

this month's theme:
Customer Relations

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The changing role of customer relations

CLETUS MITCHELL

Linemen Bryan Cannon (left) and Trevor Terry work on a 69-kilovolt conductor that will improve reliability for TVA's distributor customer Blue Ridge Mountain Electric Membership Corp. in North Georgia.

Competition. A future shock or present reality?

Thinking that competition will never come is a mistake. In fact, wholesale competition is a reality right here in the Tennessee Valley.

"Competition is changing the way we think about distributor relationships, and it is going to change the way all of us approach our jobs at TVA," says Chairman Glenn McCullough Jr. "The new TVA Strategic Plan is preparing TVA to be successful in the future."

The theme of this Inside TVA is the changing role of customer relations to help you understand the connection between competition and TVA's customers and what TVA is doing to keep its distributor customers.

Preparing TVA for the future

No matter what your job is, you can play a key role in helping TVA continue to be successful.

If future direction is the leading thought on employees' minds today, Chairman Glenn McCullough Jr., Director Skila Harris and Director Bill Baxter certainly understand.

The TVA Strategic Plan approved by the Board in January and the program-review process are helping TVA set the direction for the rest of fiscal year 2004 and for FY '05. And even beyond, TVA will continue to look at the way it does

business — and change.

"The program reviews took us in the right direction," McCullough says. "We definitely made great strides this year. I am encouraged that we are making progress. We have to continue to be better in the future by gaining greater efficiencies."

The program-review process yielded important immediate and long-term savings for TVA, says Baxter.

"As we continue to prepare for a com-

petitive world, we will need to be continuously reviewing programs and benchmarking our costs of delivering these programs to our customers," he says.

Harris was pleased with the results of the program-review process.

"Going into the program-review process, we wanted to make sure it was based on sound information and that it

See "Preparing for the future" on page 3

WHAT'S NEW IN EMPLOYEE NEWS

New in your mailbox

Your copy of Inside TVA

For your convenience, *Inside TVA* is piloting a new delivery method for employees in Knoxville, Nashville, Chattanooga and Muscle Shoals. Copies of the newspaper will be sent to mail stops for each employee.

We like feedback. Let us know if you like this new way of delivery by e-mailing your comments to the *Inside TVA* mailbox.

Benefits statements to be online

The 2004 Personal Statement of Benefits for all full-time annual employees will be available in Employee SelfService this fall.

More information will be provided about the new process before it is implemented. Any questions should be directed to the Employee Service Center at 1-888-275-8094, 751-8800, 632-8800 or 1-800-848-0298 (TDD/TTY-TN Relay Service).

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Seeking cooperation across the Valley

When Ginny Morris talks with distributors of TVA power, they often want to know about much more than contract terms and power-delivery points.

"They may ask about the local economic-development project or about construction at the local dam," says Morris, Customer Service Manager in Murfreesboro, Tenn. "I need a thorough understanding of a great number of issues about TVA, so I can accurately answer questions and improve TVA's relationship with its stakeholders."

That's why TVA's Valley Relations has begun regional team meetings in every part of the Tennessee Valley for managers of externally oriented programs and services to share current information about their specific job activities and get to know each other better.

Valley Relations' mission is to educate and inform state and

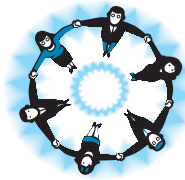
local elected officials, as well as other key opinion leaders, about TVA's activities across the Valley. It is comprised of seven districts, each headed by a Valley Relations Manager.

"By sharing information on a regular basis, TVA's managers are well-informed of the activities of other business units and can make better decisions about their own jobs," says Jimmy Johnston, Vice President of Valley Relations.

"When a project arises that requires assistance from another organization, TVA staff members are familiar with each other and can be more productive, faster."

Morris says the internal roundtable discussion at the recent regional team meeting in Middle Tennessee helped her better understand what all the other groups are doing among TVA's stakeholders.

"We learned about issues I don't work with from day to day," she says.



Ginny Morris works with Hubert King, General Manager of Caney Fork Electric Cooperative, at the TVA McMinnville substation.

Plant managers, Area Transmission managers, Watershed Team managers, Economic Development specialists, TVA Police officers, Customer Service managers, Industrial Marketing managers and other employees whose jobs directly impact TVA's external stakeholders typically attend the meetings.

"Sometimes we invite stakeholders, such as congressional

staff members, to hear presentations from TVA executives or Board members," Johnston says.

"But the primary purpose of all our meetings is to create a greater understanding of all of TVA's activities and build a sense of teamwork on a regional level. In doing so, the participants are better able to accomplish all of TVA's strategic objectives and achieve excellence in all they do." — MIKE KNOTTS

Federal-insurance enrollment Sept. 1-30

The Federal Employees' Group Life Insurance program is celebrating its 50th anniversary by offering an open-enrollment period from Sept. 1 through Sept. 30, 2004. This is the first FEGLI open-enrollment period in five years.

Eligible employees can elect to start coverage, change the type of coverage or resume coverage previously dropped. Most active employees are eligible to participate. Employees on limited or temporary appointments are not eligible.

The types of coverage available under FEGLI have not changed. An employee must elect or already have Basic in order to select any optional coverage.

Types of coverage include:

Basic — Equal to the annual basic pay, rounded up to the next \$1,000, plus \$2,000.

Plus three types of optional insurance:

Option A — Standard, in the amount of \$10,000

Option B — Additional, in an amount from one to five times the annual basic pay

Option C — Family, in an amount from one to five multiples of coverage for a spouse and eligible children. Each multiple is equal to \$5,000 for the death of a spouse and \$2,500 for the death of each eligible child.

Most elections made during open enrollment will become effective the first pay period beginning on or after Sept. 1, 2005.

If an employee makes a selection during the enrollment period but retires before the effective date of September 2005, the coverage elected during the enrollment period cannot be provided.

