

2003 Operational Report to Congress

J U L Y - S E P T E M B E R 2 0 0 3

Highlights

- TVA ended Fiscal Year 2003 with several performance records:
 - For the fourth consecutive year, the TVA transmission system's reliability was 99.999 percent, and the system achieved the best system reliability indicators in TVA's history.
 - The TVA power system met a new, all-time peak power demand of 29,866 megawatts during the year. During the quarter, the power system set a production record when power demand exceeded 28,000 megawatts for five straight days in August.
 - TVA flood-control measures averted an estimated \$481 million in potential damage in the Valley for the year. In addition, \$19 million in potential flood damage was averted on the Ohio and Mississippi rivers.
 - In the economic development arena, \$1.58 billion in total capital investment was leveraged in the Valley during FY 03. TVA's work with community, state, and federal partners helped attract or retain more than 47,000 jobs in the region.
- To better prepare TVA for continuing success, a draft TVA Strategic Plan was released on October 1 that will guide TVA during upcoming changes in the electric utility industry. Stakeholder input on the plan is being sought, and a final plan will be released at the end of the calendar year. The plan was previewed with power distributors and the Tennessee Valley Public Power Association in September, and briefings were conducted with numerous other stakeholders.
- TVA implemented two rate actions effective October 1, 2003. The first was a rate change designed to better align TVA's rates with the cost to serve each customer class and to improve the market competitiveness of TVA's manufacturing rates. The second was a rate adjustment designed to provide approximately \$365 million in additional revenue in fiscal year 2004 to fund the expected costs of additional emissions controls. TVA representatives worked closely with individual power distributors across the Valley and their billing agencies to ensure a smooth transition to the new October 1 rates.

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- TVA provided technical expertise in transmission to the Department of Energy, North American Electric Reliability Council, Federal Energy Regulatory Commission, and other groups investigating the causes of the August 2003 Northeast/Midwest blackout.

Milestones

POWER SYSTEM

Nucleonics Week ranked Sequoyah Nuclear Plant as the nation's most efficient power generator during 2000-2002 and the nation's second most-efficient generator in 2002.

- *Nucleonics Week* ranked Sequoyah Nuclear Plant as the nation's most efficient power generator during 2000-2002 and the nation's second most-efficient generator in 2002. Browns Ferry and Watts Bar nuclear plants were ranked as the fourth and 13th most-efficient for 2002.
- TVA is installing 25 Selective Catalytic Reduction (SCR) or similar systems at fossil plants to further reduce emissions of nitrogen oxide (NO_x). By 2005, TVA emissions of NO_x during the summer ozone season will be reduced by about 75 percent, compared to 1995 levels. Eight SCR facilities at Paradise, Allen, Cumberland, and Widows Creek fossil plants are now operational.
- During fiscal year 2003, nine TVA coal-fired units set all-time continuous run records: three units at Colbert Fossil Plant, three at Widows Creek, two at Johnsonville, and one at Gallatin.
- TVA's Widows Creek Fossil Plant had exemplary performance during fiscal year 2003:
 - The plant generated more than 10.2 million megawatt-hours of electricity. This was the most ever generated during a fiscal year in the plant's 50-year history and is equivalent to the electricity used by about 680,000 homes in the TVA region.
 - Four of the plant's eight units had continuous runs in excess of 100 days, and three set all-time continuous run records.
 - The plant's equivalent availability to provide power when needed was 84.8 percent – its second highest availability since 1967.
- Several other TVA fossil plants generated near-record levels of electricity in FY 03 with Allen, Bull Run, Gallatin, Johnsonville, and Shawnee producing a total of 35.7 million megawatt-hours. TVA fossil plants produced 60 percent of TVA's total generation for the year.
- TVA provided project management services for the design and construction of a substation for the nation's new spallation neutron source (SNS). Oak Ridge National Laboratory will own and operate the substation, and TVA will sell power to ORNL to operate the SNS.
- Four delivery-point projects on the TVA transmission system were completed and placed in service, and about 37 miles of transmission line were constructed.

- Sequoyah Nuclear Plant conducted an “after hours” emergency preparedness drill with no significant problems identified.
- Browns Ferry Unit 1 restart activities continued on schedule and within the approved budget.
- TVA has implemented a Personal Access Data System at Browns Ferry, Sequoyah, and Watts Bar nuclear plants to process security clearances. The system complies with a Nuclear Regulatory Commission order.
- TVA hosted a tour of its facilities for Office of Management & Budget representatives. The tour included operations centers in Chattanooga and Knoxville, as well as nuclear, fossil, and hydro plants.

