



SERVING *the* SOUTHEAST

*A History of the Southeastern Power Administration
1990-2010*

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1990-2010*

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US Department of Energy
Southeastern Power Administration
2012

PROJECT CONTRIBUTORS

Sponsor

US Department of Energy, Southeastern Power Administration

Contracting Agency

US Army Corps of Engineers, Mobile District

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ACKNOWLEDGEMENTS

The author gratefully acknowledges the efforts of many individuals who contributed to make this history possible. Mrs. Melissa Chastain Sease initiated the project and worked tirelessly to facilitate an excellent research environment and also established an efficient line of communication with the current and retired employees of the organization. SEPA's Core Team provided detailed review of the material. Mrs. Sandra B. Dye assisted with accessing and sorting through the agency's excellent archives. Undoubtedly, one of the most important components of the project was the ability to interview current and former agency personnel. All were generous with their time and information and all expressed a great sense of pride in having worked with the organization.

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FOREWORD

Southeastern Power Administration (SEPA) was established in 1950 with headquarters in Elberton, Georgia. The history you are about to read summarizes the great work and accomplishments the men and women of SEPA have achieved over the last 20 years. Their hard work and efforts helped recognize the importance and success of the Federal Hydropower Program in the Southeast.

There have been many challenges and changes during the past two decades. SEPA's employees, along with preference customers and U.S. Army Corps of Engineers, have communicated and worked collectively to meet these challenges with one goal in mind – to become good stewards and to ensure the benefits of one of our nation's most valuable renewable assets, hydropower.

Someone once said the achievements of an organization are the results of the combined efforts of each individual. I believe the growth and prosperity of SEPA is the direct result of our employees and customers. The people of Southeastern Power Administration are part of a successful program that promotes good policies and administers a renewable resource to more than 12 million ultimate consumers. We are proud of our accomplishments and look forward to continuing our federal service to the people of the Southeast.

Ken Legg
Administrator, Southeastern Power Administration
September 2012

Milestones in SEPA History

Items that appear in **blue** are milestones in Federal Power History.

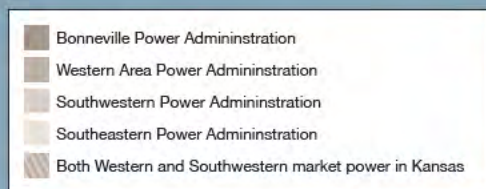
- 1902** Bureau of Reclamation Act
- 1906** Amendment to BOR Act establishes preference power clause
- 1920** Federal Power Act created Federal Power Commission (now the Federal Energy Regulatory Commission) and solidifies the federal government's role as a power producer
- 1933** Through the Tennessee Valley Authority Act the federal government supplies power to states, counties, municipalities and non-profits
- 1936** Rural Electrification Act establishes the Rural Electrification Administration to assist rural areas in obtaining electricity
- 1937** Bonneville Project Act pioneers the federal power marketing administrations
- 1941** Federal power contributes seven percent of all US utility generation
- 1943** Southwestern Power Administration established
- 1944** Flood Control Act leads Corps to construct multi-purpose projects in the Southeast
- 1948** First units go online at Dale Hollow
- 1950** SEPA Established within the Department of the Interior
- 1953** SEPA loses battle to construct the Greenwood Transmission Line
- 1955** Brownell opinion requires private utilities to wheel public power over private transmission lines
- 1968** SEPA headquarters move to Samuel Elbert Building in historic downtown Elberton
- 1977** Department of Energy Established
SEPA transferred to DOE
Western Area Power Administration Established

- 1980** GA-AL-SC System Power Marketing Policy Issued
- 1983** Cumberland System Power Marketing Policy Issued
- 1985** Kerr-Philpott System Power Marketing Policy Issued
- 1986** Richard B. Russell conventional units go online
- 1991** Southeastern Federal Power Alliance formed
- 1992** Energy Policy Act facilitates deregulation
Team Cumberland formed
- 1993** New Cumberland System Power Marketing Policy Issued
- 1994** New GA-AL-SC System Power Marketing Policy Issued
SEPA establishes control center
- 1995** Alaska Power Administration Sale and Termination Act signed into law
- 1996** FERC Order 888 (OATT) mandates non-discriminatory transmission rates
- 1999** FERC Order 2000 encourages involvement in Regional Transmission Organizations
- 2000** Water Resource Development Act, Section 212 allows PMAs to use customer-funding for project rehabilitation.
- 2001** SEPA moves into new headquarters on Athens Tech Drive
- 2002** Richard B. Russell pumpback units placed in service
- 2004** SEPA, USACE and Cumberland System customers sign MOA for customer-funding of rehabilitation projects
- 2005** Energy Policy Act directs NERC to formalize reliability standards
- 2010** SEPA's first year of Net-Zero Budgeting

FY 2011 PMA STATISTICS

	Transmission Lines (miles)	Substations	Powerplants ¹	Installed Capacity (MW)	Customers ²	Total Revenue Power & Transmission (millions)	Sales (billion kWh)	Percentage of Marketing Area Sales
Bonneville	15,215	263	31	22,363 ³	276	\$3,285 ⁴	83.1 ⁶	30% ⁷
Southeastern	N/A	N/A	22	3,392	489	\$265	6.2	2%
Southwestern	1,380	25	24	2,174	103	\$171 ⁵	4.1	9% ⁸
Western	17,135	321	57 ⁹	10,508	687	\$1,202	42.4	6%
Total	33,730	609	134	38,437	1,555	\$4,923	135.8	N/A

1. Plants are primarily owned by the Federal government and operated by the U.S. Army Corps of Engineers and the U.S. Bureau of Reclamation.
2. Includes firm, nonfirm power and project use customers.
3. Nameplate rating for federally owned generation from BPA's 2010 "White Book" on loads and resources.
4. Total operation revenue, as reflected on page 1 of BPA's 2011 Annual Report.
5. Not an audited number.
6. FY 2010 number from 2012 BPA Rate Case Wholesale Power Rate Final Proposal, Statements A-F, July 2011.
7. Approximate percentage from page 22 of BPA's 2011 Annual Report.
8. Calculated from 2010 data.
9. Includes 56 hydropower plants and 1 coal-fired plant.



