

DISCOUNT NOTES OFFERING CIRCULAR

Tennessee Valley Authority

DISCOUNT NOTES

The Tennessee Valley Authority (“TVA” or the “Corporation”) is a corporate agency and instrumentality of the United States of America. TVA issues Discount Notes pursuant to its authorization under the Tennessee Valley Authority Act of 1933, as amended (the “TVA Act”), to issue and sell bonds, notes, and other evidences of indebtedness. The Discount Notes will have maturities of less than one year from their dates of issue. They will be sold at a discount, in book-entry form only, in principal amounts of \$100,000 and additional integral multiples of \$1,000. TVA will pay the principal amount of the Discount Notes solely from its Net Power Proceeds as herein defined (but may, at its option, make payment from the proceeds of refunding obligations or other funds legally available for this payment).

TVA will offer the Discount Notes for sale on a periodic basis to a group of investment dealers and dealer banks (the “Selling Group”) selected by TVA. TVA may also sell original issue Discount Notes to any member of the Selling Group acting as principal. You may obtain current quotations for Discount Notes of varying maturities by contacting any Selling Group member. See “Description of the Discount Notes” - “Distribution Arrangements.” You may obtain a list of current Selling Group members by writing, calling, or e-mailing TVA at the contact information set forth under “Where You Can Find More Information.” For a list of the Selling Group members as of the date hereof, see “Selling Group.”

You should read this Discount Notes Offering Circular, as it may be amended or supplemented, together with the relevant Short-Term Debt Certificate (as described herein) and the annual, quarterly, and current reports that TVA has filed or will file with the Securities and Exchange Commission (“SEC”) (collectively, the “Offering Documents”). See “Where You Can Find More Information” for more information about TVA’s SEC filings.

No dealer, salesperson, or any other person has been authorized by TVA to give any information or to make any representations on behalf of TVA other than those contained in the Offering Documents or any supplement to any of the Offering Documents prepared by TVA for use in connection with the offer made by this Discount Notes Offering Circular. If given or made, such information or representations must not be relied upon as having been authorized by TVA.

Neither the delivery of any Offering Documents nor any sale of Discount Notes described herein shall under any circumstances create an implication that the information provided in any Offering Document is correct at any time subsequent to its date, and TVA assumes no duty to update any Offering Document except as it deems appropriate. This Discount Notes Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy the Discount Notes described herein in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Discount Notes are not obligations of, nor is any payment thereon guaranteed by, the United States of America. TVA is not required under the Securities Act of 1933 to register the Discount Notes with the SEC. TVA files annual reports, quarterly reports, and current reports with the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

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WHERE YOU CAN FIND MORE INFORMATION

TVA files annual, quarterly, and current reports with the SEC. TVA's SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov. TVA also hosts or posts the filings for the most recent five-year period on its website at www.tva.gov. Information contained on TVA's website shall not be deemed to be incorporated into, or to be a part of, this Discount Notes Offering Circular except to the extent otherwise expressly incorporated herein.

TVA incorporates by reference into this Discount Notes Offering Circular certain information that TVA files with the SEC. This means that TVA discloses important information to you by referring you to another document. The information that TVA incorporates by reference is considered to be part of this Discount Notes Offering Circular, and information that TVA subsequently files with the SEC will automatically update and, where different, supersede the information in this Discount Notes Offering Circular and in TVA's prior SEC filings. Nothing in this Discount Notes Offering Circular shall be deemed to incorporate information furnished to, but not filed with, the SEC, including information furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K and corresponding information furnished under Item 9.01 of Form 8-K or included as an exhibit to such Form 8-K.

TVA is incorporating by reference into this Discount Notes Offering Circular the following documents that TVA has filed with the SEC as well as any future filings that TVA makes with the SEC under Section 37 of the Exchange Act (collectively, the "SEC Filings"):

- TVA's annual report on Form 10-K for the fiscal year ended September 30, 2014 (the "Annual Report");
- TVA's quarterly reports on Form 10-Q for the quarters ended December 31, 2014, March 31, 2015, and June 30, 2015 (the "Quarterly Reports"); and
- TVA's current reports on Form 8-K filed with the SEC on December 12, 2014, December 24, 2014, April 22, 2015 (but for information furnished to, but not filed with, the SEC under Item 9.01 of such Form 8-K or included as an exhibit to such Form 8-K, which shall not be deemed incorporated by reference into this Offering Circular), June 5, 2015, August 7, 2015, August 10, 2015, September 24, 2015, October 1, 2015, and October 5, 2015 and TVA's current reports on Form 8-K/A filed with the SEC on December 30, 2014 and August 26, 2015.

You may request a copy of TVA's SEC filings at no cost by writing, calling, or e-mailing TVA at the following address:

Tennessee Valley Authority
400 West Summit Hill Drive
Knoxville, TN 37902-1401
Attention: Treasury & Investor Relations
E-mail: Investor@tva.com
Telephone:
1-888-882-4975 (toll-free in the United States)
1-888-882-4967 (toll-free outside the United States)

FORWARD-LOOKING STATEMENTS

This Discount Notes Offering Circular contains or incorporates by reference forward-looking statements relating to future events and future performance. All statements other than those that are purely historical may be forward-looking statements.