An employee must have the new coverage for the five years of service immediately before retiring or starting to receive compensation in order to continue that coverage as a retiree.

The Office of Personnel Management, which governs FEGLI, has not yet provided detailed information on how to enroll during the open-enrollment period. Additional information and enrollment instructions will be provided as they become available. Information also will be available on the FEGLI Web site at www.opm.gov/insure/life.

LEGISLATIVE UPDATE

House passes Energy Policy Act

In an effort to draw attention to the nation's growing energy needs and rising gas prices and to encourage the Senate to act on comprehensive energy legislation, the House of Representatives dedicated two days in June to highlight certain energy bills.

Most notably the House passed HR 4503, the Energy Policy Act. This makes the fourth time since 2001 that the House has passed a comprehensive energy bill. The bill is essentially the text of the conference report to HR 6, which the House passed in November but was filibustered in the Senate. The legislation did not include the TVA Title, but did include the original board-governance language.

In the Senate, a bill was passed on

May 11 that would make major changes to the corporate tax code (S 1637). Included in this legislation is a \$19-billion, 10-year package of tax incentives for the energy industry, plus ethanol-tax changes.

On June 17, the House passed its version of the same bill, but did not include the energy-tax provisions. The bills now face a difficult conference to work out the differences in the two versions.

When Congress returned from its recess July 6, only 32 legislative days remained until the November election.

— RACHEL GROOM



WHAT'S NEW ONLINE

The Valley Connection

Read about how TVA is making "The Valley Connection" at www.tva.com.ed.news. Click on the Economic Development newsletter to hear an introduction from Director Skila Harris and read about TVAsites.com, how Infiniti Media is following the plastics industry trend by locating in the Tennessee Valley and about the Meg-site Certification Program that identifies best sites for large auto plants.

Thirsty for information on water supply?

Fresh-water availability is one the big issues for the century, and reliable information about where it is used, how it is used, how much is used and how its use has changed over time is essential to managing water resources wisely. A new U.S. Geological Survey report will help TVA find solutions now that will help prevent problems that have occurred in other areas of the country. For the full story, go to the homepage on TVA's internal Web site.



Sharing a winning message

Getting the word out on great results

TVA's Economic Development team has a great story to tell. And telling that story to people who want to know keeps Economic Development on the top side of Winning Performance results.

"TVA's economic-development efforts are being marketed by our staff using innovative tools to communicate more effectively with customers and stakeholders," says Teresa Taylor, Specialist in Economic Development. She also is the key contact for the ED measure on TVA's Balanced Scorecard.



"Two recent tools have been very successful in helping get the performance messages out to communities here in the Valley and to site-selection consultants across the nation," she says.

One is the Economic Development performance scorecard that mirrors its own internal Winning Performance scorecard.

"By sharing this economic-development report card, we are showing that we are accountable for what we are doing and that we're committed to continuous improvement," says John Bradley, Senior Vice President of Economic Development. "Our service to customers and stakeholders is getting better. That's why our results continue to improve."

In addition to the economic-development report, last year ED launched *The Valley Connection*, an informative, colorful e-mail newsletter that provides the lat-

Preparing for the future

continued from page 1

est projects and the results these projects are bringing to the TVA region. More than 2,500 site-selection consultants, economic-development professionals and local and state leaders receive the newsletter, plus it's posted to TVA's Web site.

was fair," she says. "It wasn't perfect, but I think we achieved both."

Although most of the program reviews have been accomplished, McCullough says they are an ongoing process.

"We will always be considerate of employees, because they are at the heart of the organization," he says. "But we'll have greater expectations, and our goals will be higher next year."

Industry benchmarking shows TVA still has opportunities for improvement in several areas, Baxter says.

"I believe it is especially important that our need for multi-year contractors diminish as large capital projects are completed."

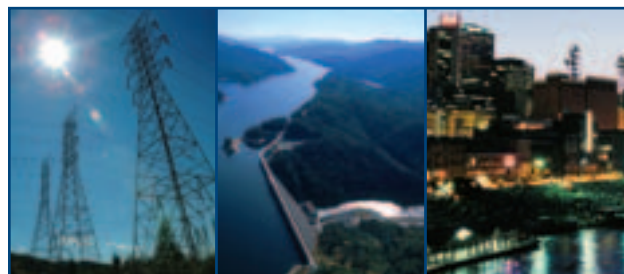
TVA's mission continues to be exciting, and employees play an essential role in its success, McCullough says.

"TVA will be challenging and rewarding. That's why we need employees to do their very best to continue to improve TVA's performance. They need to focus on the job at hand every day and get even better at it tomorrow."

Harris says reaching the target goal means achieving continuous improvement in how TVA carries out all its missions. She believes employees will continue the

tradition of public service and professional excellence that has distinguished them for more than 70 years.

"Employees always have been innovative, and as a result, TVA is better today than it was in the past," she says. "I don't see this quality ever changing. TVA always will be striving for improvement and succeeding. That tradition existed long before this Board was



'Long term, we have to continue to strengthen TVA's operations and finances. And we have to strengthen our relationship with customers and partners in order to balance energy, environment and economic development in the Tennessee Valley.'

— Chairman McCullough

Winning Performance

TVA's Six Strategic Objectives



TVA Balanced Scorecard for May

	Weight	Status	Actual YTD	Plan YTD	Year-End Forecast	GOALS		
						Target*	Mid	Stretch
Financial								
• O&M Costs (\$ millions)	15%	↑	2,320	2,407	3,624	3,644	3,608	3,535
• Financial Strength (\$ millions)	15%	↑	315	33	225	225	275	375
• Productivity (kWh/\$)	10%	↑	149.7	142.0	147.8	147.8	150.8	152.4
Customer								
• Customer Satisfaction (%)	10%	↑	127.2	100.0	130.0	100.0	117.0	130.0
• Economic Development (index)	10%	↑	118	100	100	100	110	120
Operations								
• Asset Availability (%)	20%	↑	101	98	101	98	100	102
• Environmental Impact (index)	10%	↑	76	92	98	98	91	85
People								
• Safe Workplace** (all injuries/hour worked)	10%	↑	1.72	2.41	2.41	2.41	2.36	2.31

Notes:

- * Target equals FY04 Performance Plan Target.
- ** Payout at any performance level is contingent upon no fatalities.