GIFT *of the* RIVERS

The Southeastern Power Administration, 1950-1990

*The Song of the Southern Appalachians might well be,
'Give us men and women to match our mountains and our rivers.'
The mountains spawned the rivers. People harnessed the rivers;
and the lights came on in the Rural South.*

– GUS NORWOOD, *Gift of the Rivers*

SMALL BUT POWERFUL

Established on March 21, 1950, the Southeastern Power Administration (SEPA) is one of four power marketing administrations (PMAs) within the United States Department of Energy (DOE). Others include the Bonneville Power Administration (BPA), the Southwestern Power Administration (SWPA) and the Western Area Power Administration (WAPA). Each PMA, authorized by congressional legislation, is charged with marketing hydroelectric power produced at federal dams operated by the US Army Corps of Engineers (Corps) or Bureau of Reclamation (Reclamation) within a specific geographic region. By statute, the PMAs must give preference to public utility bodies and cooperatives, selling the power at the lowest rate consistent with sound business principles. Today, the electricity produced at federal impoundments accounts for approximately one-half of the hydroelectricity produced in the United States. Marketed by the PMAs, this hydroelectricity currently serves 60 million Americans in 34 states.¹

SEPA is unique among the PMAs in several ways. With just over 40 employees and a budget of approximately \$8.4 million, it is the smallest of the PMAs in terms of budget and manpower and is one of the smallest federal agencies in the country. Also, unlike the other PMAs, SEPA owns no transmission lines and, therefore, must contract with one of 18 public or private utilities to transmit electricity to its customers. Uniquely, SEPA is headquartered in a small, rural community of less than 5,000 residents. The organization may be small and relatively obscure, but as of 2010, the agency marketed federal power from 22 Corps hydroelectric projects to 491 preference customers across 11 states, reaching over 12 million power consumers.

Left: The four power marketing administrations serve over 60 million people in the United States.

POWER FOR THE PEOPLE

The concept of “preference customers” or “public power” began during the conservation movement of the early twentieth century. In 1908, President Theodore Roosevelt stood before the first annual Conference of Governors and spoke on the virtues of conserving the nation’s natural resources. “The wise use of all of our natural resources,” he said, “is the great material question of today.” President Roosevelt understood that the nation depended on the health of its natural resources, and that each component, the soil, forests, and water, were interwoven. Furthermore, like his Chief Forester Gifford Pinchot, he believed that the nation’s resources should be used for the greatest good of the largest number of people for the longest time.²

Beginning in 1902, the Roosevelt Administration pushed a series of legislative proposals based on this principle. Specific to the nation’s water resources, he recommended passage of the Reclamation Act of 1902, which allowed for controlling the waters of the American West for irrigation. Conveniently, as one historian noted, “the enthusiasm for irrigation came at the dawn of the electrical age. Few suspected that the two would join in an amicable marriage and march hand in hand into the twentieth century.”³ In 1906, Congress passed an amendment to the Reclamation Act authorizing that surplus electricity from the federal dams should be sold to municipalities to help defray construction costs. The idea of public power, or preference customers, had been born.⁴

The federal government’s dam initiative, however, was outpaced by private industries and utilities. Beginning in the 1880s, these entities constructed dams and hydroelectric developments at a rapid pace. Congress typically granted water power development rights in perpetuity, a practice that Roosevelt saw as allowing private utilities to monopolize the public’s resources.⁵ “Among these monopolies,” Roosevelt wrote, “there is no other which threatens such intolerable interference with the daily life of the people as the consolidation of companies controlling water power.”⁶ To emphasize his message, the President used his veto power to prohibit a number of private hydroelectric developments, including early projects on the Rainy River, the James River, and another at Muscle Shoals on the Tennessee River. Roosevelt’s decisions to veto those three early hydroelectric developments represented more of a determination to prevent unchecked monopolization of the nation’s resources, rather than an outright advocacy of public power. Ironically, the Muscle Shoals site ultimately became one of the hydroelectric gems for the Tennessee Valley Authority (TVA). Completed in 1924 by the US Army Corps of Engineers, Wilson Dam at Muscle Shoals was the first public hydropower project in the southeastern United States.⁷

Throughout the first decades of the twentieth century, private utilities bitterly opposed legislation hampering water power development. The Water Power Act of 1920 confirmed the federal government’s ownership rights and jurisdiction over the nation’s waters and provided guidelines and fees for private development licenses. Importantly, it also enabled the government to build hydroelectric projects upon recommendation by a new Federal Power Commission. During the 1920s, public power forces attracted new supporters, but the public was generally more inclined to accept stringent federal regulation rather than outright government production of electricity. Senator George



At the first annual conference of governors in 1908, President Theodore Roosevelt stressed conservation of our nation's natural resources (National Park Service photo).

Norris of Nebraska proposed federal multi-purpose projects in the Tennessee Valley, but he had to wait for the election of 1932 to realize his vision. As one historian suggested, “the notion that the federal government would assume direct responsibility for financing and building dams...dedicated to generating electric power for public consumption...was not at all obvious prior to the 1930s.”⁸

During the 1930s, though, President Franklin D. Roosevelt’s “New Deal” agenda established a “mid-point correction” for electric utilities. Legislation included the Tennessee Valley Authority Act (1933); the Securities Exchange Act (1934); the Public Utility Act (1935); the Rural Electrification Act (1936); the Bonneville Project Act (1937); and the Flood Control Act (1938). In addition to providing protection for investors and customers, some of the laws were deemed necessary to provide social benefits, such as the creation of jobs through the construction of dams. Some of the legislation also enabled public cooperatives, through grants and loans, to provide electricity in areas deemed “unserviceable” by private utilities. Importantly, the Tennessee Valley Authority Act and the Bonneville Project Act both included strong provisions for preference customers such as rural electric cooperatives and other public bodies. For the government, “public power” was no longer a utopian concept, but a responsibility.⁹

Investor-owned utilities, however, viewed public power as an encroachment on what should be a private service. During the mid-twentieth century, the debate over public versus private power was peppered with charges that federal power was little more than “veiled communism.” One contemporary critic even suggested, “Once public power has been firmly entrenched...the neighboring private power is doomed to eventual extinction.” Proponents argued that the American people were more interested in the “adequacy of service and the price they pay for electricity” than the ideological debates.¹⁰ The Southeastern Power Administration was born as this discourse reached its peak.

SEPA ESTABLISHED

Despite earlier failures to industrialize, the US South emerged from the financial prosperity of World War II determined to realize the full benefits of industry.

Southern leaders and communities mounted a full court press of tax incentives, cheap and non-unionized labor force, and inexpensive raw materials to attract new businesses. Because of this post-war development, utilities were compelled to increase their load capacity. For private utilities, this generally came in the form of new steam stations, in addition to increasing the number of kilowatts (kW) produced by existing stations. Construction of new federal multi-purpose dams, of which hydropower was a beneficial byproduct, also contributed to “increasing cheap electricity” in the region.¹¹

That federal hydropower was generated at projects constructed by the Corps of Engineers. The first projects were those designated in a study of the Ohio River Basin and the Flood Control Act of 1938. Projects authorized on the Cumberland River in Tennessee and Kentucky (part of the Ohio River Basin) included Wolf Creek, Dale Hollow, Center Hill, J. Percy Priest, Three Islands, and Rossview. With the intervention of World War II, Congress declared the construction of Wolf Creek, Center Hill, and Dale Hollow as vital to national defense, but the Corps soon suspended construction of Wolf Creek and Center Hill due to shortages of manpower and material. Dale Hollow dam was completed in 1943 using materials from the mothballed efforts at Wolf Creek and Center Hill, and played a vital role in reducing flood damages in the spring of 1945. When Dale Hollow went online in 1948, it became the first of the southeastern federal hydropower facilities authorized under the Flood Control Acts to begin producing electricity. Dale Hollow was followed by Center Hill in 1950 and Wolf Creek in 1951.¹²

Subsequent legislation (Flood Control Acts of 1944, 1950, and 1966) authorized construction of additional multi-purpose projects in the Southeast, including several in the Savannah, Alabama, Apalachicola, and Roanoke River basins. The legislation stipulated that power in excess of that required for flood control and navigation was to be sold to public bodies and cooperatives or “preference customers” at the lowest possible rates.



