certifications of the members of the TVA board of directors

Glenn L. McCullough, Jr., Skila Harris and Bill Baxter individually certify that:

1. I have reviewed the Tennessee Valley Authority Power Quarterly Report (Report) for the first quarter of fiscal year 2003;

2. Based on my knowledge, the information in this Report 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 this Report;

3. Based on my knowledge, the condensed financial statements and other financial information included in this Report fairly present in all material respects the financial condition, results of operations and cash flows of the Tennessee Valley Authority as of, and for, the periods presented in this Report;

4. I and the other certifiers are responsible for establishing the Tennessee Valley Authority's Disclosure Control Committee which is documenting the Tennessee Valley Authority's disclosure controls and procedures and which has reviewed this Report;

5. I and the other certifiers have disclosed, based on our most recent evaluation, to the Tennessee Valley Authority's independent auditors and the Inspector General of the Tennessee Valley Authority:

> **a)** all significant deficiencies in the design or operation of internal controls that could adversely affect the Tennessee Valley Authority's ability to record, process, summarize and report financial data and have identified for the Tennessee Valley Authority's independent 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's internal controls; and

6. I and the other certifiers have indicated in this Report 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: 04/07/2003

Glenn L. McCullough, Jr. Skila Harris Bill Baxter

Chairman Director Director

certification of chief financial officer

I, David N. Smith, certify that:

1. I have reviewed the Tennessee Valley Authority Power Quarterly Report (Report) for the first quarter of fiscal year 2003;

2. Based on my knowledge, the information in this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the unaudited financial statements and other financial information included in this Report fairly present in all material respects the financial condition, results of operations and cash flows of the Tennessee Valley Authority as of, and for, the periods presented in this Report;

4. I chair the Tennessee Valley Authority's Disclosure Control Committee which is documenting the Tennessee Valley Authority's disclosure controls and procedures and which has reviewed this Report;

5. I and the other certifiers have disclosed, based on our most recent evaluation, to the Tennessee Valley Authority's independent auditors and the Inspector General of the Tennessee Valley Authority:

> **a)** all significant deficiencies in the design or operation of internal controls that could adversely affect the Tennessee Valley Authority's ability to record, process, summarize and report financial data and have identified for the Tennessee Valley Authority's independent 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's internal controls; and

6. I and the other certifiers have indicated in this Report 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: 04/07/2003

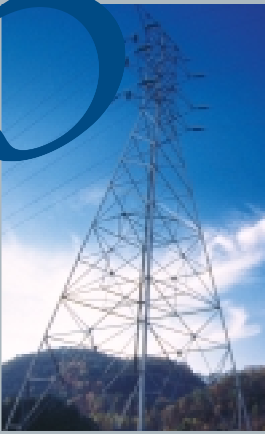
David N. Smith

Chief Financial Officer and Executive Vice President of Financial Services

Tennessee Valley Authority

2003

First Quarter Report



TVA

Financial and Statistical Highlights

Financial Highlights *(millions)*

Three Months Ended December 31	*2002*	*2001*
Operating revenues	$ 1,693	$ 1,521
Operating expenses	(1,253)	(1,161)
Operating income	440	360
Other income, net	3	3
Interest expense	(346)	(360)
Income before cumulative effect of accounting changes	97	3
Cumulative effect of accounting changes	234	–
Net income	**$ 331**	$ 3

Sales of Electricity *(millions - kWh)*

Three Months Ended December 31	*2002*	*2001*
Municipalities and cooperatives	30,884	28,642
Industries directly served	7,243	6,121
Federal agencies and other utilities	1,406	1,311
Total sales of electricity	**39,533**	36,074

Management's Discussion and Analysis

TVA had net income of $331 million for the first quarter of fiscal year 2003 compared with net income of $3 million for the same period last year. The first quarter results included two significant accounting changes including a $412 million gain related to a change in accounting for unbilled revenue and a $178 million charge related to a change in accounting for asset retirement obligations.

Operating Revenues

Operating revenues for the three months ended December 31, 2002, were $1,693 milion, compared with $1,521 million for the same period last year. Sales to all customer types increased during the first quarter of 2003 over the same period last year. The $172 million increase was primarily due to the weather-related increase in energy sales of approximately 3.5 billion kWh (or 9.6 percent). The TVA service territory experienced colder weather resulting in 30 percent more heating degree days than the same period of last year.

