

United States
Department of Energy
Southeastern Power Administration

Wholesale Power Rate Schedule AP-3-B

Availability:

This rate schedule shall be available to public bodies and cooperatives (any one of whom is hereinafter called the Customer) in Virginia to whom power may be scheduled pursuant to contracts between the Government, American Electric Power Service Corporation (hereinafter called the Company), PJM Interconnection LLC (hereinafter called PJM), and the Customer. The Government is responsible for providing the scheduling. The Customer is responsible for providing a transmission arrangement. Nothing in this rate schedule shall preclude modifications to the aforementioned contracts to allow an eligible customer to elect service under another rate schedule.

Applicability:

This rate schedule shall be applicable to the sale at wholesale of power and accompanying energy generated at the John H. Kerr and Philpott Projects (hereinafter called the Projects) and sold under appropriate contracts between the Government and the Customer.

Character of Service:

The electric capacity and energy supplied hereunder will be delivered at the Projects.

Monthly Rate:

The initial base monthly rate for capacity, energy, and generation services provided under this rate schedule for the period specified shall be:

Initial Base Capacity Charge:

\$3.65 Per kilowatt of total contract demand per month.

Initial Base Energy Charge:

14.63 Mills per kilowatt-hour.

The Base Capacity Charge and the Base Energy Charge will be subject to annual adjustment on April 1 of each year based on transfers to plant in service for the preceding Fiscal Year that are not included in the proposed repayment study. The adjustment will be for each increase of \$1,000,000 to plant in service an increase of \$0.013 per kilowatt per month added to the capacity charge and 0.052 mills per kilowatt-hour added to the energy charge.

The rates are based on a repayment study that projects that the Kerr-Philpott System will produce the following net revenue available for repayment by fiscal year:

FY 2010	\$ 578,000
FY 2011	\$ 2,030,000
FY 2012	\$ 1,032,000
FY 2013	\$ 825,000
FY 2014	\$ 863,000
FY 2015	\$ 908,000

The rates include a true-up of the capacity and energy rates based on the variance of the actual net revenue available for repayment from the planned net revenue available for repayment in the table above. For every \$100,000 under-recovery of the planned net revenue available for repayment, Southeastern will increase the base capacity charge by \$0.02 per kilowatt per month, up to a maximum of \$0.75 per kilowatt per month, and increase the base energy charge by 0.10 mills per kilowatt-hour, up to a maximum of 3.0 mills per kilowatt per hour, to be implemented April 1 of the next fiscal year. For every \$100,000 of over-recovery of the planned net revenue available for repayment, Southeastern will reduce the base capacity charge by \$0.02 per kilowatt per month, up to a maximum of \$0.75 per kilowatt per month, and reduce the base energy charge by 0.10 mills per kilowatt-hour, up to a maximum of 3.0 mills per kilowatt per hour, to be implemented April 1 of the next fiscal year. Southeastern will give written notice to the customers of the amount of the true-up to the capacity and energy rates by February 1 of the next fiscal year.

Additional rates for transmission and ancillary services provided under this rate schedule shall be the rates charged Southeastern Power Administration by the Company. Future adjustments to these rates will become effective upon acceptance for filing by the Federal Energy Regulatory Commission (FERC) of the Company's rate.

Ancillary Services:

- 1.46 Mills per kilowatt-hour of energy as of December 2009, is presented for illustrative purposes.

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 FERC involving the Company's or PJM's Open Access Transmission Tariff (OATT).

Proceedings before FERC 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.

Tandem Transmission Charge:

\$2.14 Per kilowatt of total contract demand per month, as an estimated cost as of December 2009.

The tandem transmission charge will recover the cost of transmitting power from a project to the border of another transmitting system. This rate will be a formula rate based on the cost to the Government for transmission of power from the Philpott project to the border of the Virginia Electric and Power Company System and the cost to the Government for transmission of power from the John H. Kerr Project to the border of the Carolina Power & Light System. These charges could be recovered through a capacity charge or an energy charge, as determined by the Government.

Transmission and Ancillary Services:

The charges for transmission and ancillary services shall be governed by and subject to refund based upon the determination in the proceeding involving the Company's or PJM's OATT.

Contract Demand:

The contract demand is the amount of capacity in kilowatts stated in the contract which the Government is obligated to supply and the Customer is entitled to receive.

Energy to be Furnished by the Government:

The Government will sell to the Customer and the Customer will purchase from the Government energy each billing month equivalent to a percentage specified by contract of the energy made available to the Company (less applicable losses). The Customer's contract demand and accompanying energy will be allocated proportionately to its individual delivery points served from the Company's system. The applicable energy loss factor for transmission is specified in the OATT.

These losses shall be effective until modified by the FERC, pursuant to application by the Company or PJM under Section 205 of the Federal Power Act or Southeastern Power Administration under Section 206 of the Federal Power Act or otherwise.

Billing Month:

The billing month for power sold under this schedule shall end at 12:00 midnight on the last day of each calendar month.