Completed in 1924, Wilson Dam at Muscle Shoals on the Tennessee River was the first public

Monies generated from the power sales were to be deposited into the US Treasury to help defray costs of the authorized projects.

While the Flood Control Act of 1944 provided authorization for additional hydroelectric developments, it did not engender any particular agency to market the sale of electricity.¹³ By 1947, the Bonneville Power Administration and the Southwestern Power Administration had already been established in the northwestern and southwestern United States. In the Southeast, the Department of the Interior advised the creation of another power marketing administration. During the Eightieth Congress (1947-1948), however, the proposed “Southeastern Power Administration” faced vehement opposition by political leaders and private utility representatives.¹⁴ After vigorous debate, public power prevailed and the Department of the Interior established the Southeastern Power Administration on March 21, 1950. One of the new agency’s strongest supporters was Congressman Paul Brown, who authored legislation to establish SEPA headquarters in his hometown of Elberton, Georgia.

The post-World War II period proved to be a “golden age” for electricity providers. However, while public power received public support, it was often viewed as a competing force with unfair market advantages. At the onset of World War II, private utilities controlled about eighty percent of the nation’s power supply, and with the shortages of labor and materials, the United States temporarily suspended much of its public power program. Private utilities emerged from the war in a good financial position and were wary of renewed calls to broaden the federal power program. In the Southeast specifically, private utilities feared that a federal power marketing administration, interconnecting government-owned hydroelectric projects from Kentucky to Florida, would be the “last link of a public power chain that threatened to strangle them.” In fact, the vehement opposition to public power by private utilities in the South ultimately left SEPA at a unique disadvantage among the PMAs in that they owned no transmission lines.¹⁵



hydropower project in the southeastern United States (Library of Congress photo).

SEPA's Enabling Legislation

Section 5 of the Flood Control Act of 1944

Electric power and energy generated at reservoir projects under the control of the War Department and in the opinion of the Secretary of War not required in the operation of such projects shall be delivered to the Secretary of the Interior, who shall transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles, the rate schedules to become effective upon confirmation and approval by the Federal Power Commission. Rate schedules shall be drawn having regard to the recovery of the cost of producing and transmitting such electric energy, including the amortization of the capital investment allocated to power over a reasonable period of years. Preference in the sale of such power and energy shall be given to public bodies and cooperatives. The Secretary of the Interior is authorized, from funds to be appropriated by the Congress, to construct or acquire, by purchase of other agreement, only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available at wholesale quantities for sale on fair and reasonable terms at conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately owned companies. All moneys received from such sales shall be deposited in the Treasury of the United States as miscellaneous receipts.

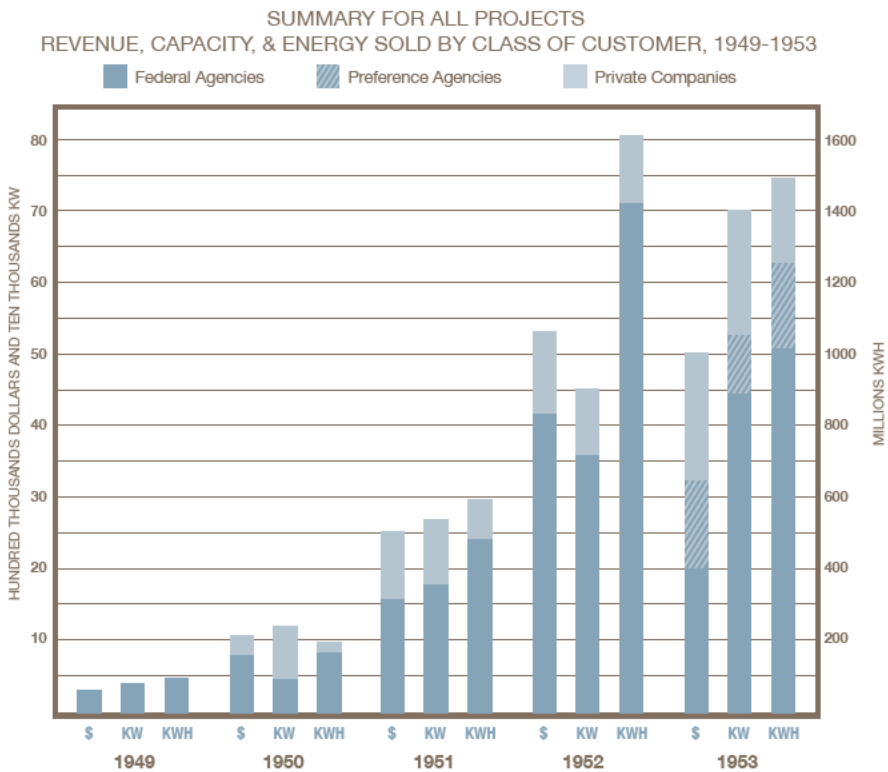
NEGOTIATING TRANSMISSION WITH PRIVATE UTILITIES

Despite opposition from private utilities, the Southwestern and Bonneville Power Marketing Administrations won Congressional support to construct transmission lines, principally because a sufficient grid system did not exist in the western United States. The Southeast, however, already possessed large and widespread transmission lines capable of handling increased loads. Private utilities argued that, among other criticisms, if the federal government constructed new transmission systems, customers would, in effect, be forced to pay for a redundant service. Therefore, until lines could be constructed or other arrangements made, the Department of the Interior was forced to negotiate transmission with private utilities, historically known as “wheeling.”

An unchallenged 1948 contract between the Department of the Interior and the Georgia Power Company allowed Georgia Power to purchase and transmit all power from the Allatoona project in the Coosa River basin at the busbar, although the federal preference customers could purchase up to a guaranteed 2.5 kW per week. This precedent, of allowing a private utility to directly purchase federal power, contributed to a number of subsequent disputes in the Southeast. For its part, SEPA reassured preference customers that regardless of the transmission, they would be granted the lowest possible rates.¹⁶

When the Clarks Hill project began producing electricity in 1950, Georgia Power offered a proposal similar to the Allatoona contract. That proposal would allow utilities to again purchase power at the busbar. In return, Georgia Power agreed to transmit the power and sell the electricity to preference customers at the government rate plus a surcharge for transmission services. SEPA's first administrator, Ben Creim (1950-1952), rejected the proposal, fearing alienation of preference customers and that future customers would be limited to only those who might receive power from any government-owned transmission lines. Moreover, he insisted, the proposal violated the 1944 Flood Control Act by transferring the government's sale and marketing responsibilities to a "middleman," which could ultimately put the preference customers at risk.¹⁷

In 1955, US Attorney General Herbert Brownell, Jr. reaffirmed the preference clause of the 1944 Flood Control Act. His opinion stated that the Secretary of Interior was obligated to contract the transmission of power to preference customers within a



While SEPA largely markets to preference customers today, its earliest sales were to other federal agencies and private companies. Because Wolf Creek, Center Hill, and Dale Hollow were the first Corps projects to begin producing hydropower, TVA was one of SEPA's biggest customers.