In certain cases, forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “expect,” “anticipate,” “believe,” “intend,” “project,” “plan,” “predict,” “assume,” “forecast,” “estimate,” “objective,” “possible,” “probably,” “likely,” “potential,” “speculate,” or other similar expressions.

Although TVA believes that the assumptions underlying the forward-looking statements are reasonable, TVA does not guarantee the accuracy of these statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things:

- New or amended, or existing, laws, regulations, or administrative orders, including those related to environmental matters, and the costs of complying with these laws, regulations, and administrative orders;
- The cost of complying with known, anticipated, and new emissions reduction requirements, some of which could render continued operation of many of TVA’s aging coal-fired generation units not cost-effective and result in their removal from service, perhaps permanently;
- Actions taken, or inaction, by the United States (“U.S.”) government relating to the national debt ceiling or automatic spending cuts in government programs;
- Costs and liabilities that are not anticipated in TVA’s financial statements for third-party claims, natural resource damages, or fines or penalties associated with events such as the Kingston Fossil Plant ash spill as well as for environmental clean-up activities;
- Addition or loss of customers;
- Significant changes in demand for electricity which may result from, among other things, economic downturns, increased energy efficiency and conservation, and improvements in distributed generation or other alternative generation technologies;
- Significant delays, cost increases, or cost overruns associated with the construction of generation or transmission assets;
- Changes in the timing or amount of pension and health care costs;
- Increases in TVA’s financial liabilities for decommissioning its nuclear facilities and retiring other assets;
- Physical or cyber attacks on TVA’s assets;
- The outcome of legal and administrative proceedings;
- The failure of TVA’s generation, transmission, flood control, and related assets, including coal combustion residual facilities, to operate as anticipated, resulting in lost revenues, damages, and other costs that are not reflected in TVA’s financial statements or projections;

- Differences between estimates of revenues and expenses and actual revenues earned and expenses incurred;
- Weather conditions;
- Catastrophic events such as fires, earthquakes, explosions, solar events, electromagnetic pulses, droughts, floods, hurricanes, tornadoes, pandemics, wars, national emergencies, terrorist activities, and other similar events, especially if these events occur in or near TVA's service area;
- Events at a TVA facility, which, among other things, could result in loss of life, damage to the environment, damage to or loss of the facility, and damage to the property of others;
- Events or changes involving transmission lines, dams, and other facilities not operated by TVA, including those that affect the reliability of the interstate transmission grid of which TVA's transmission system is a part and those that increase flows across TVA's transmission grid;
- Disruption of fuel supplies, which may result from, among other things, weather conditions, production or transportation difficulties, labor challenges, or environmental laws or regulations affecting TVA's fuel suppliers or transporters;
- Purchased power price volatility and disruption of purchased power supplies;
- Events which affect the supply of water for TVA's generation facilities;
- Changes in TVA's determinations of the appropriate mix of generation assets;
- TVA's organizational transformation efforts or cost reduction efforts not being fully successful;
- Inability to obtain, or loss of, regulatory approval for the construction or operation of assets, including Watts Bar Nuclear Plant ("Watts Bar") Unit 2;
- The requirement or decision to make additional contributions to TVA's pension or other post-retirement benefit plans or to TVA's Nuclear Decommissioning Trust or Asset Retirement Trust;
- Limitations on TVA's ability to borrow money which may result from, among other things, TVA's approaching or substantially reaching the limit on bonds, notes, and other evidences of indebtedness specified in the TVA Act;
- An increase in TVA's cost of capital which may result from, among other things, changes in the market for TVA's debt securities, changes in the credit rating of TVA or the U.S. government, and an increased reliance by TVA on alternative financing arrangements as TVA approaches its debt ceiling;
- Changes in the economy and volatility in financial markets;
- Changes in technology;
- Reliability and creditworthiness of counterparties;
- Changes in the market price of commodities such as coal, uranium, natural gas, fuel oil, crude oil, construction materials, reagents, electricity, and emission allowances;
- Changes in the market price of equity securities, debt securities, and other investments;
- Changes in interest rates, currency exchange rates, and inflation rates;

- Ineffectiveness of TVA’s disclosure controls and procedures or its internal control over financial reporting;
- Inability to eliminate identified deficiencies in TVA’s systems, standards, controls, or corporate culture;
- Inability to attract or retain a skilled workforce;
- Events at a nuclear facility, whether or not operated by or licensed to TVA, which, among other things, could lead to increased regulation or restriction on the construction, ownership, operation, and decommissioning of nuclear facilities or on the storage of spent fuel, obligate TVA to pay retrospective insurance premiums, reduce the availability and affordability of insurance, increase the costs of operating TVA’s existing nuclear units, negatively affect the cost and schedule for completing Watts Bar Unit 2 and preserving Bellefonte Nuclear Plant Unit 1 for possible completion, and cause TVA to forego future construction at these or other facilities;
- Loss of quorum of the TVA Board of Directors (“Board” or “TVA Board”); and
- Unforeseeable events.

Additionally, other risks that may cause actual results to differ materially from the predicted results are set forth in Item 1A, Risk Factors and Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report and Part I, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Quarterly Reports. New factors emerge from time to time, and it is not possible for TVA’s management to predict all such factors or to assess the extent to which any factor or combination of factors may impact TVA’s business or cause results to differ materially from those contained in any forward-looking statement.

