

# ***Southeastern Power Administration***

**2019  
Annual Report**

**CARTERS**



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# Fast Facts

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**Administrator:**

Kenneth E. Legg

**Headquarters:**

1166 Athens Tech Road  
Elberton, GA 30635-6711  
Telephone: 706-213-3800

**Website:**

[energy.gov/sepa/southeastern-power-administration](http://energy.gov/sepa/southeastern-power-administration)

**Number of Employees:** .....44

**Marketing Area:**

Alabama, Florida, Georgia, Illinois, Kentucky,  
Mississippi, North Carolina, South Carolina,  
Tennessee, Virginia and West Virginia

**Customers:**

Electric Cooperatives ..... 193  
Public Bodies .....283  
Investor-Owned Utilities ..... 1  
Total .....477

**Financial Data:**

Power and Other  
Operating Revenues .....\$316 million  
Total Capital Investment .....\$2.8 billion  
Investment Remaining ..... \$1.6 billion  
Cumulative Investment Repaid .....\$1.2 billion  
Cumulative Investment Interest Paid ....\$2.4 billion



Participants of the Southeastern Federal Power Alliance toured and posed atop Hartwell Powerplant.

# ***Administrator's Report***

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Secretary Brouillette:

I am pleased to submit Southeastern Power Administration's (Southeastern) Fiscal Year 2019 Annual Report for your review. This report reflects our agency's programs, accomplishments, operational, and financial activities for the 12-month period beginning October 1, 2018, and ending September 30, 2019.

In 2019, Southeastern marketed more than nine billion kilowatt-hours of energy to 477 wholesale customers in ten southeastern states. Power revenues totaled nearly \$304 million. In Fiscal Year 2018, eleven preference customers in the Georgia-Alabama-South Carolina System, with allocations totaling 85,111 kW, invoked the 25-month notice termination clause of their power sales contract. Southeastern continues a process to expedite the transition prior to the contract termination dates in 2020. Southeastern terminated five power sales contracts on December 31, 2018, and increased 35 allocations of current interested preference customers through amended power sales contracts, beginning January 1, 2019. Southeastern terminated three power sales contracts on March 31, 2019, and increased three allocations through amended power sales contracts, beginning April 1, 2019. These two phases of the transition accounted for 29,599 kW and 31,182 kW of capacity. In May 2019, Southeastern received another Georgia-Alabama-South Carolina System customer contract termination notice of 13,378 kW. Southeastern plans to terminate this contract by December 31, 2020, with all relinquished power delivered January 1, 2021.

Funding for capitalized equipment purchases and replacements at hydroelectric facilities operated by the U.S. Army Corps of Engineers (Corps) continued in 2019 with the financial assistance and support of Southeastern's customers. With the addition of a new funding agreement with Jim Woodruff customers, there are 422 customers participating in funding infrastructure renewal efforts in all systems. Congressional appropriations no longer adequately maintain Federal hydropower assets, but customer funding, about \$63.5 million in 2019, will be a stable, consistent funding source and allow the Corps to effect dependability enhancing repairs for aging projects in Southeastern's marketing area.

Southeastern continues to provide clean, renewable hydroelectric power to cities and rural cooperatives at the lowest possible rate consistent with sound business principles. Through partnerships with our customers and the Corps, Southeastern will help protect and sustain the Federal hydroelectric facilities of the region for future generations. Certainly, Southeastern is positioned to meet the challenges of the region's dynamic energy future. We remain committed to providing reliable hydroelectric power to preference customers, which ultimately serve more than 12 million consumers in the southeast.

Sincerely,



Herbert R. Nadler  
Acting Administrator

# Mission, Vision & Organization

## Mission Statement

The mission of Southeastern is to market and deliver federal hydroelectric power, at the lowest possible cost, to public bodies and cooperatives in the Southeastern United States.

## Vision Statement

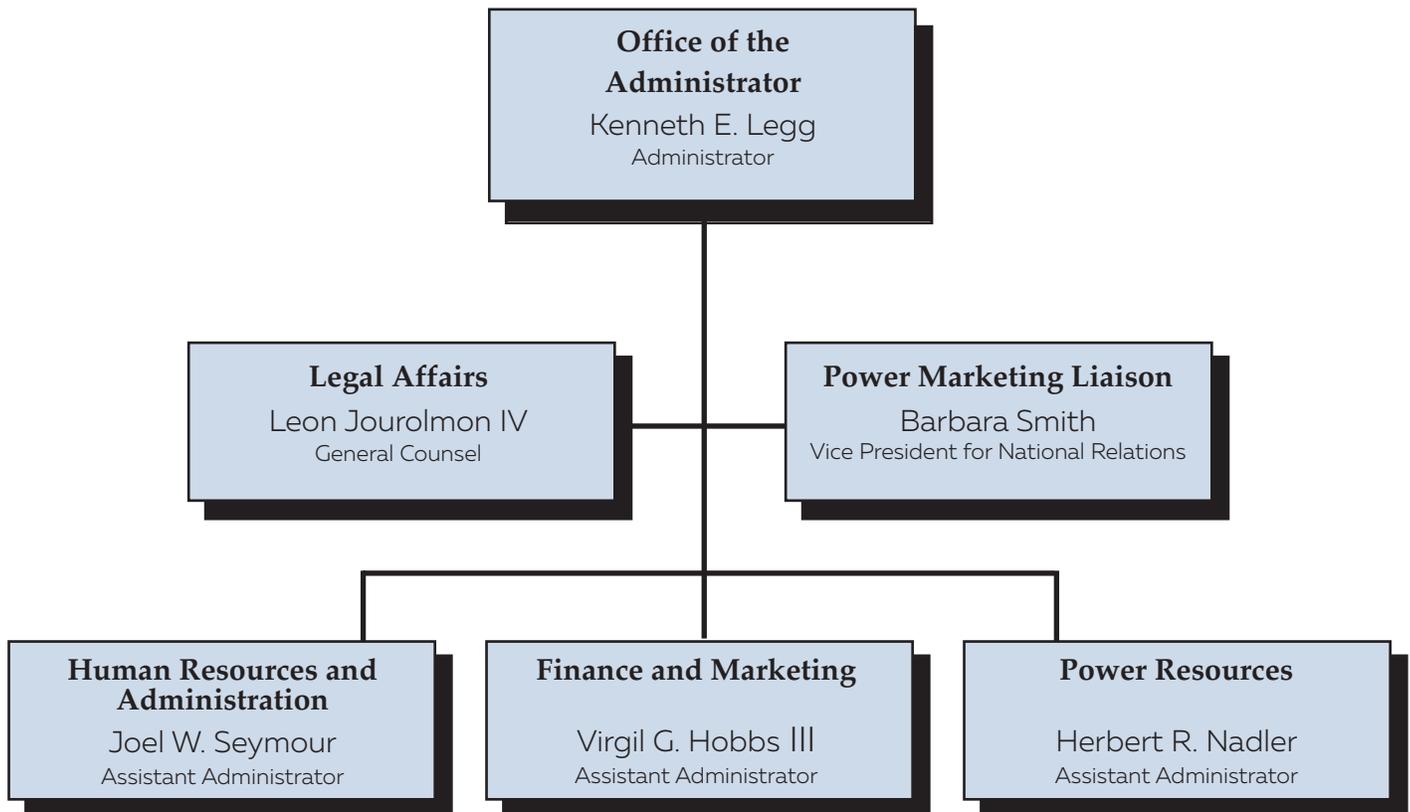
Southeastern will excel in an evolving energy market by maintaining a well-trained, flexible workforce in an open, rewarding and safe environment.

**Southeastern  
Power  
Administration**

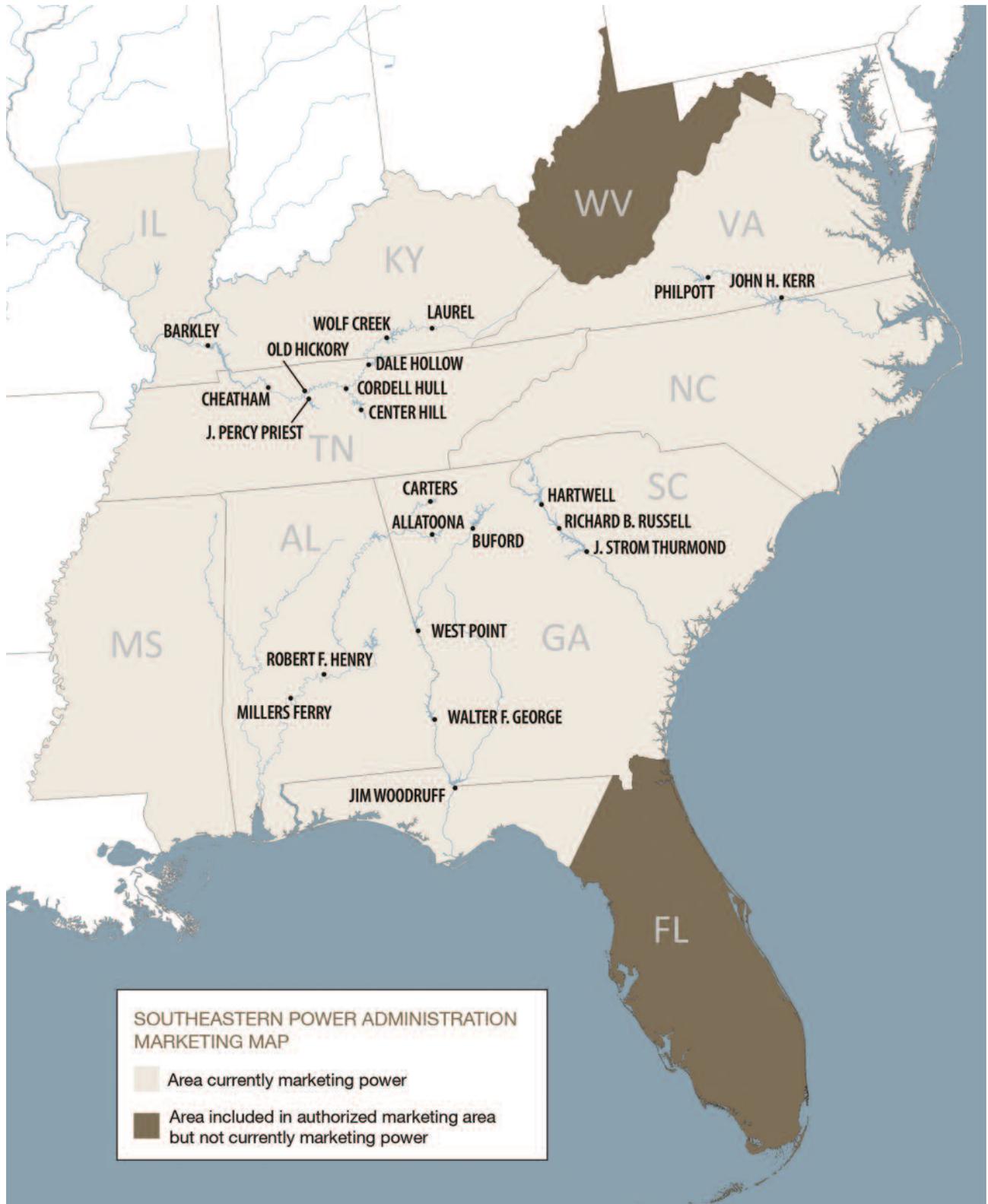


**U.S. Department of Energy**

## Organizational Chart



# Marketing Map



# Marketing Objectives

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Southeastern was created in 1950 by the Secretary of the Interior to carry out the functions assigned to the Secretary by the Flood Control Act of 1944. In 1977, Southeastern was transferred to the newly-created Department of Energy (DOE). Headquartered in Elberton, Georgia, Southeastern has the authority to market hydroelectric power and energy from reservoir projects operated by the Corps in the states of Alabama, Florida, Georgia, Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

The objectives of Southeastern are to market the electric power and energy generated by the Federal reservoir projects and to encourage widespread use of the power at the lowest possible cost to consumers. Power rates are formulated based on

sound financial principles. Preference in the sale of power is given to public bodies and cooperatives, referred to as preference customers. Southeastern does not own transmission lines and must contract with other utilities to provide transmission service for the delivery of Federal power.

Southeastern's responsibilities include negotiating, preparing, executing and administering contracts for the sale of electric power. Southeastern prepares wholesale rates and repayment studies for the regional interconnected reservoir projects, supporting deliveries made to serve contractual loads. Southeastern is responsible for scheduling hydropower generation at the Corps' facilities within its marketing area to ensure and maintain continuity of electric service to its customers.

## Section 5 of the Flood Control Act of 1944

*“Electric power and energy generated at reservoir projects under the control of the Department of the Army not required in the operation of such projects shall be delivered to the Secretary of Energy, 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 Secretary of Energy. Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the projects) 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 Energy is authorized, from funds to be appropriated by Congress, to construct or acquire, by purchase or 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 in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives and privately owned companies. All monies received from such sales shall be deposited in the Treasury of the United States as miscellaneous receipts.”*

# Rates & Repayment

## Kerr-Philpott

Rate schedules were effective on October 1, 2015, and approved on a final basis by the Federal Energy Regulatory Commission (FERC) for the Kerr-Philpott System on February 24, 2016.

## Cumberland

In FY 2015, Southeastern proposed a rate adjustment that included the cost recovery of dam safety repairs at Wolf Creek and Center Hill. The rates were effective on October 1, 2015, and were approved on a final basis by FERC for the Cumberland System on May 6, 2016.

## Georgia-Alabama-South Carolina

Georgia-Alabama-South Carolina System rate schedules were effective on October 1, 2017, and approved on a final basis January 25, 2018, by FERC.

## Jim Woodruff

Rates were effective on October 1, 2016, and approved on a final basis by FERC for the Jim Woodruff System on October 20, 2016.

One of the major responsibilities of Southeastern is to design, formulate and justify rates. Repayment studies prepared by the agency determine revenue requirements and appropriate rate levels.

Repayment studies for each of Southeastern's four power marketing systems are updated annually and demonstrate the adequacy of the rates for each system. Rates are considered to be adequate when revenues are sufficient to repay all costs associated with power production and transmission costs. Power production and transmission costs include the amortization of Federal investment allocated to power. An outline of the status of repayment is included in Table 1.

