent increase in electric rates. The Board also approved a change in the rate structure

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

to more equitably distribute TVA's costs to serve various customer groups and to make manufacturing rates more competitive with neighboring utilities.

These rate actions became effective beginning with October 2003 wholesale billing months, and together are expected to result in a 7.4 percent increase in wholesale residential and non-manufacturing rates and a 2 percent decrease in wholesale rates for large manufacturers. Corresponding changes and adjustments were approved for distributor resale rates and for TVA's rates to directly served customers.

The rate adjustment is expected to provide approximately \$365 million of additional revenue in 2004.

Risk Policies

Through its normal business operations, TVA is exposed to many risks, including the following:

- Operational risks, including weather
- Volatility of certain commodity and equity market prices
- Changes in interest rates
- Foreign currency exchange rates
- Losses in the event of counterparties' nonperformance.

To manage the volatility attributed to certain of these exposures, TVA has entered into various non-trading derivative transactions, principally an interest rate swap agreement, foreign currency swap contracts, swaptions, and electricity, coal, and natural gas contracts. TVA has a Risk Management Committee that is charged with the

responsibility of reviewing and approving controls and procedures for TVA-wide risk management activities, including the oversight of models and assumptions used to measure risk, the review of counterparty exposure limits, and the establishment of formal procedures regarding the use of financial hedging instruments.

With respect to hedging activities, TVA risk management policies provide for the use of derivative financial instruments to manage financial exposures. A financial trading pilot program to reduce TVA's economic risk exposure associated with TVA's physical electric generation, purchases, and sales was approved by the Board in September 2003. The program allows TVA to trade certain futures contracts and options on futures for hedging purposes only. Trading covered by this authorization will be for the purpose of hedging risks associated with the cost of natural gas and fuel oil for TVA's power generation operations and risks under power purchase or sale arrangements where the energy price varies based upon a fuel index. Trading of authorized futures and options on futures contracts shall be limited solely to those transactions that hedge or otherwise limit economic risks directly associated with TVA's fuel requirements for power generation or with the aforementioned type of power purchase or sale arrangement. Transactions shall be limited to trading of the NYMEX futures contracts and options on futures contracts related to natural gas and fuel oil. The pilot program shall end on August 31, 2005. Speculative trading is explicitly prohibited.

TVA generally does not purchase commercial general liability, auto liability, workers' compensation, accidental property damage, or business interruption insurance. Additionally, although TVA uses private companies to administer its health care plans for eligible active and retired employees not covered by Medicare, TVA does not purchase health insurance. Consulting actuaries assist TVA in determining certain liabilities for self-assumed claims. TVA pays for losses in these areas through power revenues or through power financings.

The Price-Anderson Act sets forth an indemnification and limitation of liability plan for the U. S. nuclear industry. All Nuclear Regulatory Commission nuclear plant licensees, including TVA, participate in the plan of protection for the general public established by the Price-Anderson Act.

The Federal Employees' Compensation Act governs liabilities for service-connected injuries to employees.

Contingencies

The Environmental Protection Agency (EPA) issued an administrative order directing TVA to put "new source requirements" controls on 14 of its coal-fired units and to evaluate whether more controls should be installed on other units. TVA has challenged the validity of this order, and although the U.S. Court of Appeals for the Eleventh Circuit did not rule on the merits of the case, the court held that the procedure used by EPA against TVA was "unconstitutional" and that "TVA is free to ignore" EPA's administrative

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

order. EPA may still seek review of the matter by the U.S. Supreme Court. It is not possible to predict with certainty what impact implementation of the EPA's order will have on TVA if EPA prevails on the merits. If the EPA substantially prevails, TVA could be required to incur capital costs in excess of \$3 billion by 2010 to 2012 in order to implement the EPA's order. However, any additional controls that TVA installs to comply with the order would also achieve emission reductions required under other EPA rules. TVA fully supports the need to further reduce emissions from coal-fired plants and seeks a resolution that will not put TVA customers and the region at a disadvantage.

TVA has exposure to a number of additional significant contingencies including, but not limited to, potential costs associated with spent nuclear fuel and low-level radioactive waste disposal, environmental matters, and pending litigation. These, as well as other matters, are discussed in Management's Discussion and Analysis and Notes to Financial Statements contained in the Information Statement.

