

SFPA

2009 ANNUAL REPORT

2009 ANNUAL REPORT
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SEPA 2009 ANNUAL REPORT

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:44

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

| | | |
|------------|--------------------------------|-----|
| Customers: | Electric Cooperatives..... | 198 |
| | Public Bodies..... | 292 |
| | Investor-Owned Utilities | 1 |
| | TOTAL..... | 491 |

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

Nameplate Generating Capacity:3,392 MW

Financial Data (2009): Total Revenues\$247 million
(includes Corps of Engineers' revenues)

Total Capital Investment\$2.4 billion

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

| | |
|--|---------------|
| Investment Repaid | \$1.6 million |
| Cumulative Investment Repaid | \$748 million |
| Cumulative Interest Paid on Investment. | \$1.6 billion |

(Power sales repay an average of 68% of the total cost of each multi-purpose project.)

**Southeastern Power Administration Annual Report
LETTER TO THE SECRETARY**

Dear Secretary Chu:

I am pleased to submit Southeastern Power Administration's (Southeastern's) fiscal year (FY) 2009 Annual Report for your review. The information included in this publication reflects our agency's programs, accomplishments, operational and financial activities for the 12-month period beginning October 1, 2008 and ending September 31, 2009.



This past year Southeastern marketed approximately 6 billion kilowatt-hours of energy to 491 wholesale customers in ten southeastern states. Revenues from the sale of this power totaled approximately \$240 million.

With the financial assistance and support of the Federal power customers, funding for capitalized equipment purchases and replacements at hydroelectric facilities operated by the U.S. Army Corps of Engineers (Corps) continued this past year. This funding, which totaled more than \$29 million, provided much needed repairs and maintenance for the aging facilities in Southeastern's marketing area.

Drought conditions continued in the southeastern region of the United States during FY 2009, particularly in the Savannah River Basin, placing strains on our natural and financial resources. Power purchases for this past year totaled almost \$45 million. Approximately \$17 million of this amount was for replacement power which is paid only during adverse water conditions in order to meet our customers' contract requirements.

Southeastern anticipates continued cooperation and open communication with the Department of Energy (DOE), the Federal power customers, and the Corps this upcoming year. The main goal is to maximize the benefits of our region's water resources. Competing uses of water will present another challenging year for our agency. Southeastern's employees will meet these challenges and continue to provide reliable hydroelectric power to the people in the southeast.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Legg".

Kenneth E. Legg

Administrator

Customer Funding

Southeastern continues to seek ways to optimize the efficiency and energy production and to increase the capacity at the aging hydroelectric projects in the southeast. Non-routine maintenance and rehabilitation work has not been conducted because funding has not been available. Under Section 212 of the Water Resources Development Act of 2000, the Corps has the authority to use funds provided by Southeastern's preference customers to carry out the operation, maintenance, rehabilitation, and modernization of hydroelectric power generating facilities at water resources projects under the jurisdiction of the Department of the Army. From this public law, support from preference customers, and coordination through the Corps and Southeastern, customer funding was initiated in the Georgia-Alabama-South Carolina, Kerr-Philpott, and Cumberland Systems. Southeastern anticipates funding in the Jim Woodruff System in the near future.

Georgia-Alabama-South Carolina System Funding

During FY 2009, the Project Review Committee (PRC) for the Georgia-Alabama-South Carolina System approved Work Item Number 7, alignment and repairs on Russell units 5 through 8. The total funding requirement for this work item was \$750,000. This brings the total customer funding, from beginning to present, for the Georgia-Alabama-South Carolina System to over \$20 million. There are currently 141 customers participating in customer funding in this System.

Kerr-Philpott System Funding

The PRC for the Kerr-Philpott System was elected in FY 2009 and approved Work Item Number 1, replacement of the high tension oil filled cable for the John Kerr Power Plant. The total funding for this work item is \$4,394,000. The sub-agreement for this work item was executed and the monthly collection of funds continues until the entire amount is collected from the 48 participating customers.

Cumberland System Funding

During FY 2009, the Project Coordination Committee (PCC), the Corps, and Southeastern have continued to negotiate a multi-year Memorandum of Agreement (MOA). It is anticipated the final version will be signed in FY 2010. This MOA will provide funding for non-routine maintenance, rehabilitation and modernization activities for the Cumberland River hydroelectric facilities operated by the Corps. Funding for this System now totals over \$45 million.

Cumberland System Dam Safety Issue

During FY 2009, Southeastern continued to work with the Corps on the Wolf Creek Dam and Center Hill safety issues. Cumberland River Basin operations were severely impacted by the restrictions necessary due to the dam safety concerns at both the Wolf Creek and Center Hill projects. Restricted operations are expected for several more years. Southeastern will continue an interim operations strategy until normal operations can resume.

In January 2007, the Corps elected to lower the elevation of the Wolf Creek Project in response to numerous studies conducted by dam safety experts which concluded that the dams were at high risk for failure. The Corps has undertaken a grouting program at the projects in an effort to fill the cavities and voids under the dams' foundation which are providing paths for seepage.

Human Capital Audit Performed

A Human Capital Management Accountability Program Audit was performed by DOE headquarters during FY 2009. The objective of this audit was to ensure human resources programs and organizational performances at Southeastern are strategically aligned and that they support DOE's mission and goals. The areas that were reviewed included staffing and classification, plans and awards, training, and workforce planning. The close-out briefing held with the audit team provided favorable comments on Southeastern's program.

2009 Strategic Plan Developed

Southeastern held a 2009 Strategic Planning session with agency managers and employees. The planning session, lead by an outside facilitator, resulted in a finalized Strategic Plan for Southeastern that aligns with DOE's departmental goals and objectives.

Responding to Homeland Security Directives

During FY 2009, Southeastern's employees received new personal identification verification (PIV) badges in accordance with requirements set forth by the Homeland Security Presidential Directive 12. The badges are also used for building and computer access control.

Energy Efficiency and Renewable Energy Program Activities

In FY 2009, Southeastern's Energy Efficiency and Renewable Energy Program (EERE) continued to support the Energy Policy Act of 2005 and the Energy Independence and Security Act of 2007 by promoting energy efficiency and renewable energy education and training among preference customers in the southeast. Southeastern teamed up with utilities such as Electricities of North Carolina, Kenergy, South Mississippi Electric Power Association, Santee Cooper, and Chattanooga Electric Power Board to take advantage of the services EERE provides. In addition, Southeastern also sponsored the Bonbright Energy Conference with other utilities in the southeast.

The EERE Program continues to support efforts to reduce emissions by leveraging DOE's wind, solar, biomass, and geothermal initiatives. These initiatives encourage and promote educational opportunities that address technologies to slow CO₂ emissions.

Southeastern Power Administration 2009 ANNUAL REPORT 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 hydroelectric 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. Southeastern has the authority to market power in 11 states – the above ten plus West Virginia.

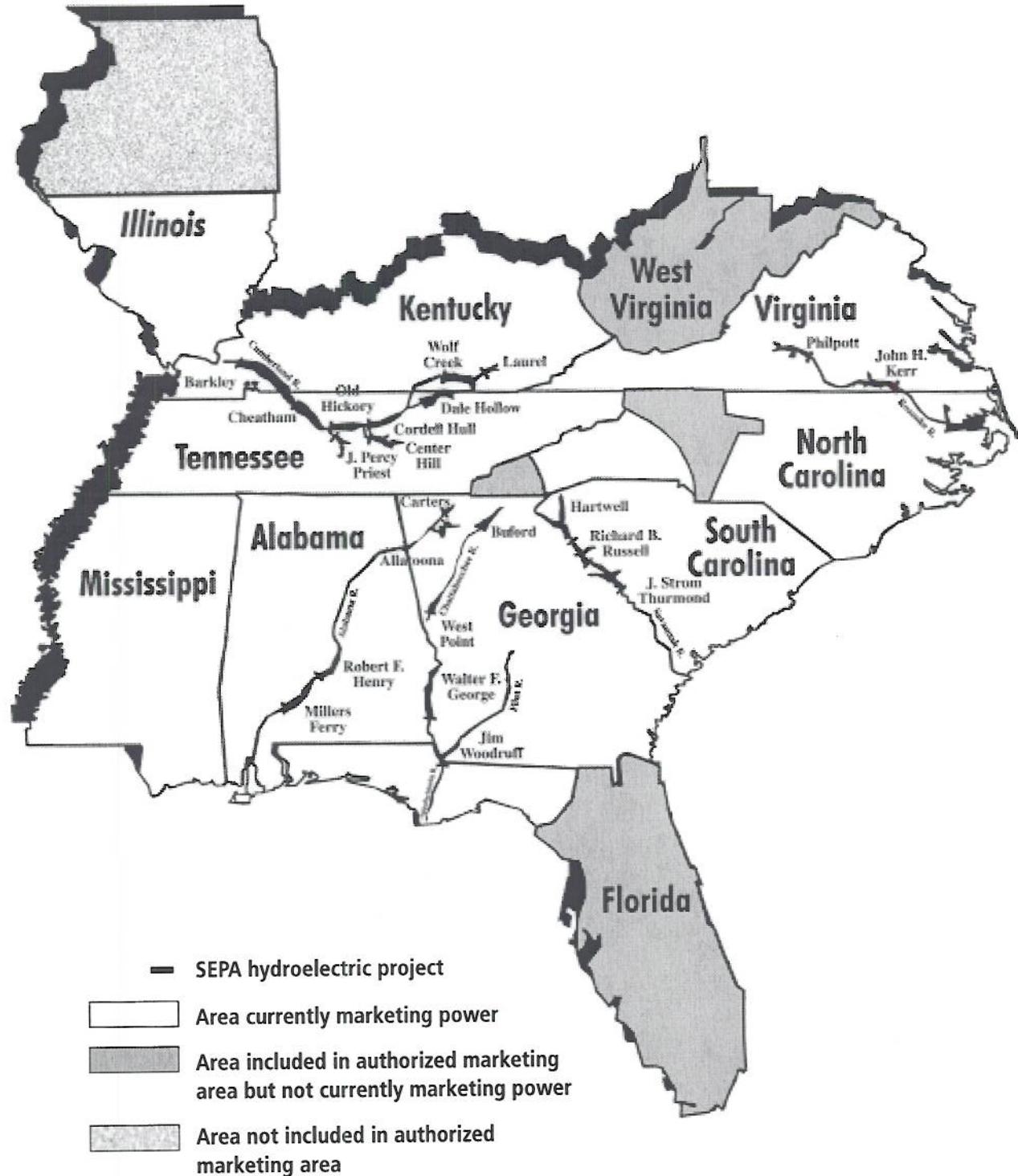
The objectives of Southeastern are to market the electric power and energy generated by the Federal reservoir projects and to encourage widespread use of the power at the lowest possible cost to consumers. Power rates are formulated based on sound financial principles. Preference in the sale of power is given to public bodies and cooperatives, referred to as preference customers. Southeastern does not own transmission lines and must contract with other utilities to provide transmission service for the delivery of Federal power.

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

Section 5 of the Flood Control Act of 1944

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

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MARKETING AREA



A CLOSER LOOK

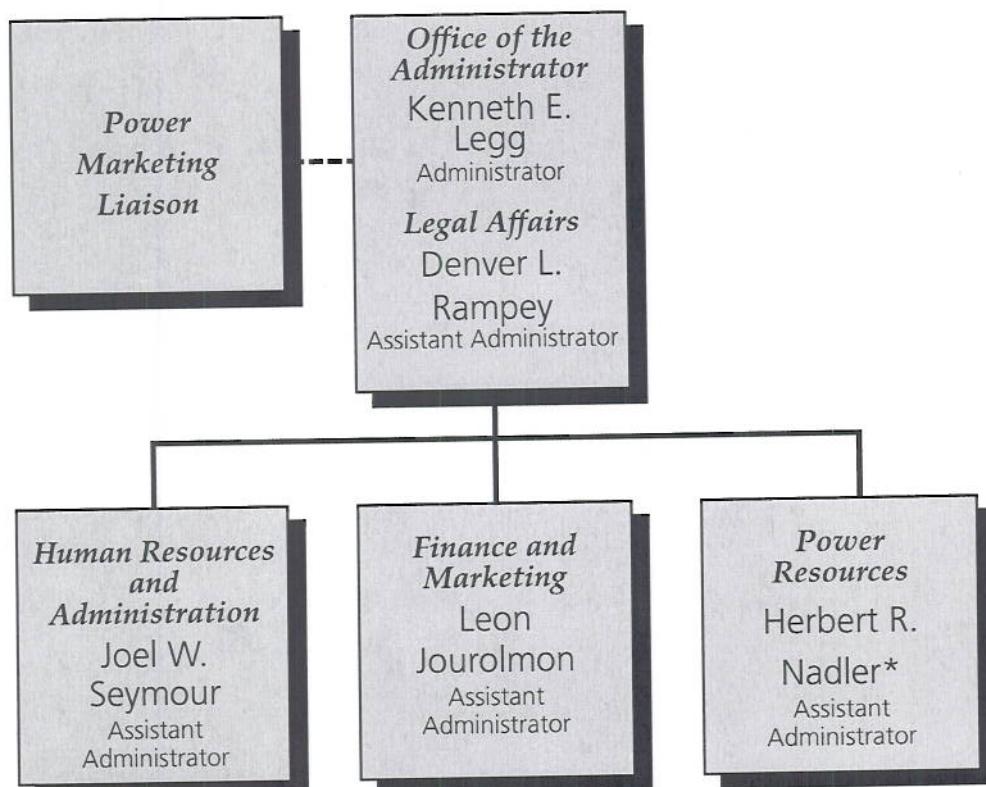
Mission Statement

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



*Herb Nadler was named Assistant Administrator, Power Resources, effective July 5, 2009.