TVA undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made.

Discount Notes Offering Circular Summary

The information below is a summary, and does not contain all of the information that may be important to you. You should carefully read all of the information contained or incorporated in this Discount Notes Offering Circular together with TVA's SEC Filings incorporated herein and the relevant Short-Term Debt Certificate. Capitalized terms used and not defined in this section have the meanings defined elsewhere in this Discount Notes Offering Circular and the Annual Report.

Issuer.....	TVA is a corporate agency and instrumentality of the United States of America established by the TVA Act.
Discount Notes.....	TVA offers the Discount Notes on a discounted basis, in book-entry form only, with maturities of less than one year and in principal amounts of \$100,000 and additional integral multiples of \$1,000. See "Description of the Discount Notes" - "General."
Offering Procedure.....	TVA offers the Discount Notes on a periodic basis for sale to Selling Group members selected by TVA. See "Description of the Discount Notes" - "Distribution Arrangements."
Fiscal Agent.....	The U.S. Federal Reserve Banks will act as TVA's fiscal agent.
Form of Discount Notes.....	The Discount Notes will be issued and maintained only on the book-entry system of the U.S. Federal Reserve Banks. The Discount Notes may be held of record and transferred only by entities eligible to maintain book-entry accounts on that system (these entities being referred to as "Holders"). Unless you are a Holder, you must hold your Discount Notes indirectly through a financial intermediary. See "Description of the Discount Notes" - "Book-Entry System."
Use of Proceeds.....	TVA will use the net proceeds from the sale of the Discount Notes to assist in financing its power program, including refinancing power program debt.

Source of Payment..... TVA will pay the principal amount of the Discount Notes solely from its Net Power Proceeds (but may, at its option, make payment from the proceeds of refunding obligations or other funds legally available for this payment). The Discount Notes are not obligations of, nor is any payment thereon guaranteed by, the United States of America. See “Description of the Discount Notes” - “Debt Service.”

Legality of Investment..... The laws of some jurisdictions limit the type and amount of securities that certain institutional investors may acquire. TVA advises each entity or person to consult with its own counsel with respect to the legality of investment in the Discount Notes. Generally, the following describes the legality of investment in Discount Notes:

- acceptable as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of any officer or agency of the United States;
- eligible as collateral for U.S. Treasury tax and loan accounts;
- among those obligations that national banks may deal in, underwrite, and purchase for their own accounts in an amount up to 10 percent of their unimpaired capital and surplus;
- eligible as collateral for advances by U.S. Federal Reserve Banks to member banks;
- legal investments for federal savings associations and federal savings banks to the extent specified in applicable regulations;
- eligible as collateral for advances by Federal Home Loan Banks to members for which the Discount Notes are legal investments; and
- legal investments for federal credit unions, subject to applicable regulations.

See “Legality of Investment.”

Taxation..... Discount Notes are subject to various tax consequences. See “Certain U.S. Tax Considerations.”

TENNESSEE VALLEY AUTHORITY

TVA is a corporate agency and instrumentality of the United States that was created in 1933 by legislation enacted by the U.S. Congress in response to a request by President Franklin D. Roosevelt. TVA was created to, among other things, improve navigation on the Tennessee River, reduce the damage from destructive flood waters within the Tennessee River system and downstream on the lower Ohio and Mississippi Rivers, further the economic development of TVA's service area in the southeastern United States, and sell the electricity generated at the facilities TVA operates.

Today, TVA operates the nation's largest public power system and supplies power in most of Tennessee, northern Alabama, northeastern Mississippi, and southwestern Kentucky and in portions of northern Georgia, western North Carolina, and southwestern Virginia to a population of over nine million people. In the fiscal year ended September 30, 2014, the revenues generated from TVA's electricity sales were \$11.0 billion and accounted for virtually all of TVA's revenues.

TVA manages the Tennessee River, its tributaries, and certain shorelines to provide, among other things, year-round navigation, flood damage reduction, and affordable and reliable electricity. Consistent with these primary purposes, TVA also manages the river system to provide recreational opportunities, adequate water supply, improved water quality, natural resource protection, and economic development. TVA performs these management duties in cooperation with other federal and state agencies which have jurisdiction and authority over certain aspects of the river system. In addition, the TVA Board established two councils – the Regional Resource Stewardship Council and the Regional Energy Resource Council - under the Federal Advisory Committee Act to advise TVA on its stewardship activities in the Tennessee Valley and its energy resource activities.

Initially, all TVA operations were funded by federal appropriations. Direct appropriations for the TVA power program ended in 1959, and appropriations for TVA's stewardship, economic development, and multipurpose activities ended in 1999. Since 1999, TVA has funded all of its operations almost entirely from the sale of electricity and power system financings. TVA's power system financings consist primarily of the sale of debt securities and secondarily of alternative forms of financing such as lease arrangements. As a wholly owned government corporation, TVA is not authorized to issue equity securities.

RISK FACTORS

Your investment in the Discount Notes will involve a number of risks. Before you decide that an investment in the Discount Notes is suitable for you, you should carefully consider the risks set forth in Item 1A, Risk Factors and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report and Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Quarterly Reports, as well as in other filings that TVA makes from time to time with the SEC. In addition, you should consult your own financial and legal advisors regarding the risks and suitability of an investment in the Discount Notes.