RESOURCE MANAGEMENT

TVA's responsibilities for managing public resources began with its creation in 1933. These responsibilities include reservoir operations, navigation, dam safety, and the general stewardship of land, water, and wildlife resources. Today these resource management activities help sustain the intercon-

nected tributaries and main stem of the Tennessee River, the nation's fifth largest river system. Similar resource management responsibilities are funded with taxpayer dollars elsewhere in the nation, and funding for these TVA programs had historically included federal appropriations. Since 1999, TVA has received no appropriations for these activities. The 652-mile-long river, 148 miles of navigable tributaries, and 14 locks, combined with TVA's 49 dams, are a vital part of the nation's navigation system. TVA's other responsibilities in managing the river system include reducing flood risk, producing hydropower, and providing cooling water for TVA's fossil and nuclear plants. Encompassing 41,000 square miles, the river and its tributary watersheds touch 125 counties in portions of seven states.

Because Congress has not provided any appropriations to TVA to fund such activities since 1999, TVA spent \$83 million in both 2003 and 2002 for essential stewardship activities, primarily using power revenues and funding the remainder with a combination of user fees, other forms of nonpower revenues, and fund balances unused in prior years.

TVA retains responsibility for management of the remaining non-power assets. TVA remains committed to carrying out those stewardship activities related to its management of the Tennessee River system and TVA properties and to safeguarding and maintaining the public benefits that are central to management of its integrated system.

TVA has direct stewardship responsibility for 650,000 reservoir surface acres available for recreation

and other purposes, 11,000 miles of shoreline, and 293,000 acres of public land. Reservoirs and recreation areas throughout the region provide outdoor recreation for millions of visitors each year, and TVA has set aside over 228,000 acres of public land for resource management purposes, including enhancement of wildlife habitat and protection of sensitive resources.

ACCOUNTING POLICIES AND PRACTICES

TVA prepares its financial statements in conformity with accounting principles generally accepted in the United States of America, applied on a consistent basis. In some cases, financial statements reflect amounts based on the best estimates and judgment of management, giving due consideration to materiality, and in certain circumstances amounts are based on the Board's ability to effectively set rates under the provisions of the TVA Act.

TVA accounts for the financial effects of regulation in accordance with SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. As a result, TVA records certain regulatory assets and liabilities that would not be recorded on the balance sheet under generally accepted accounting principles for nonregulated entities.

Effective October 1, 2002, the Board approved a change in the methodology for estimating unbilled revenue from electricity sales. The change in calculating unbilled revenue was from a method using cumulative

SUMMARY ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

generation to a method that uses only generation for the current billing period. TVA was able to make this change based on improved metering technology that allows TVA to more accurately capture the number of days power has been generated and transferred to its customers but not yet billed to those customers. Changing to this more accurate estimating methodology resulted in an increase in accounts receivable of \$412 million.

On October 1, 2002, TVA adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*, which requires the recognition of a liability and capitalization of the associated asset retirement cost as part of the carrying amount of the long-lived asset for "legal obligations" associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or normal operation of long-lived assets. The effect of the adoption of SFAS No. 143 during the first quarter of 2003 included a cumulative effect charge to income of \$195 million, a corresponding additional long-term liability of \$734 million, an increase in assets of \$745 million, and related accumulated depreciation of \$206 million.

Additionally, TVA's system of internal controls is designed to provide reasonable assurance that assets are safeguarded from loss, unauthorized use, or disposition and that transactions are executed in accordance with management's authorization and properly recorded to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Controls and Procedures

TVA's records are subject to review by numerous oversight bodies including TVA's Inspector General, the General Accounting Office, the Congressional Budget Office, and the Office of Management and Budget, as well as congressional committees upon request.

TVA's management, including the Chief Financial Officer (CFO) and the members of the Board, have conducted an evaluation of the effectiveness of TVA's disclosure controls and procedures as of the end of the period covered by this annual report consistent with section 302, *Corporate Responsibility for Financial Reports*, of the Sarbanes-Oxley Act of 2002. Based on that evaluation, the Board and the CFO concluded that the disclosure controls and procedures are

effective in providing reasonable assurance that all material information necessary and appropriate in this *Summary Analysis of Results of Operations and Financial Condition* has been made known to them in a timely fashion. TVA's disclosure controls and procedures are effective in providing reasonable assurance that information disclosed in TVA's annual financial reports is accumulated and communicated to management, including the members of the Board and the CFO, as appropriate, to allow timely decisions regarding disclosure. There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the Board and the CFO completed their evaluation.

