



Retirement System

<i>(Dollars in thousands)</i>	2002	2001	Change	% Change
Net Assets Available for Benefits				
Fixed Benefit Fund	\$5,087,617	\$5,872,752	\$(785,135)	(13)
Variable Annuity Fund	215,583	299,457	(83,874)	(28)
TVA Savings and Deferral Retirement Plan [401(k) Plan]	762,570	827,746	(65,176)	(8)
Total	\$6,065,770	\$6,999,955	\$(934,185)	(13)
Contributions				
Employer (all funds)	\$ 13,946	\$ 11,649	\$ 2,297	20
Employee (all funds)	\$ 94,149	\$ 83,750	\$ 10,399	12
Benefits Paid (all funds)	\$ 387,337	\$ 385,753	\$ 1,584	0
Accumulated Benefit Obligation (Fixed Benefit Fund)	\$6,351,200	\$5,632,600	\$ 718,600	13
Number of Active Members	13,444	13,245	199	2
Number of Retirees	21,387	21,255	132	1

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To Our Members:

Welcome to the TVA Retirement System Annual Report for fiscal year 2002. Please take a few moments to review your retirement benefits contained in the Plan Summary and to examine the financial statements of your retirement system.

For the fiscal year ended September 30, 2002, the net assets of the Fixed Benefit Fund totaled \$5.1 billion, an investment loss of 8.7 percent for the year. The System has had only four negative years of performance since its inception in 1939. Those negative years (1981, 1990, 2001, and 2002) correspond with economic recessions in the United States. The negative performance this year can again be attributed to the poor performance of the U.S. stock market. This is the third year in a row the S&P 500 Index, a broad measure of the U.S. stock market, has had negative returns. The last time that happened was 1939 – 1941. The System is well diversified with 40 percent of its assets in fixed income securities, 48 percent in domestic stocks, and 12 percent in international stocks. With \$5.1 billion in net assets, the System is positioned to perform well as the U.S. economy recovers and generates a return sufficient to fund future liabilities.

Throughout the year, the Board continued to review the benefits of the Plan and, as a result, voted to approve amendments to the System's Rules and Regulations and to the Provisions of the 401(k) Plan. Several key actions include:

- Permitting members who are eligible to participate in the annuity funds to make lump-sum contributions to these funds on a monthly basis.

- Providing System credit for certain lump-sum payments made by TVA to employees in lieu of base wage or salary increases for fiscal year 2003 to be included in employees' compensation for purposes of calculating pension benefits and TVA matching contributions.

- Approving compliance with Domestic Relations Orders, which are State court divorce decrees that direct a retirement plan to pay a portion of a plan participant's retirement benefits directly to a former spouse.

- Permitting certain survivor beneficiaries of deceased active employees and deferred retirees the option to withdraw the deceased member's contributions to the System, and the earnings thereon, in a lump sum rather than having those amounts automatically paid out in a stream of monthly payments over the beneficiary's life.

In addition, members were provided with two brochures, a Step-by-Step Survivor Checklist and a Personal and Legal Document Locator. These documents help members implement a records inventory system to maintain important documents and information, as well as assist family members in locating these documents in the event of critical illness or death.

During the year, the membership re-elected Gretchen Thal to the Board, with her new term ending October 31, 2005. For the 2002 election, the Board adopted and implemented new candidate election procedures, including a website for the candidates to post their campaign statements.

In closing, the Board and staff appreciate your support and suggestions during the year. We are committed to improving and perfecting the services we provide you.

Sincerely,



Lewis E. Wallace
Chairman



Elected by Members



Floyd J. Johnson
Elected November 1, 1995



Gretchen D. Thal
Elected February 3, 1997



Robert H. Cash
Elected November 1, 1997

Appointed by TVA



John E. Long, Jr.
Appointed April 27, 1992



William M. Oden
Appointed January 27, 1995



Mark O. Medford
Appointed November 6, 1995

Selected by Other Directors



Lewis E. Wallace
Selected November 1, 1994



Standing Committees

Audit

William M. Oden, Chair
Mark O. Medford
Gretchen D. Thal

Election

Floyd J. Johnson, Chair
Robert H. Cash
William M. Oden

Investment

John E. Long, Jr., Chair
Robert H. Cash
Floyd J. Johnson
Mark O. Medford
William M. Oden
Gretchen D. Thal
Lewis E. Wallace

Retirement

Mark O. Medford, Chair
Robert H. Cash
John E. Long, Jr.
Gretchen D. Thal

Board Officers

Lewis E. Wallace
Chairman

Floyd J. Johnson
Vice Chairman

Randy A. Snyder
Executive Secretary

Robert J. Vaughn
Assistant Secretary and
Assistant Treasurer

Sherry C. Kelly
Treasurer

Robert G. McCall
Assistant Treasurer

Pamela K. Ramsey
Assistant Treasurer

Professional Advisors

Actuary

Mercer Human Resource Consulting
Atlanta

Auditors

PricewaterhouseCoopers LLP
Knoxville

E.H. Johnson & Company, P.C.
Knoxville

Investment Consultant

Wilshire Associates Incorporated
Pittsburgh

Legal Counsel

Nicholas P. Goschy
Senior Attorney
TVA, Knoxville

Master Trustee

Mellon Bank NA
Pittsburgh

Medical Advisor

Anne S. Roberts, M.D.
Knoxville

Medical Board

Maurice S. Rawlings, M.D.
Chairman, Chattanooga

Deborah D. Barton, M.D.
Chattanooga

Robert W. Myers, M.D.
Chattanooga

Investment Managers

Fixed Benefit Fund

Abbott Capital Private Equity Partners IV, L.P.
BlackRock Financial Management Inc.
BlackRock International, Ltd.
Capital Guardian Trust Company
David J. Greene and Company, LLC
David L. Babson & Company Inc.
Geewax, Terker & Company
Goldman Sachs Asset Management
HarbourVest Partners, LLC
J.P. Morgan Fleming Asset Management Inc.
MacKay Shields LLC
Mellon Bond Associates, LLP
Mellon Capital Management
Nicholas-Applegate Capital Management
Pacific Investment Management Company
Putnam Advisory Company, LLC
Smith Breeden Associates Inc.
Taplin, Canida & Habacht
Wellington Management Company, LLP
Western Asset Management Company
Wilshire Associates Incorporated
W.R. Huff Asset Management Co., L.L.C.
WRH Partners Global Securities, L.P.
WRH Partners II, L.L.C.

Variable Annuity Fund

Mellon Capital Management Corporation
Mellon HR Solutions



Currently one of the largest pension plans in the world, the TVA Retirement System provides retirement, disability, and death benefits for approximately 35,000 employees and retirees.

Established in 1939, the TVA Retirement System (System) is a defined benefit plan (Plan) covering most full-time and part-time annual employees. The System is a separate legal entity from TVA and is under the control and direction of a seven-member Board of Directors. Three of the directors are appointed by TVA, and three are elected by and from the membership. A seventh director is selected by the other six. The System Board also has responsibility for administration of a defined contribution plan, the TVA Savings and Deferral Retirement Plan [401(k) Plan].

TVA contributes to the System such amounts as are necessary on an actuarial basis to provide the System with assets sufficient to meet TVA-financed benefit obligations to be paid to members. While members are not required to make contributions to the System, certain members are eligible to make voluntary contributions to the System's Fixed and/or Variable Annuity Funds. Members can also contribute to the 401(k) Plan, and TVA makes matching contributions to that plan.