CUSTOMER SERVICE & MARKETING

TVA made six loans to distributors totaling \$3.5 million during the quarter.

- Duck River Electric Membership Corporation gave TVA five-years’ notice that it may cancel its wholesale power contract with TVA. In the notice letter, Duck River committed to negotiate exclusively with TVA on new power contract arrangements during the first two years of the notice period. Four of TVA’s 158 distributors have now given notice of possible cancellation. One of those, Meriwether Lewis Electric Cooperative, has since voted to negotiate a new five-year power contract with TVA. TVA is discussing contract options with the other two distributors.
- TVA made six loans to distributors totaling \$3.5 million during the quarter. The distributor loan program helps provide TVA distributor customers with access to low-cost financing for use in carrying out power system requirements and for certain other types of financings.
- TVA’s third-quarter Customer Service Survey showed that 92 percent of power distributors responding to the survey were satisfied or extremely satisfied with TVA as their wholesale power supplier. In addition, 92 percent of directly served account contacts rated the performance of their account manager as satisfactory or higher.

RIVER SYSTEM OPERATIONS & ENVIRONMENT

- Work continued on the Reservoir Operations Study. Public input on alternatives identified in the draft Environmental Impact Statement was obtained through 12 community workshops and numerous stakeholder briefings this summer. Using TVA’s newly enhanced water quality and flood risk models, staff is developing a preferred alternative that will be described in the final Environmental Impact Statement, which will be released in 2004.

**Representatives from the
U.S. Army Corps of Engineers
visited TVA to benchmark
TVA's Environmental
Management System.**

- The Tennessee Valley averaged 15.92 inches of rainfall (134 percent of normal) and 4.15 inches of runoff (174 percent of normal) during the quarter. The abundance of rainfall enabled TVA to meet all recreational commitments and minimum flow requirements, helped improve water quality below projects, provided adequate cooling water for nuclear and coal-fired plants, provided adequate levels and flows for navigation, and provided hydro generation.
- Because of the drawdown of Blue Ridge Reservoir for inspection of the penstock, additional water was available for recreational rafting on the upper and middle sections of the Ocoee River throughout September.
- Several boating incidents occurred during the quarter, including the deaths of two fishermen. The engine on their boat failed, and the boat was pulled into turbulent waters in the Fort Loudoun Dam tailwater.
- The U.S. Army Corps of Engineers (USACE) closed Melton Hill Lock in August because of a problem with the system that coordinates the lock's filling and emptying systems. The USACE has not yet determined when the lock will reopen.
- TVA completed the 2002 Toxics Release Inventory (TRI) Health Risk Assessment based on TRI air emissions from TVA's 11 coal-fired power plants. As in previous years, the risk assessment indicates that airborne releases of TRI compounds from TVA fossil plant stacks do not constitute a significant health risk to either TVA employees or the general public. These findings are consistent with independent assessments by the Environmental Protection Agency and the Electric Power Research Institute.
- TVA published an updated version of *How Clean Is the Air?*, which includes a comprehensive analysis of air quality trends over 25 years in Tennessee and parts of 12 other states. Since TVA first published this report almost 25 years ago, air quality in the southeastern United States has improved substantially, with scientific measurements showing reduced levels of every pollutant:
 - Total suspended particulates, sulfur dioxide, and carbon monoxide have declined dramatically, with levels being 40- to 60-percent better and all areas meeting clean air standards for these pollutants.
 - Levels of both particulate matter less than 10 micrometers in diameter and nitrogen dioxides have improved by 20- to 30-percent in the same timeframe, with all areas meeting clean air standards.
 - While 1-hour ozone levels have improved 6- to 9-percent, only minimal improvement (3- to 6-percent) has been observed in 8-hour ozone levels. Depending upon weather conditions during the ozone season (May through September), ozone levels are better some years than others.
- TVA posted three *On-the-Air* newsletters at www.tva.com on these topics: "The Challenge of Improving Visibility," "The Role of Renewable Energy in Reducing Greenhouse Gas Buildup," and "Modeling Air Quality: Recent Advances and Challenges."

