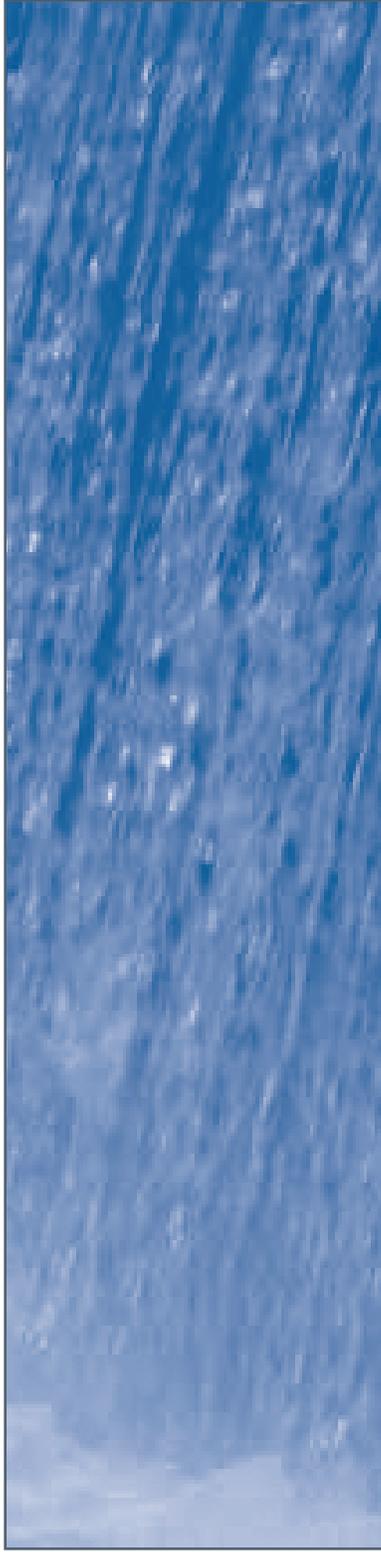
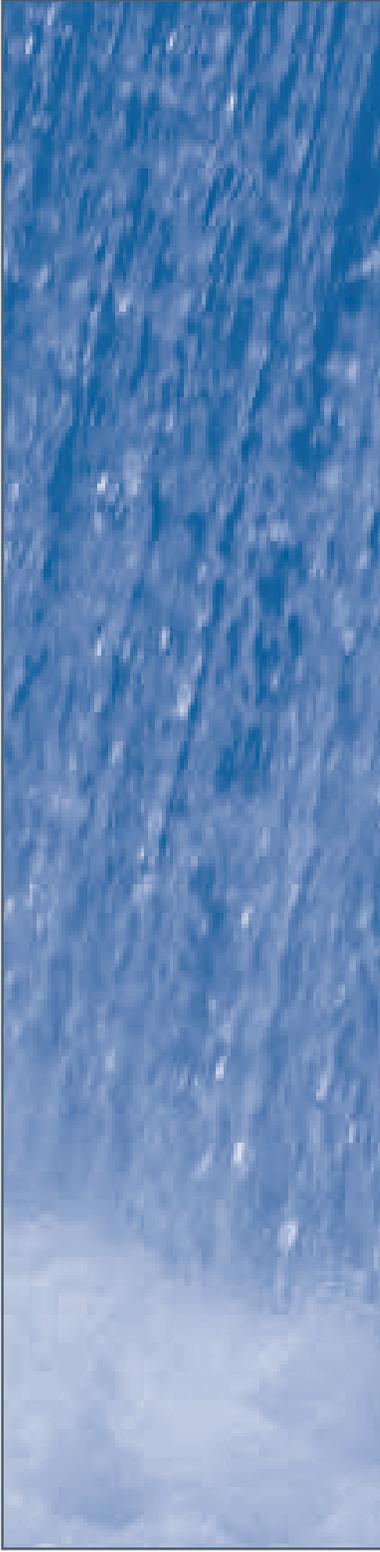


# 2007 ANNUAL REPORT



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# Fast Facts

Administrator: Kenneth E. Legg  
 Headquarters: 1166 Athens Tech Road  
 Elberton, GA 30635-6711  
 Telephone: 706-213-3800  
 Fax: 706-213-3884  
 website: <http://www.sepa.doe.gov>

Number of Employees: 42

Marketing Area: Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Virginia, North Carolina, South Carolina, southern Illinois, and West Virginia

Customers:

Electric Cooperatives .....	198
Public Bodies .....	293
Investor-Owned Utilities.....	1
<b>TOTAL .....</b>	<b>492</b>

(Southeastern's wholesale customers serve more than 12 million consumers.)

Nameplate Generating Capacity: .....3,392 mw

Financial Data (2007): Total Revenues .....\$230 million  
 (includes Corps of Engineers' revenues)

Total Capital Investment .....\$2.2 billion

(Term of repayment is 50 years from on-line date of each project.)

Investment Repaid..... \$1 million

Cumulative Investment Repaid .....\$779 million

Cumulative Interest Paid on Investment....\$1.4 billion

(Power sales repay an average of 62% of the total cost of each multi-purpose project.)

# Letter to the Secretary



Dear Secretary Chu:

I am proud to submit Southeastern Power Administration's (Southeastern's) fiscal year (FY) 2007 Annual Report for your review. The information included in this report reflects Southeastern's programs, accomplishments, and financial activities for the 12-month period beginning October 1, 2006 and ending September 30, 2007.

Southeastern marketed more than 5 billion kilowatt-hours of energy to 492 wholesale Federal power customers in an 11-state marketing area in FY 2007. Revenues from the sale of this power totaled approximately \$219 million.

Drought conditions continued to plague the southeast region of the United States during 2007 placing strains on our natural and financial resources. Southeastern purchased more than \$40 million in replacement power to meet customer contract requirements to ensure the continued reliability of our nation's power grid.

With the financial assistance and support of our Federal power customers, continued funding for capitalized equipment replacements at various Corps of Engineers' (Corps) hydroelectric projects provided much needed repairs and maintenance for aging facilities.

Southeastern's cyber and physical security program continued to be reviewed and updated to meet Department of Energy (DOE), Homeland Security, and North American Electric Reliability Corporation standards and requirements.

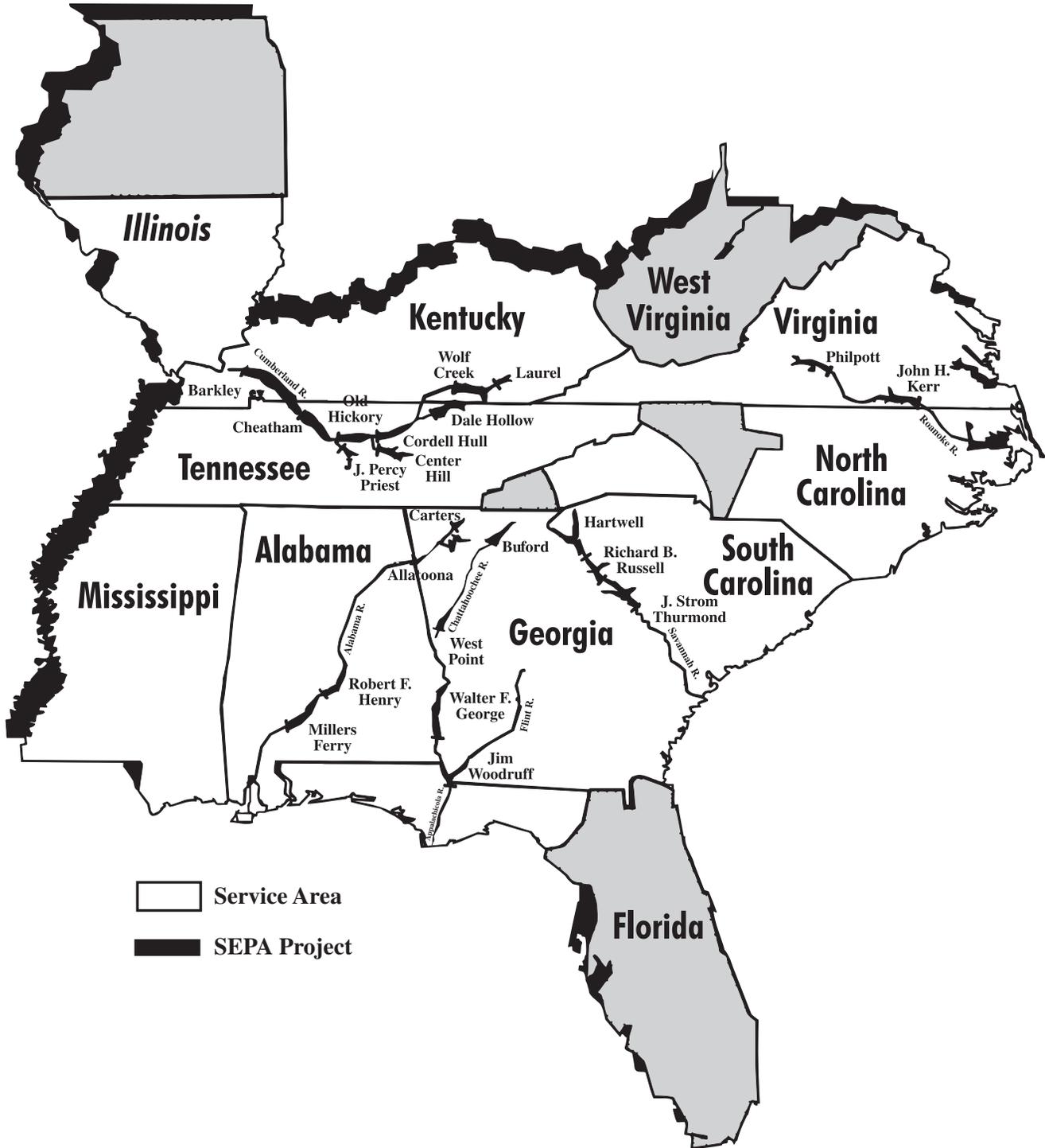
Plans for the upcoming year include communication and cooperation with DOE, Federal power customers, and the Corps to maximize the benefits of our nation's water resources. Competition for the use of water and the prolonged drought conditions will present another challenging year for our agency. The employees at Southeastern will be proactive in meeting these challenges and providing reliable hydroelectric power to the people in the southeast.

Sincerely,

A handwritten signature in black ink that reads "Ken Legg". The signature is written in a cursive, flowing style.

Kenneth E. Legg  
Administrator

# Marketing Area



# Report of Activities

## Customer Funding

Southeastern Power Administration and the Corps of Engineers have been concerned with the aging hydroelectric projects and the production of hydropower. Southeastern sought to optimize the efficiency of energy production and increase the capacity of these facilities. Due to the Corps' decreased budget, funding has not been available for non-routine maintenance and rehabilitation work. Under Section 212 (Hydroelectric Power Project Funding) of the Water Resources Development Act of 2000, the Corps has the authority to use funds provided by preference customers to carry out the operation, maintenance, rehabilitation, and modernization of a hydroelectric power generating facility at water resources projects under the jurisdiction of the Department of Army. From that public law language and support from the preference customers, the Corps and Southeastern, customer funding has been initiated in three of Southeastern's four systems.

**Cumberland System Funding** – The Corps of Engineers, Southeastern Power Administration and 20 preference customers in the Cumberland System have agreed to participate in customer funding. This will provide funding for non-routine maintenance, rehabilitation or modernization activities at the Cumberland River hydroelectric facilities owned by the Corps. The total funding for FY 2004, 2005, and 2006 is \$20 million. A Statement of Work, Cost and Schedule was established by the Corps' Nashville District who is responsible for managing and accomplishing the work items for the Cumberland System.

**Georgia-Alabama-South Carolina Funding** – In the Georgia-Alabama-South Carolina System, a Memorandum of Agreement (MOA), and an amendment between the Corps of Engineers, Southeastern Power Administration and the Southeastern Power LLC (an entity representing the preference customers served by Southeastern) was signed in FY 2005. The purpose of this MOA was to provide funding for maintenance, rehabilitation or modernization activities at Corps facilities. Thereafter, a Funding Agreement among Southeastern, Southeastern Power LLC, and the Participating Customers in the Georgia-Alabama-South Carolina System was signed in FY 2006. This Funding Agreement allows participating customers to fund specific work items at projects approved by a Project Review Committee (PRC), which consists of nine representatives, three each from the Corps, Southeastern and participating preference customers. Funds are collected as each work item is approved by the PRC for the Georgia-Alabama-South Carolina System.

During FY 2007 the Funding Agreement for the Georgia-Alabama-South Carolina System continued to be successful with 141 preference customers choosing to participate in the work items approved by the PRC. There was one work item approved by the PRC. This item consisted of four work packages. They are: the West Point Powerhouse (purchase excitation systems for units 2 & 3); the Allatoona Powerhouse (transformer replacement plans and specifications); the Carters Powerhouse (cooling water study, and a SCADA Local Data Server and master station upgrade for Savannah and Mobile Districts). The total funding for the work item was \$3 million. This brings the total

customer funding for the Georgia-Alabama-South Carolina System to \$6.7 million.

**Kerr-Philpott Funding** – Early in FY 2007, a Funding Agreement for the Kerr-Philpott System was drafted to allow the preference customers in that system to participate in customer funding. We anticipate this Funding Agreement will be finalized and executed early in FY 2008 and will allow participating customers to fund specific, agreed-upon work items at Corps of Engineers' projects in the Kerr-Philpott System. A Project Review Committee (PRC) for the Kerr-Philpott System will be elected during FY 2008 and work items will be voted on and approved for funding. Funds will be collected as each work item is approved by the PRC.

## Energy Efficiency and Renewable Energy Program

In FY 2007, Southeastern's Energy Efficiency and Renewable Energy Program (EERE) continued to support the National Energy Policy Act by promoting energy efficiency and renewable energy education and training among preference customers in the Southeast. Southeastern also sponsored the Bonbright Energy Conference with other utilities in the Southeast. The Bonbright Conference is one of the nation's premier energy conferences and promotes dialog among energy suppliers, regulators and transmission providers. The EERE Program actively supported wind energy development efforts in the coastal and mountainous regions through its partnership with DOE's Windpowering America Program. EERE continues to support efforts to reduce emissions and supports the President's Climate Change Technology Program by providing educational opportunities that address technologies that can slow the growth of CO<sub>2</sub> emissions.

## Drought Conditions in the Southeast

The southeastern United States experienced severe drought conditions during FY 2007. The drought resulted in restricted amounts of water available for hydropower generation; therefore Southeastern had to purchase power to fulfill its contractual obligations. Southeastern activated the Continuing Fund in order to purchase this power. Staff from Southeastern also participated in many meetings involving the U.S. Army Corps of Engineers, State and Federal agencies, and Federal power customer groups to discuss the drought conditions and to plan for operational impacts to Federal hydropower in the Southeast.

## Energy Policy Act – Section 1834 Study

The study described in Section 1834 of the Energy Policy Act was completed in FY 2007. The Department of Energy, Department of Interior, and Department of the Army jointly submitted the completed study to Congress.

## Cumberland System Dam Safety Issues

In July of 2005, the Nashville District, Corps of Engineers informed Southeastern of the dam safety issues at the Wolf Creek and Center Hill Projects located in the Cumberland System which continues to impact water management operations. The Wolf Creek and Center Hill Projects are the two largest tributary storage projects in this System. According to the Corps, both projects are experiencing serious seepage problems. Long-term operating procedures were proposed by the Corps in FY 2006 to address the safety concerns while minimizing the overall impact to congressionally authorized project purposes. Southeastern has since implemented a revised operating plan for the Cumberland System which provides energy to the Federal power customers based on a ratio of the available generation in the System. The multi-year program to repair the water seepage problems at the Wolf Creek and Center Hill projects began in FY 2007. The Corps conducted a risk assessment study to determine ways to lower risk to the public safety downstream. The results of the study released in FY 2007 determined the lake elevations should be significantly reduced. The impact of this problem may persist for several years as the Corps designs and completes the needed repairs, which will be affected by the availability of adequate funding.

## Cyber and Physical Security

Southeastern's cyber and physical security programs continue to be upgraded as mandated by the Department of Energy (DOE) and the North American Electric Reliability Corporation (NERC). Southeastern is required to file a compliance status report with the Southeastern Electric Reliability Corporation and the Florida Reliability Coordinating Council. Southeastern continues to be compliant on each of the NERC Cyber Security Standards.

Physical security at Southeastern continues to be reviewed and upgrading equipment is on-going. All installations and upgrades are in compliance with DOE, NERC, and the Homeland Security Presidential Directive. Extensive planning, training, and funding are required.