USE OF PROCEEDS

TVA will use the net proceeds from the sale of the Discount Notes to assist in financing its power program, including refinancing power program debt.

DESCRIPTION OF THE DISCOUNT NOTES

General

TVA offers the Discount Notes, which have maturities of less than one year, on a periodic basis. TVA issues the Discount Notes in principal amounts of \$100,000 and additional integral multiples of \$1,000. On a periodic basis, TVA establishes the maturities of the Discount Notes and the purchase prices for Discount Notes of varying maturities. You may obtain information with respect to the maturities available and current prices from members of the Selling Group to whom TVA offers the Discount Notes. See “Distribution Arrangements.” TVA offers the Discount Notes on a discounted basis. The purchase price of a Discount Note will be the difference between the principal amount of the Discount Note and the number derived from the following formula:

$$\frac{\text{Principal Amount of Discount Note} \times \text{Percentage of Discount}}{\text{Number of Days Between Issue Date and Maturity Date of Discount Note} \div 360 \text{ days}} \times X$$

Issuance Authority

The TVA Act authorizes TVA to issue and sell bonds, notes (including Discount Notes), and other evidences of indebtedness (collectively, “Evidences of Indebtedness”) to assist in financing its power program and to refund such Evidences of Indebtedness. The aggregate amount of Evidences of Indebtedness outstanding at any one time cannot exceed \$30 billion.

TVA issues the Discount Notes pursuant to Section 15d of the TVA Act and pursuant to Section 2.5 of the Basic Tennessee Valley Authority Power Bond Resolution adopted on October 6, 1960, as amended on September 28, 1976, October 17, 1989, and March 25, 1992 (the “Basic Resolution”) and the resolution authorizing the issuance of certain short-term debt adopted on January 23, 1991, as amended on February 17, 1993, May 9, 1994, and October 16, 1998 (the “Short-Term Debt Resolution” and, together with the Basic Resolution, the “Resolutions”). The Short-Term Debt Resolution authorizes the issuance of short-term debt not to exceed \$6.5 billion at any one time outstanding through the use of the book-entry system of the U.S. Federal Reserve Banks. The Discount Notes shall be in the form and upon the terms and conditions as deemed appropriate by TVA’s Executive Vice President and Chief Financial Officer, or duly authorized representatives, and set forth in a Short-Term Debt Certificate as provided for under the Short-Term Debt Resolution. TVA has entered into a Fiscal Agency Agreement dated as of October 7, 1997 (the “Fiscal Agency Agreement”), with the U.S. Federal Reserve Banks, as fiscal agents (together, the “Fiscal Agent”).

The summaries herein of certain provisions of the TVA Act, the Resolutions, and the Fiscal Agency Agreement are not complete and are qualified in their entirety by reference to all the provisions of the TVA Act, the Resolutions, and the Fiscal Agency Agreement. You may obtain copies of these documents upon written request directed to Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401, Attention: Treasury & Investor Relations, or by calling 1-888-882-4975 (toll-free in the United States) or 1-888-882-4967 (toll-free outside the United States) or by e-mailing investor@tva.gov.

Debt Service

TVA will pay the principal amount of the Discount Notes and other Evidences of Indebtedness solely from its Net Power Proceeds (but may, at its option, make payment from the proceeds of refunding obligations or other funds legally available for this payment). “Net Power Proceeds” are the remainder of TVA’s gross revenues from its power program,

after deducting

- the costs of operating, maintaining, and administering its power properties (including multiple-purpose properties in the proportion that multiple-purpose costs are allocated to power) and
- payments to states and counties in lieu of taxes,

but before deducting

- depreciation accruals or other charges representing the amortization of capital expenditures,

plus

- the net proceeds of the sale or other disposition of any interest in TVA’s power properties that constitute an operating unit or system.

The TVA Act also requires TVA to make certain payments to the U.S. Treasury each year from Net Power Proceeds in excess of those required for debt service as a return on and reduction of the government’s appropriation investment in TVA’s power facilities (the “Appropriation Investment”).

As to the application of Net Power Proceeds, the payment of Discount Notes ranks on parity with the payment of the principal of and the interest on bonds issued by TVA under Section 2.2 of the Basic Resolution (“Power Bonds” or “Bonds”). There is no limit on other indebtedness or securities TVA may issue and no financial or similar restrictions on TVA, except as provided under the TVA Act, the Basic Resolution, and the Short-Term Debt Resolution. See “Certain Provisions of the Basic Resolution” - “Application of Net Power Proceeds.” The Discount Notes represent obligations of TVA payable solely from TVA’s Net Power Proceeds (but TVA may, at its option, make payment from the proceeds of refunding obligations or other funds legally available for this payment), and the Discount Notes are not obligations of, nor is any payment thereon guaranteed by, the United States of America.

TVA has entered into several leaseback transactions with third parties that require the payment of periodic, or “basic,” rent. Each of these transactions also requires TVA to pay additional, or “supplemental,” rent in some circumstances, including in connection with a termination of the leaseback. TVA also has entered into two lease purchase transactions that require TVA to pay periodic basic rent and, in some circumstances, supplemental rent.