Retirement Benefits

A member's retirement benefit consists of a pension derived from TVA's contributions and earnings on Plan assets and a Social Security benefit derived from both TVA's and the member's contributions. A member's retirement benefit may also include an annuity and/or a lump-sum benefit derived from the member's contributions to the Fixed and/or Variable Annuity Funds and the 401(k) Plan. The pension plus the annuity, if applicable, compose the TVA Retirement System retirement allowance. In addition, a supplemental benefit is provided to eligible retirees which may be used to help with the cost of medical insurance.

Original Benefit Structure

The pension from the Original Benefit Structure is based on the member's years (to the nearest month) of creditable service, highest average base pay during any three consecutive years of creditable service, and a pension factor, less a Social Security offset.

Creditable service is the length of time spent as a member of the System. It also includes any annual leave forfeited after January 1, 1980, and, at the member's election, the total balance of any unused sick leave. Leave is counted hour for hour for the first 1,000 hours and 2 hours for each hour in excess of 1,000 hours (2,080 hours equates to one year of creditable service). Forfeited annual leave and unused sick leave may

be used in determining both the amount of the benefit and the eligibility for retirement. Creditable service may also include previous periods of membership in the System, certain military service, and some periods of leave without pay.

Members with at least 5 years of creditable service who are at least attained age 55 are always eligible to receive an immediate benefit. Vested members less than attained age 55 may also receive an immediate benefit unless they are terminated for cause. Members who are at least actual age 45 and whose age plus creditable service equals 80 or more receive the maximum pension factor of 1.3 percent. Vested members who are at least attained age 60 also receive the maximum pension factor even if they do not have 80 points.

Cash Balance Benefit Structure

The System implemented the Cash Balance Benefit Structure for employees who became members on or after January 1, 1996, with no prior Retirement System membership. Employees rehired by TVA after a break-in-service of 180 or more consecutive days and who have previous service as participants in the Original Benefit Structure are given an opportunity to participate in the Cash Balance Benefit Structure when they are rehired or at the time they become eligible for System membership.

The Cash Balance Benefit Structure provides a TVA-funded pension benefit where an account is established for each member. This account receives pay credits each pay period equal to 6 percent of compensation, as well as interest credits each month at the rate established by the Board each January 1. The interest rate is determined by calculating the percentage change of the 12-month average of the Consumer Price Index (CPI) for the period ending the previous October 31 over the preceding 12-month period, plus 3 percent. The System has established a minimum annual interest rate of 6 percent for interest credits.

Cash balance service is the length of time spent as a member of the System. It does not include credit for unused sick leave, forfeited annual leave, or pre-TVA employment military service. Cash balance service may include previous periods of membership in the System and some periods of leave without pay.

Members with at least 5 years of cash balance service who are at least actual age 55 are always eligible to receive an immediate benefit. Vested members less than actual age 55 may also receive an immediate benefit unless they are terminated for cause.

Supplemental Benefit

If upon retirement a member meets the eligibility criteria, the member will receive a supplemental benefit regardless of the member's benefit structure. This benefit is provided to eligible retirees and eligible surviving spouses to help with the cost of their medical insurance, although it is not required to be used to pay for medical insurance.

Level Income Plan

Regardless of the member's benefit structure, if a member chooses the level income plan, the System will increase the TVA pension payments until age 62, when early Social Security payments can begin. Then, once the member is eligible to receive Social Security payments, the level income plan increase stops and the member's TVA pension payments are permanently reduced. To be eligible for the level income plan, a member must be under age 62 and must have earned enough quarters of Social Security coverage at the time of retirement to be eligible for a Social Security benefit at age 62.

Annuity and 401(k) Plan

During Employment

The annuity provides two after-tax investment options to members, the Fixed Benefit Fund and the Variable Annuity Fund. These funds are available to members who are or have ever been participants in the Original Benefit Structure unless they have transferred their annuity fund balance(s) to the 401(k) Plan. The Fixed Benefit Fund earns a specified rate of interest set by the System's Board of Directors (currently 10 percent). The Variable Annuity Fund is invested in the Dreyfus Basic S&P 500 Stock Index Fund. Employees participating in the Variable Annuity Fund purchase shares in the Dreyfus Basic S&P 500 Stock Index Fund, which is invested in the stocks of companies included in the S&P 500 Composite Stock Price Index.

Members are also permitted to transfer their contributions between the Fixed Benefit Fund and the Variable Annuity Fund once per calendar month and may, at any time during employment, transfer their entire balance to the 401(k) Plan. Members who transfer their balance to the 401(k) Plan are no longer eligible to contribute to the Fixed Benefit Fund or the Variable Annuity Fund. Upon retirement, those who first became members before January 1, 1996, may transfer all or any portion of their after-tax balance(s) in the 401(k) Plan to the System to receive monthly payments.

In addition, members may elect to participate in the 401(k) Plan on a before- and/or after-tax basis. TVA provides 401(k) Plan employer matching contributions for members participating in the Cash Balance Benefit Structure and the Original Benefit Structure. The amount of this match for Cash Balance Benefit Structure participants is 75 cents on every dollar

contributed on a before- and/or after-tax basis up to a maximum of 4.5 percent of fiscal year-to-date base compensation. The amount of this match for Original Benefit Structure participants is 25 cents on every dollar contributed on a before- and/or after-tax basis up to a maximum of 1.5 percent of fiscal year-to-date base compensation. Members are vested in the TVA matching contributions after three years of actual Retirement System service. During employment, members are also permitted to roll over funds from certain other retirement plans and IRAs. Investment options available through the 401(k) Plan have varying degrees of risk and potential return.

In calendar year 2002, contributions to the Fixed Benefit Fund, Variable Annuity Fund, and 401(k) Plan may not exceed the lesser of \$40,000 or 100 percent of calendar year-to-date compensation. Higher paid employees are subject to further limitations on before-tax contributions to the 401(k) Plan. Additionally, before-tax contributions may not exceed the annually published IRS maximum (\$11,000 for 2002). Employees who are age 50 or older are allowed to contribute an additional before-tax amount, allowing them to "catch up" on their retirement savings. For 2002, the catch-up amount is \$1,000 over and above contribution limits and cannot begin until the before-tax contribution limit is reached.

After Retirement

A member may receive a monthly annuity payment from the Fixed Benefit Fund, the Variable Annuity Fund, or both. Annuity payments from the Fixed Benefit Fund are based on a specified rate of interest set by the System's Board of Directors. Members who elect to receive an annuity payment from the Variable Annuity Fund will have their shares in the Dreyfus Basic S&P 500 Stock Index Fund redeemed and the proceeds used to purchase units in the Variable Annuity Fund. The monthly annuity payments will vary based on the value of these units. The investment strategy of the Variable Annuity Fund is the same as the Dreyfus Basic S&P 500 Stock Index Fund.

Social Security

A retired member may be eligible to receive Social Security benefits at age 62, or earlier for disability. The Social Security Administration determines eligibility for Social Security benefits.

Survivor Options

At Retirement

A member decides whether to take the maximum monthly retirement allowance during the member's lifetime with nothing payable after death or to take a reduced amount and provide benefits for a survivor.