Status:

- ↑ = Forecast at or better than Target
- ➡ = Forecast worse than Target, but recovery is possible
- ↓ = Forecast worse than Target, and recovery is unlikely

The scorecard has been posted on the Winning Performance section of TVA's internal Web site.

TVA — Getting closer to its customers

As public-power providers, TVA's municipal and cooperative customers have missions to deliver reliable service to their customers at the lowest possible cost.

"It is neither realistic nor reasonable to assume that these customers will remain loyal to us if opportunities to significantly reduce power costs to their customers exist elsewhere," says Mark Medford, Executive Vice President of Customer Service & Marketing.

"Warren Rural Electric Cooperative Corp.'s decision to join East Kentucky Power Cooperative when Warren's contract with TVA expires underscores the fact that TVA can lose customers now.

"We recognize that TVA must get closer to its distributor customers, understand their needs in much greater depth, and offer power-supply options that are

not just affordable and reliable but competitive with other offers available in the wholesale marketplace."

This is a view shared by Chairman Glenn McCullough Jr., Director Skila Harris and Director Bill Baxter, who work closely with Customer Service & Marketing on customer issues.

"The good news is that work to meet the competitive challenge is under way now," says Medford.

"TVA is working closely with distributors, in concert with the Tennessee Valley Public Power Association, to address a broad range of concerns."

Here is what TVA is doing:

- Developing structures for new long-term power-supply contracts that will meet distributor customers' needs while ensuring TVA adequate revenues to continue its mission.

- Working with distributors on pricing strategies, recognizing that legislative action could someday open up more competitive opportunities.

- Working to develop new ways to understand TVA and distributor costs.

- Discussing how to develop together a better process for future rate changes.

"These and other joint initiatives are designed to deliver the new pricing products identified as critical in the TVA Strategic Plan," Medford says.

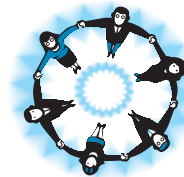
"We're also working to better define how TVA and the Tennessee

Valley Public Power Association will work together and we're working to improve communications among TVA, TVPPA and individual distributor customers."

He says it's not going to be easy to accomplish these goals.

"There are legitimate differences of opinion among TVA, TVPPA and our customers that must be understood and reconciled.

"TVA remains committed to delivering on the promise to provide value and choice to our customers, but that can happen only if all TVA employees do their individual parts." — FRANK RAPLEY



Mark Medford, left, with Myron Callaham, Kentucky District General Manager

TIM CARLISLE

Meeting the competition — everyone's job

What you can do ...

Whether you have a direct customer-contact role, help run a generating unit, operate the river system or work in one of the corporate offices, Executive Vice President of Customer Service & Marketing Mark Medford offers a few simple things each of us can do to make TVA more competitive and customer-focused:

1 Strive for excellence in your role. If you are in plant maintenance, the work you do has a direct effect on TVA's delivered cost of power. If you work in a TVA office, your creativity, your productivity and the way you use TVA resources help contribute to our debt-reduction efforts and can make TVA more competitive.

2 If you have a good idea about how TVA can do something better, share it. Tell your co-workers, tell your supervisor. Sometimes even small changes in the way we do a task can have a big payoff. We need the collective insights and ideas of all employees to help deliver the service and value our customers demand.

3 Stay informed on the issues facing TVA. TVA provides great information about what's happening at the company through its internal Web site, company publications and external Web site. Use these resources to help TVA speak with one voice about our mission and positions on the issues.

4 Stay focused. TVA has a long history of service for the people of the Tennessee Valley. Together with our customers, we will continue to improve the lives of the Valley's citizens for years to come. Competition may be on our doorstep, but we have the people to meet it and succeed.

What's going on in Kentucky?

Plentiful local coal, becoming power-system part owner drive Warren RECC's exit

Warren Rural Electric Cooperative Corp.'s announcement in May to join East Kentucky Power Cooperative shows that TVA can lose customers now.

"TVA isn't preparing for competition — it is facing it," says Mark Medford, Executive Vice President of Customer Service & Marketing.

"We regret that Warren will end its relationship with TVA in 2008. TVA and Warren have worked together for more than 60 years."

Warren isn't the first to take this step. In 1997, Bristol Virginia Utilities Board elected to end its power-supply relationship with TVA.

What's unusual about the Warren announcement is that four other TVA distributor customers — including three in Kentucky — have put TVA on notice that they intend to explore other supply options and may leave when their contracts end in 2007-2008. While one customer, Meriwether Lewis Electric Cooperative in Tennessee,

has withdrawn its notice of contract termination, it was careful to add that the cooperative has chosen to remain with TVA — for the present.

'TVA isn't preparing for competition — it is facing it.' — Mark Medford

"The main reason these Kentucky distributors have given notice to end their TVA contracts may be the vast coal reserves and the impact they have on the cost of power for generators located there," says Myron Callaham, TVA Customer Service Kentucky District General Manager.

"Warren also saw an opportunity to become a part owner in the East Kentucky Power system. TVA doesn't currently offer this type of ownership agreement."

According to the Department of Energy's Energy Information Agency, more than 90 percent of all the megawatt hours generated

in Kentucky by utility and non-utility sources in 2002 came from coal-fired generation.