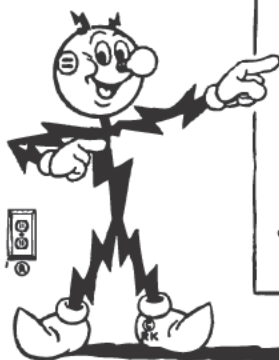
reasonable time. The Brownell opinion proved to be the lynchpin to finalizing negotiations between SEPA and Georgia Power. In 1956, the two entities settled the terms of the Clarks Hill transmission agreement that allowed for preference customers to purchase power directly from the federal government and the government would pay the Georgia Power Company a fee for transmission. Any power in excess of what was required to fulfill the preference customer contracts would be sold to Georgia Power. The “Battle at Clarks Hill” was over, and on May 20, 1956, federally generated electricity began flowing over Georgia Power transmission lines to the first two preference customers, the City of Elberton and the Tri-County Electric Membership Corporation (EMC) in Gray, Georgia.¹⁸

These early years of SEPA’s history were characterized by numerous negotiations with private utilities. Another incident involved transmission negotiations with the Virginia Electric and Power Company (VEPCO). The debate with VEPCO resulted from the government’s need to transmit power from the Bugg’s Island (renamed John H. Kerr) development on the Roanoke River to Langley Field, Virginia. VEPCO refused outright to transmit power for the government. As a result, SEPA and the Department of the Interior requested funds to construct a 146-mile transmission line from Bugg’s Island to Langley Field. Once Congress appropriated the construction funds in 1951, though, negotiations between SEPA and VEPCO began in earnest. Those negotiations ended with SEPA paying 1.375 mills per kilowatt hour (kWh) for transmission and also resulted in service to 17 additional preference customers in Virginia and North Carolina. Through these early negotiations, SEPA established a long-term precedent for transmitting power to its preference customers.¹⁹

SYSTEMS AND CUSTOMERS

In 1952, Congress appropriated \$320,000 for construction of a transmission line to integrate the Clarks Hill development with the Greenwood County Electric Power Commission in Greenwood, South Carolina. The following year, SEPA’s second administrator, Charles W. Leavy (1952-1969) proposed additional funding for 375 miles of transmission lines to interconnect the projects at Allatoona, Buford, and Clarks Hill. The purpose, according to Leavy, was to combine the electrical output thereby creating economies of scale. By this time, and under pressure from private utilities, Congress and the administration of newly elected President Dwight Eisenhower expressed little interest in funding federal transmission lines in the Southeast. In 1953, the Eisenhower budget eliminated funding for both the Greenwood line, which was under construction, and the proposed interconnection of the projects at Allatoona, Buford, and Clarks Hill projects. Later that year, the Department of the Interior sold the partially-completed Greenwood transmission line to the Greenwood Commission.²⁰

While President Eisenhower’s budget eliminated SEPA’s efforts to physically connect the Allatoona, Buford, and Clarks Hill projects by transmission lines, Administrator Leavy began looking at alternative means of integrating the electrical output. He proposed operating the dams in groups or “systems.” His proposal was based on the fact



Mr. Co-op Member:-
We Will Wheel
Kerr Dam Power!

L. V. SUTTON, President
Carolina Power & Light Company

**STATEMENTS TO THE CONTRARY
ARE INCORRECT AND MISLEADING**

During its early years, SEPA faced stiff opposition from private utilities with whom they were forced to negotiate transmission costs. In this 1955 promotional in The Robesonian (Lumberton, North Carolina), Reddy Kilowatt responds to EMC customers.

that each hydro project is different. Each project has its own flow, output, environmental constrictions, and weather conditions. Some operate in run-of-the-river mode while others have a high-head reservoir capacity. Studies suggested that grouping the projects would result in a more dependable capacity with substantial rate savings of approximately \$9.00 per kilowatt. SEPA developed the first "system" by consolidating the Allatoona, Buford, and Clarks Hill dams in what was termed the "ABC" contract. While ABC was supplanted in subsequent years by newer systems, it proved that integration was an effective way to keep rates low and generate additional revenue. In addition, because customer rates assume amortization costs for the hydro projects themselves, SEPA insisted on a fair allocation of costs among the project uses. By doing so, SEPA managed to keep rates low while still meeting each of its repayment requirements.²¹

The concept of integrating the systems became even more important during the 1960s and 1970s as additional hydro projects went online. At this time, SEPA also assumed greater responsibilities for marketing power generated at Corps projects in the Cumberland River basin. As the first of those projects went online during the late 1940s, the Department of the Interior signed an agreement transferring marketing and transmission responsibilities to the TVA. In the late 1950s, however, Congress froze TVA's service area and, in 1963, SEPA sought to re-negotiate the contract. Under the revised agreement, SEPA began marketing outside of the TVA service area, specifically to generation and transmission cooperatives in Kentucky, southern Illinois and Mississippi, with TVA providing transmission.²²

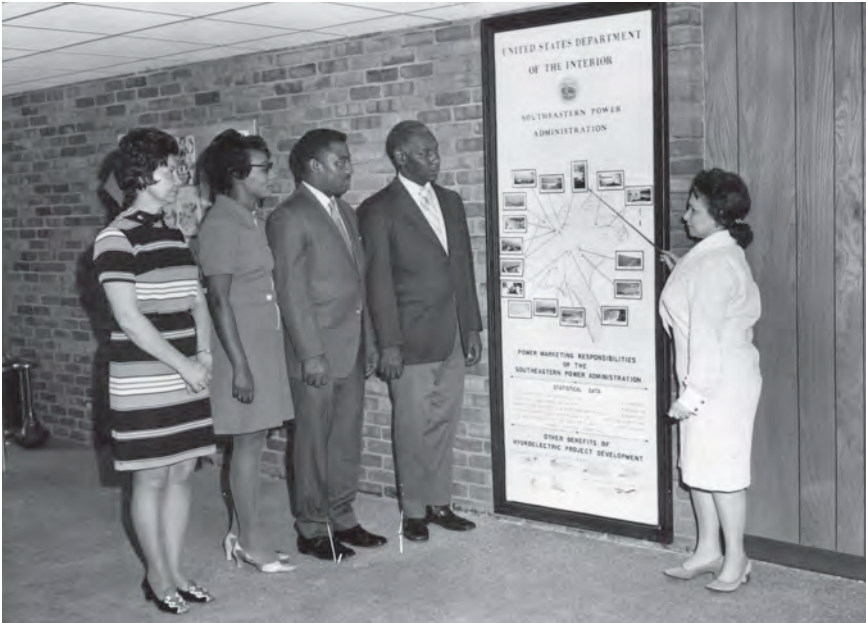
Another Corps project, Richard B. Russell Dam and Lake on the Savannah River, involved additional disputes with a private utility, but highlighted the growing influence of preference customers. The extent of the Russell project, as planned by the

