



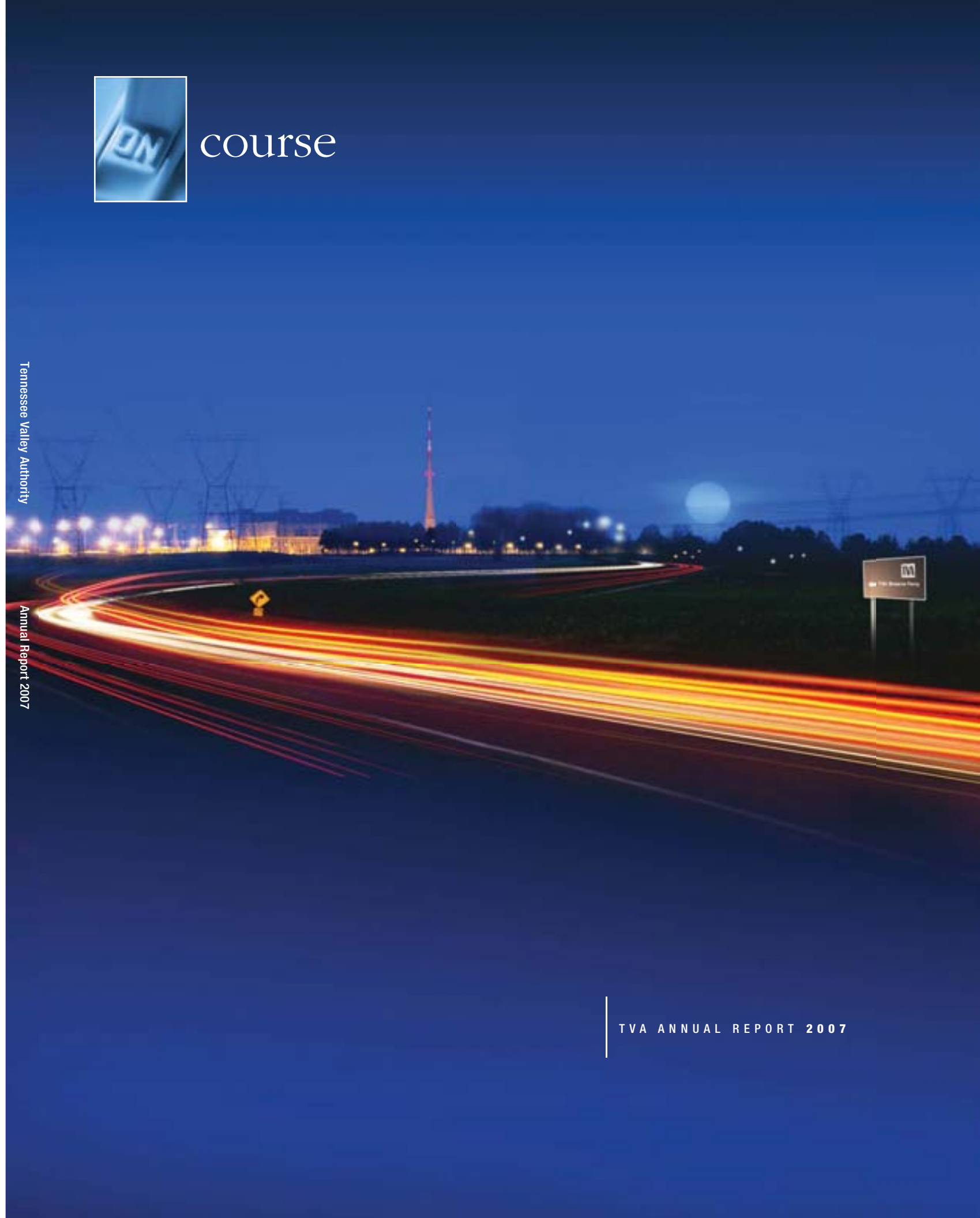
Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, Tennessee 37902
www.tva.com



course

Tennessee Valley Authority

Annual Report 2007



TVA ANNUAL REPORT 2007



line

Browns Ferry Nuclear Plant Three units—power for close to 2 million homes

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Financial Highlights

For the years ended September 30 (in millions)

	2007	2006	PERCENT CHANGE
Summary statements of income			
Operating revenues	\$ 9,244	\$ 9,175	1
Revenues capitalized during pre-commercial plant operations	(57)	-	
Operating expenses	(7,723)	(7,582)	2
Operating income	1,464	1,593	(8)
Other income, net	62	75	(17)
Unrealized gains (losses) on derivative contracts, net	41	(15)	NM
Interest expense, net	(1,184)	(1,215)	(3)
Income before cumulative effects of accounting changes	383	438	(13)
Cumulative effect of change in accounting for conditional asset retirement obligations	-	(109)	
Net income	\$ 383	\$ 329	16

Unless otherwise indicated, years (2007, 2006, etc.) in this report refer to TVA's fiscal years ended September 30.



President Bush visited Browns Ferry Nuclear Plant on June 21 to mark the successful restart of Unit 1. It was the sixth time a sitting U.S. president has visited TVA.



board

Moving forward with a new Strategic Plan

A letter from Chairman Bill Sansom on behalf of the TVA Board

For 2007, a key initiative of the TVA Board was working with TVA's leadership in developing and adopting an updated TVA Strategic Plan. This plan focuses on the specific goals of meeting the region's growing power needs reliably and using sound financial principles.