"Typically, coal-fired generation will have lower fuel costs than oil- or gas-fired generation resources," Callaham says. "Nuclear generating facilities have extremely low fuel costs, but the cost of building these plants in the past has been higher per megawatt than coal-fired capacity."

An abundance of coal, coupled with low coal-transportation costs, allows Kentucky to enjoy the lowest power rates in the United States. By contrast, suppliers to the east, south and west of the TVA service territory have greater percentages of hydro power and oil, gas and nuclear capacity.

"The future is a little less clear," Callaham says. "While coal-fired generation is highly economical today, changing environmental regulations will increase costs. This may help make other generation sources more competitive in the longer term." — FRANK RAPLEY

WINNING thoughts

Efficiency is doing things right. Effectiveness is doing the right thing.

— Zig Ziglar

Customers central to TVA Strategic Plan

The threat of competition is real, and TVA is preparing through improving relations with its customers.

TVA's Strategic Plan, approved last January, provides a framework for TVA's direction so it can preserve its core mission, remain financially viable and be a supplier of choice in a more competitive business environment.

"The central focus of the Strategic Plan is making sure TVA is prepared to meet customers' needs when they have the choice to buy their power elsewhere in a competitive market," says Mark Medford, Executive Vice President of Customer Service & Marketing. "We are working closely with Strategic Planning & Analysis, as well as with other groups, to better serve our customers."

Theresa Flaim, Senior Vice President of Strategic Planning & Analysis, shares her views on competition and how TVA is preparing to meet customers' needs through the Strategic Plan.

Q. Does TVA really need to worry about competition?

A. Absolutely. I can't stress that enough. There is some uncertainty about the timing, but we know that fundamental changes are under way.

First, TVA has agreed to support legislative language, called the "TVA Title," that opens the Tennessee Valley to competition. This sets the stage.

Second, we are seeing the wholesale markets around us evolve. TVA will have to adapt to those changing markets both to maintain reliability and to take advantage of trading opportunities when they are available.

And finally, we know our customers want choice. They have been telling us they want choice, and five customers have already given us the notice to terminate their contract with TVA, with the intention of exploring other power-supply options.

We must recognize that the threat of competition is real, and we must prepare for it. The uncertainty about the timing is really a gift, giving TVA needed time to prepare. But time only helps if you use it to

get ready. We must use this time wisely to prepare for the future.

Q. Who is TVA's competition?

A. For years, TVA has pointed out that our rates are 25 percent lower than the national average. While this is true, we are not competing with utilities across the country. Our real competition is our neighbors — the utilities in the mid-South. And the utilities in the mid-South offer the lowest power costs of any region in the country. So we are competing with the best of the best, from a cost standpoint.

Q. Why is taking actions to increase our financial flexibility so important?

A. TVA's total wholesale prices are actually slightly higher than our regional competitors. TVA has a proud record of only two rate increases in 16 years. But it's important to remember that during this same period, some of our competitors' rates actually went down.

Increasing our financial flexibility is critical to making sure we can meet our customers' needs. Let me put it this way: We've had a consistent revenue stream for many years. We could count on our customers buying power from us, because we've been a monopoly. We can't count on customers staying with us when they can get lower power costs somewhere else.

In the future, TVA's finances will be driven by three factors 1) market prices, 2) TVA prices and 3) TVA costs.

We don't have much control over market prices, but we do have control over TVA prices and TVA costs. Basically, our costs drive our price levels, but the composition of our costs also are important. TVA has very high fixed costs right now. In fact, our fixed costs (depreciation and interest) are currently 2½ times higher than those of a 14-neighbor peer group we track. Having higher fixed costs means our costs are inflexible.

By accelerating debt reduction, we will lower our fixed costs, which gives us more flexibility to withstand the more volatile revenues that markets inevitably bring. Lower fixed costs will help us match lower prices when market conditions demand it. Being able to survive financially when market prices are low will be key in a competitive market — particularly since our competitors offer some of the lowest power costs around.

Q. Besides the recent program and staffing reviews, what other efforts are under way to address issues identified in the Strategic Plan?

A. A tremendous amount of work is going on to develop new, more highly differentiated pricing structures, services and contract terms that more closely tie the cost and the risk of the product to its terms and pricing.

Distributor customers have told us repeatedly that they want more options than we provide today — different services and different pricing structures. This is a tough problem to solve, so we have five teams of employees from Finance, Contracts & Pricing, Strategic Planning, Power Resources & Operations Planning and Transmission/Power Supply involved in looking at different areas of the problem.

To ensure that we are really addressing the needs of our customers, Tennessee Valley Public Power Association members sit on each team to represent the interests of the distributors.

Q. Based on the Strategic Plan, what do you see as employees' roles with customers?



STEVE CORJUM

Theresa Flaim: "Increasing our financial flexibility is critical to making sure we can meet our customers' needs."

A. The Strategic Plan is ultimately about the customer. Power revenues fund all parts of our mission today, so meeting customer needs at a competitive price will be key to our long-term success.

But all TVA employees play a critical role. Working within the framework of the Strategic Plan and building on a long history of success, employees are in the best position to help TVA fulfill its core mission.

Medford and Flaim agree that the Strategic Plan is just the first step in an ongoing process.

"We are in the very early stages of what will be a continuous process of adapting to a changing market environment," Medford says. "The Strategic Plan provides the broad framework for annual business planning and performance targets."

"We are now beginning the 2005 annual business process. As we begin the new fiscal year, employees play a crucial role by staying focused on TVA's core business and accepting the reality that the threat of competition is real." — KATHY MAY

Changing pricing structure to satisfy customers

Distributor choice will change things for everybody, even those who don't want to choose, says Theresa Flaim, Senior Vice President of Strategic Planning & Analysis.

"While cost-cutting is vital to TVA's financial future, changes in pricing and contracts will represent a bigger change in how TVA has historically done business."