**The Regional Resource
Stewardship Council met in
September to generate
suggestions on TVA's
recreation program.**

- Representatives from the U.S. Army Corps of Engineers visited TVA to benchmark TVA's Environmental Management System (EMS), a set of processes used to produce measurable improvements in environmental performance. As the first federal agency to have all its facilities covered by an EMS, TVA is helping to guide the development of similar programs across the federal government.
- In support of state and local environmental agencies in the Valley, TVA is helping develop processes and procedures for forecasting next-day fine particle air quality. Forecasting for the Nashville and Memphis metropolitan areas began October 1, 2003, and will be expanded to Chattanooga, Knoxville, the Tri-Cities, and the Great Smoky Mountains National Park.
- The U.S. Forest Service has approved FY 04 funding for TVA to provide Geographic Information System support for the Daniel Boone National Forest Abandoned Mine Lands Project. The project includes about 750,000 acres in six Forest Service districts.
- A TVA paper, "Migration of Birds as an Indicator of Broad-Scale Environmental Condition," was accepted for publication in the journal *Environmental Monitoring and Assessment*.
- Several rare fish were identified during stream and tailwater sampling this summer, including the federally endangered species spotfin chub in Lewis County, Tennessee, and Smyth County, Virginia.
- The Regional Resource Stewardship Council met in September to hear presentations on outdoor recreation and generate suggestions on TVA's recreation program.
- TVA co-sponsored the conference Trees and Trails - A Meeting Where Paths Cross. Several workshops highlighted the integration of greenways, urban forestry issues, and the use of native species with a focus on improving water quality and reducing maintenance costs. About 130 representatives from six states participated.
- The U.S. Department of Energy will fund a TVA study of an innovative system for treating arsenic, selenium, and mercury in fossil plant wastewater. The system will be installed in FY 04 at Paradise Fossil Plant.
- TVA's Public Power Institute (PPI) was awarded contracts by the U.S. departments of Energy and Agriculture for two proposals. PPI will develop computer simulations and provide engineering support for the production of fuels and electricity from biomass. It will also assess the feasibility of using poultry litter to provide energy for a corn/ethanol plant in North Alabama.
- TVA demonstrated the feasibility of portable bridging at a transmission line construction project in Blue Ridge, Georgia. Portable bridging has the potential to become a best management practice because it drastically minimizes stream disturbance, compared to installing culverts. It may also help abate regulatory issues and reduce costs.

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ECONOMIC DEVELOPMENT

- TVA approved a total of \$5.3 million in economic development loans for business growth in the Tennessee Valley during the quarter. The loans are expected to leverage an additional \$17 million in capital investment and help create or retain 1,146 jobs. Loans to Valley minority businesses totaled \$600,000.
- TVA approved the 200th loan from its Economic Development Loan Fund. Now in its ninth year, the fund has helped companies create or retain more than 40,000 jobs in the Valley and stimulate almost \$3.5 billion in capital investment.
- TVA will administer 15 new projects in FY 04 for the Appalachian Regional Commission. The projects have a total grant value of \$9.6 million. The projects will leverage more than \$25 million in capital investment and help create 1,534 jobs.
- TVA completed 80 technical services projects for Valley communities and industries, including economic research and analysis, engineering, architectural, and environmental evaluations.
- TVA executives spoke at the APPA Economic Development and Utility Marketing Workshop. More than 100 utility managers and economic development professionals from across the nation attended the event.
- TVA sponsored a program titled The Valley—A Great Place to Work, the first of a series of learning events targeted at existing industry, economic developers, and distributors. More than 250 people attended the simulcast.
- TVA and NASA's John C. Stennis Space Center are exploring opportunities for cooperation between the two organizations.
- TVA presented information at the Building Entrepreneurial Communities Conference sponsored by the Appalachian Regional Commission. More than 350 participants from 15 states attended the conference to learn more about local investments for small business development.

FINANCE

- TVA expects to finish fiscal year 2003 with operating revenues of about \$7 billion and net income of more than \$490 million. The cumulative effect of accounting changes in 2003 resulted in an increase of \$235 million in net income. Before the effect of accounting changes, net income was better than planned by \$32 million. In addition, TVA expects to have reduced its outstanding balance of bonds and notes in fiscal year 2003 by over \$380 million, slightly higher than the planned reduction of \$375 million. The reduction in outstanding bonds and notes and lower interest rates during the year helped reduce annual net interest expense to \$1.35 billion, which is about \$80 million lower than last year.

