



**6450-01-P**

**DEPARTMENT OF ENERGY**

**Southeastern Power Administration**

**Cumberland System**

**AGENCY:** Southeastern Power Administration (Southeastern), Department of Energy.

**ACTION:** Notice of Rate Extension.

**SUMMARY:** The Deputy Secretary, Department of Energy, extended on an interim basis rate schedules CBR-1-H, CSI-1-H, CEK-1-H, CM-1-H, CC-1-I, CK-1-H, CTV-1-H, CTVI-1-A, and Replacement-3. These rate schedules are applicable to Southeastern power sold to existing preference customers in Alabama, Georgia, Illinois, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia. The rate schedules are extended through September 30, 2015.

**DATES:** Approval of the rate extension is effective October 1, 2013.

**FOR FURTHER INFORMATION CONTACT:** Virgil G. Hobbs III, Assistant Administrator, Finance and Marketing, Southeastern Power Administration, Department of Energy, 1166 Athens Tech Road, Elberton, Georgia 30635-6711, (706) 213-3800.

**SUPPLEMENTARY INFORMATION:** The Federal Energy Regulatory Commission, by Order issued December 22, 2011, in Docket No. EF11-13-000 (137 FERC ¶ 62,249), confirmed and approved Wholesale Power Rate Schedules CBR-1-H, CSI-1-H, CEK-1-H, CM-1-H, CC-1-I, CK-1-H, CTV-1-H, CTVI-1-A, and Replacement-3 through September 30, 2013. This order

extends these rate schedules on an interim basis.

Dated: July 10, 2013

Daniel B. Poneman  
Deputy Secretary

DEPARTMENT OF ENERGY

DEPUTY SECRETARY

In the Matter of:

Southeastern Power Administration ) Rate Order No.  
SEPA-57  
Cumberland System Rates )

ORDER CONFIRMING AND APPROVING  
POWER RATES ON AN INTERIM BASIS

Pursuant to Sections 302(a) of the Department of Energy Organization Act, Public Law 95-91, the functions of the Secretary of the Interior and the Federal Power Commission under Section 5 of the Flood Control Act of 1944, 16 U.S.C. 825s, relating to the Southeastern Power Administration (Southeastern), were transferred to and vested in the Secretary of Energy. By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated to Southeastern's Administrator the authority to develop power and transmission rates for Southeastern customers and delegated to the Deputy Secretary of Energy the authority to extend and place in effect such rates on an interim basis. This rate is issued by the Deputy Secretary pursuant to that delegation order.

**BACKGROUND**

Power from the Cumberland Projects is presently sold under Wholesale Power Rate Schedules CBR-1-H, CSI-1-H, CEK-1-H, CM-1-H, CC-1-I, CK-1-H, CTV-1-H, CTVI-1-A, and Replacement-3. These rate schedules were approved by the Federal Energy Regulatory

Commission (FERC) in docket number EF11-13-000 on December 22, 2011, for a period ending September 30, 2013 (137 FERC ¶ 62,249).

### **Public Notice and Comment**

Notice of a proposed rate extension was published in the *Federal Register* on March 28, 2013 (78 FR 18976). The notice advised interested parties of a proposal to extend the existing rate schedules for a two-year period, from October 1, 2013, through September 30, 2015.

Written comments were due on or before April 29, 2013. Written comments were received from seven sources.

Comments received from interested parties are summarized below. Southeastern's response follows each comment.

**Comment 1:** *The customers support the proposed extension.*

**Response 1:** Southeastern will recommend the extension to the Deputy Secretary of the Department of Energy.

**Comment 2:** *Future rate increases may drive Southeastern's rates to the point where it would no longer be economical to purchase Southeastern power. Once the full cost of repairs of the Wolf Creek and Center Hill Projects are included, the customers estimate Southeastern power will become uneconomical during nearly eighty percent of the dispatchable hours. The potential price of the Southeastern resources has been projected to exceed the expected market prices the majority of the time.*

**Response 2:** Southeastern is concerned the cost of power Southeastern is responsible for marketing may exceed market rates. Southeastern will work with the U.S. Army Corps of

Engineers (Corps) and the customers to ensure costs are managed and charged appropriately in an effort to maintain competitive rates.

**Comment 3:** *At present, the Corps has not completed the repair work at the Wolf Creek and Center Hill Projects. It is appropriate that Southeastern set a rate that does not include any of the repair costs at this time.*

**Response 3:** The cost of the repair work at Wolf Creek and Center Hill has not been included in the proposed rate extension.

**Comment 4:** *While the Corps has declined to consider the appropriate statutory language in the Dam Safety Act that would mitigate the cost that hydropower customers may be asked to pay, Southeastern retains the full authority to ensure that the eventual rates for power will be the lowest possible rates consistent with sound business principles.*

**Response 4:** Southeastern agrees that it retains full authority to ensure that the rates for power will be the lowest possible rates consistent with sound business principles within the meaning of Section 5 of the Flood Control Act of 1944. As noted above, Southeastern has not included the repair costs in the proposed rate extension.