SEPA MARKETS POWER FROM 22 HYDROELECTRIC PROJECTS
MANAGED BY THE US ARMY CORPS OF ENGINEERS.²³

Project	Purpose	Year Authorized	Construction Commenced	First Unit Online	Last Unit Online	Power System	Nameplate Capacity (MW)
WOLF CREEK	FC-P	1938	1942	1948	1953	Cumberland	270
DALE HOLLOW	FC-P	1938	1942	1950	1951	Cumberland	54
CENTER HILL	FC-P	1938	1942	1950	1951	Cumberland	135
ALLATOONA	FC-P *	1941	1944	1950	1950	GA-AL-SC	74
JOHN H. KERR	FC-P	1945	1946	1952	1953	Kerr-Philpott	204
J. STROM THURMOND	FC-N-R-P	1944	1946	1953	1954	GA-AL-SC	280
PHILPOTT	FC-P	1945	1948	1953	1953	Kerr-Philpott	14
JIM WOODRUFF	N-P	1947	1948	1957	1957	Jim Woodruff	30
OLD HICKORY	N-P	1947	1952	1957	1957	Cumberland	100
BUFORD	FC-N-P**	1947	1950	1957	1957	GA-AL-SC	86
CHEATHAM	N-P	1947	1950	1959	1960	Cumberland	36
HARTWELL	FC-N-P	1950	1956	1962	1983	GA-AL-SC	344
WALTER F. GEORGE	N-P	1946	1956	1963	1963	GA-AL-SC	130
BARKLEY	FC-N-P	1955	1957	1966	1966	Cumberland	130
MILLERS FERRY	N-P	1945	1963	1970	1970	GA-AL-SC	75
J. PERCY PRIEST	FC-P-R	1946	1963	1970	1970	Cumberland	28
CORDELL HULL	N-P-R-ARA	1947	1963	1973	1974	Cumberland	100
CARTERS	FC-P	1945	1963	1975	1977	GA-AL-SC	500
R.F. HENRY	N-P	1945	1967	1975	1975	GA-AL-SC	68
WEST POINT	FC-FW-N-P-R	1962	1966	1975	1975	GA-AL-SC	73
LAUREL	P-R-ARA	1961	1965	1977	1977	Cumberland	61
RICHARD B. RUSSELL	FC-P-R-FW-ARA	1966	1975	1985	2002	GA-AL-SC	600
Legend:							
FC: Flood Control		P: Power		N: Navigation		FW: Fish and Wildlife	
R: Recreation		ARA: Area Redevelopment					
* As of 2011, Allatoona is in litigation over water supply operations.							
** According to a 2011 ruling by the 11 th Circuit Court of Appeals and a 2012 legal opinion by the Corps, Buford is also authorized for water supply.							



SEPA markets the electricity produced at 22 Corps-owned hydropower plants in the Southeast.



SEPA open house, 1972. Before being transferred to the Department of Energy, SEPA was under the administrative purview of the Department of the Interior (SEPA photo).

Corps, incorporated two of an original 11 sites in the Savannah River basin proposed by the 1944 Flood Control Act. Duke Power Company opposed the plan unless it was allowed to build the Keowee-Toxaway Hydroelectric Project on an upriver tributary. Duke Power's plans were opposed by the Southeast Power Resources Committee (SEPRC), which consisted of regional rural electric cooperatives. The cooperatives charged that Duke's Keowee-Toxaway Project violated the priorities of the 1944 Flood Control Act as well as anti-trust laws. Eventually, attorney William P. Crisp, working on behalf of the cooperatives, convinced Duke Power officials that construction of both projects was possible at no harm to each of the parties. Russell Dam was authorized in 1966, a tribute to the influence of the rural electric cooperatives and their collaboration with federal power partners.²⁴

When it was established in 1950, SEPA was placed within the Department of the Interior. During the energy crisis of the late 1970s, newly elected President Jimmy Carter proposed a new cabinet-level department to carry out his administration's energy policies. The Department of Energy Act was signed into law on August 4, 1977 and oversight of the four existing PMAs (SEPA, SWPA, BPA, and Alaska Power Administration [APA]) transferred from the Bureau of Reclamation and Department of Interior to the new Department of Energy. In addition, the enabling legislation established a fifth PMA, the Western Area Power Administration, removing power marketing responsibilities in the west from the Bureau of Reclamation.²⁵

Although the structural organization had little effect on SEPA's overall operation, it did initiate one substantial change. Transfer to the Department of Energy required the PMAs to comply with the Administrative Procedure Act of 1947. Under this law, SEPA was obligated to make its policy development a public process. Administrator Harry F. Wright (1978-1981) supported the new procedures, saying, "The lack of public involvement is litigation." Up to this time, SEPA's marketing policies and contracts were negotiated directly between the primary parties although the policies had the potential to affect others. In 1978, SEPA published its "Procedure for Public Participation in the Formulation of Marketing Policy" in the Federal Register and then applied the process to developing the marketing policies for the Georgia-Alabama-South Carolina and Kerr-Philpott systems. Public involvement did not supplant the contract negotiation process, "but it did place [the negotiations] under a policy umbrella, after the umbrella itself had been subjected to public scrutiny."²⁶

Until this time, SEPA also sold capacity with no energy to private utilities in the Georgia-Alabama-South Carolina and Kerr-Philpott systems. Those private utilities retained the right to schedule the power and deliver it to the federal power customers. The capacity sales helped offset the transmission services incurred by the utilities and, in return, lowered transmission rates for the federal power customers served in those areas. In 1984, for example, in areas where federal power was underutilized by preference customers, SEPA sold twenty-three percent of its capacity (less than one percent of its total energy) to private utilities.²⁷

Following the issuance of the new Georgia-Alabama-South Carolina marketing policy in 1980, Electricities of North Carolina, Inc., a consortium of preference customers largely located in the Kerr-Philpott marketing area, filed a series of lawsuits against SEPA. First, they challenged the legality of developing marketing policies based on geographic boundaries. Secondly, Electricities alleged that selling capacity without energy to private utilities violated the preference clause of the 1944 Flood Control Act because it denied the use of the federal power to other preference customers, even if those customers were outside of a marketing policy's geographic boundaries. Through the Electricities lawsuits, the courts ruled in SEPA's favor and determined that the power marketing administrations have the discretion to set geographic boundaries for marketing power. Ultimately, Electricities was allocated power in the new Kerr-Philpott marketing policy issued in 1985.²⁸

Notably, concurrent to the Electricities litigation, SEPA discontinued the practice of selling "capacity without energy" in the new marketing policies of the 1980s.