- In the fourth quarter, TVA redeemed \$140 million of electronotes® with an average interest rate of 5.36 percent and issued \$146 million of electronotes® with an average interest rate of 5.02 percent.
- TVA issued \$1 billion of 4.75 percent 10-year global bonds, locking in low-cost long-term financing that will allow TVA to manage inherent interest-rate risk into the future.
- TVA completed a \$388 million lease-leaseback transaction of qualified technological equipment associated with its transmission system. The implicit interest rate over the 17-year term for this alternative source of financing is 3.98 percent, providing a lower cost of money than would have been achievable with a comparable bond transaction. In keeping with Generally Accepted Accounting Principles, TVA's lease-leaseback obligations are recorded on TVA's balance sheet as a liability.
- TVA initiated a weekly Internet-based electronic auction system for its short-term borrowing needs. TVA has issued \$4.9 billion of discount notes through the new system, resulting in an estimated interest savings of more than \$60,000, compared to issuing discount notes through traditional window postings.
- TVA is continuing its commitment to conducting its business in an open and forthright manner through implementation of a training plan for all employees involved in the preparation or review of financial or other information for public disclosure. The training informs employees about TVA's Corporate Accountability and Disclosure Plan. TVA is also including more information about the plan on its Web site, www.tva.com.
- TVA's Owner Controlled Insurance Program produced estimated savings of \$2.7 million for the quarter. The program consolidates individual contractors' insurance coverage into one policy provided by TVA. Estimated savings for the fiscal year are \$12.7 million. Since its inception in 1992, this program has saved an estimated \$96 million.

CORPORATE

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Balanced Scorecard Hall
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management process.**

- TVA was named to the global Balanced Scorecard Hall of Fame for results achieved through TVA's comprehensive performance management process. Known as Winning Performance, the process tracks TVA's performance on 12 critical success factors, and results are reported to employees each quarter through the TVA-wide Balanced Scorecard. This gives all employees line-of-sight accountability for TVA's overall performance. The Hall of Fame recognizes organizations that use such scorecards to improve their strategic focus.
- TVA's Knowledge Retention Process enhances TVA's business performance by retaining critical operational know-how when longtime employees retire. This program earned TVA the 2003 Innovative Practice Award presented by the Society for Human Resources Management and has been recognized by the American Productivity and Quality Center.

- Since adopting a strategic facilities plan in June 2001, TVA has reduced office space by more than 445,000 square feet. Most recently, TVA relocated from the Haney Building in downtown Chattanooga, making the building available to its new owner. At Paradise Fossil Plant, redeploying 12 modular buildings from Browns Ferry Nuclear Plant to Paradise saved about \$500,000 over the cost of building needed office space.
- TVA became a supporter of the U.S. Department of Energy's Oak Ridge National Recycling Center. This gives TVA and its distributors a reliable, secure, cost-effective, and environmentally compliant way to recycle obsolete computer equipment.

SECURITY

- TVA briefed the U.S. Office of Management & Budget on TVA's response to the events of September 11, 2001, and TVA's homeland security efforts to protect critical infrastructure.
- TVA has provided information to the Department of Homeland Security to support the development of a single, comprehensive national incident-management system.
- At the end of FY 03, 94 percent of TVA's employees had completed training required by TVA's Information Technology security plan.

STATE NEWS

ALABAMA

Matsu Automotive, Inc., a supplier to Honda, will purchase a 51,000-square-foot building in Huntsville.

- Matsu Automotive, Inc., a supplier to Honda, will purchase a 51,000-square-foot building in Huntsville. The company will invest \$15 million in the project and plans to employ 115 people. It is expected to add 2 megawatts of new power load. TVA has provided technical assistance for the project.
- Arora Technologies, Inc., a minority-owned firm in Huntsville, held a ribbon-cutting. Arora, formerly Aerovox, Inc., will retain 35 employees and add 40 employees. Total capital investment in the project is \$2.5 million, and it is expected to increase its electric power demand to 5 megawatts. TVA provided a loan for this industrial retention project.
- TVA met with representatives from the Marshall County Commission, Appalachian Regional Commission, Top of Alabama Regional Council of Governments, members of the Douglas Industrial Development Board, and the mayor of Douglas to discuss a potential industrial prospect that could bring 400 jobs to the area. The town needs financing for a water treatment facility to serve its 100 acre industrial park. TVA entertained a proposal that would provide financing to bridge the project while state and federal funds are being processed, should the company select Douglas for its facility.

TVA retirees presented a program on the prevention of the West Nile Virus to more than 350 community organizations.