Southeastern's Continuity of Operations Plan (COOP) continues to be reviewed and tested quarterly by DOE and NERC. Corrective actions are applied to mitigate any deficiencies discovered. In addition, Southeastern participated with DOE and other agencies in developing a new COOP directive. This new directive focuses on pandemic planning and training.

# Marketing Objectives

Southeastern Power Administration 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. Headquartered in Elberton, Georgia, Southeastern markets electric power and energy in the states of Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, and southern Illinois, from reservoir projects operated by the U.S. Army Corps of Engineers.

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 also prepares wholesale rates and repayment studies for transmission contracts to interconnected reservoir projects in order to serve contractual loads. Southeastern is also responsible for all activities pertaining to the operation of power facilities 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 and Repayments

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 the table below.

**Status of Repayment as of September 30, 2007 - 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 \$
Georgia-Alabama-S. Carolina	1950	3,033	2,668	1,592	365	1,227
Jim Woodruff	1957	166	140	68	26	42
Cumberland	1949	1,214	922	399	292	107
Kerr-Philpott	1953	450	355	128	95	33
<b>TOTAL</b>		<b>4,863</b>	<b>4,085</b>	<b>2,187</b>	<b>778</b>	<b>1,409</b>

(Dollars in Millions)

# Georgia-Alabama-South Carolina System

The Georgia-Alabama-South Carolina System consists of ten projects located in Georgia, Alabama, and South Carolina. The power generated at these projects is sold to 176 preference entities that serve 204 preference customers in Georgia, Alabama, South Carolina, North Carolina, Mississippi, and Florida.

## Generation

Generation from streamflow for FY 2007 was 65% of the average. Figure A illustrates the percent of average generation by project, and Figure B shows system generation for the years 1998 through 2007.

## Financial Performance

Total revenue for the Georgia-Alabama-South Carolina System in FY 2007 was \$177.4 million. Of this amount, \$168.3 million was derived from the sale of 2,631,827 megawatt-hours of energy and 2,184.2 megawatts of capacity. Total operating

expenses, excluding depreciation, were \$110.7 million, interest charged to Federal investment was \$58.8 million, and repayment of the Federal investment was \$7.9 million. Figure C shows the revenue by source for this system, and Figure D shows the application of revenues.

Table 2 indicates the allocation of costs by project function for each project in the system, and Table 3 indicates the current rates. Current rates for the Georgia-Alabama-South Carolina System were approved on an interim basis by the Deputy Secretary of Energy on September 11, 2007. The rate schedules were forwarded to the Federal Energy Regulatory Commission with a request for approval on a final basis.

## Project Rehabilitation

During FY 2007, major rehabilitation work continued at the Walter F. George Project.

### Cost Allocation by Project Function as of September 30, 2007 - Table 2

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Allatoona	60,504,604	69.53	–	15.28	–	14.81	0.38(a)
Buford	96,775,744	81.45	2.17	4.80	–	11.59	–
Carters	166,478,303	83.74	–	12.04	–	4.22	–
J. Strom Thurmond	171,329,575	88.21	2.69	2.48	–	6.62	–
Walter F. George	243,198,399	62.71	33.73	–	0.14	3.41	–
Hartwell	198,717,752	90.56	2.08	2.64	–	4.72	–
Robert F. Henry/ Millers Ferry	194,576,630	63.12	29.74	–	–	7.15	–
West Point	155,892,540	45.84	1.72	13.78	8.84	29.81	–
Richard B. Russell	1,100,286,029	61.75	–	0.43	–	37.82	–
<b>TOTAL-GA-AL-SC</b>	<b>2,387,759,576</b>	<b>67.75</b>	<b>6.43</b>	<b>2.91</b>	<b>0.59</b>	<b>22.31</b>	<b>0.01</b>

(a) water supply

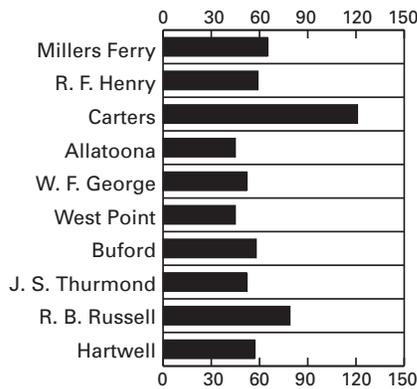
# Georgia-Alabama-South Carolina System

**Basic Power Rate Schedule as of September 30, 2007 - Table 3**

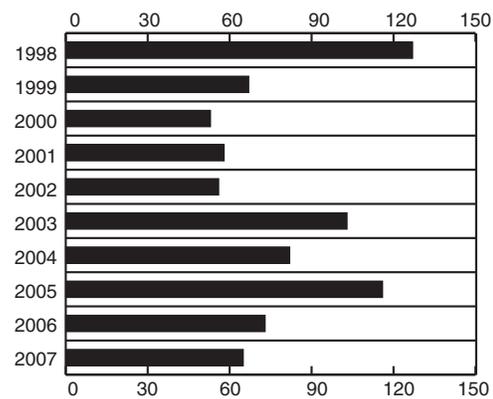
Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month	Ancillary & Generation Svs. \$/KW/Month
Municipal Elec. Auth. of Georgia & City of Dalton	3.39	8.39	–	.25
Oglethorpe Power Corp. Area	3.39	8.39	–	.12
Southern Company	3.39	8.39	2.39	.36
*PowerSouth Off System	3.39	8.39	2.39	.23
PowerSouth Energy Cooperative	3.39	8.39	–	.12
So. Mississippi Electric Power Assoc.	3.39	8.39	2.25	.12
So. Carolina Public Service Authority Area				
So. Carolina Public Service Authority	3.39	8.39	–	.12
Preference Customers -SCPSA	3.39	8.39	1.16	.12
Duke Power Area				
Bundled	3.39	8.39	.87	.12
Self Scheduling and Self Transmitting	3.39	8.39	–	.12
So. Carolina Electric & Gas Area	3.39	8.39	.86	.12

\*Effective January 2008, AEC becomes PowerSouth Energy Cooperative

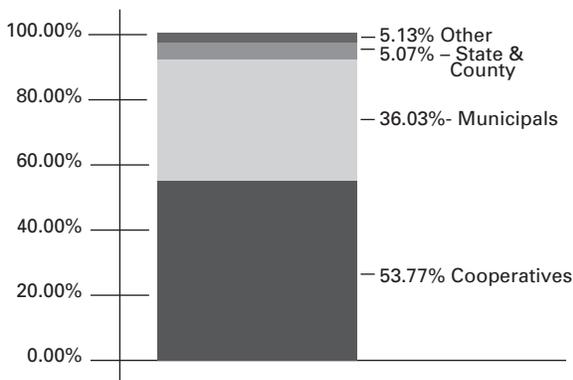
**Actual Generation as a Percentage of Average Project Generation - Figure A**



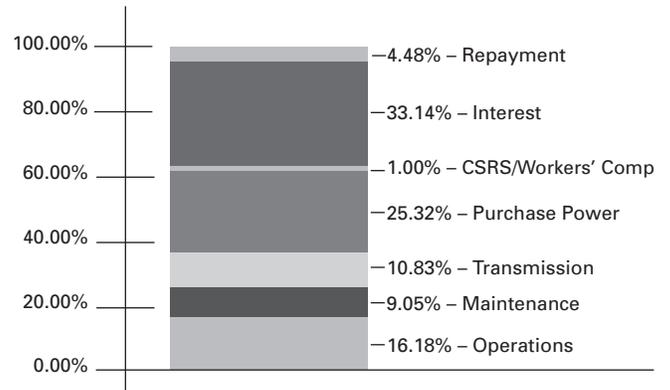
**Actual Generation as a Percentage of Average System Generation - Figure B**



**FY 2007 Revenue by Source - Figure C**



**FY 2007 Application of Revenues - Figure D**



# Kerr-Philpott System

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 76 preference customers in North Carolina and Virginia.

## Generation

Generation for FY 2007 was 93% of average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 1998 through 2007.

## Financial Performance

Total revenue for the Kerr-Philpott System in FY 2007 was \$14.0 million. Of this amount, \$13.3 million was derived from the sale of 417,364 megawatt-hours of energy and 196.5 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$10.4 million. Interest charged to Federal investment was \$1.3 million, and repayment of the Federal investment was \$2.3 million. Figure G shows the revenue by source for the Kerr-Philpott System, and Figure H shows the application of revenues.

Table 4 indicates the allocation of costs by project function for each project in the system. Table 5 indicates the current rates. Current rates for the Kerr-Philpott System were approved on a final basis by the Federal Energy Regulatory Commission on December 8, 2006.

## Rehabilitation

During FY 2007, major rehabilitation work continued at the John H. Kerr Project.

**Cost Allocation by Project Function as of September 30, 2007 - Table 4**

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
John H. Kerr	164,990,212	81.42	–	15.24	–	3.12	0.22(a)
Philpott	22,954,055	49.87	–	36.30	–	13.83	–
<b>TOTAL- Kerr-Philpott System</b>	<b>187,944,267</b>	<b>77.57</b>	<b>–</b>	<b>17.81</b>	<b>–</b>	<b>4.43</b>	<b>0.20</b>

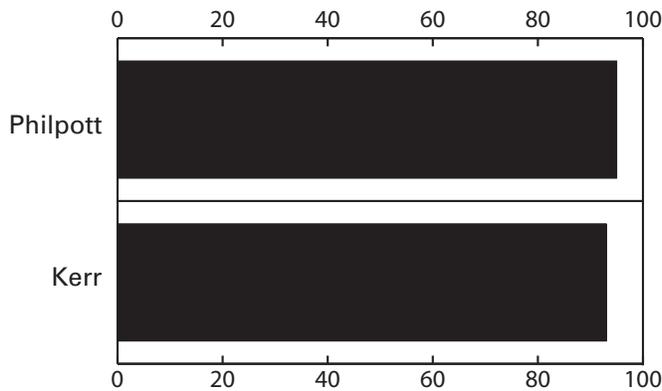
(a) water supply

**Basic Power Rate Schedule as of September 30, 2007 - Table 5**

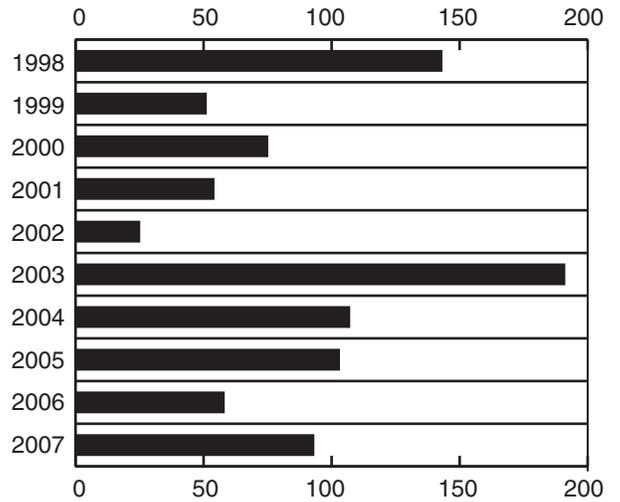
Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month	Ancillary Svs. Mills/KWh	Tandem Transmission \$/KW/Month
Virginia Power Co. Area					
Bundled	2.37	9.46	(3.03)	(0.93)	2.50
Self Scheduling	2.37	9.46	(3.03)	(0.93)	2.50
Self Scheduling and Self Transmitting	2.37	9.46	–	(0.93)	2.50
Scheduled by CP&L	2.37	9.46	(3.03)	(0.93)	2.50
American Electric Power Service Area	2.37	9.46	–	(0.93)	2.50
Carolina Power & Light Co. Area	2.37	9.46	1.15	–	2.50

# Kerr-Philpott System

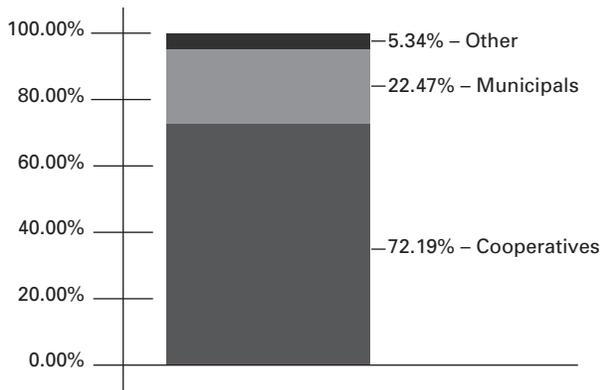
**Actual Generation as a Percentage of Average Project Generation - Figure E**



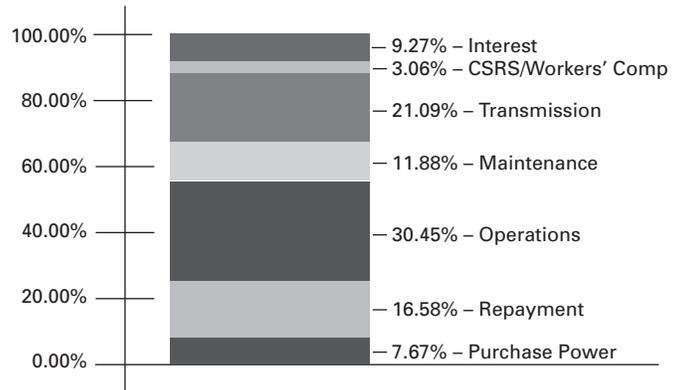
**Actual Generation as a Percentage of Average System Generation - Figure F**



**FY 2007 Revenue by Source - Figure G**



**FY 2007 Application of Revenues - Figure H**



# Cumberland System

There are nine projects in the Cumberland System located in Tennessee and Kentucky. The power produced at these projects is delivered to 23 preference entities that serve 215 preference customers in Tennessee, Kentucky, Mississippi, North Carolina, Alabama, Georgia, and Virginia and southern Illinois.

## Generation

Generation for the system during FY 2007 was 63% of average. The percentage of average generation by project is shown in Figure I, and Figure J shows system generation for the years 1998 through 2007.

## Financial Performance

Total revenue for the Cumberland System in FY 2007 was \$31.3 million. Of this amount, \$29.8 million was derived from the sale of 1,766,660 megawatt-hours of energy and 948.3 megawatts of capacity. Total operating expenses, excluding depreciation, were \$35.8 million. Interest charged to Federal investment was \$2.7 million. The Cumberland System incurred a repayment deficit of \$7.2 million. Figure K shows the revenue by source for the Cumberland System, and Figure L shows the application of revenues for this system.

Table 6 indicates the allocation of costs by project function for each project in this system, and Table 7 indicates the current rates. Current rates for the Cumberland System were approved by the Administrator of Southeastern effective February 25, 2007.