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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, 2009 - 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 | 3,454 | 3,106 | 1,719 | 348 | 1,371 |
| Jim Woodruff | 1957 | 181 | 162 | 68 | 19 | 49 |
| Cumberland | 1949 | 1,290 | 1,000 | 410 | 290 | 120 |
| Kerr-Philpott | 1953 | 477 | 386 | 173 | 91 | 82 |
| TOTAL | | 5,402 | 4,654 | 2,370 | 748 | 1,622 |

(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 for FY 2009 was 68% of average. Figure A illustrates the percent of average generation by project, and Figure B shows system generation for the years 2000 through 2009.

Financial Performance

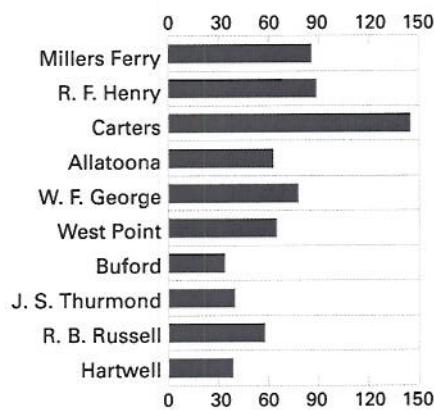
Total revenue for the Georgia-Alabama-South Carolina System in FY 2009 was \$182.5 million. Of this amount, \$177.6 million was derived from the sale of 2,800,242 megawatt-hours of energy and 2,184.2 megawatts of capacity. Total operating expenses, excluding depreciation, were \$111.8 million, interest charged to Federal investment was \$67.3 million, and repayment of the Federal investment was \$3.4 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 a final basis by FERC on April 8, 2008.

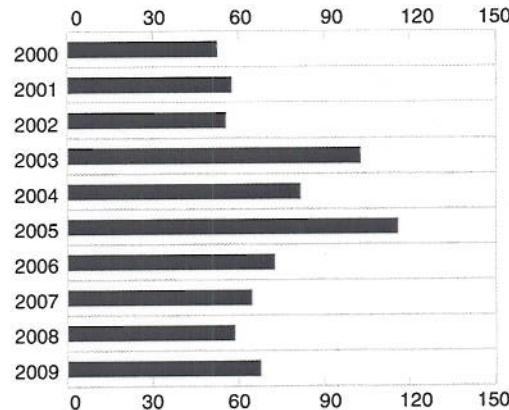
Project Rehabilitation

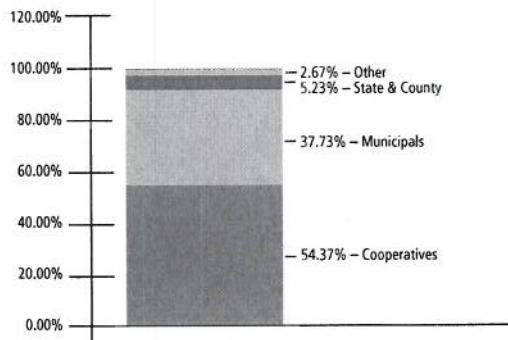
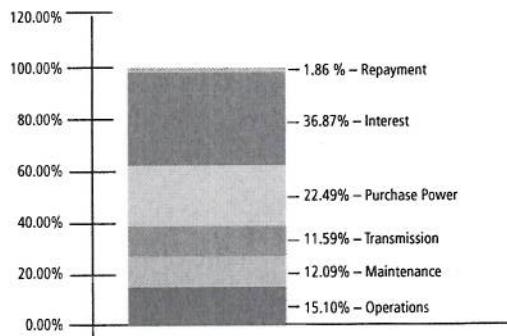
During FY 2009, major rehabilitation work continued at the Walter F. George Project.

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



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



FY 2009 Revenue by Source - Figure C

FY 2009 Application of Revenues - Figure D

Cost Allocation by Project Function as of September 30, 2009 - Table 2

| Project | Total \$ | Power % | Navigation % | Flood Control % | Fish and Wildlife % | Recreation % | Other % |
|-------------------------------|----------------------|--------------|--------------|-----------------|---------------------|--------------|-------------|
| Allatoona | 61,141,620 | 70.34 | — | 14.94 | — | 14.35 | 0.37(a) |
| Buford | 97,143,114 | 81.53 | 2.15 | 4.77 | — | 11.55 | — |
| Carters | 166,854,563 | 83.67 | — | 12.08 | — | 4.25 | — |
| J. Strom Thurmond | 172,106,953 | 88.13 | 2.68 | 2.47 | — | 6.72 | — |
| Walter F. George | 255,473,418 | 64.31 | 32.12 | — | 0.14 | 3.43 | — |
| Hartwell | 200,920,716 | 90.33 | 2.09 | 2.65 | — | 4.92 | — |
| Robert F. Henry/Millers Ferry | 198,611,198 | 63.37 | 29.56 | — | — | 7.08 | — |
| West Point | 161,447,816 | 47.62 | 1.66 | 13.31 | 8.54 | 28.86 | — |
| Richard B. Russell | 878,715,528 | 86.83 | — | 0.10 | — | 12.97 | — |
| TOTAL-GA-AL-SC | 2,193,414,926 | 78.72 | 7.04 | 3.01 | 0.64 | 10.58 | 0.01 |

(a) water supply

Basic Power Rate Schedule as of September 30, 2009 - Table 3

| Preference Customers | Capacity \$/KW/Month | Energy Mills/KWh | Trans. \$/KW/Month | Ancillary & Generation Svcs. \$/KW/Month |
|---|----------------------|------------------|--------------------|--|
| Municipal Elec. Auth. of Georgia & City of Dalton | 3.70 | 9.32 | — | .25 |
| Oglethorpe Power Corp. Area | 3.70 | 9.32 | — | .12 |
| Southern Company | 3.70 | 9.32 | 2.54 | .36 |
| PowerSouth Off System | 3.70 | 9.32 | 2.54 | .23 |
| PowerSouth Energy Cooperative | 3.70 | 9.32 | — | .12 |
| So. Mississippi Electric Power Assoc. | 3.70 | 9.32 | 2.58 | .12 |
| So. Carolina Public Service Authority Area | 3.70 | 9.32 | — | .12 |
| So. Carolina Public Service Authority | 3.70 | 9.32 | — | .12 |
| Preference Customers -SCPSA | 3.70 | 9.32 | 1.32 | .12 |
| Duke Power Area | | | | |
| Bundled | 3.70 | 9.32 | .91 | .12 |
| Self Scheduling and Self Transmitting | 3.70 | 9.32 | — | .12 |
| So. Carolina Electric & Gas Area | 3.70 | 9.32 | .96 | .12 |

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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 2009 was 73% of average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 2000 through 2009.

Financial Performance

Total revenue for the Kerr-Philpott System in FY 2009 was \$12.2 million. Of this amount, \$11.4 million was derived from the sale of 295,100 megawatt-hours of energy and 196.5 megawatts of capacity.

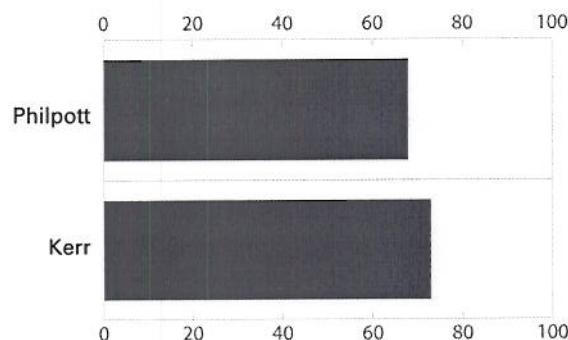
Total operating expenses, excluding depreciation, were \$12.2 million. Interest charged to Federal investment was \$3.3 million. The Kerr-Philpott System incurred a repayment deficit of \$3.3 million in FY 2009. Figure G shows the revenue by source for the Kerr-Philpott System, and Figure H shows the 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 FERC on December 8, 2006.

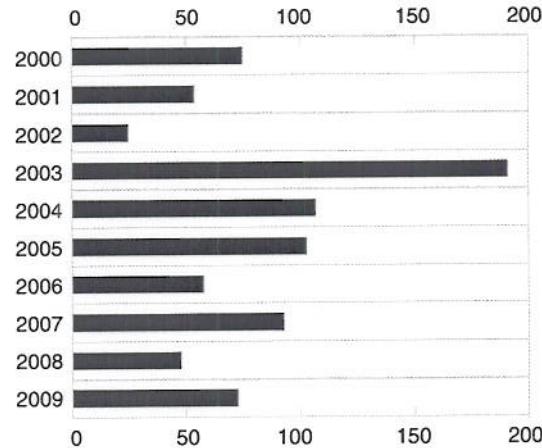
Rehabilitation

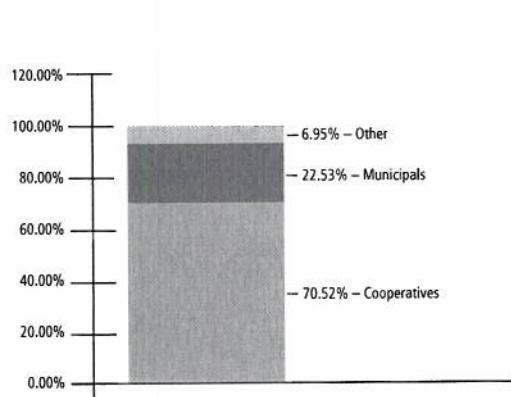
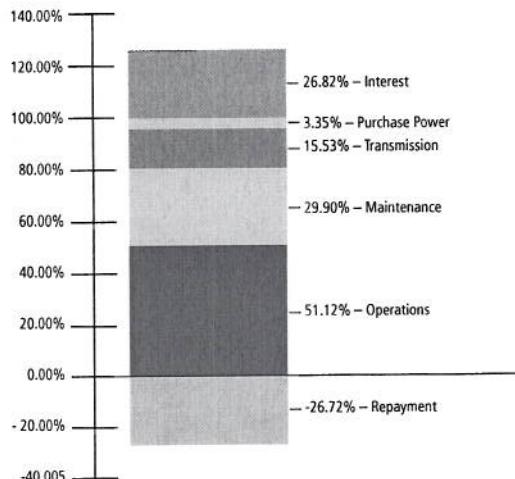
During FY 2009, major rehabilitation work continued at the John H. Kerr Project.

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



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



FY 2009 Revenue by Source - Figure G

FY 2009 Application of Revenues - Figure H

Cost Allocation by Project Function as of September 30, 2009 - Table 4

| Project | Total \$ | Power % | Navigation % | Flood Control % | Fish and Wildlife % | Recreation % | Other % |
|-----------------------------------|--------------------|--------------|--------------|-----------------|---------------------|--------------|-------------|
| John H. Kerr | 192,751,161 | 83.65 | — | 13.20 | — | 2.96 | 0.19(a) |
| Philpott | 24,174,489 | 49.34 | — | 35.43 | — | 15.23 | — |
| TOTAL-Kerr-Philpott System | 216,925,650 | 79.82 | — | 15.67 | — | 4.33 | 0.17 |

(a) water supply

Basic Power Rate Schedule as of September 30, 2009 - Table 5

| Preference Customers | Capacity \$/KW/Month | Energy Mills/KWh | Trans. \$/KW/Month | Ancillary Services Mills/KWh | Tandem Transmission \$/KW/Month |
|---------------------------------------|----------------------|------------------|--------------------|------------------------------|---------------------------------|
| Virginia Power Co. Area | | | | | |
| Bundled | 2.74 | 10.94 | 0.06 | 5.09 | 1.13 |
| Self Scheduling | 2.74 | 10.94 | 0.06 | 5.09 | 1.13 |
| Self Scheduling and Self Transmitting | 2.74 | 10.94 | — | 5.09 | 1.13 |
| Scheduled by CP&L | 2.74 | 10.94 | 0.06 | 5.09 | 1.13 |
| American Electric Power Service Area | 2.74 | 10.94 | — | 5.09 | 1.13 |
| Carolina Power & Light Co. Area | 2.74 | 10.94 | 1.1453 | — | 1.13 |

SIRI 2009 ANNUAL REPORT **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, Virginia, and southern Illinois.

Generation

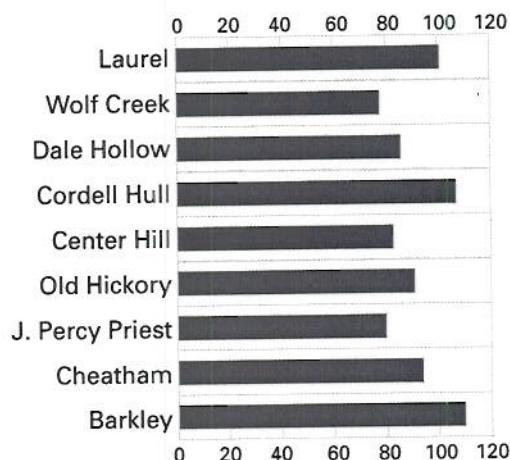
Generation for the system during FY 2009 was 92% of average. The percentage of average generation by project is shown in Figure I, and Figure J shows system generation for the years 2000 through 2009.