- TVA and the Economic Development Partnership of Alabama are assisting communities in establishing or enhancing an Existing Industries Visitation program.
- TVA is working with the Economic Development Partnership of Alabama, the Alabama Regional Council of Governments, and the Alabama Geological Survey to explore development of a Geographic Information System (GIS) for the state.
- TVA sponsored a legislative breakfast in conjunction with the Cullman Chamber of Commerce trip to Washington D.C. A major item of discussion was the interchange at Highway 222 for the Topre project. TVA has provided financial and technical assistance in support of the \$125 million project that will help the company employ 250 workers.
- Chairman McCullough provided an overview of Browns Ferry Nuclear Plant Unit 1 restart and the TVA nuclear program for Senator Sessions and his field staff.
- TVA participated in the North Alabama County Emergency Management Agencies meeting to discuss several TVA issues. Attendees included State Director Jim McCamy, Field Representative Judy Sizemore of Congressman Cramer's office, and Paul Housel of Congressman Aderholt's office.
- TVA retirees in the Muscle Shoals area developed and presented a program on the prevention of the West Nile Virus to more than 350 community organizations in northwest Alabama. TVA retirees in the Shoals area also contributed more than 450 volunteer hours to managing the Combined Federal Campaign charity drive in north Alabama.

GEORGIA

- Briefings were held with State Senator Jeff Mullis, State Representative Mike Snow, Walker County Sole Commissioner Bebe Heiskell, Chickamauga Mayor Ray Crowder, and local elected officials about TVA's rate restructuring, debt reduction, economic development programs, Reservoir Operations Study, clean air initiatives/commitments, and state and district issues.
- TVA met with Jim Adams of Congressman Deal's staff about the Reservoir Operations Study, reservoir levels on Blue Ridge, constituent issues, and other district matters.
- TVA staff facilitated a mid-year review of the Blairsville/Union County Chamber of Commerce's 2003 Plan for its board of directors. TVA facilitated the development of the plan and several of the leadership classes.
- At the request of the Blue Ridge Electric Membership Corporation, TVA helped the Union County Economic Development Committee to produce the economic development section of the county's Comprehensive Plan. The plan is required to maintain state funding.

- TVA provided a conceptual layout and architectural rendering for a vacant building in Blue Ridge. Fannin County Development Authority requested TVA assistance in keeping the local industry in the north Georgia area.

KENTUCKY

TVA and other federal, state, and local partners have invested in the 30,000-square-foot Regional Center for Emerging Technology in Murray.

- TVA met with Senator McConnell's, Senator Bunning's, and Congressman Whitfield's offices to provide a briefing on TVA's economic development efforts and the United States Enrichment Corporation's Request for Proposal.
- TVA representatives attended the annual Greater Paducah Economic Development Council breakfast and met with Mayor Paxton, City Manager Jim Zumwalt, Field Representative Tim Thomas of Senator McConnell's office, Field Representative David Mast of Congressman Whitfield's office, Field Representative T.C. Freeman of Senator Bunning's office, and General Manager Dave Clark, Paducah Power System, to discuss TVA issues in the Paducah area.
- TVA and other federal, state, and local partners have invested in the 30,000-square-foot Regional Center for Emerging Technology in Murray. The \$1.5 million center will be the regional headquarters for Kentucky's New Economy initiatives and is expected to open in early 2005.
- The Kentucky Tri-Modal Transpark Authority broke ground for a 1,200-acre industrial park. Total project cost is estimated to be \$66 million over the next 10 to 15 years; TVA has offered financial assistance and technical support.
- TVA, Warren Rural Electric Cooperative Corporation, Bowling Green Municipal Utilities, and the Bowling Green Area Chamber of Commerce are collaborating on a business retention and expansion effort. Surveys are being completed for all industries to assess critical issues.
- TVA supported the Grand Rivers Jetty and Park dedication ceremony. Governor Patton and state and local elected officials participated, and TVA was recognized for working with the city and state on the 26a permit.
- TVA partnered with Moors Marina and the Kentucky Waterways Alliance on a National Clean Boating Event on Kentucky Reservoir, which attracted 650 people.
- TVA co-sponsored the Kentucky Watershed Roundtable in Lexington. About 200 leaders from industry, agriculture, local governments, environmental groups, watershed organizations, and federal and state agencies met to discuss watershed successes and challenges.
- Lighthouse Landing Marina was recognized as the first Clean Marina on Kentucky Reservoir, reflecting the marina's commitment to controlling pollution and protecting water quality.

- TVA staff conducted a workshop, Facilitation Skills for Strategic Planning, for a multi-agency team organized by the Kentucky Cabinet for Economic Development. Throughout the Commonwealth of Kentucky, communities will conduct strategic planning sessions.
- TVA provided the Kentucky Public Service Commission with an update on the Kentucky transmission grid, case 387, in which TVA was a voluntary participant. TVA representatives also met with Kentucky's State Energy Committee on the Northeast-Midwest blackout.