## **DISCUSSION**

### **System Repayment**

An examination of Southeastern's revised system power repayment study, prepared in January 2013, for the Cumberland System, shows that the existing rates are adequate to meet repayment criteria. The Administrator of Southeastern Power Administration (Administrator)

has certified that the rates are consistent with applicable law and that they are the lowest possible rates to customers consistent with sound business principles.

### **Environmental Impact**

Southeastern has reviewed the possible environmental impacts of the rate extension under consideration and has concluded that, because the adjusted rates would not significantly affect the quality of the human environment within the meaning of the National Environmental Policy Act of 1969, the proposed action is not a major Federal action for which preparation of an Environmental Impact Statement is required.

### **Availability of Information**

Information regarding these rates, including studies and other supporting materials, is available for public review in the offices of Southeastern Power Administration, 1166 Athens Tech Road, Elberton, Georgia 30635.

## **ORDER**

In view of the foregoing and pursuant to the authority delegated to me by the Secretary of Energy, I hereby confirm and approve on an interim basis, effective October 1, 2013, attached Wholesale Power Rate Schedules CBR-1-H, CSI-1-H, CEK-1-H, CM-1-H, CC-1-I, CK-1-H, CTV-1-H, CTVI-1-A, and Replacement-3. The Rate Schedules shall remain in effect through

September 30, 2015, unless such period is extended or until the FERC confirms and approves substitute Rate Schedules on a final basis.

Dated:

Daniel B. Poneman  
Deputy Secretary

## **Wholesale Power Rate Schedule CBR-1-H**

### Availability:

This rate schedule shall be available to Big Rivers Electric Corporation and includes the City of Henderson, Kentucky (hereinafter called the Customer).

### Applicability:

This rate schedule shall be applicable to electric capacity and energy available from the Dale Hollow, Center Hill, Wolf Creek, Cheatham, Old Hickory, Barkley, J. Percy Priest, and Cordell Hull Projects (all of such projects being hereinafter called collectively the "Cumberland Projects") and sold in wholesale quantities.

### Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a nominal frequency of 60 hertz. The power shall be delivered at nominal voltages of 13,800 volts and 161,000 volts to the transmission system of Big Rivers Electric Corporation.

### Points of Delivery:

Capacity and energy delivered to the Customer will be delivered at points of interconnection of the Customer at the Barkley Project Switchyard, at a delivery point in the vicinity of the Paradise steam plant and at such other points of delivery as may hereafter be agreed upon by the Government and Tennessee Valley Authority (TVA).

### Billing Month:

The billing month for power sold under this schedule shall end at 2400 hours CDT or CST,

whichever is currently effective, on the last day of each calendar month.

Conditions of Service:

The customer shall at its own expense provide, install, and maintain on its side of each delivery point the equipment necessary to protect and control its own system. In so doing, the installation, adjustment, and setting of all such control and protective equipment at or near the point of delivery shall be coordinated with that which is installed by and at the expense of TVA on its side of the delivery point.

Southeastern is including three rate alternatives. All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario 1 will remain in effect for the duration of the Interim Operating Plan.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

None

Energy Charge:

17.69 mills per kilowatt-hour

Transmission:

The Customer will pay a ratable percent listed below of the credit the Administrator of Southeastern Power Administration (Administrator) provides to the TVA as consideration for delivering capacity and energy for the account of the Administrator to points of delivery of Other Customers or interconnection points of delivery with other electric systems for the benefit of Other Customers, as agreed by contract between the Administrator and TVA.

Big Rivers Electric Corporation	32.660 %
City of Henderson, Kentucky	2.202 %

Energy to be Furnished by the Government:

The Customer will receive a ratable share of the energy made available by the Nashville District of the U. S. Army Corps of Engineers.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity can be scheduled, though not all the capacity in the published marketing policy can be

scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will be determined at the time. Under Scenario 2, the cost of the TVA transmission credit will be passed to customers outside the TVA System. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers.

### **Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations that support the published marketing policy.

#### Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

#### Demand charge:

\$4.245 per kilowatt/month of total contract demand

#### Energy Charge:

None

#### Energy to be Furnished by the Government:

The Government shall make available each contract year to the customer from the

Projects through the customer's interconnections with TVA and the customer will schedule and accept an allocation of 1500 kilowatt-hours of energy delivered at the TVA border for each kilowatt of contract demand. A contract year is defined as the 12 months beginning July 1 and ending at midnight June 30 of the following calendar year. The energy made available for a contract year shall be scheduled monthly such that the maximum amount scheduled in any month shall not exceed 240 hours per kilowatt of the customer's contract demand and the minimum amount scheduled in any month shall not be less than 60 hours per kilowatt of the customer's contract demand. The customer may request and the Government may approve energy scheduled for a month greater than 240 hours per kilowatt of the customer's contract demand; provided, that the combined schedule of all Southeastern customers outside TVA and served by TVA does not exceed 240 hours per kilowatt of the total contract demands of these customers.

Service Interruption:

When delivery of capacity is interrupted or reduced due to conditions on the Administrator's system beyond his control, the Administrator will continue to make available the portion of his declaration of energy that can be generated with the capacity available.