Financial Performance

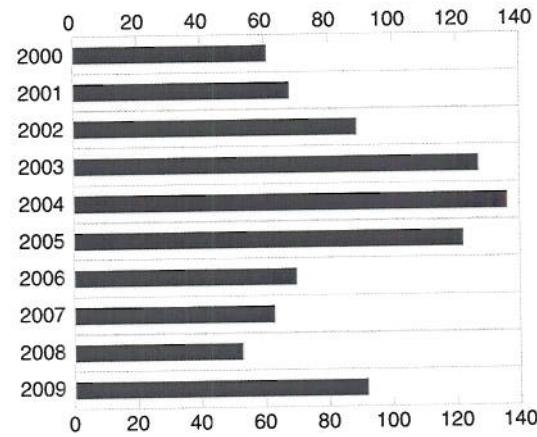
Total revenue for the Cumberland System in FY 2009 was \$44.4 million. Of this amount, \$43.1 million was derived from the sale of 2,654,349 megawatt-hours of energy. Total operating expenses, excluding depreciation, were \$36.5 million. Interest charged to Federal investment was \$3.3 million, and repayment of the Federal investment was \$4.6 million. Figure K shows the revenue by source for the Cumberland System, and Figure L shows the application of revenues for this System.

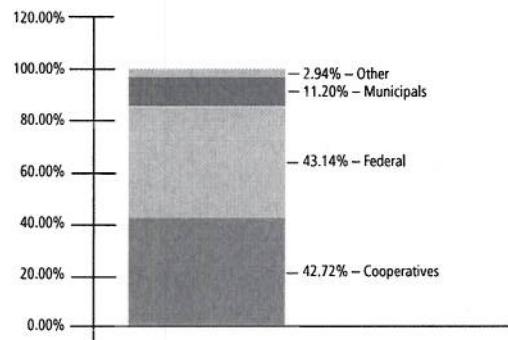
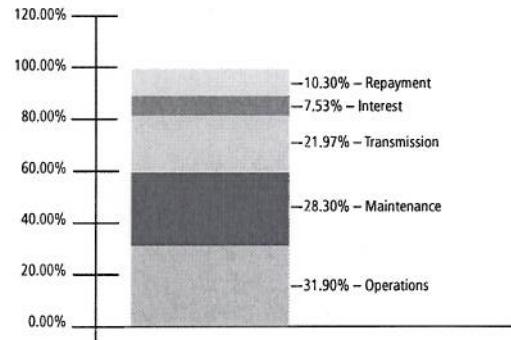
Table 6 indicates the allocation of costs by project function for each project in this System, and Table 7 indicates the current rates. Current rates for the Cumberland System were approved on a final basis by FERC on May 6, 2009.

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



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



FY 2009 Revenue by Source - Figure K

FY 2009 Application of Revenues - Figure L

Cost Allocation by Project Function as of September 30, 2009 - Table 6

| Project | Total \$ | Power % | Navigation % | Flood Control % | Fish and Wildlife % | Recreation % | Other % |
|---------------------------------|----------------------|--------------|--------------|-----------------|---------------------|--------------|-------------|
| Barkley | 197,513,231 | 25.38 | 59.03 | 11.71 | — | 3.89 | — |
| J. Percy Priest | 66,771,086 | 17.56 | — | 39.23 | — | 43.21 | — |
| Cheatham | 52,511,026 | 42.05 | 49.52 | — | — | 8.43 | — |
| Cordell Hull | 89,417,869 | 47.89 | 19.64 | — | — | 25.17 | 7.31 (a) |
| Old Hickory | 73,485,435 | 55.63 | 38.40 | — | — | 5.97 | — |
| Center Hill | 131,758,367 | 48.59 | — | 45.23 | — | 5.65 | 0.53 (b) |
| Dale Hollow | 37,545,692 | 62.02 | — | 32.64 | — | 5.34 | — |
| Wolf Creek | 423,205,622 | 56.91 | — | 38.46 | — | 4.57 | 0.06 (b) |
| Laurel | 51,349,512 | 53.63 | — | — | — | 34.05 | 12.33 (a) |
| TOTAL- Cumberland System | 1,123,530,840 | 46.58 | 16.76 | 25.27 | — | 10.16 | 1.23 |

(a) Area Development

(b) World War II Suspension Costs

Basic Power Rate Schedule as of September 30, 2009 - Table 7

| Preference Customers | Capacity \$/KW/Month | Energy Mills/KWh | Trans. \$/KW/Month |
|---------------------------------|----------------------|------------------|--------------------|
| Tennessee Valley Authority | — | 12.67 | — |
| Carolina Power & Light Co. Area | — | 12.67 | 1.1453 |
| Kentucky Utility Area | — | 12.67 | — |
| East Kentucky Power Cooperative | — | 12.67 | — |
| Other Preference Customers | — | 12.67 | — |

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 2009 was 76% of average. Figure M illustrates the project's generation for the years 2000 through 2009.

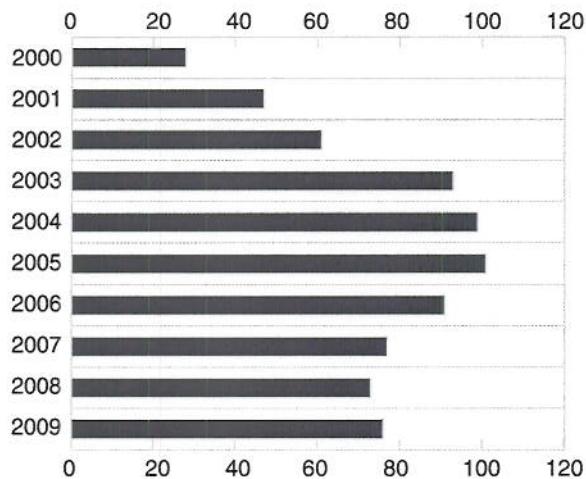
Financial Performance

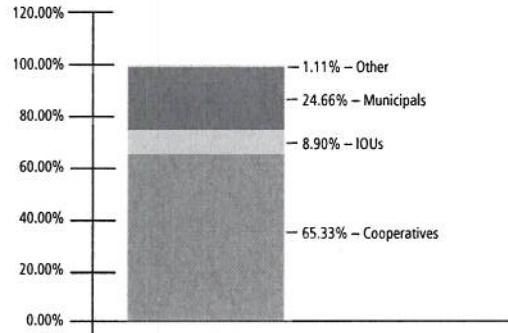
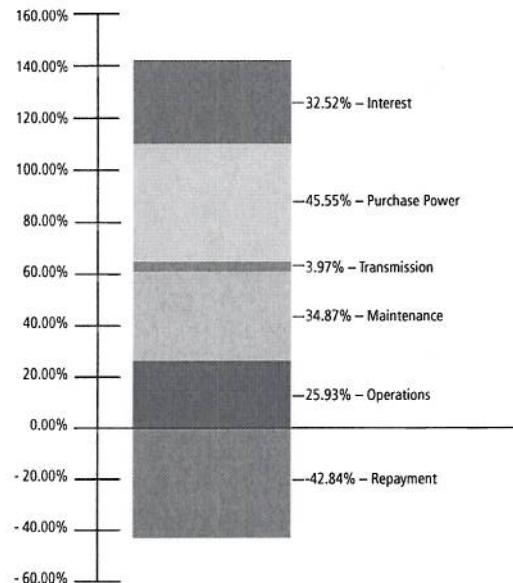
Total revenue from the Jim Woodruff System was \$7.8 million in FY 2009. Of this amount, \$7.7 million was derived from the sale of 213,290 megawatt-hours of energy and 36 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$8.6 million. Interest charged to the Federal investment was \$2.5 million. The Jim Woodruff Project incurred a repayment deficit of \$3.3 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 an interim basis by the Deputy Secretary of Energy on September 18, 2009. The rate schedules were forwarded to FERC with a request for approval on a final basis.

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



FY 2009 Revenue by Source - Figure N

FY 2009 Application of Revenues - Figure O

Cost Allocation by Project Function as of September 30, 2009 - Table 8

| Project | Total \$ | Power % | Navigation % | Flood Control % | Fish and Wildlife % | Recreation % | Other % |
|-----------------------------------|--------------------|--------------|--------------|-----------------|---------------------|--------------|----------|
| Jim Woodruff | 103,951,199 | 63.38 | 31.52 | — | — | 5.11 | — |
| TOTAL- Jim Woodruff System | 103,951,199 | 63.38 | 31.52 | — | — | 5.11 | — |

Basic Power Rate Schedule as of September 30, 2009 - Table 9

| Preference Customers | Capacity \$/KW/Month | Energy Mills/KWh |
|-------------------------|----------------------|------------------|
| Preference Customers | 6.95 | 19.95 |
| Investor Owned Utility* | — | 42.72 |