The plan includes a renewed commitment to energy efficiency and energy conservation. Improving energy efficiency and reducing peak power demands are significant actions that can be cost-effective and help us address air quality and other environmental concerns.

The Strategic Plan also emphasizes strengthening customer relations, not only by providing reliable and competitively priced power, but also by partnering with our customers in energy efficiency, energy supply, and economic development. This includes providing distributor customers with the opportunity to share in the ownership of generating assets.

In the area of environmental stewardship, the Board adopted a new Land Management Policy that balances the public benefits of TVA lands with our responsibility as a steward of the Valley's natural resources.

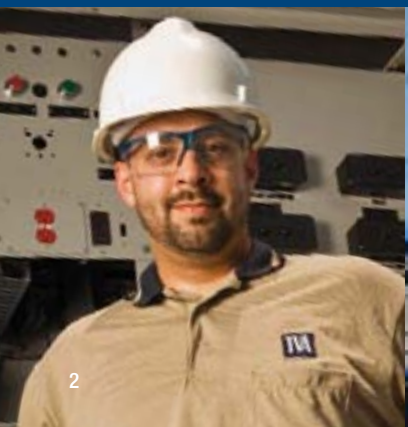
My fellow directors and I are committed to working with Tom Kilgore and TVA's executive team as they use the Strategic Plan to lead TVA. To return our Board to full strength, the President sent the nomination of a ninth member, Thomas C. Gilliland of Blairsville, Georgia, to the U.S. Senate in July 2007, along with the nominations of William Graves and Susan Richardson Williams for new terms.

In August 2007, the men and women of TVA met unprecedented challenges in the hottest month on record during the driest year on record. The electrical load on the system during the month resulted in the 13 highest peak power demands in TVA history. The people of TVA came through, and we on the TVA Board are proud of them.

We consider it a privilege to serve on the Board of TVA as its employees work toward the goals of the Strategic Plan with a continued dedication to their mission of service to the Tennessee Valley.

Bill Sansom

Chairman, Board of Directors





the way



A letter from Tom Kilgore

Fiscal year 2007 marked a number of important new beginnings for TVA.

As described by Chairman Sansom on the previous page, one of our most important new beginnings was the development of our new Strategic Plan, which the Board approved in May.

Development of the Strategic Plan included a period for public review and comment. During that time, we gained a special insight into how important renewable energy sources, energy conservation, and demand-side management are to our stakeholders across the Valley. Many Valley residents spoke eloquently at our public meetings. We listened. And our final Strategic Plan reflects their input.

TVA, and to some extent our nation's nuclear industry, had a new beginning with the May restart of Browns Ferry Unit 1 near Decatur, Alabama. Browns Ferry Unit 1 is the nation's first nuclear generating unit to be brought into service in the 21st century, and its 1,150 megawatts of generating capacity helped the TVA power system meet a series of unprecedented power demands during a relentless August heat wave.

In August, TVA met 22 peaks above 30,000 megawatts, including its top 13 peak power demands of all time, topped by a record of 33,482 megawatts on August 16. Before this summer, the previous record peak demand had been 32,008 megawatts.

The people of TVA met extraordinary challenges this summer, and in the process, ushered us into a new era of challenge and achievement in TVA operations.

The 12,000 employees of TVA are making continuous improvement a way of life, and they are embracing efforts to reach top-quartile performance in key aspects of our business.

We are building on our transmission system's eight straight years of 99.999-percent reliability and doing what is necessary to enable the TVA power system to operate more than ever as an integrated unit.

TVA is committed to top-quartile performance.

The steady increases in power demand in recent years—about 2 percent per year—tell us that the Valley economy is growing and flourishing.

One notable example was Toyota's decision to locate a new Highlander assembly plant at the Wellspring megasite in Blue Springs, Mississippi. Overall, in 2007, TVA's economic development efforts helped attract or retain some 45,000 jobs and leveraged some \$5.6 billion in capital investment.

The Valley's ever-growing demand for power led to another new beginning—the Board's decision, made in August, to complete Watts Bar Nuclear Plant's Unit 2 near Spring City, Tennessee. The project is expected to cost some \$2.5 billion and add another 1,180 megawatts of safe, greenhouse-gas-emissions-free, base-load generating capacity to help meet the Valley's growing electricity needs in 2013.

The Tennessee Valley continued to experience drought conditions in 2007, which was the driest year in 118 years of record-keeping.

Adhering to the Reservoir Operations Policy adopted in 2004, TVA was able to provide river flows to protect aquatic life, keep commercial navigation channels open, provide sufficient water supply, and support power operations.

Hand in hand with TVA's responsibilities for energy, environment, and economic development, the men and women of TVA are committed to responsible corporate citizenship.

TVA employees and retirees have established a great tradition of giving back to our communities—building Habitat for Humanity homes, working at Partners in Education schools, and participating in Days of Caring for charitable organizations. In all, TVA employees volunteered more than 36,000 hours this year.