Leaders During the First Fifty Years

Ben Creim

1950 - 1952

Charles W. Leavy

1952 - 1969

Jan Fortune

1969 - 1978

Harry F. Wright

1978 - 1981

Harry C. Geisinger

1981 - 1989

Reduced river flow could cut electricity from Thurmond Dam

By Robert Pavey

Columbia County Bureau Chief

A plan to offset low water levels at Thurmond Lake by reducing the Savannah River's flow through the dam this spring could cause complications for the federal agency that markets electricity produced by the project.

The Corps of Engineers decided this week that the river's already-reduced flow will be cut from 5,400 cubic feet per second to 3,600 cfs on April 16. The river's normal flow of 7,000 cfs was cut to 5,400 in November.

Corps spokesman Gay Orr of the Savannah District Office said the 30 percent reduction is expected to help raise lake levels during what meteorologists predict will be another drought-like summer. The cutbacks also will affect Russell and Hartwell lakes.

"Our hydrologists are saying the drought is going to continue, and the lakes have only a small probability of refilling this summer unless we get some major rainfall in the next 60 days," she said.

The reduction of water flow through the dam is expected to cut into the project's ability to generate large amounts of hydroelectric power marketed by the Southeastern Power Administration, she said.

SEPA - an arm of the U.S. Energy Department based in Elberton, Ga. - administers contracts through which power from Thurmond and nine other Corps projects in the South are sold to municipal and private customers. Proceeds help repay the U.S. Treasury for funds appropriated to build the projects.

If Corps projects cannot provide enough power to fulfill SEPA's contracts, SEPA must purchase power elsewhere for resale, according to hydraulic engineer Harold Jones of SEPA's Power Operations Division.

"This would have an effect on us, in that if they cut back to 3,600 cfs, it would reduce generation and won't produce our contract minimums," he said. "Therefore, we'll have to purchase unless conditions improve elsewhere."

SEPA has faced such a predicament at least three times since the current drought cycle originated in 1980, he said. SEPA purchased \$900,000 in power in 1987, \$10 million in 1986 and about \$1.8 million in 1981.

Jones said a "worst-case scenario" developed by SEPA in anticipation of continued drought conditions and extended reduced-flow periods indicates the agency may have to purchase up to \$16 million in power later this year.

He cautioned, however, that such an estimate is flexible and depends largely on conditions at the nine projects that generate power marketed simultaneously with that produced at Thurmond Dam.

"We know the minimum amount we have to have available," he said. "The big question is what dams will produce those amounts. We'll have to purchase what's left."

Corps officials plan to schedule public hearings in Augusta and Anderson, S.C., later this spring to discuss the effects the flow cutbacks will have on industry, recreational users of the lake and the public.

SEPA must meet the contractual obligations of its customers, even if it means purchasing replacement power in times of severe drought (Augusta Chronicle, March 30, 1988).

Developed under the new public involvement procedures, the new policies were designed to supply all of the available federal power (capacity and energy) to preference customers and only contract with private utilities for transmitting power. Another significant marketing policy change of this period included the expansion of SEPA's customer base in the Cumberland System. Prior to the new Cumberland System marketing policy, issued in 1983, SEPA had traditionally allocated the majority of the federal power to the TVA and some preference customers just outside of the TVA service area, with TVA providing transmission. The new policy allocated power to new prefer-

ence customers within the Kentucky Utilities (KU) service area provided that transmission could be negotiated with the investor-owned utility. The development of the three marketing policies during the early 1980s represented a time of intense and near constant negotiation between SEPA, the federal power customers, as well as private utilities, and through those negotiations, the agency developed long-term arrangements that, by and large, are still in place today.²⁹

In addition, by this time, some preference customers had begun to consolidate their interests. Two of these included the Oglethorpe Power Corporation, made up of rural electric cooperatives, and the Municipal Electric Authority of Georgia (MEAG), comprising municipal electric systems. No longer were preference customers relying on federal power for a majority of their electrical load. They began contracting with private utilities to acquire additional capacity and had even partnered with them to construct nuclear or other power-generating facilities as well as transmission lines. SEPA, however, continued to provide highly valued peaking power.³⁰

THE DRY YEARS

During the 1980s, SEPA faced a number of challenges, but perhaps none as great as seven years of drought. The drought of 1980-1982 was one of the most severe up to that time and forced the agency to purchase approximately \$1.8 million in replacement power in 1981 alone. Despite the severity of that drought, it was surpassed by the dry years of 1984-1989. SEPA's 1986 annual report called the latter "unprecedented" with a particularly devastating effect on the region's agriculture. Water levels dropped so low that the Corps of Engineers' Nashville District entered into an agreement with SEPA to reduce power generation at the nine hydroelectric projects in the Cumberland System. To meet contractual obligations with its customers, SEPA had to purchase supplemental power, defer \$46 million in interest, and raise rates. In the Georgia-Alabama-South Carolina system, the Corps developed a drought management plan that significantly reduced the amount of available water for power production. As with the Cumberland System, SEPA had to purchase expensive replacement power for its customers. From 1986-1988, SEPA purchased more than \$24.5 million in replacement power, including \$21 million in the GA-AL-SC System, \$1.1 million in the Cumberland System, and \$2.4 in the Jim Woodruff System.³¹

For SEPA, the droughts reduced the amount of available power, but these weather events also began to highlight other issues that would emerge repeatedly during the next two decades. Beginning with the Clarks Hill development on the Savannah River, the federal government assumed the responsibility to provide recreational facilities at its dams and impoundments.³² By the early 1970s, Corps' dams enjoyed over 60 million visitors each year. In drought situations, however, other lake users such as boat owners, fishermen, and local water authorities raise concerns over the availability of water. Water discharges for power generation are sometimes viewed as wasteful. When politics enters the equation, interstate battle lines are drawn. Litigation over proper use of the Alabama-Coosa-Tallapoosa and Apalachicola-Chattahoochee-Flint basins, the so-called Tri-State "water wars," began as a result of the 1980s droughts. The proper allocation of water, specifically needed for contracted electricity demand, is a key component of that

ongoing litigation. Over the next two decades, SEPA customers would be an important stakeholder in the litigation efforts as well as the development of water allocation studies.