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

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CUSTOMER SALES

| Customer | KW | ENERGY | REVENUE | Customer | KW | ENERGY | REVENUE |
|--|---------|-------------|-----------------|-------------------------------|---------------|-----------------|-----------------|
| Georgia-Alabama-South Carolina System | | | | | | | |
| Alabama | | | | City of Cairo | 6,253 | 9,347,911 | \$486,999.29 |
| Baldwin County EMC | 17,284 | 24,081,933 | \$1,832,918.06 | City of Calhoun | 7,660 | 11,456,534 | 596,686.75 |
| Black Warrior EMC | 18,494 | 27,476,068 | 2,007,231.33 | City of Camilla | 6,072 | 9,067,695 | 472,706.31 |
| Central Alabama EC | 18,660 | 25,748,090 | 1,977,112.04 | City of Cartersville | 17,152 | 25,628,581 | 1,335,581.08 |
| Clarke-Washington EMC | 6,678 | 9,109,140 | 706,654.49 | City of College Park | 15,559 | 23,264,512 | 1,211,868.40 |
| Coosa Valley EC | 5,728 | 7,891,673 | 606,906.25 | City of Commerce | 4,456 | 6,652,534 | 346,861.95 |
| Dixie EC | 7,273 | 10,110,160 | 771,267.07 | City of Covington | 9,382 | 14,023,420 | 730,649.22 |
| Pea River EC | 3,422 | 4,664,583 | 362,041.74 | City of Dalton | 45,822 | 71,180,067 | 3,586,996.02 |
| Pioneer EC | 10,056 | 13,924,739 | 1,065,665.13 | City of Doerun | 629 | 939,745 | 48,976.26 |
| Tallapoosa River EC | 11,494 | 15,741,805 | 1,217,003.96 | City of Douglas | 10,180 | 15,209,325 | 792,655.65 |
| Tombigbee EC | 6,578 | 9,765,174 | 714,054.06 | City of East Point | 33,488 | 50,026,355 | 2,607,386.28 |
| Wiregrass EC | 8,467 | 11,628,833 | 896,918.56 | City of Elberton | 11,447 | 17,091,915 | 891,097.81 |
| PowerSouth Energy Cooperative | 100,000 | 148,472,000 | 7,660,946.72 | City of Ellaville | 936 | 1,399,551 | 72,903.72 |
| City of Alexander City | 7,846 | 11,875,749 | 853,089.08 | City of Fairburn | 1,799 | 2,690,731 | 140,137.51 |
| City of Dothan | 52,461 | 79,456,300 | 5,705,070.68 | City of Fitzgerald | 9,720 | 14,523,485 | 756,866.91 |
| City of Evergreen | 4,047 | 6,119,524 | 440,585.14 | City of Fort Valley | 3,720 | 5,557,967 | 289,656.98 |
| City of Fairhope | 6,248 | 9,460,017 | 679,400.65 | City of Grantville | 9,417 | 14,071,411 | 733,286.78 |
| City of Foley | 21,199 | 32,046,920 | 2,304,807.44 | City of Griffin | 470 | 701,327 | 36,578.31 |
| City of Hartford | 3,050 | 4,491,111 | 330,332.40 | City of Hampton | 18,157 | 27,131,865 | 1,413,870.30 |
| City of LaFayette | 2,358 | 3,566,968 | 256,340.79 | City of Hogansville | 832 | 1,170,069 | 89,170.99 |
| City of Lanett | 5,321 | 8,053,990 | 578,549.86 | City of Jackson | 1,531 | 2,286,663 | 119,195.42 |
| City of Luverne | 3,158 | 4,779,552 | 343,358.54 | City of LaFayette | 2,067 | 3,088,621 | 160,953.83 |
| City of Opelika | 20,809 | 31,509,809 | 2,262,811.88 | City of Lagrange | 6,607 | 9,871,196 | 514,448.75 |
| City of Piedmont | 3,869 | 5,739,495 | 419,902.99 | City of Lawrenceville | 17,096 | 25,555,820 | 1,331,442.69 |
| City of Robertsdale | 3,372 | 4,996,631 | 365,848.76 | City of Monroe | 4,795 | 7,174,271 | 373,569.17 |
| City of Sylacauga | 16,494 | 24,449,899 | 1,789,721.13 | City of Monticello | 37,172 | 55,582,771 | 2,895,305.47 |
| City of Troy | 10,079 | 15,253,986 | 1,095,848.09 | City of Moultrie | 7,223 | 10,789,271 | 562,367.29 |
| City of Tuskegee | 11,689 | 17,453,643 | 1,269,280.35 | City of Newman | 1,836 | 2,741,830 | 142,933.37 |
| Alabama Total | 386,134 | 567,867,792 | \$38,513,667.19 | City of Norcross | 15,480 | 23,128,266 | 1,205,345.81 |
| Florida | | | | City of Oxford | 6,893 | 10,300,044 | 536,749.83 |
| Choctawhatchee EC | 1,231 | 1,713,648 | \$130,487.89 | City of Palmetto | 1,736 | 2,596,300 | 135,225.79 |
| West Florida ECA | 8,402 | 11,707,679 | 891,158.95 | City of Quitman | 458 | 685,843 | 35,693.88 |
| Florida Total | 9,633 | 13,421,327 | \$1,021,646.84 | City of Sandersville | 923 | 1,379,431 | 71,877.29 |
| Georgia | | | | City of Sylvester | 4,428 | 6,612,277 | 344,713.86 |
| Altamaha EMC | 10,956 | 11,548,608 | \$731,532.95 | City of Thomasville | 4,997 | 7,463,780 | 389,046.80 |
| Amicalola EMC | 11,513 | 12,131,332 | 768,636.61 | City of Whigham | 5,436 | 8,127,949 | 423,398.24 |
| Canoochee EMC | 9,392 | 9,901,923 | 627,142.49 | Crisp County Power Commission | 3,952 | 5,907,859 | 307,787.86 |
| Carroll EMC | 17,032 | 17,826,302 | 1,129,007.17 | City of Thomaston | 7,687 | 11,492,145 | 598,692.86 |
| Central Georgia EMC | 13,381 | 13,483,333 | 856,277.80 | City of Thomasville | 25,053 | 37,436,558 | 1,950,856.56 |
| Coastal EMC | 3,157 | 3,330,468 | 210,846.85 | City of Washington | 5,068 | 7,570,598 | 394,590.34 |
| Cobb EMC | 39,369 | 39,699,137 | 2,519,826.95 | City of West Point | 4,683 | 6,990,038 | 364,503.62 |
| Colquitt EMC | 38,410 | 42,031,326 | 2,634,501.09 | City of Whigham | 319 | 476,844 | 24,843.73 |
| Coweta-Fayette EMC | 13,378 | 14,015,671 | 887,062.33 | Town of Mansfield | 18,068 | 26,995,627 | 1,406,873.64 |
| Diverse Power, Inc. | 12,050 | 12,145,328 | 771,161.54 | Georgia Total | 379 | 565,083 | 29,486.97 |
| Excelsior EMC | 8,914 | 8,979,156 | 570,370.88 | 1,095,655 | 1,361,668,119 | \$78,417,221.64 | |
| Flint EMC | 55,744 | 52,229,975 | 3,717,412.87 | Mississippi | | | |
| Grady EMC | 10,439 | 10,998,621 | 696,913.18 | Coast EPA | 26,863 | 40,716,619 | \$2,921,934.44 |
| Greystone Power Corporation | 31,540 | 33,265,401 | 2,106,313.66 | East Mississippi EPA | 11,336 | 17,151,441 | 1,232,982.66 |
| Habersham EMC | 10,176 | 10,722,536 | 679,375.22 | Singing River EPA | 33,684 | 51,066,799 | 3,664,099.31 |
| Hart EMC | 18,630 | 19,622,700 | 1,243,628.93 | South Mississippi EPA | 68,000 | 96,816,670 | 7,248,207.12 |
| Irwin EMC | 8,246 | 8,627,025 | 546,537.04 | Mississippi Total | 139,883 | 205,751,529 | \$15,067,223.53 |
| Jackson EMC | 48,415 | 53,010,358 | 3,321,372.94 | North Carolina | | | |
| Jefferson EMC | 14,188 | 14,964,193 | 947,507.98 | Blue Ridge EMC | 7,311 | 11,039,570 | \$622,483.91 |
| Little Ocmulgee EMC | 7,754 | 8,165,759 | 517,583.22 | EnergyUnited EMC | 16,302 | 23,126,740 | 1,271,185.01 |
| Middle Georgia EMC | 6,028 | 6,307,701 | 399,552.86 | Haywood EMC | 926 | 1,407,877 | 78,680.30 |
| Mitchell EMC | 18,023 | 18,989,780 | 1,203,236.71 | Pee Dee EMC | 455 | 677,194 | 38,541.96 |
| Ocmulgee EMC | 8,188 | 8,566,338 | 542,692.78 | Rutherford EMC | 24,018 | 36,127,650 | 2,041,296.89 |
| Oconee EMC | 8,018 | 8,394,013 | 531,533.31 | Union EMC | 11,633 | 17,509,898 | 990,522.26 |
| Okefenokee Rural EMC | 9,487 | 9,929,751 | 628,874.91 | City of Cherryville | 1,478 | 907,479 | 91,496.28 |
| Pataula EMC | 3,244 | 3,266,289 | 207,544.95 | City of Concord | 8,007 | 5,126,420 | 586,655.30 |
| Planters EMC | 10,258 | 10,807,656 | 684,824.21 | City of Gastonia | 15,971 | 9,802,518 | 988,599.51 |
| Rayle EMC | 10,350 | 11,324,714 | 709,872.81 | City of Kings Mountain | 2,896 | 1,853,577 | 212,168.92 |
| Satilla Rural EMC | 30,374 | 33,237,446 | 2,083,315.54 | City of Lincoln | 1,577 | 967,688 | 97,609.86 |
| Sawnee EMC | 19,423 | 20,336,375 | 1,287,648.39 | City of Monroe | 7,693 | 4,722,743 | 476,220.65 |
| Slash Pine EMC | 4,785 | 5,041,535 | 319,449.39 | City of Morganton | 9,535 | 14,239,404 | 809,667.40 |
| Snapping Shoals EMC | 20,119 | 20,283,925 | 1,287,655.51 | City of Newton | 2,067 | 1,268,052 | 127,930.64 |
| Southern Rivers Energy | 6,842 | 7,163,901 | 453,593.57 | City of Shelby | 5,892 | 3,615,611 | 364,694.03 |
| Sumter EMC | 11,437 | 12,056,034 | 763,657.44 | City of Statesville | 9,705 | 5,956,314 | 600,727.78 |
| Three Notch EMC | 12,194 | 12,850,458 | 814,132.61 | Town of Bostic | 412 | 620,300 | 35,116.71 |
| Tri-County EMC | 6,416 | 6,721,710 | 425,426.93 | Town of Cornelius | 361 | 221,730 | 22,349.99 |
| Upson EMC | 4,581 | 4,613,682 | 293,105.24 | Town of Dallas | 1,299 | 830,950 | 95,155.99 |
| Walton EMC | 31,322 | 34,333,424 | 2,149,556.17 | Town of Drexel | 879 | 1,235 | 757,524 |
| Washington EMC | 14,249 | 14,351,007 | 911,697.53 | Town of Forest City | 2,721 | 1,742,306 | 199,366.93 |
| City of Acworth | 2,303 | 3,441,604 | 179,337.79 | Town of Granite Falls | 828 | 507,934 | 51,245.99 |
| City of Adel | 6,902 | 10,307,783 | 537,334.17 | Town of Huntersville | 490 | 300,366 | 30,320.84 |
| City of Albany | 60,831 | 90,913,800 | 4,737,153.80 | Town of Landis | 1,098 | 673,342 | 67,950.75 |
| City of Barnesville | 2,635 | 3,937,019 | 205,176.26 | Town of Maiden | 1,235 | 800,366 | 76,433.51 |
| City of Blakely | 5,412 | 8,084,600 | 421,376.52 | Town of Pineville | 490 | 300,366 | 30,320.84 |
| City of Brinson | 156 | 233,779 | 12,161.31 | North Carolina Total | 135,279 | 145,619,024 | \$10,081,455.64 |
| City of Buford | 2,356 | 3,520,558 | 183,459.64 | | | | |