In 2007, TVA had revenues of more than \$9.24 billion on sales of more than 174.8 billion kilowatt-hours of electricity.

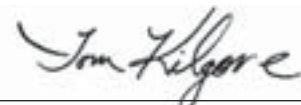
We reduced our balance of debt and other financing obligations by \$530 million, bringing our reduction since 1996 to \$3 billion—from \$27.7 billion to \$24.7 billion.

Since 1997, the amount of each revenue dollar used to pay net interest and other financing expenses has declined from 34 cents to 14 cents.

We also added several talented leaders to our top management team, including three in key corporate positions:

- William R. (Bill) McCollum, Jr., joined us as chief operating officer, coming to TVA after a 30-year career at Duke Power. William S. (Skip) Orser has our sincere appreciation for his service as interim COO before Bill McCollum came onboard.
- Kimberly Scheibe Greene joined TVA as chief financial officer. Kim previously served as senior vice president of finance and treasurer for Southern Company.
- Emily J. Reynolds became senior vice president of Communications, Government and Valley Relations. In a long career in public service, Emily had previously served as secretary of the U.S. Senate.

In this time of new beginnings, our management team and all the employees of TVA are committed to getting better at everything we do, meeting the energy needs of a growing economy, and delivering on our mission of making the Tennessee Valley a better place to live, work, and raise a family.



President and Chief Executive Officer



A new vision for TVA's future

As we improve our focus on safety and achieve best-in-class operational performance, TVA will become an even better, more exciting place for our employees to work and deliver tremendous value to our stakeholders in the Tennessee Valley.

— **Bill McCollum**, Chief Operating Officer

TVA met its fiscal year 2007 objective of reducing debt and other financing obligations by \$530 million, in spite of record drought conditions that placed a burden on the company's cash position. Looking ahead, the Strategic Plan shifts the financial focus to strengthening the balance sheet as TVA adds generating capacity to meet the Valley's growing power demand and continues its efforts to reduce debt and other financing obligations. We are committed to abiding by the financial principles set out in the Strategic Plan to enable the company to accomplish its comprehensive mission in a financially sound manner.

— **Kim Greene**, Chief Financial Officer

We take seriously our responsibility to build relationships and earn the public's trust across the Tennessee Valley. Whether we're providing timely information to the news media or briefing elected officials on the issues of the day, we're proud of TVA's service to the region. We'll continue our focus to improve TVA's reputation and constantly strive to communicate clearly and consistently with our stakeholders.

— **Emily Reynolds**, Senior Vice President, Communications, Government and Valley Relations



record

In 2007, TVA's power system sold 174.8 billion kilowatt-hours of electricity.

2007 TVA POWER SOURCES



Mechanic Technician Diane Ransom helped Shawnee Unit 6 set a national record.

TVA relies on a diverse mix of power sources

The fossil fleet—including Kingston Fossil Plant (*above*)—generated a record 100.1 billion kilowatt-hours of electricity. With a continuous run of 1,093 days ending on February 15, 2007, Shawnee Fossil Unit 6 set an all-time continuous-run record for U.S. fossil plants.

TVA's nuclear fleet, with the addition of Browns Ferry Unit 1 in May, generated 46.4 billion kilowatt-hours of electricity, an increase of 2.4 percent from 2006. With rainfall at 66 percent of a normal year, hydro generation was about 70 percent of normal, and the amount of purchased power increased by 16 percent to make up for the shortage. Even with overall hydro generation totals down for the year, TVA's hydro fleet, including the Raccoon Mountain Pumped Storage facility, provided valuable peaking power.

The 2007 power totals include the peaking power provided by TVA's combustion-turbine units at eight sites across the Valley. In supplying crucial peaking power, these units lessen TVA's reliance on purchased power and help system operators manage the transmission system during periods of maximum usage and intense heat.

TVA purchased two combustion-turbine facilities—one in Marshall County, Kentucky, and one in Gleason, Tennessee—and began leasing the Caledonia combined-cycle facility near Columbus, Mississippi. These three plants provide a total of nearly 2,000 megawatts of net summer dependable capacity and played an important role in the system's ability to meet peak power demand this past summer. To add more peaking power, TVA plans to build a 600-megawatt combined-cycle plant adjacent to its existing Lagoon Creek combustion-turbine plant near Brownsville, Tennessee.



demand

Rising to the challenge 24/7

During August 2007—the Valley’s hottest month on record—the TVA power system met a string of record high power demands.

Between August 2 and 28, TVA met its 13 highest-ever system peak power demands. All of them were above 32,000 megawatts, including an all-time record peak demand of 33,482 megawatts at 6 p.m. EDT on Thursday, August 16, when the average Valley temperature was 102 degrees Fahrenheit.

During that peak hour, purchased power provided 21 percent of TVA’s load. The system temperature of 103.6 degrees Fahrenheit at 4 p.m. EDT was the highest system temperature in the past 55 years.

All 59 fossil units operated simultaneously for a record 14½ days between August 6 and 20, more than doubling the previous mark of 6½ days set in 2005.

All six nuclear units operated simultaneously during much of August. On several days, some plants reduced generation due to warm water and minimum-flow conditions on the Tennessee and Cumberland rivers.

