



6450-01-P

DEPARTMENT OF ENERGY

Southeastern Power Administration

Notice of Interim Approval of Rate Schedules for Cumberland System

AGENCY: Southeastern Power Administration, DOE.

ACTION: Notice of interim approval.

SUMMARY: The Administrator for the Southeastern Power Administration (Southeastern) has confirmed and approved, on an interim basis, new rate schedules CBR-1-J, CSI-1-J, CEK-1-J, CM-1-J, CC-1-K, CK-1-J, CTV-1-J, CTVI-1-C, and Replacement-3. The rate schedules are approved on an interim basis through September 30, 2025, and are subject to confirmation and approval by the Federal Energy Regulatory Commission (FERC) on a final basis.

DATES: The approval of rates on an interim basis is effective October 1, 2020.

FOR FURTHER INFORMATION CONTACT: Cathy Stillson, Power Marketing Advisor, Finance and Marketing, Southeastern Power Administration, U.S. Department of Energy, 1166 Athens Tech Road, Elberton, Georgia 30635-6711, (706) 213-3847;

Email: Cathy.Stillson@sepa.doe.gov.

SUPPLEMENTARY INFORMATION: FERC, by order issued May 6, 2016, 155 FERC ¶ 62,092, confirmed and approved 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 for the period from October 1, 2015, to September 30, 2020. This order replaces these rate schedules on an interim basis, subject to final approval by FERC.

The power marketing policy provides peaking capacity, along with 1500 kilowatt-hours (kWh) of energy with each kilowatt of capacity, to customers outside the Tennessee Valley

Authority (TVA) transmission system.

A current repayment study using present rates, under the original marketing policy and the application of an annual true-up adjustment, shows that revenues will not be adequate to meet repayment criteria. A revised study shows that a revenue requirement increase of \$2,650,000, or about four percent, would be adequate to meet repayment criteria. The rate schedules CBR-1-J, CSI-1-J, and CM-1-J, include rates for customers who receive 1500 kWh of energy annually for each kilowatt of capacity. The transmission and scheduling arrangements under each of these rate schedules are different. Rate Schedule CEK-1-J 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-J is for customers in Kentucky who receive 1800 kWh of energy annually for each kilowatt of capacity. Rate Schedule CC-1-K is for customers on the Duke Energy Progress, Western Division. Rate Schedule CTV-1-J is for TVA and Tennessee Valley Public Power Association (TVPPA). Rate Schedule CTVI-1-C is for customers inside the TVA system who choose a power supplier other than TVA. The rate schedules continue adjustments annually on April 1 of each year, based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year, to the base demand charge and base additional energy charge. The annual adjustment will be, 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 0.013 mills per kWh added to the base additional energy rate. Southeastern will give written notice to the customers of the amount of the true-up by February 1 of each year.

Signing Authority

This document of the Department of Energy was signed on August 18, 2020, by Virgil G.

Hobbs, III, Administrator for Southeastern Power Administration, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on August 21, 2020.

Treena V. Garrett,

Federal Register Liaison Officer,

U.S. Department of Energy.

DEPARTMENT OF ENERGY
ADMINISTRATOR, SOUTHEASTERN POWER ADMINISTRATION

In the Matter of:

Southeastern Power Administration) Rate Order No. SEPA-64
Cumberland System Power Rates)

**ORDER CONFIRMING AND APPROVING
POWER RATES ON AN INTERIM BASIS**

Pursuant to Section 302(a) of the Department of Energy Organization Act (Public Law 95-91, 42 U.S.C. 7152(a)), the functions of the Secretary of the Interior and the Federal Power Commission under Section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), relating to the Southeastern Power Administration (Southeastern), were transferred to and vested in the Secretary of Energy. By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated to Southeastern's Administrator the authority to develop power and transmission rates, to the Deputy Secretary of Energy the authority to confirm, approve, and place such rates into effect on an interim basis, and to the Federal Energy Regulatory Commission (FERC) the authority to confirm, approve, and place into effect on a final basis, or to disapprove, rates developed by the Administrator under the delegation. By Delegation Order No. 00-002.00S, effective January 15, 2020, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary of Energy. By Redelegation Order No. 00-002.10E, effective February 14, 2020, the Under Secretary of Energy further delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Assistant Secretary for Electricity. By Redelegation Order No.