**Cost Allocation by Project Function as of September 30, 2007 - Table 6**

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Barkley	197,375,400	25.35	59.05	11.71	–	3.89	–
J. Percy Priest	66,546,863	17.51	–	39.29	–	43.21	–
Cheatham	51,906,818	41.50	50.04	–	–	8.46	–
Cordell Hull	89,919,913	47.72	19.58	–	–	25.29	7.41 (b)
Old Hickory	72,992,622	55.43	38.64	–	–	5.93	–
Center Hill	82,176,128	52.16	–	38.42	–	8.57	0.85 (a)
Dale Hollow	35,567,192	60.96	–	33.41	–	5.63	–
Wolf Creek	276,144,845	57.59	–	35.92	–	6.40	0.09 (a)
Laurel	51,296,503	53.58	–	–	–	34.08	12.34 (b)
<b>TOTAL- Cumberland System</b>	<b>923,926,284</b>	<b>45.20</b>	<b>20.38</b>	<b>20.77</b>	<b>–</b>	<b>12.13</b>	<b>1.51</b>

(a) World War II Suspension Costs

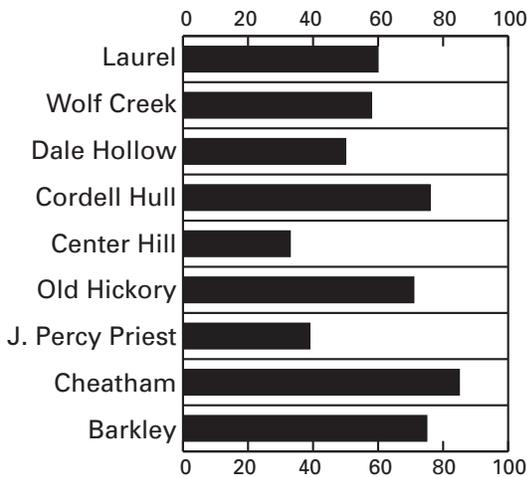
(b) Area Redevelopment

# Cumberland System

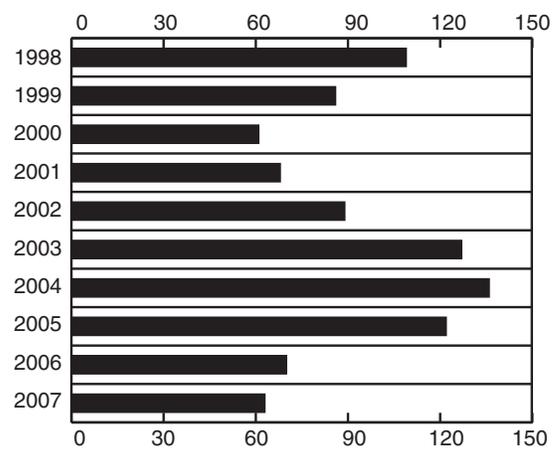
**Basic Power Rate Schedule as of September 30, 2007 - Table 7**

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month
Tennessee Valley Authority	-	11.92	-
Carolina Power & Light Co. Area	-	12.94	1.15
Kentucky Utility Area	-	12.16	-
East Kentucky Power Cooperative	-	12.16	-
Other Preference Customers	-	12.16	-

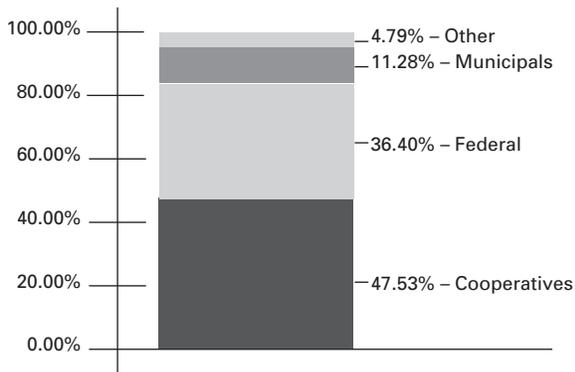
**Actual Generation as a Percentage of Average Project Generation - Figure I**



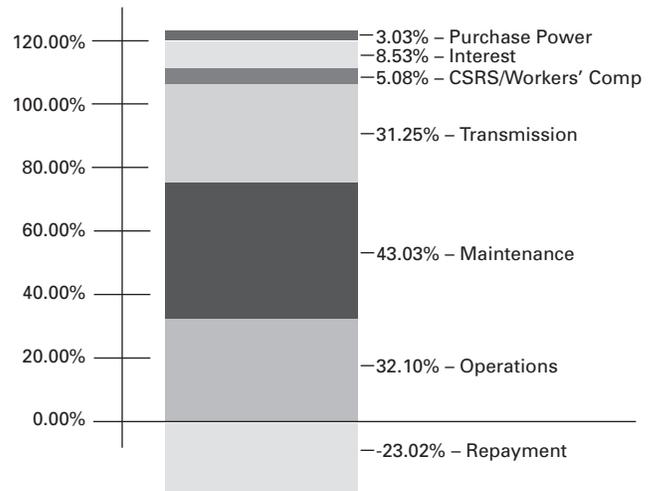
**Actual Generation as a Percentage of Average System Generation - Figure J**



**FY 2007 Revenue by Source - Figure K**



**FY 2007 Application of Revenues - Figure L**



# Jim Woodruff System

The Jim Woodruff System is a one-project system located in the northern panhandle of Florida near the Georgia-Florida border. This system has six customers located in the northern part of Florida and one investor-owned utility.

## Generation

Generation during FY 2007 was 77% of average. Figure M illustrates the project's generation for the years 1998 through 2007.

## Financial Performance

Total revenue from the Jim Woodruff System was \$7.6 million in FY 2007. Of this amount, \$7.5 million was derived from the sale of 212,486 megawatt-hours of energy and 36 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$6.7 million. Interest charged to the Federal investment was \$2.3 million. The Jim Woodruff Project incurred a repayment deficit of \$1.4 million. Figure N shows the revenue by source for the system, and Figure O shows the application of revenues.

Table 8 indicates the allocation of costs by project function for the project in the system, and Table 9 indicates the current rates. Current rates for the Jim Woodruff System were approved on a final basis on April 18, 2005. On June 17, 2005, FERC issued an order granting rehearing for further consideration. On July 20, 2006, FERC issued an order denying rehearing.

### Cost Allocation by Project Function as of September 30, 2007 - Table 8

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Jim Woodruff	102,700,489	63.33	31.69	-	-	4.98	-
<b>TOTAL- Jim Woodruff System</b>	<b>102,700,489</b>	<b>63.33</b>	<b>31.69</b>	<b>-</b>	<b>-</b>	<b>4.98</b>	<b>-</b>

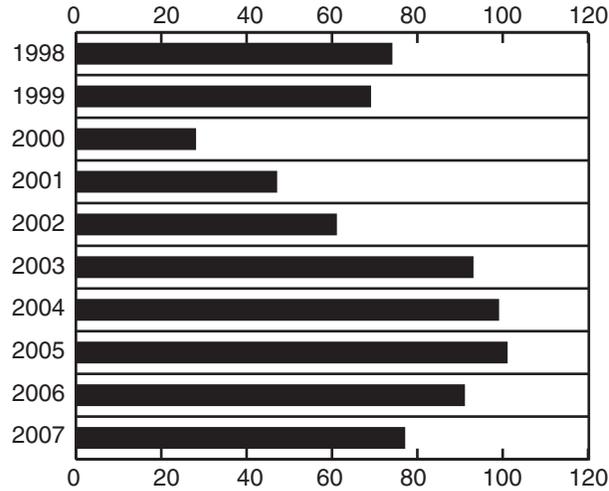
### Basic Power Rate Schedule as of September 30, 2007 - Table 9

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh
Preference Customers	6.95	19.95
Investor Owned Utility*	-	22.89

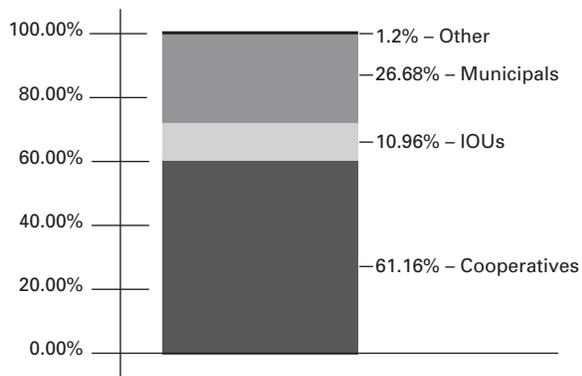
\*Rate determined at 90% of Investor Owned Utility avoided cost

# Jim Woodruff System

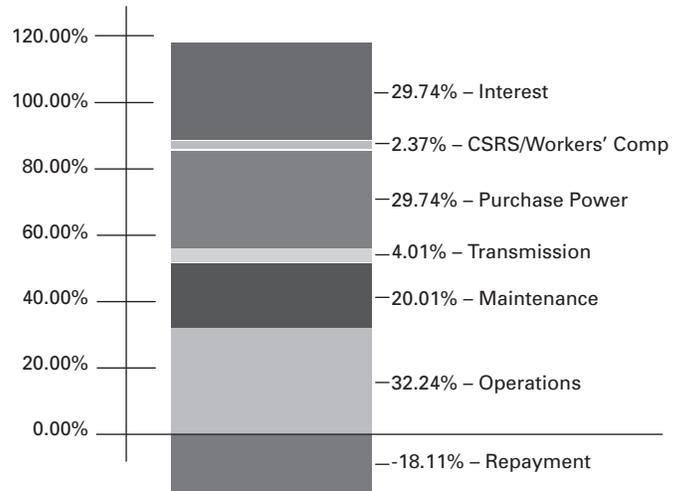
**Actual Generation as a Percentage of Average System Generation - Figure M**



**FY 2007 Revenue by Source - Figure N**



**FY 2007 Application of Revenues - Figure O**



# Customer Sales

Customer	KW	ENERGY	REVENUE	Customer	KW	ENERGY	REVENUE
<b>Georgia-Alabama-South Carolina System</b>							
<b>Alabama</b>							
Baldwin County EMC	17,284	21,401,936	\$ 1,693,866.22	City of Cairo	6,253	7,992,783	\$ 445,923.11
Black Warrior EMC	18,494	23,492,961	1,846,949.72	City of Calhoun	7,660	9,795,731	546,358.25
Central Alabama EC	18,660	22,858,541	1,827,135.89	City of Camilla	6,072	7,753,184	432,837.28
Clarke-Washington EMC	6,678	8,095,416	653,160.49	City of Cartersville	17,152	21,913,308	1,222,932.29
Coosa Valley EC	5,728	7,007,098	560,878.95	City of College Park	15,559	19,891,953	1,109,651.76
Dixie EC	7,273	8,981,273	712,758.92	City of Commerce	4,456	5,688,139	317,606.99
Pea River EC	3,422	4,145,479	334,634.95	City of Covington	9,382	11,990,504	669,022.69
Pioneer EC	10,056	12,375,100	984,866.69	City of Dalton	45,822	60,861,381	3,282,045.52
Tallapoosa River EC	11,494	13,989,953	1,124,848.92	City of Doerun	629	803,513	44,845.30
Tombigbee EC	6,578	8,349,549	657,012.42	City of Douglas	10,180	13,004,494	725,800.36
Wiregrass EC	8,467	10,334,718	828,985.46	City of East Point	33,488	42,774,234	2,387,470.97
PowerSouth Energy Cooperative*	100,000	138,759,000	7,102,990.27	City of Elberton	11,447	14,614,166	815,941.54
City of Alexander City	7,846	10,154,164	784,717.74	City of Ellaville	936	1,196,666	66,754.47
City of Dothan	52,461	67,937,842	5,247,822.52	City of Fairburn	1,799	2,300,674	128,317.49
City of Evergreen	4,047	5,232,403	405,309.55	City of Fitzgerald	9,720	12,418,072	693,029.67
City of Fairhope	6,248	8,088,640	624,949.21	City of Forsyth	3,720	4,752,252	265,226.27
City of Foley	21,199	27,401,201	2,120,134.67	City of Fort Valley	9,417	12,031,540	671,438.52
City of Hartford	3,050	3,840,054	303,954.21	City of Grantville	470	599,653	33,493.05
City of LaFayette	2,358	3,049,879	235,796.69	City of Griffin	18,157	23,198,667	1,294,618.51
City of Lanett	5,321	6,886,439	532,181.84	City of Hampton	832	1,000,449	82,074.18
City of Luverne	3,158	4,086,678	315,839.92	City of Hogansville	1,531	1,955,174	109,142.10
City of Opelika	20,809	26,941,955	2,081,454.47	City of Jackson	2,067	2,640,874	147,378.28
City of Piedmont	3,869	4,907,470	386,360.61	City of LaFayette	6,607	8,440,213	471,058.56
City of Robertsdale	3,372	4,272,294	336,626.13	City of Lagrange	17,096	21,851,094	1,219,141.35
City of Sylacauga	16,494	20,905,496	1,646,760.92	City of Lawrenceville	4,795	6,134,246	342,059.07
City of Troy	10,079	13,042,679	1,008,021.63	City of Marietta	37,172	47,525,163	2,651,096.73
City of Tuskegee	11,689	14,923,457	1,167,775.44	City of Monroe	7,223	9,225,194	514,935.63
<b>Alabama Total</b>	<b>386,134</b>	<b>501,461,675</b>	<b>\$35,525,794.45</b>	City of Monticello	1,836	2,344,355	130,878.00
				City of Moultrie	15,480	19,775,460	1,103,682.32
<b>Florida</b>				City of Newnan	6,893	8,806,890	491,478.09
Choctawhatchee EC	1,231	1,519,589	\$120,567.31	City of Norcross	1,736	2,219,920	123,819.69
West Florida ECA	8,402	10,404,777	823,555.88	City of Oxford	458	586,425	32,683.22
<b>Florida Total</b>	<b>9,633</b>	<b>11,924,366</b>	<b>\$944,123.19</b>	City of Palmetto	923	1,179,457	65,814.68
				City of Quitman	4,428	5,653,722	315,640.11
<b>Georgia</b>				City of Sandersville	4,997	6,381,784	356,233.52
Altamaha EMC	10,956	11,763,858	\$744,812.73	City of Sylvania	5,436	6,949,668	387,686.01
Amicalola EMC	11,513	12,357,440	782,570.56	City of Sylvester	3,952	5,051,425	281,827.72
Canochee EMC	9,392	10,086,484	638,535.55	City of Thomaston	7,687	9,826,173	548,195.63
Carroll EMC	17,032	18,283,280	1,157,761.65	City of Thomasville	25,053	32,009,527	1,786,313.02
Central Georgia EMC	13,381	14,371,629	909,764.76	City of Washington	5,068	6,473,125	361,309.60
Coastal EMC	3,157	3,392,542	214,686.04	City of West Point	4,683	5,976,718	333,761.03
Cobb EMC	39,369	42,314,547	2,677,416.63	City of Whigham	319	407,713	22,748.16
Colquitt EMC	38,410	41,222,974	2,610,731.80	Crisp County Power Commission	18,068	23,082,178	1,288,212.57
Coweta-Fayette EMC	13,378	14,374,961	909,718.90	Town of Mansfield	379	483,164	26,999.92
Diverse Power, Inc.	12,050	12,945,472	819,352.69	<b>Georgia Total</b>	<b>1,095,655</b>	<b>1,272,333,463</b>	<b>\$76,077,170.84</b>
Excelsior EMC	8,914	9,570,709	605,979.33	<b>Mississippi</b>			
Flint EMC	55,744	56,007,721	3,757,024.77	Coast EPA	26,863	34,814,102	\$ 2,687,739.74
Grady EMC	10,439	11,203,625	709,543.00	East Mississippi EPA	11,336	14,659,383	1,134,112.45
Greystone Power Corporation	31,540	33,885,431	2,144,634.29	Singing River EPA	33,684	43,663,855	3,370,415.41
Habersham EMC	10,176	10,922,393	691,691.46	South Mississippi EPA	68,000	91,035,470	6,618,231.80
Hart EMC	18,630	19,988,446	1,266,140.35	<b>Mississippi Total</b>	<b>139,883</b>	<b>184,172,810</b>	<b>\$13,810,499.40</b>
Irwin EMC	8,246	8,848,185	560,440.39	<b>North Carolina</b>			
Jackson EMC	48,415	51,990,854	3,291,499.10	Blue Ridge EMC	7,311	11,023,080	\$ 585,798.36
Jefferson EMC	14,188	15,243,109	964,746.37	EnergyUnited EMC	16,302	24,736,940	1,309,518.81
Little Ocmulgee EMC	7,754	8,317,958	526,946.00	Haywood EMC	926	1,394,803	74,001.49
Middle Georgia EMC	6,028	6,469,399	409,722.22	Pee Dee EMC	455	680,751	36,245.94
Mitchell EMC	18,023	19,343,729	1,225,044.54	Rutherford EMC	24,018	36,100,490	1,921,945.64
Ocmulgee EMC	8,188	8,785,936	556,497.86	Union EMC	11,633	17,601,869	931,646.10
Oconee EMC	8,018	8,609,194	545,080.41	City of Cherryville	1,478	909,101	85,178.46
Okfenoke Rural EMC	9,487	10,184,302	644,893.07	City of Concord	8,007	5,196,730	550,940.50
Pataula EMC	3,244	3,481,469	220,492.43	City of Gastonia	15,971	9,820,025	920,332.91
Planters EMC	10,258	11,009,094	697,233.69	City of Kings Mountain	2,896	1,879,001	199,251.86
Rayle EMC	10,350	11,106,914	703,464.68	City of Lincolnton	1,577	969,417	90,869.28
Satilla Rural EMC	30,374	32,598,220	2,064,518.43	City of Monroe	7,693	4,731,175	443,336.58
Sawnee EMC	19,423	20,857,700	1,320,478.42	City of Morganton	9,535	14,264,833	761,334.74
Slash Pine EMC	4,785	5,135,504	325,238.96	City of Newton	2,067	1,270,317	119,095.97
Snapping Shoals EMC	20,119	21,620,249	1,368,160.93	City of Shelby	5,892	3,622,065	339,509.69
Southern Rivers Energy	6,842	7,347,549	465,159.18	City of Statesville	9,705	5,966,952	559,244.94
Sumter EMC	11,437	12,280,744	777,522.38	Town of Bostic	412	621,410	33,023.82
Three Notch EMC	12,194	13,089,975	828,898.37	Town of Cornelius	361	222,127	20,806.78
Tri-County EMC	6,416	6,894,026	436,292.49	Town of Dallas	1,299	842,344	89,362.38
Upson EMC	4,581	4,917,635	311,398.86	Town of Drexel	879	1,317,819	70,255.22
Walton EMC	31,322	33,673,120	2,130,338.32	Town of Forest City	2,721	1,766,203	187,230.10
Washington EMC	14,249	15,296,465	968,600.79	Town of Granite Falls	828	508,843	47,707.02
City of Acworth	2,303	2,942,692	164,211.68	Town of Huntersville	490	300,902	28,226.77
City of Adel	6,902	8,813,511	492,014.42	Town of Landis	1,098	674,544	63,258.00
City of Albany	60,831	77,734,407	4,337,600.55	Town of Maiden	1,235	758,879	71,155.08
City of Barnesville	2,635	3,366,289	187,870.95	Town of Pineville	490	300,902	28,226.77
City of Blakely	5,412	6,912,609	385,836.42	<b>North Carolina Total</b>	<b>135,279</b>	<b>147,481,522</b>	<b>\$9,567,503.21</b>
City of Brinson	156	199,888	11,135.45				
City of Buford	2,356	3,010,200	167,985.74				