TVA’s transmission system lived up to its reputation for strength and reliability by delivering record amounts of power without interruption to its customers.

Before 2005, TVA had never experienced peak-power demands above 29,000 megawatts on any two days in a row. In summer 2005, TVA had eight straight days with peaks above 29,000 megawatts. In August 2007, TVA had 13 consecutive days with peaks above 30,000 megawatts.

The TVA power system also met two all-time record winter peak power demands. On December 8, 2006, TVA met a record demand of 30,173 megawatts, which was surpassed on January 31, 2007, by a peak power demand of 30,320 megawatts.

Six monthly all-time record peak power demands August 33,482 MWs

<p>October 25,529 Megawatts (MWs)</p>	<p>November 25,169 MWs</p>	<p>December 30,173 MWs</p>	<p>January 30,320 MWs</p>	<p>February 29,685 MWs</p>	<p>March 25,300 MWs</p>	<p>April 23,728 MWs</p>	<p>May 26,312 MWs</p>	<p>June 28,977 MWs</p>	<p>July 30,115 MWs</p>	<p>August 33,482 MWs</p>	<p>September 30,321 MWs</p>
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balance

Cleaner air today and tomorrow

Balancing costs and benefits to appropriately address TVA's competing statutory responsibilities, TVA is working to continue its reduction of emissions from its plants while providing reliable, affordable electricity.

In June, TVA completed its third scrubber at Paradise Fossil Plant near Drakesboro, Kentucky. It was the seventh scrubber installed on larger units across the TVA system, with three more on the way. The third Paradise scrubber reduces the unit's sulfur-dioxide (SO₂) emissions by 97 percent. The seven scrubbers, plus the use of low-sulfur coal, have reduced the SO₂ emissions throughout the system by 82 percent compared with 1977 levels.

To reduce nitrogen-oxide (NO_x) emissions, TVA has installed various combustion controls on all 59 coal-fired units and selective catalytic reduction technology on 21 of its units. Since 1995, TVA has reduced NO_x emissions during the summer (when ozone levels increase) by approximately 81 percent.

Demand-side management

As part of its commitment to be a leader in energy efficiency and power-demand reduction, TVA has set a goal of reducing power demand by 64 megawatts in 2008. That will be followed by a five-to-10-year plan to further reduce demand, to be developed in partnership with distributors and other stakeholders across the Valley.

The use of compact fluorescent lights (CFLs) can save energy. CFLs last up to 10 times longer than conventional light bulbs, use a quarter to a third of the energy, and produce about 80 percent less heat. See www.tva.com/cfl for more information.



Since 1977, TVA has reduced its sulfur-dioxide emissions by 82 percent.



the water and land

Reducing the impact of the drought

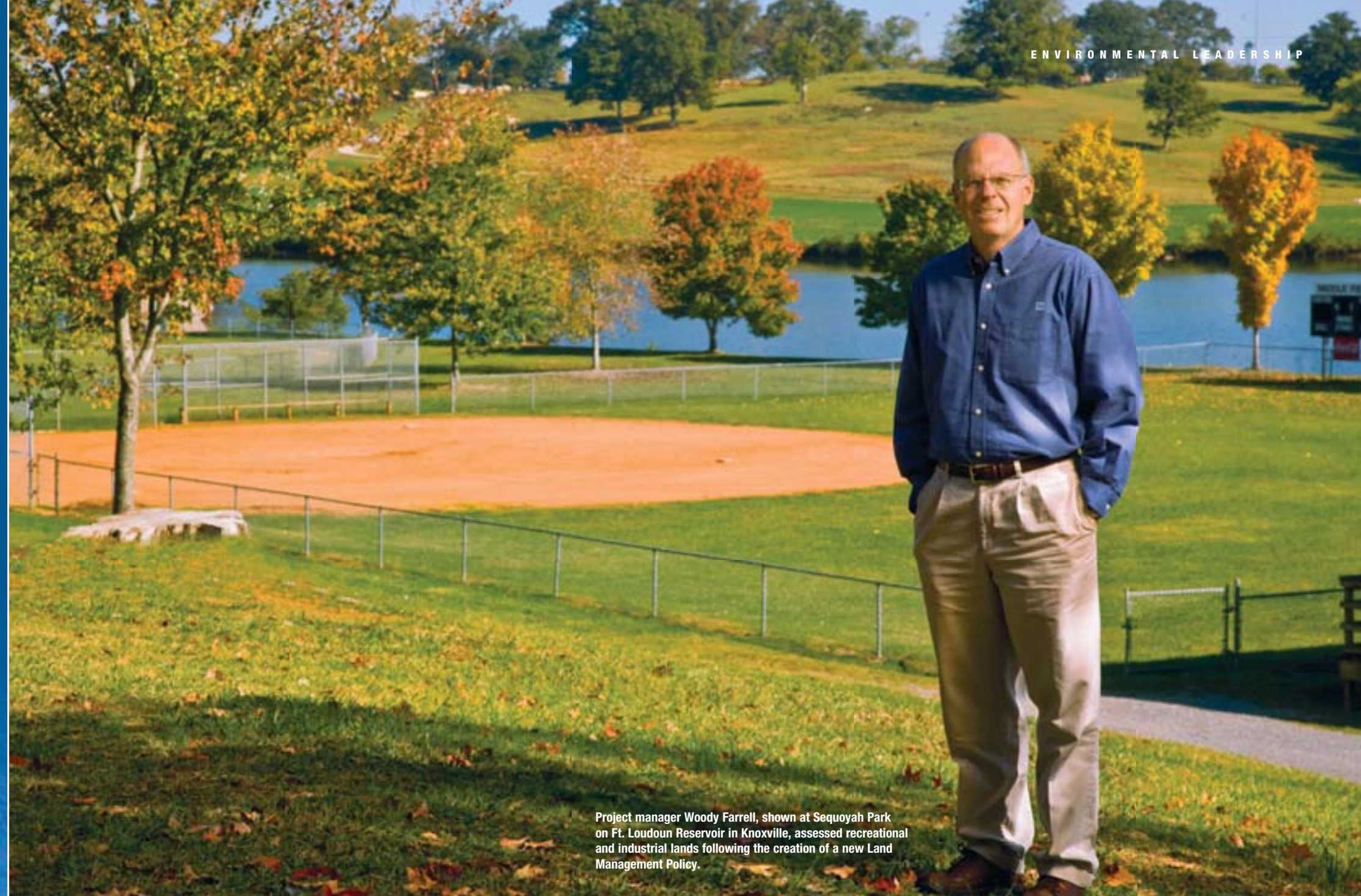
TVA is known for reducing flood damage. But in dry years, making the best use of the available water is an equally important responsibility, and 2007 was the driest year on record for the Tennessee Valley.