Forward-Looking Statements

This annual report contains forward-looking statements relating to future events and future performance. Any statements regarding expectations, beliefs, plans, projections, estimates, objectives, intentions, assumptions, or otherwise relating to future events or performance may be forward-looking. In certain cases, forward-looking statements can be identified by the use of words such as "may," "will," "should," "expect," "anticipate," "believe," "intend," "project," "plan," "predict," "assume," "estimate," "objective," "possible," "potential," or other similar expressions. Some examples of forward-looking statements include statements regarding TVA's projections of future power and energy requirements; future costs related to environmental compliance; impacts of potential legislation on TVA and the likelihood of enactment of such legislation; strategic objectives; anticipated availability of nuclear waste storage facilities; projections of nuclear decommissioning costs; and impacts of pending litigation and various administrative orders which have been or may be issued. Although TVA believes that the assumptions underlying the forward-looking statements are reasonable, TVA does not guarantee the accuracy of these statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things, new laws, regulations, and administrative orders, especially those related to the restructuring of the electric power industry and various environmental matters; increased competition among electric utilities; legal and administrative proceedings affecting TVA; the financial and economic environment; performance of TVA's generation and transmission assets; fuel prices; demand for electricity; changes in technology; changes in the price of power; loss of any significant customers or suppliers; creditworthiness of counterparties; weather conditions and other natural phenomena; changes in accounting standards; and unforeseeable events. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the extent to which any factor or combination of factors may impact TVA's business or cause results to differ materially from those contained in any forward-looking statement. TVA undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made.

CERTIFICATIONS OF THE MEMBERS OF THE TVA BOARD OF DIRECTORS

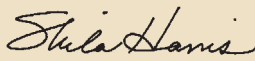
Glenn L. McCullough, Jr., Skila Harris and Bill Baxter, individually certify that:

1. I have reviewed this Summary Analysis of Results of Operations and Financial Condition (Analysis) of the Tennessee Valley Authority;
2. Based on my knowledge, this Analysis does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this Analysis;
3. Based on my knowledge, the condensed financial statements and other financial information included in this Analysis fairly present in all material respects the financial condition, results of operations, and cash flows of the Tennessee Valley Authority as of, and for, the periods presented in this Analysis;
4. The other certifiers and I are responsible for establishing and maintaining disclosure controls and procedures for the Tennessee Valley Authority and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Tennessee Valley Authority is made known to us by others particularly during the period in which this Analysis is being prepared;
 - b) evaluated the effectiveness of the Tennessee Valley Authority's disclosure controls and procedures and presented in this Analysis our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Analysis based on such evaluation; and
 - c) disclosed in this Analysis any change in internal control over financial reporting that occurred during the quarter ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, the Tennessee Valley Authority's internal control over financial reporting; and
5. The other certifiers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Tennessee Valley Authority's auditors and the Inspector General of the Tennessee Valley Authority:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Tennessee Valley Authority's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Tennessee Valley Authority's internal control over financial reporting.

Date: 1/28/2004



Chairman



Director



Director

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Michael E. Rescoe, certify that:

1. I have reviewed this Summary Analysis of Results of Operations and Financial Condition (Analysis) of the Tennessee Valley Authority;
2. Based on my knowledge, this Analysis does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this Analysis;
3. Based on my knowledge, the condensed financial statements and other financial information included in this Analysis fairly present in all material respects the financial condition, results of operations, and cash flows of the Tennessee Valley Authority as of, and for, the periods presented in this Analysis;
4. The other certifiers and I are responsible for establishing and maintaining disclosure controls and procedures for the Tennessee Valley Authority and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Tennessee Valley Authority is made known to us by others particularly during the period in which this Analysis is being prepared;
 - b) evaluated the effectiveness of the Tennessee Valley Authority's disclosure controls and procedures and presented in this Analysis our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Analysis based on such evaluation; and
 - c) disclosed in this Analysis any change in internal control over financial reporting that occurred during the quarter ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, the Tennessee Valley Authority's internal control over financial reporting; and
5. The other certifiers and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Tennessee Valley Authority's auditors and the Inspector General of the Tennessee Valley Authority:
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Tennessee Valley Authority's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Tennessee Valley Authority's internal control over financial reporting.

