



6450-01-P

DEPARTMENT OF ENERGY

Notice of Interim Approval for Southeastern Power Administration Cumberland System

AGENCY: Southeastern Power Administration, DOE.

ACTION: Notice of interim approval.

SUMMARY: The Deputy Secretary of Energy confirmed and approved, on an interim basis, Rate Schedules CBR-1-I, CSI-1-I, CEK-1-I, CM-1-I, CC-1-J, CK-1-I, CTV-1-I, CTVI-1-B, and Replacement-3. The rates were approved on an interim basis through September 30, 2020. The new rates take effect on October 1, 2015, and are subject to confirmation and approval on a final basis by the Federal Energy Regulatory Commission (Commission).

DATES: Approval of the rate schedules on an interim basis is effective October 1, 2015, through September 30, 2020.

FOR FURTHER INFORMATION CONTACT: Virgil G. Hobbs, III, Assistant Administrator, Finance & Marketing, Southeastern Power Administration, Department of Energy, 1166 Athens Tech Road, Elberton, Georgia 30635-6711, (706) 213-3838.

SUPPLEMENTARY INFORMATION: On December 22, 2011, the Commission confirmed and approved on a final basis 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 for the period from October 1, 2011, to September 30, 2013 (137 FERC ¶ 62,249). On July 10, 2013, the Deputy Secretary approved an extension of the rate schedules through September 30, 2015 (78 FR 42764).

The Southeastern Power Administration's power marketing policy (58 FR 41762, Aug. 5, 1993) provides peaking capacity, along with 1500 kilowatt-hours of energy with each kilowatt of capacity, to customers outside the Tennessee Valley Authority (TVA) transmission system. Due to restrictions on the operations of the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern has not been able to provide full peaking capacity to these customers. A revised interim operating plan for the Cumberland System provides these customers with energy that includes a proportional percentage of normal marketed capacity.

A current repayment study using present rates shows that revenues will not be adequate to meet repayment criteria. A revised study with a revenue requirement increase of \$3,900,000, or about seven percent, shows that the rates established in this notice will be adequate to meet repayment criteria. The rate schedules have been developed to cover the differing marketing arrangements in the Cumberland System under normal operation conditions. The Rate Schedules CBR-1-I, CSI-1-I, and CM-1-I, include rates for customers who receive 1500 kilowatt-hours of energy annually for each kilowatt of capacity. Rate Schedule CEK-1-I is for East Kentucky Power Cooperative, which receives a fixed quantity of energy annually from projects connected to the TVA transmission system plus the output of the Laurel Project. Rate Schedule CK-1-I is for customers in Kentucky who receive 1800 kilowatt-hours of energy annually for each kilowatt of capacity. Rate Schedule CC-1-J is for customers on the Duke Energy Progress, Western

Division, (formerly Carolina Power & Light, Western Division). Rate Schedule CTV-1-I is for TVA and TVPPA. Rate Schedule CTVI-1-B is for customers inside the TVA system who choose a power supplier other than TVA.

Dated: September 25, 2015

Elizabeth Sherwood-Randall
Deputy Secretary

DEPARTMENT OF ENERGY
DEPUTY SECRETARY

In the Matter of:

Southeastern Power Administration) Rate Order
Cumberland System Rates) No. SEPA-59

**Order Confirming and Approving
Power Rates on an Interim Basis**

Pursuant to Sections 302(a) and 301(b) 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 or SEPA) were transferred to and vested in the Secretary of Energy. DOE Delegation Order No. 00-037.00A, effective October 25, 2013, granted the Deputy Secretary authority to confirm, approve, and place into effect Southeastern's rates on an interim basis. This rate order is issued by the Deputy Secretary pursuant to this delegation.

BACKGROUND

On December 22, 2011, the Commission issued an order approving 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 on a final basis for the sale of power from the Cumberland System (137 FERC ¶ 62,249). On July 10, 2013, the Deputy Secretary of the Department of Energy issued an order extending the rate schedules through September 30, 2015. The power marketing policy (58 FR 41762, Aug. 5, 1993) provides

peaking capacity, along with 1500 kilowatt-hours of energy with each kilowatt of capacity, to customers outside the Tennessee Valley Authority (TVA) transmission system. Due to restrictions on the operations of the Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern has not been able to provide full peaking capacity to these customers. A revised interim operating plan for the Cumberland System provides these customers with energy and reduced capacity.