When the weather patterns in February indicated a possible drought, TVA began storing as much water as possible in the eastern Valley tributary reservoirs. The stored water was used throughout the summer to maintain minimum flows, minimizing the impacts on a broad range of river benefits.

The minimum flows ensured adequate channel depths for commercial navigation, kept reservoir levels above municipal and industrial water-intake structures, and helped protect aquatic life. While the power system was challenged by the drought, these flows also provided cooling water that allowed TVA to run its nuclear and coal-fired power plants during some of the hottest days on record.

TVA used the water released to meet minimum flow requirements to generate as much hydropower as possible. Because no extra water was released for this purpose, hydroelectric generation was only about 70 percent of normal for the year.

Reservoir recreation also was significantly affected by the drought. Most tributary reservoirs never reached targeted summer-pool elevations, but because the reservoir operations policy adopted in 2004 allows tributary reservoirs to remain at higher elevations during the winter, summer elevations were higher than they otherwise would have been.



Project manager Woody Farrell, shown at Sequoyah Park on Ft. Loudoun Reservoir in Knoxville, assessed recreational and industrial lands following the creation of a new Land Management Policy.

In 2007, TVA watershed teams, working in partnership with 3,532 volunteers, removed almost 146 tons of trash and debris from area reservoirs and streams.

A new Land Management Policy

TVA manages some 293,000 acres of reservoir land—an area about half the size of the Great Smoky Mountains National Park. Responding to the many competing demands for the use of these lands, the TVA Board of Directors adopted a new Land Management Policy.

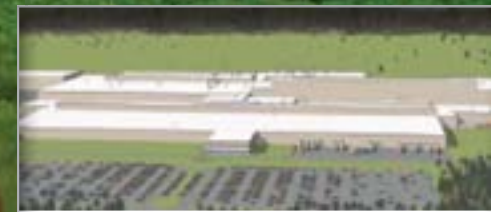
TVA manages natural resources and reservoir lands to benefit the Valley. These efforts include improving the water quality of the Tennessee River and its tributaries, implementing sustainable growth initiatives, managing the natural resources on TVA lands, providing recreational opportunities, planning and managing reservoir lands, and issuing permits for shoreline construction activities.



the map



Company name:	Toyota
Location:	Blue Springs, MS
Start of production:	2010
Production capacity:	150,000 units/year
Investment:	Approx. \$1.3 billion
Number of employees:	Approx. 2,000



Artist's rendering of the future Toyota plant

TVA named top U.S. utility in job creation
 — *Site Selection* magazine

Business is great in the Tennessee Valley.

TVA's Economic Development organization works with distributor customers and strategic partners across the Valley to attract and retain jobs in order to create a vibrant regional economy for the benefit of the people we serve. For the second year in a row, TVA was named by *Site Selection* magazine as one of the top utilities in North America for its economic development efforts.

Top headlines in 2007 included: Toyota's decision to build its Highlander SUV assembly plant at the Wellspring megasite in Blue Springs, Mississippi; Verizon Wireless's decision to locate a regional headquarters in Franklin, Tennessee; and National Steel Car's decision to put a railcar plant near Muscle Shoals, Alabama. Those projects together are expected to create more than 5,000 jobs.

And that's not including the boost that those large employers will bring to the local economies. Overall, in 2007, TVA's economic development efforts helped attract or retain more than 45,000 jobs and leveraged some \$5.6 billion in capital investment.