\*Effective January 2008, AEC becomes PowerSouth Energy Cooperative

# Customer Sales

Customer	KW	ENERGY	REVENUE	Customer	KW	ENERGY	REVENUE
<b>South Carolina</b>				<b>Virginia</b>			
Blue Ridge EC	18,399	27,792,814	\$ 1,475,110.09	B-A-R-C EC	3,740	9,518,205	\$ 200,073.46
Broad River EC	5,570	8,360,348	445,218.58	Central Virginia EC	7,956	19,948,363	421,619.97
Central Electric Power Cooperative	129,088	166,982,488	11,316,658.30	Community EC	4,230	10,780,299	226,493.33
Laurens EC	13,843	20,893,979	1,109,418.86	Craig-Botetourt EC	1,692	5,008,431	98,642.17
Little River EC	5,272	7,786,804	423,961.50	Mecklenburg EMC	11,344	29,145,684	610,640.13
York EC	9,050	13,564,447	722,895.56	Northern Neck EC	3,944	10,016,203	210,849.08
City of Abbeville	2,959	4,775,655	234,882.91	Northern Virginia EC	3,268	8,396,342	175,914.20
City of Clinton	2,975	1,845,752	171,852.95	Prince George EC	2,530	6,416,353	135,035.46
City of Easley	8,656	13,072,910	694,261.49	Rappahannock EC	22,427	57,245,367	1,202,070.59
City of Gaffney	6,986	10,556,778	560,469.72	Shenandoah Valley EMC	9,938	25,491,245	534,378.10
City of Georgetown	5,300	6,933,893	466,701.60	Southside EC	14,575	37,258,351	781,970.49
City of Greenwood	11,404	17,253,390	916,159.49	City of Bedford	1,200	905,646	72,411.21
City of Greer	9,159	13,890,199	736,058.19	City of Danville	5,600	4,226,345	337,918.98
City of Laurens	5,891	8,924,640	473,189.23	City of Franklin	1,003	749,125	28,440.51
City of Newberry	3,277	2,032,692	189,287.40	City of Martinsville	1,600	1,207,529	96,548.28
City of Orangeburg	13,779	15,775,858	1,125,949.76	City of Radford	1,300	981,575	78,352.51
City of Rock Hill	19,115	28,868,306	1,533,120.63	City of Salem	2,200	1,661,127	132,596.57
City of Seneca	2,688	1,639,300	154,484.75	Harrisonburg Electric Commission	2,691	2,036,135	76,650.46
City of Union	3,484	2,162,094	201,269.46	Town of Blackstone	389	290,537	11,030.30
City of Westminster	678	420,198	39,153.90	Town of Culpepper	391	295,847	11,137.22
Town of Bamberg	2,300	2,971,664	201,600.71	Town of Elkton	171	127,716	4,848.91
Town of Due West	285	184,847	19,606.95	Town of Richlands	500	377,352	30,171.34
Town of McCormick	522	582,326	42,664.24	Town of Wakefield	106	79,168	3,005.68
Town of Prosperity	602	957,045	55,546.96	<b>Virginia Total</b>	<b>102,795</b>	<b>232,162,945</b>	<b>\$ 5,480,798.95</b>
Town of Winnsboro	1,366	1,514,045	111,386.91	<b>Kerr-Philpott System Total</b>	<b>196,500</b>	<b>417,363,547</b>	<b>\$13,273,494.45</b>
South Carolina PSA	135,000	134,710,400	9,001,140.70	<b>Jim Woodruff System</b>			
<b>South Carolina Total</b>	<b>417,648</b>	<b>514,452,872</b>	<b>\$ 32,422,050.84</b>	<b>Florida</b>			
<b>GA-AL-SC System</b>	<b>2,184,232</b>	<b>2,631,826,708</b>	<b>\$168,347,141.93</b>	Central Florida EC	2,300	11,703,672	\$ 425,308.27
<b>Kerr-Philpott System</b>				Suwannee Valley EC	4,800	22,534,019	849,873.67
<b>North Carolina</b>				Talquin EC	13,500	65,471,435	2,432,055.12
Albemarle EMC	2,593	6,419,682	\$ 219,702.38	Tri-County EC	5,200	25,240,010	937,218.21
Brunswick EMC	3,515	9,445,323	339,680.27	City of Chattahoochee	1,800	10,558,765	360,767.36
Carteret-Craven EMC	2,679	7,198,867	258,891.54	City of Quincy	8,400	48,383,834	1,665,817.49
Central EMC	1,239	3,329,375	119,733.78	Florida Power Corporation	-	28,593,914	832,203.36
Edgecombe-Martin County EMC	4,155	10,414,113	353,804.72	<b>Jim Woodruff System Total</b>	<b>36,000</b>	<b>212,485,649</b>	<b>\$7,503,243.48</b>
Four County EMC	4,198	11,280,644	405,683.67	<b>Cumberland System</b>			
Halifax EMC	2,606	6,631,752	228,545.91	Southern Illinois Power Cooperative	28,000	31,091,000	\$ 941,346.80
Harkers Island EMC	56	42,523	4,103.77	<b>Kentucky</b>			
Jones-Onslow EMC	5,184	13,930,176	500,968.11	Big Rivers Electric Corporation	178,000	214,548,000	\$ 6,036,078.45
Lumbee River EMC	3,729	10,020,374	360,360.67	East Kentucky Power Cooperative	170,000	185,431,000	5,591,242.70
Pee Dee EMC	2,968	7,975,456	286,819.76	City of Barbourville	2,200	2,605,118	71,918.39
Piedmont EMC	1,086	2,879,220	104,580.09	City of Bardstown	2,247	2,660,774	73,418.75
Pitt & Greene EMC	1,580	4,245,692	152,687.03	City of Bardwell	542	641,806	17,687.74
Randolph EMC	3,608	9,695,229	348,668.39	City of Benham	248	293,668	8,133.45
Roanoke EMC	5,528	13,765,729	469,480.88	City of Corbin	2,598	3,076,409	84,924.18
South River EMC	6,119	16,442,657	591,324.03	City of Falmouth	590	698,647	19,267.46
Tideland EMC	3,098	7,880,587	271,511.07	City of Frankfort	15,621	18,497,533	510,505.93
Tri-County EMC	3,096	8,319,408	299,189.18	City of Henderson	12,000	11,817,000	400,145.91
Wake EMC	2,164	5,814,989	209,123.33	City of Madisonville	7,803	9,239,884	255,029.22
City of Elizabeth City	2,073	1,578,133	58,512.18	City of Nicholasville	2,556	3,026,674	83,534.87
City of Kinston	1,466	1,116,036	107,495.99	City of Owensboro	25,000	29,603,628	817,031.70
City of Laurinburg	415	315,931	30,430.29	City of Paris	1,364	1,615,174	44,561.89
City of Lumberton	895	681,346	65,626.89	City of Providence	1,231	1,457,682	40,238.40
City of New Bern	1,204	916,582	88,284.60	<b>Kentucky Total</b>	<b>422,000</b>	<b>485,212,997</b>	<b>\$14,053,719.03</b>
City of Rocky Mount	2,538	1,932,128	186,101.51	<b>Mississippi</b>			
City of Washington	2,703	2,057,739	198,200.32	South Mississippi EPA	51,000	52,030,000	\$1,730,563.08
City of Wilson	2,950	2,245,772	216,311.95	Mississippi Delta Energy Agency	11,215	10,729,000	378,337.88
Fayetteville Public Works Comm.	5,431	4,134,510	398,233.73	Municipal Energy Agency of Miss.	18,785	16,033,000	632,952.81
Greenville Utilities Commission	7,534	5,735,480	552,438.42	<b>Mississippi Total</b>	<b>81,000</b>	<b>78,792,000</b>	<b>\$2,741,853.77</b>
Town of Apex	145	110,389	10,632.37	<b>North Carolina</b>			
Town of Ayden	208	158,346	15,251.83	French Broad EMC	8,200	9,712,709	\$433,554.76
Town of Belhaven	182	138,553	5,137.09	Haywood EMC	2,400	2,842,742	126,873.21
Town of Benson	120	91,353	8,799.13	Town of Waynesville	1,700	2,013,609	89,875.57
Town of Clayton	161	122,565	11,805.45	<b>North Carolina Total</b>	<b>12,300</b>	<b>14,569,060</b>	<b>\$650,303.54</b>
Town of Edenton	775	589,993	21,875.06	Tennessee Valley Authority	405,000	1,156,995,000	\$11,380,407.06
Town of Enfield	259	193,443	7,344.06	<b>Cumberland System Total</b>	<b>948,300</b>	<b>1,766,660,057</b>	<b>\$29,767,630.20</b>
Town of Farmville	237	180,423	17,378.27	<b>Grand Total</b>	<b>3,365,032</b>	<b>5,028,335,961</b>	<b>\$218,891,510.06</b>
Town of Fremont	60	45,678	4,399.60				
Town of Hamilton	40	30,451	1,129.02				
Town of Hertford	203	154,541	5,729.87				
Town of Hobgood	46	35,018	1,298.38				
Town of Hookerton	30	22,838	2,199.74				
Town of La Grange	93	70,799	6,819.27				
Town of Louisburg	857	3,862,518	97,769.10				
Town of Pikeville	40	30,451	2,933.01				
Town of Red Springs	117	89,071	8,579.16				
Town of Robersonville	232	176,618	6,548.41				
Town of Scotland Neck	304	231,428	8,580.64				
Town of Selma	183	139,314	13,418.68				
Town of Smithfield	378	287,765	27,717.23				
Town of Tarboro	2,145	1,632,945	60,544.45				
Town of Wake Forest	149	113,431	10,925.60				
Town of Windsor	331	247,218	9,385.62				
<b>North Carolina Total</b>	<b>93,705</b>	<b>185,200,602</b>	<b>\$7,792,695.50</b>				

# A Closer Look

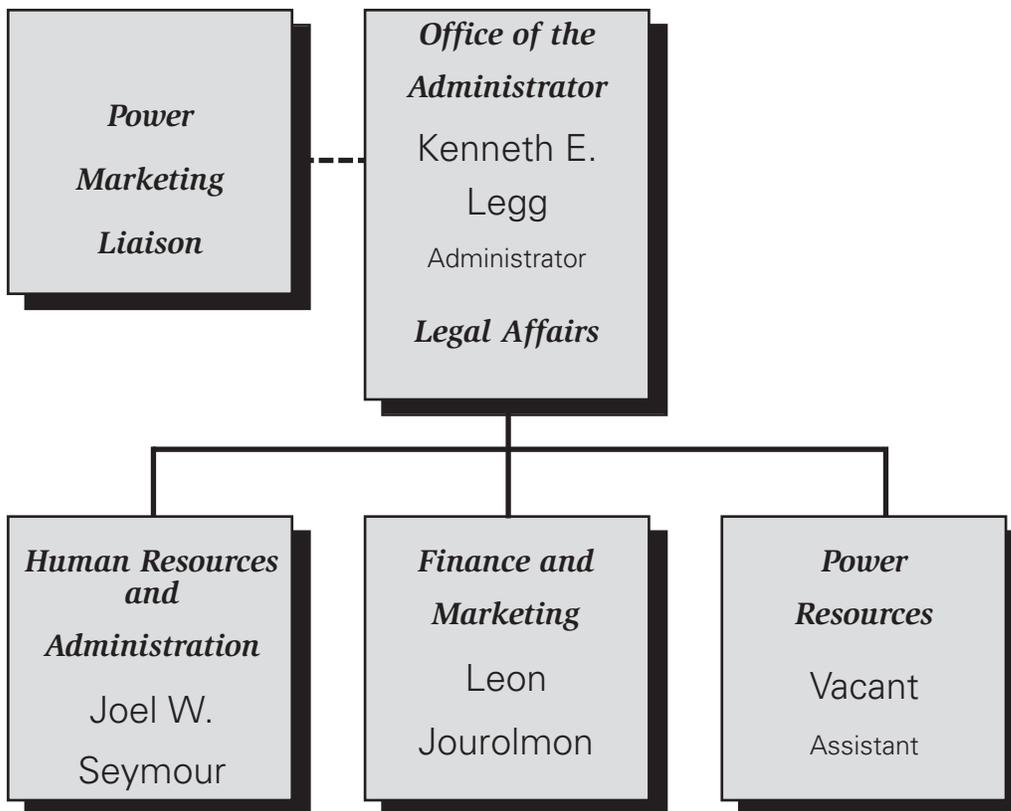
## Mission Statement

Southeastern's mission is to market Federal hydroelectric power at the lowest possible cost to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvements.

## Vision Statement

Southeastern Power Administration will foster a well-trained, flexible workforce in an open and rewarding workspace. Southeastern's employees will practice integrity and honesty with all partners, nurture creativity, and achieve results in a rapidly changing electric utility industry.

## Organizational Chart\*



\*Southeastern's Organizational Chart was effective beginning July 1, 2008.

# **2007 Financial Overview & Financial Statements**



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## Description

The Southeastern Federal Power Program (Power 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: Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, and southern Illinois. The Power 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 United States Army Corps of Engineers (Corps). 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, 2007, 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 Power 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-use costs allocated to power are included in the attached statements of assets, Federal investment, and liabilities, under utility plant and cash.

The accounts of the Power Program 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 Power 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 also receives 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 2007, Southeastern marketed 5.0 billion kilowatt-hours of energy to 492 wholesale customers. Southeastern's revenues totaled \$230 million, which was \$15 million more than in FY 2006.

## Financial Performance Debt Service Coverage Ratio

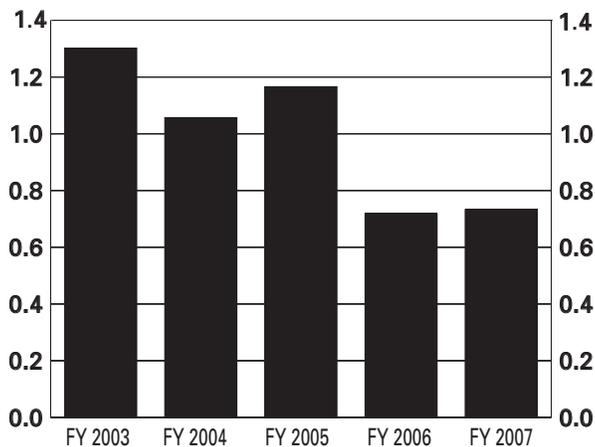
The debt service coverage ratio measures the adequacy of a utility's cash flow to cover debt service cash, both principal and interest.

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.

Over the last five years, Southeastern's debt service ratio has ranged from about 0.719 to 1.30. Southeastern's debt service ratio for FY 2006 and FY 2007 was below normal due to adverse water conditions. Southeastern's debt service coverage ratio for fiscal years 2003-2007 is illustrated in Figure P.

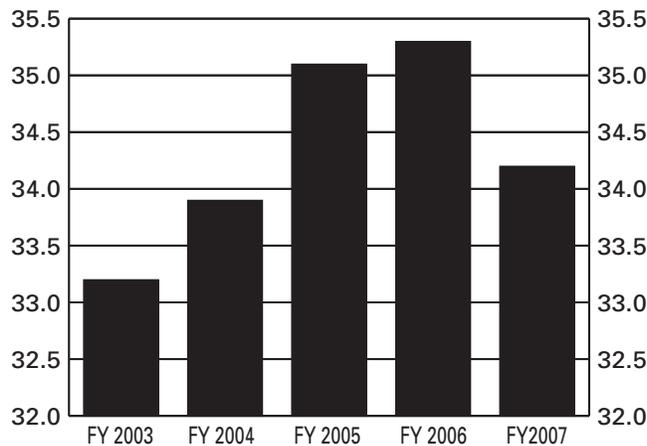
**Debt Service Coverage Ratio - Figure P**



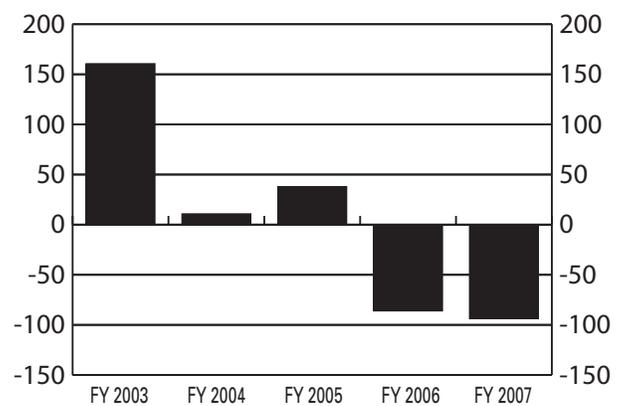
## Cumulative Principal as a Percent of Total Federal Investment (Plant-in-Service)

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 Southeastern, 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. Over the last five years, Southeastern's principal payments as a percentage of total investment have ranged from 33% to 35%. Payments as a percent of total investment are illustrated in Figure Q.