For such interruption or reduction due to conditions on the Administrator's system which have not been arranged for and agreed to in advance, the demand charge for capacity made available will be reduced as to the kilowatts of such capacity which have been interrupted or reduced in accordance with the following formula:

$$\left( \text{Number of kilowatts unavailable for at least 12 hours in any calendar day} \right) \times \left( \frac{\text{Monthly Capacity Charge}}{\text{Number of Days in Billing Month}} \right)$$

## **Wholesale Power Rate Schedule CSI-1-H**

### Availability:

This rate schedule shall be available to Southern Illinois Power Cooperative (hereinafter the Customer).

### Applicability:

This rate schedule shall be applicable to electric capacity and energy available from the Dale Hollow, Center Hill, Wolf Creek, Cheatham, Old Hickory, Barkley, J. Percy Priest, and Cordell Hull Projects (all of such projects being hereinafter called collectively the "Cumberland Projects") and sold in wholesale quantities.

### Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a nominal frequency of 60 hertz. The power shall be delivered at nominal voltages of 13,800 volts and 161,000 volts to the transmission system of Big Rivers Electric Corporation.

### Points of Delivery

Capacity and energy delivered to the Customer will be delivered at points of interconnection of the Customer at the Barkley Project Switchyard, at a delivery point in the vicinity of the Paradise steam plant and at such other points of delivery as may hereafter be agreed upon by the Government and Tennessee Valley Authority (TVA).

### Billing Month:

The billing month for power sold under this schedule shall end at 2400 hours CDT or

CST, whichever is currently effective, on the last day of each calendar month.

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario 1 will remain in effect for the duration of the Interim Operating Plan.

**Monthly Rate:**

The monthly rate for capacity and energy sold under this rate schedule shall be:

**Demand charge:**

None

**Energy Charge:**

17.69 mills per kilowatt-hour

Transmission Charge:

The Customer will pay 5.138 percent of the credit the Administrator of Southeastern Power Administration (Administrator) provides to the TVA as consideration for delivering capacity and energy for the account of the Administrator to points of delivery of Other Customers or interconnection points of delivery with other electric systems for the benefit of Other Customers, as agreed by contract between the Administrator and TVA.

Energy to be Furnished by the Government:

The Customer will receive a ratable share of the energy made available by the Nashville District of the U. S. Army Corps of Engineers.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity can be scheduled, though not all the capacity in the published marketing policy can be scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will be determined at the time. Under Scenario 2, the cost of the TVA transmission credit will be passed to customers outside the TVA System. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers.

### **Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations that support the published marketing policy.

#### **Monthly Rate:**

The monthly rate for capacity and energy sold under this rate schedule shall be:

#### **Demand charge:**

\$4.245 per kilowatt/month of total contract demand

#### **Energy Charge:**

None

#### **Energy to be Furnished by the Government:**

The Government shall make available each contract year to the customer from the Projects through the customer's interconnections with TVA and the customer will schedule and accept an allocation of 1500 kilowatt-hours of energy delivered at the TVA border for each kilowatt of contract demand. A contract year is defined as the 12 months beginning July 1 and ending at midnight June 30 of the following calendar year. The energy made available for a contract year shall be scheduled monthly such that the maximum amount scheduled in any month shall not exceed 240 hours per kilowatt of the customer's contract demand and the minimum amount scheduled in any month shall not be less than 60 hours per kilowatt of the customer's contract demand. The customer may request and the Government may approve energy

scheduled for a month greater than 240 hours per kilowatt of the customer's contract demand; provided, that the combined schedule of all Southeastern customers outside TVA and served by TVA does not exceed 240 hours per kilowatt of the total contract demands of these customers.

Service Interruption:

When delivery of capacity is interrupted or reduced due to conditions on the Administrator's system beyond his control, the Administrator will continue to make available the portion of his declaration of energy that can be generated with the capacity available.

For such interruption or reduction due to conditions on the Administrator's system which have not been arranged for and agreed to in advance, the demand charge for capacity made available will be reduced as to the kilowatts of such capacity which have been interrupted or reduced in accordance with the following formula:

$$\left( \begin{array}{l} \text{Number of kilowatts unavailable} \\ \text{for at least 12 hours in any calendar day} \end{array} \right) \times \left( \frac{\text{Monthly Capacity Charge}}{\text{Number of Days in Billing Month}} \right)$$

**Wholesale Power Rate Schedule CEK-1-H**

Availability:

This rate schedule shall be available to East Kentucky Power Cooperative (hereinafter called the Customer).

Applicability:

This rate schedule shall be applicable to electric capacity and energy available from the

Dale Hollow, Center Hill, Wolf Creek, Cheatham, Old Hickory, Barkley, J. Percy Priest, and Cordell Hull Projects (all of such projects being hereinafter called collectively the "Cumberland Projects") and power available from the Laurel Project and sold in wholesale quantities.

Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a nominal frequency of 60 hertz. The power shall be delivered at nominal voltages of 161,000 volts to the transmission systems of the Customer.

Points of Delivery

The points of delivery will be the 161,000 volt bus of the Wolf Creek Power Plant and the 161,000 volt bus of the Laurel Project. Other points of delivery may be as agreed upon.

Billing Month:

The billing month for power sold under this schedule shall end at 2400 hours CDT or CST, whichever is currently effective, on the last day of each calendar month.