Date: 1/22/2004



Chief Financial Officer and Executive Vice President of Financial Services

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of the Tennessee Valley Authority:

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the balance sheets (power program and all programs) of the Tennessee Valley Authority as of September 30, 2003 and 2002, and the related statements of income (power program), changes in proprietary capital (power program and nonpower programs), comprehensive income (power program), net expense and comprehensive loss (nonpower programs), and cash flows (power program and all programs) for each of the three years in the period ended September 30, 2003 (not presented herein) appearing on pages 58 through 87 of the Tennessee Valley Authority Information Statement dated February 4, 2004; and in our report dated January 23, 2004, we expressed an unqualified opinion on those financial statements.

As discussed in note 1 to the financial statements, effective October 1, 2002, TVA changed the methodology for estimating unbilled revenue from electricity sales. As discussed in note 1 to the financial statements, effective October 1, 2002, TVA adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*. As discussed in note 1 to the financial statements, effective October 1, 2002, TVA adopted EITF No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2004, on our consideration of the Tennessee Valley Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations for the year ended September 30, 2003. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Knoxville, Tennessee

January 23, 2004

REPORT OF MANAGEMENT

Management is responsible for the preparation, integrity, and objectivity of the financial statements of the Tennessee Valley Authority as well as all other information contained in the annual report. The financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis and, in some cases, reflect amounts based on the best estimates and judgments of management, giving due consideration to materiality. Financial information contained in the annual report is consistent with that in the financial statements.

The Tennessee Valley Authority maintains an adequate system of internal controls to provide reasonable assurance that transactions are executed in accordance with management's authorization, that financial statements are prepared in accordance with generally accepted accounting principles, and that the assets of the corporation are properly safeguarded. The system of internal controls is documented, evaluated, and tested on a continuing basis. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such a system should not exceed the benefits derived. No material internal control weaknesses have been reported to management.

PricewaterhouseCoopers LLP was engaged to audit the financial statements of the Tennessee Valley Authority and issue reports thereon. Its audits were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Such standards require a review of internal controls and an examination of selected transactions and other procedures sufficient to provide reasonable assurance that the financial statements neither are misleading nor contain material errors. The Report of Independent Auditors does not limit the responsibility of management for information contained in the financial statements and elsewhere in the annual report.



Michael E. Rescoe
Chief Financial Officer
and Executive Vice President of Financial Services

REPORT OF THE INSPECTOR GENERAL

To the Board of Directors of the Tennessee Valley Authority:

The Tennessee Valley Authority (TVA) contracted with the independent certified public accounting firm of PricewaterhouseCoopers LLP (PricewaterhouseCoopers) to audit the balance sheets (power program and all programs) as of September 30, 2003 and 2002, and the related statements of income (power program), changes in proprietary capital (power program and nonpower programs), comprehensive income (power program), net expense and comprehensive loss (nonpower programs), and cash flows (power program and all programs) for each of the three years in the period ended September 30, 2003. The contract required the audit be done in accordance with generally accepted government auditing standards.

Under the Inspector General Act, the Office of the Inspector General (OIG) is responsible for taking appropriate steps to assure any work performed by nonfederal auditors, including PricewaterhouseCoopers, complies with generally accepted government auditing standards. The Chief Financial Officers Act also places responsibility on the OIG regarding TVA's annual financial statement audit. In keeping with our statutory responsibilities, we reviewed PricewaterhouseCoopers' report and related audit documentation, interviewed their representatives, and performed such other procedures as we deemed appropriate in the circumstances to provide reasonable assurance the audit was performed in accordance with generally accepted government auditing standards.

The objective of our review was not intended to enable us to express, and we do not express, an opinion on TVA's financial statements or on management's conclusions about the effectiveness of its system of internal control. PricewaterhouseCoopers is responsible for the auditor's report dated January 23, 2004, and the conclusions expressed in the report. However, our review disclosed no instances where PricewaterhouseCoopers did not comply, in all material respects, with generally accepted government auditing standards. Our review was performed in accordance with generally accepted government auditing standards.



Richard W. Moore
Inspector General
February 4, 2004

BOARD OF DIRECTORS



GLENN L. McCULLOUGH, JR.

