

## LEGAL NOTICE REGARDING

**\$575,000,000**

### TENNESSEE VALLEY AUTHORITY

#### **POWER BONDS 1998 SERIES D DUE JUNE 1, 2028 (PUTABLE AUTOMATIC RATE RESET SECURITIES)**

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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 the put 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 Bond.

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 Bond 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 the Bond.

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. Because the CMT was discontinued in February of 2002, TVA has substituted an estimated 30-year rate for the CMT. This estimated 30-year rate is calculated in accordance with a methodology established by the United States Treasury ("Treasury"). Under this methodology, the estimated 30-year rate is equal to the sum of (1) an extrapolation factor and (2) the Treasury's long-term average rate. These extrapolation factors and long-term average rates can currently be found on the Treasury's web site at:

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

TVA may at any time substitute a different index for this alternative index if TVA determines, in its sole discretion, that the different index more closely resembles the CMT before it was discontinued or altered.

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The date of this legal notice is March 18, 2004.