Conditions of Service:

The customer shall at its own expense provide, install, and maintain on its side of each delivery point the equipment necessary to protect and control its own system. In so doing, the installation, adjustment and setting of all such control and protective equipment at or near the point of delivery shall be coordinated with that which is installed by and at the expense of the Tennessee Valley Authority (TVA) on its side of the delivery point.

Southeastern Power Administration (Southeastern) is including three rate alternatives.

All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario 1 will remain in effect for the duration of the Interim Operating Plan.

**Monthly Rate:**

The monthly rate for capacity and energy sold under this rate schedule shall be:

**Demand charge:**

None

**Energy Charge:**

17.69 mills per kilowatt-hour

**Transmission Charge:**

The Customer will pay 31.192 percent of the credit the Administrator of

Southeastern Power Administration (Administrator) provides to the TVA as consideration for delivering capacity and energy for the account of the Administrator to points of delivery of Other Customers or interconnection points of delivery with other electric systems for the benefit of Other Customers, as agreed by contract between the Administrator and TVA.

Energy to be Furnished by the Government:

The Customer will receive a ratable share of the energy made available by the Nashville District of the U. S. Army Corps of Engineers.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity can be scheduled, though not all the capacity in the published marketing policy can be scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will be determined at the time. Under Scenario 2, the cost of the TVA transmission credit will be passed to customers outside the TVA System. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers.

**Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the

operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations that support the published marketing policy.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

\$2.950 per kilowatt/month of total contract demand

Energy Charge:

10.358 mills per kilowatt-hour

Energy to be Furnished by the Government:

The Government shall make available each contract year to the customer from the Projects through the customer's interconnections with TVA and the customer will schedule and accept an allocation of 1500 kilowatt-hours of energy delivered at the TVA border for each kilowatt of contract demand plus 369 kilowatt-hours of energy delivered for each kilowatt of contract demand to supplement energy available at the Laurel Project. A contract year is defined as the 12 months beginning July 1 and ending at midnight June 30 of the following calendar year. The energy made available for a contract year shall be scheduled monthly such that the maximum amount scheduled in any month shall not exceed 240 hours per kilowatt of the customer's contract demand and the minimum amount scheduled in any month shall not be less than 60 hours per kilowatt of the customer's contract demand. The customer may request and the Government may approve energy scheduled for a month greater than 240 hours per kilowatt of

the customer's contract demand; provided, that the combined schedule of all Southeastern customers outside TVA and served by TVA does not exceed 240 hours per kilowatt of the total contract demands of these customers.

Service Interruption:

When delivery of capacity is interrupted or reduced due to conditions on the Administrator's system beyond his control, the Administrator will continue to make available the portion of his declaration of energy that can be generated with the capacity available.

For such interruption or reduction due to conditions on the Administrator's system which have not been arranged for and agreed to in advance, the demand charge for capacity made available will be reduced as to the kilowatts of such capacity which have been interrupted or reduced in accordance with the following formula:

$$\left( \begin{array}{l} \text{Number of kilowatts unavailable} \\ \text{for at least 12 hours in any calendar day} \end{array} \right) \times \left( \frac{\text{Monthly Capacity Charge}}{\text{Number of Days in Billing Month}} \right)$$

**Wholesale Power Rate Schedule CM-1-H**

Availability:

This rate schedule shall be available to the South Mississippi Electric Power Association, Municipal Energy Agency of Mississippi, and Mississippi Delta Energy Agency (hereinafter called the Customers).

Applicability:

This rate schedule shall be applicable to electric capacity and energy available from the Dale Hollow, Center Hill, Wolf Creek, Cheatham, Old Hickory, Barkley, J. Percy Priest, and Cordell Hull Projects (all of such projects being hereinafter called collectively the "Cumberland Projects") and sold in wholesale quantities.

Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a nominal frequency of 60 hertz. The power shall be delivered at nominal voltages of 161,000 volts to the transmission systems of Mississippi Power and Light.

Points of Delivery

The points of delivery will be at interconnection points of the Tennessee Valley Authority (TVA) system and the Mississippi Power and Light system. Other points of delivery may be as agreed upon.

Billing Month:

The billing month for power sold under this schedule shall end at 2400 hours CDT or CST, whichever is currently effective on the last day of each calendar month.

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of

Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario 1 will remain in effect for the duration of the Interim Operating Plan.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

None

Energy Charge:

17.69 mills per kilowatt-hour

Transmission Charge:

The Customer will pay a ratable percent listed below of the credit the Administrator of Southeastern Power Administration (Administrator) provides to the TVA as consideration for delivering capacity and energy for the account of the Administrator to points of delivery of Other Customers or interconnection points of delivery with other electric systems for the benefit of Other Customers, as agreed by contract between the

Administrator and TVA.

Mississippi Delta Energy Agency	2.058%
Municipal Energy Agency of Mississippi	3.447%
South Mississippi EPA	9.358%

Energy to be Furnished by the Government:

The Customer will receive a ratable share of the energy made available by the Nashville District of the U. S. Army Corps of Engineers.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity can be scheduled, though not all the capacity in the published marketing policy can be scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will be determined at the time. Under Scenario 2, the cost of the TVA transmission credit will be passed to customers outside the TVA System. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers.

**Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations

that support the published marketing policy.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

\$4.245 per kilowatt/month of total contract demand

Energy Charge:

None

Energy to be Furnished by the Government:

The Government shall make available each contract year to the Customer from the Projects through the Customer's interconnections with TVA and the Customer will schedule and accept an allocation of 1500 kilowatt-hours of energy delivered at the TVA border for each kilowatt of contract demand. A contract year is defined as the 12 months beginning July 1 and ending at midnight June 30 of the following calendar year. The energy made available for a contract year shall be scheduled monthly such that the maximum amount scheduled in any month shall not exceed 240 hours per kilowatt of the Customer's contract demand and the minimum amount scheduled in any month shall not be less than 60 hours per kilowatt of the Customer's contract demand. The Customer may request and the Government may approve energy scheduled for a month greater than 240 hours per kilowatt of the Customer's contract demand; provided, that the combined schedule of all Southeastern Customers outside TVA and served by TVA does not exceed 240 hours per kilowatt of the total contract demands of these Customers.

In the event that any portion of the capacity allocated to the Customers is not initially delivered to the Customers as of the beginning of a full contract year, the 1500 kilowatt hours shall be reduced 1/12 for each month of that year prior to initial delivery of such capacity.

Service Interruption:

When delivery of capacity is interrupted or reduced due to conditions on the Administrator's system beyond his control, the Administrator will continue to make available the portion of his declaration of energy that can be generated with the capacity available.

For such interruption or reduction due to conditions on the Administrator's system which have not been arranged for and agreed to in advance, the demand charge for capacity made available will be reduced as to the kilowatts of such capacity which have been interrupted or reduced in accordance with the following formula:

$$\left( \begin{array}{l} \text{Number of kilowatts unavailable} \\ \text{for at least 12 hours in any calendar day} \end{array} \right) \times \left( \frac{\text{Monthly Capacity Charge}}{\text{Number of Days in Billing Month}} \right)$$

**Wholesale Power Rate Schedule CC-1-I**

Availability:

This rate schedule shall be available to public bodies and cooperatives served through the facilities of Carolina Power & Light Company, Western Division (hereinafter called the Customers).

Applicability:

This rate schedule shall be applicable to electric capacity and energy available from the Dale Hollow, Center Hill, Wolf Creek, Cheatham, Old Hickory, Barkley, J. Percy Priest, and Cordell Hull Projects (all of such projects being hereinafter called collectively the "Cumberland Projects") and sold in wholesale quantities.

Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a nominal frequency of 60 hertz. The power shall be delivered at nominal voltages of 161,000 volts to the transmission system of Carolina Power & Light Company, Western Division.

Points of Delivery

The points of delivery will be at interconnecting points of the Tennessee Valley Authority (TVA) system and the Carolina Power & Light Company, Western Division system. Other points of delivery may be as agreed upon.

Billing Month:

The billing month for power sold under this schedule shall end at 2400 hours CDT or CST, whichever is currently effective, on the last day of each calendar month.

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal*

*Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario will remain in effect for the duration of the Interim Operating Plan.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

None

Energy Charge:

17.69 mills per kilowatt-hour

TVA Transmission Charge:

The Customer will pay a ratable percent listed below of the credit the Administrator of Southeastern Power Administration (Administrator) provides to the TVA as consideration for delivering capacity and energy for the account of the Administrator to points of delivery of Other Customers or interconnection

points of delivery with other electric systems for the benefit of Other Customers, as agreed by contract between the Administrator and TVA.

French Broad EMC	1.713%
Haywood EMC	0.501%
Town of Waynesville	0.355%

CP&L Transmission Charge:

The Customer will pay a ratable percent listed below of the charge for transmission service furnished by Carolina Power & Light Company, Western Division.

French Broad EMC	66.667%
Haywood EMC	19.512%
Town of Waynesville	13.821%

Energy to be Furnished by the Government:

The Government will sell to the customer and the customer will purchase from the Government energy each billing month equivalent to a percentage specified by contract of the energy made available to Carolina Power & Light Company (less applicable losses). The Customer's contract demand and accompanying energy allocation will be divided pro rata among its individual delivery points served from the Carolina Power & Light Company's, Western Division transmission system.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity

can be scheduled, though not all the capacity in the published marketing policy can be scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will be determined at the time. Under Scenario 2, the cost of the TVA transmission credit will be passed to customers outside the TVA System. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers.

### **Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations that support the published marketing policy.

#### Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

#### Demand charge:

\$4.832 per kilowatt/month of total contract demand

#### Energy Charge:

None

#### CP&L Transmission Charge:

\$1.3334 per kilowatt/month of total contract demand (As of July 2011 and provided for illustrative purposes.)

The CP&L transmission rate is subject to annual adjustment on April 1 of each year and will be computed subject to the formula in Appendix A attached to the Government - Carolina Power & Light Company contract.

Energy to be Furnished by the Government:

The Government will sell to the customer and the customer will purchase from the Government energy each billing month equivalent to a percentage specified by contract of the energy made available to Carolina Power & Light Company (less six percent [6%] losses). The Customer's contract demand and accompanying energy allocation will be divided pro rata among its individual delivery points served from the Carolina Power & Light Company's, Western Division transmission system.