The megasite in Blue Springs is one of nine certified across the Valley by McCallum Sweeney

Consulting. The Crossroads Megasite—one of two megasites in Columbus, Mississippi—is the new home of the multinational truck engine manufacturer PACCAR, which is building a \$400 million plant expected to employ 800. The other megasites are in Limestone, Alabama; Hopkinsville, Kentucky; and in Chattanooga, Clarksville, Crockett County, and Haywood County, Tennessee.



hand

Helping build the dream

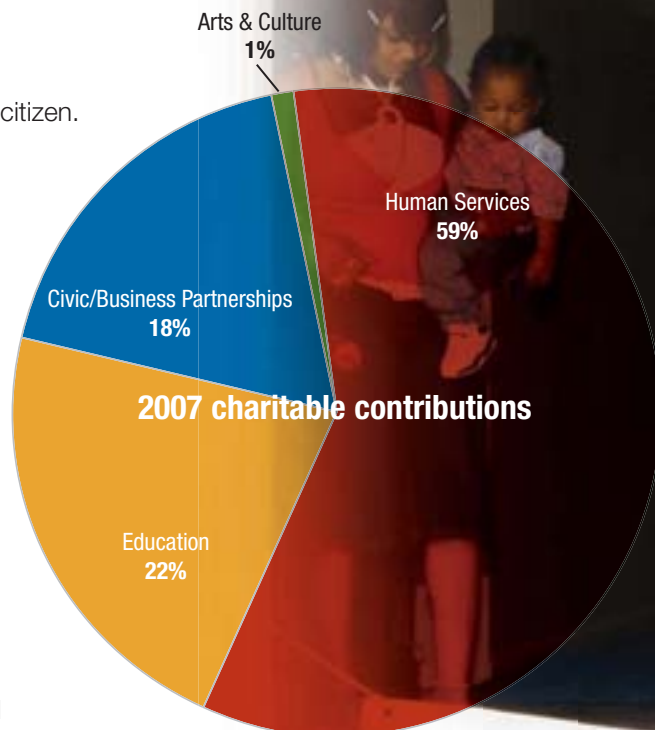
TVA is committed to its role as a responsible corporate citizen.

The people of TVA are proud to volunteer in their communities to improve our neighbors' quality of life. TVA's signature project in 2007 was to partner with our customers to build four Habitat for Humanity homes—one each in Knoxville, Memphis and Nashville, Tennessee, and Decatur, Alabama.

In the photo on the opposite page, Vyrone Cravanas of TVA presents new homeowner Vicky Jones with a glazed mold of her handprint alongside the logos of Knoxville Habitat for Humanity and TVA. Kelle Schultz, executive director of Knoxville Habitat, presented Jones with a photo journal of the construction.

TVA employees donate their time, money, supplies, and equipment to support 76 schools in the region that are members of TVA's Partners in Education network. Overall, in 2007, TVA and its employees donated 36,074 hours of volunteer service and more than \$5.5 million in cash and in-kind services.

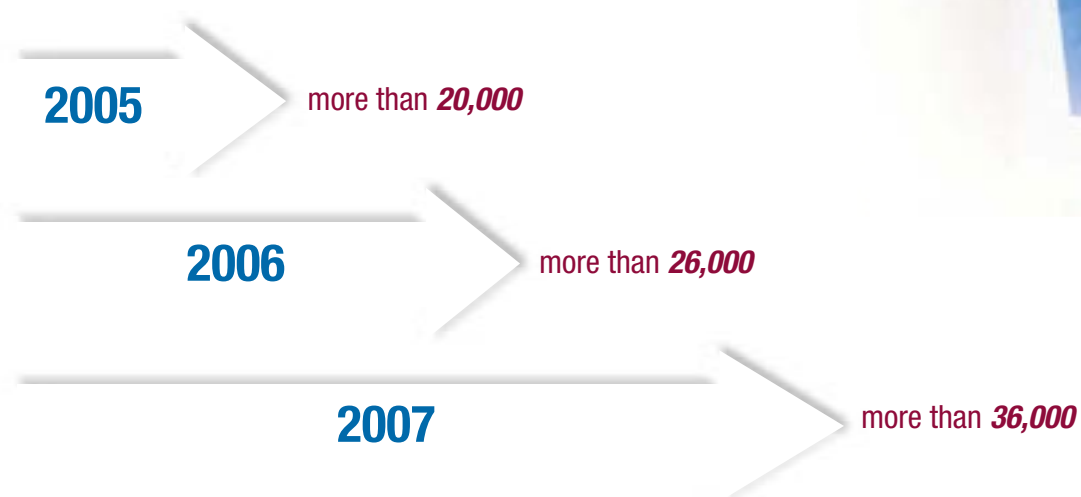
Because so many TVA employees invest their personal time in community activities, TVA offers grants to charitable organizations in recognition of these efforts. Now in its second year, TVA's Community Connections program awarded \$45,000 in grants to local community organizations through which more than 100 TVA employees volunteered more than 14,000 hours.



The employees of TVA are grateful to those who join us in providing support and inspiration to help make the Valley one of the nation's best places to live.