All of the many survivor options are the actuarial

equivalent of the maximum retirement allowance. Married members who first become members of the System after January 1, 1990, must designate their spouse as beneficiary to receive a survivor benefit as specified by the Rules and Regulations of the Retirement System (Rules) governing the defined benefit plan, or receive their spouse's written consent to select a different survivor option at retirement.

After Retirement

Retirees who marry or remarry after commencement of their retirement allowance may elect to designate their new spouse for either a 50 percent or 100 percent survivor benefit.

Retirees have 90 days from the date of such marriage or remarriage to elect this second survivor benefit. This election and actuarial reduction to the retirement benefit would be effective the first day of the month following the first anniversary of the marriage or remarriage. Previous survivor benefit elections remain in effect for any designated beneficiary whose life expectancy has been used as a factor in determining the amount of the retiree's benefit.

Disability Benefits

A vested member may be retired on disability retirement if it is determined that the member cannot be continued in the present position because of a physical or mental disability that is likely to be permanent and that there is no other TVA position available for which the member is qualified and can perform with the member's medical restrictions.

Death Benefits

During Employment

The designated beneficiary or the estate of a member who dies during employment will receive the member's accumulated contributions, if applicable, and a benefit provided by TVA's contributions.

After Retirement

Upon the death of a member after retirement, the benefits payable (if any) depend upon the survivor option selected.

Cost-of-Living Increases

Eligible retirees receive cost-of-living increases on the pension portion of monthly benefits (exclusive of level income plan) in January following any year in which the 12-month average of the CPI exceeds by as much as 1 percent the CPI average

for the preceding year. The amount of the adjustment is the percentage increase in the CPI, up to 5 percent in any one year. The System's Board may, with the approval of the TVA Board, apply an increase greater than 5 percent.

Eligible retirees and beneficiaries on the retirement payroll on or before January 1 receive the cost-of-living increase. If a member retires after January 1, that member's pension will be at least as much as it would have been on January 1 with the cost-of-living increase if the member was eligible to retire on January 1.

The supplemental benefit will receive an annual cost-of-living increase until it reaches the maximum as specified in the Rules, at which time the cost-of-living increases will stop.

Risks and Uncertainties

The Plan provides for various mutual fund investment options in stocks, bonds, and fixed income securities. Mutual funds are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for plan benefits.

System Termination

In the event the System is terminated, the net assets of the Plan will be allocated generally to provide benefits in the following order: (1) benefits based upon members' contributions, (2) nonforfeitable benefits based upon TVA's contributions, and (3) if feasible, cost-of-living increases thereto.

This summary is intended to help members understand the System and its benefits under the defined benefit plan and the 401(k) Plan. The rules governing these plans, not this summary, are used to determine the benefits to which a member is entitled. For additional information about your Retirement System benefits, please contact Retirement Services at the location or numbers listed at the back of this report.



Certification of Financial Statements

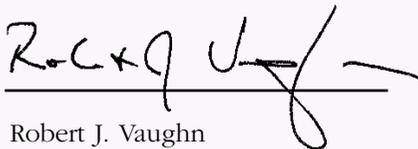
Randy A. Snyder, Robert J. Vaughn, and Patrick D. Brackett, individually certify that:

1. I have reviewed the Financial Statements of the Tennessee Valley Authority Retirement System.
2. Based on my knowledge, the information in the Financial Statements does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Financial Statements.
3. Based on my knowledge, the Financial Statements fairly present in all material respects the financial condition, results of operations, and cash flows of the Tennessee Valley Authority Retirement System as of, and for, the periods presented in the Financial Statements.
4. I and the other officers of the Tennessee Valley Authority Retirement System listed below are responsible for establishing and maintaining disclosure controls and procedures for the Tennessee Valley Authority Retirement System and have:
 - a) designed such disclosure controls and procedures to ensure that the Financial Statements and other financial information relating to the Tennessee Valley Authority Retirement System are made known to us by others, particularly during the period in which the Financial Statements are being prepared; and
 - b) evaluated the effectiveness of the Tennessee Valley Authority Retirement System’s disclosure controls and procedures as of a date within 90 days prior to the date of the Financial Statements.
5. I and the other officers of the Tennessee Valley Authority Retirement System listed below have disclosed, based on our most recent evaluation, to the Tennessee Valley Authority Retirement System’s auditors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Tennessee Valley Authority Retirement System’s ability to record, process, summarize, and report financial data and have identified for the Tennessee Valley Authority Retirement System’s auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Tennessee Valley Authority Retirement System’s internal controls.
6. I and the other officers of the Tennessee Valley Authority Retirement System listed below have indicated in the Financial Statements whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 3, 2003



Randy A. Snyder
Executive Secretary



Robert J. Vaughn
Assistant Secretary



Patrick D. Brackett
Manager, Retirement Investments



Report of Independent Accountants

*Board of Directors
Tennessee Valley Authority Retirement System*

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Tennessee Valley Authority Retirement System (the System) Fixed Benefit Fund, the Variable Annuity Fund, and the TVA Savings and Deferral Retirement Plan at September 30, 2002 and 2001, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Knoxville, Tennessee
January 3, 2003

Statements of Net Assets Available for Benefits

September 30, 2002 and 2001

(Dollars in thousands)

	2002	2001
Assets		
Investments at fair value	\$5,286,213	\$6,184,137
Receivables		
Securities sold	127,241	140,445
Dividends and interest	37,966	43,370
Due from Variable Annuity Fund	8	5
Other	383	14,841
Total assets	\$5,451,811	\$6,382,798
Liabilities		
Accounts payable		
Securities purchased	350,546	504,620
Due to Variable Annuity Fund	8	7
Other	13,640	5,419
Total liabilities	364,194	510,046
Net Assets Available for Benefits	\$5,087,617	\$5,872,752

Statements of Changes in Net Assets Available for Benefits

September 30, 2002 and 2001

(Dollars in thousands)

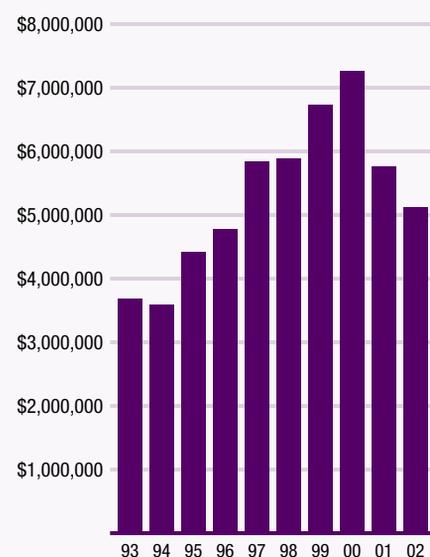
	2002	2001
Investment Income		
Net depreciation in fair value of investments	\$ (723,391)	\$(1,454,356)
Interest	205,603	276,713
Dividends	42,950	41,050
	(474,838)	(1,136,593)
Less investment expenses	21,741	22,714
	(496,579)	(1,159,307)
Contributions		
Members	35,844	28,581
Transfers from Variable Annuity Fund	22,413	35,089
Transfers from 401(k) Plan	3,624	3,699
	61,881	67,369
Total decrease	(434,698)	(1,091,938)
Benefits, Transfers, and Expenses		
Retirement benefits	321,817	297,855
Transfers to 401(k) Plan	9,724	21,698
Transfers to Variable Annuity Fund	6,863	12,389
Withdrawals	4,316	6,610
Administrative expenses	4,083	4,098
Death benefits	3,634	3,636
Total benefits, transfers, and expenses	350,437	346,286
Net decrease	(785,135)	(1,438,224)
Net Assets Available for Benefits		
Beginning of year	5,872,752	7,310,976
End of year	\$5,087,617	\$5,872,752

The accompanying notes are an integral part of the financial statements.