Chairman

Was appointed to a six-year term as the 26th member of the TVA Board of Directors in November 1999... named chairman by President Bush in July 2000...serves on the Electricity Advisory Board to U.S. Department of Energy Secretary Spencer Abraham...board and executive committee member of the Electric Power Research Institute (EPRI), the Institute of Nuclear Power Operations (INPO), and the Nuclear Energy Institute...elected mayor of Tupelo, Mississippi, in 1997 after 14 years in private business...was director of the Mississippi office of the Appalachian Regional Commission...member of the boards of the Memphis Chamber of Commerce, the Economic Development Partnership of Alabama, and the Mississippi Partnership for Economic Development...B.S. from Mississippi State University.



SKILA HARRIS

Director

Was appointed by President Clinton to a nine-year term as the 25th member of the TVA Board of Directors in November 1999...the first woman to hold the post of TVA Director...17 years of public and private experience in the energy field...served in the Department of Energy in both the Clinton and Carter administrations...from 1993 to 1997, served as special assistant to Vice President Al Gore and as Tipper Gore's chief of staff...was Vice President for Development and Compliance at Steiner-Liff Iron and Metal Company from 1989 to 1992...was a contract and project manager at the U.S. Synthetic Fuels Corporation...B.A. in political science from Western Kentucky University...M.A. in legislative affairs from George Washington University.



BILL BAXTER

Director

Was appointed by President Bush and confirmed by the U.S. Senate...sworn into office November 2001 to become the 27th member of the TVA Board of Directors...prior to his appointment, was Chairman and Chief Executive Officer of his family-owned business, Holston Gases Inc., headquartered in Knoxville... appointed Commissioner of Economic and Community Development for the State of Tennessee...during his three year tenure the state achieved three consecutive years of record private capital investment and job creation...is a board member of the Development Corporation of Knox County, Grand Teton National Park Foundation, and Friends of the Smokies...also serves on the U.S. Department of Energy's National Renewable Energy Laboratory National Advisory Council...B.A. from Duke University and law degree from the University of Tennessee.

EXECUTIVE COMMITTEE

JACK A. BAILEY

Senior Vice President, Power Resources and Operations Planning

TERRY BOSTON

Executive Vice President, Transmission/Power Supply

JOHN J. BRADLEY

Senior Vice President, Economic Development

AMY T. BURNS

Vice President, Bulk Power Trading

JOSEPH R. BYNUM

Executive Vice President, Fossil Power Group

MAUREEN DUNN

Executive Vice President and General Counsel

THERESA A. FLAIM

Senior Vice President, Strategic Planning and Analysis

KATHRYN J. JACKSON

Executive Vice President, River System Operations and Environment, and Environmental Executive

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Executive Vice President, Human Resources

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Senior Vice President, Outage Planning and Execution

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Chief Financial Officer and Executive Vice President, Financial Services

ELLEN ROBINSON

Executive Vice President, Communications and Government Relations

JOHN A. SCALICE

Chief Nuclear Officer and Executive Vice President, TVA Nuclear

D. LEANNE STRIBLEY

Executive Vice President, Administration

IKE ZERINGUE

President and Chief Operating Officer

SEVEN DECADES—25,500 DAYS—OF SERVICE TO THE VALLEY

For more than seven decades, TVA employees have worked to discover new technologies for providing affordable, reliable power and to create economic opportunities where none existed.

In 1933 TVA began to provide flood damage reduction, navigation, hydroelectric power, cleaner water, economic development, land reclamation, and recreation through its management of the Tennessee River. Today, TVA is using 21st century technologies while remaining committed to fulfilling that original goal. In doing so, the agency has become a national leader in the provision of affordable, reliable power.

With a generating mix diversified among coal, hydro, nuclear, natural gas, wind, methane gas, and solar energy, TVA provides reliable, affordable energy, which fuels businesses and is an effective tool for developing the economy. What was an economically deprived region with soil and forests depleted, desperate for jobs, has become a region of growing prosperity, where businesses, families, and the environment thrive.

To employees, the Tennessee Valley is more than part of the name of their business. It's where they go home every night. It's where they raise their children. It's where their future resides. In honor of TVA's 70th anniversary in 2003, the TEAM TVA Employee Volunteer Program was created to organize this commitment to our communities. This program initiated "70 Hours of Service" to encourage employees to donate 70 hours of their time to public service in their communities during TVA's anniversary year.