Operating Expenses

Operating expenses increased $92 million, from $1,161 million during the first quarter of last year to $1,253 million for the three months ended December 31, 2002. Fuel and purchased power expense increased $38 million primarily as a result of increased purchased power to meet higher sales demand. Operating and maintenance expenses increased $60 million primarily due to a lower yield on pension assets of approximately $25 million, increased benefit costs of $6 million, and increased nuclear outage amortization of $29 million.

Interest Expense

Net interest expense declined $14 million for the first quarter of fiscal year 2003 compared with the same period last year. This reduction reflects lower average interest rates on short-term debt and a lower level of total outstanding debt during the first quarter of fiscal year 2003. Interest rates averaged 5.79 percent for the first quarter of 2003 compared with 5.88 percent for the same period of 2002.

FINANCIAL POSITION

Net cash provided by operations increased $209 million, from $69 million to $278 million, for the three months ended December 31, 2002, as compared with 2001. The improvement in operating cash flow was driven by higher gross margins resulting from the weather-related increase in sales.

Net cash used in investing activities decreased by $129 million for the first quarter of fiscal year 2003. Cash used for construction expenditures increased $50 million for the reporting period. A significant portion of the increase is for expenditures related to the Browns Ferry Unit 1 restart of $58 million and increased clean air expenditures of $64 million, offset by approximately $80 million of base capital expenditures due to completion of projects in the prior year. Cash paid for nuclear enrichment and fabrication services decreased $37 million due to timing of services received. Additionally, cash and cash equivalents increased $149 million due to reclassification of non-current investments to cash and cash equivalents.

Cash flows provided by financing activities decreased $7 million for the three months ended December 31, 2002. Net payments on debt decreased $120 million to $104 million for the current three months as compared with $224 million for the same quarter last year. Proceeds received from combustion turbine financing in the current year were $163 million compared with $320 million in the prior year. The decrease in other financing costs of $30 million is due to premiums paid in the first quarter of fiscal year 2002 to redeem debt.

ACCOUNTING CHANGES

Effective October 1, 2002, the TVA Board of Directors approved a change in the methodology for estimating unbilled revenue from electricity sales. The change was from a method using cumulative generation to a method using generation from the current billing period only as a basis for calculating the unbilled energy. The impact of this change resulted in an increase in accounts receivable of $412 million with a corresponding cumulative effect gain for the change in accounting for unbilled revenue.

On October 1, 2002, TVA adopted Statement of Financial Accounting Standards (SFAS) No. 143, *Asset Retirement Obligations*, which requires the recognition of a liability, and corresponding asset retirement unit, for "legal obligations" associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or normal operation of long-lived assets. TVA identified and reviewed all relevant information in the determination of its potential asset retirement obligations (AROs). In accordance with the standard, TVA calculated the net present value of the obligations as of the current period, the original and incremental cost of the long-lived assets at the time of initial operation, and the cumulative effect of depreciation on the adjusted asset base and accretion of the liability from the date of initial operation to the current period. The effect of the adoption included a cumulative effect charge to income of $178 million and a corresponding additional long-term liability of $717 million in addition to an increase in assets of $744 million and related accumulated depreciation of $206 million.

SUBSEQUENT EVENTS

In February 2003, in an effort to realize proceeds from the sale of noncore assets, TVA monetized the call provisions on a $1 billion public bond issue by entering into a swaption agreement with a third party in exchange for approximately $175 million. The swaption essentially grants the third party the right to exercise the embedded call provision of the bond while TVA continues to pay the holder of the swaption pursuant to the original bond issuance. The swaption is recorded in other liabilities on the balance sheet and is designated as a hedge of the future changes in fair value of the original call provision. Under SFAS No. 133, TVA will mark-to-market both the swaption and the embedded call. These values historically have been highly correlated; however, to the extent that the values do not perfectly offset, any differences will be recognized currently through earnings.

OPERATIONS

Browns Ferry Unit 1

In May 2002, the TVA Board of Directors initiated activities for the return of Browns Ferry Unit 1 to service in order to meet long-term energy needs in the Tennessee Valley. It is anticipated the Browns Ferry Unit 1 recovery project will add approximately 1,280 megawatts of generation at a cost of approximately $1.8 billion and will take five years to complete. When Unit 1 returns to service, it is expected additional generation will help lower TVA's average cost of power. As of March 31, 2003, TVA had incurred approximately $140 million of costs on the Browns Ferry Unit 1 restart project, slightly under the planned amount for this period. The restart project is now about 16 percent complete.