Status of Repayment as of September 30, 2019 (in millions) - Table 1

System	Initial Year of Repayment Studies	Cumulative Revenue \$	Cumulative Expenses and Interest \$	Total Investment to be Repaid \$	Investment Repaid to Date \$	Unpaid Balance of Investment \$
GA-AL-SC	1950	5,473	4,819	1,921	653	1,266
Jim Woodruff	1957	299	257	79	42	38
Cumberland	1949	1,893	1,502	595	391	205
Kerr-Philpott	1953	714	603	240	111	129
<b>TOTAL</b>		<b>8,379</b>	<b>7,181</b>	<b>2,835</b>	<b>1,197</b>	<b>1,638</b>

# Program Direction

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## Program Direction

Southeastern is constantly evaluating and improving the execution of our program. This includes the management of our workforce, facilities and the operating systems that support our functions. We are also very aware of the overhead expenses associated with executing our program and constantly strive to manage these expense and their impact on power rates.

In 2019, Southeastern pursued workforce efficiencies and planning, improved Information Management, and continued regional partnerships such as Team Cumberland and Team Alliance. In addition, Southeastern maintained active engagement in the Federal Hydropower Council, a coordinated effort to explore and improve Federal hydropower nationwide.

## Human Capital Update

In 2019, Southeastern focused on workforce development and succession planning strategies to ensure adequate staffing levels and well-trained employees are in place to support the agency's mission and needs of the future. As a result, the authorized Full Time Equivalent (FTE) employee threshold was managed to create and fill several entry level positions in critical occupations. Additionally, all employees were encouraged to create Individual Development Plans (IDPs) to focus on short and long-term career goals.

Southeastern experienced limited turnover during the year as the agency continued to improve employee engagement and workplace experience. Management is committed to Southeastern's goal of being an employer of choice. Efforts will continue in 2020 to foster a positive environment balancing the work and life needs of Southeastern's employees.



Team Cumberland participants toured Old Hickory Powerplant and discussed topics of mutual concern in the vicinity of Generator 4 adjustable blade turbine. Old Hickory Generator 4 is in the final stages of reassembly and is expected to return to service in summer 2020.

# Program Direction

## Federal Hydropower Council

The Federal Hydropower Council brings together the Corps, US Bureau of Reclamation and Power Marketing Administration leadership to discuss the dynamic changes in energy and the status of the Federal hydropower program. Biannual meetings focus on improving existing Federal hydropower infrastructure, increasing price competitiveness, exploring value and efficiencies, including project management and procurement processes. Working groups are actively pursuing four focus areas that include acquisition, charging practices, water storage reallocation and operation and maintenance improvements. Recommendations of the working group leadership may be addressed at the agency level, some may require further escalation. Some may ultimately require legislative authority. This effort will increase hydroelectric value and reliability, which supports the nation's economic and national security.



**A Tale of Two Turbines:** Above left, Southeastern's Dee Smith, Herb Nadler and Leon Jourolmon stand inside the stay vanes where the low head, run-of-the-river Old Hickory Project Generator 4 adjustable blade Kaplan type propeller turbine will soon be reinstalled. Above right, standing outside the stay vanes in the scroll case, Corps Power Project Manager Ryan Hannah explains the operation of the medium head, water storage Hartwell Project Generator 3 solid rim Francis type reaction turbine to Federal power customers Roger Brand, Kevin Josupait, George Taylor and Steve Grego.

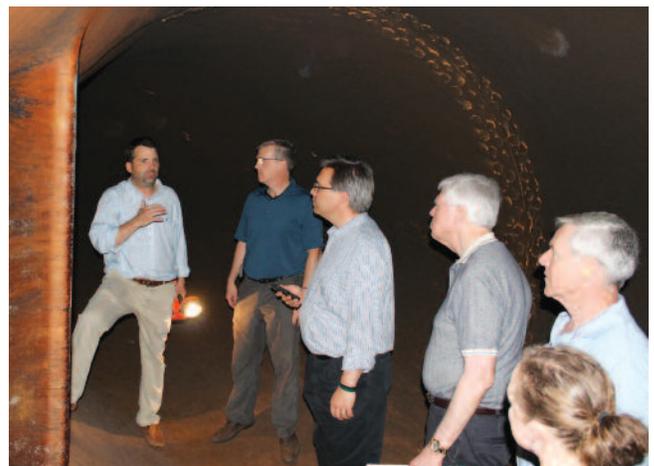
## Supplemental Capacity Allocation

During FY 2018, eleven preference customers in the Georgia-Alabama-South Carolina System invoked the 25-month notice termination clause of their power sales contracts. All system customers were notified and 65 expressed interest in receiving a supplemental allocation available from the terminating contracts. Southeastern initiated and continues a process to expedite the transitions prior to the contract termination dates.

In FY 2019, Southeastern terminated five power sales contracts on December 31, 2018, and increased 35 allocations through amended power sales contracts beginning January 1, 2019. During the second phase, Southeastern terminated three power sales contracts on March 31, 2019, and increased three allocations through amended power sales contracts beginning April 1, 2019.

In May 2019, Southeastern received a twelfth termination notice and allocated a second supplemental capacity to eight customers who had previously expressed interest in the supplemental allocations.

The remaining four contracts will be terminated and power sales contract amendments executed for supplemental allocations in three additional phases effective January 1, 2020, August 1, 2020, and January 1, 2021.



# Customer Funding

## Georgia–Alabama–South Carolina Customer Funding:

On February 11, 2019, Sub-Agreement 25 was executed to provide \$410,000 for intermediate wicket gate bushings, top seal retaining plates and bottom seal retaining plates for Generators 1-4 and wicket gate glands for Generators 5-8 at the Richard B. Russell Powerhouse. Federal power customers also agreed to provide \$9 million for the design, supply and installation of new hardware and software required to support the existing Supervisory Control and Data Acquisition (SCADA) systems and the new USACE Generic Data Acquisition and Control System (GDACS) for the Mobile and Savannah Districts.

## Jim Woodruff System Customer Funding:

In FY 2019, Funding Agreements were executed by the five preference customers electing to participate in the Customer Funding Program for the Jim Woodruff System. In June, the Project Review Committee approved the SCADA control system replacement for \$1,100,000 and the station service transformer replacement for \$375,000. Sub-Agreement 1 was signed in July 2019.

## Cumberland System Customer Funding:

The Long-Term Memorandum of Agreement Program Coordination Committee members, representing 24 customers in Illinois, Kentucky, Mississippi, and North Carolina, signed Sub-Agreement 9 in March 2019 approving \$22.3 million to fund the generator and turbine rehabilitation and excitation system replacement acquisitions at Old Hickory, \$650,000 for engineering and design for main transformer replacement at Wolf Creek and \$950,000 for engineering and design for medium voltage cables and busses at Center Hill and Cheatham.

In September 2019, the Short-Term Memorandum of Agreement Sub-Agreement 6 was signed on behalf of 154 Tennessee Valley preference customers to begin the \$25 million collection of customer funds for major rehabilitation of hydroelectric generation equipment at the Old Hickory powerhouse.

## Customer Funding Summary

Allatoona .....	\$495,000	Old Hickory .....	\$47,300,000
Buford .....	\$1,110,000	Russell .....	\$825,000
Carters .....	\$1,110,000	Thurmond .....	\$415,000
Center Hill .....	\$400,000	Walter F George .....	\$1,120,000
Cheatham .....	\$550,000	West Point .....	\$1,120,000
Hartwell .....	\$415,000	Wolf Creek .....	\$650,000
Millers Ferry/Jones Bluff .....	\$2,800,000	Woodruff .....	\$1,475,000

# Customer Funding

## South Atlantic Division Memorandum of Agreement

Amendment #3 to the Memorandum of Agreement between the Corps, Southeastern Power Administration and the Southeastern Power LLC (an entity representing the preference customers served by Southeastern) was signed in February 2018. The purpose of this amendment was to

clarify the conditions under which the Corps may immediately initiate work item preparation activities and to clarify multiple Funding Agreements may be executed while ensuring Participating Customers have cost responsibilities limited to their respective marketing areas defined by Southeastern. The Amendment initiated the customer funding program for the Jim Woodruff System.



Carters Powerplant is featured at left and on the cover. The two Carters reversible pump turbine generators (foreground) had stator rewinds performed over the course of two years, costing \$23 million and were returned to service in June of 2018. The magnetic field excitation systems are scheduled to be replaced for \$1.4 million in January of 2021. During times of drought, purchasing off-peak energy to pump and store water for on-peak generation has saved Georgia-Alabama-South Carolina customers over \$340 million of replacement on-peak energy in the past two decades

# Georgia-Alabama-South Carolina

The Georgia-Alabama-South Carolina System consists of ten projects located in or on the border of Alabama, Georgia and South Carolina. The power generated at these projects is sold to 175 preference entities serving 203 preference customers in Alabama, Florida, Georgia, Mississippi, North Carolina and South Carolina.

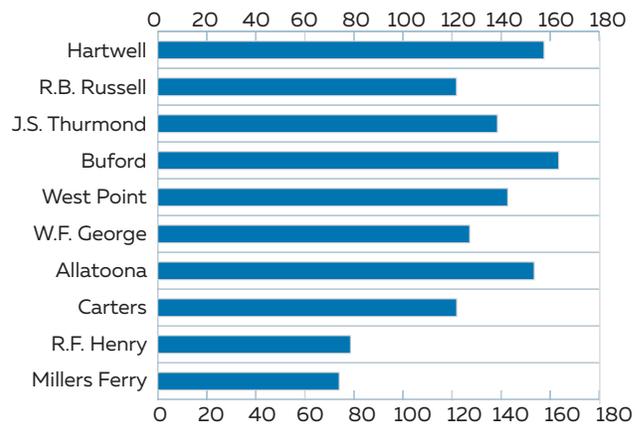
## Operational Performance

Generation from streamflow for FY 2019 was 125% of annual average. Figure A illustrates the percent of average generation by project. Figure B shows system generation for the years 2010 through 2019.

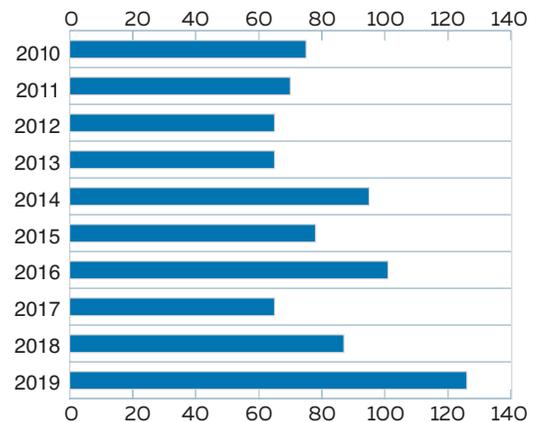
The Corps installed a phase reversing switch and governor control on Carters reversible pump Generator #4, finalizing the major rehabilitation and returned the pump generator to service.

Contractors remobilized to the site to perform pre-repair inspections and reporting on Hartwell Generators #3 & #4. The contractor determined the units are unrepairable due to the condition of the copper stator coil connection strands. The appropriate dependable fix is complete core replacement and stator rewind. Generator #4 was left in service. The estimated return to service for Unit 3 is mid-2022 with the Unit 4 rewind being completed a year later in mid-2023.

**Actual Generation as a Percentage of Average Project Generation - Figure A**



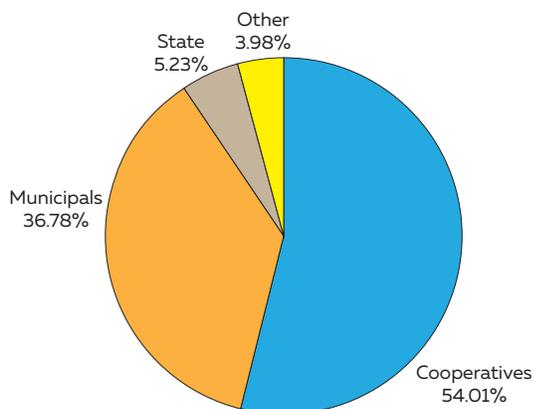
**Actual Generation as a Percentage of Average System Generation - Figure B**



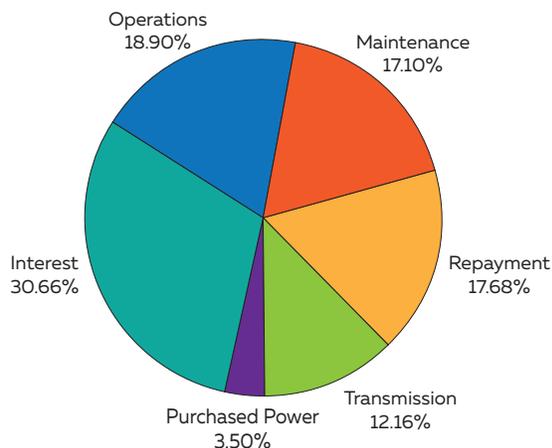
Oglethorpe Power Corporation's George Taylor conveys a point to the Southeastern Federal Power Alliance attendants. Pictured from left, MG Diana Holland, Ken Legg, Ron Graham, Kris Mullins and John Ferguson.

# System Report

**FY 2019 Revenue by Source - Figure C**



**FY 2019 Application of Revenues - Figure D**



## Financial Performance

Total revenue for the Georgia-Alabama-South Carolina System in FY 2019 was \$201.4 million. Of this amount, \$193.4 million was derived from the sale of 4,632,359 megawatt-hours of energy and 2,184.2 megawatts of capacity. Total operating expenses, excluding depreciation, were \$104.0 million. Interest charged to Federal investment was \$61.8 million and repayment of the Federal investment was \$35.6 million. Figure C shows the revenue by source for this system and Figure D shows the application of revenues.

Table 2 indicates the current rates. Current rates for the Georgia-Alabama-South Carolina System were approved on a final basis January 25, 2018, by FERC. The rate schedules are effective for the period October 1, 2017, through September 30, 2022

## Power Rates - Table 2

Product	Effective October 1, 2017
Capacity	4.09 \$/kW/Month
Energy	12.33 mills/kWh
Generation Services	0.12 \$/kW/Month

Rate schedules provide for a monthly pass-through of actual purchase power, transmission and ancillary service expense.



From left, Steve Noe and Steve Adams, with Tennessee Valley Public Power Association, Herb Nadler, Cathy Stillson and Leon Jourolmon, with Southeastern and Robin Robertson with Tennessee Valley Authority hear of recently replaced motor control centers outside the oil storage rooms from Ryan Hannah, Hartwell Power Project Manager.

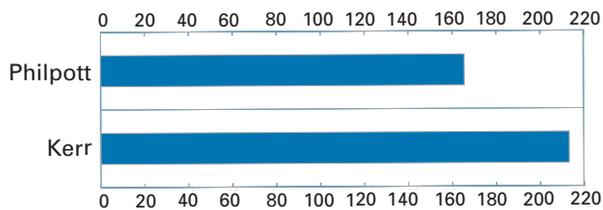
# Kerr-Philpott

The Kerr-Philpott System consists of two projects – John H. Kerr on the Roanoke River and Philpott on the Smith River. Power generated at the projects is marketed to 75 preference customers in North Carolina and Virginia.