Politically, SEPA encountered another external challenge during the 1980s. Faced with growing federal deficits, President Ronald Reagan's administration proposed privatizing or selling the PMAs to non-federal entities. This notion first appeared in the Grace Commission Report of 1984, which was designed to recommend government cost-saving efforts. The ideology behind PMA divestiture harkened back to the public power debates of the 1950s, that the limited role of government did not include power production or marketing. Congress, supported by rural electric cooperatives and municipal preference customers, opposed the proposal and responded by refusing the executive branch any funds to study the idea further. However, the President's Fiscal Year (FY) 1988 budget included selling all five PMAs with SEPA and APA prioritized for accelerated divestiture. While these proposals were eventually struck from the final FY 1988 year budget, the concept would re-appear multiple times in budget proposals of the FY 1990s and beyond.³³

During its first 40 years, even as the organization assumed responsibility for marketing power at additional hydro projects, it did so while keeping operating costs low and maintaining a small workforce. During the 1960s, SEPA engaged no more than 40 employees. By 1990, this number was virtually unchanged. Automation and technology certainly helped employees do more with less, but the organization also relied heavily on the expertise of a stable workforce. These long-time employees benefitted from, in some cases, decades of experience and developed strong working relationships with public power customers and the Corps partners. By 1990, SEPA employees were responsible to 297 customers, including 127 cooperatives and 164 public bodies.³⁴

SUCCESS IN THE FACE OF AWESOME OPPOSITION

In 1990, SEPA celebrated its 40th anniversary and adopted the theme "Forty Going on Fifty." The newly appointed administrator, John A. McAllister, Jr., remarked, "We recognize the importance of our customers, and will continue to strive to meet their future needs." In tribute to its first 40 years, the agency distributed copies of Gus Norwood's history of SEPA, *Gift of the Rivers: Power for the People of the Southeast*. "The life story of SEPA is at once improbable, remarkable and interesting," Norwood wrote, "It is a heartwarming story of success in the face of awesome opposition."³⁵

Norwood noted that SEPA was "created at an exciting, dynamic time," but the organization's life story had only begun by 1990.³⁶ *Gift of the Rivers* closed when the drought years ended and a new administrator arrived in Elberton. SEPA began the new decade by embarking on a bold initiative, to re-energize and improve its existing relationships with the customers and the Corps. This proved to be a fortuitous business decision. Over the next 20 years, chronicled in this history, the organization faced additional years of drought, aging and sometimes unserviceable hydroelectric units, and new stringent industry standards. From 1990 to 2010, this small but powerful federal agency headquartered in Elberton, Georgia witnessed and initiated far-reaching changes.

ENDNOTES

- ¹ A fifth PMA, the Alaska Power Administration, was sold in 1996. For historical information on the various PMAs see Gus Norwood, *Gift of the Rivers: Power for the People of the Southeast. A History of the Southeastern Power Administration* (Washington, DC: US Government Printing Office, 1990); Gus Norwood, *Columbia River Power for the People: A History of Policies of the Bonneville Power Association* (Portland: Bonneville Power Administration [BPA], 1981); Western Power Administration (WAPA), *Serving the West: Western Power Administration's First 25 Years as a Power Marketing Agency*. Available online from January 27, 2010. <http://www.wapa.gov/about/historyproj.htm>; Erwin C. Hargrove and Paul K. Conkin, *TVA: Fifty Years of Grass-roots Bureaucracy* (Urbana: University of Illinois Press, 1983); *Southwestern Power Administration (SWPA), 50/50 Partnerships in Power, Southwestern Power Administration 50th Anniversary* (Tulsa: Southwestern Power Administration, 1993).
- ² "Theodore Roosevelt and the Conservation Movement," presented August 18, 1958, 85th Congress, 2nd Session (Washington, DC: United States Government Printing Office, 1958).
- ³ William D. Rowley, *The Bureau of Reclamation: Origins and Growth to 1945, Volume 1* (Denver: US Department of the Interior, 2006), 82.
- ⁴ Norwood, *Gift of the Rivers*. For discussions on the origins of public power, see Phyllis Komarek De Luna, *Public Versus Private Power during the Truman Administration: A Study of Fair Deal Liberalism* (New York, Peter Lang Publishing, 1997); and John Richard Waltrip, *Public Power during the Truman Administration* (New York: Arno Press, 1979).
- ⁵ The River and Harbors Acts of 1890 and 1899 attempted to address the increasing number of private dams that were interfering with navigation. The acts required approval by the US Army Corps of Engineers and the Secretary of War for these private dams on navigable rivers; still Congress issued some 30 permits between 1896 and 1906. See David P. Billington, Donald C. Jackson and Martin V. Melosi, *The History of Large Federal Dams: Planning, Design, and Construction in the Era of Big Dams* (Denver: US Department of the Interior, Bureau of Reclamation, 2005), 36-37.
- ⁶ Preliminary Report of the Inland Waterways Commission.
- ⁷ Norwood, *Bonneville Power Administration*.
- ⁸ de Luna, *Public versus Private Power*, 2-7; also Billington, Jackson and Melosi, *History of Large Federal Dams*, 131-133.
- ⁹ Norwood, *Gift of the Rivers*, 14-16; also Norwood, *Bonneville Power Administration*, 69-77.
- ¹⁰ Alex Radin, "Public or Private Power," *The Rotarian* (November 1954): 22, 58-60; Ben Moreel, *Our Nation's Water Resources: Policies and Politics*, (New York: Arno Press, Inc., 1956 [reprinted 1972]), 188. For additional information on the public power debate, Waltrip, *Public Power*; de Luna, *Public versus Private Power*; and Alex Radin, *Public Power-Private Life* (Washington, DC: American Public Power Association, 2003).
- ¹¹ James C. Cobb, *The Selling of the South: The Southern Crusade for Industrial Development, 1936-1990*. 2nd ed. (Urbana, IL: University of Illinois Press, 1993). For the industrial power needs for Atlanta, see Lori I. Coleman, "Our Whole Future is Bound up in this Project: The Making of Buford Dam," Master's Thesis (Atlanta: Georgia State University, 2008), 30-34. For post-war utility supply and demand, see Wade H. Wright, *History of the Georgia Power Company, 1855-1956* (Atlanta: Foote and Davies, 1957), 324-336; Robert F. Durden, *Electrifying the Piedmont Carolinas: The Duke Power Company, 1904-1997* (Durham, NC: Carolina Academic Press, 2001); Jack Riley, *Carolina Power and Light Company, 1908-1958* (Raleigh: Edwards and Broughton Company, 1958). For specific calls to US Army Corps of Engineers owned facilities in the Southeast, see "Hartwell Termed 'Urgent': More Power Urged for Savannah Basin," *Augusta Chronicle* February 18, 1952.

¹² As Dale Hollow was entering the last stages of construction, the Secretary of the Interior, charged with marketing the power, proposed transferring the Cumberland system power over to the Tennessee Valley Authority. Subsequently, this was found to be in violation of the 1944 Flood Control Act and marketing responsibilities were transferred to SEPA. See Norwood, *Gift of the Rivers*, 23-27. For additional information on the Cumberland River basin projects, see Leland R. Johnson, *Engineers on the Twin Rivers: A History of the Nashville District Corps of Engineers* (Nashville: US Army Corps of Engineers, 1978); also, Leland R. Johnson, *The Ohio River Division US Army Corps of Engineers: The History of a Central Command* (Louisville: US Army Corps of Engineers, 1992).

¹³ Norwood, *Gift of the Rivers*, 35.

¹⁴ de Luna, *Public versus Private Power*, 81-83. De Luna's work provides an excellent study of the development of public power and details the controversies over the creation of the federal power marketing agencies.