00-002.10-03, effective July 8, 2020, the Assistant Secretary for Electricity further delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Administrator, Southeastern Power Administration. This rate is issued by the Administrator, Southeastern Power Administration pursuant to the authority delegated in Redelegation Order No. 00-002.10-03.

BACKGROUND

Power from the Cumberland Projects is presently sold under 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. These rate schedules were approved by FERC on May 6, 2016, for a period ending September 30, 2020 (155 FERC ¶ 62,092). The power marketing policy provides peaking capacity, along with 1500 kilowatt-hours (kWh) of energy with each kilowatt (kW) of capacity, to customers outside the Tennessee Valley Authority (TVA) transmission system.

Public Notice and Comment

Notice of a proposed rate adjustment was published in the *Federal Register* on March 30, 2020 (85 FR 17574). Southeastern proposed an increase to existing rate schedules and to the annual true-up adjustment for the sale of power from the Cumberland System effective October 1, 2020, through September 30, 2025. The notice advised interested parties of a public information and comment forum to be held in Elberton, Georgia, and also by webinar, on May 12, 2020. Written comments were due on or before June 29, 2020.

The rate schedules recover cost from capacity, energy, and additional energy. The revenue requirement is \$66,150,000 per year. The rates would be as follows:

Cumberland System Rates

Original Marketing Policy

Inside TVA Preference Customers

Capacity and Base Energy:	\$3.430 per kW/Month
Additional Energy:	12.835 mills per kWh
Transmission:	Pass-through

Outside TVA Preference Customers (Excluding Customers served through Duke Energy Progress or East Kentucky Power Cooperative)

Capacity and Base Energy:	\$3.430 per kW/Month
Additional Energy:	12.835 mills per kWh
Transmission:	Monthly TVA Transmission Charge divided by 545,000

Customers Served through Duke Energy Progress

Capacity and Base Energy:	\$3.904 per kW/Month
TVA Transmission:	TVA rate at border as computed above, adjusted for DEP delivery

East Kentucky Power Cooperative:

Capacity:	\$1.826 per kW/Month
Energy:	12.835 mills per kWh
Transmission:	Monthly TVA Transmission Charge divided by 545,000

The proposed rate schedules continue adjustments annually on April 1 of each year, based on transfers of specific power investment to plant-in-service for the preceding Fiscal Year, to the base demand charge and base additional energy charge. The annual adjustment will be, 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 0.013 mills per kilowatt-hour added

to the base additional energy rate. Southeastern will give written notice to the customers of the amount of the true-up by February 1 of each year.

Public Comments

Southeastern received three written comments in response to the “Notice of proposed rates, public forum, and opportunities for public review and comment” published in the *Federal Register* at 85 FR 17574 on March 30, 2020. Southeastern received oral comments from five participants as part of the public information and comment forum on May 12, 2020.

The comments have been combined and condensed into the following categories:

1. Dam Safety Act
2. Corps O&M Cost Increases
3. Non-hydropower Cost Inclusion and Operational Effect
4. Rate Competitiveness
5. Capital Cost Recovery for Rehabilitations
6. Appreciation for Corps Operations & Southeastern Efforts

Southeastern's response follows each comment category.

1. Dam Safety Act

Comment: *[Commenter 3] SEPA’s conclusions regarding the recovery of major rehabilitation projects for the Cumberland System is in accordance with SEPA precedent and recent Army Corps of Engineers (“Corps”) guidance. On April 17, 2019, the Corps issued revised implementation guidance for Section 1139 of the Water Resources Development Act of 2016 addressing “the application of Section 1203 cost sharing for modifications related to changes in the state-of-the-art design or construction criteria.” The April 17th guidance does not provide direction that indicates SEPA’s prior determination of applying the Dam Safety Act was*

incorrect. Therefore, SEPA's March 30, 2020 proposed rate structure and the application of the Dam Safety Act should remain intact with regard to the major rehabilitation costs.