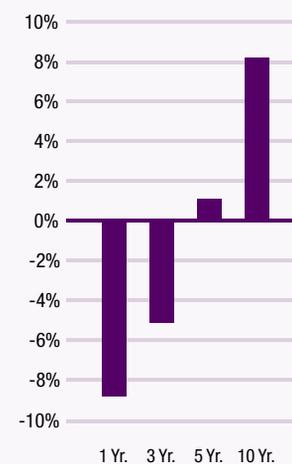
Fixed Benefit Fund

NET ASSETS AVAILABLE FOR BENEFITS

(thousands)

**Fixed Benefit Fund**

ANNUALIZED RATE OF RETURN



NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies**General**

The TVA Retirement System (System) is a defined benefit plan (Plan) covering most full-time and part-time annual employees. The System is administered and controlled by an independent, seven-member Board of Directors which also administers a defined contribution plan, the TVA Savings and Deferral Retirement Plan [401(k) Plan]. The System provides retirement, disability, and death benefits. There are two benefit structures within the Plan: the Original Benefit Structure and the Cash Balance Benefit Structure. New members hired on or after January 1, 1996, with no prior Retirement System membership must participate in the Cash Balance Benefit Structure. Employees who were members of the System as of December 31, 1995, were given the opportunity to either participate in the Cash Balance Benefit Structure or to remain in the Original Benefit Structure.

There are two investment funds within the Plan: the Fixed Benefit Fund and the Variable Annuity Fund. TVA contributes to the Fixed Benefit Fund such amounts as are necessary on an actuarial basis to provide assets sufficient to meet TVA-financed benefits to be paid to members. Participants in the Original Benefit Structure and participants in the Cash Balance Benefit Structure who were members of the System as of December 31, 1995, have a choice of making contributions to the Fixed Benefit Fund, the Variable Annuity Fund, or both. New members hired on or after January 1, 1996, participating in the Cash Balance Benefit Structure, are not eligible to contribute to the Fixed Benefit Fund or the Variable Annuity Fund.

TVA's contributions are deposited in the Fixed Benefit Fund. Members' contributions in the Fixed Benefit Fund were credited an annual rate of interest of 10 percent for the years ended September 30, 2002 and 2001. For participants in the Cash Balance Benefit Structure, TVA provided matching contributions of 75 cents on every dollar contributed to the 401(k) Plan on a before- and/or after-tax basis, with maximum matching contributions of 4.5 percent of fiscal year-to-date base compensation. Participants in the Original Benefit Structure received employer matching contributions of 25 cents on every dollar contributed on a before- and/or after-tax basis, with maximum matching contributions of 1.5 percent of fiscal year-to-date base compensation.

Benefits are provided in the form of a pension funded by TVA contributions and, if eligible, an annuity derived from the members' contributions. The Fixed Benefit Fund contains assets for funding of both the pension and fixed annuity with the net assets available for benefits being allocated between members' and TVA's contributions (see note on Net Assets Available for Benefits). The Variable Annuity Fund is discussed in the Significant Accounting Policies section which follows.

A more detailed description of contributions, benefits, vesting, and funding is available from the TVA Retirement System.

Valuation of Investments

Investments held in the Fixed Benefit Fund are stated at fair value which is determined by the Trustee of the fund as follows: common stocks, notes, and commingled trust funds are stated at the last closing sale price for securities listed on national exchanges or the last bid price for securities traded over the counter. All investments such as bonds and temporary investments for which there are no quoted prices are valued based on market values of comparable securities.

During fiscal year 2001, the Board amended the asset allocation policy that 5 percent of the United States equity allocation may be invested in private equity or other similar alternative investments but not to include holding title to real property. The 5 percent is measured as a percentage of the total funds. The private equity and other similar alternative investments are reported at market value, which is based on market quotations if available. For investments where no readily ascertainable market value exists, funds are valued by independent appraisals or investment management judgment.

Derivatives

Investments are held in S&P futures and bond futures of approximately \$666 million in fiscal year 2002 and \$709 million in fiscal year 2001. These futures are held to generate earnings and are valued at quoted market values with gains and losses reflected in the Statements of Changes in Net Assets Available for Benefits.

Options are held in foreign currency futures to reduce loss due to changes in the exchange rates. The risk management asset (liability) of the foreign currency futures is approximately \$27 million in fiscal year 2002 and \$(82) million in fiscal year 2001. The futures are related to the foreign stocks and bonds portfolio of \$891 million in fiscal year 2002 and \$888 million in fiscal year 2001.

Options are also held in bond futures primarily to reduce loss due to changes in interest rates. The risk management asset (liability) of the bond futures is approximately \$69 million in fiscal year 2002 and \$(71) million in fiscal year 2001. The bond futures are related to the \$1.8 billion domestic fixed income security portfolio in fiscal year 2002 and \$2.1 billion in fiscal year 2001.

Investment Income

The Plan presents in the Statements of Changes in Net Assets Available for Benefits the net depreciation in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned on an accrual basis.

Member Contributions

Eligible members may voluntarily contribute to either the Fixed Benefit Fund, the Variable Annuity Fund, or both. Federal income tax is deferred on earnings until annuity payments start or withdrawals are made. Members are also permitted to transfer their

contributions between the Fixed Benefit Fund and the Variable Annuity Fund once per calendar month and may, at any time during employment, transfer their entire balance to the 401(k) Plan. Members who transfer their balance to the 401(k) Plan are no longer eligible to contribute to the Fixed Benefit Fund or the Variable Annuity Fund. Upon retirement, those who first became members before January 1, 1996, may transfer all or any portion of their after-tax balance in the 401(k) Plan to the System to receive monthly payments.

Termination

In the event the System terminates, the net assets will be allocated generally to provide benefits in the following order: (1) benefits based upon members' contributions (if applicable), (2) nonforfeitable benefits based upon TVA's contributions, and (3) if feasible, cost-of-living increases thereto.

Amendments to the Rules and Regulations

During fiscal year 2002, the Rules were amended to:

- Allow members to make lump-sum contributions to the Fixed Annuity Fund and Variable Annuity Fund on a monthly basis, subject to the contribution limits.
- Allow a member's retirement benefits to satisfy the requirements of a Domestic Relations Order (DRO) upon divorces issued after January 1, 2003. The DRO must follow the guidelines set forth by the Plan. Highlights include that a lump-sum withdrawal from a member's annuity funds and/or 401(k) plan can be made to satisfy the DRO or the ex-spouse can receive a monthly designated amount when the member receives a monthly retirement benefit.
- Permit certain survivor beneficiaries of deceased active employees and deferred retirees the option to withdraw the deceased member's contributions to the System, and the earnings thereon, in a lump sum.

Wages and salaries, in determining pension benefits at retirement, now include certain lump-sum payments made in lieu of base wage or salary increases for fiscal years 1998 through 2003. Wages and salaries also now include lump-sum payments for certain TVA performance incentive plans beginning in fiscal year 2000.