Outages

During the first and second quarters of 2003, TVA had approximately 2,000 megawatts of capacity at three different generating facilities in longer-term forced outage. TVA returned to service approximately 500 megawatts near the end of March, and the remaining 1,500 megawatts are expected to return to service by the end of June 2003. While TVA has adjusted other outage schedules and budgets to accommodate the impacts of these forced outages, TVA is exposed to potentially higher fuel and purchased power costs during this period.

RATES AND CUSTOMERS

Rates

TVA has begun preliminary discussions with distributor representatives about the need for a rate adjustment and a change in the structure of TVA's rates for fiscal year 2004. An overall wholesale rate increase of 5.9 percent is being explored, which could generate about $365 million in additional revenue annually for TVA. If approved by the TVA Board, the adjustment would likely take effect in October 2003.

Customers

On March 28, 2003, the Warren Rural Electric Cooperative in Bowling Green, KY, informed TVA it plans to seek power from other sources to serve its 350-megawatt load beginning in April 2008.

Discounted Energy Unit Program

TVA currently offers a discounted energy unit program whereby a distributor can prepay a portion of the price of a block of power to be taken and will subsequently receive credit on its power bill over a period of years (10,15, or 20) for each kilowatt-hour in the prepaid block. As of December 31, 2002, units of $32 million have been sold and are included in "Other Liabilities" on the Balance Sheet.

OTHER MATTERS

On February 3, 2003, the Administration released its fiscal 2004 budget plan. Among other things, the plan charges TVA with developing a plan to significantly reduce its debt and proposes legislation that will count financial transactions, such as lease-leasebacks, that result in increasing TVA's long-term liabilities toward TVA's $30 billion statutory debt ceiling.

On February 4, 2003, President Bush nominated Richard Moore to be Inspector General of TVA. Mr. Moore currently serves as assistant U.S. attorney and as the Anti-Terrorism Task Force Coordinator in the southern district of Alabama.

Management's Discussion and Analysis (continued)

On February 5, 2003, Senator Trent Lott (R-MS) reintroduced a bill in the Senate that would require TVA to provide Congress and the Administration with a ten-year business outlook and strategic plan. Under the bill, restrictions would be placed on new generating capacity and debt issuances.

On February 20, 2003, the federal district court in Florence, Alabama, dismissed the Alabama Environmental Council and the Sierra Club's claim for civil penalties for alleged violations of Clean Air Act opacity limits applicable to the Colbert Fossil Plant ("Colbert"). These groups are still seeking a court order (1) declaring TVA in violation of these opacity limits and (2) requiring TVA to bring Colbert into continuous compliance with these limits. These two claims are set for trial in July 2003. See "Legal Proceedings" in the Information Statement dated January 13, 2003.

On February 24, 2003, the TVA Board announced that TVA Chief Financial Officer David Smith is retiring from TVA, effective June 30, 2003. TVA has begun a search for a successor, and Mr. Smith will assist in the transition to new financial leadership at TVA.

Statements of Income (unaudited)

	Three Months Ended December 31	
	2002	2001
	(MILLIONS)	
Operating revenues		
Sales of electricity		
Municipalities and cooperatives	$ 1,446	$ 1,301
Industries directly served	186	162
Federal agencies and other utilities	42	42
Other revenue	19	16
Total operating revenues	**1,693**	1,521
Operating expenses		
Fuel and purchased power	423	385
Operating and maintenance	485	425
Depreciation, amortization, and accretion	263	269
Tax-equivalents	82	82
Total operating expenses	**1,253**	1,161
Operating income	**440**	360
Other income, net	3	3
Income before interest expense	**443**	363
Interest expense		
Interest on debt	353	368
Amortization of debt discount, issue, and reacquisition costs, net	8	6
Allowance for funds used during construction	(15)	(14)
Net interest expense	**346**	360
Net income before cumulative effects of accounting changes	**97**	3
Cumulative effects of accounting changes		
Change in accounting for unbilled revenue	412	–
Change in accounting for asset retirement obligations	(178)	–
Net cumulative effect of accounting changes	**234**	–
Net income	**$ 331**	$ 3

Balance Sheets (unaudited)