MAY 18, 1933 President Franklin Delano Roosevelt signs bill proposed by U.S. Senator George Norris of Nebraska to create a regional federal agency to confront poor economic conditions in the Tennessee Valley. That same day, TVA acquires Wilson Dam from the War Department.

1936 The first TVA-built hydroelectric dams, Norris and Wheeler, begin operations, contributing flood control, navigation, and power generation in the Valley.

1939 A three-judge federal court upholds constitutionality of the TVA Act in the "18 Company Case," involving utility companies with interests in the Tennessee Valley. Also, aiding the war effort, TVA begins building its first coal-fired steam plant, Watts Bar, to meet increased demand for electricity.

1941 President Roosevelt asks Congress to approve funding for Douglas Dam in east Tennessee, which had been recommended by TVA engineers as the best choice to meet an urgent need for power for national defense.



1. A wall at the FDR Memorial in Washington, D.C. **2.** President and Mrs. Roosevelt ride with TVA's first chairman, Arthur E. Morgan. **3.** At the Douglas Dam Celebration on March 1, 1943, project manager Lee G. Warren addresses a crowd of 4,500 employees, who finished construction of the east Tennessee dam in a world-record 13 months. **4.** As part of TVA's 70th Anniversary Celebration, actor and Nebraska State Senator David Landis portrays "the father of TVA," Senator George W. Norris, whose vision of taming the Tennessee River and providing low-cost hydroelectric power to rural areas led to the creation of TVA in 1933. **5.** Employees Mary Cherry-Marks and Paulette Mullins enjoy TVA's 70th Anniversary Celebration, which was held in Knoxville on May 22, 2003, and simulcast to 21 other sites. **6.** The TVA Police Honor Guard presents the colors at the 70th Anniversary Celebration. **7.** Browns Ferry Nuclear Plant employee Frank Travis reads co-worker Mike Olson's "Seven Decades of Service" essay, one of many submissions from TVA employees. Mike's father, Jerry, was a lifetime TVA employee, and his grandfather, Virgil, felled trees and drove a mule team in the 1930s preparing reservoir areas for TVA's North Alabama dams.

After Pearl Harbor, the President's defense program receives quick approval from Congress. TVA construction forces complete the dam in only 13 months.

MAY 1943 Large-scale production of ammonium nitrate for fertilizer use and munitions production is started at Muscle Shoals.

1945 Kentucky Reservoir is filled, opening the Tennessee River to year-round commercial navigation from Knoxville, Tenn., to Paducah, Ky., and on to the Mississippi River.

1945-1950 Postwar, new industries are attracted to the Valley by an abundance of low-cost power, flood-free sites, and navigation. The number of TVA electricity customers nearly doubles.

JUNE 1951 TVA and the National Fertilizer Association sign a memorandum of understanding for the exchange of technical information.

1955-56 Coal-burning capacity surpasses hydro, and "the largest of all the world's steam plants"—Kingston—is completed.

1959 To enable TVA to meet its power needs without reliance on congressional appropriations, President Eisenhower signs a law amending the TVA Act and authorizing TVA to sell bonds in public markets to finance its own operations.

JUNE 1966 TVA Board decides to build the first TVA nuclear power plant at Browns Ferry, Alabama.

1968 TVA now has helped more than 120 communities throughout the Valley analyze flooding problems and draw up plans and local ordinances to restrict development in floodplains and reduce local flood damage.

MARCH 1973 TVA conducts the largest flood-control operation in its history.

1978 TVA and Environmental Protection Agency agree on a plan to meet strict air-quality standards at each coal-fired plant.

TVA develops computer-backed Woodland Resource Analysis Program to help private landowners manage their woodlands for a variety of goals.

MAY 1982 TVA participates in the 1982 World's Fair with two "Valley Adventure" barges that will travel the Tennessee River in the next year.

MAY 1983 The U.S. Post Office issues a stamp commemorating TVA's 50th anniversary.

1990s TVA prepares for restructuring as the electric-utility industry moves toward deregulation. Although its production costs are third-lowest among the nation's 50 largest electric utilities, TVA continues to look for new ways to reduce costs even more and improve efficiency.