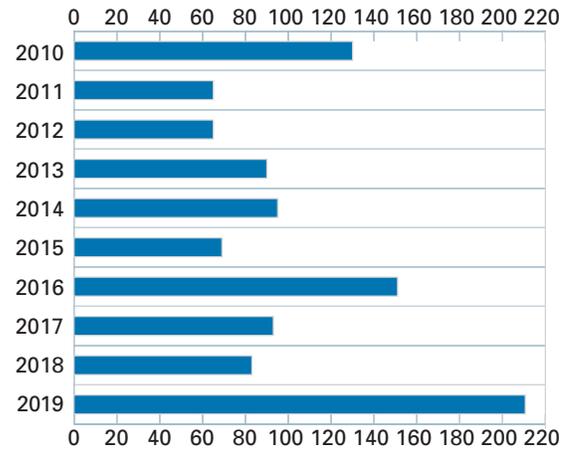
## Operational Performance

Generation for FY 2019 was 210% of annual average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 2010 through 2019.

**Actual Generation as a Percentage of Average Project Generation - Figure E**



**Actual Generation as a Percentage of Average System Generation - Figure F**



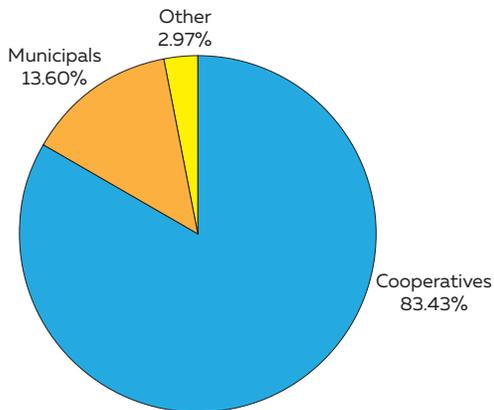
Philpott Generator #2 will be unavailable until rehabilitation is complete. Progress continues on the design work with an expected return to service in 2023.



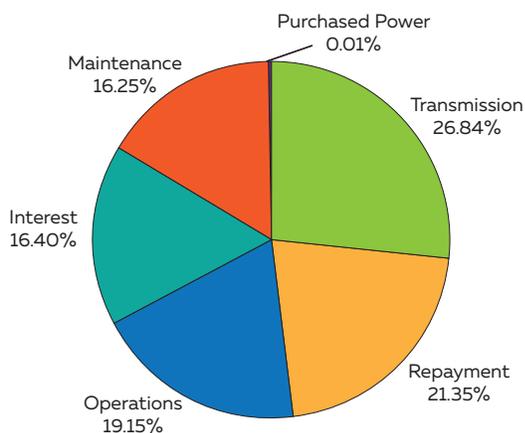
Federal power customers, from left, Alice Wolfe, David Lipscomb, Durwin Joyce, Greg White and Phillip Haley stand below one of the seven John H. Kerr generator thrust/guide bearings and main vertical support bracket.

# System Report

**FY 2019 Revenue by Source - Figure G**



**FY 2019 Application of Revenues - Figure H**



## Financial Performance

Total revenue for the Kerr-Philpott System in FY 2019 was \$33.7 million. Of this amount, \$32.7 million was derived from the sale of 867,739 megawatt-hours of energy and 196.5 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$21.0 million. Interest charged to Federal investment was \$5.5 million and repayment of the Federal investment was \$7.2 million in FY 2019. Figure G shows the revenue by source for the Kerr-Philpott System and Figure H shows the application of revenues.

Table 3 indicates the current rates. Current rates for the Kerr-Philpott System were approved by FERC on a final basis on February 24, 2016. The rate schedules are effective for the period October 1, 2015, through September 30, 2020.

### Power Rates - Table 3

Product	Through September 30, 2019
Capacity	4.20 \$/kW/Month
Energy	16.80 mills/kWh

Rate schedules also provide an adjustment to true-up energy and capacity rates based on the cumulative net revenue available for repayment. The rates for capacity and energy for the period April 1, 2020, through September 30, 2020, will be as follows:

Capacity	3.65 \$/kW/Month
Energy	14.80 mills/kWh



Congressional staff, National public power advocates and Federal power customers toured John H Kerr powerplant in Boydton, Virginia on August 14, 2019.

# Cumberland

There are nine projects in the Cumberland System located in Kentucky and Tennessee. The power produced at these projects is delivered to 25 preference entities that serve 210 preference customers in Alabama, Georgia, Illinois, Kentucky, Mississippi, North Carolina, Tennessee and Virginia.

## Operational Performance

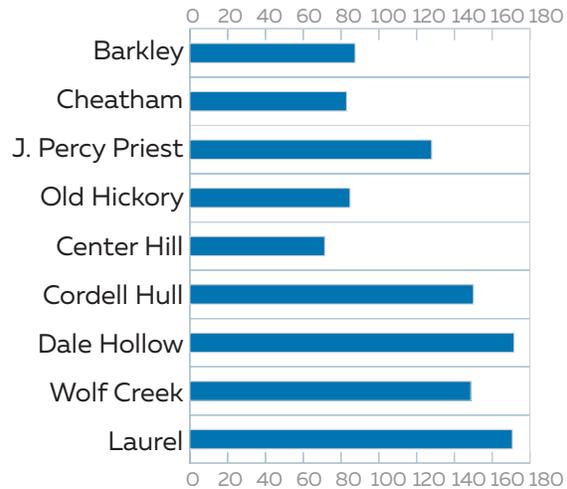
Generation for the system during FY 2019 was 115% of annual average. The percent of average generation by project is shown in Figure I. Figure J shows the system generation for the years 2010 through 2019.

During FY 2019, partial peaking operations for scheduling continued under the Revised Interim Operating Plan due to ongoing dam safety repair work at Center Hill. Operations are expected to return to normal in FY 2020.

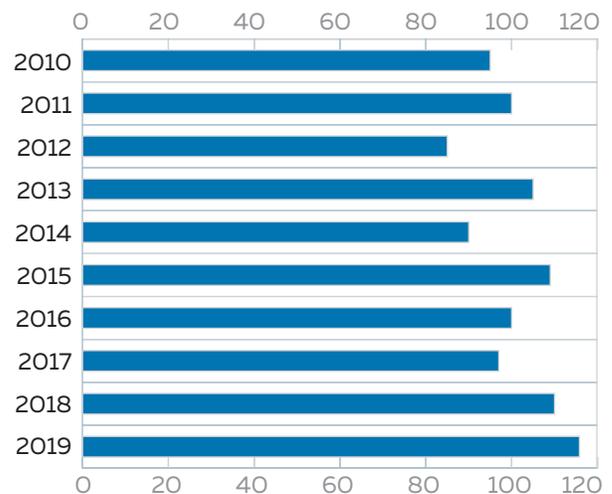
Center Hill Generator #1 remains out of service for rehabilitation, while a new head cover is being manufactured. Rehabilitation began on Generator #3 while the Corps negotiated with the contractor to improve the new aerating turbine's self-aspirating capacity at normal and higher tailrace elevations. All contract work is planned to be complete in 2020.

Old Hickory Generator #4 was also out of service for rehabilitation work in FY 2019. Wolf Creek Generators #2 & #3 had penstock work done in late FY 2019.

**Actual Generation as a Percentage of Average Project Generation - Figure I**



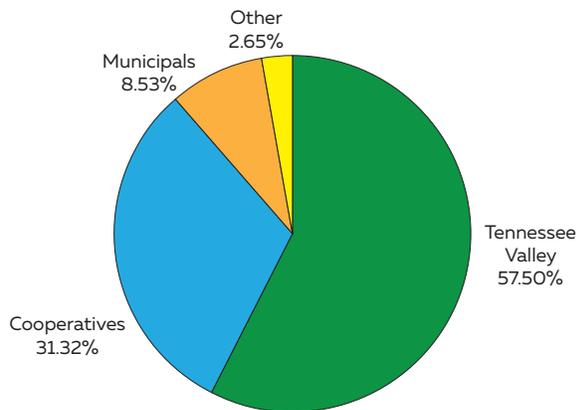
**Actual Generation as a Percentage of Average System Generation - Figure J**



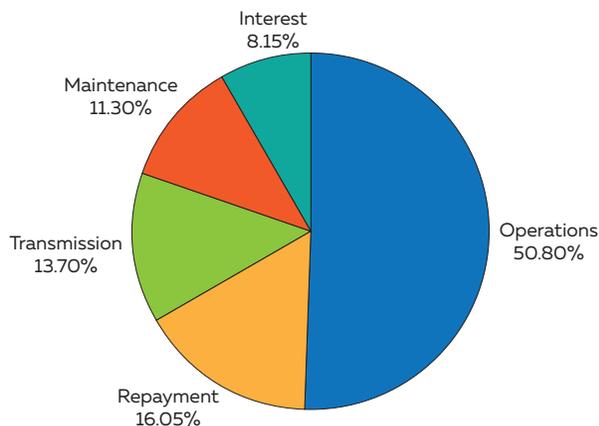
Southeastern Administrator Ken Legg addresses Team Cumberland participants. Pictured from left, Corps' Patty Coffey, Stephen Durrett, LTC Cullen Jones, Ken Legg, Big Rivers Electric Corporation's Marlene Parsley and Corps' Daniel Rabon.

# System Report

**FY 2019 Revenue by Source - Figure K**



**FY 2019 Application of Revenues - Figure L**



## Financial Performance

Total revenue for the Cumberland System in FY 2019 was \$71.2 million. Of this amount, \$69.4 million was derived from the sale of 3,407,874 megawatt-hours of energy and 829.5 megawatts of capacity. Total operating expenses, excluding depreciation, were \$54.0 million. Interest charged to Federal investment was \$5.8 million and repayment was \$11.4 million. Figure K shows the revenue by source for the Cumberland System and Figure L shows the application of revenues.

Table 4 indicates the current rates. Current rates for the Cumberland System were approved by FERC on a final basis on May 6, 2016. The rate schedules are effective for the period October 1, 2015, through September 30, 2020.

### Power Rates - Table 4

Product	Through September 30, 2019
Capacity	1.950 \$/kW/Month
Energy	13.31 mills/kWh

This is the rate under a revised interim operating plan, effective July 1, 2014.

Rate schedules provide for a monthly pass-through of actual purchase power, transmission and ancillary service expense. Rate schedules also provide an adjustment to true-up capacity and energy rate based on transfers of specific power investment to plant in service for the preceding fiscal year. The rates for capacity and energy for the period April 1, 2020, through September 30, 2020, will be as follows:

Capacity	3.289 \$/kW/Month
Energy	12.308 mills/kWh

These are the Original Cumberland Marketing Policy rates and will be in effect on January 1, 2020.



Corps National Hydropower Program Manager provides his portion of the "Washington Update" agenda topic to members of Team Cumberland in March 2019.

# Jim Woodruff

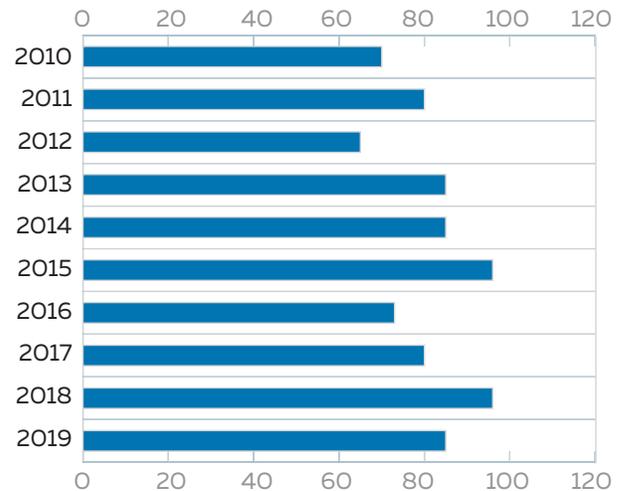
The Jim Woodruff System is a single-project system located on the border of Florida and Georgia. This system has six preference customers and one investor-owned utility located in the central panhandle of Florida.

## Operational Performance

Generation during FY 2019 was 84% of annual average. Figure M illustrates the project's generation for the years 2010 through 2019.

There were no significant operational issues in the Woodruff system during FY 2019.

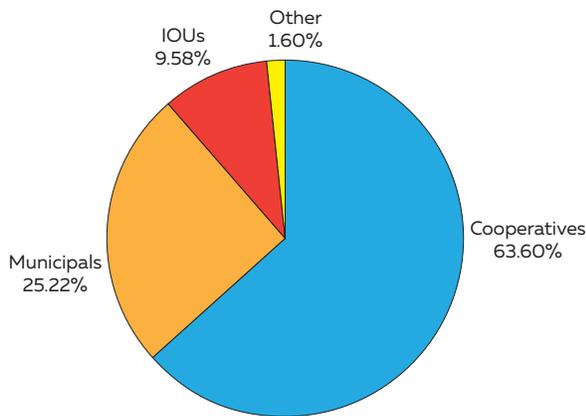
**Actual Generation as a Percentage of Average System Generation - Figure M**



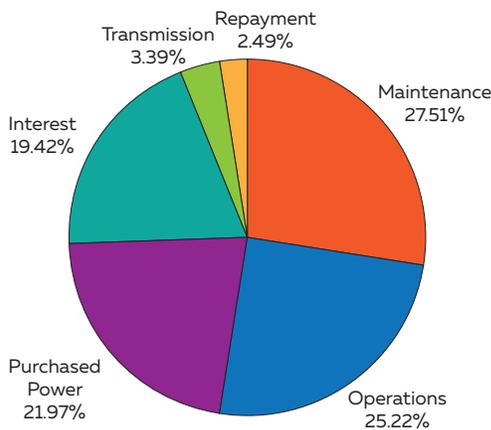
James Hathorn, Mobile District Water Management, enlightens the participants of the Southeastern Federal Power Alliance on the intricacies of managing the flow of the Apalachicola-Chattahoochee-Flint and Alabama-Coosa-Tallapoosa River Basins.

# System Report

**FY 2019 Revenue by Source - Figure N**



**FY 2019 Application of Revenues - Figure O**



## Financial Performance

Total revenue from the Jim Woodruff System was \$9.2 million in FY 2019. Of this amount, \$9.0 million was derived from the sale of 217,718 megawatt-hours of energy and 36 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$7.2 million. Interest charged to the Federal investment was \$1.8 million and repayment of the Federal investment was \$0.2 million. Figure N shows the revenue by source for the System and Figure O shows the application of revenues.