MISSISSIPPI

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- A groundbreaking ceremony was held for American Eurocopter's aerospace manufacturing and assembly facility in Columbus. The company will initially employ 100 people and have a total capital investment of \$12 million.
- HiSAN, Inc., a joint venture of ITT Industries and Sanoh Industrial Company Ltd., broke ground for a facility in Leake County. HiSAN will supply fluid handling systems for the Nissan plant in Canton. TVA and several partners provided a construction loan for the facility; TVA also worked with HiSAN and the Central Electric Power Association to make this an all-electric facility.
- TVA, in partnership with 4-County Electric Power Association and Choctaw County Economic Development District, co-sponsored the groundbreaking ceremony for the Red Hills Ecoplex, a 158-acre park in Choctaw County. The Ecoplex includes the Red Hills Power Plant as its foundation tenant. The Ecoplex is based on an environmental strategy called industrial ecology, in which the by-products of one industry are used as an energy source or raw material for another industry.
- TVA participated in a ribbon-cutting for the Sardis Marina and Resort. Local, state, and federal officials have worked on the project over a 14-year period, and TVA was recognized for providing technical services.
- TVA provided the Three Rivers Planning and Development District with an initial layout and preliminary cost estimates for grading and rail access for the 1,000-acre industrial site in Blue Springs. The project is a joint effort by Lee, Pontotoc, and Union counties. The project will be used to attract an automotive assembly plant to north Mississippi.
- In partnership with Mississippi Power Company, Entergy, the Electric Power Associations of Mississippi, Mississippi Manufacturers Association, and others, TVA sponsored the 2003 Mississippi Economic Development Council Summer Conference.
- TVA assisted the East Central Mississippi Economic Council in hosting site selection consultants on a tour of the East Central Mississippi area. The area is ideally suited for automotive suppliers given its proximity to Canton, Mississippi, and Vance, Alabama.

- The Recruitment and Training Program and TVA sponsored a Minority Business Awards Banquet for more than 100 participants in Columbus.
- TVA partnered with residents of the Kreamer Creek subdivision near Iuka to stabilize 200 feet of eroding stream bank and plant 200 saplings to establish a riparian buffer. Kreamer Creek is a small tributary to the Indian Creek embayment of Pickwick Reservoir.
- Representatives of Louisville Utilities, Winston County Economic Development Department, Winston County Board of Supervisors, City of Louisville Mayor and Alderman, Noxapater Mayor and Alderman, and Winston County businesses and industries hosted an appreciation event for TVA Chairman Glenn McCullough and TVA staff in recognition of the services that TVA provides.

NORTH CAROLINA

- A briefing on the Reservoir Operations Study was provided at the request of Congressman Taylor's staff to address issues with Fontana Reservoir.
- Briefings were held with the Governor's western North Carolina representative, Jane Whilden, District Representative Martha Peterson of Congressman Taylor's office, State Senator Virginia Foxx, State Representative Eugene Wilson, Avery County Manager Robert Wiseman, and Avery County Commissioner Kenny Poteat to discuss TVA's rate restructuring, debt reduction, economic development opportunities, Reservoir Operations Study, clean air initiatives/commitments, and state and county issues.
- TVA met with Congressman Burr's and Congressman Ballenger's staffs to discuss the Reservoir Operations Study, wind farm concerns in counties adjacent to Johnson County, Tennessee, and air quality issues.
- TVA partnered with Cherokee County, the City of Murphy, Heritage Partners, and the Department of Transportation to complete Phase I of the Konehete Park greenway river walk.

TENNESSEE

**A TVA loan is assisting
with an expansion by Dura
Automotive Systems in
Lawrenceburg.**

- UGN, Inc., announced a 10,000-square-foot expansion of its Jackson plant, adding 50 employees to its 125-person workforce. UGN manufactures interior car trim products for Toyota, Honda, and Nissan vehicles. TVA provided growth credit, pricing information, and technical assistance for the facility.
- A TVA loan is assisting with an expansion by Dura Automotive Systems in Lawrenceburg, helping to secure Dura's presence in the Valley. Dura will be investing \$11 million in Lawrenceburg and retaining 200 jobs. Approximately 1.5 megawatts of new power load will be required.