1998 TVA unveils a new clean-air strategy to reduce pollutants that cause ozone and smog.

EARTH DAY 2000 TVA's renewable energy program, Green Power Switch®, begins. In the summer of 2000, TVA's nuclear plants set new records for efficient operation.

MAY 2002 TVA's Board approves restarting Browns Ferry Unit 1 to enable the agency to meet future power demands of the Valley.

JANUARY 2003 TVA meets its all-time peak demand of 29,866 MW.

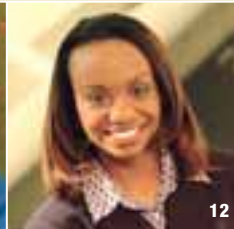
MAY 2003 TVA celebrates its 70th anniversary.



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8. TEAM TVA volunteers Barbara Martocci, April Falcon, and Caren Goode participate in a clothing drive for Knoxville's Child and Family Services. **9.** Walter P. Hutchins, Assistant Unit Operator at John Sevier Fossil Plant, has been with TVA for 27 years. **10.** With more than 60 years of experience at TVA, Walter Newby has worked for TVA longer than any current employee. **11.** An eight-year TVA employee, Clay DeLoach is a Process Control Analyst in TVA's System Operations Center in Chattanooga. **12.** A Financial Analyst in Knoxville, Keyetta Watkins has been with TVA for two years. **13.** Raising the roof of a Habitat for Humanity house in Knoxville. **14.** TVA employees participate in the Flint River cleanup in Huntsville, Ala. The city proclaimed a "TVA Resource Stewardship Day," recognizing the organization for building several environmental partnerships with Huntsville and its Operation Green Team. **15.** Tonya Underwood, a senior secretary in facilities at TVA Knoxville, helps the Tanasi Girl Scout troop clean up around Norris Lake at Camp Tanasi in Anderson County, Tenn., as part of TVA's Combined Federal Campaign Day of Caring.

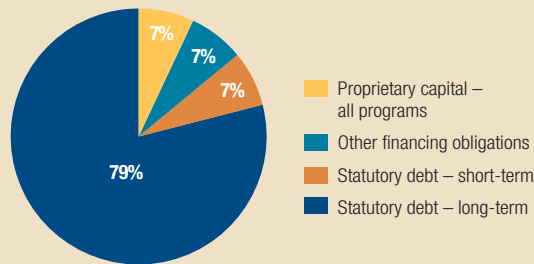
INVESTOR INFORMATION

FINANCING GOAL

TVA's financing goal is to offer unique investment opportunities that provide exceptional value for both the investor and TVA. TVA securities may be issued only to provide capital for TVA's power program, including refunding of existing debt.

CAPITAL STRUCTURE

TVA is a self-financed, wholly owned federal corporation that receives no appropriations from the federal government. TVA's federal charter, the TVA Act, limits the ways it can raise capital to fund its operations. TVA is not authorized to issue stock, so it must meet its capital requirements through internally generated funds and power program financings. This results in a capital structure that is very different from that of an investor-owned utility (IOU)



and also helps explain why TVA's debt levels are generally higher than the debt levels of IOUs with similar levels of total capitalization.

TVA securities are backed solely by the net power proceeds of the TVA power system and are neither obligations of nor guaranteed by the U.S. Government.

KEY STRENGTHS OF TVA SECURITIES

■ TVA's rated bonds are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's and Fitch Ratings.

■ The TVA Act requires TVA to set power rates sufficient to pay, among other things, debt service on outstanding bonds.

■ All TVA bonds and discount notes are senior debt and holders of these securities are given first pledge of payment from net power proceeds.

■ Both principal and interest on TVA securities are generally exempt from state and local income taxes. TVA securities are not exempt from estate, inheritance, and gift taxes or from federal income tax.

■ Some issues contain a survivor's option that allows for the redemption of the bonds at par value upon the death of the beneficial owner (subject to certain limitations).

INVESTMENT OPPORTUNITIES

ELECTRONOTES®

TVA's electronotes® program is a retail bond program that offers bond issues in a variety of different structures targeted to individual investors. These bonds are generally issued twice a month, in denominations of \$1,000, with maturities ranging from 1 to 30 years. Most issues contain a survivor's option. To learn more about electronotes® go to www.tvaelectronotes.com or call TVA Investor Relations toll-free at 888-882-4975.