| Customer | KW | ENERGY | REVENUE | Customer | KW | ENERGY | REVENUE |
|--|------------------|----------------------|-------------------------|--|------------------|----------------------|-------------------------|
| South Carolina | | | | | | | |
| Central Electric Power Cooperative | 180,700 | 243,391,415 | \$17,058,854.65 | B-A-R-C EC | 3,740 | 6,883,845 | \$195,112.65 |
| Little River EC | 522 | 599,169 | 45,472.48 | Central Virginia EC | 7,956 | 14,582,132 | 414,944.43 |
| City of Abbeville | 2,959 | 4,442,688 | 218,746.59 | Community EC | 4,230 | 7,796,640 | 220,854.75 |
| City of Clinton | 2,975 | 1,717,062 | 172,754.37 | Craig-Botetourt EC | 1,692 | 3,420,693 | 93,333.58 |
| City of Easley | 8,656 | 12,161,444 | 654,462.21 | Mecklenburg EMC | 11,344 | 21,079,035 | 595,081.92 |
| City of Gaffney | 6,986 | 9,820,742 | 528,315.70 | Northern Neck EC | 3,944 | 7,234,048 | 205,409.59 |
| City of Georgetown | 5,300 | 6,870,477 | 499,456.64 | Northern Virginia EC | 3,268 | 6,076,687 | 171,823.16 |
| City of Greenwood | 11,404 | 17,388,220 | 973,748.26 | Prince George EC | 2,530 | 4,640,502 | 131,721.47 |
| City of Greer | 9,159 | 12,921,750 | 693,628.90 | Rappahannock EC | 22,427 | 41,364,306 | 1,171,446.08 |
| City of Laurens | 5,891 | 8,302,400 | 445,950.93 | Shenandoah Valley EMC | 9,938 | 18,436,020 | 520,826.19 |
| City of Newberry | 3,277 | 1,890,966 | 190,282.76 | Southside EC | 14,575 | 26,946,336 | 762,331.15 |
| City of Orangeburg | 13,779 | 15,868,708 | 1,198,159.10 | City of Bedford | 1,200 | 910,332 | 61,180.32 |
| City of Rock Hill | 19,115 | 26,855,556 | 1,445,235.01 | City of Danville | 5,600 | 4,248,226 | 285,508.29 |
| City of Seneca | 2,688 | 1,622,810 | 166,188.27 | City of Franklin | 1,003 | 757,930 | 33,811.46 |
| City of Union | 3,484 | 2,011,346 | 202,322.07 | City of Martinsville | 1,600 | 1,213,779 | 81,573.79 |
| City of Westminster | 678 | 390,900 | 39,361.76 | City of Radford | 1,300 | 985,882 | 66,295.91 |
| Town of Bamberg | 2,300 | 2,944,488 | 215,798.76 | City of Salem | 2,200 | 1,668,412 | 112,193.04 |
| Town of Due West | 285 | 182,345 | 20,878.14 | Harrisonburg Electric Commission | 2,691 | 2,060,059 | 91,129.17 |
| Town of McCormick | 522 | 585,754 | 45,400.90 | Town of Blackstone | 389 | 293,954 | 13,113.34 |
| Town of Prosperity | 602 | 944,096 | 58,633.91 | Town of Culpepper | 391 | 299,325 | 13,241.00 |
| Town of Winnsboro | 1,366 | 1,522,956 | 118,544.61 | Town of Elkton | 171 | 129,217 | 5,764.46 |
| South Carolina PSA | 135,000 | 133,478,450 | 9,554,373.19 | Town of Richlands | 500 | 379,309 | 25,491.84 |
| South Carolina Total | 417,648 | 505,913,742 | \$34,546,569.21 | Town of Wakefield | 106 | 80,099 | 3,573.30 |
| | | | | Virginia Total | 102,795 | 171,486,768 | \$5,275,760.89 |
| Georgia-Alabama-South Carolina System Total | 2,184,232 | 2,800,241,533 | \$177,647,784.05 | Kerr-Philpott System Total | 196,500 | 295,100,432 | \$11,362,702.75 |
| Kerr-Philpott System | | | | | | | |
| North Carolina | | | | | | | |
| Albemarle EMC | 2,593 | 1,959,047 | \$136,328.45 | Jim Woodruff System | | | |
| Brunswick EMC | 3,515 | 6,891,960 | 268,842.69 | Florida | | | |
| Carteret-Craven EMC | 2,735 | 5,295,387 | 208,340.35 | Central Florida EC | 2,300 | 10,830,682 | \$407,892.11 |
| Central EMC | 1,239 | 2,429,341 | 94,764.21 | Suwannee Valley EC | 4,800 | 21,278,609 | 824,828.25 |
| Edgecombe-Martin County EMC | 4,155 | 3,178,000 | 219,152.92 | Talquin EC | 13,500 | 86,336,250 | 2,848,308.18 |
| Four County EMC | 4,198 | 8,231,137 | 321,081.59 | Tri-County EC | 5,200 | 27,909,614 | 990,476.78 |
| Halifax EMC | 2,606 | 2,691,086 | 151,308.61 | City of Chattahoochee | 1,800 | 10,000,361 | 349,627.20 |
| Jones-Onslow EMC | 5,184 | 10,164,418 | 396,495.29 | City of Quincy | 8,400 | 43,310,869 | 1,564,611.85 |
| Lumbee River EMC | 3,729 | 7,311,559 | 285,210.60 | Florida Power Corporation | - | 13,623,674 | 691,054.15 |
| Pee Dee EMC | 2,968 | 5,819,445 | 227,005.89 | Jim Woodruff System Total | 36,000 | 213,290,059 | \$7,676,798.52 |
| Piedmont EMC | 1,086 | 2,105,600 | 82,793.34 | Cumberland System | | | |
| Pitt & Greene EMC | 1,580 | 3,097,950 | 120,845.45 | Southern Illinois Power Cooperative | - | 58,737,000 | \$1,225,003.34 |
| Randolph EMC | 3,608 | 7,074,309 | 275,956.09 | Kentucky | | | |
| Roanoke EMC | 5,528 | 4,200,782 | 291,076.71 | Big Rivers Electric Corporation | - | 375,333,000 | \$7,808,791.23 |
| South River EMC | 6,119 | 11,997,697 | 468,008.25 | East Kentucky Power Cooperative | - | 327,943,000 | 7,080,228.12 |
| Tideland EMC | 3,098 | 3,180,552 | 179,505.92 | City of Barbourville | - | 5,563,020 | 108,224.67 |
| Tri-County EMC | 3,096 | 6,070,415 | 236,795.74 | City of Bardstown | - | 5,681,865 | 110,476.14 |
| Wake EMC | 2,164 | 4,243,018 | 165,512.35 | City of Bardwell | - | 1,370,526 | 26,611.72 |
| City of Elizabeth City | 2,073 | 1,571,755 | 69,693.17 | City of Benham | - | 627,104 | 12,243.84 |
| City of Kinston | 1,466 | 1,111,524 | 89,995.36 | City of Corbin | - | 6,569,421 | 127,795.04 |
| City of Laurinburg | 415 | 314,654 | 25,476.16 | City of Falmouth | - | 1,491,900 | 28,990.79 |
| City of Lumberton | 895 | 678,590 | 54,942.55 | City of Frankfort | - | 39,499,968 | 768,196.44 |
| City of New Bern | 1,204 | 912,875 | 73,911.58 | City of Henderson | - | 24,980,000 | 522,596.12 |
| City of Rocky Mount | 2,538 | 1,924,318 | 155,803.63 | City of Madisonville | - | 19,731,019 | 383,765.38 |
| City of Washington | 2,703 | 2,049,424 | 165,932.77 | City of Nicholasville | - | 6,463,217 | 125,701.46 |
| City of Wilson | 2,950 | 2,236,698 | 181,095.65 | City of Owensboro | - | 63,216,125 | 1,229,450.53 |
| Fayetteville Public Works Commission | 5,431 | 4,117,800 | 333,400.15 | City of Paris | - | 3,449,072 | 67,053.21 |
| Greenville Utilities Commission | 7,534 | 5,712,301 | 462,499.84 | City of Providence | - | 3,112,763 | 60,551.24 |
| Town of Apex | 145 | 109,938 | 8,901.32 | Kentucky Total | - | 885,032,000 | \$18,460,675.94 |
| Town of Ayden | 208 | 157,706 | 12,768.78 | Mississippi | | | |
| Town of Belhaven | 182 | 137,993 | 6,118,75 | South Mississippi EPA | - | 107,363,000 | \$2,235,223.35 |
| Town of Benson | 120 | 90,986 | 7,366.60 | Mississippi Delta Energy Agency | - | 23,181,000 | 486,319.23 |
| Town of Clayton | 161 | 122,072 | 9,883.50 | Municipal Energy Agency of Mississippi | - | 39,127,000 | 818,180.41 |
| Town of Edenton | 775 | 587,609 | 26,055.10 | Mississippi Total | - | 169,671,000 | \$3,539,722.99 |
| Town of Enfield | 259 | 195,678 | 13,148.26 | North Carolina | | | |
| Town of Farmville | 237 | 179,694 | 14,549.05 | French Broad EMC | - | 18,197,775 | \$493,564.53 |
| Town of Fremont | 60 | 45,492 | 3,683.29 | Haywood EMC | - | 5,326,176 | 144,422.85 |
| Town of Hamilton | 40 | 30,331 | 1,344,79 | Town of Waynesville | - | 3,772,709 | 102,063.23 |
| Town of Hertford | 203 | 153,915 | 6,824.75 | North Carolina Total | - | 27,296,660 | \$740,050.61 |
| Town of Hobgood | 46 | 34,877 | 1,546,47 | Tennessee Valley Authority | - | 1,513,612,000 | \$19,177,464.05 |
| Town of Hookerton | 30 | 22,745 | 1,841,67 | Cumberland System Total | - | 2,654,348,660 | \$43,142,916.93 |
| Town of La Grange | 93 | 70,513 | 5,709.07 | Grand Total | 2,416,732 | 5,962,980,684 | \$239,830,202.25 |
| Town of Louisburg | 857 | 2,162,239 | 70,909.52 | | | | |
| Town of Pikeville | 40 | 30,331 | 2,455,54 | | | | |
| Town of Red Springs | 117 | 88,711 | 7,182,46 | | | | |
| Town of Robersonville | 232 | 175,901 | 7,799,69 | | | | |
| Town of Scotland Neck | 304 | 230,494 | 10,220.33 | | | | |
| Town of Selma | 183 | 138,751 | 11,234,06 | | | | |
| Town of Smithfield | 378 | 286,601 | 23,204.77 | | | | |
| Town of Tarboro | 2,145 | 1,626,346 | 72,113.74 | | | | |
| Town of Wake Forest | 149 | 112,974 | 9,146,92 | | | | |
| Town of Windsor | 331 | 250,125 | 11,158,12 | | | | |
| North Carolina Total | 93,705 | 123,613,664 | \$6,086,941.86 | | | | |

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SETRA

2009 ANNUAL REPORT

2009 Financial Overview and Financial Statements

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SRA 2009 ANNUAL REPORT
**2009 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, 2009, 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 2009, Southeastern marketed 6.0 billion kilowatt-hours of energy to 491 wholesale customers. Southeastern's revenues totaled \$247 million, which was \$30 million less than in FY 2008.

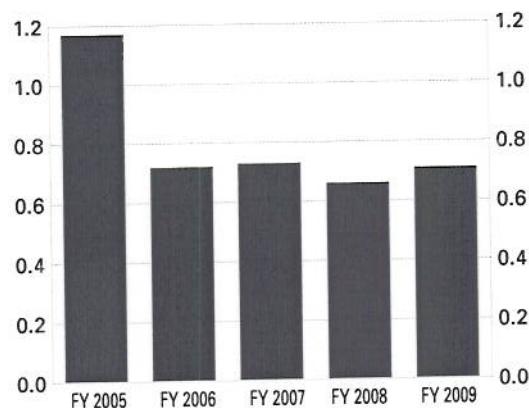
Financial Performance Debt Service Coverage Ratio

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 0.664 to 1.166. Southeastern's debt service ratio for FY 2006, FY 2007, FY 2008, and FY 2009 was below normal due to adverse water conditions. Southeastern's debt service coverage ratio for fiscal years 2005-2009 is illustrated in Figure P.

**Debt Service Coverage Ratio -
Figure P**



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

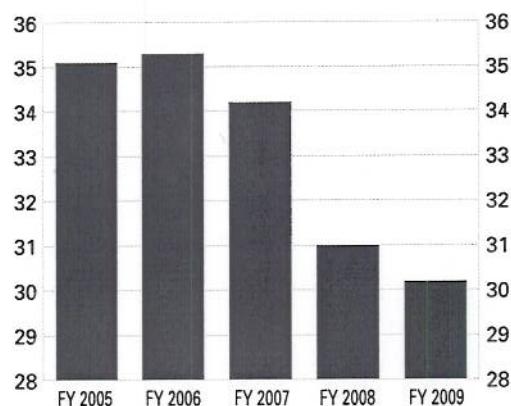
This indicator is a cumulative cash flow measure. It measures the cumulative principal payments made relative to the total Federal investment to date. During a period of capital expansion, this ratio would tend to decrease, whereas increases in cumulative payments over time would be expected for a mature system. Thus, a system with little time remaining in its repayment period would be expected to have a ratio of cumulative principal payments relative to total Federal investment that approaches 100%. This indicator provides useful information by showing the relationship between the cumulative amount of principal paid to date by 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 30% to 35%. Payments as a percent of total investment are illustrated in Figure Q.

Percent Variance of Actual from Planned Principal Payment

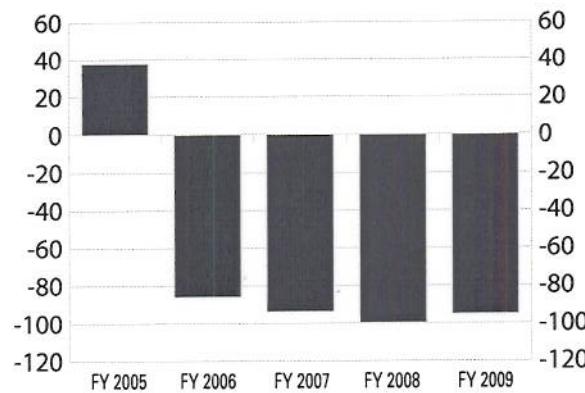
Each of the power marketing administrations shows relatively large fluctuations between actual and planned revenues due to the high variability of water over the years analyzed. A negative number means that actual repayment is not as large as expected. A positive number means that actual repayment is larger than expected.

Southeastern's -86.1% ratio in 2006, -93.9% ratio in 2007, -100% in 2008, and -95% in 2009 were the result of below average streamflow conditions, as illustrated in Figure R.

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



Percent Variance of Actual From Planned Principal Payments - Figure R



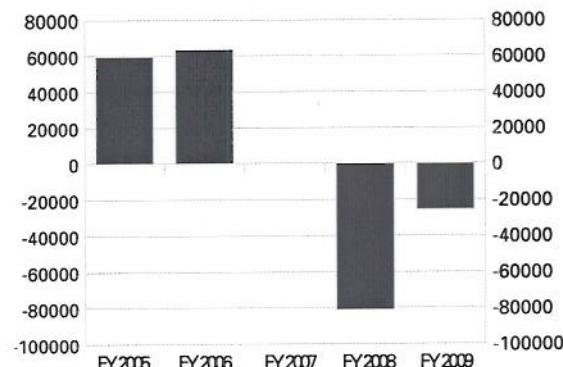
Net Cash to the Treasury

Net cash flow to the Treasury measures the actual net cash flow, both inflows and outflows, to the U.S. Treasury, excluding revenue from the Tennessee Valley Authority. 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)**



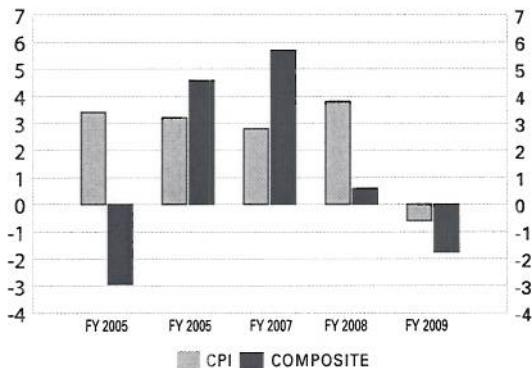
Rate Performance

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 2005 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 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. The FY 2008 increase was the result of increases in transmission rates at the Kerr-Philpott System. The FY 2009 decrease was the result of decreases in transmission rates in the Kerr-Philpott System. Composite transmission indicators are illustrated in Figure T.

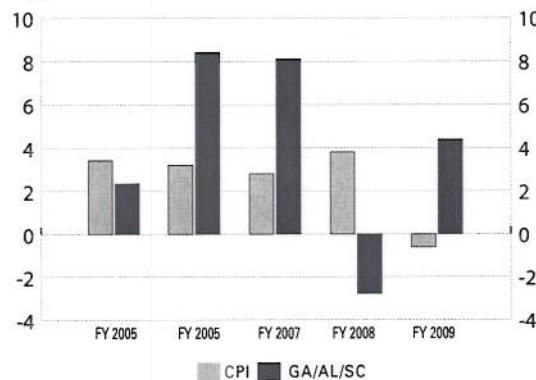
Composite Transmission Cost Indicator - Figure T



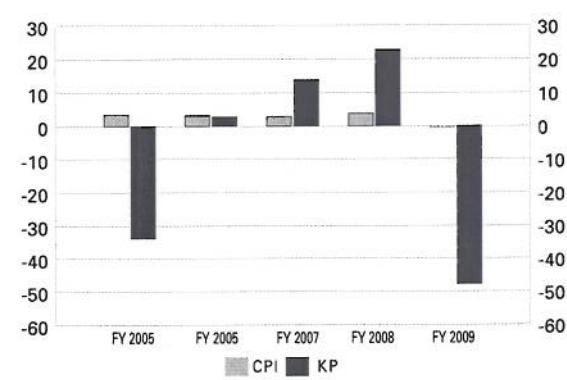
System Transmission Cost Indicator

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. The FY 2008 increase of 22.80% in the Kerr-Philpott System was the result of an increase in transmission rates. The FY 2009 decrease of 47.71% in the Kerr-Philpott System was the result of decreases in transmission rates. System transmission indicators are illustrated in Figures U, V, W, and X.