Table 5 indicates the current rates. Current rates for the Jim Woodruff System were approved by FERC on a final basis October 20, 2016. The rate schedules were effective beginning October 1, 2016, and extend through September 30, 2021.

## Power Rates - Table 5

Product	Through September 30, 2019
Capacity	7.74 \$/kW/Month
Energy	20.44 mills/kWh

Rate schedules provide for a monthly pass-through of actual purchased power.



New Savannah District Operations Chief Mike Montone, second from left, visited Southeastern in September 2018. Pictured from left, Joel Seymour, Mike Montone, Ken Legg, Doug Kennedy, Keith Crowe and Virgil Hobbs.

# Customer Sales

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE (\$)
<b>GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM</b>			
<b>Alabama</b>			
Baldwin County EMC	17,284	40,967,643	2,133,801.38
Black Warrior EMC	18,494	39,098,120	2,254,140.00
Central Alabama EC	18,660	44,020,602	2,301,242.96
Clarke-Washington EMC	6,678	15,496,260	820,550.86
Coosa Valley EC	5,728	13,430,076	705,469.23
Dixie EC	7,273	17,213,977	897,628.66
Pea River EC	3,422	7,935,281	420,401.64
Pioneer EC	10,056	23,724,933	1,240,146.95
Tallapoosa River EC	11,494	26,865,464	1,414,608.00
Tombigbee EC	6,578	13,820,294	800,789.43
Wiregrass EC	8,467	19,831,019	1,042,574.10
PowerSouth Energy Cooperative	100,000	276,794,000	8,688,872.14
City of Alexander City	7,846	16,807,325	958,814.51
City of Dothan	52,461	112,451,702	6,411,922.85
City of Evergreen	4,047	8,660,745	494,446.20
City of Fairhope	6,248	13,388,431	763,589.15
City of Foley	21,199	45,409,712	2,590,617.46
City of Hartford	3,050	6,356,114	370,603.18
City of LaFayette	2,358	5,048,208	288,117.58
City of Lanett	5,321	11,398,531	650,250.70
City of Luverne	3,158	6,764,329	385,913.09
City of Opelika	20,809	44,586,728	2,543,110.34
City of Piedmont	3,869	8,122,913	470,924.44
City of Robertsdale	3,372	7,216,176	411,976.90
City of Sylacauga	16,494	34,603,081	2,007,259.42
City of Troy	10,079	20,598,636	1,203,755.72
City of Tuskegee	11,689	24,786,892	1,425,545.56
<b>Alabama Total</b>	<b>386,134</b>	<b>905,397,192</b>	<b>43,697,072.45</b>
<b>Florida</b>			
Choctawhatchee EC	1,231	2,915,222	151,933.97
West Florida ECA	8,402	19,950,661	1,037,709.73
<b>Florida Total</b>	<b>9,633</b>	<b>22,865,883</b>	<b>1,189,643.70</b>
<b>Georgia</b>			
Altamaha EMC	10,956	20,486,417	830,125.94
Amicalola EMC	11,513	21,520,128	872,223.82
Canochee EMC	9,392	17,565,316	711,668.91
Carroll EMC	17,032	31,839,796	1,290,390.55
Central Georgia EMC	13,381	25,027,769	1,013,958.87
Coastal EMC	3,157	5,908,019	239,267.84
Cobb EMC	42,613	79,752,421	3,229,708.63
Colquitt EMC	38,410	71,788,599	2,909,837.40
Coweta-Fayette EMC	13,378	25,033,575	1,013,885.92
Diverse Power, Inc.	12,050	22,544,157	913,180.64
Excelsior EMC	-	10,212,125	354,521.31
Flint EMC	55,744	105,141,557	4,234,802.40
Grady EMC	10,439	19,510,780	790,833.05
Greystone Power Corporation	31,540	59,010,480	2,390,221.64
Habersham EMC	10,176	19,021,025	770,933.06
Hart EMC	18,630	34,809,290	1,411,218.74
Inwin EMC	8,246	15,408,853	624,654.23
Jackson EMC	48,415	90,540,553	3,668,498.10
Jefferson EMC	14,188	26,545,425	1,075,221.73
Little Ocmulgee EMC	7,754	14,485,482	587,330.06
Middle Georgia EMC	6,028	11,266,272	456,663.47
Mitchell EMC	18,023	33,686,538	1,365,392.49
Ocmulgee EMC	8,188	15,300,448	620,260.29
Oconee EMC	8,018	14,992,657	607,515.72
Okefenoke Rural EMC	9,487	17,735,663	718,768.62
Planters EMC	10,258	19,172,015	777,114.55
Rayle EMC	10,350	19,342,368	784,062.78
Satilla Rural EMC	30,374	56,768,840	2,301,046.17
Sawnee EMC	19,423	36,323,075	1,471,721.84
Slash Pine EMC	4,785	8,943,327	362,500.32
Snapping Shoals EMC	-	23,069,200	800,416.09
Southern Rivers Energy	6,842	12,795,542	518,436.52
Sumter EMC	11,437	21,386,556	866,580.69
Three Notch EMC	12,194	22,795,805	923,853.41
Tri-County EMC	6,416	12,005,742	486,250.29
Upson EMC	-	5,247,207	182,180.76
Walton EMC	31,322	58,640,745	2,374,215.60
Washington EMC	14,249	26,638,341	1,079,557.99
City of Acworth	2,303	4,870,781	185,199.10
City of Adel	6,902	14,588,242	554,909.68
City of Albany	60,831	128,667,101	4,891,963.40
City of Barnesville	2,635	5,571,925	211,883.55
City of Blakely	-	3,024,224	109,854.87
City of Brinson	156	330,857	12,557.28
City of Buford	2,356	4,982,528	189,456.44

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE (\$)
City of Cairo	6,253	13,229,773	502,909.04
City of Calhoun	7,660	16,214,029	616,168.68
City of Camilla	6,072	12,833,185	488,168.96
City of Cartersville	17,152	36,271,228	1,379,238.77
City of College Park	15,559	32,925,441	1,251,448.74
City of Commerce	4,456	9,415,094	358,212.07
City of Covington	9,382	19,846,856	754,523.31
City of Dalton	45,822	100,738,641	3,728,676.80
City of Doerun	629	1,329,987	50,577.49
City of Douglas	10,180	21,525,226	818,570.05
City of East Point	33,488	70,800,541	2,692,642.40
City of Elberton	11,447	24,189,579	920,252.17
City of Ellaville	936	1,980,739	75,284.88
City of Fairburn	1,799	3,808,106	144,713.01
City of Fitzgerald	-	5,432,834	197,317.19
City of Forsyth	3,720	7,865,995	299,126.47
City of Fort Valley	9,417	19,914,777	757,256.03
City of Grantville	470	992,562	37,775.88
City of Griffin	18,157	38,398,767	1,460,084.26
City of Hampton	832	1,504,101	96,915.26
City of Hogansville	-	855,378	31,074.95
City of Jackson	2,067	4,371,215	166,215.05
City of LaFayette	6,607	13,970,358	531,267.76
City of Lagrange	17,096	36,168,248	1,374,942.93
City of Lawrenceville	4,795	10,153,490	385,760.52
City of Marietta	37,172	78,664,352	2,989,865.30
City of Monroe	9,081	18,155,794	692,385.87
City of Monticello	1,836	3,880,410	147,608.73
City of Moultrie	15,480	32,732,627	1,244,751.31
City of Newnan	6,893	14,577,291	554,294.40
City of Norcross	1,736	3,674,448	139,641.17
City of Oxford	458	970,653	36,857.58
City of Palmetto	923	1,952,259	74,226.25
City of Quitman	4,428	9,358,123	355,990.68
City of Sandersville	4,997	10,563,224	401,770.04
City of Sylvania	-	3,040,440	110,378.55
City of Sylvester	3,952	8,361,179	317,843.32
City of Thomaston	7,687	16,264,421	618,249.97
City of Thomasville	25,053	52,982,636	2,014,622.89
City of Washington	-	2,831,953	102,871.59
City of West Point	4,683	9,892,750	376,433.81
City of Whigham	319	674,856	25,655.30
Crisp County Power Commission	18,068	38,205,954	1,452,865.84
Town of Mansfield	379	799,747	30,453.39
<b>Georgia Total</b>	<b>1,036,732</b>	<b>2,106,617,033</b>	<b>82,590,733.42</b>
<b>Mississippi</b>			
Coast EPA	26,863	57,624,790	3,283,844.18
East Mississippi EPA	11,336	24,273,824	1,385,292.13
Singing River EPA	33,684	72,273,057	4,117,890.23
Cooperative Energy	68,000	159,726,000	5,554,485.43
<b>Mississippi Total</b>	<b>139,883</b>	<b>313,897,671</b>	<b>14,341,511.97</b>
<b>North Carolina</b>			
Blue Ridge EMC	7,311	21,276,541	656,792.16
EnergyUnited EMC	16,302	45,042,098	1,433,911.50
Haywood EMC	926	2,877,375	85,462.36
Pee Dee EMC	455	1,320,453	40,801.83
Rutherford EMC	26,829	73,451,816	2,312,813.04
Union EMC	11,633	34,142,334	1,048,338.47
City of Cherryville	1,651	2,254,534	111,423.49
City of Concord	9,179	19,190,803	728,194.58
City of Gastonia	17,840	24,353,825	1,203,895.96
City of Kings Mountain	3,320	6,716,484	260,667.50
City of Lincolnton	1,762	2,405,046	118,895.87
City of Monroe	8,593	11,732,578	579,911.66
City of Morganton	10,651	32,554,628	960,005.86
City of Newton	2,309	3,150,806	155,799.96
City of Shelby	6,582	8,983,892	444,149.06
City of Statesville	10,841	14,798,738	731,571.80
Town of Bostic	512	1,508,853	44,813.92
Town of Cornelius	461	652,770	30,773.08
Town of Dallas	1,299	2,915,081	121,830.33
Town of Drexel	982	3,007,302	88,587.29
Town of Forest City	2,721	6,112,252	255,275.35
Town of Granite Falls	928	1,267,505	62,598.28
Town of Huntersville	590	821,663	39,551.85
Town of Landis	1,227	1,673,972	82,782.00
Town of Maiden	1,380	1,883,034	93,109.97
Town of Pineville	590	821,663	39,551.85
<b>North Carolina Total</b>	<b>146,874</b>	<b>324,916,046</b>	<b>11,731,509.02</b>

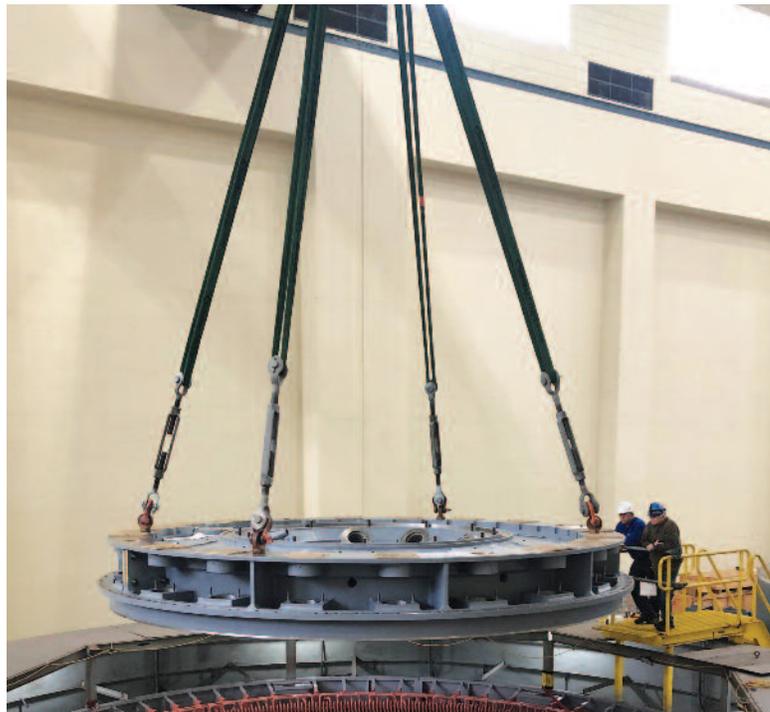
CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE (\$)
<b>South Carolina</b>			
Central Electric Power Cooperative	201,852	453,488,996	19,241,465.52
Little River EC	572	1,711,198	76,077.86
City of Abbeville	3,305	8,056,032	257,538.05
City of Clinton	3,323	3,379,218	209,901.64
City of Easley	9,669	22,134,288	779,549.27
City of Gaffney	7,804	17,874,085	629,307.07
City of Georgetown	5,300	11,928,802	556,985.94
City of Greenwood	12,739	35,744,904	1,109,224.47
City of Greer	10,231	23,512,702	826,118.94
City of Laurens	6,581	15,108,752	531,174.29
City of Newberry	3,661	3,722,401	231,237.00
City of Orangeburg	15,090	44,863,995	2,003,495.67
City of Rock Hill	21,352	48,878,172	1,721,462.63
City of Seneca	2,688	5,756,427	210,478.33
City of Union	3,892	3,958,824	245,851.57
City of Westminster	778	795,055	48,965.54
Town of Bamberg	2,569	5,294,589	253,587.07
Town of Due West	285	639,698	26,731.26
Town of McCormick	522	1,848,964	74,048.09
Town of Prosperity	602	3,312,017	81,914.53
Town of Winnsboro	1,366	3,980,641	183,267.35
South Carolina PSA	150,802	242,675,036	10,531,521.87
<b>South Carolina Total</b>	<b>464,983</b>	<b>958,664,796</b>	<b>39,829,903.96</b>
<b>Georgia-Alabama-South Carolina System Total</b>			
	<b>2,184,239</b>	<b>4,632,358,621</b>	<b>193,380,374.52</b>
<b>KERR-PHILPOTT SYSTEM</b>			
<b>North Carolina</b>			
Albemarle EMC	2,593	12,960,598	336,702.75
Brunswick EMC	3,515	24,945,367	623,680.58
Carteret-Craven EMC	2,735	19,054,856	479,667.27
Central EMC	1,239	8,792,977	219,840.87
Edgecombe-Martin County EMC	4,155	21,039,397	544,093.48
Four County EMC	4,198	29,792,505	744,868.04
Halifax EMC	2,606	14,366,741	368,135.84
Jones-Onslow EMC	5,184	36,789,980	919,818.13
Lumbee River EMC	3,729	26,464,091	661,651.59
Pee Dee EMC	2,968	21,063,402	526,624.29
Piedmont EMC	1,086	5,162,480	152,928.19
Pitt & Greene EMC	1,580	11,212,997	280,345.75
Randolph EMC	3,608	25,605,373	640,182.13
Roanoke EMC	5,528	27,791,413	720,517.82
South River EMC	6,119	43,425,520	1,085,718.85
Tideland EMC	3,098	17,046,808	436,904.90
Tri-County EMC	3,096	21,971,795	549,335.60
Wake EMC	2,164	15,357,544	383,967.27
City of Elizabeth City	2,073	1,570,775	295,687.64
City of Kinston	1,466	1,110,836	113,126.58
City of Laurinburg	415	314,458	32,024.20
City of Lumberton	895	678,169	69,064.28
City of New Bern	1,204	912,309	92,908.74
City of Rocky Mount	2,538	1,923,124	195,849.42
City of Washington	2,703	2,048,152	208,581.91
City of Wilson	2,950	2,235,310	227,642.24
Fayetteville Public Works Commission	5,431	4,115,242	419,093.02
Greenville Utilities Commission	7,534	5,708,752	581,374.77
Town of Apex	145	109,871	11,189.21
Town of Ayden	208	157,608	16,050.65
Town of Belhaven	182	137,909	25,960.06
Town of Benson	120	90,928	9,260.02
Town of Clayton	161	121,995	12,423.86
Town of Edenton	775	587,243	110,544.13
Town of Enfield	259	195,060	15,313.11
Town of Farmville	237	179,580	18,288.48
Town of Fremont	60	45,463	4,630.01
Town of Hamilton	40	30,311	5,705.54
Town of Hertford	203	153,820	28,955.43
Town of Hobgood	46	34,857	6,561.35
Town of Hookerton	30	22,732	2,314.98
Town of La Grange	93	70,470	7,176.53
Town of Louisburg	857	6,988,736	166,184.40
Town of Pikeville	40	30,311	3,086.68
Town of Red Springs	117	88,656	9,028.57
Town of Robersonville	232	175,793	33,091.91
Town of Scotland Neck	304	230,354	43,361.87
Town of Selma	183	138,665	14,121.52
Town of Smithfield	378	286,423	29,169.03
Town of Tarboro	2,145	1,625,335	305,957.59
Town of Wake Forest	149	112,902	11,497.95
Town of Windsor	331	250,170	47,226.52
<b>North Carolina Total</b>	<b>93,705</b>	<b>415,326,163</b>	<b>12,847,435.55</b>