Employee volunteer hours



Senior Leadership



Tom Kilgore
President and Chief Executive Officer



Terry Boston
Executive Vice President,
Power System Operations



Maureen H. Dunn
Executive Vice President
and General Counsel



Peyton T. Hairston, Jr.
Senior Vice President,
Corporate Responsibility & Diversity



William R. (Bill) McCollum, Jr.
Chief Operating Officer



Kenneth R. Breeden
Executive Vice President,
Customer Resources



Bridgette K. Ellis
Senior Vice President,
Office of Environment & Research,
and Environmental Executive



Janet Herrin
Senior Vice President,
River Operations



Emily J. Reynolds
Senior Vice President, Communications,
Government & Valley Relations



William R. (Bill) Campbell
Chief Nuclear Officer and Executive
Vice President, Nuclear Power Group



Kimberly Scheibe Greene
Chief Financial Officer and Executive
Vice President, Financial Services



John E. Long, Jr.
Chief Administrative Officer and Executive
Vice President, Administrative Services



Preston D. Swafford
Executive Vice President,
Fossil Power Group

Board of Directors



Chairman William B. Sansom of Knoxville is chairman and chief executive officer of The H.T. Hackney Co. and has held that position since 1983. Hackney is a diversified company involved in wholesale grocery, gas and oil, and furniture manufacturing. His term expires May 18, 2009. *Committees: Finance, Strategy & Rates; Operations, Environment & Safety*



Dennis Bottorff of Nashville serves as chairman and partner of Council Ventures, a venture capital firm. He was chairman of AmSouth Bancorporation until his retirement in 2001 and previously was chief executive officer of First American Bank. His term expires May 18, 2011. *Committees: Corporate Governance; Finance, Strategy & Rates*; Human Resources*



Don DePriest of Columbus, Mississippi, is chairman of a venture capital firm headquartered in Alexandria, Virginia. The firm has founded or invested in such companies as American Telecasting, now merged with Sprint, and his Charisma Communications Corp. was a pioneer in the cellular phone business. He previously chaired the Columbus Utilities Commission. His term expires May 18, 2009. *Committees: Corporate Governance*; Audit & Ethics; Community Relations*



Mike Duncan of Inez, Kentucky, is chairman, chief executive officer, and director of Community Holding Co.; chairman, chief executive officer, and director of Inez Deposit Bank; and chairman of the Republican National Committee. He is a director of the regional Center for Rural Development. His term expires May 18, 2011. *Committees: Audit & Ethics*; Community Relations*



William Graves of Memphis is presiding bishop of the Christian Methodist Episcopal Church. He was previously pastor of the Phillips Temple CME Church in Los Angeles. He is immediate past president of the Board of the National Congress of Black Churches and a former member of the Board of Memphis Light, Gas & Water. His term expired May 18, 2007. He may remain on the Board until the current session of Congress ends, and the President has nominated him for a new term. *Committee: Community Relations*



Skila Harris, a native of Bowling Green, Kentucky, served as a full-time TVA Director from November 1999 through March 2006. She previously held positions in the U.S. Department of Energy, the White House, and energy-management and engineering-consulting firms. Her term expires May 18, 2008. *Committees: Operations, Environment & Safety; Human Resources**



Howard Thrailkill of Huntsville, Alabama, recently retired as president and chief operating officer of Adtran, Inc., in Huntsville, which supplies equipment for telecommunications service providers and corporate end-users. Previously, he was president and chief executive officer of the firm Floating Point Systems. His term expires May 18, 2010. *Committees: Operations, Environment & Safety*; Human Resources*



Susan Richardson Williams of Knoxville provides public relations consulting services through SRW & Associates for clients that range from major corporations to high-tech companies. She has served in the cabinets of two Tennessee governors, on the staff of a third, and on the staff of a U.S. senator. Her term expired May 18, 2007. She may remain on the Board until the current session of Congress ends, and the President has nominated her for a new term. *Committees: Audit & Ethics; Human Resources; Community Relations**

**Indicates Committee Chairperson*

Power System Statistics

At September 30 or for the years ended September 30, as appropriate (in millions)

	2007	2006 ⁽¹⁾	PERCENT CHANGE
System input (millions of kilowatt-hours)			
TVA System generation			
Hydro, including pumped storage	9,047	9,961	(9)
Fossil	100,169	99,598	1
Nuclear	46,441	45,313	2
Combustion turbine	705	613	15
Renewable resources	27	36	(25)
Net TVA generation	156,389	155,521	1
Purchased ⁽²⁾	22,141	19,019	16
Total system input	178,530	174,540	2
⁽¹⁾ Restated to conform with 2007 presentation			
⁽²⁾ Includes renewable resources of 47 for 2007 and 49 for 2006			
System output (millions of kilowatt-hours)			
Sales			
Municipalities and cooperatives	141,742	143,343	(1)
Industries directly served	30,993	30,987	0
Federal agencies and other	2,075	2,040	2
Total sales	174,810	176,370	(1)
Other	48	45	7
Change in accounting estimate	-	(4,497)	NM
Losses	3,672	2,622	40
Total system output	178,530	174,540	2
Net winter dependable capacity (megawatts)	36,914	34,951	6
System peak load (megawatts) – summer	33,482	32,008	5
System peak load (megawatts) – winter	30,320	27,718	9
Number of employees at September 30	12,013	12,600	(5)
Percent of TVA net generation by fuel source			
Hydro, including pumped storage	6%	6%	0
Fossil	64%	64%	0
Nuclear	30%	29%	3
Combustion turbine and renewable resources	<1%	<1%	0



TVA and 158 local power distributors work together to serve the 8.7 million residents of the Tennessee Valley.