Response: The Corps issued Engineering and Construction Bulletin No. 2019-17 (Bulletin) in December 2019. The Bulletin supersedes all prior guidance related to cost sharing for dam safety and provides interim guidance for deciding when dam safety modifications would qualify as changes in state-of-the-art design or construction criteria. The Bulletin does not indicate that Southeastern's prior determination of applying the Dam Safety Act was incorrect, and the cost sharing guidance in the Bulletin will only apply prospectively. Southeastern, under its statutory authority to determine rates, will continue to apply the Dam Safety Act with regard to the applicable major rehabilitation costs.

2. Corps Operation and Maintenance (O&M) Cost Increases

Comment: *[Commenter 1] In reviewing the O&M report, we were struck by the significant escalations in the USACE's O&M costs. These increases are significantly higher than the national inflationary rate and are in stark contrast to O&M increase in the electric industry in general.*

[Commenter 3] is concerned that the Corps' costs attributed to the hydropower program continue to rise and may undermine the financial viability and value of the SEPA hydropower resource.

Response: Southeastern continues to work with preference customers and the Corps to review O&M actual costs and estimates to ensure accuracy of cost assignment and projections to establish the lowest possible rates consistent with sound business principles within the meaning of Section 5 of the Flood Control Act of 1944.

3. Non-Hydropower Cost Inclusion and Operational Effect

Comment: *[Commenter 1] Non-hydropower costs incurred by the USACE and included in the SEPA rates continue to be a significant issue. Hydropower customers should not have to cover the USACE's costs for work associated with other water interest groups. Additionally, we would request SEPA to re-examine the shared costs to ensure the rates do not cover shared costs for other interest entities.*

[Commenter 2] We are concerned about non-hydropower related expenses and other unauthorized costs being charged to preference power customers for the Cumberland System. Environmental concerns, water supply issues, and other competing uses are being prioritized above water availability for power production. As [Commenter 2] communicated to USACE in our 6/13/18 letter ... regarding J. Percy Priest Draft Water Supply Reallocation comments, it is important to correctly determine impacts to hydropower so the proper amount of revenue from all sources is collected and applied to offset power repayment. Other revisions, such as the May 2019 revision of the 1998 Dale Hollow Dam and Reservoir Control Manual are likely to divert resources away from the capability for hydropower to effectively and efficiently produce power.

Response: Southeastern is working with the Corps to assure that costs are correctly allocated to joint costs versus the hydropower purpose and to specific purposes, if applicable, versus joint costs. Southeastern leadership is part of the Federal Hydropower Council and is working with the Corps, the US Bureau of Reclamation, and the other Power Marketing Administrations to discuss changes and to improve cost charging practices for the Federal hydropower program.

4. Rate Competitiveness

Comment: *[Commenter 1] Recent events in the power generation field have led to unprecedented decreases in market rates for energy purchases; this has principally been fueled by significant reduction in the cost of natural gas. The hydropower that SEPA markets is*

desirable due to its negligible impact on the environment; however ultimately the power purchase decision is principally driven by cost.

[Commenter 2] Proposed rate could exceed prevailing alternative power resources in a depressed energy market. Other industry forecasts show forward prices for power, renewables, and natural gas remaining soft for the foreseeable future.

[Commenter 3] is concerned that the Corps' costs attributed to the hydropower program continue to rise and may undermine the financial viability and value of the SEPA hydropower resource.

Response: Southeastern works to ensure the rates for Cumberland System power remain competitive with the customers' resource alternatives. We strive to keep rates as low as possible and meet all revenue requirements and repayment criteria. Southeastern will work with the preference customers and the Corps to remain competitive in providing energy and capacity.

5. Capital Cost Recovery for Rehabilitations

Comment: *[Commenter 1] Given that there is a total of 28 hydroelectric units in the Cumberland river system and that virtually all of them will need to be rehabilitated over the next few years, the upward pressure on the rates is considerable. We would strongly recommend that every effort be made to contain costs and optimize operations.*

[Commenter 2] appreciates that these valuable assets must be rehabilitated and maintained to produce energy and remain available at peak times. However, rates should not result in total costs exceeding prevailing market prices of alternative sources of power.