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



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



## Percent Variance of Actual from Planned Principal Payment

Each of the power marketing administrations shows 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.

Southeastern’s -86.1% ratio in 2006 and -93.9% ratio in 2007 were the result of below average streamflow conditions. Southeastern’s 160.7% ratio in FY 2003 was the result of above average streamflow conditions, as illustrated in Figure R.

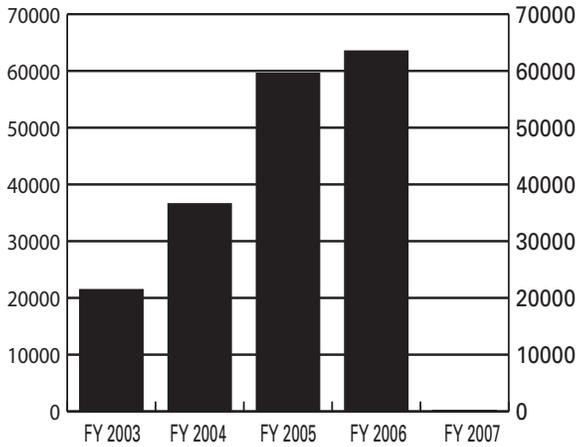
## Net Cash to the Treasury

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. 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 Southeastern’s financial performance. Net cash flow to the U.S. Treasury is illustrated in Figure S. FY 2007 net cash flow to the Treasury was \$195,000.

**Net Cash Flow to the Treasury – Figure S  
(in thousands)**



**Rate Performance**

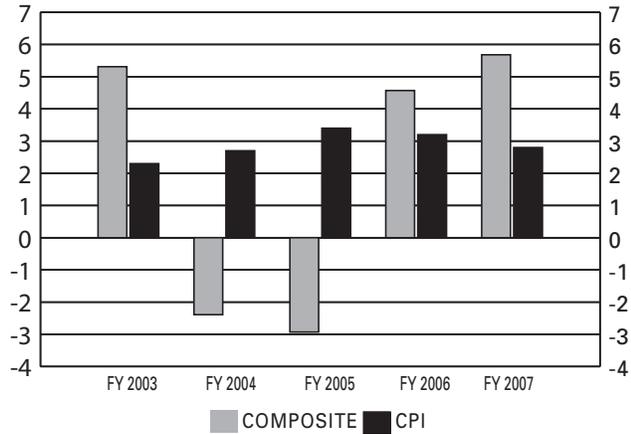
Performance indicators were prepared separately for transmission costs and generation rates. Cumulative year-to-year percentage increases in costs and rates were compared to cumulative percentage increases in the Consumer Price Index starting with 2003 as the base year.

**Transmission Performance Indicator - Composite Transmission Cost Indicator**

The transmission cost indicator is a measure of the change in the capacity based on weighted average transmission rates paid by Southeastern from year to year. The FY 2003 increase was the result of the Richard B. Russell pumped storage turbines becoming operational. The FY 2004 decrease was the result of decreases in the transmission rates in the Georgia-Alabama-South Carolina and Kerr-Philpott Systems. The FY 2005 decrease was the result of decreases in transmission rates in the Kerr-Philpott System. The FY 2006 increase was

the result of increases in transmission rates in the Georgia-Alabama-South Carolina and Cumberland Systems. The FY 2007 increase was the result of increases in transmission rates in the Georgia-Alabama-South Carolina and Kerr-Philpott Systems. Composite transmission indicators are illustrated in Figure T.

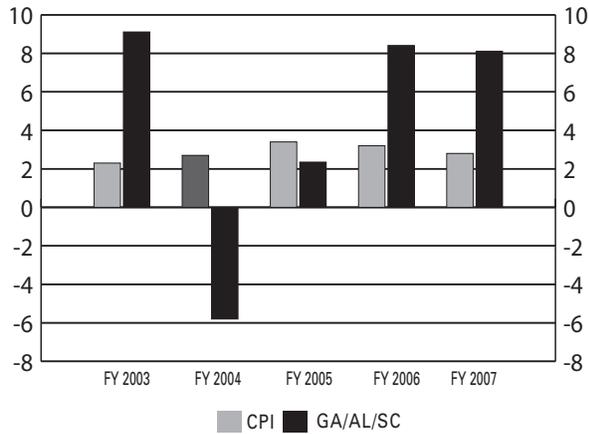
**Composite Transmission Cost Indicator - Figure T**



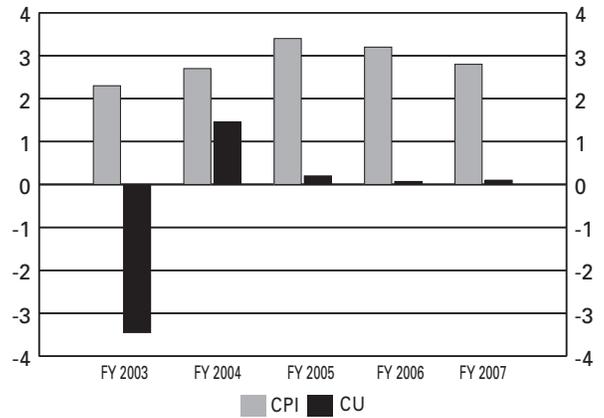
**System Transmission Cost Indicator**

The FY 2003 3.45% decrease in the Cumberland System was the result of decreases in the transmission rate. The FY 2004 5.8% decrease in the Georgia-Alabama-South Carolina was the result of reductions in transmission rates. The FY 2005 33.9% decrease in the Kerr-Philpott System was the result of a decrease in transmission rates. The FY 2006 8.41% increase in the Georgia-Alabama-South Carolina System was the result of an increase in transmission rates. FY 2007 8.11% increase in the Georgia-Alabama-South Carolina System was the result of an increase in transmission rates. System transmission indicators are illustrated in Figures U, V, W, and X.

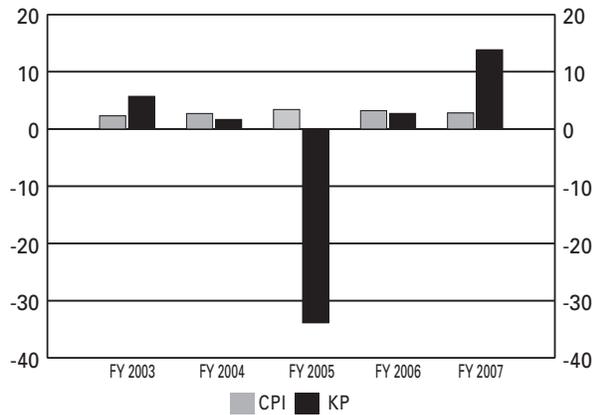
**Georgia-Alabama-South Carolina Transmission Cost Indicator - Figure U**



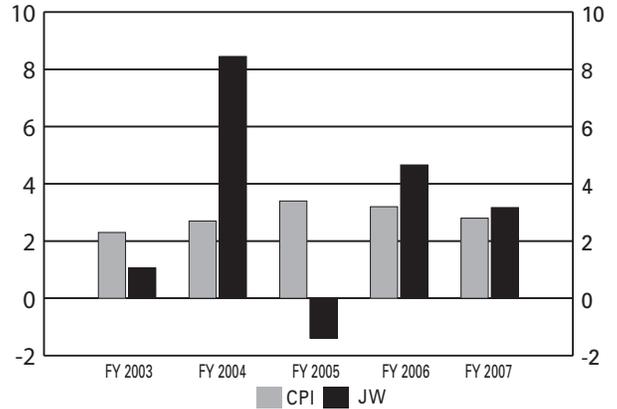
**Cumberland Transmission Cost Indicator - Figure W**



**Kerr-Philpott Transmission Cost Indicator - Figure V**



**Jim Woodruff Transmission Cost Indicator - Figure X**

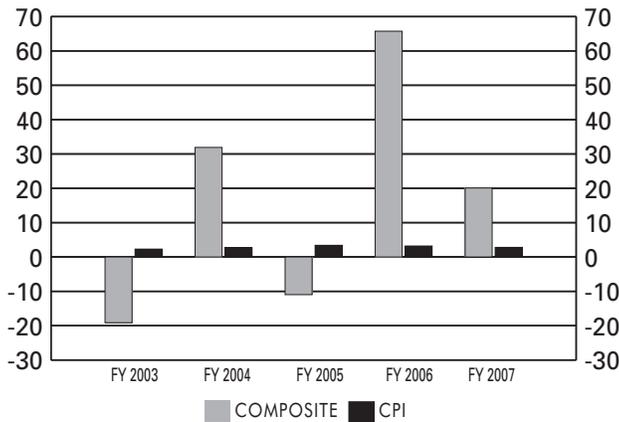


## Generation Performance Indicator - Composite Generation Rate Indicator

The composite generation indicator is a measure of the annual change in the average costs of energy charged by Southeastern from year to year.

The -19.14% decrease in FY 2003 was the result of above normal water conditions. The FY 2004 increase was the result of rate increases in the Georgia-Alabama-South Carolina and Cumberland Systems. The FY 2005 decrease was the result of decreases in transmission rates in the Kerr-Philpott System and in an increase in energy produced in the Georgia-Alabama-South Carolina System. The FY 2007 increase was the result of below normal water conditions. Composite generation rate indicator is illustrated in Figure Y.

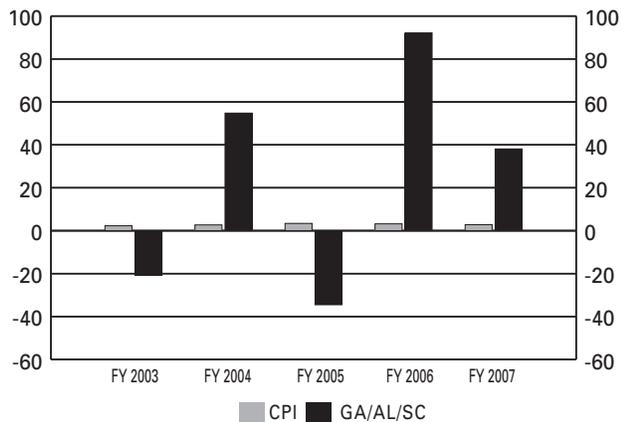
### Composite Generation Cost Indicator - Figure Y



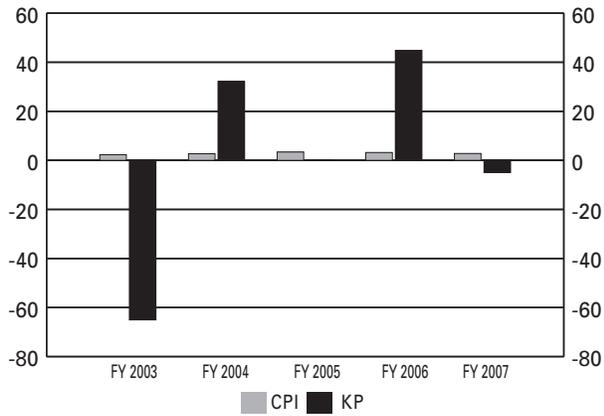
## System Generation Rate Indicator

The FY 2003 decrease in the Georgia-Alabama-South Carolina, Kerr-Philpott, and Cumberland Systems was the result of above normal streamflow conditions. The FY 2004 increase in the Georgia-Alabama-South Carolina System was a result of an 11% increase in rates. The FY 2004 increase in the Cumberland System was a result of 15% increase in rates. The FY 2005 decrease in the Georgia-Alabama-South Carolina System was the result of an increase in energy produced. The FY 2005 increase in the Jim Woodruff System was the result of a 22% increase in rates. The FY 2006 increases in the Cumberland, Georgia-Alabama-South Carolina, and Kerr-Philpott Systems were the results of below average streamflow conditions. The FY 2007 increase in the Georgia-Alabama-South Carolina System was the result of below average streamflow conditions. System generation rate indicators are illustrated in Figures Z, AA, BB, and CC.

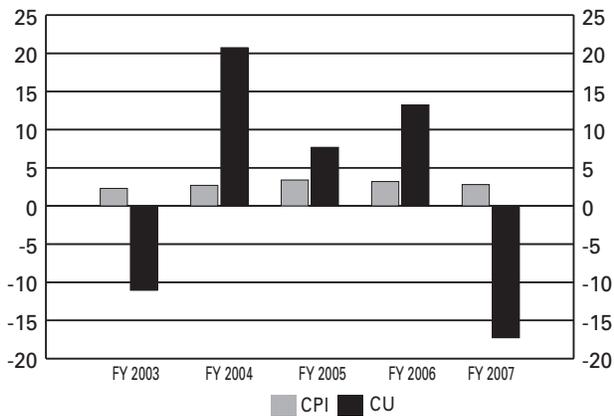
### Georgia-Alabama-South Carolina Generation Cost Indicator - Figure Z



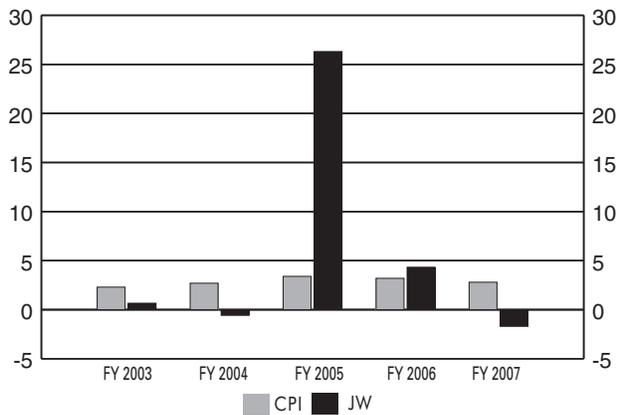
**Kerr-Philpott Generation Cost Indicator - Figure AA**



**Cumberland Generation Cost Indicator - Figure BB**



**Jim Woodruff Generation Cost Indicator - Figure CC**



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2007 FINANCIAL STATEMENTS

Southeastern  
Federal Power  
Program

## Report of Independent Auditors

To the Administrator of  
Southeastern Power Administration  
United States Department of Energy

We have audited the accompanying combined statements of assets, federal investment, and liabilities of the Southeastern Federal Power Program ("the Program") as of September 30, 2007 and September 30, 2006, and the related combined statements of revenues, expenses, and accumulated net revenues and of cash flows for the years then ended. These combined financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We did not audit the financial statements of the Southeastern Power Administration ("Southeastern"), a major subset of the Program, which statements reflect total combined assets of \$46.8 million and total combined revenue of \$218.9 million, as of and for the year ended September 30, 2007, and total combined assets of \$35.3 million and total combined revenue of \$204.3 million, as of and for the year ended September 30, 2006. Those statements and financial information were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the report is based solely on the report of the other auditors. The combined financial statements of Southeastern as of September 30, 2007 and September 30, 2006 and for the years then ended were audited by other auditors whose report dated August 11, 2008, expressed an unqualified opinion on those statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program at September 30, 2007 and September 30, 2006, and the results of its operations and changes in accumulated net revenues and its cash flow for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information presented in management's financial overview and program performance is not a required part of the basic combined financial statements. This information is the responsibility of the Program's management. We did not audit or apply limited procedures to such information, and accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements of the Program taken as a whole. The accompanying supplementary information, contained in Exhibit I through VI is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. The information is the responsibility of the Program's management. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, are fairly stated in all material respects in relation to the combined financial statements taken as a whole. The information contained in Exhibit VI has not been subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

January 22, 2009

**Southeastern Federal Power Program**  
**Combined Statements of Assets, Federal Investment, and Liabilities**  
**September 30, 2007 and 2006**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Utility plant (Notes 2 and 6)		
Plant in service	\$ 2,141,877	\$ 2,093,837
Less: Accumulated depreciation	<u>(763,994)</u>	<u>(734,866)</u>
Plant in service - net	1,377,883	1,358,971
Construction work in progress	<u>105,167</u>	<u>89,517</u>
Net utility plant	<u>1,483,050</u>	<u>1,448,488</u>
Current assets		
Cash/unexpended appropriations (Note 2)	80,781	68,793
Accounts receivable	28,442	23,609
Other	<u>5,290</u>	<u>5,049</u>
Total current assets	114,513	97,451
Deferred workers' compensation (Note 5)	<u>11,851</u>	<u>14,206</u>
Total assets	<u>\$ 1,609,414</u>	<u>\$ 1,560,145</u>
<b>Federal Investment and Liabilities</b>		
Federal investment (Note 3)		
Congressional appropriations (Note 2)	\$ 3,908,999	\$ 3,765,771
U.S. Treasury transfers to continuing fund	83,487	47,518
Transfers from other federal agencies	57,742	55,986
Accumulated interest on federal investment (Notes 3 and 6)	1,713,954	1,640,976
Funds returned to U.S. Treasury (Note 2)	<u>(4,155,315)</u>	<u>(3,984,734)</u>
Investment of U.S. government	1,608,867	1,525,517
Accumulated net (deficit) revenues	<u>(30,515)</u>	<u>4,947</u>
Total federal investment	<u>1,578,352</u>	<u>1,530,464</u>
Current liabilities		
Accounts payable	18,609	15,166
Accrued liabilities	<u>602</u>	<u>309</u>
Total current liabilities	19,211	15,475
Accrued workers' compensation (Note 5)	<u>11,851</u>	<u>14,206</u>
Commitments and contingencies (Note 6)		
Total federal investment and liabilities	<u>\$ 1,609,414</u>	<u>\$ 1,560,145</u>

The accompanying notes are an integral part of the financial statements.