Actuarial Assumptions

Accumulated benefits are those future periodic payments, including single-sum payments, that are attributable under the System's provisions to the service members have rendered and contributions members have made. Accumulated benefits include benefits expected to be paid to (1) retired or terminated members or to their beneficiaries, (2) beneficiaries of members who have died, and (3) current members or their beneficiaries.

Pension benefits under the System's Original Benefit Structure are based on members' years (to the nearest month) of creditable service, highest average base pay during any three consecutive years of creditable service, and a pension factor, less a Social Security offset. Calculations of the accumulated pension benefits

for active employees are based on their average compensation during the last three years ending on the valuation date.

Pension benefits under the System's Cash Balance Benefit Structure are based on pay credits and interest credits which accumulate over the members' cash balance service. Pay credits accumulate at a rate equal to 6 percent of members' compensation, and interest is credited each month at the rate established by the Board each January 1. The interest rate will be determined by calculating the percentage increase of the 12-month average of the Consumer Price Index (CPI) for the period ending the previous October 31 over the preceding 12-month period, plus 3 percent. The System has established a minimum annual interest rate of 6 percent for interest credits. The interest rate was 6.11 percent in 2002 and 6.24 in 2001.

Benefits payable under all circumstances—retirement, death, disability, and termination of employment—are included to the extent they are deemed attributable to members' service rendered to the valuation date.

The actuarial present value of accumulated benefits is determined by the System's Actuary, Mercer Human Resource Consulting, and is that amount that results from applying actuarial assumptions to adjust the accumulated benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of September 30, 2002 and 2001 were:

- A. Actuarial Cost Method—Projected unit credit method.
- B. Life expectancy of participants—The 1983 Group Annuity Table for 2002 and 2001.
- C. Normal retirement age—65 for 2002 and 2001.
- D. Interest rate—7.5 percent annually for 2002 and 8 percent for 2001.
- E. Retiree cost-of-living increases—3 percent annually for 2002 and 4 percent for 2001.

The 1983 Group Annuity Table was also adopted for the determination of member pension and annuity benefits beginning in calendar year 2003.

The foregoing actuarial assumptions are based on the presumption that the System will continue. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Actual results could differ from those estimates.

12 Fixed Benefit Fund

Accumulated Benefits

The estimated actuarial present value of accumulated benefits for the System payable from the Fixed Benefit Fund is as follows:

(Dollars in thousands)	September 30	
	2002	2001
Vested benefits		
Retired or terminated participants	\$3,510,300	\$3,388,600
Active participants	2,272,700	1,885,000
Total	5,783,000	5,273,600
Nonvested benefits	568,200	359,000
Total estimated actuarial present value of accumulated benefits payable from the Fixed Benefit Fund	\$6,351,200	\$5,632,600

The changes in the estimated actuarial present value of accumulated benefits payable from the Fixed Benefit Fund are as follows:

(Dollars in thousands)	Fiscal Years Ended September 30	
	2002	2001
Estimated actuarial present value of accumulated benefits payable from the Fixed Benefit Fund at beginning of year	\$5,632,600	\$5,342,100
Increase during the year attributable to:		
Additional benefits accumulated and actuarial gains and losses	494,000	202,300
Change in assumptions	123,300	—
Interest due to decrease in the discount period	437,200	414,300
Benefits paid to participants	(335,900)	(326,100)
Estimated actuarial present value of accumulated benefits payable from the Fixed Benefit Fund at end of year	\$6,351,200	\$5,632,600

Net Assets Available for Benefits

The net assets available for benefits are as follows:

(Dollars in thousands)	September 30	
	2002	2001
Accumulation for benefits and expenses	\$4,291,661	\$5,124,314
Accumulated members' contributions with interest	795,956	748,438
Net assets available for benefits	\$5,087,617	\$5,872,752

Investments

The following summarizes the investments of the Fixed Benefit Fund:

(Dollars in thousands)	September 30	
	2002	2001
Common stocks at fair value		
Domestic		
S&P 500 index futures contracts	\$ 666,190	\$ 710,326
Commingled index funds	380,383	646,017
Consumer Non-Durables	290,099	295,584
Financial	210,049	238,406
Technology	204,510	276,866
Health Care	195,100	280,840
Capital Goods	138,064	123,626
Energy	50,214	77,168
Basic Industries	46,493	46,769
Other	29,124	34,104
Utilities	25,090	30,343
Transportation	19,385	15,246
Consumer Durables	18,483	24,935
Foreign	592,407	598,632
	2,865,591	3,398,862
Preferred stocks at fair value	23,675	20,573
Limited Partnership	23,518	9,868
Bonds at fair value		
Domestic		
Industrial	540,119	579,727
Mortgage backed securities	358,768	635,598
U.S. Government	336,207	373,128
Financial	322,019	291,909
Utilities	124,003	107,141
Asset backed securities	54,038	30,599
Convertible	20,181	16,091
Other	9,427	25,674
Foreign	298,579	289,247
	2,063,341	2,349,114
Temporary investments at fair value		
Cash and cash equivalents	310,088	405,720
Total	\$5,286,213	\$6,184,137

During 2002 and 2001, the System's investments (including investments bought and sold, as well as held, during the year) depreciated in value as follows:

(Dollars in thousands)	September 30	
	2002	2001
Common and preferred stocks	\$ (619,492)	\$(1,422,532)
Bonds	(103,899)	(31,824)
Net depreciation	\$ (723,391)	\$(1,454,356)

Statements of Net Assets Available for BenefitsSeptember 30, 2002 and 2001
(Dollars in thousands)

	2002	2001
Assets		
Investments at fair value	\$216,002	\$299,455
Receivables		
Due from Fixed Benefit Fund	8	7
Total assets	216,010	299,462
Liabilities		
Accounts payable		
Securities purchased	419	—
Due to Fixed Benefit Fund	8	5
Total liabilities	427	5
Net Assets Available for Benefits	\$215,583	\$299,457

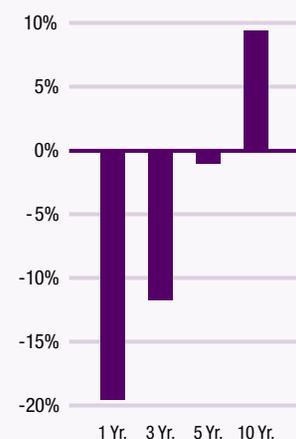
Statements of Changes in Net Assets Available for BenefitsFiscal Years Ended September 30, 2002 and 2001
(Dollars in thousands)

	2002	2001
Investment Income		
Net depreciation in fair value of investments	\$ (59,990)	\$(121,574)
Dividends	4,170	5,097
	(55,820)	(116,477)
Contributions		
Transfers from Fixed Benefit Fund Members	6,863	12,389
Transfers from 401(k) Plan	6,505	7,187
	266	132
	13,634	19,708
Total decrease	(42,186)	(96,769)
Benefits and Transfers		
Transfers to Fixed Benefit Fund	22,413	35,089
Retirement benefits	14,817	18,640
Transfers to 401(k) Plan	2,627	7,365
Withdrawals	1,253	3,075
Death benefits	578	441
Total benefits and transfers	41,688	64,610
Net decrease	(83,874)	(161,379)
Net Assets Available for Benefits		
Beginning of year	299,457	460,836
End of year	\$215,583	\$299,457

The accompanying notes are an integral part of the financial statements.