TVA considers basic rent payments under the leaseback transactions as costs of operating, maintaining, and administering TVA’s power properties. While TVA intends that basic rent payments under the leaseback transactions be treated as costs of operating, maintaining, and administering its power properties for purposes of the TVA Act and the Resolutions, such treatment is not free from doubt, and no assurance can be given that a court would conclude that basic rent constitutes a cost of operating, maintaining, and administering TVA’s power properties. TVA believes that supplemental rent payments under either a lease-leaseback or a lease-purchase transaction would not constitute costs of operating, maintaining, and administering its power properties. However, the treatment of supplemental rent is also not free from doubt. Payments of costs of operating, maintaining, and administering TVA’s power properties have priority over payments on the Discount Notes.

TVA has covenanted in connection with the lease-purchase transactions to charge rates which, together with other monies available to TVA, will be sufficient to pay all charges relating to its power program, including rent under its lease transactions.

Payment of Principal Amount

Payment of the Discount Notes is due in full on each respective maturity date. TVA will make payments on the applicable payment dates to Holders (as defined in "Book-Entry System") of the Discount Notes that are Holders as of the close of business on the Business Day, as defined below, preceding the payment dates, by credit of the payment amount to the Holders' accounts at the U.S. Federal Reserve Banks. The Holder and each other financial intermediary in the chain to the beneficial owner are responsible for remitting payments for the account of their customers.

In any case in which the maturity date is not a Business Day, TVA will make payment of the Discount Notes on the next succeeding Business Day with the same force and effect as if made on the maturity date. The term "Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to be closed.

Book-Entry System

The Discount Notes will be issued and maintained in registered form and may be transferred only on the book-entry system of the U.S. Federal Reserve Banks in principal amounts of \$100,000 and additional integral multiples of \$1,000. The U.S. Federal Reserve Banks will maintain book-entry accounts with respect to the Discount Notes and will make payments, on behalf of TVA, of the principal amount of the Discount Notes on the applicable payment dates by crediting Holders' accounts at the U.S. Federal Reserve Banks. The Discount Notes will not be exchangeable for definitive securities.

Regulations and procedures governing the use of the book-entry system for the Discount Notes are contained in 18 C.F.R. Part 1314. These regulations and procedures relate primarily to the registration, transfer, exchange, and pledge of such obligations. The accounts of Holders on the U.S. Federal Reserve Banks' book-entry system are governed by applicable operating circulars of the U.S. Federal Reserve Banks. The U.S. Federal Reserve Banks' handling of the Discount Notes, and the rights, duties, and obligations with respect thereto, will be governed exclusively by the applicable operating circulars of the U.S. Federal Reserve Banks, TVA's book-entry regulations, and such other federal book-entry regulations as may be applicable, notwithstanding any inconsistent procedures or requirements of any depository or organized exchange.

The Discount Notes may be held of record only by entities eligible to maintain book-entry accounts with the U.S. Federal Reserve Banks. Such entities whose names appear on the book-entry records of a U.S. Federal Reserve Bank as the entities for whose accounts the Discount Notes have been deposited are herein referred to as "Holders." A Holder is not necessarily the beneficial owner of a Discount Note. Beneficial owners will ordinarily hold Discount Notes through one or more financial intermediaries, such as banks, brokerage firms, and securities clearing organizations. A Holder that is not the beneficial owner of a Discount Note, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Discount Note with respect to TVA and the U.S. Federal Reserve Banks may be exercised only through the Holder thereof. TVA and the U.S. Federal Reserve Banks will have no direct obligation to a beneficial owner of a Discount Note that is not also the Holder of such Discount Note. The U.S. Federal Reserve Banks will act only upon the instructions of Holders in recording transfers of Discount Notes.

Distribution Arrangements

TVA offers the Discount Notes on a periodic basis for sale to Selling Group members selected by TVA. The sales may be held on a daily basis, and there may be more than one sale on a given day. You may obtain current quotations for Discount Notes of varying maturities by contacting any Selling Group member eligible to participate in the sale of Discount Notes. Each eligible member has entered into a Selling Group Agreement with TVA establishing the terms and conditions for resale of the Discount Notes, and each member has agreed to use its best efforts to maintain a secondary market in the Discount Notes; however, any member may cancel its Selling Group Agreement with TVA upon written notice to TVA. You may obtain a list of current members of the Selling Group upon written request directed to Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902-1401, Attention: Treasury & Investor Relations, or by calling 1-888-882-4975 (toll-free in the United States) or 1-888-882-4967 (toll-free outside the United States) or by e-mailing investor@tva.gov. For a list of the Selling Group members as of the date hereof, see "Selling Group."

Fiscal Agent

TVA may agree, in each case subject to applicable laws and regulations and the provisions of the Fiscal Agency Agreement, the Discount Notes, and the Resolutions, so long as the Discount Notes are outstanding, to maintain a Fiscal Agent. If TVA agrees to maintain a Fiscal Agent, the Fiscal Agent will be the U.S. Federal Reserve Banks. TVA and the Fiscal Agent may amend, modify, or supplement, in any respect, or may terminate, substitute, or replace the Fiscal Agency Agreement without the consent of any Holder. In acting under the Fiscal Agency Agreement, the Fiscal Agent acts solely as a fiscal agent of TVA and does not assume any obligation or relationship of agency or trust for or with any Holder of the Discount Notes except as set forth in applicable operating circulars and letters of the U.S. Federal Reserve Banks.