PUBLIC NOTICE AND COMMENT

Notice of a proposed rate adjustment was published in the Federal Register May 28, 2015 (80 FR 30451). The notice advised interested parties of a public information and comment forum to be held in Nashville, Tennessee, on June 30, 2015. Comments were received from twelve sources pursuant to this notice.

The comments have been condensed into the following seven major categories:

1. Dam Safety Act
2. Rate Development Authority
3. Rate Term
4. Rate Competitiveness
5. Revenue Requirement Mitigation
6. Capital Cost Recovery
7. Transmission Arrangements

Southeastern's response follows each comment.

1. Dam Safety Act

Comment: To prevent detrimental and long-term consequences related to the shifting of inappropriate and/or unnecessary costs to Cumberland System hydropower preference customers, we politely request a permanent 15 percent cost allocation to be used in order to provide closure to the uncertainty of the applicability of the Dam Safety Act for repairs to Wolf Creek and Center Hill. . The record the Corps of Engineers has developed reveals the repairs at Wolf Creek and Center Hill Projects were pursued in an expedited manner in the interest of protecting the safety of lives and property downstream of Wolf Creek and Center Hill. The Corps of Engineers repaired the Wolf Creek Project and will fix the Center Hill Project consistent with state of the art criteria to protect safety. As such, hydropower customers should not be saddled with the full cost of over \$1 billion in repairs. The Dam Safety Act acknowledges this broad benefit and allows repair costs to be fairly allocated among all beneficiaries Southeastern retains the right to structure a proposed rate which allows for the consideration of the cost reimbursement provisions of the Dam Safety Act. The Corps of Engineers' refusal to abide by the statutory provisions of the Dam Safety Act creates liability for the federal family because of the agency's admitted and flagrant disavowal of its statutory duty. There is no legal consequence for Southeastern if it develops a rate using the Dam Safety Act as appropriate guidance.

Response: Under section 1203 of the Water Resources Development Act of 1986, otherwise known as the Dam Safety Act, Congress capped the percentage of dam repair costs that may be assigned to project purposes (such as hydropower) at 15 percent. This cap applies to dam modification costs, "the cause of which results from new hydrologic or seismic data or changes in the state-of-the-art design or construction criteria deemed necessary for safety purposes". 33 U.S.C. sec. 467n(a). The Dam Safety Act requires that dam safety repair costs be recovered within thirty years of completion of the work. If the Dam Safety Act is not applied, 100 percent of all costs are assigned to project purposes for cost recovery but the thirty-year cost recovery requirement does not attach. Southeastern continues to discuss, analyze and seek guidance on the issue from other relevant agencies.

Southeastern is finalizing a rate calculation that applies the cost sharing provision of the Dam Safety Act to the repair costs at Wolf Creek and Center Hill. However, Southeastern wishes to make clear that interagency discussions of this issue remain ongoing. If, as a result of those discussions, other relevant federal agencies provide a factual and legal basis for a contrary determination, the applicability of the Dam Safety Act would be reconsidered. Any such reconsideration would be the subject of an additional notice and comment process.

2. Rate Development Authority

Comment: SEPA and the Department of Energy have explicit responsibility to ensure unauthorized costs are not passed on to the power customers. This authority exists to ensure all appropriate costs are recovered in the rates.

Response: 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.

Comment: There is no genuine question whether the proposed rate has been promulgated pursuant to authority squarely vested within the administrative PMA. Furthermore, because the rate established pursuant to this process presents a legal obligation for the customers, i.e., the level of payment that must be submitted in exchange for the delivery of electricity, there's no question that the rate-making exercise should be considered the development of a rule for purposes of applying fundamental tenets of administrative law.

Response: Southeastern determines the power rates regarding surplus energy from Corps projects are consistent with the rulemaking requirements of the Administrative Procedure Act. Southeastern is finalizing a rate calculation that applies the cost sharing provision of the Dam Safety Act to the repair costs at Wolf Creek and Center Hill. However, Southeastern wishes to make clear that interagency discussions of this issue remain ongoing. If, as a result of those discussions, other relevant federal agencies provide a factual and legal basis for a contrary determination, the applicability of the Dam Safety Act would be reconsidered. Any such reconsideration would be the subject of an additional notice and comment process.

