

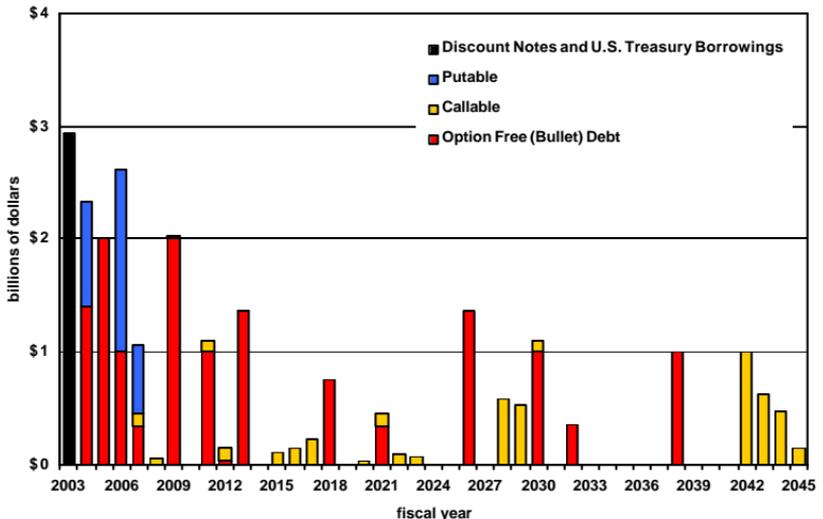
Power Investing With TVA

One of TVA's six strategic objectives is to reduce its delivered cost of power relative to the market. One way that TVA is achieving this reduction is by reducing interest expense through customer-driven offerings that provide exceptional value to both investors and TVA. All of TVA's bonds and notes are publicly held.

TVA issues bonds with different features, with a variety of redemption features (callable, puttable, etc.), maturity dates, interest payment frequencies, and currency denominations. TVA securities are in demand among both institutional and individual investors around the world who seek high-quality investment options.

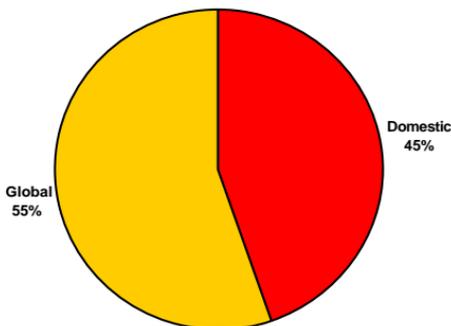


TVA Total Debt Maturities as of February 28, 2003



For the past several years, TVA has accessed both domestic and global capital markets, issuing cost-effective, long-term financing. TVA had 70 long-term bond issues outstanding as of February 28, 2003, including 42 electronotes® retail offerings and 11 global bond issues. Three of these global issues were foreign currency denominated, including two Sterling-denominated bonds and one Deutsche-mark denominated bond.

TVA Long-Term Global & Domestic Debt



TVA has received a great deal of recognition in the international community for its global bond offerings:

- July 2001, TVA praised in *Euroweek*, "Every deal they do is professional."
- June 2001, described by the *International Financing Review* as having "rarity value."
- January 2001, recognized by *Euroweek* as an issuer who "excites a lot of enthusiasm from the investor base."
- March 1998, the *International Financing Review* described TVA's reputation as "...being among the most innovative of the U.S. Agency borrowers."

TVA's Puttable Automatic Rate Reset Securities (PARRS) are listed and traded on the New York Stock Exchange under the symbols TVC and TVE for ease of trading and enhanced liquidity. Trades of other TVA power bonds are listed in the *Wall Street Journal*.

Power Investing With TVA

Why Invest in TVA bonds?

High Quality and Stability

- **TVA is a Well-Managed Electric Utility** – TVA provides reliable, affordable power through all-requirements contracts to 158 municipal and cooperative distributors who deliver electricity to over eight million people. TVA also supplies power to 62 directly-served customers.
- **TVA Receives the Highest Credit Ratings Available** – TVA's rated securities are rated 'Aaa' by Moody's Investors Service and 'AAA' by Standard & Poor's and Fitch Ratings.
- **TVA is Wholly Owned by the Federal Government** – TVA was created by an act of Congress in 1933 as a corporate agency owned by the United States. The TVA Board is appointed by the U.S. President and confirmed by the Senate.
- **TVA is Committed to Accountability and Disclosure** – TVA is committed to conducting its business in an open and forthright manner that instills confidence in Congress and the Administration and in our investors and customers. TVA recently established a Corporate Accountability & Disclosure Plan to assure TVA investors and stakeholders of corporate accountability, auditor independence, and a steady flow of timely, comprehensive, and accurate financial disclosure.