Governing Law

The Fiscal Agency Agreement is, and the Discount Notes will be, governed by and construed in accordance with the laws of the State of New York, except to the extent that U.S. federal law applies. Any litigation regarding the Fiscal Agency Agreement or the Discount Notes would have to be brought in a court with competent venue and jurisdiction.

CERTAIN PROVISIONS OF THE BASIC RESOLUTION

The following summary of certain provisions of the Basic Resolution may not contain all information that is important to investors and is qualified in its entirety by reference to the full text of the Basic Resolution. Capitalized terms used but not defined below have the meanings specified in the Basic Resolution.

Application of Net Power Proceeds

Section 2.3 of the Basic Resolution provides as follows:

Net Power Proceeds shall be applied, and the Corporation hereby specifically pledges them for application, first to payments due as interest on Bonds, on Bond Anticipation Obligations, and on any Evidences of Indebtedness issued pursuant to Section 2.5 which rank on a parity with Bonds as to interest; to payments of the principal due on Bonds for the payment of which other provisions have not been made and on any Evidences of Indebtedness issued pursuant to Section 2.5 which rank on a parity with Bonds as to principal and for the payment of which other provisions have not been made; and to meeting requirements of sinking funds or other analogous funds under any Supplemental Resolutions. The remaining Net Power Proceeds shall be used only for:

- (a) Required interest payments on any Evidences of Indebtedness issued pursuant to Section 2.5 which do not rank on a parity with Bonds as to interest.
- (b) Required payments of or on account of principal of any Evidences of Indebtedness which do not rank on a parity with Bonds as to principal.
- (c) Minimum payments into the United States Treasury required by the Act in repayment of and as a return on the Appropriation Investment.
- (d) Investment in Power Assets, additional reductions of the Corporation's capital obligations, and other lawful purposes related to the Power Program; provided, however, that payments into the United States Treasury in any fiscal year in reduction of the Appropriation Investment in addition to the minimum amounts required for such purpose by the Act may be made only if there is a net reduction during such year in the dollar amount of outstanding Evidences of Indebtedness issued for capital purposes, and only to such extent that the percentage of aggregate reduction in the Appropriation Investment during such year does not exceed the percentage of net reduction during the year in the dollar amount of outstanding Evidences of Indebtedness issued for capital purposes.

Section 2.5 of the Basic Resolution provides as follows:

To assist in financing its Power Program the Corporation may issue Evidences of Indebtedness other than Bonds and Bond Anticipation Obligations, which may be payable out of Net Power Proceeds subject to the provisions of Section 2.3 hereof. Such other Evidences of Indebtedness may rank on a parity with but shall not rank ahead of the Bonds as to payments on account of the principal thereof or the interest thereon.

Rate Covenant

Section 3.2 of the Basic Resolution provides as follows:

The Corporation shall fix, maintain, and collect rates for power sufficient to meet in each fiscal year the requirements of that portion of the present subsection (f) of section 15d of the Act which reads as follows:

The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

For purposes of this Resolution, "debt service on outstanding bonds," as used in the above provision of the Act, shall mean for any fiscal year the sum of all amounts required to be (a) paid during such fiscal year as interest on Evidences of Indebtedness, (b) accumulated in such fiscal year in any sinking or other analogous fund provided for in connection with any Evidences of Indebtedness, and (c) paid in such fiscal year on account of the principal of any Evidences of Indebtedness for the payment of which funds

will not be available from sinking or other analogous funds, from the proceeds of refunding issues, or from other sources; provided, however, that for purposes of clause (c) of this definition Bond Anticipation Obligations and renewals thereof shall be deemed to mature in the proportions and at the times provided for paying or setting aside funds for the payment of the principal of the authorized Bonds in anticipation of the issuance of which such Bond Anticipation Obligations were issued.

The rates for power fixed by the Corporation shall also be sufficient so that they would cover all requirements of the above-quoted provision of subsection (f) of section 15d of the Act if, in such requirements, there were substituted for “debt service on outstanding bonds” for any fiscal year the amount which if applied annually for 35 years would retire, with interest at the rates applicable thereto, the originally issued amounts of all series of Bonds and other Evidences of Indebtedness, any part of which was outstanding on October 1 of such year.

Rates set by the TVA Board are not subject to review or approval by any state or federal regulatory body. It is possible, however, that in the future the ability of the TVA Board to set rates as specified in the TVA Act and the Basic Resolution could be adversely affected by legislative changes or by competitive pressures. See Item 1A, Risk Factors in the Annual Report.

Covenant for Protection of Bondholders’ Investment

Under the TVA Act and Section 3.3 of the Basic Resolution, TVA must, in successive five year periods, use an amount of Net Power Proceeds at least equal to the sum of (1) depreciation accruals and other charges representing the amortization of capital expenditures applicable to its power properties and (2) the net proceeds from any disposition of power facilities in such period for either (a) the reduction of its capital obligations (including Evidences of Indebtedness and the Appropriation Investment) or (b) reinvestment in power assets.