Comment: *Southeastern retains the right to structure a proposed rate which allows for the consideration of the cost reimbursement provisions of the Dam Safety Act.*

[Commenter] believes there is no legal consequence for Southeastern if it develops a rate using the Dam Safety Act as appropriate guidance.

Response: Southeastern has a statutory duty to balance the recovery of costs of the Corps projects in a reasonable number of years while providing the lowest possible rates to preference customers consistent with sound business principles. Southeastern is finalizing a rate calculation that applies the cost sharing provision of the Dam Safety Act to the repair costs at Wolf Creek and Center Hill. However, Southeastern wishes to make clear that interagency discussions of this issue remain ongoing. If, as a result of those discussions, other relevant federal agencies provide a factual and legal basis for a contrary determination, the applicability of the Dam Safety Act would be reconsidered. Any such reconsideration would be the subject of an additional notice and comment process.

Comment: *The Corps of Engineers' refusal to abide by the statutory provisions of the Dam Safety Act creates liability for the federal family because of the agency's admitted and flagrant disavowal of its statutory duty.*

The Corps of Engineers has no legal authority to recover the costs of its dam safety program from hydropower customers.

Response: Recovery of the costs of the Corps of Engineers projects from surplus power is within the authority of Department of Energy as provided by the Flood Control Act of 1944 and the Department of Energy Organization Act. Southeastern is finalizing a rate calculation that applies the cost sharing provision of the Dam Safety Act to the repair costs at Wolf Creek and Center Hill. However, Southeastern wishes to make clear that interagency discussions of this issue remain ongoing. If, as a result of those discussions, other relevant federal agencies provide a factual and legal basis for a contrary determination, the applicability of the Dam Safety Act would be reconsidered. Any such reconsideration would be the subject of an additional notice and comment process.

3. Rate Term

Comment: *[Commenter] respectfully requests this rate is extended for five years to ensure accurate planning and reliability. There's no legal impediment for Southeastern to issue a five-year rate consistent with DOE Regulation RA6120.2. [Commenter] will ask Southeastern to revise the proposal for a five-year rate.*

Response: Southeastern agrees a five-year term for the rate schedules is appropriate for the following reasons. Southeastern updates the repayment study used to develop and support the rate schedules annually to incorporate the latest cost information provided and to incorporate actual operating results. If the update of the repayment study demonstrates that the rates are not adequate to

recover costs, Southeastern can initiate a rate adjustment. A five-year rate can be modified before the term of the rate schedules expires. A five-year term for the rate schedules will not interfere with Southeastern's ability to recover required costs.

4. Rate Competitiveness

***Comment:** Even the current rate proposal is too high to provide an economic product. SEPA rates with the proposed increase would be basically out of the market for most of our customers that have alternatives. The increased cost and declining economic viability of this power have been a major concern for the past several years. Coupled with more frequent reductions in Cumberland System power production and decreases in hydropower unit availability, these increases in cost are aggravating and jeopardizing the future of this program.*

Response: Consistent with applicable law, Southeastern strives to ensure that the rates for Cumberland System power remain competitive with the customers' resource alternatives. Marketing arrangements in the Cumberland System cover diverse markets and include diverse products. The existing marketing arrangements have been in place since the power marketing policy for the Cumberland System was established in 1983.

Southeastern has incorporated a true-up mechanism in these rate schedules to reduce the initial rate adjustment to a seven percent increase in the revenue requirement. This has been included to improve the competitiveness of the rate.

5. Revenue Requirement Mitigation

Comment: *[Commenter] would propose an approach where we pay our fair share of the operation and maintenance costs and the recovery of capital [investment] making it more reflective of the rates being set on actual costs instead of a 50-year projection.*

SEPA is setting a rate for 50 years with no consideration for a potential increase in the future. We would propose paying for the capital [investment] when it becomes used and useful.

Response: The Power Marketing Administrations prepare repayment studies used to establish rates following the guidance of DOE Order RA6120.2 (Order). The Order defines the power system's repayment period to extend to the final year allowed under the cost recovery criteria for amortization of the original investment in all projects included in the power repayment study. The Order further provides future replacement costs will be included in the studies. The remaining investment in the Cumberland System includes investment placed in service with a 50-year service life. The Order requires future replacement cost estimates to be included in the repayment study as well. Southeastern believes the repayment study used to develop these proposed rate schedules complies with DOE Order RA6120.2.