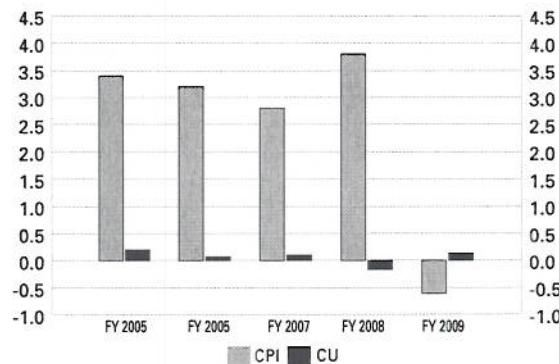
Georgia-Alabama-South Carolina Transmission Cost Indicator - Figure U



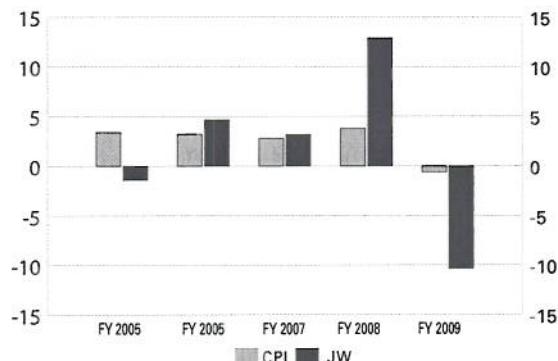
Kerr-Philpott Transmission Cost Indicator - Figure V



Cumberland Transmission Cost Indicator - Figure W



Jim Woodruff Transmission Cost Indicator - Figure X

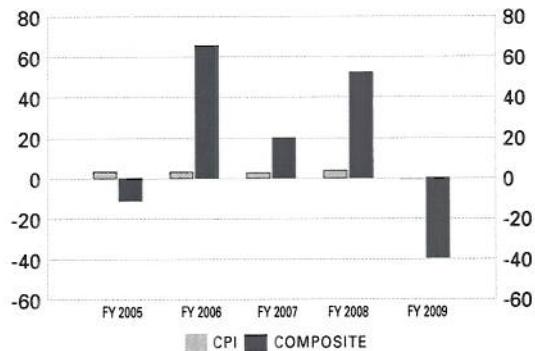


Generation Performance Indicator - Composite Generation Rate Indicator

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 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 and FY 2008 increases were the result of below normal water conditions. The FY 2009 decrease was the result of increases in energy produced in the Georgia-Alabama-South Carolina and Kerr-Philpott Systems. Composite generation rate indicator is illustrated in Figure Y.

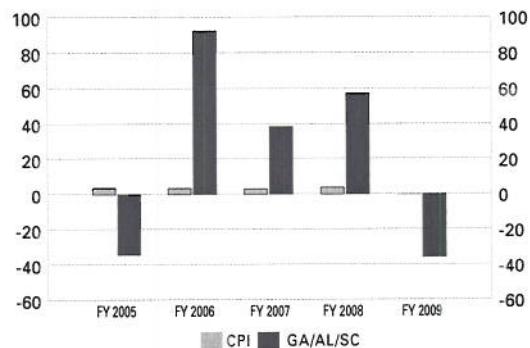
Composite Generation Cost Indicator - Figure Y



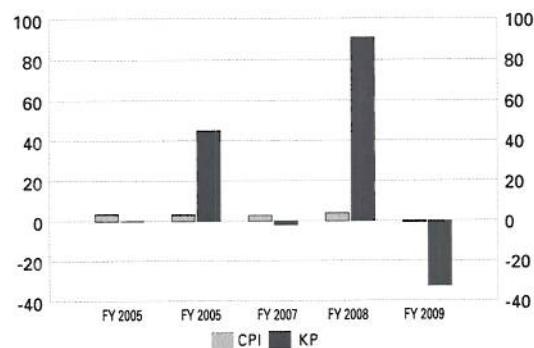
System Generation Rate Indicator

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. The FY 2008 increase in the Kerr-Philpott System was the result of below normal water conditions. The FY 2009 increase in the Cumberland System was the result of a rate increase. System generation rate indicators are illustrated in Figures Z, AA, BB, and CC.

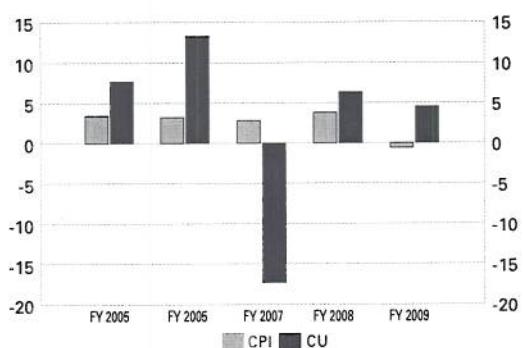
Georgia-Alabama-South Carolina Generation Cost Indicator - Figure Z



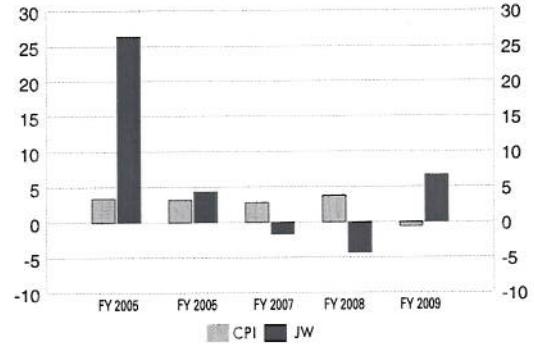
Kerr-Philpott Generation Cost Indicator - Figure AA



Cumberland Generation Cost Indicator - Figure BB



Jim Woodruff Generation Cost Indicator - Figure CC



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SFERA

2009 ANNUAL REPORT

2009 Financial Statements

Southeastern Federal Power Program

Combined Financial Statements and Supplementary Information

September 30, 2009, and 2008

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 Southeastern Federal Power Program ("the Program") as of September 30, 2009 and 2008, 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 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 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, 2009 and 2008, 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 15, 2010

Southeastern Federal Power Program
Combined Statements of Assets, Federal Investment, and Liabilities
September 30, 2009 and 2008

| (in thousands of dollars) | 2009 | 2008 |
|--|---------------------|---------------------|
| Assets | | |
| Utility plant (Notes 2 and 6) | | |
| Plant in service | \$ 2,322,965 | \$ 2,271,831 |
| Less: Accumulated depreciation | (841,799) | (804,516) |
| Plant in service - net | 1,481,166 | 1,467,315 |
| Construction work in progress | 167,227 | 124,625 |
| Net utility plant | <u>1,648,393</u> | <u>1,591,940</u> |
| Current assets | | |
| Cash/unexpended appropriations (Note 2) | 238,671 | 100,926 |
| Accounts receivable | 27,926 | 38,595 |
| Other | 4,771 | 4,811 |
| Total current assets | <u>271,368</u> | <u>144,332</u> |
| Deferred workers' compensation (Note 5) | 10,913 | 7,533 |
| Total assets | <u>\$ 1,930,674</u> | <u>\$ 1,743,805</u> |
| Federal Investment and Liabilities | | |
| Federal investment (Note 3) | | |
| Congressional appropriations (Note 2) | \$ 4,358,143 | \$ 4,061,401 |
| U.S. Treasury transfers to continuing fund | 156,375 | 146,587 |
| Transfers from other federal agencies | 53,694 | 51,868 |
| Accumulated interest on federal investment (Notes 3 and 6) | 1,976,773 | 1,893,121 |
| Funds returned to U.S. Treasury (Note 2) | <u>(4,498,665)</u> | <u>(4,336,671)</u> |
| Investment of U.S. government | 2,046,320 | 1,816,306 |
| Accumulated net (deficit) revenues | <u>(140,753)</u> | <u>(100,136)</u> |
| Total federal investment | <u>1,905,567</u> | <u>1,716,170</u> |
| Current liabilities | | |
| Accounts payable | 13,613 | 19,578 |
| Accrued liabilities | 581 | 524 |
| Total current liabilities | <u>14,194</u> | <u>20,102</u> |
| Accrued workers' compensation (Note 5) | <u>10,913</u> | <u>7,533</u> |
| Commitments and contingencies (Note 6) | | |
| Total federal investment and liabilities | <u>\$ 1,930,674</u> | <u>\$ 1,743,805</u> |

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

Southeastern Federal Power Program
Combined Statements of Revenues, Expenses, and Accumulated Net Deficit
Years Ended September 30, 2009 and 2008

| (in thousands of dollars) | 2009 | 2008 |
|---|---------------------|---------------------|
| Operating revenues | | |
| Sales of electric power (Notes 2 and 4) | \$ 239,830 | \$ 263,434 |
| Other operating revenues | <u>7,120</u> | <u>13,631</u> |
| Total operating revenues | <u>246,950</u> | <u>277,065</u> |
| Operating expenses | | |
| Operations | 49,999 | 47,962 |
| Maintenance | 40,998 | 36,854 |
| Transmission services charged by others | 33,127 | 32,538 |
| Purchase power | <u>44,991</u> | <u>91,464</u> |
| Total operating expenses - excluding depreciation | 169,115 | 208,818 |
| Depreciation (Note 2) | <u>42,003</u> | <u>40,222</u> |
| Total operating expenses | <u>211,118</u> | <u>249,040</u> |
| Net operating revenues | <u>35,832</u> | <u>28,025</u> |
| Interest expense | | |
| Interest on federal investment (Note 3) | 83,652 | 106,652 |
| Less: Interest charged to construction (Note 2) | <u>(7,203)</u> | <u>(9,006)</u> |
| Net interest expense | <u>76,449</u> | <u>97,646</u> |
| Net deficit | <u>(40,617)</u> | <u>(69,621)</u> |
| Accumulated net deficit (Note 2) | | |
| Beginning of year | <u>(100,136)</u> | <u>(30,515)</u> |
| End of year | <u>\$ (140,753)</u> | <u>\$ (100,136)</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, 2009 and 2008

| (in thousands of dollars) | 2009 | 2008 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Net deficit | \$ (40,617) | \$ (69,621) |
| Adjustments to reconcile net deficit to net cash provided by operating activities | | |
| Depreciation | 42,003 | 40,222 |
| Net interest on federal investment | 76,449 | 97,646 |
| Changes in certain assets and liabilities | | |
| Accounts receivable | 10,669 | (10,153) |
| Other assets | 40 | 480 |
| Accounts payable | (5,965) | 969 |
| Accrued liabilities | 57 | (76) |
| Net cash provided by operating activities | <u>82,636</u> | <u>59,465</u> |
| Cash flows from investing activities | | |
| Cash used in investing activities - investment in utility plant | <u>(91,252)</u> | <u>(67,592)</u> |
| Cash flows from financing activities | | |
| Congressional appropriations | 296,742 | 152,402 |
| U.S. Treasury Transfers to Continuing Fund | 9,788 | 63,099 |
| Transfers from other federal agencies | 1,826 | (5,874) |
| Funds returned to U.S. Treasury | <u>(161,994)</u> | <u>(181,355)</u> |
| Net cash provided by financing activities | <u>146,362</u> | <u>28,272</u> |
| Net increase in cash | <u>137,746</u> | <u>20,145</u> |
| Cash and cash equivalent | | |
| Beginning of year | 100,928 | 80,781 |
| End of year | <u>\$ 238,672</u> | <u>\$ 100,926</u> |
| Supplemental disclosure of noncash investing and financing activities | | |
| Interest charged to construction | \$ 7,203 | \$ 9,006 |
| Cash repaid during the period for interest | 76,449 | 97,646 |

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

Southeastern Federal Power Program

Notes to Combined Financial Statements

September 30, 2009 and 2008

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"), an agency of the United States Department of Energy ("DOE"), and the accounts of Southeastern marketed hydroelectric generating plants and power operations of the United States Army Corps of Engineers (the "Corps of Engineers" or the "Corps"), an agency of the United States Department of 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. U.S. government properties and income are tax-exempt.

Southeastern purchases, transmits, and markets power within four separate power systems: Georgia-Alabama-South Carolina; Jim Woodruff; Cumberland; and Kerr-Philpott. As of September 30, 2009, 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 revenues.

Costs of multi-purpose Corps projects are allocated to power and non-power purposes. The portion of total project costs allocated to power is included in the accompanying combined 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.

Over the life of the combined hydroelectric power systems, accumulated net deficit represents timing differences between the recognition of expenses and the accumulation of related revenues. Southeastern and the generating agencies are nonprofit Federal agencies; therefore, ultimately the agencies will have to repay all amounts as discussed in Congressional Appropriations of Note 2. Thus, the Program may at any point in time have an accumulated deficit, but there is no operating implications because of federal government regulations..

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 accounting 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 ASC 980, *Accounting for the Effects of Certain Types of Regulation*. The provisions of ASC 980 require, among other things, that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate.

Southeastern Federal Power Program
Notes to Combined Financial Statements
September 30, 2009 and 2008

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 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 non-power purposes based on project cost allocation.

Operating Revenues

Operating revenues are recorded on an accrual basis as services are rendered.

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. 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. The system has experienced improved water conditions in FY 2009, and as a result replacement energy purchases have decreased to meet contract requirement.

Other operating revenue consists principally of various ancillary lake and dam usage related activities.

