

LEGAL NOTICE REGARDING
\$575,000,000
TENNESSEE VALLEY AUTHORITY
POWER BONDS 1998 SERIES D DUE JUNE 1, 2028
(PUTABLE AUTOMATIC RATE RESET SECURITIES)

TVA is issuing this legal notice (1) to clarify the procedures that you should follow in order to put Tennessee Valley Authority Power Bonds 1998 Series D Due June 1, 2028 (Putable Automatic Rate Reset Securities) (the “Bonds”) back to TVA in the event that a Coupon Rate reset notice is given and (2) to clarify the procedures used to determine whether the Coupon Rate on the Bonds will be reset. Unless otherwise defined herein, all capitalized terms in this legal notice shall have the meanings assigned to them in the offering circular relating to the Bonds dated June 2, 1998, and supplemented June 10, 1998 (as supplemented, the “Offering Circular”).

Changes to Put Procedures

TVA has waived the requirement that the Summary Election Form and the Option to Elect Repayment Form be completed and submitted in accordance with the instructions regarding those two forms contained in the Offering Circular. Accordingly, you no longer need to notify TVA of your exercise of the put option, and no forms need to be provided to TVA regarding your exercise of this option.

If you wish to exercise the put option in the event that a Coupon Rate reset notice is given, you must still comply with the instructions provided by The Depository Trust Company (“DTC”) regarding the exercise of the put option. These instructions can be obtained from DTC through the Financial Institution through which you beneficially hold your Bonds.

It is your responsibility to notify your Financial Institution that you are requesting repayment and are authorizing your Financial Institution to make arrangements, on your behalf, with DTC for the exercise of the put option. These arrangements with DTC must be completed ***no earlier than*** the relevant Reset Notification Date and ***no later than*** May 22 (or the prior Business Day, if such date is not a Business Day) of the year of such Reset Notification Date.

It is also your responsibility to determine from your Financial Institution the amount of advance notice it needs from you to complete arrangements with DTC to properly exercise the put option within the time period described above. In addition, you are responsible for ensuring that your Financial Institution completes the necessary arrangements with DTC, including any timely notice to DTC and timely delivery of your Bonds to TVA through DTC's book-entry system. If your Financial Institution does not properly complete all necessary arrangements with DTC regarding the timely exercise of the put option, TVA shall not be obligated to honor your request to put your Bonds.

If you do not wish to exercise the put option in the event that a Coupon Rate reset notice is given, no action is required. However, it is recommended that you discuss any such option with a qualified financial advisor.

Changes in Coupon Rate Reset Procedures

The Offering Circular provides that the CMT will be used to determine whether the Coupon Rate will be reset. The Offering Circular also provides that if the CMT is discontinued or materially altered while the Bonds are outstanding, TVA may, in its sole discretion, substitute an alternative index that TVA believes most closely resembles the CMT before it was discontinued or altered. Since the CMT was discontinued on February 18, 2002, and reintroduced on February 9, 2006, TVA substituted an estimated 30-year rate for the CMT during this time; however, effective immediately, TVA will begin using the CMT again as originally provided for in the Offering Circular to determine whether the Coupon Rate will be reset. The CMT can currently be found on the United States Treasury's web site at:

<http://www.treas.gov/offices/domestic-finance/debt-management/interest-rate/yield.shtml>

If you have any questions about the procedures for putting your Bonds back to TVA or the way in which TVA will determine whether the Coupon Rate will be reset, please call TVA Investor Relations at 888-882-4975.

This legal notice was originally dated March 18, 2004,
and was updated on March 31, 2005, and on February 24, 2006.