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE (\$)
<b>Virginia</b>			
B-A-R-C EC	3,740	18,888,625	801,239.26
Central Virginia EC	7,956	40,135,902	1,703,793.94
Community EC	4,230	21,393,211	906,716.74
Craig-Boletourt EC	1,692	15,861,496	482,227.62
Mecklenburg EMC	11,344	57,838,850	2,439,475.26
Northern Neck EC	3,944	19,849,548	843,776.94
Northern Virginia EC	3,268	15,651,964	686,020.87
Prince George EC	2,530	12,733,105	541,266.67
Rappahannock EC	22,427	112,871,652	4,798,018.64
Shenandoah Valley EMC	9,938	50,586,695	2,135,717.71
Southside EC	14,575	73,602,069	3,122,341.77
City of Bedford	1,200	907,207	71,087.19
City of Danville	5,600	4,233,637	331,740.33
City of Franklin	1,003	758,068	143,106.28
City of Martinsville	1,600	1,209,611	94,782.97
City of Radford	1,300	984,444	77,028.26
City of Salem	2,200	1,665,985	130,355.56
Harrisonburg Electric Commission	2,691	2,060,445	384,417.08
Town of Blackstone	389	294,006	55,501.85
Town of Culpepper	391	299,381	55,855.47
Town of Elkton	171	129,242	24,397.99
Town of Richlands	500	378,002	29,619.65
Town of Wakefield	106	80,114	15,123.87
<b>Virginia Total</b>	<b>102,795</b>	<b>452,413,259</b>	<b>19,873,611.92</b>
<b>Kerr-Philpott System Total</b>	<b>196,500</b>	<b>867,739,422</b>	<b>32,721,047.47</b>
<b>JIM WOODRUFF SYSTEM</b>			
<b>Florida</b>			
Central Florida EC	2,300	11,115,749	450,079.94
Suwannee Valley EC	4,800	23,100,112	937,347.17
Talquin EC	13,500	76,956,620	3,266,562.97
Tri-County EC	5,200	27,789,484	1,172,818.37
City of Chattahoochee	1,800	10,443,439	458,264.63
City of Quincy	8,400	44,086,994	1,852,473.11
Duke Energy Florida	-	24,225,156	878,151.36
<b>Jim Woodruff System Total</b>	<b>36,000</b>	<b>217,717,554</b>	<b>9,015,697.55</b>
<b>CUMBERLAND SYSTEM</b>			
<b>Illinois</b>			
Southern Illinois Power Cooperative	24,000	35,028,000	1,299,860.90
<b>Kentucky</b>			
Big Rivers Electric Corporation	154,000	228,196,000	8,354,310.69
East Kentucky Power Cooperative	157,000	287,965,000	9,687,742.96
City of Barbourville	1,916	3,584,576	131,287.50
City of Bardstown	1,957	3,661,231	134,033.82
City of Bardwell	472	883,072	31,691.85
City of Benham	216	404,095	14,844.51
City of Corbin	2,263	4,233,485	155,044.68
City of Falmouth	514	961,501	35,181.72
City of Frankfort	13,605	25,452,709	931,971.29
City of Henderson	10,000	14,940,000	551,406.28
City of Madisonville	6,796	12,714,172	465,575.77
City of Nicholasville	2,226	4,164,576	152,494.30
City of Owensboro	21,775	37,906,425	1,453,945.68
City of Paris	1,188	2,222,526	81,354.88
City of Providence	1,072	2,005,632	73,452.51
City of Princeton	313	2,328,814	46,063.72
City of Paducah	2,183	16,242,186	321,274.60
<b>Kentucky Total</b>	<b>377,496</b>	<b>647,866,000</b>	<b>22,621,676.76</b>
<b>Mississippi</b>			
Cooperative Energy	44,000	59,627,000	2,317,285.99
Mississippi Delta Energy Agency	10,000	14,083,000	526,035.47
Municipal Energy Agency of Mississippi	16,000	23,188,000	867,385.01
<b>Mississippi Total</b>	<b>70,000</b>	<b>96,898,000</b>	<b>3,710,706.47</b>
<b>North Carolina</b>			
French Broad EMC	7,029	11,599,938	505,619.52
Haywood EMC	2,057	3,395,102	147,979.04
Town of Waynesville	1,457	2,342,487	103,944.97
<b>North Carolina Total</b>	<b>10,543</b>	<b>17,337,527</b>	<b>757,543.53</b>
<b>Tennessee Valley Region</b>			
TVA Acquisition for 154 TVPPA Members	347,504	2,610,744,000	40,967,374.70
<b>Cumberland System Total</b>	<b>829,543</b>	<b>3,407,873,527</b>	<b>69,357,162.36</b>
<b>Grand Total</b>	<b>3,246,282</b>	<b>9,125,689,125</b>	<b>304,474,281.90</b>

# ***Center Hill Rehabilitation***

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From right clockwise, generator stator core steel laminations and ventilation ducts during the stacking process, new turbine head cover being lowered into place, refurbished turbine wear ring and wicket gate lower bushings, and installation of generator stator coils into fully stacked core slots.



***Southeastern  
Power  
Administration***

***2019  
Financial  
Overview  
and  
Financial  
Statements***

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# ***Description***

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The Southeastern Federal Power Program (the Program) consists of all activities associated with the production, transmission and disposition of Federal power marketed under Section 5 of the Flood Control Act of 1944 in 11 states. These states are: Alabama, Florida, Georgia, Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. The Program includes the accounts of two separate Federal government agencies — the Southeastern Power Administration (Southeastern), an agency of the United States Department of Energy and the hydroelectric generating plants and power operations of the United States Army Corps of Engineers (Corps), an agency of the United States Department of Defense for which Southeastern markets the power. Southeastern purchases, transmits and markets power within four separate power systems (each including one or more Corps generating projects for which rates are set). These systems are: Georgia-Alabama-South Carolina System; Jim Woodruff System; Cumberland System; and Kerr-Philpott System.

The Corps operates 22 Federal hydroelectric generating projects in commercial service as of September 30, 2019, for which Southeastern is the power marketing agency. The Corps and Southeastern are separately managed and financed; however, the financial statements are combined under the Program title.

Costs of multiple-purpose Corps projects are allocated to individual purposes (*e.g.*, power, recreation, navigation and flood control) through a cost allocation process. Specific and joint-function costs allocated to power are included in the attached combined balance sheets.

The Program accounts are maintained in conformity with accounting principles generally accepted in the United States and with the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission. The Program's accounting policies also reflect requirements of specific legislation and executive directives issued by the applicable government agencies.

Southeastern and the Corps receive Congressional appropriations through the Department of Energy and the Department of Defense to finance their operations. The Corps has also received Congressional appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act of 1944, Southeastern is responsible for repayment, with interest, of its appropriations, as well as Corps construction and operation appropriations allocated to power.

## Program Performance

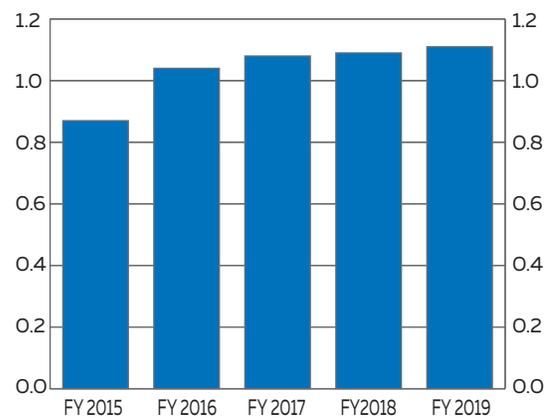
During FY 2019, Southeastern marketed 9.1 billion kilowatt-hours of energy to 477 wholesale customers. The Program's revenues totaled \$315.5 million, \$8.6 million more than in FY 2018.

## Financial Performance Debt Service Coverage Ratio

The debt service coverage ratio measures the adequacy of a utility's cash flow to cover debt service cash, both principal and interest.

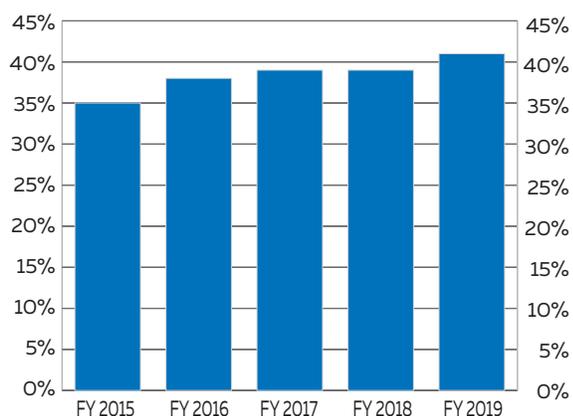
Specifically, the debt service coverage ratio measures revenues in excess of operating expenses requiring cash, or cash flow from operations available to make debt service payments of principal and interest. A ratio of 1.0 would generally indicate just enough cash flow to make principal and interest payments on outstanding debt, in addition to meeting all other cash expenses. A ratio of 1.5 would indicate sufficient cash flow to pay 1.5 times the amount of debt service actually due. Debt service coverage is an important measure of financial health, particularly for public power systems with no significant surplus or equity as a cushion. Since the revenues of a power marketing administration are applied to operating expenses and debt service requirements with typically no return built into rates, the level of debt service coverage is viewed as an important means of determining the revenue shortfalls that could be sustained before debt service payments were adversely affected. A balance exists between maintaining a sound financial condition and maintaining the lowest rates consistent with the not-for-profit orientation of power marketing agencies.

**Debt Service Coverage Ratio -  
Figure P**



Over the last five years, the Program's debt service ratio has ranged from about 0.870 to 1.090. The Program's debt service ratio for FY 2015 was below average due to higher than expected operating expenses and streamflow conditions. FY 2016 was slightly above normal due to improved streamflow conditions and lower than expected operating expenses. FY 2017 actual generation was better than planned. FY 2018 actual generation was slightly less than estimates. FY 2019 actual generation was higher than average. The Program's debt service coverage ratio for fiscal years 2015-2019 is illustrated in Figure P.

### Cumulative Principal Payments as a Percentage of Total Investment - Figure Q



### Cumulative Principal as a Percentage of Total Federal Investment (Plant-in-Service)

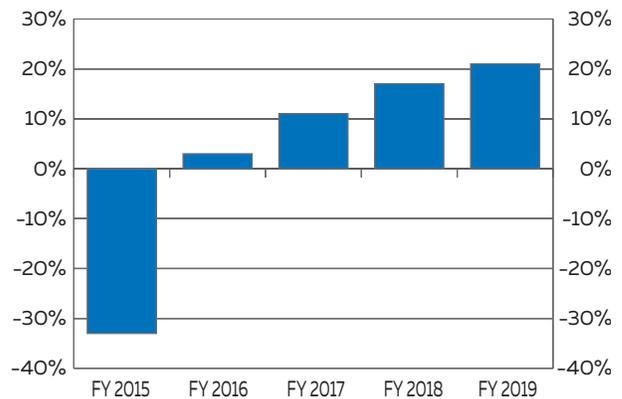
This indicator is a cumulative cash flow measure. It measures the cumulative principal payments made relative to the total Federal investment to date. During a period of capital expansion, this ratio would tend to decrease, whereas increases in cumulative payments over time would be expected for a mature system. Thus, a system with little time remaining in its repayment period would be expected to have a ratio of cumulative principal payments relative to total Federal investment that approaches 100%. This indicator provides useful information by showing the relationship between the cumulative amount of principal paid to date by the Program, as well as the progress made over the period studied. While analysis of this indicator does not necessarily provide conclusive information without further analysis of additional factors, such as the average age of the system, the measure nevertheless provides valuable information on the status of repayment. The Program's principal payments as a percentage of total investment is now 40.8%. Payments as a percent of total investment are illustrated in Figure Q.

## Variance of Actual from Planned Principal Payment

The Power Marketing Administrations show relatively large fluctuations between actual and planned revenues due to the high variability of water over the years analyzed. A negative number means that actual repayment is not as large as expected. A positive number means that actual repayment is larger than expected.