QUARTERLY INCOME TIERED SECURITIES (QUINTS)

These bonds offer the survivor's option and pay interest quarterly. They were issued in denominations of \$1,000.

PUTABLE AUTOMATIC RATE RESET SECURITIES (PARRS)

These bonds trade on the New York Stock Exchange under the symbols "TVC" and "TVE." They were issued in denominations of \$25 and pay interest quarterly. They have a fixed coupon rate for the first five years after issuance, but, after five years, the annual reset provision provides for a possible reduction (never an increase) in the coupon rate under certain conditions every year until maturity. If the rate is reset, the bond owner has the option to put (return) the bonds to TVA at par value.

VALLEY INFLATION-INDEXED POWER SECURITIES (VIPS)

These bonds are indexed to inflation as measured by the Consumer Price

Index (CPI). The bondholder receives a fixed coupon rate, but, if the CPI changes, the principal is adjusted for the change in the CPI.

DISCOUNT NOTES

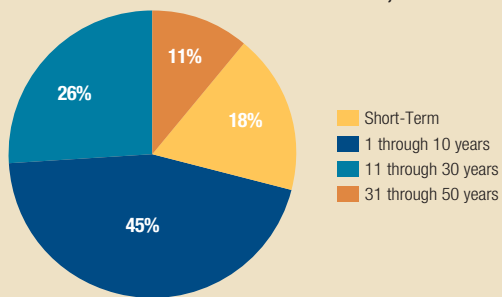
These are short-term notes offered for sale on a continuing basis to a selected group of investment dealers and dealer banks. Discount notes are sold at a discount, in book-entry form, in principal amounts of \$100,000 and additional increments of \$1,000.

OTHER TVA POWER BONDS (24 TOTAL)

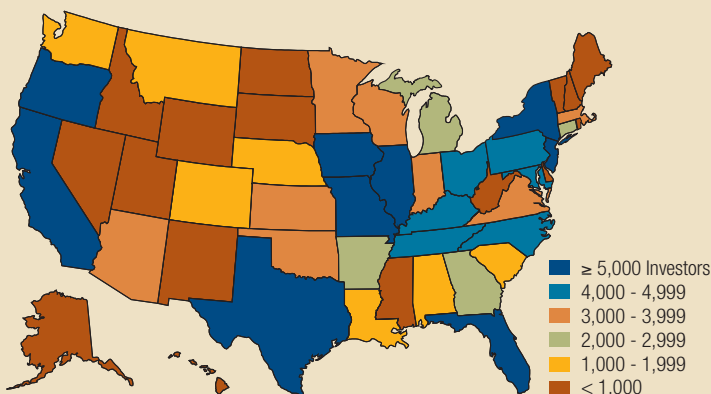
TVA has both global and domestic bonds that were issued with varying maturities, structures, and interest payment time frames and in several different currencies.

Please visit www.tva.com/finance to see more details on TVA investment opportunities as well as offering circulars for each security, or call Investor Relations toll-free at 888-882-4975.

DEBT MATURITIES - AS OF SEPTEMBER 30, 2003



DOMESTIC CONCENTRATION OF TVA BONDHOLDERS



INTERNATIONAL INVESTMENT IN TVA BONDS



All TVA bonds are publicly held. TVA issues a variety of debt securities in U.S. dollars and other currencies designed to meet the needs of investors around the world. Investors in all 50 states and over 60 countries have purchased TVA securities.

As of September 30, 2003, TVA had 74 long-term debt issues outstanding, totaling \$22.8 billion. Of these, 44 issues were *electronotes*®.

TVA is an equal opportunity and affirmative action employer. TVA also ensures that the benefits of programs receiving TVA financial assistance are available to all eligible persons regardless of race, color, sex, national origin, religion, disability, or age. This document can be made in an alternate format upon request. This report is printed on 30% post-consumer recycled paper and uses soy-based inks.

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E-MAIL ALERT

E-mail alerts are messages that are conveniently delivered to a subscriber's e-mail address whenever certain new information is posted to TVA's Investor Resources Web pages. To learn more about how to subscribe to e-mail alerts, visit TVA's Web site at www.tva.com/finance.

Market prices and broker policies may require investors to pay more or less than par value for a security in the secondary market. TVA securities can be purchased through a broker, bank, or other financial institution.

6:00 a.m. again, somewhere in the Valley.



Tennessee Valley Authority

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www.tva.com