**Southeastern Federal Power Program**  
**Combined Statements of Revenues, Expenses, and Accumulated Net Revenues**  
**Years Ended September 30, 2007 and 2006**

*(in thousands of dollars)*

	2007	2006
<b>Operating revenues</b>		
Sales of electric power (Notes 2 and 4)	\$ 218,892	\$ 204,277
Other operating income	11,466	11,210
Total operating revenues	<u>230,358</u>	<u>215,487</u>
<b>Operating expenses</b>		
Operations	45,499	54,337
Maintenance	32,703	33,511
Transmission services charged by others	32,242	30,872
Purchase power	49,203	23,614
Pension and related expenses	3,980	4,375
Total operating expenses - excluding depreciation	<u>163,627</u>	<u>146,709</u>
Depreciation (Note 2)	<u>37,165</u>	<u>33,527</u>
Total operating expenses	<u>200,792</u>	<u>180,236</u>
Net operating revenues	<u>29,566</u>	<u>35,251</u>
<b>Interest expense</b>		
Interest of federal investment (Note 3)	72,978	67,397
Less: Interest charged to construction (Note 2)	<u>(7,950)</u>	<u>(3,141)</u>
Net interest expense	<u>65,028</u>	<u>64,256</u>
Net deficit	(35,462)	(29,005)
<b>Accumulated net (deficit) revenues (Note 2)</b>		
Beginning of year	<u>4,947</u>	<u>33,952</u>
End of year	<u>\$ (30,515)</u>	<u>\$ 4,947</u>

The accompanying notes are an integral part of the financial statements.

**Southeastern Federal Power Program  
 Combined Statements of Cash Flows  
 Years Ended September 30, 2007 and 2006**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Net deficit	\$ (35,462)	\$ (29,005)
Adjustments to reconcile net deficit to net cash provided by operating activities		
Depreciation	37,165	33,527
Net interest on federal investment	65,028	64,256
(Increase) decrease in assets		
Accounts receivable	(4,833)	(7,333)
Other assets	(242)	43
Deferred workers' compensation	2,355	(2,278)
(Decrease) increase in liabilities		
Accounts payable	3,443	147
Accrued liabilities	294	(39)
Accrued workers' compensation	(2,355)	2,277
Net cash provided by operating activities	<u>65,393</u>	<u>61,595</u>
<b>Cash flows from investing activities</b>		
Cash used in investing activities - investment in utility plant	<u>(63,777)</u>	<u>(9,561)</u>
<b>Cash flows from financing activities</b>		
Congressional appropriations	143,228	120,344
U.S. Treasury Transfers to Continuing Fund	35,969	9,873
Transfers from other federal agencies	1,756	5,475
Funds returned to U.S. Treasury	(170,581)	(148,989)
Net cash provided by (used in) financing activities	<u>10,372</u>	<u>(13,297)</u>
Net increase in cash	11,988	38,737
<b>Cash and cash equivalent</b>		
Beginning of year	<u>68,793</u>	<u>30,056</u>
End of year	<u>\$ 80,781</u>	<u>\$ 68,793</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Interest charged to construction	\$ 7,950	\$ 3,141
<b>Cash repaid during the period for interest</b>	65,028	64,256

The accompanying notes are an integral part of the financial statements.

# **Southeastern Federal Power Program**

## **Notes to Combined Financial Statements**

### **September 30, 2007 and 2006**

---

#### **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 10 states of Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. The accompanying combined financial statements of the Program include the accounts of two separate federal government agencies—the Southeastern Power Administration ("Southeastern"), a unit of the United States Department of Energy ("DOE"), and the accounts of the Southeastern marketed hydroelectric generating plants and power operations of the United States Army Corps of Engineers (the "Corps of Engineers" or the "Corps"), a unit of the United States Department of the Defense ("DOD"). 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 Corps are combined as the Program.

Southeastern purchases, transmits, and markets power within four separate power systems: Georgia-Alabama-South Carolina, Jim Woodruff, Cumberland Basin, and Kerr-Philpott. As of September 30, 2007, 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. However, these combined financial statements include only those expenses and net assets that are expected to be recovered through sales of power and other related income.

Costs of multipurpose Corps projects are allocated to power and nonpower purposes. The portion of total project costs allocated to power is included in the accompanying combined statements of assets, federal investment, and liabilities as utility plant and federal investment. An amount covering Corps employees' salaries, pensions, and other benefits allocated to power is included in operations and maintenance expenses.

#### **2. Summary of Significant Accounting Policies**

##### **General**

The accompanying combined financial statements are prepared in accordance with accounting principles and standards prescribed by the DOE, including the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission ("FERC"). These practices integrate accounting principles generally accepted in the United States of America as established by the Financial Accounting Standards Board and Federal Accounting Standards Advisory Board, with the account principles and standards prescribed by the Office of Management and Budget, except where deviations there from are specifically authorized by federal statute or allowed by federal regulation. The Program's combined financial statements are presented in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 71, *Accounting for the Effects of Certain Types of Regulation*. The provisions of SFAS No. 71 require, among other things, that regulated enterprises 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.

##### **Congressional Appropriations/Financing**

Southeastern and the Corps of Engineers receive congressional appropriations through the DOE and the DOD, respectively, to finance their operations. The Corps also receives appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act,

## **Southeastern Federal Power Program**

### **Notes to Combined Financial Statements**

#### **September 30, 2007 and 2006**

---

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 which are not specific to a project purpose are distributed between power and nonpower purposes based on project cost allocation.

#### **Operating Revenues**

Operating revenues are recorded on an accrual basis as services are rendered. 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 less depreciation, wheeling fees to connecting utilities for transmission of power to customers, and payment to the U.S. Treasury for the federal investment in utility plant and interest thereon. The rates are also required to be low enough to encourage widespread use of electricity at the lowest possible cost to preference customers, primarily public bodies and cooperatives, consistent with sound business principles.

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 costs and interest on federal investment are intended to be recovered annually. As discussed below, assets are being depreciated on the straight-line method over their estimated service lives, which currently average approximately 57 years for generating plant components. The Program matches these costs and revenues, as well as any other differences between estimated and actual costs by deferring the unmatched portion of the revenues as accumulated net revenue. Because the Program is a nonprofit federal power marketing agency, accumulated net revenues are committed to repayment of the federal investment.

Cash received is directly deposited with the U.S. Treasury and is reflected as "funds returned to U.S. Treasury" in the accompanying combined statements of assets, federal investment, and liabilities.

Since 2006 the majority of the southeastern United States has experienced much lower than average rainfall amounts. Over time, the conditions grew progressively worse with respect to the levels of rainfall and corresponding hydrologic flows. The precipitation deficits which have been experienced are now being categorized as the most severe ever encountered in the region. These adverse hydrological conditions have impacted hydropower as the U.S. Army Corps of Engineers has implemented its drought operational plans for the river basins. Southeastern has experienced reductions in the quantities of generation available, and as a result of this operation, replacement energy purchases have increased to meet contractual requirements.

Other operating revenue generally consists of water revenue, headwater benefit and other miscellaneous revenue.

## **Southeastern Federal Power Program**

### **Notes to Combined Financial Statements**

#### **September 30, 2007 and 2006**

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#### **Confirmation and Approval of Rates**

Southeastern has established rate schedules for each of the four power systems. These rates generally may be adjusted at five-year intervals under the terms of Southeastern's current power sales contracts and DOE Order RA 6120.2.

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 Deputy Secretary has the authority to confirm, approve, and place such rates in effect on an interim basis.

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. 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 time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. At September 30, 2007, there were no revenues subject to refund.

#### **Cash/Unexpended Appropriations**

Cash consists of the unexpended balance of funds appropriated by Congress for the Program-related activities of Southeastern and the Corps of Engineers, and are maintained by the U.S. Treasury. For purposes of the statements of cash flows, unexpended appropriations are considered to be cash.

#### **Utility Plant**

Plant in service and construction work in progress consist principally of generating facilities and is stated at cost, excluding contributions in aid of construction by entities outside the Program. Cost includes direct labor and materials, payments to contractor, indirect charge 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 included in accumulated depreciation when the property is removed from service. No material asset retirement obligations are noted.

Construction appropriations for power generating facilities have been authorized by Congress through fiscal year 2007. Delays or cancellations of these projects could result from congressional suspension or termination of appropriations.

#### **Interest Charged to Construction**

Interest on federal funds used during utility plant construction is included in the cost of completed projects.

#### **Depreciation**

Pursuant to executive directives of the Corps of Engineers, depreciation of utility plant is computed based on the estimated service lives of the various classes of property using the composite, straight-line method. Service lives currently average approximately 57 years for utility plant components. Depreciation expense amounted to 1.7% and 1.6% of the original cost of generating plant in service during each of the years ended September 30, 2007 and 2006, respectively.

#### **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

## **Southeastern Federal Power Program**

### **Notes to Combined Financial Statements**

#### **September 30, 2007 and 2006**

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Income Security Act of 1974. Pension benefit expense under CSRS is equivalent to 7.0% of eligible employee compensation. Contributions to these plans are submitted to benefit program trust funds administered by the Office of Personnel Management (the "OPM"). 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 include direct appropriations to the OPM, not Southeastern or the Corps. Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program and the Federal Employee Group Life Insurance Program.

Statement of Federal Financial Accounting Standards ("SFFAS") No. 5, *Accounting for Liabilities of the Federal Government*, requires the federal employer entity to recognize pension expense and other retirement benefit expense in its financial report equal to the service cost for its employees for the accounting period, less the amount contributed by the employees, if any. In accordance with SFFAS No. 5, Southeastern has recorded \$374 and \$362 of annual pension and retirement benefits expense for the years ended September 30, 2007 and 2006, respectively. The Corps has recorded \$3,237 and \$3,531 of annual pension and retirement benefits expense for 2007 and 2006, respectively.

#### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of Southeastern and the Corps to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **3. Federal Investment**

The federal investment 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 including interest expense on federal investment, 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 2007, except for \$1,645 at the Jim Woodruff system and \$7,225 at the Cumberland system. Remaining revenues are to be first applied to repayment of operating deficits (which include all expenses except depreciation), if any, and then to repayment of the federal investment. Annual net revenues available for repayment are generally applied first against investments in projects bearing the highest interest rates. To the extent that funds are not available for payment of such operating expenses and interest, such amounts become payable from the subsequent year's revenue prior to any repayment of the federal investment.

Interest is accrued annually on the unpaid balance of the federal investment. Such interest is reflected as an expense in the accompanying statements of revenues, expenses, and accumulated net revenues, with a corresponding increase in federal investment in the accompanying statements of assets, federal investment, and liabilities. Interest rates applied to the net outstanding federal investment range from 2.5% to 6.25%. The average rate was approximately 4.6% in fiscal 2007 and 4.7% in fiscal 2006. The rates have been set either by law, by administrative order pursuant to

## **Southeastern Federal Power Program**

### **Notes to Combined Financial Statements**

#### **September 30, 2007 and 2006**

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law, or by administrative policies and have not necessarily been established to recover the interest costs to the U.S. Treasury to finance the investment.

#### **4. Major Customers**

Revenues from one customer were approximately \$11,380 and \$14,990 which represents 5% and 7% of the total operating revenues for the years ended September 30, 2007 and 2006, respectively. There was \$0 and \$333 in accounts receivable from this customer as of September 30, 2007 and 2006, respectively.

#### **5. Workers' Compensation**

Workers' compensation consist 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. In conjunction with the adoption of SFFAS No.4, *Management Cost Accounting Concepts and Standards for the Federal Government*, and SFFAS No. 5, the DOL, the DOE, and the DOD determined 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 deferred workers' compensation in the combined power systems statements of assets, federal investment, and liabilities in accordance with SFAS No. 71 to reflect the effects of the rate-making process. The Program's cumulative unpaid expenses associated with estimated future claims are approximately \$11,851 and \$14,206 as of September 30, 2007 and 2006, respectively.

#### **6. Commitments and Contingencies**

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 opinion 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.

The suit filed by the South Carolina Department of Wildlife and Marine Resources and other parties against the Secretary of the Army, in connection with the operation of the four reversible pump turbines at the Richard B. Russell Dam, was resolved in favor of the Secretary of the Army during the fiscal year ended September 30, 2002. The Program has used the 72.1% power purpose allocation percentage for the joint construction costs for the Richard B. Russell project, through FY 2007. On March 20, 2008, a final cost allocation was adopted for the Richard B. Russell project. The new power cost allocation percentages are 71.82% for joint construction costs and 73.63% for joint operating and maintenance costs. No adjustments have been made in the accompanying statements for the updated percentage as the difference is immaterial.

As of September 30, 2007, total costs for the Richard B. Russell Dam Project were \$1,090,000 of which \$669,000 was tentatively allocated to power and subject to adjustment.

**Southeastern Federal Power Program**  
**Notes to Combined Financial Statements**  
**September 30, 2007 and 2006**

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Southeastern has entered into various agreements for power and transmission purchases that vary in length but generally do not exceed 7 years. Southeastern's long-term commitments for these power and transmission contracts, subject to the availability of federal funds and contingent upon annual appropriations from Congress, based on budgeted amounts, are as follows:

*(in thousands of dollars)*

<b>Years Ending September 30</b>	<b>Purchased Power</b>	<b>Transmission</b>	<b>Total</b>
2008	\$ 895	\$ 35,845	\$ 36,740
2009	895	35,173	36,068
2010	895	37,366	38,261
2011	895	38,151	39,046
2012	895	38,990	39,885

In addition to these contracts, Southeastern maintains other long-term contracts which provide the ability to purchase unspecified quantities of transmission services within a contractually determined range and rate. 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 anticipates it will be necessary to acquire resources under these contracts.