Flaim offers the following example to explain:

Three friends go to dinner. One person orders a salad and a glass of water, and the other two have full-course meals with appetizer, expensive entree, wine and dessert. When the check comes, the total is \$90. If all three are willing to pay equal shares, charging \$30 per person works for the restaurant, "Chez TVA." Average-cost pricing works.

But if the person who ordered the salad says, "Wait a minute! My fair share was only \$10. I'm not paying \$30," the only way for Chez TVA to cover all of its costs is to charge the remaining two \$40 each, not \$30.

"Under choice, we can expect the \$10 customers to be the ones to leave TVA first, especially if TVA is still charging them \$30," Flaim says. "So what we would ideally like to do is straighten out Chez TVA's prices before markets are opened, charging only \$10 for salad and water and \$40 for the full-course meal. Then everybody has a much better basis for making a shopping decision."

Areas of concentration for TVA through the Strategic Plan:

- Developing new, more highly differentiated pricing structures, services and contract terms that more closely tie the cost and the risk of the product to its terms and pricing.
- Addressing issues that affect TVA's transmission business, including how TVA will interface with surrounding markets to ensure reliability and how TVA will charge for transmission services inside the Valley when distributors can choose other suppliers.
- Accelerating debt reduction so TVA has the financial flexibility to thrive in a more dynamic, competitive market. The plan recommends a target reduction of \$3 billion-\$5 billion over the next 10-12 years.
- Maintaining and operating the TVA power system so customers can count on safe and reliable power supply.

ACROSS TVA

Allen Fossil Plant — Allen Fossil Plant, winner of the 2003 TVA Environmental Excellence of the Year Award, has selected the Shelby County (Tenn.) Environmental Improvement Commission to receive a \$1,000 donation. SCEIC was selected because of its purpose to improve the physical environment of Shelby County by increasing awareness and cooperation through environmental education. SCEIC has developed environmental programs and activities through partnerships involving government, media, businesses, educators and volunteers. The \$1,000 donation from Allen has been earmarked for use by the elementary-schools program. Allen received the award — and \$1,000 from TVA — for its aggressive program to maximize power-plant performance while reducing nitrogen-oxide emissions, which contribute to the formation of ozone, as part of TVA's clean-air strategy. With its three selective catalytic reduction systems achieving about 90-percent reduction in NOx emissions for the entire ozone season, Allen set a record for the low-

est NOx-emission rate for TVA's 11 coal-fired plants in 2003. Allen's performance was accomplished through a collaborative effort among the plant's operations, maintenance and plant-engineering departments.

Facilities Management — Facilities Management recently surpassed 4 million work-hours without a lost-time injury. The achievement covers five years of work, from May 1999 to May 2004. "This milestone is a testament to the 'work safe' attitude of each and every FM employee," says FM Vice President Terrell Burkhardt. "I congratulate and thank all of them for their commitment to safe performance of TVA duties."

John Sevier Fossil Plant — John Sevier's Unit 1 surpassed its record for continuous operation June 14, since beginning commercial operation in July of 1955. The unit will continue to add to the record until taken offline for scheduled maintenance or an equipment malfunction. The previous record was 267 days of non-stop operation, set from March 23 to Dec. 15, 1975. Unit 3 currently holds the record for John Sevier units, with 380,695 days of non-stop operation, set from Oct. 7, 1991, to Oct. 21, 1992. The record for the plant's Unit 2 is 282,691 days, and the record for Unit 4 is 264,594 days. The plant record for all four units running non-stop simultaneously is 121.36 days from Dec. 9, 2002, to April 10, 2003.

TVA meets highest-ever power demand

Temperatures in the 90s across much of the Tennessee Valley July 13 pushed the power demand to an all-time record for TVA's power system. Tuesday's peak demand of 29,878 megawatts was met at 6 p.m. EDT when temperatures across the Valley averaged 92 degrees Fahrenheit. The previous all-time record was 29,866 MW on Jan. 24, 2003, when temperatures across the Valley averaged 6 degrees Fahrenheit. The previous summer record was 29,344 MW on Aug. 17, 2000.

Across TVA highlights news, achievements and activities of TVA organizations. E-mail submissions to Nancy Cann on Microsoft Outlook or send them to her at ET 6E-K. Digital photographs can be e-mailed to the Employee Communications Photos mailbox in Microsoft Outlook.

THE POWER OF public service

Team TVA Hooper — Super Volunteer!

When Herb Hooper heard Team TVA needed volunteers for the Red Wagner towboat and barges at the annual Riverbend Festival in Chattanooga, he says he knew he had to respond.

"I love to volunteer, especially when I get the chance to work with children," says Hooper, a Maintenance Specialist in Facilities Management and a 30 year TVA employee. "Seeing them learn and have fun is rewarding and energizing for me."

Hooper is one of the 100 employees and retirees who volunteered at the festival, which is now in its 24th year.

This year, his second as a Riverbend volunteer, Hooper staffed the www.tvakids.com balloon area and operated the Van de Graff Generator, an entertaining exhibit for studying electrostatics, the science of voltage and electrical charge.

"The Van de Graff Generator exhibit is usually a 'hair-raising' experience," he says. "When the generator is touched, electricity shoots through the body, causing the participant's hair to stand on end."

"This is a fun way for children and adults to learn about the power of electricity and to learn not to be afraid of electricity. By participating in the experiment, they can learn that electricity can be fun."

Hooper says being a Team TVA volunteer sounded like a great idea, but his job keeps him on the road 3-4 and sometimes 5 days a week.

"In the past few weeks, I've overseen coatings work at Shawnee, Paradise, Gallatin, Allen, Johnsonville, Colbert and Cumberland fossil plants, Kentucky, Wilson and Ocoee hydro plants, and Browns Ferry Nuclear Plant," he says.