**The Knoxville Metropolitan
Statistical Area has been
named the Mid-Market of
the Year by Southern
Business and Development.**

- TVA provided assistance to Ferco Color, a female-owned manufacturer of proprietary color concentrates for packaging, toys, medical products, and housewares. The Ontario, California, company is opening a facility in Memphis. The project will have a total capital investment of \$1.2 million, create 61 new jobs, and have a monthly energy demand of approximately 280 kilowatts.
- A loan from TVA's Special Opportunities Counties program is helping the Scott County Industrial Board complete a 48,000-square-foot speculative building, which will serve as the location for Takahata Seiko. The company manufactures automobile components and plans to employ 40 people initially and 100 people within three years.
- The Knoxville Metropolitan Statistical Area has been named the Mid-Market of the Year by *Southern Business and Development* magazine. The metro area of Knox, Blount, Anderson, Union, Loudon, and Sevier counties was recognized for attracting jobs and capital investment, including the Newell-Rubbermaid and InsLogic projects. TVA provided a loan for the InsLogic project and a range of energy services for the Newell-Rubbermaid expansion.
- The Knoxville area also was honored by the Milkin Institute as a Top Moving Metro for its jump to number 48 from 107th in the Institute's Best Performing Cities Index. The Index ranks 296 U.S. metropolitan areas according to wage and salary growth, job growth, and high-tech output growth.
- Chairman McCullough, Director Baxter, and TVA staff briefed Congresswoman Blackburn's chief of staff and district director on economic development programs, rate restructuring, transmission lines proposed in Williamson and Montgomery counties, and Memphis Light, Gas, & Water Division's pre-payment agreement.
- TVA staff assisted Milan Arsenal and state and local officials in promoting the arsenal as a potential site for EBV Explosives, a company working on the demilitarization of munitions for the U.S. Army. The project will create 50 high-paying jobs and have a capital investment of \$10 million.
- U.S. Fence, Inc., a manufacturer of wood and vinyl fencing, will expand its Hawkins County operation. The company, which employs 600 workers, will add 150 new jobs and make an additional capital investment of \$9 million. TVA provided a range of energy services and pricing options to assist the expansion.
- TVA completed an industrial park layout for the remaining acreage of the Van Buren County Industrial Park. The county is considering a speculative industrial building for the property or land for a new industrial park.
- TVA and a consortium of local banks helped the Dyer County Industrial Board purchase the vacant 380,000-square-foot Dyersburg Fabric building for Nordyne, a manufacturer of HVAC equipment. The company will invest \$29 million in the project and create 600 new jobs.

**TVA participated in the 2003
Tennessee Minority Supplier
Development Council
Conference and Exposition.**

- The Roane County Industrial Board is developing two speculative buildings at the Roane Regional Business and Technology Park. TVA administered an Appalachian Regional Commission grant for infrastructure required to serve the park.
- ABB, Inc., a primary supplier to TVA for such items as transformers, switchgear, and breakers, announced the opening of a new full-line service center in Nashville. TVA's relationship with ABB has evolved to "Strategic Alliance" status, and the new service center is a reflection of this alliance. TVA, TVA distributors, and TVA's directly served customers will be served by this facility; ABB staff have relocated to Nashville from various ABB manufacturing facilities.
- TVA participated in the 2003 Tennessee Minority Supplier Development Council Conference and Exposition. This year's event was highlighted by an announcement that Nissan Motor Company is finalizing a multimillion-dollar partnership between Visteon Corporation and Manufacturers Industrial Group (MIG). MIG is the largest minority-owned manufacturing company in Tennessee and a recipient of a TVA Minority Business Development Loan. In addition, TVA was recognized for its use of Scientific Sales as a TVA-leveraged supplier for laboratory chemicals and supplies.
- Mountain City Lumber Company hosted a ribbon-cutting for its new operation. Federal, state, and local officials and first-shift employees attended, along with officials from Mountain City Lumber and its parent company, Cranberry Hardwoods, Inc. The retention project has a total capital investment of \$6.8 million, will create 140 jobs, and add 1.5 megawatts of load for Mountain Electric Cooperative. A loan from the TVA Special Opportunities Counties fund supported the project.
- TVA presented a conceptual plan at the Four Lake Regional Industrial Development Authority's annual board meeting. The plan includes 125 acres not previously considered for industrial or commercial property. Four Lakes will use the TVA-prepared renderings and industrial firm lists to begin marketing the site, now named the PowerCom Industrial Center.
- TVA, Tennessee Economic and Community Development, and the West Tennessee Industrial Association are assisting the newly formed Mason Industrial Development Board in developing an industrial development strategy.
- A cooperative agreement between TVA and the Northwest Regional Port Authority will provide financial assistance for that project. Other federal, state, and local partners are also supporting the design and development of the facility. In addition, TVA provided architectural designs in the preliminary stages of the project.
- A long-term conceptual agreement for TVA water releases on the Upper Ocoee was signed at the Ocoee River Days Festival at the Olympic Whitewater Center on Ocoee No. 3 Reservoir.
- TVA continues to work with the Hamilton/Rhea Counties' Stream Task Force on flooding problems.