**Wholesale Power Rate Schedule CK-1-H**

Availability:

This rate schedule shall be available to public bodies served through the facilities of Kentucky Utilities Company, (hereinafter called the Customers.)

Applicability:

This rate schedule shall be applicable to electric capacity and energy available from the Dale Hollow, Center Hill, Wolf Creek, Cheatham, Old Hickory, Barkley, J. Percy Priest, and Cordell Hull Projects (all of such projects being hereinafter called collectively the "Cumberland

Projects") and sold in wholesale quantities.

Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a nominal frequency of 60 hertz. The power shall be delivered at nominal voltages of 161,000 volts to the transmission systems of Kentucky Utilities Company.

Points of Delivery

The points of delivery will be at interconnecting points between the Tennessee Valley Authority (TVA) system and the Kentucky Utilities Company system. Other points of delivery may be as agreed upon.

Billing Month:

The billing month for power sold under this schedule shall end at 2400 hours CDT or CST, whichever is currently effective on the last day of each calendar month.

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S.

Army Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario 1 will remain in effect for the duration of the Interim Operating Plan.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

None

Energy Charge:

17.69 mills per kilowatt-hour

Transmission Charge:

The Customer will pay a ratable percent listed below of the credit the Administrator of Southeastern Power Administration (Administrator) provides to the TVA as consideration for delivering capacity and energy for the account of the Administrator to points of delivery of Other Customers or interconnection points of delivery with other electric systems for the benefit of Other Customers, as agreed by contract between the Administrator and TVA.

City of Barbourville	0.404%
City of Bardstown	0.412%
City of Bardwell	0.099%
City of Benham	0.046%

City of Corbin	0.477%
City of Falmouth	0.108%
City of Frankfort	2.866%
City of Madisonville	1.432%
City of Nicholasville	0.469%
City of Owensboro	4.587%
City of Paris	0.250%
City of Providence	0.226%

Energy to be Furnished by the Government:

The Customer will receive a ratable share of the energy made available by the Nashville District of the U. S. Army Corps of Engineers.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity can be scheduled, though not all the capacity in the published marketing policy can be scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will be determined at the time. Under Scenario 2, the cost of the TVA transmission credit will be passed to customers outside the TVA System. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers.

**Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the

operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations that support the published marketing policy.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

\$4.245 per kilowatt/month of total contract demand

Energy Charge:

None

Additional Energy Charge:

10.358 mills per kilowatt-hour

Energy to be Furnished by the Government:

The Government shall make available each contract year to the Customer from the Projects and the Customer will accept an allocation of 1500 kilowatt-hours of energy for each kilowatt of contract demand. A contract year is defined as the 12 months beginning July 1 and ending at midnight June 30 of the following calendar year. The energy made available for a contract year shall be scheduled monthly such that the maximum amount scheduled in any month shall not exceed 240 hours per kilowatt of the Customer's contract demand and the minimum amount scheduled in any month shall not be less than 60 hours per kilowatt of the Customer's contract demand. The Customer may request and the Government may approve energy scheduled for a month greater than 240 hours per kilowatt of the Customer's contract demand;

provided, that the combined schedule of all Southeastern Customers outside TVA and served by TVA does not exceed 240 hours per kilowatt of the total contract demands of these Customers.

In the event that any portion of the capacity allocated to the Customers is not initially delivered to the Customers as of the beginning of a full contract year, the 1500 kilowatt hours shall be reduced 1/12 for each month of that year prior to initial delivery of such capacity.

For billing purposes, each kilowatt of capacity will include 1500 kilowatt-hours energy per year. Customers will pay for additional energy at the additional energy rate.

#### **Wholesale Power Rate Schedule CTV-1-H**

##### Availability:

This rate schedule shall be available to the Tennessee Valley Authority (hereinafter called TVA).

##### Applicability:

This rate schedule shall be applicable to electric capacity and energy generated at the Dale Hollow, Center Hill, Wolf Creek, Old Hickory, Cheatham, Barkley, J. Percy Priest, and Cordell Hull Projects (all of such projects being hereafter called collectively the "Cumberland Projects") and the Laurel Project sold under agreement between the Department of Energy and TVA.

##### Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a frequency of approximately 60 hertz at the outgoing terminals of the Cumberland

Projects' switchyards.

Billing Month:

The billing month for capacity and energy sold under this schedule shall end at 2400 hours CDT or CST, whichever is currently effective, on the last day of each calendar month.

Contract Year:

For purposes of this rate schedule, a contract year shall be as in Section 13.1 of the Southeastern Power Administration - Tennessee Valley Authority Contract.

Power Factor:

TVA shall take capacity and energy from the Department of Energy at such power factor as will best serve TVA's system from time to time; provided, that TVA shall not impose a power factor of less than .85 lagging on the Department of Energy's facilities which requires operation contrary to good operating practice or results in overload or impairment of such facilities.

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S. Army

Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario 1 will remain in effect for the duration of the Interim Operating Plan.