So how does Hooper find time to volunteer and still spend time with his family?



Herb Hooper blows up a balloon at the Riverbend Festival last month.

"Volunteering has become part of my family's life," he says. "I recruited my wife Janice and my son Josh, who also works in Facilities Management, to volunteer at Riverbend, too. We all work several days and nights a week at the festival. We enjoy having fun together, while giving back to our community. I also volunteer for the Chattanooga Area Combined Federal Campaign TVA work day each year."

Riverbend, held each June, is rated one of the top-10 festivals in the Southeast. Thousands from around the United States attend each year. As one of the corporate sponsors, TVA offers exhibits, displays, *energyright*® bingo, TVA Trivia, tours of the towboat, as well as nightly live entertainment by TVA employees.

Hooper says he's grateful to his management in Facilities for allowing him flexibility during the festival.

"They are supportive of my work as a Team TVA volunteer and have always emphasized the link between TVA's mission and public service." — KATHY MAY

around the INDUSTRY

When **Peabody Energy Co.** announced that it wanted to build not one, but two large coal-fired power plants, a legion of skeptics scoffed. The St. Louis company is the world's largest coal producer. No other U.S. coal company has built, owned and operated a power plant. The company has announced it has tentatively signed three small utilities as investors in the proposed Illinois plant. The new Peabody would use coal from its mines to create electricity, which the company would sell to utilities looking for excess power. Peabody's plans call for two 1,500-megawatt plants, one in Washington County, Ill., about 50 miles southeast of St. Louis, and the other in Muhlenberg County, Ky. Each plant would cost about \$2 billion to build. Construction will not begin on either plant without a substantial group of investment partners and long-term contracts on 80 percent to 90 percent of the electricity generated. — *St. Louis Post-Dispatch*

Peabody



Florida Power & Light Co. said the Florida Public Service Commission approved its proposed \$600 million expansion of its Turkey Point power plant to help meet electricity demand beginning in 2007. The new Turkey Point project will be a state-of-the-art, natural gas-fired combined-cycle generating unit capable of delivering approximately 1,100 MW of power, or enough to serve approximately 230,000 homes and businesses. — *Reuters*

This feature provides brief highlights of events in the electric-utility industry. More information is available in Power Bolts, accessible through TVA Today.



Latasha Walker, a Project Control Specialist in Electric System Projects, paints a design on a Riverbend Festival visitor. For additional pictures of employees volunteering, see the *Inside TVA* online extra on www.tva.com and the Team TVA site on TVA's internal Web site.

Saving life all in the line of duty for Parcus



TVA Police Officer Jackie Parcus patrols the Guntersville Reservation.

RON HENSON

Jackie Parcus thought Jan. 27 was going to be another routine day at the office. But his keen sense and professional training led him to save the lives of occupants of a burning apartment building.

For his heroic deeds, Parcus of the Guntersville Sector was named the 2003 TVA Police Officer of the Year and the recipient of TVAP's Medal of Honor. Jimmy Drake and Chris McGaha of New Hope, Ala., received the first-ever TVAP Citizen Service Awards for working with Parcus during the fire.

"As I was driving to work that morning, I was looking at the roofs of buildings," Parcus says. "I saw smoke coming out of eaves of an apartment building. Before I got out of my car, I called the fire department."

Parcus saw Drake and McGaha, who lived near by.

"I knew we had to get the people out of the building," he says. "We started knocking on doors. I heard a door open and a guy fell out. He said, 'I'm burning up.' He had burns on half of his body and his hair was singed off.

"I called an ambulance, and we wrapped him in a blanket. The ambulance got the man to the hospital in eight minutes, and he was flown to Birmingham Burn Center."

Parcus says his reaction to the situation was what was routine.

"I started going through the checklist in my mind. I credit my training with TVA Police and Public Safety. Nothing of this magnitude has happened in my 22 years with TVA. You don't want something like this to happen every day." —NANCY CANN

Winning performance earns officers awards

In addition to Jackie Parcus, eight other officers received awards for exemplary performance, professionalism and outstanding actions in law enforcement during 2003. Here are the other TVAP award recipients:

- **Sergeant Kenneth Anderson, West Tennessee Sector** — Meritorious Service Award for professionalism in handling everyday assignments.
- **Officer Tony Cody, Knoxville Sector** — Meritorious Service Award for stopping suspects during a crime in progress.
- **Officer Timothy Dilbeck, Chattanooga Sector** — Meritorious Service Award for thorough and diligent investigation of suspicious activities at a TVA facility.
- **Communications Officer Christina Gossett, Eastern District** — Meritorious Service Award for helping identify a suspicious person at a TVA facility.
- **Officer Fritz Gray, West Tennessee Sector** — Meritorious Service Award for quick response to prevent an armed suspect from entering a private residence and possibly harming innocent civilians.
- **Communications Officer Ann Harper, Eastern District** — Meritorious Service Award for helping identify a suspicious person at a TVA facility.
- **Officer James Holland, Middle Tennessee Sector** — Meritorious Service Award for sustained exemplary performance and significant contributions to TVAP in 2003.
- **Officer Van Smith, Muscle Shoals Sector** — Meritorious Service Award for helping break up a counterfeiting operation.

WINNING thoughts

Great work is done by people who are not afraid to be great.
— Fernando Flores, co-author of Building Trust:
In Business, Politics, Relationships, and Life

The quality of a person's life is in direct proportion to their commitment to excellence, regardless of their chosen field of endeavor.
— Vince Lombardi, football coach

TVARS announces Board candidates

Four employees are running for the TVA Retirement System Board term that will begin Nov. 1. The term will run through Oct. 31, 2007.

Retirement Services will mail election ballots and candidate information to TVARS members July 30.