Exceptional Security

- **Rate Setting Authority** – TVA's Board has the sole legal authority to set its power rates.
- **Rates Sufficient to Cover Debt Service** – TVA is required by the TVA Act to set rates sufficient to pay, among other things, debt service on outstanding bonds.
- **First Pledge of Payment** – Holders of TVA power bonds are given first pledge of payments from net power proceeds.
- **Bonds Used for Power Program** – TVA securities are primarily issued to provide capital for TVA's power program or to refund existing indebtedness.

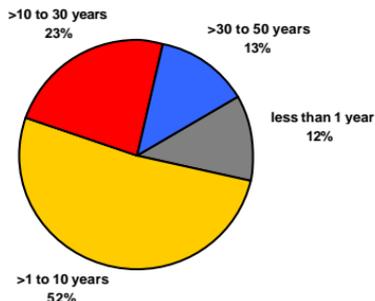
Exceptional Value

- **Tax Exemption** – Both principal and interest on TVA securities are generally exempt from state and local income taxes.
- **Estate Feature** – Several TVA securities are issued with an estate feature, providing heirs, subject to certain limitations, with the choice of retaining the bonds or redeeming the bonds at par value upon the death of the beneficial owner.

A Variety of Issuances

- TVA has a wide range of bond issues spanning a broad horizon, including:

TVA Total Debt by Maturity (Fiscal Year)



- **Global Issues** – TVA had 11 global power bond issues outstanding as of February 28, 2003. Three of these bond issues are foreign currency denominated.
- **Electronotes®** – TVA's electronotes® are retail medium-term notes (unsecured debt). TVA had 42 electronotes® issues outstanding as of February 28, 2003.
- **Exchange Listing** – TVA's Puttable Automatic Rate Reset Securities (PARRS) are listed on the New York Stock Exchange under the symbols "TVC" and "TVE."

TVA's Financing Goal and Earnings Objective

TVA's financing goal is to offer unique investment opportunities that provide exceptional value to both the investor and TVA. TVA finances its capital requirements primarily through internally generated funds and by power financings. As a federal corporation, TVA is not authorized to issue equity securities to enhance its capital structure.

Consistent with its federal charter, TVA's strives to deliver a reliable supply of power to its customers at the lowest feasible rates. TVA is profit-neutral and does not seek to accumulate a large amount of retained earnings.

Power Investing With TVA

TVA Securities and State Tax Exemption

Both principal and interest on TVA securities are generally exempt from state and local income taxes. The best way to appreciate the effects that this exemption can have on returns is to compare yields on TVA securities to otherwise similar non-exempt investments. The sample table below demonstrates what the equivalent taxable yield would be for several TVA securities over a range of state and local income tax rates.

TVA Bond Issue	TVA Coupon Rate ²	Effective State and Local Income Tax Rate ¹					
		2%	4%	6%	8%	10%	12%
2000 Series E, QUINTS	7.75%	7.91%	8.07%	8.24%	8.42%	8.61%	8.81%
2000 Series D, QUINTS	7.65%	7.81%	7.97%	8.14%	8.32%	8.50%	8.69%
2000 Series C, QUINTS	7.50%	7.65%	7.81%	7.98%	8.15%	8.33%	8.52%
1998 Series D, PARRS	6.75% ³	6.89%	7.03%	7.18%	7.34%	7.50%	7.67%
1999 Series A, PARRS	6.50% ³	6.63%	6.77%	6.91%	7.07%	7.22%	7.39%

¹ Without taking into account the federal deduction for any state taxes paid

² Before-tax yield

³ Initial coupon rate, subject to downward adjustment

The simple formula described below can be used to compare the yields between TVA securities and similar investments that are subject to state and local income taxes:

Take 1 minus the state/local income tax rate, and divide the coupon rate by this difference. The result of this calculation is the rate that would have to be obtained on a taxable investment to obtain the same after-tax income that could be earned on a TVA security, without taking into account any federal deduction for any state taxes paid and assuming that the income from the security being compared is also subject to federal taxation.

TVA and Government-Sponsored Enterprises

TVA is commonly compared with government-sponsored enterprises, or "GSEs," by investors when making investment decisions. Although both TVA and many of these government-sponsored enterprises were established by acts of Congress, TVA is very different from a GSE. GSEs are sponsored by the government, but are generally owned by private investors. TVA is wholly owned by the federal government and does not issue stock.