Confirmation and Approval of Rates

The Flood Control Act of 1944 requires rates to be set to encourage widespread use of electricity at the lowest possible cost consistent with sound business principles to preference customers (i.e., public bodies and cooperatives). Rates are established under the requirements of the Flood Control Act, related legislation and executive departmental directives, and are intended to provide sufficient revenues to meet all required payments of Program costs. Such Program costs include operation and maintenance expenses, wheeling fees to connecting utilities for transmission of power to customers, and payment to the U.S. Treasury for the federal investment in utility plant and interest thereon. Southeastern has established rate schedules for each of the four power systems. These rates generally are adjusted at five-year intervals, or less, under the terms of Southeastern's current power sales contracts and DOE Order RA 6120.2.

Southeastern Federal Power Program
Notes to Combined Financial Statements
September 30, 2009 and 2008

The rates required under present DOE policy make provision for recovery of the federal investment in generating facilities within the service lives of the assets, not to exceed 50 years from the date placed in service. Operation and maintenance expenses and expensed interest 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 55 years for generating plant components. Because the Program is a not-for-profit federal power marketing agency, accumulated net revenues are committed to repayment of the federal investment.

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, 2009, there were no revenues subject to refund.

Cash/Unexpended Appropriations

Cash consists of customer funding and the unexpended balance of funds appropriated by Congress for the Program-related activities of Southeastern and the Corps of Engineers, and is maintained by the U.S. Treasury. 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 2010. 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 straight-line method. Service lives currently average approximately 55 years for utility plant components. Depreciation expense amounted to 1.8% of the original cost of generating plant-in-service during each of the years ended September 30, 2009 and 2008, respectively.

Southeastern Federal Power Program
Notes to Combined Financial Statements
September 30, 2009 and 2008

Retirement Benefits

Substantially all employees engaged in Program activities participate in either the Civil Service Retirement System ("CSRS") or the Federal Employees' Retirement System ("FERS"). Both are contributory defined benefit pension plans and are not covered under the Employee Retirement Income Security Act of 1974. Pension benefit expense under CSRS 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 \$336 and \$309 of annual pension and retirement benefits expense for the years ended September 30, 2009 and 2008, respectively. The Corps has recorded \$3,230 and \$3,076 of annual pension and retirement benefits expense for 2009 and 2008, 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. The statements must include 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 expensed interest 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 2009, except for \$11,042 at the Jim Woodruff System and \$4,518 at the Kerr-Philpott System. In the Georgia-Alabama-South Carolina System, there are unpaid expenses of \$37,376. This is primarily a result of adjustments made for the final cost allocation on the Richard B. Russell Project. 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.

Southeastern Federal Power Program
Notes to Combined Financial Statements
September 30, 2009 and 2008

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 interest rate was approximately 4.7% in both fiscal years 2009 and 2008. The rates have been set either by law, by administrative order pursuant to 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.

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 Project, was resolved in favor of the Secretary of the Army during the fiscal year ended September 30, 2002. The Program used the 72.1% power purpose allocation percentage for the joint construction costs for the Richard B. Russell Project, through fiscal year 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. Adjustments have been made in the accompanying statements for the updated percentage.

4. Major Customers

Revenues from two customers were approximately \$19,177 and \$15,019 which represents 8% and 6% of the total operating revenues for the years ended September 30, 2009 and 2008, respectively. There was \$7,996 and \$3,225 in accounts receivable from these two customers as of September 30, 2009 and 2008, 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 ASC 980 to reflect the effects of the rate-making process. The Program's cumulative unpaid expenses associated with estimated future claims are approximately \$10,913 and \$7,533 as of September 30, 2009 and 2008, respectively.

Southeastern Federal Power Program
Notes to Combined Financial Statements
September 30, 2009 and 2008

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.

Program management has determined it improbable that interest capitalized during construction from 1993 through 2002 related to the Richard B. Russell Project will be recovered through future rates. Capitalized interest in the amount of \$335 million was written off in fiscal year 2002. Due to the adoption of the final cost allocation study, the write-off of interest during construction has been adjusted to \$224 million. This treatment is subject to Administrative affirmation which is expected in the near term. The ultimate Administrative action could differ from this treatment.

Southeastern has entered into agreements for power and transmission purchases that vary in length. Southeastern's long-term commitments for these power and transmission contracts are subject to the availability of federal funds and contingent upon annual appropriations from Congress. They are based on budgeted amounts and are as follows:

(in thousands of dollars)

| Years Ending September 30 | Purchased Power | Transmission | Total |
|--------------------------------------|----------------------------|---------------------|--------------|
| 2010 | \$ 1,000 | \$ 37,617 | 38,617 |
| 2011 | 1,000 | 38,781 | 39,781 |
| 2012 | 1,000 | 40,002 | 41,002 |
| 2013 | 1,000 | 41,284 | 42,284 |
| 2014 | 1,000 | 42,632 | 43,632 |

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 contract 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, 2009 and 2008

Exhibit I

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|--|---------------------|---------------------|
| Assets | | |
| Utility plant | | |
| Plant in service | \$ 1,701,262 | \$ 1,675,489 |
| Less: Accumulated depreciation | <u>(536,920)</u> | <u>(504,730)</u> |
| Plant in service - net | 1,164,342 | 1,170,759 |
| Construction work in progress | 26,501 | 39,172 |
| Net utility plant | <u>1,190,843</u> | <u>1,209,931</u> |
| Current assets | | |
| Cash/unexpended appropriations | 126,474 | 50,589 |
| Accounts receivable | 16,076 | 33,458 |
| Other | 4,541 | 4,589 |
| Total current assets | 147,091 | 88,636 |
| Deferred workers' compensation | 3,609 | 319 |
| Total assets | <u>\$ 1,341,543</u> | <u>\$ 1,298,886</u> |
| Federal Investment and Liabilities | | |
| Federal investment | | |
| Congressional appropriations | \$ 2,669,204 | \$ 2,560,327 |
| U.S. Treasury transfers to continuing fund | 142,235 | 132,537 |
| Transfers from other federal agencies | 23,668 | 22,577 |
| Accumulated interest on federal investment | 1,566,820 | 1,496,955 |
| Funds returned to U.S. Treasury | <u>(2,865,355)</u> | <u>(2,749,241)</u> |
| Investment of U.S. government | 1,536,572 | 1,463,155 |
| Accumulated net deficit | <u>(206,815)</u> | <u>(177,097)</u> |
| Total federal investment | <u>1,329,757</u> | <u>1,286,058</u> |
| Current liabilities | | |
| Accounts payable | 7,805 | 12,174 |
| Accrued liabilities | <u>372</u> | <u>335</u> |
| Total current liabilities | 8,177 | 12,509 |
| Accrued workers' compensation | 3,609 | 319 |
| Total federal investment and liabilities | <u>\$ 1,341,543</u> | <u>\$ 1,298,886</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Georgia Alabama South Carolina System
Supplemental Revenues, Expenses, and Accumulated Net Deficit Information
Years Ended September 30, 2009 and 2008 **Exhibit I**

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|---|---------------------|---------------------|
| Operating revenues | | |
| Sales of electric power | \$ 177,648 | \$ 215,261 |
| Other operating revenues | 4,878 | 8,300 |
| Total operating revenues | <u>182,526</u> | <u>223,561</u> |
| Operating expenses | | |
| Operations | 27,565 | 28,117 |
| Maintenance | 22,060 | 19,666 |
| Transmission services charged by others | 21,155 | 18,808 |
| Purchase power | 41,047 | 85,243 |
| Total operating expenses - excluding depreciation | <u>111,827</u> | <u>151,834</u> |
| Depreciation | 33,113 | 31,847 |
| Total operating expenses | <u>144,940</u> | <u>183,681</u> |
| Net operating revenues | <u>37,586</u> | <u>39,880</u> |
| Interest expense | | |
| Interest of federal investment | 69,865 | 95,066 |
| Less interest charged to construction | (2,562) | (5,073) |
| Net interest expense | <u>67,303</u> | <u>89,993</u> |
| Net deficit | <u>(29,717)</u> | <u>(50,113)</u> |
| Accumulated net deficit | | |
| Beginning of year | (177,097) | (126,984) |
| End of year | <u>\$ (206,814)</u> | <u>\$ (177,097)</u> |

See accompanying independent auditors' report.

**Southeastern Federal Power Program
Georgia Alabama South Carolina System
Supplemental Cash Flows Information
Years Ended September 30, 2009 and 2008**

Exhibit I

| (in thousands of dollars) | 2009 | 2008 |
|---|-------------------|------------------|
| Cash flows from operating activities | | |
| Net deficit | \$ (29,717) | \$ (50,113) |
| Adjustments to reconcile net deficit to net cash provided by operating activities | | |
| Depreciation | 33,113 | 31,847 |
| Net interest on federal investment | 67,303 | 89,993 |
| Changes in certain assets and liabilities | | |
| Accounts receivable | 17,382 | (8,383) |
| Other assets | 48 | 453 |
| Accounts payable | (4,369) | 1,902 |
| Accrued liabilities | 37 | (51) |
| Net cash provided by operating activities | <u>83,797</u> | <u>65,648</u> |
| Cash flows from investing activities | | |
| Cash used in investing activities - investment in utility plant | (11,464) | (14,235) |
| Cash flows from financing activities | | |
| Congressional appropriations | 108,878 | 51,920 |
| U.S. Treasury Transfers to Continuing Fund | 9,698 | 60,813 |
| Transfers from other federal agencies | 1,090 | (8,135) |
| Funds returned to U.S. Treasury | <u>(116,114)</u> | <u>(147,563)</u> |
| Net cash provided by (used in) financing activities | <u>3,552</u> | <u>(42,965)</u> |
| Net increase in cash | 75,885 | 8,448 |
| Cash and cash equivalent | | |
| Beginning of year | 50,589 | 42,141 |
| End of year | <u>\$ 126,474</u> | <u>\$ 50,589</u> |
| Supplemental disclosure of noncash investing and financing activities | | |
| Interest charged to construction | \$ 2,562 | \$ 5,073 |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Jim Woodruff System
Supplemental Assets, Federal Investment, and Liabilities Information
September 30, 2009 and 2008

Exhibit II

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|--|------------------|------------------|
| Assets | | |
| Utility plant | | |
| Plant in service | \$ 63,458 | \$ 63,441 |
| Less: Accumulated depreciation | <u>(21,190)</u> | <u>(20,033)</u> |
| Plant in service - net | 42,268 | 43,408 |
| Construction work in progress | <u>2,458</u> | <u>1,989</u> |
| Net utility plant | <u>44,726</u> | <u>45,397</u> |
| Current assets | | |
| Cash/unexpended appropriations | 10,247 | 1,380 |
| Accounts receivable | 1,271 | 1,158 |
| Other | 91 | 90 |
| Total current assets | 11,609 | 2,628 |
| Deferred workers' compensation | <u>1,700</u> | <u>169</u> |
| Total assets | <u>\$ 58,035</u> | <u>\$ 48,194</u> |
| Federal Investment and Liabilities | | |
| Federal investment | | |
| Congressional appropriations | \$ 165,398 | \$ 151,319 |
| U.S. Treasury transfers to continuing fund | 2,643 | 2,642 |
| Transfers from other federal agencies | 3,395 | 3,234 |
| Accumulated interest on federal investment | 40,467 | 37,825 |
| Funds returned to U.S. Treasury | <u>(150,001)</u> | <u>(146,216)</u> |
| Investment of U.S. government | 61,902 | 48,804 |
| Accumulated net revenues | <u>(5,844)</u> | <u>(1,364)</u> |
| Total federal investment | <u>56,058</u> | <u>47,440</u> |
| Current liabilities | | |
| Accounts payable | 265 | 575 |
| Accrued liabilities | 12 | 10 |
| Total current liabilities | 277 | 585 |
| Accrued workers' compensation | <u>1,700</u> | <u>169</u> |
| Total federal investment and liabilities | <u>\$ 58,035</u> | <u>\$ 48,194</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Jim Woodruff System
Supplemental Revenues, Expenses, and Accumulated Net Deficit Information
Years Ended September 30, 2009 and 2008 **Exhibit II**

| (in thousands of dollars) | 2009 | 2008 |
|--|-------------------|-------------------|
| Operating revenues | | |
| Sales of electric power | \$ 7,677 | \$ 7,806 |
| Other operating revenues | 86 | 77 |
| Total operating revenues | 7,763 | 7,883 |
| Operating expenses | | |
| Operations | 2,013 | 2,002 |
| Maintenance | 2,707 | 2,044 |
| Transmission services charged by others | 308 | 344 |
| Purchase power | 3,536 | 4,371 |
| Total operating expenses - excluding depreciation | 8,564 | 8,761 |
| Depreciation | 1,154 | 1,610 |
| Total operating expenses | 9,718 | 10,371 |
| Net operating deficit | (1,955) | (2,488) |
| Interest expense | | |
| Interest of federal investment | 2,643 | 2,452 |
| Less: Interest charged to construction | (118) | (86) |
| Net interest expense | 2,525 | 2,366 |
| Net deficit | (4,480) | (4,854) |
| Accumulated net deficit (revenue) | | |
| Beginning of year | (1,364) | 3,490 |
| End of year | \$ (5,844) | \$ (1,364) |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Jim Woodruff System
Supplemental Cash Flows Information
Years Ended September 30, 2009 and 2008