Variable Annuity FundNET ASSETS AVAILABLE FOR BENEFITS
(thousands)**Variable Annuity Fund**

ANNUALIZED RATE OF RETURN



NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies**General**

The Variable Annuity Fund is an investment option for eligible members as part of the defined benefit plan (Plan). The Employee Account is invested in the Dreyfus Basic S&P 500 Stock Index Fund. Members' contributions purchase shares at the net asset value of the fund on the date of contribution. If members, upon retirement or termination from employment, elect to withdraw the balance in their accounts, the shares in the mutual fund will be redeemed and the proceeds will be paid.

When members retire and elect to receive a monthly annuity benefit, their shares in the Dreyfus Basic S&P 500 Stock Index Fund are redeemed and the proceeds are used to purchase units in the Retiree Account. This account is invested in a commingled trust fund with the underlying investment in stocks included in the S&P 500 Stock Index. The value of the members' units fluctuates with the value of the net assets in the Retiree Account. The units were credited 6 percent interest units for the years ended September 30, 2002 and 2001.

A more detailed description of investments, benefits, and vesting is available from the TVA Retirement System.

Amendments to the Rules and Regulations

During fiscal year 2002, the Rules were amended to:

- Allow members to make lump-sum contributions to the Fixed Annuity Fund and Variable Annuity Fund on a monthly basis, subject to the contribution limits.
- Allow a member's retirement benefits to satisfy the requirements of a Domestic Relations Order (DRO) upon divorces issued after January 1, 2003. The DRO must follow the guidelines set forth by the Plan. Highlights include that a lump-sum withdrawal from a member's annuity funds and/or 401(k) plan can be made to satisfy the DRO or the ex-spouse can receive a monthly designated amount when the member receives a monthly retirement benefit.
- Permit certain survivor beneficiaries of deceased active employees and deferred retirees the option to withdraw the deceased member's contributions to the System, and the earnings thereon, in a lump sum.

Valuation of Investments

Investments held in the Variable Annuity Fund are stated at fair value which is determined by the Trustee of the fund as follows: common stocks, mutual funds, and commingled trust funds are stated at the last closing price for securities listed on national exchanges or the last bid price for securities traded over the counter.

Investment Income

The Plan presents in the Statements of Changes in Net Assets Available for Benefits the net depreciation in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned on an accrual basis.

Member Contributions

Eligible members may voluntarily contribute to either the Fixed Benefit Fund or the Variable Annuity Fund or to both. Federal income tax is deferred on earnings until annuity payments start or withdrawals are made. Members are also permitted to transfer their contributions between the Fixed Benefit Fund and the Variable Annuity Fund once per calendar month and may, at any time during employment, transfer their entire balance to the 401(k) Plan. Upon retirement, members may transfer all or any portion of their after-tax balance in the 401(k) Plan to the System to receive monthly payments. After retirement, members may elect to transfer between the Fixed Benefit Fund and the Variable Annuity Fund once per calendar year.

Termination

In the event the System terminates, the net assets will be allocated generally to provide benefits based upon members' pro rata share of the fund.

Investments

For the years ended September 30, 2002 and 2001, the investments of the Variable Annuity Fund consisted entirely of S&P 500 index common stock funds.

At September 30, 2002 and 2001, the investments by account were as follows:

<i>(Dollars in thousands)</i>	2002	2001
Employee Account		
Dreyfus Basic S&P 500 Stock Index Fund	\$122,718	\$171,117
Retiree Account		
Commingled Index Funds	93,284	128,338
	\$216,002	\$299,455

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Actual results could differ from those estimates.

Statements of Net Assets Available for Benefits

September 30, 2002 and 2001
(Dollars in thousands)

	2002	2001
Assets		
Investments at fair value	\$762,570	\$827,746
Net Assets Available for Benefits	\$762,570	\$827,746

Statements of Changes in Net Assets Available for Benefits

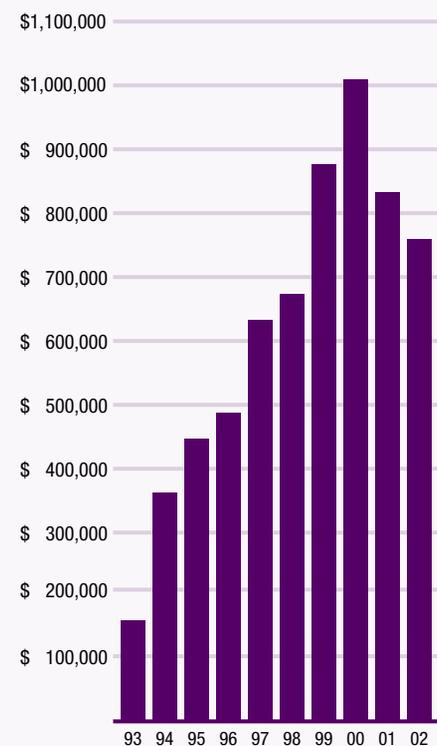
Fiscal Years Ended September 30, 2002 and 2001
(Dollars in thousands)

	2002	2001
Investment Income		
Net depreciation	\$(120,789)	\$ (313,659)
Interest and dividends	18,438	50,879
Contributions		
Members	51,800	47,982
TVA	13,946	11,649
Transfers from annuity funds	12,351	29,063
Total decrease	(24,254)	(174,086)
Benefits and Withdrawals	40,922	55,496
Net decrease	(65,176)	(229,582)
Net Assets Available for Benefits		
Beginning of year	827,746	1,057,328
End of year	\$ 762,570	\$ 827,746

The accompanying notes are an integral part of the financial statements.

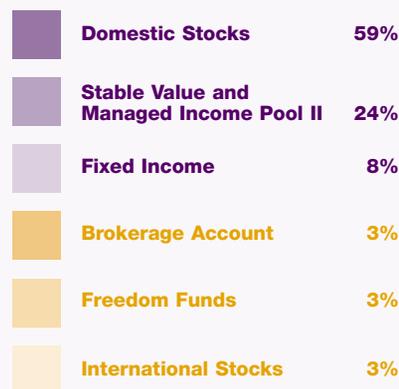
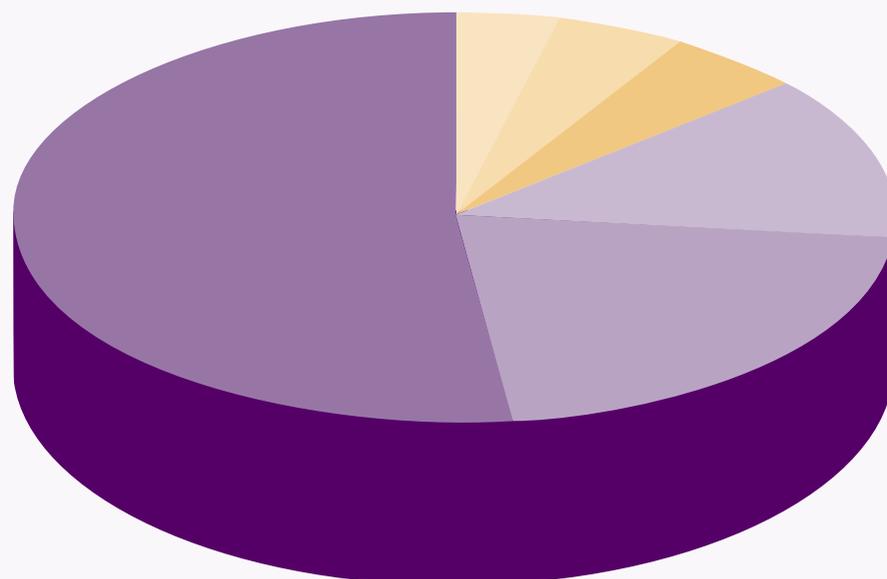
401(k) Plan

NET ASSETS AVAILABLE FOR BENEFITS
(thousands)



401(k) Plan Asset Allocation

(SEPTEMBER 30, 2002)



NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies**General**

The TVA Savings and Deferral Retirement Plan [401(k) Plan] is a defined contribution plan for members of the System funded by members' after-tax contributions and before-tax salary deferrals. Additionally, eligible members receive matching contributions. Investment options for the after-tax, before-tax, and matching contributions are comprised of over 200 eligible funds. A detailed description of the 401(k) Plan and the various investment options offered is available from the TVA Retirement System.

