



Memorandum from the Inspector General, ET 4C-K

November 18, 2005

Bill Baxter, ET 12A-K
Skila Harris, ET 12A-K

**AUDIT 2005-041F - REVIEW OF PRICEWATERHOUSECOOPERS' AUDIT OF THE
TENNESSEE VALLEY AUTHORITY FISCAL YEAR 2005 FINANCIAL STATEMENTS**

The Tennessee Valley Authority (TVA) contracted with the independent certified public accounting firm of PricewaterhouseCoopers LLP (PricewaterhouseCoopers) to audit the balance sheets as of September 30, 2005 and 2004, and the related statements of income, changes in proprietary capital, and cash flows for each of the three years in the period ended September 30, 2005. The contract required the audit be done in accordance with generally accepted government auditing standards.

Under the Inspector General Act, the Inspector General (IG) is responsible for taking appropriate steps to assure any work performed by nonfederal auditors, including PricewaterhouseCoopers, complies with generally accepted government auditing standards. The Chief Financial Officers Act also places responsibility on the IG regarding TVA's annual financial statement audit. In keeping with these statutory responsibilities, the TVA Office of Inspector General reviewed PricewaterhouseCoopers' reports and related audit documentation, interviewed their representatives, and performed such other procedures as we deemed appropriate in the circumstances to provide reasonable assurance the audit was performed in accordance with generally accepted government auditing standards.

The objective of our review was not intended to enable us to express, and we do not express, an opinion on TVA's financial statements or on management's conclusions about the effectiveness of its system of internal control. PricewaterhouseCoopers is responsible for the auditor's report dated November 17, 2005, and the conclusions expressed in the report. However, our review disclosed no instances where PricewaterhouseCoopers did not comply, in all material respects, with generally accepted government auditing standards. Our review was performed in accordance with generally accepted government auditing standards.

Richard W. Moore

RLT:SDB
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Bill Baxter
Skila Harris
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cc: Mr. G. Robert Powell
PricewaterhouseCoopers LLP
10 Tenth Street, Suite 1400
Atlanta, Georgia 30309-3851

Michael E. Rescoe, ET 12A-K
Randy P. Trusley, WT 5C-K
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