The FY 2015 ratio of  $-32.8\%$  was due to higher than expected operating expenses and lower than average streamflow conditions. The FY 2016 ratio of  $2.7\%$  is due to improved streamflow conditions and lower than expected operating expenses. The FY 2017 ratio of  $10.9\%$  reflects a higher amount for repayment than planned. The FY 2018 ratio of  $16.7\%$  shows repayment greater than planned. The FY 2019 ratio of  $21.3\%$  reflects higher repayment than planned. The variance of actual from planned payment is found in Figure R.

**Percent Variance of Actual From Planned Principal Payments - Figure R**



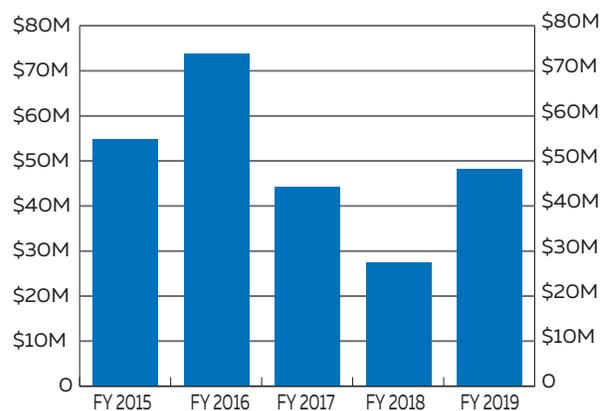
## Net Cash to the Treasury

Net cash flow to the Treasury measures the actual net cash flow, both inflows and outflows, to the U.S. Treasury, excluding revenue from the Tennessee Valley Authority (TVA). This indicator focuses on cash flows as opposed to accrual accounting results.

Because of its cash nature, this indicator is negatively influenced during years of large capital expenditures. Even in years of favorable financial performance, small or negative cash flow to the U.S. Treasury may result. In addition, the variability of water levels explains some of the fluctuation of this measure.

This indicator provides valuable financial information related to the annual effect of the power marketing administrations on the cash position of the U.S. Treasury. The measure should be used only in combination with other financial indicators to assess the Program's financial performance. Net cash flow to the U.S Treasury is illustrated in Figure S.

**Net Cash Flow to the Treasury - Figure S**





## **SOUTHEASTERN FEDERAL POWER PROGRAM**

Combined Financial Statements

September 30, 2019 and 2018

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 800  
1225 17th Street  
Denver, CO 80202-5598

## Independent Auditors' Report

The Administrator of Southeastern Power Administration and the  
U.S. Department of Energy Inspector General:

### Report on the Financial Statements

We have audited the accompanying combined financial statements of the Southeastern Federal Power Program (the Program), which comprise the combined balance sheets as of September 30, 2019 and 2018, and the related combined statements of revenues and expenses, changes in capitalization, and cash flows for the years then ended, and the related notes to the combined financial statements. The combined financial statements include the Southeastern Power Administration (SEPA), a component of the U.S. Department of Energy, and the hydroelectric power generating function of the U.S. Department of Defense, Army Corps of Engineers (the generating agency) for which SEPA markets the related power.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the Southeastern Federal Power Program as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



### *Other Matters*

#### Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the Program's basic combined financial statements as a whole. The supplementary information in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information in schedules 1 and 2 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic combined financial statements as a whole.

The supplementary information in schedule 3 has not been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*KPMG LLP*

Denver, Colorado  
February 13, 2020

## SOUTHEASTERN FEDERAL POWER PROGRAM

### Combined Balance Sheets

September 30, 2019 and 2018

(In thousands)

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Utility plant in service (note 4)	\$ 2,769,602	2,742,017
Accumulated depreciation	<u>(1,185,650)</u>	<u>(1,140,972)</u>
Net completed plant	1,583,952	1,601,045
Construction work-in-progress	<u>108,266</u>	<u>86,753</u>
Net utility plant	1,692,218	1,687,798
Cash	413,559	394,790
Accounts receivable, net	24,680	27,324
Regulatory assets	7,289	12,767
Other assets	<u>198</u>	<u>303</u>
Total assets	<u>\$ 2,137,944</u>	<u>2,122,982</u>
<b>Total Liabilities and Capitalization</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 15,253	12,648
Workers' compensation actuarial liability	<u>7,289</u>	<u>12,767</u>
Total liabilities	<u>22,542</u>	<u>25,415</u>
Capitalization:		
Payable to U.S. Treasury (notes 3 and 4(a))	2,170,438	2,161,810
Accumulated net deficit	<u>(55,036)</u>	<u>(64,243)</u>
Total capitalization	2,115,402	2,097,567
Commitments and contingencies (note 5)	<u>—</u>	<u>—</u>
Total liabilities and capitalization	<u>\$ 2,137,944</u>	<u>2,122,982</u>

See accompanying notes to combined financial statements.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### Combined Statements of Revenues and Expenses

Years ended September 30, 2019 and 2018

(In thousands)

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Sales of electric power	\$ 304,474	291,734
Other operating revenues	11,060	15,175
Total operating revenues	<u>315,534</u>	<u>306,909</u>
Operating expenses, excluding depreciation expense:		
Operations	83,047	78,661
Maintenance	50,481	43,667
Purchased power	9,058	28,914
Purchased transmission services	43,608	41,220
Total operating expenses, excluding depreciation expense	<u>186,194</u>	<u>192,462</u>
Depreciation expense	<u>45,259</u>	<u>43,518</u>
Total operating expenses	<u>231,453</u>	<u>235,980</u>
Net operating revenues	<u>84,081</u>	<u>70,929</u>
Interest expenses:		
Interest on payable to U.S. Treasury	78,052	78,963
Interest charged to construction	<u>(3,178)</u>	<u>(2,959)</u>
Net interest expenses	<u>74,874</u>	<u>76,004</u>
Net revenues (deficit)	<u>\$ 9,207</u>	<u>(5,075)</u>

See accompanying notes to combined financial statements.

**SOUTHEASTERN FEDERAL POWER PROGRAM**

Combined Statements of Changes in Capitalization

Years ended September 30, 2019 and 2018

(In thousands)

	<b>Payable to U.S. Treasury</b>	<b>Accumulated net deficit</b>	<b>Total capitalization</b>
Total capitalization as of September 30, 2017	\$ 2,117,612	(59,168)	2,058,444
Additions:			
Congressional appropriations	134,266	—	134,266
Interest	78,963	—	78,963
Transfers of property and services, net	10,373	—	10,373
Total additions to capitalization	<u>223,602</u>	<u>—</u>	<u>223,602</u>
Deductions:			
Payments to U.S. Treasury	(178,572)	—	(178,572)
Rate adjustments to congressional appropriations (note 4(a))	(832)	—	(832)
Total deductions to capitalization	<u>(179,404)</u>	<u>—</u>	<u>(179,404)</u>
Net deficit for the year ended September 30, 2018	<u>—</u>	<u>(5,075)</u>	<u>(5,075)</u>
Total capitalization as of September 30, 2018	\$ <u>2,161,810</u>	<u>(64,243)</u>	<u>2,097,567</u>
Additions:			
Congressional appropriations	115,443	—	115,443
Interest	78,052	—	78,052
Transfers of property and services, net	10,081	—	10,081
Total additions to capitalization	<u>203,576</u>	<u>—</u>	<u>203,576</u>
Deductions:			
Payments to U.S. Treasury	(193,897)	—	(193,897)
Rate adjustments to congressional appropriations (note 4(a))	(1,051)	—	(1,051)
Total deductions to capitalization	<u>(194,948)</u>	<u>—</u>	<u>(194,948)</u>
Net revenues for the year ended September 30, 2019	<u>—</u>	<u>9,207</u>	<u>9,207</u>
Total capitalization as of September 30, 2019	\$ <u>2,170,438</u>	<u>(55,036)</u>	<u>2,115,402</u>

See accompanying notes to combined financial statements.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### Combined Statements of Cash Flows

Years ended September 30, 2019 and 2018

(In thousands)

	2019	2018
Cash flows from operating activities:		
Net revenues (deficit)	\$ 9,207	(5,075)
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation	45,259	43,518
Interest on payable to U.S. Treasury, net	74,874	76,004
Unfunded retirement benefits	6,694	7,813
(Increase) decrease in assets:		
Accounts receivable, net	2,644	(463)
Other assets	105	125
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	2,605	(1,894)
Net cash provided by operating activities	141,388	120,028
Cash flows from investing activities:		
Investment in utility plant	(47,553)	(56,692)
Cash flows from financing activities:		
Congressional appropriations	115,443	134,266
Payments to U.S. Treasury	(193,897)	(178,572)
Transfers from other federal agencies, net	3,388	2,560
Net cash used in financing activities	(75,066)	(41,746)
Net increase in cash	18,769	21,590
Cash, beginning of year	394,790	373,200
Cash, end of year	\$ 413,559	394,790
Supplemental disclosures:		
Cash paid for interest	\$ 74,874	76,004
Interest charged to construction	3,178	2,959
Adjustments to power allocations impacting (note 4(a)):		
Congressional appropriations	1,051	832
Investment in utility plant	1,051	832

See accompanying notes to combined financial statements.

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

### (1) Organization and Basis of Presentation

The Southeastern Federal Power Program (the "Program") consists of all activities associated with the production, transmission, and disposition of all federal power marketed under Section 5 of the Flood Control Act of 1944 (the "Flood Control Act") in the 11 states of Alabama, Florida, Georgia, Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. The accompanying combined financial statements of the Program include the accounts of two separate federal government agencies—the Southeastern Power Administration ("Southeastern"), a component of the United States Department of Energy ("DOE"), and the hydroelectric generating plants and power operations of the United States Army Corps of Engineers (the "Corps of Engineers", the "Corps", or the "generating agency"), an agency of the United States Department of Defense ("DOD"), for which Southeastern markets the related power. Southeastern and the Corps are separately managed and financed, and each maintains its own accounting records. For purposes of financial and operational reporting, the facilities and related operations of Southeastern and the respective hydroelectric generating activity of the Corps are combined as the Program. U.S. government agencies are exempt from all income taxes imposed by any governing body, whether it is a federal, state, or commonwealth of the United States, or a local government.

Southeastern purchases, transmits, and markets power within four separate power systems: Georgia-Alabama-South Carolina; Jim Woodruff; Cumberland; and Kerr-Philpott. As of September 30, 2019, the four power systems include 22 hydroelectric generating projects owned and operated by the Corps of Engineers. The projects serve multiple purposes, including power, recreation, navigation, and flood control. The costs of multipurpose generating agency projects are assigned to specific hydroelectric power functions through a cost allocation process administratively developed pursuant to relevant law. These combined financial statements include only those expenses and net assets of the Corps that are expected to be recovered through sales of power and other related revenues. Costs of multipurpose Corps projects are allocated to power and non-power purposes. The portion of total project costs allocated to power is included in the accompanying combined financial statements.

Over the life of the combined hydroelectric power systems, the accumulated net deficit represents timing differences between the recognition of expenses and related revenues. Southeastern and the generating agency are nonprofit federal agencies; therefore, ultimately the agencies will collect funds through power rates to repay all congressional appropriations amounts as discussed in note 2(b). Thus, the individual power systems may at any point in time have an accumulated deficit, but there are no operating or going-concern implications because of the federal government's backing of the DOE and DOD and the liquidity and positive cash flows from operations of the Program.

### (2) Summary of Significant Accounting Policies

#### (a) General

The combined financial statements are prepared following accounting principles generally accepted in the United States of America ("U.S. GAAP"). The combined financial statements also reflect Federal Energy Regulatory Commission ("FERC") regulations, FERC's prescribed uniform system of accounts for electric utilities and DOE's accounting practices.

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

### **(b) Congressional Authority and Financing**

Southeastern and the Corps of Engineers receive congressional appropriations through the Energy and Water Development and Related Agencies Appropriations Bill to finance their operations.

Southeastern's appropriations are fully offset by the use of receipts collected from the sale of Federal hydroelectric power, resulting in a net zero appropriation. The Corps also receives appropriations to finance construction of its hydroelectric projects; however, the Corps' operations are not fully offset by the use of receipts. In accordance with the Flood Control Act, Southeastern is responsible for repayment to the federal government, with interest, of its appropriations and the portion of Corps appropriations allocated for construction and operation of the power projects.

Congressional appropriations received by the Corps are authorized and allocated to individual projects. It is the intent of the Corps' project management to distribute congressional appropriations in amounts approximating estimated current year expenses and to adjust the distribution as necessary within the limits of the Corps' transfer authority. Project costs that are not specific to a project purpose are distributed between power and non-power purposes based on project cost allocations.

### **(c) Operating Revenues**

Operating revenues are recorded on an accrual basis as earned. Cash received from sales, less amounts legislatively authorized for use in operations, is deposited directly with the U.S. Treasury and is reflected as repayments to the U.S. Treasury, which is included in the payable to U.S. Treasury in the combined balance sheets.

Southeastern markets federal power and provides services necessary to market power on behalf of nonfederal entities. The agent transactions are evaluated under the provisions of FASB Accounting Standards Codification ("ASC") Subtopic 605-25, *Revenue Recognition – Principal Agent Considerations*, to determine whether the transactions should be reported at the gross or net value. Generally, the Program's policy is to record agent activity at the gross value because Southeastern typically shares in the risks and rewards of the transaction.

Southeastern may provide multiple services to any one customer. Significant services may include the sale of electric power, ancillary services, and the purchase and resale of electric power and transmission services. The Program accounts for these arrangements in accordance with the provisions of ASC Subtopic 605-25, *Revenue Recognition – Multiple Element Arrangements*, subsequently updated by FASB Accounting Standards Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements*. Services qualify as separate units of accounting with distinguishable rates, terms, and delivery schedules. Services are provided to meet customer contractual obligations, and revenues are recognized when services are provided.

Other operating revenues generally consist of water revenue and headwater benefits attributable to the power function, and other miscellaneous revenue.

Accounts receivable, net represents amounts billed to customers but not collected, net of the related allowance of \$0 as of September 30, 2019 and 2018. The estimate of the allowance for accounts receivable is based on past experience in the collection of receivables and an analysis of the outstanding balances. Interest may be charged on the principal portion of delinquent receivables based

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

on rates published by the U.S. Treasury for the period in which the debt became delinquent. Delinquent receivables are charged off against the allowance once they are deemed uncollectible.

Billing methods used by Southeastern include net billing and bill crediting. Net billing is a two way agreement between Southeastern and a customer, whereby both parties buy and sell power or services to each other. Monthly sales and purchases, including any customer advances received, are netted between the two parties and the customer is provided either an invoice or a credit. Bill crediting involves a three way net billing arrangement among Southeastern, a customer, and a third party whereby all three parties are involved in purchase and sales transactions. Under both billing methods, purchase and sales transactions are reported "gross" in the combined financial statements.