Amendments to the Provisions of the 401(k) Plan

During fiscal year 2002, the Provisions were amended to allow a member's retirement benefits to satisfy the requirements of a Domestic Relations Order (DRO) upon divorces issued after January 1, 2003. The DRO must follow the guidelines set forth by the Plan. Highlights include that a lump-sum withdrawal from a member's annuity funds and/or 401(k) plan can be made to satisfy the DRO or the ex-spouse can receive a monthly designated amount when the member receives a monthly retirement benefit.

Employees who are age 50 or older were allowed to contribute a "catch up" on their 401(k) plan in compliance with the 2001 Economic Growth and Tax Relief Reconciliation Act. The calendar year 2002 limit was \$1,000 and was a before-tax deduction.

Effective in fiscal year 2002, the 401(k) Plan was expanded to include investment options in more than 200 new mutual funds.

The Provisions were also amended to change the definition of wages and salaries in calculating 401(k) Plan matching contributions. TVA matching contributions are now made on certain lump-sum payments made in lieu of base wage or salary increases for fiscal years 1998 through 2003. Matching contributions are also now made on lump-sum payments for certain TVA performance incentive plans beginning in fiscal year 2000.

Valuation of Investments

The value of mutual fund shares is stated at fair value based on the net asset value per share at the end of each plan year. The Managed Income Pool II and Stable Value Fund investments are stated at cost plus accrued interest. Other investments are stated at the last closing sale price for securities listed on national exchanges or the last bid price for securities traded over the counter.

Investment Income

The 401(k) Plan presents in the Statements of Changes in Net Assets Available for Benefits the net depreciation in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Dividend income is recorded on the ex-dividend date, and interest income is recorded as earned on an accrual basis.

Contributions**After-tax**

Contributions, subject to certain limitations, may be made by payroll deductions, cash payment, or transfer from other funds in the 401(k) Plan. A member may increase, decrease, transfer, or stop contributions at any time.

Before-tax

Salary deferrals are made through payroll deductions only. A member may increase, decrease, transfer, or stop contributions at any time.

Matching

Cash Balance Benefit Structure participants who contributed to the 401(k) Plan received employer matching contributions equal to 75 cents on every dollar contributed to the 401(k) Plan on a before- and/or after-tax basis, with maximum matching contributions of 4.5 percent of fiscal year-to-date base compensation. Participants in the Original Benefit Structure received employer matching contributions of 25 cents on every dollar contributed on a before- and/or after-tax basis, with maximum matching contributions of 1.5 percent of fiscal year-to-date base compensation.

In calendar year 2002, total contributions to the Fixed Benefit Fund, Variable Annuity Fund, and 401(k) Plan may not exceed the lesser of \$40,000 or 100 percent of calendar year-to-date compensation. In calendar year 2001, the contributions were limited to the lesser of \$35,000 or 25 percent of calendar year-to-date compensation.

Withdrawals**After-tax**

Members are permitted to withdraw from any or all of the funds in the 401(k) Plan at any time. Upon retirement, members are also permitted to transfer their funds to the System to receive monthly payments.

Before-tax

Federal income tax rules restrict withdrawals from the 401(k) Plan while the member is still employed except for the following situations:



- If the member is over age 59½, salary deferral contributions may be withdrawn at any time.
- If the member is under age 59½, salary deferral contributions may be withdrawn only upon the Retirement System Board's approval and only upon a showing of financial hardship. Generally, the only financial needs considered to meet the definition of hardship are: (1) certain deductible medical expenses; (2) purchase of a principal residence; (3) post-secondary tuition and related educational fees; or (4) payments necessary to prevent eviction from or foreclosure on the participant's principal residence.

Members may receive the full balance of their funds upon retirement, disability, death, or termination, except that a retiree may defer distribution until no later than April 1 of the calendar year after the year in which he or she reaches age 70½. In addition, members may choose, after termination, to receive periodic installment payments from their balance.

Vesting

Participants who contribute to the 401(k) Plan become vested in their matching contributions upon completion of three years of actual service. Actual service is defined as the length of time spent as a member of the TVA Retirement System, not including credit for unused sick leave, forfeited annual leave, or pre-TVA employment military service. Upon completion of this service requirement, a member may withdraw matching contributions only upon retirement, disability, or termination of TVA employment. Upon death, matching contributions may be withdrawn without regard to the vesting requirement.

Forfeitures

If a participant ceases to be an employee for any reason other than death prior to completing three years of actual service, the entire amount of that participant's matching contributions account is forfeited as of the termination date. Forfeitures are used to reduce TVA's matching contributions to the 401(k) Plan for the plan year in which forfeitures occur. The amount of forfeitures that reduced TVA's matching contributions totaled \$102,041 in fiscal year 2002 and \$181,967 in fiscal year 2001.

Loans

With certain limits, the 401(k) Plan permits loans to participants. Members may borrow a percentage of their account balance (maximum \$50,000) for up to 5 years, or 10 years if the loan is to be used to purchase a primary

residence. The loan interest rate is the Prime Rate plus 1 percent. Such interest is credited directly to the account of the member.

Termination

In the event the 401(k) Plan terminates, the net assets will be distributed to members in proportion to their respective accounts in the 401(k) Plan. In the event the 401(k) Plan terminates, payment of nonforfeitable benefits based on contributions to participants' accounts will be assured.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Actual results could differ from those estimates.

Investments in Stable Value Fund

The Stable Value Fund consisted of the following investment contracts and securities as of September 30, 2002 and 2001, as follows:

<i>(Dollars in thousands)</i>	2002	2001
Investment Contracts		
GE Life and Annuity Assurance Company	\$ 3,591	\$ 3,386
CDC Capital (BIC)	1,008	1,008
Asset Backed Securities		
Monumental Life	3,648	3,689
State Street	2,782	6,330
Morgan Guaranty	2,026	6,423
Chase Manhattan	952	1,448
AIG Financial Products	—	2,062
Union Bank of Switzerland	—	2,021
Deutsche Bank	—	2,020
Westdeutsche Landsbank	—	2,002
Mortgage Backed Securities		
Monumental Life	1,764	1,774
AIG Financial Products	502	1,423
Union Bank of Switzerland	276	1,266
Chase Manhattan	210	737
Transamerican Life Insurance Company	128	717
Deutsche Bank	—	1,632
Fidelity Managed Income Pool II	86,395	53,172
Total	\$103,282	\$91,110



Investments

The net assets of all investment options as of September 30, 2002 and 2001 are as follows:

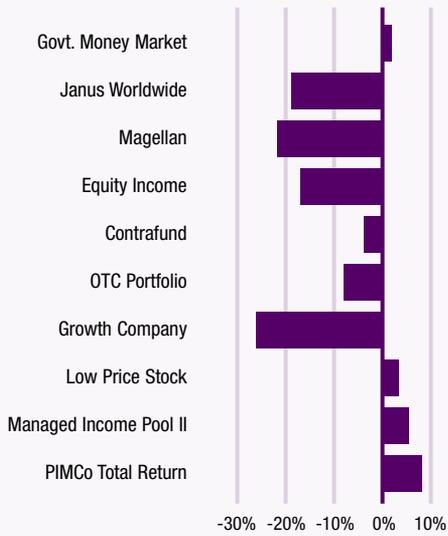
(Dollars in thousands)

	2002	2001
Bond Funds		
<i>Bond Funds over 5%</i>		
Stable Value	\$103,282	\$ 91,110
Fidelity Managed Income Pool II	72,310	70,296
<i>Bond Funds under 5%</i>		
Fidelity Retirement Government Money Market Portfolio	37,242	37,468
PIMCo Total Return	13,048	10,605
Fidelity U.S. Investments - Government Securities Fund, L.P.	2,292	213
Fidelity U.S. Bond Index Portfolio	842	483
Fidelity Ginnie Mae Fund	717	—
Other Bond Funds	2,728	—
Total Bond Funds	<u>232,461</u>	<u>210,175</u>
Equity Funds		
<i>Equity Funds over 5%</i>		
Fidelity Magellan	171,332	219,079
Fidelity Equity Income Fund I	54,086	66,510
Fidelity Growth Company	50,878	70,250
<i>Equity Funds under 5%</i>		
Fidelity Contrafund	27,443	28,319
Brokerage Link Fund*	25,977	31,500
Fidelity Dividend Growth	21,574	25,430
Fidelity Puritan Fund	19,986	21,965
Fidelity Growth & Income Fund	19,242	22,717
Fidelity Over-The-Counter Portfolio	18,355	20,713
Janus Worldwide Fund	16,780	20,677
Fidelity Low Price Stock Fund	13,446	9,247
Fidelity U.S. Equity Index Fund	11,603	15,158
Fidelity Freedom 2010 Fund	10,567	9,563
Fidelity Freedom 2020 Fund	4,615	3,785
Fidelity Freedom 2000 Fund	4,236	3,687
Fidelity Blue Chip Growth Fund	3,245	4,162
Fidelity Freedom 2030 Fund	3,146	3,191
Fidelity Balanced Fund	2,963	3,128
Fidelity Trend Fund	2,947	3,674
Fidelity Diversified International Fund	2,319	2,107
Fidelity Mid-Cap Stock Fund	2,095	2,053
Fidelity Select Gold	1,864	—
Credit Suisse Warburg Pincus Emerging Growth Fund	1,860	2,300
Fidelity Equity Income Fund II	1,686	2,071
Morgan Stanley Institutional Fund Trust - Value Fund - Adviser	1,538	2,210
Fidelity Freedom Income Fund	1,466	1,216
Fidelity Fund	1,449	1,931
Oakmark Select I	1,266	—
Fidelity Fifty Fund	1,078	568
Other Equity Funds	14,925	3,606
Total Equity Funds	<u>513,967</u>	<u>600,817</u>
Participant Loans	<u>16,142</u>	<u>16,754</u>
Net Assets Available for Benefits	<u>\$762,570</u>	<u>\$827,746</u>

*The brokerage account option is not a mutual fund. The brokerage account option allows participants to purchase individual securities or other mutual funds not offered as one of the core 401(k) Plan investments.

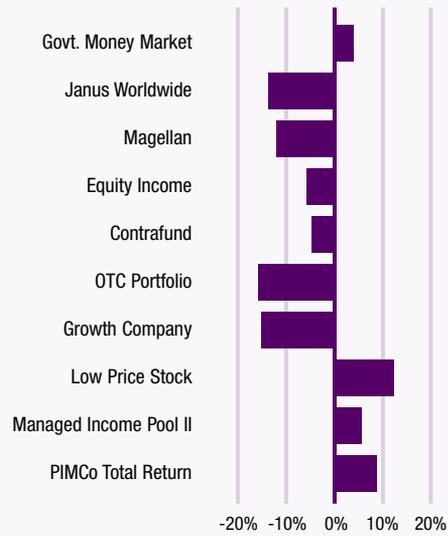
Cumulative Return

FOR YEAR ENDED SEPTEMBER 30, 2002



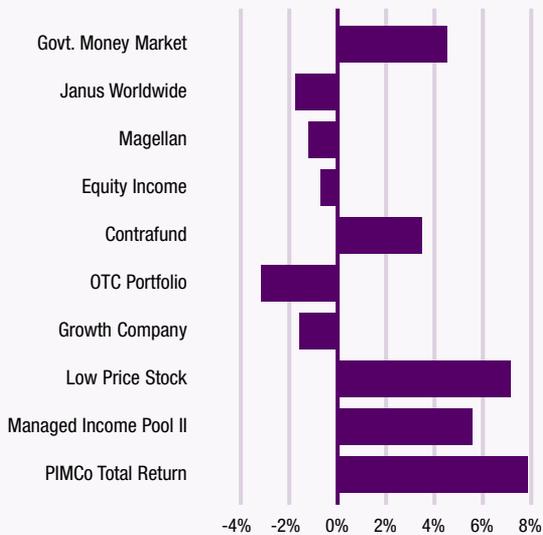
Annualized Return

FOR 3 YEARS ENDED SEPTEMBER 30, 2002



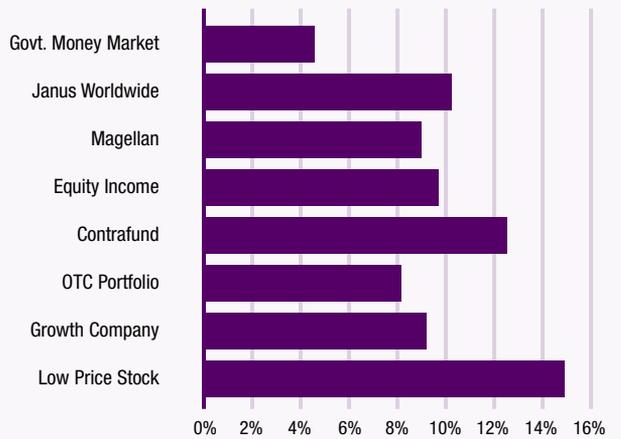
Annualized Return

FOR 5 YEARS ENDED SEPTEMBER 30, 2002



Annualized Return

FOR 10 YEARS ENDED SEPTEMBER 30, 2002





How to Contact Retirement Services

Mailing Address:

TVA Retirement Services
400 West Summit Hill Drive
ET 8B-K
Knoxville, TN 37902-1499

E-mail Address: retsvcs@tva.gov

Main Phone Number:

Retirement Representative
865-632-2672
800-824-3870 (toll-free)

Monday through Friday
8:00 a.m. to 4:45 p.m. (Eastern)

Automated Phone Number:

Retirement Information Voice System
(automated service)
865-632-7575
800-734-3275 (toll-free)

TTY Phone Number:

TTY for the Hearing Impaired
865-632-7576

Monday through Friday
8:00 a.m. to 4:45 p.m. (Eastern)

Fax Number: 865-632-8591

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