**Southeastern Federal Power Program**  
**Georgia Alabama South Carolina System**  
**Supplemental Assets, Federal Investment, and Liabilities Information**  
**September 30, 2007 and 2006**

**Exhibit I**

*(in thousands of dollars)*

	2007	2006
<b>Assets</b>		
Utility plant		
Plant in service	\$ 1,569,055	\$ 1,537,090
Less: Accumulated depreciation	<u>(468,638)</u>	<u>(442,203)</u>
Plant in service - net	1,100,417	1,094,887
Construction work in progress	<u>49,538</u>	<u>58,135</u>
Net utility plant	<u>1,149,955</u>	<u>1,153,022</u>
Current assets		
Cash/unexpended appropriations	42,141	28,157
Accounts receivable	25,075	19,699
Other	<u>5,042</u>	<u>4,888</u>
Total current assets	72,258	52,744
Deferred workers' compensation	<u>2,058</u>	<u>3,485</u>
Total assets	<u>\$ 1,224,271</u>	<u>\$ 1,209,251</u>
<b>Federal Investment and Liabilities</b>		
Federal investment		
Congressional appropriations	\$ 2,508,407	\$ 2,434,817
U.S. Treasury transfers to continuing fund	71,724	39,455
Transfers from other federal agencies	30,712	31,783
Accumulated interest on federal investment	1,329,374	1,264,093
Funds returned to U.S. Treasury	<u>(2,601,678)</u>	<u>(2,468,366)</u>
Investment of U.S. government	1,338,539	1,301,782
Accumulated net deficit	<u>(126,984)</u>	<u>(105,508)</u>
Total federal investment	<u>1,211,555</u>	<u>1,196,274</u>
Current liabilities		
Accounts payable	10,272	9,294
Accrued liabilities	<u>386</u>	<u>198</u>
Total current liabilities	10,658	9,492
Accrued workers' compensation	<u>2,058</u>	<u>3,485</u>
Total federal investment and liabilities	<u>\$ 1,224,271</u>	<u>\$ 1,209,251</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program**  
**Georgia Alabama South Carolina System**  
**Supplemental Revenues, Expenses, and Accumulated Net Revenues Information**  
**Years Ended September 30, 2007 and 2006** **Exhibit I**

*(in thousands of dollars)*

	2007	2006
<b>Operating revenues</b>		
Sales of electric power	\$ 168,347	\$ 149,449
Other operating income	9,129	8,680
Total operating revenues	<u>177,476</u>	<u>158,129</u>
<b>Operating expenses</b>		
Operations	28,746	39,414
Maintenance	16,065	17,435
Transmission services charged by others	19,208	18,216
Purchase power	44,920	22,204
Pension and related expenses	1,783	2,120
Total operating expenses - excluding depreciation	<u>110,722</u>	<u>99,389</u>
Depreciation	<u>29,428</u>	<u>24,934</u>
Total operating expenses	<u>140,150</u>	<u>124,323</u>
Net operating revenues	<u>37,326</u>	<u>33,806</u>
<b>Interest expense</b>		
Interest of federal investment	65,281	60,643
Less interest charged to construction	<u>(6,479)</u>	<u>(1,976)</u>
Net interest expense	<u>58,802</u>	<u>58,667</u>
Net deficit	<u>(21,476)</u>	<u>(24,861)</u>
<b>Accumulated net deficit</b>		
Beginning of year	<u>(105,508)</u>	<u>(80,647)</u>
End of year	<u>\$ (126,984)</u>	<u>\$ (105,508)</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Georgia Alabama South Carolina System  
Supplemental Cash Flows Information  
Years Ended September 30, 2007 and 2006**

**Exhibit I**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Net deficit	\$ (21,476)	\$ (24,861)
Adjustments to reconcile net deficit to net cash provided by operating activities		
Depreciation	29,428	24,934
Net interest on federal investment	58,802	58,667
(Increase) decrease in assets		
Accounts receivable	(5,375)	(7,269)
Other assets	(155)	14
Deferred workers' compensation	1,427	(442)
(Decrease) increase in liabilities		
Accounts payable	978	(452)
Accrued liabilities	188	(25)
Accrued workers' compensation	(1,427)	442
Net cash provided by operating activities	<u>62,390</u>	<u>51,008</u>
<b>Cash flows from investing activities</b>		
Cash used in investing activities - investment in utility plant	<u>(19,882)</u>	<u>4,820</u>
<b>Cash flows from financing activities</b>		
Congressional appropriations	73,590	66,688
U.S. Treasury Transfers to Continuing Fund	32,268	9,166
Transfers from other federal agencies	(1,071)	2,886
Funds returned to U.S. Treasury	<u>(133,311)</u>	<u>(116,972)</u>
Net cash used in financing activities	<u>(28,524)</u>	<u>(38,232)</u>
Net increase in cash	13,984	17,596
<b>Cash and cash equivalent</b>		
Beginning of year	<u>28,157</u>	<u>10,561</u>
End of year	<u>\$ 42,141</u>	<u>\$ 28,157</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Interest charged to construction	\$ 6,479	\$ 1,976

See accompanying independent auditors' report.

**Southeastern Federal Power Program**  
**Jim Woodruff System**  
**Supplemental Assets, Federal Investment, and Liabilities Information**  
**September 30, 2007 and 2006**

**Exhibit II**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Utility plant		
Plant in service	\$ 63,440	\$ 62,655
Less: Accumulated depreciation	<u>(18,423)</u>	<u>(17,260)</u>
Plant in service - net	45,017	45,395
Construction work in progress	<u>1,630</u>	<u>1,380</u>
Net utility plant	<u>46,647</u>	<u>46,775</u>
Current assets		
Cash/unexpended appropriations	2,256	1,488
Accounts receivable	717	862
Other	<u>92</u>	<u>87</u>
Total current assets	3,065	2,437
Deferred workers' compensation	<u>1,398</u>	<u>4,489</u>
Total assets	<u>\$ 51,110</u>	<u>\$ 53,701</u>
<b>Federal Investment and Liabilities</b>		
Federal investment		
Congressional appropriations	\$ 147,281	\$ 142,047
U.S. Treasury transfers to continuing fund	2,642	2,944
Transfers from other federal agencies	3,084	2,935
Accumulated interest on federal investment	35,373	33,031
Funds returned to U.S. Treasury	<u>(143,804)</u>	<u>(138,688)</u>
Investment of U.S. government	44,576	42,269
Accumulated net revenues	<u>3,490</u>	<u>6,029</u>
Total federal investment	<u>48,066</u>	<u>48,298</u>
Current liabilities		
Accounts payable	1,634	908
Accrued liabilities	<u>12</u>	<u>6</u>
Total current liabilities	1,646	914
Accrued workers' compensation	<u>1,398</u>	<u>4,489</u>
Total federal investment and liabilities	<u>\$ 51,110</u>	<u>\$ 53,701</u>

See accompanying independent auditors' report.

## Southeastern Federal Power Program

### Jim Woodruff System

#### Supplemental Revenues, Expenses, and Accumulated Net Revenues Information Years Ended September 30, 2007 and 2006

Exhibit II

(in thousands of dollars)

	2007	2006
<b>Operating revenues</b>		
Sales of electric power	\$ 7,503	\$ 8,330
Other operating income	91	55
Total operating revenues	<u>7,594</u>	<u>8,385</u>
<b>Operating expenses</b>		
Operations	2,448	1,586
Maintenance	1,519	1,731
Transmission services charged by others	305	295
Purchase power	2,259	1,411
Pension and related expenses	180	270
Total operating expenses - excluding depreciation	<u>6,711</u>	<u>5,293</u>
Depreciation	<u>1,163</u>	<u>1,093</u>
Total operating expenses	<u>7,874</u>	<u>6,386</u>
Net operating revenues	<u>(280)</u>	<u>1,999</u>
<b>Interest expense</b>		
Interest of federal investment	2,342	2,298
Less: Interest charged to construction	<u>(83)</u>	<u>(93)</u>
Net interest expense	<u>2,259</u>	<u>2,205</u>
Net deficit	<u>(2,539)</u>	<u>(206)</u>
<b>Accumulated net revenue</b>		
Beginning of year	<u>6,029</u>	<u>6,235</u>
End of year	<u>\$ 3,490</u>	<u>\$ 6,029</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Jim Woodruff System  
Supplemental Cash Flows Information  
Years Ended September 30, 2007 and 2006**

**Exhibit II**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Net deficit	\$ (2,539)	\$ (206)
Adjustments to reconcile net deficit to net cash provided by operating activities		
Depreciation	1,164	1,093
Net interest on federal investment	2,259	2,205
(Increase) decrease in assets		
Accounts receivable	145	329
Other assets	(5)	-
Deferred workers' compensation	3,091	(3,114)
(Decrease) increase in liabilities		
Accounts payable	727	(611)
Accrued liabilities	5	(1)
Accrued workers' compensation	(3,091)	3,114
Net cash provided by operating activities	<u>1,756</u>	<u>2,809</u>
<b>Cash flows from investing activities</b>		
Cash used in investing activities - investment in utility plant	<u>(953)</u>	<u>124</u>
<b>Cash flows from financing activities</b>		
Congressional appropriations	5,233	4,507
U.S. Treasury transfers to continuing fund	(301)	23
Transfers from other federal agencies	149	(105)
Funds returned to U.S. Treasury	<u>(5,116)</u>	<u>(7,459)</u>
Net cash used in financing activities	<u>(35)</u>	<u>(3,034)</u>
Net increase (decrease) in cash	768	(101)
<b>Cash and cash equivalent</b>		
Beginning of year	<u>1,488</u>	<u>1,589</u>
End of year	<u>\$ 2,256</u>	<u>\$ 1,488</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Interest charged to construction	\$ 83	\$ 93

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Cumberland Basin System  
Supplemental Assets, Federal Investment, and Liabilities Information  
September 30, 2007 and 2006**

**Exhibit III**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Utility plant		
Plant in service	\$ 389,494	\$ 384,327
Less: Accumulated depreciation	(224,799)	(219,869)
Plant in service - net	<u>164,695</u>	<u>164,458</u>
Construction work in progress	<u>27,917</u>	<u>10,271</u>
Net utility plant	<u>192,612</u>	<u>174,729</u>
Current assets		
Cash/unexpended appropriations	24,991	24,313
Accounts receivable	1,466	2,092
Other	<u>79</u>	<u>26</u>
Total current assets	26,536	26,431
Deferred workers' compensation	<u>7,329</u>	<u>5,180</u>
Total assets	<u>\$ 226,477</u>	<u>\$ 206,340</u>
<b>Federal Investment and Liabilities</b>		
Federal investment		
Congressional appropriations	\$ 879,940	\$ 835,769
U.S. Treasury transfers to continuing fund	3,694	1,474
Transfers from other federal agencies	20,005	17,724
Accumulated interest on federal investment	280,232	277,135
Funds returned to U.S. Treasury	<u>(1,025,125)</u>	<u>(1,003,284)</u>
Investment of U.S. government	158,746	128,818
Accumulated net revenues	<u>57,957</u>	<u>70,298</u>
Total federal investment	<u>216,703</u>	<u>199,116</u>
Current liabilities		
Accounts payable	2,312	1,976
Accrued liabilities	<u>133</u>	<u>68</u>
Total current liabilities	2,445	2,044
Accrued workers' compensation	<u>7,329</u>	<u>5,180</u>
Total federal investment and liabilities	<u>\$ 226,477</u>	<u>\$ 206,340</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Cumberland Basin System  
Supplemental Revenues, Expenses, and Accumulated Net Revenues Information  
Years Ended September 30, 2007 and 2006** **Exhibit III**

*(in thousands of dollars)*

	2007	2006
<b>Operating revenues</b>		
Sales of electric power	\$ 29,768	\$ 37,085
Other operating income	1,496	1,203
Total operating revenues	<u>31,264</u>	<u>38,288</u>
<b>Operating expenses</b>		
Operations	10,034	8,952
Maintenance	13,453	10,800
Transmission services charged by others	9,771	9,761
Purchase power	948	-
Pension and related expenses	1,588	1,496
Total operating expenses - excluding depreciation	<u>35,794</u>	<u>31,009</u>
Depreciation	<u>5,143</u>	<u>4,865</u>
Total operating expenses	<u>40,937</u>	<u>35,874</u>
Net operating revenues	<u>(9,673)</u>	<u>2,414</u>
<b>Interest expense</b>		
Interest of federal investment	3,097	2,668
Less: Interest charged to construction	<u>(429)</u>	<u>(199)</u>
Net interest expense	<u>2,668</u>	<u>2,469</u>
Net deficit	<u>(12,341)</u>	<u>(55)</u>
<b>Accumulated net revenue</b>		
Beginning of year	<u>70,298</u>	<u>70,353</u>
End of year	<u>\$ 57,957</u>	<u>\$ 70,298</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Cumberland Basin System  
Supplemental Cash Flows Information  
Years Ended September 30, 2007 and 2006**

**Exhibit III**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Net deficit	\$ (12,341)	\$ (55)
Adjustments to reconcile net deficit to net cash provided by operating activities		
Depreciation	5,143	4,865
Net interest on federal investment	2,668	2,468
(Increase) decrease in assets		
Accounts receivable	626	(50)
Other assets	(53)	-
Deferred workers' compensation	(2,149)	1,354
(Decrease) increase in liabilities		
Accounts payable	336	(30)
Accrued liabilities	64	(9)
Accrued workers' compensation	2,149	(1,354)
Net cash (used in) provided by operating activities	<u>(3,557)</u>	<u>7,189</u>
<b>Cash flows from investing activities</b>		
Cash used in investing activities - investment in utility plant	<u>(22,597)</u>	<u>(8,087)</u>
<b>Cash flows from financing activities</b>		
Congressional appropriations	44,171	28,550
U.S. Treasury transfers to continuing fund	2,220	13
Transfers from (to) other federal agencies	2,281	2,252
Funds returned to U.S. Treasury	<u>(21,840)</u>	<u>(20,045)</u>
Net cash provided by financing activities	<u>26,832</u>	<u>10,770</u>
<b>Net increase in cash</b>	678	9,872
<b>Cash and cash equivalent</b>		
Beginning of year	<u>24,313</u>	<u>14,441</u>
End of year	<u>\$ 24,991</u>	<u>\$ 24,313</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Interest charged to construction	\$ 429	\$ 199

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Kerr-Philpott System  
Supplemental Assets, Federal Investment, and Liabilities Information  
September 30, 2007 and 2006**

**Exhibit IV**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Utility plant		
Plant in service	\$ 119,888	\$ 109,765
Less: Accumulated depreciation	(52,134)	(55,534)
Plant in service - net	<u>67,754</u>	<u>54,231</u>
Construction work in progress	<u>26,081</u>	<u>19,731</u>
Net utility plant	<u>93,835</u>	<u>73,962</u>
Current assets		
Cash/unexpended appropriations	11,393	14,835
Accounts receivable	1,185	956
Other	<u>77</u>	<u>48</u>
Total current assets	12,655	15,839
Deferred workers' compensation	<u>1,066</u>	<u>1,052</u>
Total assets	<u>\$ 107,556</u>	<u>\$ 90,853</u>
<b>Federal Investment and Liabilities</b>		
Federal investment		
Congressional appropriations	\$ 373,371	\$ 353,137
U.S. Treasury transfers to continuing fund	5,427	3,644
Transfers from other federal agencies	3,941	3,544
Accumulated interest on federal investment	68,975	66,718
Funds returned to U.S. Treasury	<u>(384,708)</u>	<u>(374,394)</u>
Investment of U.S. government	67,006	52,649
Accumulated net revenues	<u>35,022</u>	<u>34,128</u>
Total federal investment	<u>102,028</u>	<u>86,777</u>
Current liabilities		
Accounts payable	4,390	2,987
Accrued liabilities	<u>72</u>	<u>37</u>
Total current liabilities	4,462	3,024
Accrued workers' compensation	<u>1,066</u>	<u>1,052</u>
Total federal investment and liabilities	<u>\$ 107,556</u>	<u>\$ 90,853</u>

See accompanying independent auditors' report.

## Southeastern Federal Power Program

### Kerr-Philpott System

#### Supplemental Revenues, Expenses, and Accumulated Net Revenues Information Years Ended September 30, 2007 and 2006

Exhibit IV

(in thousands of dollars)

	2007	2006
<b>Operating revenues</b>		
Sales of electric power	\$ 13,273	\$ 9,413
Other operating income	749	1,272
Total operating revenues	<u>14,022</u>	<u>10,685</u>
<b>Operating expenses</b>		
Operations	4,269	4,385
Maintenance	1,665	3,546
Transmission services charged by others	2,959	2,599
Purchased power	1,076	-
Pension and related expenses	429	488
Total operating expenses - excluding depreciation	<u>10,398</u>	<u>11,018</u>
Depreciation	<u>1,431</u>	<u>2,635</u>
Total operating expenses	<u>11,829</u>	<u>13,653</u>
Net operating revenues	<u>2,193</u>	<u>(2,968)</u>
<b>Interest expense</b>		
Interest of federal investment	2,258	1,788
Less: Interest charged to construction	<u>(959)</u>	<u>(872)</u>
Net interest expense	<u>1,299</u>	<u>916</u>
Net revenue (deficit)	894	(3,884)
<b>Accumulated net revenue</b>		
Beginning of year	<u>34,128</u>	<u>38,012</u>
End of year	<u>\$ 35,022</u>	<u>\$ 34,128</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Kerr-Philpott System  
Supplemental Cash Flows Information  
Years Ended September 30, 2007 and 2006**

**Exhibit IV**

<i>(in thousands of dollars)</i>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Net revenue (deficit)	\$ 894	\$ (3,884)
Adjustments to reconcile net revenue (deficit) to net cash provided by operating activities		
Depreciation	1,431	2,635
Net interest on federal investment	1,299	916
(Increase) decrease in assets		
Accounts receivable	(229)	(343)
Other assets	(29)	27
Deferred workers' compensation	(14)	(75)
(Decrease) increase in liabilities		
Accounts payable	1,403	1,241
Accrued liabilities	35	(4)
Accrued workers' compensation	14	75
Net cash provided by operating activities	<u>4,804</u>	<u>588</u>
<b>Cash flows from investing activities</b>		
Cash used in investing activities - investment in utility plant	<u>(20,345)</u>	<u>(6,417)</u>
<b>Cash flows from financing activities</b>		
Congressional appropriations	20,234	20,599
U.S. Treasury transfers to continuing fund	1,782	670
Transfers from other federal agencies	397	442
Funds returned to U.S. Treasury	<u>(10,314)</u>	<u>(4,512)</u>
Net cash provided by financing activities	<u>12,099</u>	<u>17,199</u>
Net (decrease) increase in cash	(3,442)	11,370
<b>Cash and cash equivalent</b>		
Beginning of year	<u>14,835</u>	<u>3,465</u>
End of year	<u>\$ 11,393</u>	<u>\$ 14,835</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Interest charged to construction	\$ 959	\$ 873

See accompanying independent auditors' report.