### **(d) Confirmation and Approval of Rates**

The Flood Control Act requires rates to be set to encourage widespread use of electricity at the lowest possible cost, consistent with sound business principles, to preference customers (i.e., public bodies and cooperatives). Rates are established under the requirements of the Flood Control Act, related legislation, and executive departmental directives, and are intended to provide sufficient revenues to meet all required payments of Program costs. Such Program costs include operation and maintenance expenses, wheeling fees to connecting utilities for transmission of power to customers, purchased power costs to meet firm power sale requirements, and payment to the U.S. Treasury for the investment in utility plant and interest thereon. Southeastern has established rate schedules for each of the four power systems. These rates generally are adjusted at five-year intervals, or less, under the terms of Southeastern's current power sales contracts and DOE Order RA 6120.2.

The rates required under present DOE policy make provision for recovery of the federal investment in generating facilities within the service lives of the assets, not to exceed 50 years from the date placed in service. Operation and maintenance expenses and expensed interest are intended to be recovered annually. Utility plant assets are depreciated on a straight-line basis over their estimated service lives, which differ from the established repayment period. Accordingly, there are differences in the amortization of utility plant for financial reporting and for rate-setting purposes.

The Secretary of Energy (the "Secretary") has delegated authority to the Administrator of Southeastern to develop power and transmission rates for the power projects. The Assistant Secretary for Electricity has the authority to confirm, approve, and place such rates in effect on an interim basis. Projects under construction are included in the combined financial statements at the multi-purpose allocation rate specific to the related project. Any adjustments to the multi-purpose allocation rate, as determined necessary by Southeastern's Administrator, are recorded at the time the asset is placed into service and subjected to repayment (note 4(a)).

The Secretary has delegated to FERC the authority to confirm, approve, and place such rates in effect on a final basis and to remand or to disapprove such rates. FERC's review is limited to (1) whether the rates are the lowest possible consistent with sound business principles; (2) whether the revenue levels generated are sufficient to recover the costs of producing and transmitting electric energy including repayment within the period permitted by law; and (3) the assumptions and projections used in developing the rates. FERC shall reject decisions of Southeastern's Administrator only if it finds them to be arbitrary, capricious, or in violation of the law. Refunds with interest, as determined by FERC, are authorized if final approved rates are lower than rates approved on an interim basis. However, if at any

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. As of September 30, 2019, all rates were approved on a final basis by FERC. There were no revenues subject to refund.

The Program's combined financial statements are presented in accordance with the provisions of ASC Topic 980, *Regulated Operations*. The provisions of ASC Topic 980 require, among other things, regulated enterprises to reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

### **(e) Cash**

Cash consists of power receipts authorized by Congress for use in operations and the unexpended balance of funds appropriated by Congress for the Program-related activities of Southeastern and the Corps of Engineers, and is maintained by the U.S. Treasury.

### **(f) Utility Plant**

Utility plant in service and construction work-in-progress ("CWIP") consist principally of generating facilities and are stated at cost, net of contributions by entities outside the Program. Cost includes direct labor and materials; payments to contractors; indirect charges for engineering, supervision, and similar overhead items; and interest on federal funds used during construction. The costs of additions, replacements, and betterments are capitalized, while repairs and minor replacement costs are charged to operation and maintenance expenses. The cost of utility plant retired, together with removal costs less salvage, is charged against accumulated depreciation when the property is removed from service. There were no material asset retirements or asset retirement obligations as of September 30, 2019.

The policy of the Program is to move capitalized costs into completed utility plant at the time a project or feature of a project is deemed to be substantially complete. A project is substantially complete when it is providing benefits and services for the intended purpose, and is generating project purpose revenue, where applicable.

Plant assets of the Program are currently depreciated using the straight line method over the estimated service lives ranging from 5 to 100 years for transmission and generation assets. Moveable equipment includes computers, copiers, mobile cranes, energy testing equipment, trucks, and wood chippers. Moveable equipment is currently depreciated using the straight line method over the estimated service lives ranging from 5 to 50 years.

The Program is subject to ASC Topic 980. Most completed utility plant, as required by law, is recovered through the rates, regardless of whether an asset is abandoned, loses value, is disposed of significantly before the end of its estimated useful life, or is destroyed. Consequently, the cash flow is not impaired, regardless of the condition of the asset.

### **(g) Interest on the Payable to U.S. Treasury**

Interest, a component of total capitalization, is accrued annually on the outstanding payable to the U.S. Treasury based on federal statutes and power system legislation. Such interest is reflected as an expense in the combined financial statements. Interest rates on unpaid balances ranged from 2.375% to 6.125% for the years ended September 30, 2019 and 2018.

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

### Notes to Combined Financial Statements

September 30, 2019 and 2018

Interest charged to construction represents interest on federal funds used during utility plant construction and is included in the cost of completed projects. Applicable interest rates ranged from 2.375% to 4.875% for the years ended September 30, 2019 and 2018, depending on the year in which construction of the transmission and generation facilities was initiated and requirements of the authorizing legislation.

#### **(h) Transfer of Property and Services, Net**

Transfer of property and services, net is a component of total capitalization that represents the cumulative receipt of transfers of assets or costs offset by the cumulative disbursement of transfers of revenues. Transfers are recognized upon physical delivery of the asset or performance of the service. Transfers occur between projects, project types, and other federal entities. Transfers between Southeastern and the generating agency eliminate upon combination.

#### **(i) Retirement Benefits**

Substantially all employees engaged in Program activities participate in either the Civil Service Retirement System (“CSRS”) or the Federal Employees Retirement System (“FERS”). Both are contributory defined benefit pension plans and are not covered under the Employee Retirement Income Security Act of 1974. Pension benefit expense under CSRS and FERS is equivalent to 7.0% and up to 13.7%, respectively, of eligible employee compensation. Program contributions to these plans are submitted to benefit program trust funds administered by the Office of Personnel Management (OPM), and totaled \$14.7 million and \$11.3 million for the years ended September 30, 2019 and 2018, respectively. The contribution levels, as legislatively mandated, do not reflect the total current cost/full cost requirements to fund the pension plans. Additional sources of funding for CSRS and FERS benefits include direct appropriations to the OPM, not Southeastern or the Corps, and is approximately 38.4% and 16.9% of base salary, respectively. In addition to the amounts contributed to the CSRS and FERS, the Program has recorded \$6.9 million and \$7.8 million of annual pension and retirement benefits expense for the years ended September 30, 2019 and 2018, respectively. This amount reflects the contribution made on behalf of Southeastern and the Corps by OPM to benefit program trust funds. This expense will be recovered from power customers through the future sale of power. Costs incurred by OPM on behalf of the Program are included as transfers of property and services, net within the payable to U.S. Treasury on the combined balance sheets.

Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program (“FEHB”) and the Federal Employee Group Life Insurance Program (“FEGLI”). FEHB is calculated at \$7,268 and \$7,151 per employee in fiscal years 2019 and 2018, respectively, and FEGLI is based on 0.02% of base salary for each employee enrolled in these programs.

As a federal agency, all postretirement activity is managed by OPM; therefore, neither the assets of the plans nor the actuarial data with respect to the accumulated plan benefits relative to Program employees are included in this report.

#### **(j) Derivative and Hedging Activities**

The Program analyzes derivative financial instruments under ASC Topic 815, *Derivatives and Hedging*, subsequently updated by ASU No. 2010-11, *Scope Exception Related to Embedded Credit Derivatives*. This standard requires that all derivative instruments, as defined by ASC Topic 815, be recorded on the combined balance sheets at fair value, unless exempted. Changes in a derivative instrument’s fair

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

value must be recognized currently in the combined statements of revenues and expenses, unless the derivative has been designated in a qualifying hedging relationship. The application of hedge accounting allows a derivative instrument's gains and losses to offset related results of the hedged item in the combined statements of revenues and expenses to the extent effective. ASC Topic 815 requires that the hedging relationship be highly effective and that an organization formally designate a hedging relationship at the inception of the contract to apply hedge accounting.

The Program enters into contracts for the purchase and sale of electricity for use in its business operations. ASC Topic 815 requires the Program to evaluate these contracts to determine whether the contracts are derivatives. Certain contracts that literally meet the definition of a derivative may be exempted from ASC Topic 815 as normal purchases or normal sales. Normal purchases and sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal purchases or sales are documented and exempted from the accounting and reporting requirements of ASC Topic 815.

The Program's policy is to fulfill all derivative and hedging contracts by either providing power to a third party or by taking delivery of power from a third party as provided for in each contract. The Program's policy does not authorize the use of derivative or hedging instruments for speculative purposes such as hedging electricity pricing fluctuations beyond the Program's estimated capacity to deliver or receive power. Accordingly, the Program evaluates all of its contracts to determine if they are derivatives and, if applicable, to ensure that they qualify and meet the normal purchases and normal sales designation requirements under ASC Topic 815. Normal purchases and normal sales contracts are accounted for as executory contracts as required under accounting principles generally accepted in the United States. As of September 30, 2019 and 2018, the Program has no contracts accounted for as derivatives.

### **(k) Concentrations of Credit Risk**

Financial instruments, which potentially subject the Program to credit risk, include accounts receivable for customer purchases of power, transmission, or other products and services. These receivables are primarily held with a group of diverse customers that are generally large, stable, and established organizations, which do not represent a significant credit risk. Although the Program is affected by the business environment of the utility industry, management does not believe a significant risk of loss from a concentration of credit exists.

### **(l) Regulatory Assets**

Regulatory assets are assets that result from rate actions of Southeastern's Administrator and other regulatory agencies. These assets arise from specific costs that would have been included in the determination of net revenue or deficit in one period, but are deferred until a different period for purposes of developing rates to charge for services, per the requirements of ASC Topic 980. The Program defers costs as regulatory assets so that the costs will be recovered through the rates during the periods when the costs are scheduled to be repaid. This ensures the matching of revenues and expenses. The Program does not earn a rate of return on its regulatory assets. The asset listed below is regulatory in nature:

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

### Notes to Combined Financial Statements

September 30, 2019 and 2018

#### *Workers' Compensation Actuarial Cost*

Workers' compensation consists of two elements: (i) the actuarial liability associated with workers' compensation cases incurred for which additional claims may still be made in the future ("future claims"); and (ii) a liability for expenses associated with actual claims incurred and paid by the U.S. Department of Labor ("DOL"), the program administrator, to whom Southeastern and the Corps must reimburse. The DOL, the DOE, and the DOD determine the Program's actuarial liability associated with workers' compensation cases. The actuarial liability for future claims was determined using historical benefit payment patterns and the U.S. Treasury discount rates.

The recovery of these future claims will be deferred for purposes of the rate-making process until such time the future claims are actually submitted and paid by the DOL. Therefore, the recognition of the expense associated with this actuarially-determined liability has been recorded as a regulatory asset in the combined balance sheets to reflect the effects of the rate-making process. The Program's cumulative unpaid expenses associated with estimated future claims are approximately \$7.3 million and \$12.8 million, as of September 30, 2019 and 2018, respectively.

#### **(m) Fair Value of Financial Instruments**

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of financial instruments. The carrying (recorded) value of short-term financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities, and other assets approximates the fair value of these instruments because of the short maturity of these instruments. The fair value of the payable to U.S. Treasury and of certain unfunded and actuarially-based liabilities cannot be determined as the future payout dates have yet to be determined.

#### **(n) Use of Estimates**

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America requires Program management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Items subject to such estimates and assumptions include the useful lives of completed utility plant; allowance for doubtful accounts; employee benefit obligations; and other contingencies. Actual results could differ from those estimates.

#### **(o) Recent Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU No. 2014-09 is effective for the Program for periods beginning after December 15, 2018. ASU No. 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Program anticipates using the modified retrospective method of adoption and does not anticipate changes to the nature, amount, and timing of the Program's existing revenue recognition processes or information technology infrastructure.

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU No. 2016-02 is effective for the Program for periods beginning after December 15, 2020 and early adoption is permitted. The Program is evaluating the effect that ASU No. 2016-02 will have on the Program's combined financial statements and related disclosures.

### (3) Payable to U.S. Treasury

The payable to U.S. Treasury in each of the generating projects is to be repaid to the U.S. Treasury within the service lives of the assets, not to exceed 50 years from the time the facility is placed in service. There is no requirement for repayment of a specific amount on an annual basis.

Southeastern follows the provisions of DOE Order RA 6120.2 in setting priorities for repayment. Order RA 6120.2 requires that annual revenues be first applied to current-year operating expenses, excluding depreciation, and interest, net of interest charged to construction and interest credited on operating revenues deposited with the U.S. Treasury. All annual amounts for such expenses have been paid through fiscal year 2019. Remaining revenues are to be first applied to repayment of operating deficits, if any, and then to repayment of the outstanding principal. Annual net revenues available for repayment are generally applied first against investments in projects bearing the highest interest rates.

Capitalization in certain multipurpose facilities, primarily dams and structures integral to hydroelectric power generation required to be repaid from the power revenues, has been determined from final cost allocation studies based on project evaluation standards approved by Congress.

### (4) Utility Plant

Utility plant as of September 30, 2019 and 2018 consists of the following (in thousands):

	2019	2018
Utility plant:		
Structures and facilities	\$ 2,336,364	2,310,907
Buildings	48,237	48,051
Land	361,670	361,463
Movable equipment	23,331	21,596
Gross completed plant	2,769,602	2,742,017
Accumulated depreciation	(1,185,650)	(1,140,972)
Net completed plant	1,583,952	1,601,045
Construction work-in-progress	108,266	86,753
Net utility plant	\$ 1,692,218	1,687,798

In accordance with FERC guidelines, the Program excludes contributed plant within the combined balance sheets to eliminate the impact on power rates. As of September 30, 2019 and 2018, contributed plant, net, used in the Program's operations totaled approximately \$586,000.

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

As of September 30, 2019, CWIP major projects included an Island Creek transformer replacement and upgrade design for turbines and generators in the Kerr-Philpott power system; Generator Data Acquisition and Control Systems (GDACS) improvements, station service switchboard, switchgear, motor control center, buss work, station battery charger replacements, security system upgrade, circuit breaker test equipment procurement, 20-ton crane, draft tube crane, turbine refurbishments, and microwave system upgrades in the Georgia-Alabama-South Carolina power system; draft tube crane refurbishment in the Jim Woodruff System; and dam safety repairs, excitation system, station service switchboard, acquisition cables, buss work, turbine replacements, security system improvements, GDACS system replacement, elevator rehabilitation, arc flash protection, generator protective relay replacement, and penstock coating in the Cumberland power system.