ASSETS	December 31 2002	September 30 2002
	(MILLIONS)	
Current assets		
Cash and cash equivalents	$ 400	$ 397
Accounts receivable	915	655
Inventories (at average cost) and other		
Fuel	198	173
Other	298	305
Total current assets	**1,811**	1,530
Property, plant, and equipment		
Completed plant	31,746	31,207
Less accumulated depreciation	(11,603)	(11,162)
Net completed plant	20,143	20,045
Construction in progress	1,351	1,040
Deferred nuclear generating units	4,114	4,113
Nuclear fuel and capital lease assets	511	481
Total property, plant, and equipment	**26,119**	25,679
Investment funds	**546**	659
Deferred charges and other assets		
Loans and other long-term receivables	144	138
Debt issue and reacquisition costs	190	193
Other deferred charges	2,293	1,959
Total deferred charges and other assets	**2,627**	2,290
Total assets	**$ 31,103**	$ 30,158

LIABILITIES AND PROPRIETARY CAPITAL	December 31 2002	September 30 2002
Current liabilities		
Accounts payable	$ 560	$ 700
Accrued liabilities	147	220
Accrued interest	301	397
Short-term debt	3,232	3,492
Current maturities of long-term debt	400	–
Total current liabilities	**4,640**	4,809
Other liabilities	**4,345**	3,304
Long-term debt		
Public bonds	21,521	21,763
Unamortized discount and other	(337)	(405)
Total long-term debt	**21,184**	21,358
Proprietary capital		
Appropriation investment	483	488
Retained earnings	675	349
Accumulated other comprehensive loss	(224)	(150)
Total proprietary capital	**934**	687
Total liabilities and proprietary capital	**$ 31,103**	$ 30,158

Statements of Cash Flows (unaudited)

	Three Months Ended December 31 2002	2001
	(MILLIONS)	
Cash flows from operating activities		
Net income	$ 331	$ 3
Net items not requiring cash	100	297
Other changes, net	(153)	(231)
Net cash provided by operations	**278**	69
Cash flows from investing activities		
Construction expenditures	(399)	(349)
Allowance for funds used during construction	15	14
Other, net	74	(104)
Net cash used in investing activities	**(310)**	(439)
Cash flows from financing activities		
Payments, net of borrowings	(104)	(224)
Proceeds from combustion turbine leasing, net	152	309
Other	(13)	(43)
Net cash provided by financing activities	**35**	42
Net change in cash and cash equivalents	**$ 3**	$ (328)

Statements of Change in Proprietary Capital (unaudited)

	Three Months Ended December 31 2002	2001
	(MILLIONS)	
Retained earnings reinvested at beginning of period	$ 349	$ 306
Net income	331	3
Return on appropriation investment	(5)	(7)
Retained earnings reinvested at end of period	**675**	302
Accumulated other comprehensive loss	**(224)**	(43)
Appropriation investment at beginning of period	488	508
Return of appropriation investment	(5)	(5)
Appropriation investment at end of period	**483**	503
Propriety capital at end of period	**$ 934**	$ 762

Statements of Comprehensive Income (unaudited)

	Three Months Ended December 31 2002	2001
	(MILLIONS)	
Net income	$ 331	$ 3
Other comprehensive (loss)/income	(74)	63
Comprehensive income	**$ 257**	$ 66

TVA's Corporate Accountability and Disclosure Plan

TVA conducts business in an open and forthright manner to earn the highest confidence of Congress, the Administration, investors, customers, and the public.

The recent financial collapse of several large companies created a significant regulatory and legislative response, largely through the Sarbanes-Oxley Act of 2002. Although not covered by the Sarbanes-Oxley Act, TVA is implementing key provisions to ensure corporate and financial integrity.

TVA management has adopted new corporate practices that reflect the reforms of the Sarbanes-Oxley Act, including certification of financial statements by the TVA Board of Directors and the Chief Financial Officer beginning with the 2002 Annual Report. The new TVA Corporate Accountability and Disclosure Plan adopted by the TVA Board addresses corporate responsibility, auditor independence, and disclosure. The key provisions are:

- Certification of financial statements by the Board of Directors and Chief Financial Officer
- Adoption of a financial code of ethics
- Adoption of a formal disclosure policy and creation of a disclosure committee to implement the policy
- Elimination of non-audit services performed by the external auditor
- Regular involvement by the TVA Inspector General in financial reviews.

TVA is committed to provide a steady flow of timely, comprehensive, and accurate information to current and potential investors, to customers and to the public, to Congress, and to the Administration.

Certification of the Power Quarterly Report for the first quarter of fiscal year 2003 can be found at:
www.tva.com/finance/reports

There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the members of the Board of Directors and the Chief Financial Officer completed their most recent evaluations.

Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, Tennessee 37902-1499

2.5M 4/03 03-200