Public Law No. 105-62

In accordance with Public Law No. 105-62, enacted in 1997, TVA is required, in the absence of sufficient appropriations, to fund nonpower programs that constitute “essential stewardship activities” with revenues derived from one or more of various sources, including power revenues, notwithstanding provisions of the TVA Act and the Basic Resolution to the contrary. The terms of the Short-Term Debt Certificates provide that actions taken pursuant to Public Law No. 105-62 shall not be considered an event of default or breach under the Resolutions. Since 1999, TVA has not received any appropriations and has funded all of its operations almost entirely from the sale of electricity and power system financings.

LEGALITY OF INVESTMENT

The laws of some jurisdictions limit the type and amount of securities that certain institutional investors may acquire. TVA advises each entity or person to consult its own counsel respecting the legality of investment in the Discount Notes. Generally, the following describes the legality of investment in Discount Notes.

- The Discount Notes are lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of any officer or agency of the United States of America. 16 U.S.C. § 831n-4(d).
- The Discount Notes are acceptable as collateral for U.S. Treasury tax and loan accounts pursuant to 31 C.F.R. § 203.21(d) and 31 C.F.R. § 380.3.
- National banks may deal in, underwrite, and purchase the Discount Notes for their own accounts in an amount not to exceed 10 percent of unimpaired capital and surplus. 12 U.S.C. § 24, seventh paragraph.

- U.S. Federal Reserve Banks may accept the Discount Notes as eligible collateral for advances to member banks. 12 U.S.C. § 347 and 12 C.F.R. § 201.108(b)(13).
- Federal savings associations and federal savings banks may, to the extent specified in applicable regulations, invest in the Discount Notes without regard to limitations generally applicable to investments. 12 U.S.C. § 1464(c)(1)(F).
- The Discount Notes are eligible as collateral for advances by Federal Home Loan Banks to members for which the Discount Notes are legal investments. 12 U.S.C. § 1430(a) and 12 C.F.R. § 1266.7(a)(2).
- Federal credit unions may purchase the Discount Notes, subject to applicable regulations. 12 U.S.C. § 1757(7)(E) and 12 C.F.R. Part 703.
- The Discount Notes are “obligations of a corporation which is an instrumentality of the United States” within the meaning of Section 7701(a)(19)(C)(ii) of the Internal Revenue Code for purposes of the 60 percent of assets limitation applicable to U.S. building and loan associations.

CERTAIN U.S. TAX CONSIDERATIONS

The following discussion of certain U.S. federal income tax and certain limited federal estate and state and local tax consequences (where specifically noted) of the purchase, ownership, and disposition of the Discount Notes has been prepared by Orrick, Herrington & Sutcliffe LLP, as special tax counsel to TVA. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Discount Notes as part of a hedge, straddle, or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder of Discount Notes. In addition, this summary generally is limited to investors that acquire their Discount Notes pursuant to this offering for the issue price that is applicable to such Discount Notes (i.e., the price at which a substantial amount of the Discount Notes are sold to the public) and who will hold their Discount Notes as “capital assets” within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). This discussion does not purport to describe the tax consequences applicable to beneficial owners of any other securities which have been or may be issued by TVA.

It should be noted that the Discount Notes are not subject to redemption by reason of the imposition of withholding or other tax by any jurisdiction, and TVA has no obligation to pay additional interest or other amounts if any withholding or other tax is imposed on payments on the Discount Notes (including any withholding tax that may be imposed as a result of a failure to provide an applicable IRS form).

As used herein, “U.S. Holder” means a beneficial owner of a Discount Note (other than a partnership) that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United

States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Discount Note (other than a partnership) that is not a U.S. Holder. If a partnership holds Discount Notes, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Discount Notes, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Discount Notes (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

A U.S. Holder is subject to U.S. federal income taxation on income on, and gain from, a Discount Note, and there is no special exemption for a Discount Note from U.S. federal estate and gift taxes. The TVA Act, however, provides that bonds, notes, and other indebtedness issued by TVA, such as the Discount Notes, are “exempt both as to principal and interest from all taxation now or hereafter imposed by any State or local taxing authority except estate, inheritance, and gift taxes.” This exemption might not extend to franchise or other non-property taxes in lieu thereof imposed on corporations or to gain or loss realized upon the sale or exchange of a Discount Note, notwithstanding that such gain might in some cases be treated as interest income for U.S. federal income tax purposes.

The Discount Notes will be issued with original issue discount - that is, the face amount of the Discount Notes will be in excess of their issue price (defined, as to any particular issue of Discount Notes, as the first price at which a substantial amount of such issue is sold to the public). Accrual basis U.S. Holders (and cash basis U.S. Holders who so elect) will be required to include the original issue discount on the Discount Notes in income on an accrual basis for U.S. federal income tax purposes, computed on a straight-line basis or, if the U.S. Holder so elects, on a constant yield basis (based on daily compounding). Such a U.S. Holder may additionally elect (which election is only revocable with the consent of the IRS and applies to all obligations acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies) to apply the foregoing rules by reference to the amount by which the face amount of the Discount Notes exceeds the U.S. Holder’s initial U.S. federal income tax basis in the Discount Notes (“acquisition discount”) rather than by reference to the amount of original issue discount on the Discount Notes.