As of September 30, 2018, CWIP major projects included a fiber optic cable, switchgear relocation, control system upgrade, governor replacement, and exciter replacement in the Kerr-Philpott power system; plant automation system, security system upgrade, station switchgear supply, motor control centers supply, emergency closure gates (1-7), station service 13.8KV breakers replacement, security system improvement, vibration corrections, and Alatoona reconstruction in the Georgia-Alabama-South Carolina power system; GDACS system servers and motor control centers in the Jim Woodruff System; and turbines, auxiliary dam, tail deck slot fillers, station service breakers, a generator, thrust bearing pressure plates, springs and spillway modifications, dam safety remediations, and relay and breaker replacement in the Cumberland power system.

### **(a) Adjustments to Multi-Purpose Utility Plant Allocation Rates**

In fiscal year 2014, scheduled remediation efforts to the Wolf Creek project within the Cumberland power system were completed and placed into service. The remediation efforts addressed problems with karst foundation seepage. Total project costs of \$656.9 million included \$555.3 million in construction remediation costs and \$101.6 million in interest during construction. Typically, multi-purpose rehabilitation costs are allocated to the power function based on established cost studies at 55.113%.

In evaluating the impact of the construction remediation efforts on the Program's rates, Southeastern's Administrator determined the costs represented dam safety remediation costs under the Dam Safety Act (Section 1203 of the Water Resources Development Act of 1986) rather than major rehabilitation costs. Further, Southeastern's Administrator determined that including the remediation costs at the typical multi-purpose allocation rate would not provide for the lowest possible rate consistent with sound business principles, as required under the Secretary's delegation order (note 2(d)). Accordingly, effective September 30, 2014, Southeastern's Administrator recommended a rate action to the Deputy Secretary, U.S. Department of Energy. The Deputy Secretary approved the rate order. The rate action capped repayment of the remediation costs at 15% under the Dam Safety Act. These costs were then allocated at the project's multi-purpose allocation rate of 55.113%. Consequently, Program management recorded a rate action adjustment to the Wolf Creek project of \$260.1 million to utility plant in service and \$47.6 million to accumulated interest payable, resulting in a reduction of \$307.7 million in the payable to U.S. Treasury.

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

Since fiscal year 2014, additional remediation efforts to the Wolf Creek project were completed and placed into service as follows (in thousands):

	<u>Total project costs</u>	<u>Multi-purpose allocation</u>	<u>Dam Safety Act adjustment</u>	<u>Allocated to power</u>
2015	\$ 2,759	1,521	1,293	228
2016	3,721	2,051	1,743	308
2017	1,211	667	567	100
2018	132	73	62	11
2019	494	272	231	41
<b>Total</b>	<b>\$ 8,317</b>	<b>4,584</b>	<b>3,896</b>	<b>688</b>

As of September 30, 2015, scheduled remediation efforts to the Center Hill project within the Cumberland system were completed and placed into service. Total project costs of \$280.7 million included \$236.9 million in construction remediation and \$43.8 million in interest during construction. Typically, multipurpose rehabilitation costs are allocated to the power function based on established cost studies at 42.545%. Southeastern's Administrator imposed a rate action to cap repayment at 15% under the Dam Safety Act. Consequently, Program management recorded a rate action adjustment to the Center Hill project of \$85.7 million to utility plant in service and \$15.8 million to accumulated interest payable, resulting in a reduction of \$101.5 million in payable to U.S. Treasury.

Since fiscal year 2015, additional remediation efforts to the Center Hill project were completed and placed into service as follows (in thousands):

	<u>Total project costs</u>	<u>Multi-purpose allocation</u>	<u>Dam Safety Act adjustment</u>	<u>Allocated to power</u>
2016	\$ 13,812	5,876	4,995	881
2017	2,119	902	767	135
2018	2,130	906	770	136
2019	2,268	965	820	145
<b>Total</b>	<b>\$ 20,329</b>	<b>8,649</b>	<b>7,352</b>	<b>1,297</b>

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2019 and 2018

### (5) Commitments and Contingencies

#### (a) General

Southeastern and the Corps of Engineers are presently parties to certain claims and legal actions arising in the ordinary course of Program activities. However, in the opinions of management, such claims and actions will not have a material adverse impact on the Program's financial position, results of operations, or cash flows. Power-related claims against the Corps of Engineers, whose ultimate disposition will be paid by the U.S. Treasury Judgment Fund and are not subject to reimbursement from power revenues, are excluded from the combined financial statements and notes thereto.

#### (b) Transmission Contract Commitments

Southeastern has entered into agreements for transmission services that vary in length. Southeastern's long-term commitments for these transmission contracts are subject to the availability of federal funds and contingent upon authority from Congress. To fulfill its contractual obligations to deliver power, Southeastern has historically had to purchase a certain level of transmission services under these arrangements. Southeastern fully intends to provide ongoing services to power customers and will continue to acquire resources under these contracts. The budgeted amounts are as follows (in thousands):

	<b>Commitments for transmission services</b>
Fiscal year ending September 30,	
2020	\$ 45,093
2021	47,496
2022	49,128
2023	50,844
2024	52,645
	<u>245,206</u>
	<u>\$ 245,206</u>

### (6) Subsequent Events

The Program has evaluated subsequent events as of September 30, 2019 through the date the combined financial statements were available to be issued on February 13, 2020, and identified no subsequent events requiring disclosure.

## SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2019

(In thousands)

Assets	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Utility plant in service	\$ 1,889,451	75,379	220,379	584,393	2,769,602
Accumulated depreciation	(764,910)	(35,795)	(87,503)	(297,442)	(1,185,650)
Net completed plant	1,124,541	39,584	132,876	286,951	1,583,952
Construction work-in-progress	16,690	1,879	970	88,727	108,266
Net utility plant	1,141,231	41,463	133,846	375,678	1,692,218
Cash	78,586	5,090	30,520	299,363	413,559
Accounts receivable, net	18,902	750	2,192	2,836	24,680
Regulatory assets	5,438	—	10	1,841	7,289
Other assets	105	4	22	67	198
Total assets	\$ 1,244,262	47,307	166,590	679,785	2,137,944
<b>Total Liabilities and Capitalization</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,509	945	761	6,038	15,253
Workers' compensation actuarial liability	5,438	—	10	1,841	7,289
Total liabilities	12,947	945	771	7,879	22,542
Capitalization:					
Payable to U.S. Treasury	1,374,627	44,334	161,643	589,834	2,170,438
Accumulated net revenues (deficit)	(143,312)	2,028	4,175	82,073	(55,036)
Total capitalization	1,231,315	46,362	165,818	671,907	2,115,402
Commitments and contingencies	—	—	—	—	—
Total liabilities and capitalization	\$ 1,244,262	47,307	166,589	679,786	2,137,944

See accompanying independent auditors' report.

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2018

(In thousands)

<b>Assets</b>	<b>GA-AL-SC</b>	<b>Jim Woodruff</b>	<b>Kerr-Philpott</b>	<b>Cumberland</b>	<b>Total</b>
Utility plant in service	\$ 1,877,309	74,384	217,002	573,322	2,742,017
Accumulated depreciation	(734,137)	(34,266)	(82,889)	(289,680)	(1,140,972)
Net completed plant	1,143,172	40,118	134,113	283,642	1,601,045
Construction work-in-progress	21,037	1,674	1,004	63,038	86,753
Net utility plant	1,164,209	41,792	135,117	346,680	1,687,798
Cash	80,689	2,738	32,444	278,919	394,790
Accounts receivable, net	20,282	617	3,103	3,322	27,324
Regulatory assets	9,628	—	10	3,129	12,767
Other assets	172	6	35	90	303
Total assets	<u>\$ 1,274,980</u>	<u>45,153</u>	<u>170,709</u>	<u>632,140</u>	<u>2,122,982</u>
<b>Total Liabilities and Capitalization</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,290	430	1,098	3,830	12,648
Workers' compensation actuarial liability	9,628	—	10	3,129	12,767
Total liabilities	<u>16,918</u>	<u>430</u>	<u>1,108</u>	<u>6,959</u>	<u>25,415</u>
Capitalization:					
Payable to U.S. Treasury	1,405,619	41,394	168,012	546,785	2,161,810
Accumulated net revenues (deficit)	(147,557)	3,329	1,589	78,396	(64,243)
Total capitalization	<u>1,258,062</u>	<u>44,723</u>	<u>169,601</u>	<u>625,181</u>	<u>2,097,567</u>
Commitments and contingencies	—	—	—	—	—
Total liabilities and capitalization	<u>\$ 1,274,980</u>	<u>45,153</u>	<u>170,709</u>	<u>632,140</u>	<u>2,122,982</u>

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2019

(In thousands)

	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Operating revenues:					
Sales of electric power	\$ 193,383	9,014	32,721	69,356	304,474
Other operating revenues	8,023	146	1,003	1,888	11,060
Total operating revenues	201,406	9,160	33,724	71,244	315,534
Operating expenses, excluding depreciation expense:					
Operations	38,090	2,311	6,457	36,189	83,047
Maintenance	34,431	2,520	5,479	8,051	50,481
Purchased power	7,041	2,013	4	—	9,058
Purchased transmission services	24,486	310	9,054	9,758	43,608
Total operating expenses, excluding depreciation expense	104,048	7,154	20,994	53,998	186,194
Depreciation expense	31,355	1,529	4,614	7,761	45,259
Total operating expenses	135,403	8,683	25,608	61,759	231,453
Net operating revenues	66,003	477	8,116	9,485	84,081
Interest expenses:					
Interest on payable to U.S. Treasury	62,303	1,800	5,556	8,393	78,052
Interest charged to construction	(545)	(21)	(27)	(2,585)	(3,178)
Net interest expenses	61,758	1,779	5,529	5,808	74,874
Net revenues (deficit)	\$ 4,245	(1,302)	2,587	3,677	9,207

See accompanying independent auditors' report.

(Continued)

## SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2018

(In thousands)

	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Operating revenues:					
Sales of electric power	\$ 192,973	8,868	22,075	67,818	291,734
Other operating revenues	8,842	36	3,975	2,322	15,175
Total operating revenues	201,815	8,904	26,050	70,140	306,909
Operating expenses, excluding depreciation expense:					
Operations	35,467	2,071	6,229	34,894	78,661
Maintenance	31,595	2,118	6,836	3,118	43,667
Purchased power	26,797	1,348	769	—	28,914
Purchased transmission services	23,762	349	6,409	10,700	41,220
Total operating expenses, excluding depreciation expense	117,621	5,886	20,243	48,712	192,462
Depreciation expense	29,812	1,516	4,589	7,601	43,518
Total operating expenses	147,433	7,402	24,832	56,313	235,980
Net operating revenues	54,382	1,502	1,218	13,827	70,929
Interest expenses:					
Interest on payable to U.S. Treasury	63,691	1,861	5,499	7,912	78,963
Interest charged to construction	(1,062)	(27)	(12)	(1,858)	(2,959)
Net interest expenses	62,629	1,834	5,487	6,054	76,004
Net revenues (deficit)	<u>(8,247)</u>	<u>(332)</u>	<u>(4,269)</u>	<u>7,773</u>	<u>(5,075)</u>

See accompanying independent auditors' report.

**SOUTHEASTERN FEDERAL POWER PROGRAM**

**Schedule 3**

**Schedule of Amount and Allocation of Gross Utility Plant Investment (unaudited)**

As of September 30, 2019

(In thousands)

Projects in service and other	Total	Allocated to:						Percent of total plant investment returnable from power revenue	
		Power	Navigation	Flood risk management	Fish and wildlife	Recreation	Dam Safety		Other
Allatoona	\$ 88,620	65,880	—	10,413	—	12,095	—	232 (a)	74.3%
Buiford	104,571	85,090	2,189	4,850	—	12,442	—	—	81.4%
Carters	206,092	174,343	—	20,158	—	11,591	—	—	84.6%
J. Strom Thurmond	195,911	170,130	4,368	4,113	—	17,300	—	—	86.8%
Walter F. George	290,109	193,727	82,803	—	348	13,231	—	—	66.8%
Hartwell	212,716	179,571	4,009	16,157	—	12,979	—	—	84.4%
Millers Ferry/Henry	256,287	147,589	87,131	—	—	21,567	—	—	57.6%
West Point	181,647	93,953	2,735	22,263	14,029	48,667	—	—	51.7%
Richard B. Russell	907,416	793,673	—	873	—	112,870	—	—	87.5%
Marketing facilities	2,185	2,185	—	—	—	—	—	—	100.0%
Total GA-AL-SC System	2,445,554	1,906,141	183,235	78,827	14,377	262,742	—	232	77.9%
Jim Woodruff	128,335	77,190	43,148	—	—	7,997	—	—	60.1%
Marketing facilities	68	68	—	—	—	—	—	—	100.0%
Total Jim Woodruff System	128,403	77,258	43,148	—	—	7,997	—	—	60.2%
Barkley	251,059	86,160	130,444	25,882	—	8,573	—	—	34.3%
J. Percy Priest	74,587	16,605	—	27,762	—	30,220	—	—	22.3%
Cheatham	87,395	26,807	55,920	—	—	4,668	—	—	30.7%
Cordell Hull	100,336	47,558	17,726	—	—	28,363	—	6,689 (c)	47.4%
Old Hickory	97,759	62,013	29,757	—	—	5,989	—	—	63.4%
Center Hill	520,016	154,643	—	96,357	—	12,461	255,858	697 (b)	29.7%
Dale Hollow	51,645	34,316	—	14,344	—	2,985	—	—	66.4%
Wolf Creek	931,484	215,391	—	129,973	—	20,452	565,422	246 (b)	23.1%
Laurel	53,487	29,462	—	—	—	17,659	—	6,366 (c)	55.1%
Marketing facilities	751	751	—	—	—	—	—	—	100.0%
Contributions in aid of construction	(586)	(586)	—	—	—	—	—	—	100.0%
Total Cumberland Basin System	2,167,933	673,120	233,847	294,318	—	131,370	821,280	13,998	31.0%
John H. Kerr	231,666	195,569	—	26,862	—	9,235	—	—	84.4%
Philpott	40,305	25,370	—	9,455	—	5,480	—	—	62.9%
Marketing facilities	410	410	—	—	—	—	—	—	100.0%
Total Kerr-Philpott System	272,381	221,349	—	36,317	—	14,715	—	—	81.3%
Total	\$ 5,014,271	2,877,868	460,230	409,462	14,377	416,824	821,280	14,230	57.4%

- (a) Water supply
- (b) World War II suspension costs
- (c) Area redevelopment

See accompanying independent auditors' report.



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