TVA co-sponsored a conference in Lexington on “Growing Our Communities the Smart Way.”

- More than 300 Chattanooga-area retirees representing TVA volunteered to participate in Hamilton County’s Smallpox Emergency Program.
- Director Baxter discussed TVA issues with staff from the offices of Senators Edwards, Frist, Alexander, Warner, and Allen and Congressmen Taylor, Jenkins, Duncan, Wamp, and Boucher at a fall Discussion Team meeting hosted by TVA.
- TVA is participating on the New Source Review (NSR) Subgroup formed at the request of the Commissioner of the Tennessee Department of Environment & Conservation. The group provides a forum for industry and environmental groups in Tennessee to discuss NSR requirements.
- TVA is working with the State of Tennessee to assess key infrastructure, capabilities, threats, vulnerabilities, and needs for preventing, protecting, and recovering from terrorist events. The assessment was directed by the U.S. Department of Homeland Security and the Office of Domestic Preparedness.
- TVA has provided the Tennessee Department of Environment and Conservation with a report on source water protection in the state. The report covers the results of a statewide survey on the nature and extent of local governmental involvement in drinking-water source protection.
- TVA co-sponsored a conference in Lexington on “Growing Our Communities the Smart Way.” The conference paves the way for efforts to improve the region’s water quality.
- Biologists from the Tennessee Wildlife Resource Agency, Tennessee Department of Environment and Conservation, Oak Ridge National Laboratory, University of Tennessee, and TVA completed biological monitoring on the Pigeon and the Little rivers. The monitoring showed some success in recent reintroductions of fish species to the Pigeon River.
- TVA participated in the 11th annual South Holston Reservoir and River cleanup. Several area businesses and organizations, including the Bristol Tennessee Electric System, served as sponsors for the event. Approximately 1,000 volunteers scoured the shorelines and riverbanks to remove about 55 tons of litter and debris.
- TVA met with the Clarksville-Montgomery County Industrial Development Board to discuss proposed transmission system improvements and potential impacts on properties owned by the Industrial Development Board. The board voted to send a letter to TVA recognizing the need for the improvements and conveying the board’s suggestions on the best routing alternatives.
- TVA is partnering with the University of Tennessee to promote a course on lean office practices, a process-improvement trend that is a follow-up to lean manufacturing.

- TVA is working with the Tennessee Department of Agriculture, University of Tennessee, and Southeast Watershed Forum on the design and implementation of the Tennessee Growth Readiness program. This program will help communities meet the requirements of the Clean Water Act.
- TVA and the Southeast Watershed Forum piloted a program to train community officials in conducting a Site Planning Roundtable, a consensus-building process for promoting economically viable, environmentally sensitive development.
- TVA received a Corporate Partner Award at the Second Annual Gala Tribute to Nashville Community Leadership.
- The final report of the Franklin County Quality Communities process was presented at a public meeting in Winchester. The report was developed by a team of 41 community leaders and facilitated by TVA staff.
- TVA partnered with Henry County, the U.S. Fish and Wildlife Service, and the Tennessee Wildlife Resources Agency in dedicating lake-access facilities at the Henry County Port on Kentucky Reservoir.
- A Clean Boating Event at Pebble Isle Marina in New Johnsonville attracted 200 people.
- TVA and East Tennessee State University co-sponsored a symposium titled "Perspectives on Nutrients in Aquatic Ecosystems." TVA staff provided an overview of the sources of nutrients in the watershed and their impact on water quality.

VIRGINIA

**With TVA assistance, the
Guest River Group
reclaimed two abandoned
mine land sites in the Guest
River watershed.**

- Briefings were held with Senators Wampler and Puckett; State Delegates Jackie Stump, Benny Keister, Bill Carrico, Joe Johnson, Terry Kilgore, and Clarence Phillips; Governor Warner; Lee County Board of Supervisors' D. J. Barker; Scott County Board of Supervisors' Kenneth Hensley; and County Managers Dane Poe and John Strutner to discuss several TVA issues, including rate restructuring, debt reduction, economic development opportunities, the Reservoir Operations Study, clean air initiatives/commitments, and district issues.
- With TVA assistance, the Guest River Group reclaimed two abandoned mine land sites in the Guest River watershed.
- Twenty-five Southwest Virginia educators attended the 2003 Environmental Workshop at Natural Tunnel State Park in Scott County. The two-day workshop focused on the Clinch River watershed and topics such as biodiversity and water quality. The workshop resulted from a partnership by TVA, the Canaan Valley Institute of West Virginia, and the Black Diamond Resource Conservation and Development District.