Comment: *[Commenter] recommends that SEPA review the methodology used in the repayment study to determine the proposed rate to:*

One, use forced payments to reduce the magnitude of large required payments; and

Two, for large required payments, use the concept of planned capitalized deficits to spread the costs of those required single-year payments over a five-year period.

Response: The comment refers to the approach used within the repayment study used to develop an optimized plan for repayment of the federal investment. Forced payments are normally used to override the normal priority of repayment when a lower-interest rate investment is reaching its required repayment date. Under highest interest first repayment, Southeastern defers repayment of the lowest interest rate investment to the extent possible while meeting repayment criteria. This achieves a lower revenue requirement.

Capitalized deficits are incurred when Southeastern does not have sufficient revenue to cover annual operating expenses and interest or meet a required payment. Generally, Southeastern does not plan to incur capitalized deficits as part of rate adjustment. The proposed rates do not include capitalized deficits, which would be inconsistent with the general requirement of DOE Order RA6120.2.

6. Capital Cost Recovery

Comment: *[Commenter] suggests SEPA explore capital cost recovery alternatives within its rate-making authority with the goal remaining to keep rates as low as possible for as long as possible. SEPA should consider a true-up rate as an alternative.*

Response: Southeastern staff proposed to employ an annual true-up to alter the rate each April accounting for actual hydropower investment completed and placed in service the prior fiscal year. A similar mechanism proved successful in the Kerr-Philpott System to address planned infrastructure rehabilitation. Comments supported or were silent with regard to enacting a true-up and Southeastern proposes to affect a true-up instrument to improve Federal hydropower's competitiveness in the energy market.

7. Transmission Arrangements

***Comment:** We would suggest SEPA explore an agreement with TVA that more closely resembles the transmission service that SEPA now receives from TVA, delivering power to discrete delivery points from a network of resources or generation resources. We think the service you've received for years has been more of a network service.*

Response: Southeastern will discuss transmission service options with TVA in an effort to secure the most economical delivery method for our customers.

DISCUSSION

System Repayment

An examination of Southeastern's revised system power repayment study, prepared in August, 2015, for the Cumberland System, shows that with the rates established in this notice, all system power

costs are paid within the 50-year repayment period, as required by existing law and DOE Order RA 6120.2. The Administrator of Southeastern 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 adjustment 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 30635-6711.

Submission to the Federal Energy Regulatory Commission

The rates hereinafter confirmed and approved on an interim basis, together with supporting documents, will be submitted promptly to FERC for confirmation and approval on a final basis.

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, 2015, attached Wholesale Power Rate Schedules CBR-1-I, CSI-1-I, CEK-1-I, CM-1-I, CC-1-J, CK-1-I, CTV-1-I, CTVI-1-B, and Replacement-3. The rate schedules shall remain in effect on an interim basis through September 30, 2020, unless such period is extended or until FERC confirms and approves them or substitute rate schedules on a final basis.

Dated: September 25, 2015

Elizabeth Sherwood-Randall
Deputy Secretary

Wholesale Power Rate Schedule CBR-1-I

Availability:

This rate schedule shall be available to Big Rivers Electric Corporation and 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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers.

Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.902 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

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 customers outside the TVA System or interconnection points of delivery with other electric systems for the benefit of customers outside the TVA System, as agreed by contract between the Administrator and TVA.

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

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue requirement from the sale of capacity and energy is \$50,235,000. This 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 if Southeastern chooses to modify the Revised Interim Operating Plan.

The annual revenue requirement and rates under this scenario 2 will be subject to annual

adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario 2, the adjustment is an increase of \$53,000 per year to the annual revenue requirement for each increase of \$1,000,000 to specific power plant-in-service. Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge (includes 1500 hours of energy annually):

\$3.115 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge under this scenario will be

subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the additional energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

Transmission Charge:

Monthly TVA Transmission Charge divided by 545,000.

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 CSI-1-1

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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers. Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.902 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each

increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

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 customers outside the TVA System or interconnection points of delivery with other electric systems for the benefit of customers outside the TVA System, as agreed by contract between the Administrator and TVA.

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue requirement from the sale of capacity and energy is \$50,235,000. This 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 if Southeastern chooses to modify the Revised Interim Operating Plan.