Monthly Rates:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand Charge:

None

Energy Charge:

17.69 mills per kilowatt-hour

Energy to be Made Available:

The Customer will receive a ratable share of the energy made available by the Nashville District of the U. S. Army Corps of Engineers.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity can be scheduled, though not all the capacity in the published marketing policy can be scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will

be determined at the time. Under Scenario 2, the cost of the TVA transmission credit will be passed to customers outside the TVA System. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers.

### **Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations that support the published marketing policy.

#### Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

#### Demand charge:

\$2.779 per kilowatt/month of total contract demand

#### Energy Charge:

None

#### Additional Energy Charge:

10.358 mills per kilowatt-hour

#### Energy to be Made Available:

The Department of Energy shall determine the energy that is available from the projects for declaration in the billing month.

To meet the energy requirements of the Department of Energy's customers outside the TVA area (hereinafter called Other Customers), 768,000 megawatt-hours of net energy shall be available annually (including 36,900 megawatt-hours of annual net energy to supplement energy available at Laurel Project). The energy requirement of the Other Customers shall be available annually, divided monthly such that the maximum available in any month shall not exceed 240 hours per kilowatt of total Other Customers contract demand, and the minimum amount available in any month shall not be less than 60 hours per kilowatt of total Other Customers demand.

In the event that any portion of the capacity allocated to Other Customers is not initially delivered to the Other Customers as of the beginning of a full contract year, (July through June), the 1500 hours, plus any such additional energy required as discussed above, shall be reduced 1/12 for each month of that year prior to initial delivery of such capacity.

The energy scheduled by TVA for use within the TVA System in any billing month shall be the total energy delivered to TVA less (1) an adjustment for fast or slow meters, if any, (2) an adjustment for Barkley-Kentucky Canal of 15,000 megawatt-hours of energy each month which is delivered to TVA under the agreement from the Cumberland Projects without charge to TVA, (3) the energy scheduled by the Department of Energy in said month for the Other Customers plus losses of two percent [2%], and (4) station service energy furnished by TVA.

Each kilowatt of capacity will include 1500 kilowatt-hours of energy per year, which is defined as base energy. Energy received in excess of 1500 kilowatt-hours per kilowatt will be subject to an additional energy charge identified in the monthly rates section of this rate schedule.

Service Interruption:

When delivery of capacity to TVA is interrupted or reduced due to conditions on the Department of Energy's system that are beyond its control, the Department of Energy will continue to make available the portion of its declaration of energy that can be generated with the capacity available.

For such interruption or reduction (exclusive of any restrictions provided in the agreement) due to conditions on the Department of Energy's system which have not been arranged for and agreed to in advance, the demand charge for scheduled capacity made available to TVA will be reduced as to the kilowatts of such scheduled capacity which have been so interrupted or reduced for each day in accordance with the following formula:

$$\left( \begin{array}{l} \text{Number of kilowatts unavailable} \\ \text{for at least 12 hours in any calendar day} \end{array} \right) \times \left( \frac{\text{Monthly Capacity Charge}}{\text{Number of Days in Billing Month}} \right) \times \left( \frac{\text{Contract Demand}}{880,000 \text{ Kilowatts}} \right)$$

**Wholesale Power Rate Schedule CTVI-1-A**

Availability:

This rate schedule shall be available to customers (hereinafter called the Customer) who are or were formerly in the Tennessee Valley Authority (hereinafter called TVA) service area.

Applicability:

This rate schedule shall be applicable to electric capacity and energy generated at the Dale Hollow, Center Hill, Wolf Creek, Old Hickory, Cheatham, Barkley, J. Percy Priest, and

Cordell Hull Projects (all of such projects being hereafter called collectively the "Cumberland Projects") and the Laurel Project sold under agreement between the Department of Energy and the Customer.

Character of Service:

The electric capacity and energy supplied hereunder will be three-phase alternating current at a frequency of approximately 60 hertz at the outgoing terminals of the Cumberland Projects' switchyards.

Billing Month:

The billing month for capacity and energy sold under this schedule shall end at 2400 hours CDT or CST, whichever is currently effective, on the last day of each calendar month.

Contract Year:

For purposes of this rate schedule, a contract year shall be as in Section 13.1 of the Southeastern Power Administration - Tennessee Valley Authority Contract.

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have a revenue requirement of \$59,600,000.

**Rate Scenario 1-Interim Operating Plan**

The final marketing policy for the Cumberland System was published in the *Federal Register* August 5, 1993 (58 FR 41762). The marketing policy for the Cumberland System of Projects provides peaking capacity, along with 1500 hours of energy annually with each kilowatt of capacity, to customers outside the TVA transmission system. Due to restrictions on the

operation of the Wolf Creek Project and the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dams, Southeastern is not able to provide peaking capacity to these customers. Southeastern implemented an Interim Operating Plan for the Cumberland System to provide these customers with energy that did not include capacity. The rates under Scenario 1 will remain in effect for the duration of the Interim Operating Plan.

Monthly Rates:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand Charge:

None

Energy Charge:

17.69 mills per kilowatt-hour

Transmission Charge:

The initial charge for transmission and Ancillary Services will be the Customer's ratable share of the charges for transmission, distribution, and ancillary services paid by the Government. The charges for transmission and ancillary services are governed by and subject to refund based upon the determination in proceedings before the Federal Energy Regulatory Commission (FERC) or other overseeing entity involving the TVA's and other transmission provider's Open Access Transmission Tariff (OATT).