Financing Goal

TVA's financing goal is to offer unique investment opportunities that provide exceptional value for both the investor and TVA.

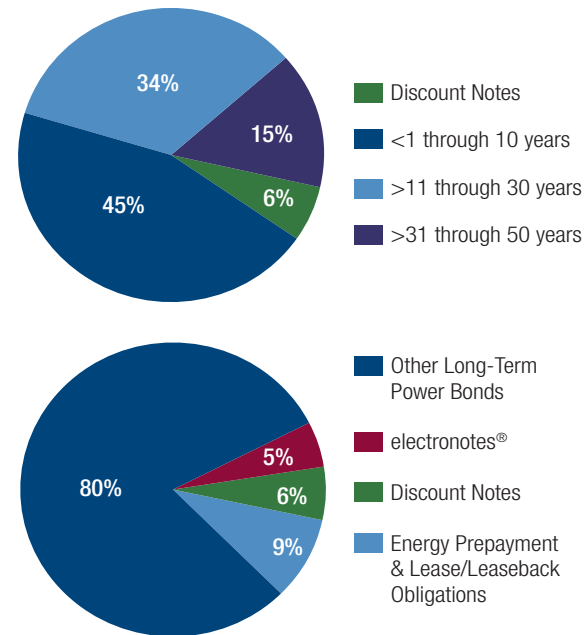
Bond and Note Maturities

At September 30, 2007, TVA had 94 long-term bonds and notes outstanding, of various final maturities, which totaled \$21.1 billion. TVA had \$1.4 billion in short-term Discount Notes outstanding at September 30, 2007.

Financing Structure

At September 30, 2007, TVA had \$22.5 billion of bonds and notes outstanding, including short-term Discount Notes, electronotes®, PARRS, and other Power Bonds.

TVA also had \$2.2 billion of other financing obligations outstanding, including energy prepayment and lease/lease-back obligations. Total bonds, notes, and other obligations were \$24.7 billion at September 30, 2007.



Key features of TVA bonds

Credit Ratings: TVA's rated Power Bonds are rated Aaa by Moody's Investors Service and AAA by Standard & Poor's and Fitch Ratings.

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

First Pledge of Payment: Holders of TVA bonds and notes are given first pledge of payment from net power proceeds.

Purpose of Issuance: TVA may issue securities only to provide capital for its power program or to refund existing indebtedness.

State and Local Tax Exemption: Both principal and interest on TVA securities are generally exempt from state and local income taxes.

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

Form and Denomination

Security	Book-Entry Form	Denomination*	Payments
electronotes® (69 issues)	The Depository Trust Company	\$1,000	Varies with offering
PARRS (2 issues)	The Depository Trust Company	\$25	Quarterly
2003 Series A Sterling Global	The Depository Trust Company	£1,000	Annual
2001 Series B Sterling Global	The Depository Trust Company	£1,000	Annual
1998 Series H Sterling Global	The Depository Trust Company	£1,000	Semi-annual
Other Power Bonds (20 issues)	Federal Reserve Bank System	\$1,000	Various

*Market prices and broker policies may require investors to pay more or less than par value for a security in secondary market transactions. These pages do not include all information about TVA or TVA securities that is important for making investment decisions.

Description of TVA Securities

TVA's electronotes® program offers bonds in a variety of different structures targeted to individual investors. The bonds are generally issued in denominations of \$1,000, with maturities ranging from 1 to 30 years.

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. An annual reset provision provides for a possible reduction in the coupon rate under certain conditions. If the rate is reset, investors may put (return) the bonds to TVA at par value.

Discount Notes

These are short-term notes offered for sale on a continuing basis to 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

TVA has issued both global and domestic bonds of varying maturities, structures, and interest payment frequencies and in different currencies.

The 2007 Annual Report does not constitute an offer to sell or a solicitation of an offer to buy any TVA securities.

General Inquiries

TVA Communications
Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, TN 37902

E-mail Address
tvainfo@tva.com

Phone Number
865-632-6000

Investor Inquiries

TVA Investor Relations
Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, TN 37902

Web Site and E-mail Address
www.tva.com/finance
investor@tva.com

Phone Numbers
888-882-4975 (toll-free in the U.S.)
888-882-4967 (toll-free outside the U.S.)

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Guide to using TVA's Annual Report and Form 10-K

This 2007 Annual Report is intended to provide highlighted information of interest about TVA's business and operations during its 2007 fiscal year, which ended on September 30, 2007. The Annual Report should be read in conjunction with TVA's Form 10-K Annual Report for the year ended September 30, 2007, which is attached to this report and has been filed with the Securities and Exchange Commission. The 10-K provides additional financial, operational, and descriptive information, including financial statements. The 10-K also provides important information about various risks to which TVA is exposed in the course of its operations, which are important to consider before investing in any TVA securities.

The 2007 TVA Annual Report and 2007 10-K do not contain all information about specific TVA securities that is important for making investment decisions. Please refer to the appropriate Offering Circular, and any relevant supplements, for detailed information about TVA securities.

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