The annual revenue requirement and rates under this scenario 2 will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario 2, the adjustment is an increase of \$53,000 per year to the annual revenue requirement for each increase of \$1,000,000 to specific power plant-in-service. Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge (includes 1500 hours of energy annually):

\$3.115 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge under this scenario will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the additional energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

Transmission Charge:

Monthly TVA Transmission Charge divided by 545,000.

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-1-1

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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers. Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.902 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

Transmission:

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 customers outside the TVA System or interconnection points of delivery with other electric systems for the benefit customers outside the TVA System, as agreed by contract between the Administrator and TVA.

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue requirement from the sale of capacity and energy is \$50,235,000. 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 if Southeastern chooses to modify the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described in the true-up section of this rate schedule.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.664 per kilowatt/month of total contract demand

Initial Base Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base energy charge under this scenario will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service.

Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

Transmission Charge:

Monthly TVA Transmission Charge divided by 545,000.

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-I

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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up

adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers. Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.902 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual

adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

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 customers outside the TVA System or interconnection points of delivery with other electric systems for the benefit of customers outside the TVA System, 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%

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue requirement from the sale of capacity and energy is \$50,235,000. This 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 if Southeastern chooses to modify the Revised Interim Operating Plan.

The annual revenue requirement and rates under this scenario 2 will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario 2, the adjustment is an increase of \$53,000 per year to the annual revenue requirement for each increase of \$1,000,000 to specific power plant-in-service. Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge (includes 1500 hours of energy annually):

\$3.115 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge under this scenario will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the additional energy rate.

Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

Transmission Charge:

Monthly TVA Transmission Charge divided by 545,000.

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-J

Availability:

This rate schedule shall be available to public bodies and cooperatives served through the facilities of Duke Energy Progress (formerly known as 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 Duke Energy Progress, Western Division.

Points of Delivery:

The points of delivery will be at interconnecting points of the Tennessee Valley Authority (TVA)

system and the Duke Energy Progress, 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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers. Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under

this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$2.165 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

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 customers outside the TVA System or interconnection points of delivery with other electric systems for the benefit of customers outside the TVA System, as agreed by contract between the Administrator and TVA.

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

Duke Energy Progress Transmission Charge:

The Customer will pay a ratable percent listed below of the charge for transmission service furnished by Duke Energy Progress, Western Division.

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

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue

requirement from the sale of capacity and energy is \$50,235,000. This 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 if Southeastern chooses to modify the Revised Interim Operating Plan.

The annual revenue requirement and rates under this scenario 2 will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario 2, the adjustment is an increase of \$53,000 per year to the annual revenue requirement for each increase of \$1,000,000 to specific power plant-in-service. Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge (includes 1500 hours of energy annually at the TVA Border):

\$3.546 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge under this scenario will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the additional energy rate.

Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

Transmission Charge:

Monthly TVA Transmission Charge divided by 545,000, and adjusted for Duke Energy Progress delivery. The adjustment under the current contract is 14,000/12,300, or 13.821 percent.

CP&L Transmission Charge:

\$1.546 per kilowatt/month of total contract demand (As of February 2015 and provided for illustrative purposes.)

The Duke Energy Progress 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 – Duke Energy Progress contract.

Energy to be Furnished by the Government:

The Government will sell to the Customers and the Customers will purchase from the Government energy each billing month equivalent to a percentage specified by contract of the energy made available to Duke Energy Progress (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 Duke Energy Progress, Western Division transmission system.

Wholesale Power Rate Schedule CK-1-I

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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project

imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers.

Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.902 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the Customers of the amount of the true-up by

February 1 of each year.

Transmission Charge:

The Customers 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 customers outside the TVA System or interconnection points of delivery with other electric systems for the benefit of customers outside the TVA System, 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%

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue requirement from the sale of capacity and energy is \$50,235,000. This 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 if Southeastern chooses to modify the Revised Interim Operating Plan.

The annual revenue requirement and rates under this scenario 2 will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario 2, the adjustment is an increase of \$53,000 per year to the annual revenue requirement for each increase of \$1,000,000 to specific power plant-in-service. Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing

policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge (includes 1500 hours of energy annually):

\$2.915 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge under this scenario will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the additional energy rate.