Proceedings before FERC or other overseeing entity involving the OATT or the

Distribution charge may result in the separation of charges currently included in the transmission rate. In this event, the Government may charge the Customer for any and all separate transmission, ancillary services, and distribution charges paid by the Government in behalf of the Customer. These charges could be recovered through a capacity charge or an energy charge, as determined by the Government.

Energy to be Made Available:

The Customer will receive a ratable share of the energy made available by the Nashville District of the U. S. Army Corps of Engineers.

**Rate Scenario 2-Cost Recovered from Capacity and Energy**

This rate alternative will be implemented if a portion of the Cumberland Capacity can be scheduled, though not all the capacity in the published marketing policy can be scheduled. The revenue requirement under this alternative is \$59,600,000, the same as the revenue requirement in Scenarios 1 and 3. The Rate Scenario 2 will receive revenues from capacity that can be scheduled and the remainder from energy, at charges that will be determined at the time. This rate alternative will be in effect when the Corps modifies operation of the Wolf Creek Project and the Center Hill Project to allow some of the capacity scheduled. When the lake level rises and capacity is available, the capacity will be allocated on an interim basis to the customers. The Customer will pay the same rate for capacity and energy as TVA. The Customer will pay their ratable share of any transmission charges paid in behalf of the Customer.

**Rate Scenario 3-Original Cumberland Marketing Policy**

The third rate alternative will go into effect once the Corps lifts all restrictions on the operation of the Wolf Creek Dam and Center Hill Dam and Southeastern returns to operations that support the published marketing policy.

Monthly Rate:

The monthly rate for capacity and energy sold under this rate schedule shall be:

Demand charge:

\$2.779 per kilowatt/month of total contract demand

Energy Charge:

None

Additional Energy Charge:

10.358 mills per kilowatt-hour

Transmission Charge:

The initial charge for transmission and Ancillary Services will be the Customer's ratable share of the charges for transmission, distribution, and ancillary services paid by the Government. The charges for transmission and ancillary services are governed by and subject to refund based upon the determination in proceedings before FERC or other overseeing entity involving the TVA's and other transmission provider's Open Access Transmission Tariff (OATT).

Proceedings before FERC or other overseeing entity involving the OATT or the

Distribution charge may result in the separation of charges currently included in the transmission rate. In this event, the Government may charge the Customer for any and all separate transmission, ancillary services, and distribution charges paid by the Government in behalf of the Customer. These charges could be recovered through a capacity charge or an energy charge, as determined by the Government.

Energy to be Made Available:

The energy will be scheduled by TVA and the Customer will receive their ratable share, in accordance with the Government-Customer Contract. Energy shall be accounted for, in accordance with agreements with TVA.

The Customer will receive a ratable share of their capacity, in accordance with the Government-Customer Contract.

Service Interruption:

When delivery of capacity to TVA is interrupted or reduced due to conditions on the Department of Energy's system that are beyond its control, the Department of Energy will continue to make available the portion of its declaration of energy that can be generated with the capacity available. The customer will receive a ratable share of this capacity.

For such interruption or reduction (exclusive of any restrictions provided in the agreement) due to conditions on the Department of Energy's system which have not been arranged for and agreed to in advance, the demand charge for scheduled capacity made available to the Customer will be reduced as to the kilowatts of such scheduled capacity which have been so interrupted or reduced for each day in accordance with the following formula:

$$\left( \text{Number of kilowatts unavailable for at least 12 hours in any calendar day} \right) \times \left( \frac{\text{Monthly Capacity Charge}}{\text{Number of Days in Billing Month}} \right) \times \left( \frac{\text{Contract Demand}}{880,000 \text{ Kilowatts}} \right)$$

### **Wholesale Rate Schedule Replacement-3**

#### Availability:

This rate schedule shall be available to public bodies and cooperatives ( any one of whom is hereinafter called the Customer) in Virginia, North Carolina, Tennessee, Georgia, Alabama, Mississippi, Kentucky, and southern Illinois to whom power is provided pursuant to contracts between the Government and the customer from the Dale Hollow, Center Hill, Wolf Creek, Cheatham, Old Hickory, Barkley, J. Percy Priest, Cordell Hull, and Laurel Projects (all of such projects being hereinafter called collectively the "Cumberland Projects").

#### Applicability:

This rate schedule shall be applicable to the sale of wholesale energy purchased to meet contract minimum energy sold under appropriate contracts between the Government and the Customer.

#### Character of Service:

The energy supplied hereunder will be delivered at the delivery points provided for under appropriate contracts between the Government and the Customer.

#### Monthly Charge:

The rate for replacement energy will be a formulary capacity charge based on the

monthly cost to the Government to purchase replacement energy necessary to support capacity in the Cumberland System divided by the capacity available from the Cumberland System, which is 950,000 kilowatts in the published power marketing policy. The capacity rate will be adjusted for any capacity retained by the Customer's transmission facilitator.

Conditions of Service:

The customer shall at its own expense provide, install, and maintain on its side of each delivery point the equipment necessary to protect and control its own system.

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