The original issue discount on the Discount Notes will not be includible in income on an accrual basis by a cash basis U.S. Holder (absent an election to the contrary, and subject to the exceptions noted above). Instead, the income will be deferred, with any gain realized on the sale, exchange, redemption, retirement, or other taxable disposition of the Discount Note being characterized as ordinary income to the extent of the original issue discount that has accrued on the Discount Note through the date of the sale, exchange, redemption, retirement, or other taxable disposition by the cash basis U.S. Holder, computed on a straight line basis (unless an election is made to accrue the original issue discount on a constant yield basis). Additionally, such a U.S. Holder will be required to defer deductions for interest paid or accrued on indebtedness which is incurred or continued to purchase or carry the Discount Note in an amount not exceeding the deferred income (until the deferred income is realized).

Except as otherwise provided in the preceding paragraph, upon a sale, exchange, redemption, retirement, or other taxable disposition of a Discount Note, a U.S. Holder generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange, redemption, retirement, or other taxable disposition and the U.S. Holder’s adjusted U.S. federal income tax basis in the Discount Note, provided the Discount Note is held as a capital asset. A U.S. Holder’s adjusted U.S. federal income tax basis in a Discount Note generally will be equal to the amount paid by the U.S. Holder for the Discount Note, increased by the amount of original issue discount or acquisition discount previously included in the gross income of the U.S. Holder.

Certain non-corporate U.S. Holders of the Discount Notes will be subject to a 3.8% tax on the lesser of (i) the U.S. Holder’s “net investment income” (in the case of individuals) or “undistributed net investment income” (in the case of estates and certain trusts) for the relevant taxable year and (ii) the

excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include any interest and gain from the sale, exchange, redemption, retirement, or other taxable disposition of a Discount Note, unless such interest or gain is derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate, or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your interest and gains in respect of your investment in the Discount Notes.

Non-U.S. Holders

Subject to the discussions below under the headings "Backup Withholding" and "FATCA," generally, a Non-U.S. Holder of a Discount Note that has no connection with the United States other than holding the Discount Note will not be subject to U.S. federal withholding tax on the original issue discount payable with respect to a Discount Note. To qualify for the foregoing exemption from U.S. federal withholding tax (other than in the case of a Discount Note having a term of 183 days or less), the Non-U.S. Holder must (i) not be a bank that acquired its Discount Note in consideration of an extension of credit made under a loan agreement entered into in the ordinary course of its trade or business, (ii) not be a controlled foreign corporation, as such term is defined in the Code, which is related to TVA, and (iii) comply with certain certification requirements.

Subject to the discussions below under the headings "Backup Withholding" and "FATCA," gain realized on the sale, exchange, redemption, retirement or other taxable disposition of the Discount Notes by a Non-U.S. Holder will not be subject to U.S. federal income tax, unless the gain with respect to the Discount Notes is effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States or, in the case of an individual Non-U.S. Holder, such individual is present in the United States for 183 days or more in the taxable year of the sale, exchange, redemption, retirement, or other taxable disposition of the Discount Notes and certain other conditions are met.

Backup Withholding

Backup withholding of United States federal income tax, currently at a rate of 28 percent, may apply to payments to beneficial owners of Discount Notes (including beneficial owners of Discount Notes having a maturity of 183 days or less) who are not exempt recipients and who fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the manner required. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Generally, any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax.

FATCA

Sections 1471 through 1474 of the Code ("FATCA") impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting, and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest (other than interest and

original issue discount on Discount Notes with a term of 183 days or less) and gross proceeds realized from the sale, exchange, redemption, retirement, or other taxable disposition of the Discount Notes (other than gross proceeds in the case of Discount Notes with a term of 183 days or less). Under current guidance, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to (i) gross proceeds from the sale, exchange, or retirement of debt obligations paid after December 31, 2018, and (ii) certain “pass-thru” payments no earlier than January 1, 2019. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

SELLING GROUP

The Selling Group members may receive a concession for Discount Notes confirmed to them. Certain Selling Group members and affiliates thereof engage in transactions with, and perform services for, TVA in the ordinary course of business. Upon TVA’s prior consent, any member of the Selling Group may purchase, as principal, original issue Discount Notes.

Payment of the purchase price of the Discount Notes is required to be made through the U.S. Federal Reserve Banks’ book-entry system.

Each member of the Selling Group has severally agreed that it will comply with all applicable laws and regulations relating to the sale of Discount Notes in each jurisdiction in which a member offers, sells, or otherwise distributes Discount Notes.

As of the date hereof, members of the Selling Group are:

Barclays Capital Inc.

BNP Paribas Securities Corp.

CastleOak Securities, L.P.

FTN Financial Capital Markets

Goldman, Sachs & Co.

Jefferies & Company, Inc.

J.P. Morgan Securities LLC

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Morgan Stanley & Co. LLC

Samuel A. Ramirez & Company, Inc.

SunTrust Capital Markets, Inc.

TD Securities (USA) LLC

Wells Fargo Securities, LLC

The Williams Capital Group, L.P.

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Any statements in this Discount Notes Offering Circular involving matters of opinion, whether or not expressly so stated, are intended only as opinions and not as representations of fact. This Discount Notes Offering Circular is not a contract or agreement with the purchaser of any of the Discount Notes.

TENNESSEE VALLEY AUTHORITY

By: /s/ Tammy W. Wilson

Tammy W. Wilson
Vice President and Treasurer

October 9, 2015