

March 31, 2003

Mr. Fabrice Demarigny
The Committee of European Securities Regulators
11-13 avenue de Friedland
75008
Paris - France

Dear Mr. Demarigny:

Re: Proposed new EU Prospectus Directive

The Tennessee Valley Authority (TVA) respectfully submits the following written comments on the proposed new European Union Prospectus Directive (Proposed Directive) regarding the creation of a single, pan-European securities market. TVA is a frequent non-EU issuer and currently has 11 bond issues totalling over \$11.7 billion USD listed on European markets.

We are concerned that the Proposed Directive will have a significant effect on our ability to continue listing our securities in the European Union (EU) and, in some cases, in our ability to sell our securities to certain EU institutional investors. As U.S. issuers currently issue over 40 percent of the non-equity securities in the €8.3 trillion Euromarkets, we would suggest that this result is undesirable from the perspective of EU institutional investors and EU Member States, in addition to ourselves.

The Proposed Directive requires that filings contain all information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the issuer and the rights attaching to the securities. This is similar to the objective of financial statements prepared in accordance with accounting standards generally accepted in the United States of America (U.S. GAAP). However, the Committee of European Securities Regulators (CESR), which is in the process of advising the European Commission on detailed rules, has proposed several detailed disclosure requirements that non-EU issuers might find difficult and expensive to comply with, including, but not limited to:

- The preparation of financial statements in accordance with “international accounting standards” and international audit standards. U.S. standards should be deemed to be equivalent since they provide comparable disclosure standards with which the European investor base is already comfortable. We assume that “international accounting standards” refer to standards which are prevalent in

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the international market place, and which would include U.S. GAAP. Otherwise it will be very expensive for us to restate U.S. GAAP numbers without adding any real value. It would be even more expensive for U.S. companies to adopt dual auditing procedures as the U.S. audit standard of "presents fairly" will not be acceptable and must instead meet a "true and fair view" standard resulting in redundant audit procedures and costs;

- Disclosure of the issuer's present and future capital expenditures and investments;
- The inclusion of information on the issuer's financial forecasts for at least the current fiscal year;
- Under the consultations for the Transparency Obligations Directive, it was suggested that EU listed issuers file quarterly (or, if wholesale issuers only, semi-annual) reports, including a brief summary of significant events that have occurred in the issuers business during the report period. We already report quarterly, but on a different basis to that proposed. To rework our U.S. reports will require significant effort, at considerable cost.

Compliance with different requirements that result in equivalent disclosure would be very expensive without adding additional benefit to investors. We believe that the US requirements give equivalent disclosure to those proposed by CESR. We suggest that the EU authorities should give urgent consideration to recognizing this fact explicitly in their proposals.

We should be grateful if you would clarify the ambiguities and areas of uncertainty which we have identified. This will reaffirm our confidence in the regulation of the Euromarkets and help ensure our continued participation in capital raising activities in the EU.

Thank you for the opportunity to comment on this Proposed Directive.

Sincerely,

A handwritten signature in black ink, appearing to read "David N. Smith". The signature is fluid and cursive, with the first name "David" and last name "Smith" clearly distinguishable.

David N. Smith
Chief Financial Officer and
Executive Vice President
Financial Services

Mr. Fabrice Demarigny

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cc: Glenn L. McCullough, Jr., ET 12A-K

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