[Commenter 3] SEPA precedent and Corps guidance clearly supports SEPA's conclusions in regard to the recovery of the major rehabilitation projects for the Cumberland Systems. As such, SEPA's March 30, 2020 proposed rate structure and the application of the

Dam Safety Act should remain intact.

Response: Southeastern, the Corps, and the preference customers work together in reviews of planned rehabilitation specifications and the related costs to facilitate discussion and decision input for cost containment and operation optimization. Customer Funding agreements for rehabilitation projects specify amounts, work items and provide estimated rate impacts. Southeastern will continue these coordination efforts to meet cost and operational goals. Southeastern notes it retains authority to ensure 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. Southeastern continues to apply the cost sharing provision of the Dam Safety Act to the repair costs at Wolf Creek and Center Hill.

6. Appreciation for Corps Operations & Southeastern Efforts

Comment: *[Commenter 1] I would like to express our appreciation to SEPA for its ongoing efforts in managing the hydropower rates. I would also like to express our appreciation to the USACE for its faithful attention to the Cumberland River system and more specifically its efforts to maintain, rehabilitate and operate the associated hydropower system.*

[Commenter 2] We hope Southeastern Power Administration will continue to prudently manage factors impacting rates to minimize costs. Similar to [Commenter 2]'s mission to safely deliver competitive and reliable wholesale power to our Member-Owners, the Flood Control Act of 1944 requires SEPA to set the "lowest possible rates" consistent with sound business principles. To that end, we respectfully request continued efforts to lower the overall rate.

Response: Southeastern Power Administration is committed to the Federal hydropower program and its preference customers. Working relationships between Southeastern, its customers, and the Corps are valued and support our priorities to improve

Federal hydropower's competitiveness in the energy market and in the delivery of reliable wholesale power.

DISCUSSION

System Repayment

An examination of Southeastern's revised system power repayment study, prepared in March, 2020, for the Cumberland System, shows that with the proposed rates, all system power costs are paid within the appropriate repayment period and meet the cost recovery criteria set forth in DOE Order RA 6120.2. The Administrator of Southeastern Power Administration 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, as amended, the proposed action is not a major Federal action for which preparation of an Environmental Impact Statement is required.

Determination Under Executive Order 12866

Southeastern has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget 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.

ORDER

In view of the foregoing and pursuant to the authority redelegated to me by the Assistant Secretary for Electricity, I hereby confirm and approve on an interim basis, effective October 1, 2020, attached Wholesale Power Rate Schedules CBR-1-J, CSI-1-J, CEK-1-J, CM-1-J, CC-1-K, CK-1-J, CTV-1-J, CTVI-1-C, and Replacement-3. The rate schedules shall remain in effect on an interim basis through September 30, 2025, unless such period is extended or until FERC confirms and approves them or substitute rate schedules on a final basis.

Dated: August 18, 2020

Virgil G. Hobbs, III
Administrator, Southeastern Power Administration

Wholesale Power Rate Schedule CBR-1-J

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.

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):

\$3.430 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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:

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

Wholesale Power Rate Schedule CSI-1-J

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.

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):

\$3.430 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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:

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

Wholesale Power Rate Schedule CEK-1-J

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.

Monthly Rate:

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

be:

Initial Base Demand charge:

\$1.826 per kilowatt/month of total contract demand

Initial Base Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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:

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

Wholesale Power Rate Schedule CM-1-J

Availability:

This rate schedule shall be available to Cooperative Energy (formerly 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.

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):

\$3.430 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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:

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

Wholesale Power Rate Schedule CC-1-K

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.

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):

\$3.904 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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.

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-J

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.

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):

\$3.430 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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 of energy per year. Customers will pay for additional energy at the additional energy rate.

Wholesale Power Rate Schedule CTV-1-J

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.

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):

\$3.430 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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-C

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.

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):

\$3.430 per kilowatt/month of total contract demand

Initial Base Energy Charge:

None

Initial Base Additional Energy Charge:

12.835 mills per kilowatt-hour

True-up Adjustment:

The base demand charge and base additional energy charge will be subject to annual adjustment on April 1 of each year based on transfers to specific power plant-in-service. 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 0.013 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.