* TVA securities are not exempt from estate, inheritance, and gift taxes or from federal income tax. Taxes and tax issues vary due to individual circumstances. Information provided here is for comparative purposes only. Please consult a tax advisor for specific tax information.

Comparison to Two of the Largest GSEs, Fannie Mae and Freddie Mac

	TVA	Fannie Mae and Freddie Mac
Federal Charter	1933	1938 (FNMA) 1970 (FHLMC)
Ownership	Federal government	Shareholders
Financial objective	Profit Neutral	For Profit
Primary revenue source	Electricity Sales	Mortgages
Directors appointed by the President and confirmed by the Senate	3 of 3 (full-time)	5 of 18 (part-time)
Real property owned by the U.S. government	Yes	No
Finances are part of the federal budget	Yes	No
Explicit guarantee by the U.S. government	No	No
Rating of senior unsecured securities	AAA/Aaa	AAA/Aaa
Business type	Public Power Utility	Financial Services
Congressionally mandated debt ceiling	\$30 Billion	None
Current level of outstanding debt securities	\$25 Billion	\$851 B (FNMA) \$565 B (FHLMC)
State and local income tax exemption	Yes	No

Frequently Asked Questions about TVA Securities

How do I purchase TVA securities?

TVA securities can be purchased through a broker or other proper financial intermediary.

Power Investing With TVA

Are the principal and interest payments on TVA securities tax-exempt?

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.

Taxes may vary due to individual circumstances. Please consult a tax advisor for specific tax information. The reference in the TVA Act regarding taxation of TVA securities is 16 U.S.C. § 831n-4(d).

Are Putable Automatic Rate Reset Securities (PARRS) preferred stock or debt securities?

Although PARRS resemble the structure of preferred stock, they are in fact TVA debt securities which pay interest on a quarterly basis. These securities are listed on the New York Stock Exchange under the symbols "TVC" and "TVE" for ease of trading. TVA is wholly owned by the U.S. government and is not authorized to issue stock.

How are principal and interest payments made?

TVA makes principal and interest payments electronically on the date the payment is due (or the first business day following a payment date that occurs on a weekend or holiday) through either the Federal Reserve System or The Depository Trust Company, depending upon which system TVA employed in issuing the securities with respect to which payments are being made. These organizations forward payments directly to the brokers, banks, or other financial institutions who, in turn, forward the payments to the individual investors.

Will I receive a certificate for my investment in TVA securities?

The use of an electronic system for issuance of TVA securities eliminates the need for certificates.

When is the last day to purchase TVA securities to receive the next interest payment?

If the bonds have been issued through the book-entry system of the U.S. Federal Reserve Banks, a "holder" must be the owner of record on the business day immediately before the relevant interest payment date. If the bonds have been issued through the book-entry system of The Depository Trust Company, a "holder" must be the owner of record on the appropriate record date, which is often 15 calendar days before the relevant interest payment date. However, you may be a "beneficial owner" and not be a "holder" in these systems. Your broker can tell you what time frames apply to "beneficial owners."

Will TVA notify me when my security is called (redeemed)?

In most cases, TVA will give a 30-day prior notice of its intent to call a security. Depending on the security, TVA will notify either The Depository Trust Company or the Federal Reserve System. These organizations are responsible for notifying their participating brokers, banks, or financial institutions, and these entities in turn are responsible for notifying the individual investors.

TVA also issues a news release prior to a call. These news releases are available on TVA's web site (<http://www.tva.com/finance/info/>) or by TVA's e-mail alert. E-mail alert automatically sends a notice when a news release is posted to TVA's Web site.

Does the U.S. government guarantee TVA securities?

TVA's rated bonds receive the highest rating from Moody's Investors Service, Standard & Poor's, and Fitch Ratings (Aaa/AAA), but are backed solely by the net power proceeds of the TVA power system. TVA's bonds, notes and other financings are neither obligations of nor guaranteed by the U. S. government.

However, TVA offers a variety of bondholder protections including the requirement that holders of power bonds are given first pledge of payment from net power proceeds and the requirement that TVA charge electricity rates sufficient to ensure, among other things, the full payment of annual debt service.

NOTE: These questions and answers do not provide all information that may be important when considering TVA securities. Please carefully read the relevant Offering Circulars together with the current Information Statement.

For More Information

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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