Southeastern will give written notice to the Customers of the amount of the true-up by February 1 of each year.

Transmission Charge:

Monthly TVA Transmission Charge divided by 545,000.

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 Customers 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-1-1

Availability:

This rate schedule shall be available to the Tennessee Valley Authority (hereinafter called TVA) on behalf of members of the Tennessee Valley Public Power Association (hereinafter called TVPPA).

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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers.

Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.902 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the TVA and TVPPA of the amount of the true-up by February 1 of each year.

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue requirement from the sale of capacity and energy is \$50,235,000. This 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 if Southeastern chooses to modify the Revised Interim Operating Plan.

The annual revenue requirement and rates under this scenario 2 will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario 2, the adjustment is an increase of \$53,000 per year to the annual revenue requirement for each increase of \$1,000,000 to specific power plant-in-service. Southeastern will give written notice to the TVA and TVPPA of the amount of the true-up by February 1 of each year.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge (includes 1500 hours of energy annually):

\$3.115 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge under this scenario will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the additional energy rate.

Southeastern will give written notice to the TVA and TVPPA of the amount of the true-up by February 1 of each year.

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 Outside 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 Outside Customers shall be available annually, divided monthly such that the maximum available in any month shall not exceed 240 hours per kilowatt of total Outside Customers contract demand, and the minimum amount available in any month shall not be less

than 60 hours per kilowatt of total Outside Customers demand.

In the event that any portion of the capacity allocated to Outside Customers is not initially delivered to the Outside 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 Outside 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-B

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.

Rate Alternatives:

Southeastern Power Administration (Southeastern) is including three rate alternatives. All of the rate alternatives have an initial base annual revenue requirement of \$63,500,000, including transmission and non-power revenue. The initial base annual revenue requirement from the sale of capacity and energy is \$50,235,000. The initial base revenue requirements will be subject to annual true-up adjustment described below.

Rate Scenario 1-Revised 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 Center Hill Project imposed by the U. S. Army Corps of Engineers (Corps) as a precaution to prevent failure of the dam, Southeastern is not able to provide the full allocation of peaking capacity to these customers.

Southeastern implemented a Revised Interim Operating Plan for the Cumberland System to provide these customers with a reduced amount of energy and a reduced amount of capacity. The rates under this Scenario 1 will remain in effect for the duration of the Revised Interim Operating Plan. The initial

base rates for capacity and energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge:

\$1.902 per kilowatt per month

Initial Base Energy Charge:

12.35 mills per kilowatt-hour

True-up Adjustment:

The Base Capacity Charge and Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year. Under this scenario the adjustment will be for each increase of \$1,000,000 to specific power plant-in-service an increase of \$0.001 per kilowatt per month added to the base capacity charge and 0.02 mills per kilowatt-hour added to the base energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

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.

Rate Scenario 2-Modified Revised Interim Operating Plan

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 initial base annual revenue requirement under this alternative is \$63,500,000, including transmission and non-power revenue, the same as the annual revenue requirement in Scenarios 1 and 3. The annual revenue requirement from the sale of capacity and energy is \$50,235,000. This 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 if Southeastern chooses to modify the Revised Interim Operating Plan.

The annual revenue requirement and rates under this scenario 2 will be subject to annual adjustment on April 1 of each year based on transfers of specific power investment to plant-in-service

for the preceding Fiscal Year. Under this scenario 2, the adjustment is an increase of \$53,000 per year to the annual revenue requirement for each increase of \$1,000,000 to specific power plant-in-service. Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

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 Center Hill Dam and Southeastern returns to operations that support the published marketing policy. The initial base rates for capacity, energy, and additional energy will be subject to annual true-up adjustment described below.

Monthly Rate:

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

Initial Base Demand charge (includes 1500 hours of energy annually):

\$3.115 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

11.612 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge under this scenario will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-

in-service. Under this scenario 3, the adjustment is for each increase of \$1,000,000 to specific power plant-in-service an increase of \$ 0.003 per kilowatt per month added to the base Capacity rate and an increase of 0.012 mills per kilowatt-hour added to the additional energy rate.

Southeastern will give written notice to the Customer of the amount of the true-up by February 1 of each year.

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:

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

Wholesale 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 Alabama, Georgia, Illinois, Kentucky, North Carolina, Mississippi,

Tennessee, and Virginia 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 formula 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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