To vote, members can call the Election Line, which will be open 24 hours a day from July 30-Aug. 13. An Election Help Line (865-632-6357) and a TTY Election Line (865-632-7576) will be available from 8 a.m.-4:45 p.m. EDT during the election period.

The election will close at 4:45 p.m. EDT Aug. 13. If no candidate receives a majority of votes, a runoff election will be conducted.

Here are the candidates, along with their job title, organization and work location:

Robert "Eddie" DeBusk II — Electrician, Maintenance, Watts Bar Nuclear Plant

Randall Hartwig — Reactor Engineer, TVA Nuclear, Reactor Engineering, Browns Ferry Nuclear Plant

Glenn Henry — Mechanical Engineer-Design, TVA Nuclear, Site Engineering, Browns Ferry Nuclear Plant

Floyd Johnson — Electrical Engineer, TVA Nuclear, Sequoyah Nuclear Plant.

Detailed information on the candidates is available on official bulletin boards and the TVARS site on TVA's internal Web site. In addition, campaign statements submitted by the candidates are posted on the TVARS Web site and will be updated weekly throughout the election for candidates who submit an update.

For members who do not have access to the Web site, all versions of the campaign statements will be posted on official bulletin boards beginning July 30.

It is TVA's policy that candidates and employees are not to use official TVA resources to solicit votes. This includes bulletin boards, electronic mail, interoffice mail, copier equipment and fax machines.

— DAN ADAIR

CROSSWORD PUZZLE Customer Relations

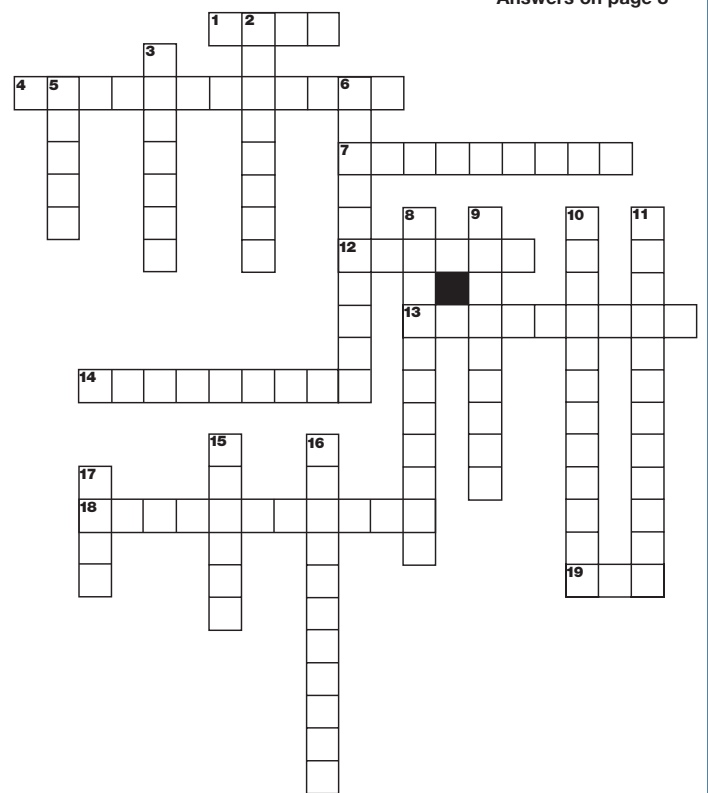
Answers on page 8

ACROSS

1. Common term for transmission infrastructure
4. Those who have an interest in TVA business
7. Measurement of Winning Performance
12. Home of 8.5 million consumers
13. What distributors must sign to buy power
14. TVA's most valuable asset
18. What TVA is committed to protect
19. Study recently completed to manage the integrated river system

DOWN

2. TVA's power is affordable and _____
3. TVA's volunteer program
5. Association that represents power distributors
6. Bodies of water in Tennessee Valley managed by TVA
8. What TVA's plants generate for sale
9. TVA manages this river



10. Large measure of electricity
11. TVA sells wholesale power to these customers
15. Kentucky customer that gave termination notice to TVA
16. In STAR 7, the Big Bad Wolf
17. Federal regulatory body

INSIDER

Mastering multiple trades for TVA

“It’s the best thing I ever did. I’m glad of every move I made to get into the program.”

That’s what Matt McLaughlin, Level 3 Electrical Technician at Widows Creek Fossil Plant, says about his multi-skill training.

McLaughlin and co-worker Felicia Blackwell, along with their 45 fellow graduates of the Fossil Power Group Multi-Skilling Program for new hires, are now able to work across crafts to save time and money for TVA.

A graduate of the J.F. Drake Technical College, McLaughlin had about four years in electrical and electronics work under his belt when he heard TVA was hiring tech-school graduates.

“A good friend of mine and his mother work at Widows Creek,” says McLaughlin. “They told me about the program and encouraged me to apply. Every day I’m glad I did.”

Blackwell was familiar with TVA, having worked on the nuclear side for 15 years. After a break in service, she returned to TVA in 2001.

“I heard about the training program and decided to apply,” she says. “I knew any training program TVA has would be a plus for anyone.”

For two-and-a-half years, McLaughlin, Blackwell and the other trainees alternated five or six weeks of classroom and shop training at the Greenway site in Knoxville with three or four months of on-the-job training in the field.

Now they have moved into jobs throughout the fossil system, qualified to independently perform selected mechanical and electrical-maintenance tasks.

Blackwell, a Level 3 Mechanical Technician, and McLaughlin are part of the Unit 7 Scrubber Group.

“During the training, the instructors would bring in equipment such as sootblowers or control circuit boards that we could practice on,” McLaughlin says. “Now what we did in the classroom, we’re doing on the job.”

Blackwell says they gained from the knowledge of the journeymen at the plant, as well as from other trainees in the classroom.