¹⁵ de Luna, *Public versus Private Power*, 95; also, Waltrip, *Public Power*. The renewed opposition of public utilities after World War II was one of many contributing factors to SEPA's failure to acquire transmission capabilities. The Southwestern Power Administration, created in 1943, did manage to acquire funding for approximately 1,700 miles of transmission lines, but was forced to find other alternatives as well, and ultimately, developed an important wheeling contract with the Texas Power and Light Company. However, Waltrip (130-135) notes that by the time a southeastern marketing administration became necessary in the late 1940s, the country had lost its appetite for public works. In addition, the Korean Conflict and the increasing national debt had crept into the public consciousness and, as a result, Congress began slashing PMA budgets. This, combined with the pressure from southern investor-owned utilities and the wheeling precedent set by SWPA, virtually eliminated calls for federal transmission line construction in the Southeast.

¹⁶ de Luna, *Public versus Private Power*, 95-97; also "New Millen REA Plant Opens: Federal Official is Heard," *Augusta Chronicle*, October 11, 1950; Norwood called these early conflicts the "Battle at Clarks Hill," see *Gift of the Rivers*, 43-55.

¹⁷ The Southwestern and Bonneville Power Administrations also opposed the contracts, contending that such agreements would jeopardize any federal transmission of power over existing or proposed lines, of which they were owners. See de Luna, *Public versus Private Power*, 96-97. For a legal discussion, see L. Clifford Adams, Jr., Clinton A. Vince, and Alan I. Robbins, "Federal Electric Preference Power Marketing in the 1980s: Developing Legal Trends," *4 Energy Law Journal* (1983).

¹⁸ Wright, *Georgia Power Company*, 342-343. Ironically, Georgia Power's subsidiary, the Savannah River Electric Company, held a Federal Power Commission license to construct a small power plant at Clarks Hill. They surrendered the license in 1932, favoring construction of a steam plant. In fact, Georgia Power proposed to sell its reservoir rights at cost in return for the government selling power at a reasonable price. Georgia Power's opposition to federal power at Clarks Hill began once the 1944 Flood Control Act required the power to be marketed first to public bodies and cooperatives. See Norwood, *Gift of the Rivers*, 29-30.

¹⁹ Norwood, *Gift of the Rivers*, 39-41. This was not the case with Carolina Power and Light, which owed much of its success to the election of President Dwight Eisenhower in 1952. Far less supportive of public power than the previous administration, Eisenhower's Secretary of the Interior ordered SEPA to sell its power outright to Carolina Power & Light (CP&L). CP&L would, in turn, sell power to the cooperatives. See also de Luna, *Public versus Private Power*, 97-100. For more information on Corps projects in the Roanoke River basin, see Ronald B. Hartzler, *To Great and Useful Purpose: A History of the Wilmington District US Army Corps of Engineers* (Wilmington: US Army Corps of Engineers, 1984).

²⁰ When the Department of Interior proposed the Greenwood line, it was again met by bitter opposition and litigation, this time from the Duke Power Company and South Carolina Electric and Gas. See Norwood, *Gift of the Rivers*, 45, 51-53; also de Luna, *Public versus Private Power*, 100-104.

²¹ Norwood, *Gift of the Rivers*, 45, 51-53; also de Luna, *Public versus Private Power*, 100-104.

²² Norwood, *Gift of the Rivers*, 23-27, 51-53.

²³ Table originally appears in Norwood, *Gift of the Rivers*, 26, and has been updated to reflect current installed (nameplate) capacity.

- ²⁴ The Keowee-Toxaway Hydroelectric Project includes two hydro developments, one conventional (Keowee) and the other a pumped-storage unit (Jocassee), both of which were integral to a broader Keowee-Toxaway Energy Project that included the proposed Oconee Nuclear Station (ONS). The two hydroelectric projects were designed to balance the base load generated at the ONS and Lake Keowee would provide cooling water for the nuclear station; Norwood, *Gift of the Rivers*, 69-74; also, Durden, *Electrifying the Piedmont Carolinas*, 136-139.
- ²⁵ Terrence R. Fehner and Jack M. Hall, *Department of Energy, 1977-1994: A Summary History* (Washington, DC: US Department of Energy, 1994), 21-24; see also, WAPA, *Serving the West*.
- ²⁶ Norwood, *Gift of the Rivers*, 74-76.
- ²⁷ Clinton A. Vince and Nancy A. Wodka, "Recent Legal Developments and Legislative Trends in Federal Preference Power Marketing," *Energy Law Journal* 7, no. 1 (1986): 11-14, 38-37, 43-46.
- ²⁸ Vince and Wodka, "Recent Legal Developments," 38-37, 43-46; also phone interview with Leon Jourolmon, October 1, 2012.
- ²⁹ Norwood, *Gift of the Rivers*, 79-81; also phone interview with Leon Jourolmon interview, October 1, 2012
- ³⁰ Norwood, *Gift of the Rivers*, 79-81.
- ³¹ Johnson, *Ohio River Division*, 354; also, Norwood, *Gift of the Rivers*, 79-83; SEPA, *Annual Report*, 1986; *Augusta Chronicle*, March 30, 1988. Additional data and numbers provided by J.W. Smith, SEPA.
- ³² Planned or not, recreation was a natural byproduct of reservoir construction. As Leland R. Johnson notes in his history of the Pittsburgh District, because of increased use of automobiles and more leisure time, there was an "unexpected surge" of recreational use of Corps lakes following World War II. See Leland R. Johnson, *The Headwaters District: A History of the Pittsburgh District, US Army Corps of Engineers* (Pittsburgh, Pennsylvania: US Army Corps of Engineers, 1979), 302. Clarks Hill, under the purview of the South Atlantic Division, was the first federal reservoir specifically authorized to provide recreational benefits. In fact, as part of the planning process, the Corps held public meetings in both South Carolina and Georgia to solicit feedback from local stakeholders. See Henry E. Barber and Allen R. Gunn, *A History of the Savannah District US Army Corps of Engineers* (Savannah: US Army Corps of Engineers, 1989), 428-430.
- ³³ *Energy Law Journal*, ed., "Report of the Committee on Power Marketing Agencies," 8 *Energy Law Journal* (1987), 159-190; *Energy Law Journal*, ed., "Report of the Committee on Power Marketing Agencies," 9 *Energy Law Journal* (1988), 239-257; *Energy Law Journal*, ed., "Report of the Committee on Power Marketing Agencies," 9 *Energy Law Journal* (1990), 141-152.
- ³⁴ Norwood, *Gift of the Rivers*, 64.
- ³⁵ Southeastern Power Administration, *Annual Report*, 1990, 1; Norwood, *Gift of the Rivers*, ix. In 1967, Gus Norwood became the first administrator of the Alaska Power Administration. A graduate of the US Naval Academy, he served in the Navy during WWII and was on the carrier *USS Hornet* during the Battle of Midway and at Guadalcanal. In addition to writing the first history of the Southeastern Power Administration, Norwood used his knowledge to draft a comprehensive history of the Bonneville Power Administration in 1980, *Columbia River: Power for the People*. He passed away at the age of 90 on May 2, 2006.
- ³⁶ Norwood, *Gift of the Rivers*, 16.