**Southeastern Federal Power Program**  
**Combining Assets, Federal Investment, and Liabilities Information**  
**September 30, 2007**

**Exhibit V**

<i>(in thousands of dollars)</i>	<b>Corps of Engineers</b>	<b>Southeastern Power Administration</b>	<b>Total</b>
<b>Assets</b>			
Utility plant			
Plant in service	\$ 2,140,347	\$ 1,530	\$ 2,141,877
Less: Accumulated depreciation	(762,880)	(1,114)	(763,994)
Plant in service - net	1,377,467	416	1,377,883
Construction work in progress	105,167	-	105,167
Net utility plant	1,482,634	416	1,483,050
Current assets			
Cash/unexpended appropriations	62,951	17,830	80,781
Accounts receivable	158	28,284	28,442
Other	5,290	-	5,290
Total current assets	68,399	46,114	114,513
Deferred workers' compensation	11,609	242	11,851
Total assets	<u>\$ 1,562,642</u>	<u>\$ 46,772</u>	<u>\$ 1,609,414</u>
<b>Federal Investment and Liabilities</b>			
Federal investment			
Congressional appropriations	\$ 3,521,161	\$ 387,838	\$ 3,908,999
U.S. Treasury transfers to continuing fund	-	83,487	83,487
Transfers from other federal agencies	81,413	(23,671)	57,742
Accumulated interest on federal investment	1,713,112	842	1,713,954
Funds returned to U.S. Treasury	(3,743,923)	(411,392)	(4,155,315)
Investment of U.S. government	1,571,763	37,104	1,608,867
Accumulated net deficit	(30,515)	-	(30,515)
Total federal investment	<u>1,541,248</u>	<u>37,104</u>	<u>1,578,352</u>
Current liabilities			
Accounts payable	9,785	8,824	18,609
Accrued liabilities	-	602	602
Total current liabilities	9,785	9,426	19,211
Accrued workers' compensation	11,609	242	11,851
Commitments and contingencies	-	-	-
Total federal investment and liabilities	<u>\$ 1,562,642</u>	<u>\$ 46,772</u>	<u>\$ 1,609,414</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program**  
**Combining Assets, Federal Investment, and Liabilities Information**  
**September 30, 2006**

**Exhibit V**

<i>(in thousands of dollars)</i>	<b>Corps of Engineers</b>	<b>Southeastern Power Administration</b>	<b>Total</b>
<b>Assets</b>			
Utility plant			
Plant in service	\$ 2,092,281	\$ 1,566	\$ 2,093,837
Less: Accumulated depreciation	(733,847)	(1,019)	(734,866)
Plant in service - net	1,358,434	537	1,358,971
Construction work in progress	89,517	-	89,517
Net utility plant	1,447,951	537	1,448,488
Current assets			
Cash/unexpended appropriations	57,533	11,260	68,793
Accounts receivable	127	23,482	23,609
Other	5,049	-	5,049
Total current assets	62,709	34,742	97,451
Deferred workers' compensation	14,206	-	14,206
Total assets	<u>\$ 1,524,866</u>	<u>\$ 35,279</u>	<u>\$ 1,560,145</u>
<b>Federal Investment and Liabilities</b>			
Federal investment			
Congressional appropriations	\$ 3,383,547	\$ 382,224	\$ 3,765,771
U.S. Treasury transfers to continuing fund	-	47,518	47,518
Transfers from other federal agencies	76,538	(20,552)	55,986
Accumulated interest on federal investment	1,640,158	818	1,640,976
Funds returned to U.S. Treasury	(3,603,239)	(381,495)	(3,984,734)
Investment of U.S. government	1,497,004	28,513	1,525,517
Accumulated net revenues	4,947	-	4,947
Total federal investment	1,501,951	28,513	1,530,464
Current liabilities			
Accounts payable	8,709	6,457	15,166
Accrued liabilities	-	309	309
Total current liabilities	8,709	6,766	15,475
Accrued workers' compensation	14,206	-	14,206
Commitments and contingencies	-	-	-
Total federal investment and liabilities	<u>\$ 1,524,866</u>	<u>\$ 35,279</u>	<u>\$ 1,560,145</u>

See accompanying independent auditors' report.

## Southeastern Federal Power Program

### Combining Revenues, Expenses, and Accumulated Net Revenues Information Year Ended September 30, 2007

Exhibit V

<i>(in thousands of dollars)</i>	Corps of Engineers	Southeastern Power Administration	Total
<b>Operating revenues</b>			
Sales of electric power	\$ 131,512	\$ 87,380	\$ 218,892
Other operating income	11,453	13	11,466
Total operating revenues	<u>142,965</u>	<u>87,393</u>	<u>230,358</u>
<b>Operating expenses</b>			
Operations	40,125	5,374	45,499
Maintenance	32,648	55	32,703
Transmission services charged by others	-	32,242	32,242
Purchased power	-	49,203	49,203
Pension and related expenses	3,606	374	3,980
Total operating expenses - excluding depreciation	<u>76,379</u>	<u>87,248</u>	<u>163,627</u>
Depreciation	37,044	121	37,165
Total operating expenses	<u>113,423</u>	<u>87,369</u>	<u>200,792</u>
Net operating revenues	<u>29,542</u>	<u>24</u>	<u>29,566</u>
<b>Interest expense</b>			
Interest of federal investment	72,954	24	72,978
Less: Interest charged to construction	<u>(7,950)</u>	<u>-</u>	<u>(7,950)</u>
Net interest expense	<u>65,004</u>	<u>24</u>	<u>65,028</u>
Net deficit	<u>(35,462)</u>	<u>-</u>	<u>(35,462)</u>
<b>Accumulated net revenue (deficit)</b>			
Beginning of year	<u>4,947</u>	<u>-</u>	<u>4,947</u>
End of year	<u>\$ (30,515)</u>	<u>\$ -</u>	<u>\$ (30,515)</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program**  
**Combining Revenues, Expenses, and Accumulated Net Revenues Information**  
**Year Ended September 30, 2006** **Exhibit V**

<i>(in thousands of dollars)</i>	Corps of Engineers	Southeastern Power Administration	Total
<b>Operating revenues</b>			
Sales of electric power	\$ 143,884	\$ 60,393	\$ 204,277
Other operating income	11,208	2	11,210
Total operating revenues	<u>155,092</u>	<u>60,395</u>	<u>215,487</u>
<b>Operating expenses</b>			
Operations	48,982	5,355	54,337
Maintenance	33,473	38	33,511
Transmission services charged by others	-	30,872	30,872
Purchased power	-	23,614	23,614
Pension and related expenses	4,013	362	4,375
Total operating expenses - excluding depreciation	<u>86,468</u>	<u>60,241</u>	<u>146,709</u>
Depreciation	33,401	126	33,527
Total operating expenses	<u>119,869</u>	<u>60,367</u>	<u>180,236</u>
Net operating revenues	<u>35,223</u>	<u>28</u>	<u>35,251</u>
<b>Interest expense</b>			
Interest of federal investment	67,368	29	67,397
Less: Interest charged to construction	(3,141)	-	(3,141)
Net interest expense	<u>64,227</u>	<u>29</u>	<u>64,256</u>
Net deficit	(29,004)	(1)	(29,005)
<b>Accumulated net revenue</b>			
Beginning of year	33,952	-	33,952
End of year	<u>\$ 4,948</u>	<u>\$ (1)</u>	<u>\$ 4,947</u>

See accompanying independent auditors' report.

**Southeastern Federal Power Program**  
**Combining Cash Flows Information**  
**Year Ended September 30, 2007**

**Exhibit V**

<i>(in thousands of dollars)</i>	<b>Corps of Engineers</b>	<b>Southeastern Power Administration</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Net deficit	\$ (35,462)	\$ -	\$ (35,462)
Adjustments to reconcile net deficit to net cash provided by operating activities			
Depreciation	37,044	121	37,165
Net interest on federal investment	65,004	24	65,028
(Increase) decrease in assets			
Accounts receivable	(31)	(4,802)	(4,833)
Other assets	(242)	-	(242)
Deferred workers' compensation	2,597	(242)	2,355
(Decrease) increase in liabilities			
Accounts payable	956	2,487	3,443
Accrued liabilities	121	173	294
Accrued workers' compensation	(2,597)	242	(2,355)
Net cash provided by (used in) operating activities	<u>67,390</u>	<u>(1,997)</u>	<u>65,393</u>
<b>Cash flows from investing activities</b>			
Cash used in investing activities - investment in utility plant	<u>(63,777)</u>	<u>-</u>	<u>(63,777)</u>
<b>Cash flows from financing activities</b>			
Congressional appropriations	137,626	5,602	143,228
U.S. Treasury Transfers to Contingency Fund	35,969	-	35,969
Transfers from other federal agencies	(31,107)	32,863	1,756
Funds returned to U.S. Treasury	<u>(140,683)</u>	<u>(29,898)</u>	<u>(170,581)</u>
Net cash provided by financing activities	<u>1,805</u>	<u>8,567</u>	<u>10,372</u>
Net increase in cash	5,418	6,570	11,988
<b>Cash and cash equivalent</b>			
Beginning of year	<u>57,532</u>	<u>11,261</u>	<u>68,793</u>
End of year	<u>\$ 62,950</u>	<u>\$ 17,831</u>	<u>\$ 80,781</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>			
Interest charged to construction	\$ 7,950	\$ -	\$ 7,950

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Combining Cash Flows Information  
Year Ended September 30, 2006**

**Exhibit V**

<i>(in thousands of dollars)</i>	<b>Corps of Engineers</b>	<b>Southeastern Power Administration</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Net deficit	\$ (29,005)	\$ -	\$ (29,005)
Adjustments to reconcile net deficit to net cash provided by operating activities			
Depreciation	33,401	126	33,527
Net interest on federal investment	64,227	29	64,256
(Increase) decrease in assets			
Accounts receivable	(120)	(7,213)	(7,333)
Other assets	43	-	43
Deferred workers' compensation	(2,278)	-	(2,278)
(Decrease) increase in liabilities			
Accounts payable	(3,442)	3,589	147
Accrued liabilities	(38)	(1)	(39)
Accrued workers' compensation	2,316	(39)	2,277
Net cash provided by (used in) operating activities	<u>65,104</u>	<u>(3,509)</u>	<u>61,595</u>
<b>Cash flows from investing activities</b>			
Cash used in investing activities - investment in utility plant	<u>(9,465)</u>	<u>(96)</u>	<u>(9,561)</u>
<b>Cash flows from financing activities</b>			
Congressional appropriations	114,800	5,544	120,344
U.S. Treasury Transfers to Contingency Fund	9,873	-	9,873
Transfers from other federal agencies	6,900	(1,425)	5,475
Funds returned to U.S. Treasury	(156,429)	7,440	(148,989)
Net cash provided by (used in) financing activities	<u>(24,856)</u>	<u>11,559</u>	<u>(13,297)</u>
Net increase in cash	30,783	7,954	38,737
<b>Cash and cash equivalent</b>			
Beginning of year	26,749	3,307	30,056
End of year	<u>\$ 57,532</u>	<u>\$ 11,261</u>	<u>\$ 68,793</u>
<b>Supplemental disclosure of noncash investing and financing activities</b>			
Interest charged to construction	\$ 3,141	\$ -	\$ 3,141

See accompanying independent auditors' report.

**Southeastern Federal Power Program  
Amount and Allocation of Plant Investment (Unaudited)  
Year Ended September 30, 2007**

**Exhibit VI**

	Total	Reimbursable Power	Navigation	Flood Control	Allocated to Nonreimbursable Fish and Wildlife	Recreation	Other	Percent of Total Plant Investment Power Revenues
Alatona	\$ 60,304,604	\$ 42,067,055	\$ -	\$ 9,244,257	\$ -	\$ 8,961,276	\$ 232,016 (a)	69.8%
Buford	96,775,744	78,824,787	2,095,506	4,642,467	-	11,212,984	-	81.5%
Carters	166,478,303	139,409,929	-	20,036,164	-	7,032,220	-	83.7%
J. Strom Thurmond	171,329,575	151,136,917	4,610,254	4,240,619	-	11,341,785	-	88.2%
Walter F. George	243,198,398	152,518,686	82,034,118	-	348,012	8,297,583	-	62.7%
Hartwell	198,717,752	179,955,457	4,140,906	5,247,228	-	9,374,161	-	90.6%
Robert F. Henry	-	-	-	-	-	-	-	0.0%
Millers Ferry/Henry	194,576,530	122,807,245	57,962,980	-	-	13,906,405	-	63.1%
West Point	155,892,540	71,466,603	2,685,895	21,487,162	13,787,603	46,465,277	-	45.8%
Richard B. Russell	1,100,285,029	679,431,802	-	4,691,364	-	416,162,843	-	61.8%
Marketing facilities	978,897	978,897	-	-	-	-	-	100.0%
Contributions in aid of construction	(4,705)	(4,705)	-	-	-	-	-	100.0%
<b>Total GA-ALA-SC System</b>	<b>2,388,533,767</b>	<b>1,618,562,672</b>	<b>163,429,659</b>	<b>69,589,271</b>	<b>14,135,615</b>	<b>532,754,534</b>	<b>232,016</b>	<b>67.8%</b>
Jim Woodruff	102,700,489	65,039,920	32,542,661	-	-	5,117,908	-	63.3%
Marketing facilities	30,591	30,591	-	-	-	-	-	100.0%
<b>Total Jim Woodruff System</b>	<b>102,731,080</b>	<b>65,070,511</b>	<b>32,542,661</b>	<b>-</b>	<b>-</b>	<b>5,117,908</b>	<b>-</b>	<b>63.3%</b>
Bankley	197,375,400	50,042,789	116,545,870	23,108,103	-	7,678,639	-	25.4%
J. Percy Priest	66,546,863	11,650,586	-	26,144,052	-	28,752,223	-	17.5%
Cheatham	51,906,818	21,540,503	25,975,819	-	-	4,390,496	-	41.5%
Cordell Hull	88,919,913	42,910,570	17,608,646	-	-	22,736,662	6,663,035 (c)	47.7%
Old Hickory	72,992,522	40,463,030	28,203,886	-	-	4,325,706	-	55.4%
Center Hill	82,176,128	42,863,488	-	31,572,403	-	7,043,677	696,560 (b)	52.2%
Dale Hollow	35,667,192	21,690,523	-	11,883,364	-	2,003,275	-	61.0%
Wolf Creek	276,144,945	159,025,843	-	99,199,341	-	17,673,961	245,700 (b)	57.6%
Laurel	51,296,503	27,463,487	-	-	-	17,483,066	6,326,960 (c)	53.6%
Stonewall Jackson	-	-	-	-	-	-	-	0.0%
Marketing facilities	336,496	336,496	-	-	-	-	-	100.0%
Contributions in aid of construction	(588,162)	(588,162)	-	-	-	-	-	100.0%
<b>Total Cumberland Basin System</b>	<b>923,676,618</b>	<b>417,411,165</b>	<b>188,335,221</b>	<b>191,907,293</b>	<b>-</b>	<b>112,087,694</b>	<b>13,935,245</b>	<b>45.2%</b>
John H. Kerr	164,860,212	134,337,387	-	25,140,473	-	5,144,351	367,691 (a)	81.4%
Philpott	22,954,055	11,448,078	-	8,332,574	-	3,173,403	-	49.9%
Marketing facilities	183,543	183,543	-	-	-	-	-	100.0%
<b>Total Kerr-Philpott System</b>	<b>188,127,810</b>	<b>145,969,018</b>	<b>-</b>	<b>33,473,047</b>	<b>-</b>	<b>8,317,754</b>	<b>367,691</b>	<b>77.6%</b>
<b>Total</b>	<b>\$ 3,603,069,274</b>	<b>\$ 2,247,043,365</b>	<b>\$ 374,307,541</b>	<b>\$ 204,989,611</b>	<b>\$ 14,135,615</b>	<b>\$ 658,277,890</b>	<b>\$ 14,535,252</b>	<b>62.4%</b>

(a) Water Supply  
(b) World War II Suspension Costs  
(c) Area Redevelopment

See accompanying independent auditors' report.

## Notes



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