“We picked out the strong points from the other



Widows Creek Fossil Plant’s Felicia Blackwell and Matt McLaughlin work on the Unit 7 scrubber absorber pump. They are among 47 graduates of the Fossil Power Group Multi-Skilling Program for new hires.

trainees and benefited from their skills,” she says. “For example, if one of our classmates was an experienced welder or machinist, he’d help the rest of us. At the plant, we’d rotate departments every three months. They’d send us out with experienced journeymen. We’d work together as a team to get the job done.”

Now they can do many jobs from beginning to end. “I’m not expected to be an expert in all crafts,” says McLaughlin. “My background is electrical. But if I go out on a job with a mechanic, I know his tools as well as mine, and I know how to help on the mechanical side.”

— JUDY ELB AND NANCY CANN

people, plaudits and promotions

Regina Bevins and **Judy Bair** have been installed as 2004-2005 President and Secretary, respectively, of the Knoxville Chapter of the International Association of Administrative Professionals. Bevins, a Senior Secretary in Facilities Management’s Operations & Maintenance group, has served on the Board as Corresponding Secretary, Vice President and President Elect. Bevins attained her Certified Professional Secretary certification in May 2000. Bair, a Multi-Functional Business Support Representative in River Operations, has served on the Board since 2002 as Corresponding Secretary. She attained her CPS certification in 2002 and her Certified Administrative Professional certification in 2003.



Regina Bevins

David Graham of Human Resources has received the June Q. Moore Award from the Tennessee Cooperative Education Association for his work and support for Tennessee education. Graham was honored for his leadership and service to the profession and to the Tennessee Association of Colleges & Employers. The award honors outstanding university and employer co-op practitioners of the Tennessee Cooperative Education Association.



David Graham

Clayton Henson, Transmission System Engineer at Columbia Transmission Service Center, and **Jarrad Jones**, Transmission/Power Supply Area Engineer in Murfreesboro, have completed the requirements of the COO Engineering Graduate Progression Program and achieved the Senior Engineer level at TVA. Engineers progress by satisfactorily completing specific work assignments, tasks, instructions and learning events in accordance with an assigned Individual Progression Plan. The program is designed to ensure that Senior Engineers demonstrate broad knowledge in the discipline-specific area and a good knowledge of practices in related disciplines.



Clayton Henson



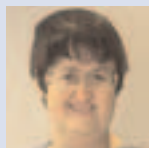
Jarrad Jones

Your thoughts...

1 What are the top three things TVA is trying to accomplish this fiscal year?

2 What is the immediate threat that could prevent TVA from achieving its goals?

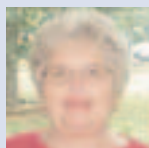
3 What will be your role in helping TVA succeed?



Judy Bair

Judy Bair, River Operations

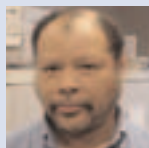
1. Reduce the debt, prepare for deregulation and maximize efficiency of current staff and old plants.
2. The EPA ruling concerning the Clean Air Act and our compliance.
3. Be the most informed I can be, so I can answer questions of our Valley constituency.



Jan Burris

Jan Burris, Procurement

1. Produce low-cost, safe, reliable power for the Valley; reduce our debt; keep our workforce safe
2. The electric cooperatives giving notice to TVA, which would cut down on our revenue base; wholesale competition; and congressional actions that might be adverse to TVA.
3. In my Standardization department, we look at Total Ownership Cost as a way to help TVA use the best health-and-safety and environmentally preferable products and services at the best cost, which helps TVA’s bottom line. Whatever department you work in, everyone has a definite responsibility to help TVA succeed by watching costs and working safely.



Stephen Pope

Stephen C. Pope, Johnsonville Fossil Plant

1. The debt, succession planning and the deregulation issue.
2. Election-year politics, deregulation and pollution legislation.
3. My role includes staying current on the issues and remaining dedicated to implementing the critical issues in the TVA Strategic Plan.

INSIDE YOUR THOUGHTS

Please tell us... We’re listening

Inside TVA wants to hear your opinions about current company issues. Some responses may be published. The first 100 responders will receive a small token of appreciation for their participation. Please include your name and work address in your response.

1. How do you impact TVA’s customer relations in your job?

Three ways to get your answer to us: the *Inside TVA* mailbox in Outlook, on our online edition page or via mail to *Inside TVA*, ET 6E-K. *Thanks!*

Answers to Customer Relations Crossword Puzzle

Across — 1. grid; 4. stakeholders; 7. scorecard; 12. Valley; 13. contracts; 14. employees; 18. environment; 19. ROS
Down — 2. reliable; 3. TeamTVA; 5. TVPPA; 6. reservoirs; 8. electricity; 9. Tennessee 10. megawattour; 11. distributors; 15. Warren; 16. competition; 17. FERC



Becki Campbell, a recent retiree, “decorates” Charity Glass, daughter of Rosalind Glass of the Fossil Power Group in Chattanooga.



Chuck Ellison, crewmember with the Red Wagner Towboat, entertains kids of all ages at Riverbend.



Dennis Duncan from Sequoyah Nuclear Plant and Mary Bach from Human Resources in Chattanooga play TVA Trivia Spin & Win with a visitor to the exhibits on the TVA barge.



ABOVE: The Megawhats, composed of TVA employees or relatives, were the opening act on the TVA Barge at this year’s Riverbend Festival. From left, Megawhats members pictured are Steven Lowe (Information Services); Greg Byrom (Transmission/Power Supply); Kyle Heck, son of Kathy Davis (TPS); Rocky Roberts (TPS); Rick Driggans (River System Operations & Environment); Mitch Needham (TPS); and Mark Vastano (TPS). Also playing, but not visible, are Larry Cole (TPS) on drums, and Mark Hughes (COO Technical Training) on guitar.



ABOVE: Marie Colson of River System Operations & Environment discusses maps of the Tennessee Valley with a young visitor.