Exhibit II

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|---|------------------|-----------------|
| Cash flows from operating activities | | |
| Net deficit | \$ (4,479) | \$ (4,854) |
| Adjustments to reconcile net deficit to net cash provided by operating activities | | |
| Depreciation | 1,154 | 1,610 |
| Net interest on federal investment | 2,525 | 2,366 |
| Changes in certain assets and liabilities | | |
| Accounts receivable | (113) | (441) |
| Other assets | (1) | 2 |
| Accounts payable | (310) | (1,059) |
| Accrued liabilities | 1 | (2) |
| Net cash used in operating activities | <u>(1,223)</u> | <u>(2,378)</u> |
| Cash flows from investing activities | | |
| Cash used in investing activities - investment in utility plant | <u>(365)</u> | <u>(274)</u> |
| Cash flows from financing activities | | |
| Congressional appropriations | 14,079 | 4,038 |
| U.S. Treasury transfers to continuing fund | 161 | 150 |
| Transfers from other federal agencies | <u>(3,784)</u> | <u>(2,412)</u> |
| Funds returned to U.S. Treasury | 10,456 | 1,776 |
| Net cash provided by financing activities | <u>8,868</u> | <u>(876)</u> |
| Cash and cash equivalent | | |
| Beginning of year | 1,380 | 2,256 |
| End of year | <u>\$ 10,248</u> | <u>\$ 1,380</u> |
| Supplemental disclosure of noncash investing and financing activities | | |
| Interest charged to construction | \$ 118 | \$ 86 |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Cumberland Basin System
Supplemental Assets, Federal Investment, and Liabilities Information
September 30, 2009 and 2008

Exhibit III

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|--|--------------------|--------------------|
| Assets | | |
| Utility plant | | |
| Plant in service | \$ 400,622 | \$ 395,148 |
| Less: Accumulated depreciation | <u>(234,577)</u> | <u>(229,528)</u> |
| Plant in service - net | 166,045 | 165,620 |
| Construction work in progress | <u>122,514</u> | <u>60,168</u> |
| Net utility plant | <u>288,559</u> | <u>225,788</u> |
| Current assets | | |
| Cash/unexpended appropriations | 84,388 | 40,598 |
| Accounts receivable | 1,502 | 3,028 |
| Other | 68 | 63 |
| Total current assets | 85,958 | 43,689 |
| Deferred workers' compensation | <u>4,484</u> | <u>5,950</u> |
| Total assets | <u>\$ 379,001</u> | <u>\$ 275,427</u> |
| Federal Investment and Liabilities | | |
| Federal investment | | |
| Congressional appropriations | \$ 1,084,450 | \$ 952,643 |
| U.S. Treasury transfers to continuing fund | 4,657 | 4,644 |
| Transfers from other federal agencies | 21,909 | 21,718 |
| Accumulated interest on federal investment | 292,776 | 285,193 |
| Funds returned to U.S. Treasury | <u>(1,079,315)</u> | <u>(1,046,315)</u> |
| Investment of U.S. government | 324,477 | 217,883 |
| Accumulated net revenues | <u>45,776</u> | <u>46,345</u> |
| Total federal investment | <u>370,253</u> | <u>264,228</u> |
| Current liabilities | | |
| Accounts payable | 4,136 | 5,134 |
| Accrued liabilities | 128 | 115 |
| Total current liabilities | 4,264 | 5,249 |
| Accrued workers' compensation | <u>4,484</u> | <u>5,950</u> |
| Total federal investment and liabilities | <u>\$ 379,001</u> | <u>\$ 275,427</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, 2009 and 2008 **Exhibit III**

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|---|------------------|------------------|
| Operating revenues | | |
| Sales of electric power | \$ 43,143 | \$ 27,275 |
| Other operating revenues | 1,306 | 3,630 |
| Total operating revenues | <u>44,449</u> | <u>30,905</u> |
| Operating expenses | | |
| Operations | 14,179 | 12,068 |
| Maintenance | 12,579 | 12,570 |
| Transmission services charged by others | 9,767 | 9,755 |
| Purchase power | - | - |
| Total operating expenses - excluding depreciation | <u>36,525</u> | <u>34,393</u> |
| Depreciation | 5,147 | 4,975 |
| Total operating expenses | <u>41,672</u> | <u>39,369</u> |
| Net operating revenue (deficit) | <u>2,777</u> | <u>(8,464)</u> |
| Interest expense | | |
| Interest of federal investment | 7,584 | 4,961 |
| Less: Interest charged to construction | (4,238) | (1,812) |
| Net interest expense | <u>3,346</u> | <u>3,149</u> |
| Net deficit | <u>(569)</u> | <u>(11,613)</u> |
| Accumulated net revenue | | |
| Beginning of year | 46,345 | 57,957 |
| End of year | <u>\$ 45,776</u> | <u>\$ 46,344</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Cumberland Basin System
Supplemental Cash Flows Information
Years Ended September 30, 2009 and 2008

Exhibit III

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Net deficit | \$ (569) | \$ (11,612) |
| Adjustments to reconcile net deficit to net cash provided by operating activities | | |
| Depreciation | 5,147 | 4,975 |
| Net interest on federal investment | 3,346 | 3,149 |
| Changes in certain assets and liabilities | | |
| Accounts receivable | 1,526 | (1,562) |
| Other assets | (5) | 16 |
| Accounts payable | (998) | 2,822 |
| Accrued liabilities | 12 | (18) |
| Net cash provided by (used in) operating activities | <u>8,459</u> | <u>(2,230)</u> |
| Cash flows from investing activities | | |
| Cash used in investing activities - investment in utility plant | <u>(63,681)</u> | <u>(36,339)</u> |
| Cash flows from financing activities | | |
| Congressional appropriations | 131,807 | 72,703 |
| U.S. Treasury transfers to continuing fund | 14 | 950 |
| Transfers from (to) other federal agencies | 192 | 1,713 |
| Funds returned to U.S. Treasury | <u>(33,001)</u> | <u>(21,190)</u> |
| Net cash provided by financing activities | <u>99,012</u> | <u>54,176</u> |
| Net increase in cash | <u>43,790</u> | <u>15,607</u> |
| Cash and cash equivalent | | |
| Beginning of year | <u>40,598</u> | <u>24,991</u> |
| End of year | <u>\$ 84,388</u> | <u>\$ 40,598</u> |
| Supplemental disclosure of noncash investing and financing activities | | |
| Interest charged to construction | \$ 4,238 | \$ 1,812 |

See accompanying independent auditors' report.

Southeastern Federal Power Program**Kerr-Philpott System****Supplemental Assets, Federal Investment, and Liabilities Information****September 30, 2009 and 2008****Exhibit IV**

| (in thousands of dollars) | 2009 | 2008 |
|--|-------------------|-------------------|
| Assets | | |
| Utility plant | | |
| Plant in service | \$ 157,623 | \$ 137,753 |
| Less: Accumulated depreciation | <u>(49,112)</u> | <u>(50,225)</u> |
| Plant in service - net | 108,511 | 87,528 |
| Construction work in progress | <u>15,754</u> | <u>23,297</u> |
| Net utility plant | <u>124,265</u> | <u>110,825</u> |
| Current assets | | |
| Cash/unexpended appropriations | 17,561 | 8,359 |
| Accounts receivable | 9,077 | 950 |
| Other | 71 | 68 |
| Total current assets | 26,709 | 9,377 |
| Deferred workers' compensation | <u>1,121</u> | <u>1,095</u> |
| Total assets | <u>\$ 152,095</u> | <u>\$ 121,297</u> |
| Federal Investment and Liabilities | | |
| Federal investment | | |
| Congressional appropriations | \$ 439,091 | \$ 397,112 |
| U.S. Treasury transfers to continuing fund | 6,840 | 6,763 |
| Transfers from other federal agencies | 4,722 | 4,339 |
| Accumulated interest on federal investment | 76,710 | 73,149 |
| Funds returned to U.S. Treasury | <u>(403,994)</u> | <u>(394,899)</u> |
| Investment of U.S. government | 123,369 | 86,464 |
| Accumulated net revenues | <u>26,129</u> | <u>31,981</u> |
| Total federal investment | <u>149,498</u> | <u>118,445</u> |
| Current liabilities | | |
| Accounts payable | 1,406 | 1,694 |
| Accrued liabilities | 70 | 63 |
| Total current liabilities | 1,476 | 1,757 |
| Accrued workers' compensation | <u>1,121</u> | <u>1,095</u> |
| Total federal investment and liabilities | <u>\$ 152,095</u> | <u>\$ 121,297</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, 2009 and 2008 **Exhibit IV**

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|---|------------------|------------------|
| Operating revenues | | |
| Sales of electric power | \$ 11,363 | \$ 13,092 |
| Other operating revenues | 648 | 1,623 |
| Total operating revenues | <u>12,211</u> | <u>14,715</u> |
| Operating expenses | | |
| Operations | 6,242 | 5,775 |
| Maintenance | 3,652 | 2,574 |
| Transmission services charged by others | 1,897 | 3,631 |
| Purchased power | 409 | 1,850 |
| Total operating expenses - excluding depreciation | <u>12,200</u> | <u>13,830</u> |
| Depreciation | 2,588 | 1,789 |
| Total operating expenses | <u>14,788</u> | <u>15,619</u> |
| Net operating deficit | <u>(2,577)</u> | <u>(904)</u> |
| Interest expense | | |
| Interest of federal investment | 3,561 | 4,173 |
| Less: Interest charged to construction | (286) | (2,036) |
| Net interest expense | <u>3,275</u> | <u>2,137</u> |
| Net deficit | <u>(5,852)</u> | <u>(3,041)</u> |
| Accumulated net revenue | | |
| Beginning of year | 31,981 | 35,022 |
| End of year | <u>\$ 26,129</u> | <u>\$ 31,981</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Kerr-Philpott System
Supplemental Cash Flows Information
Years Ended September 30, 2009 and 2008

Exhibit IV

| <i>(in thousands of dollars)</i> | 2009 | 2008 |
|--|------------------|-----------------|
| Cash flows from operating activities | | |
| Net revenue (deficit) | \$ (5,852) | \$ (3,042) |
| Adjustments to reconcile net revenue (deficit) to net cash provided by operating activities | | |
| Depreciation | 2,588 | 1,789 |
| Net interest on federal investment | 3,275 | 2,137 |
| Changes in certain assets and liabilities | | |
| Accounts receivable | (8,126) | 235 |
| Other assets | (3) | 9 |
| Accounts payable | (288) | (2,696) |
| Accrued liabilities | <u>7</u> | <u>(9)</u> |
| Net cash used in operating activities | <u>(8,399)</u> | <u>(1,577)</u> |
| Cash flows from investing activities | | |
| Cash used in investing activities - investment in utility plant | <u>(15,742)</u> | <u>(16,743)</u> |
| Cash flows from financing activities | | |
| Congressional appropriations | 41,979 | 23,741 |
| U.S. Treasury transfers to continuing fund | 77 | 1,337 |
| Transfers from other federal agencies | 383 | 399 |
| Funds returned to U.S. Treasury | <u>(9,096)</u> | <u>(10,191)</u> |
| Net cash provided by financing activities | <u>33,343</u> | <u>15,286</u> |
| Net increase (decrease) in cash | <u>9,202</u> | <u>(3,034)</u> |
| Cash and cash equivalent | | |
| Beginning of year | <u>8,359</u> | <u>11,393</u> |
| End of year | <u>\$ 17,561</u> | <u>\$ 8,359</u> |
| Supplemental disclosure of noncash investing and financing activities | | |
| Interest charged to construction | \$ 286 | \$ 2,036 |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Combining Assets, Federal Investment, and Liabilities Information
September 30, 2009

Exhibit V

| (in thousands of dollars) | Corps of Engineers | Southeastern Power Administration | Total |
|--|-----------------------|---|---------------------|
| Assets | | | |
| Utility plant | | | |
| Plant in service | \$ 2,321,141 | \$ 1,824 | \$ 2,322,965 |
| Less: Accumulated depreciation | <u>(840,432)</u> | <u>(1,367)</u> | <u>(841,799)</u> |
| Plant in service - net | 1,480,709 | 457 | 1,481,166 |
| Construction work in progress | <u>167,227</u> | <u>-</u> | <u>167,227</u> |
| Net utility plant | <u>1,647,936</u> | <u>457</u> | <u>1,648,393</u> |
| Current assets | | | |
| Cash/unexpended appropriations | 225,210 | 13,461 | 238,671 |
| Accounts receivable | 443 | 27,483 | 27,926 |
| Other | 4,579 | 192 | 4,771 |
| Total current assets | 230,232 | 41,136 | 271,368 |
| Deferred workers' compensation | <u>10,913</u> | <u>-</u> | <u>10,913</u> |
| Total assets | <u>\$ 1,889,081</u> | <u>\$ 41,593</u> | <u>\$ 1,930,674</u> |
| Federal Investment and Liabilities | | | |
| Federal investment | | | |
| Congressional appropriations | \$ 3,957,354 | \$ 400,789 | \$ 4,358,143 |
| U.S. Treasury transfers to continuing fund | - | 156,375 | 156,375 |
| Transfers from other federal agencies | 120,087 | (66,393) | 53,694 |
| Accumulated interest on federal investment | 1,975,895 | 878 | 1,976,773 |
| Funds returned to U.S. Treasury | <u>(4,043,597)</u> | <u>(455,068)</u> | <u>(4,498,665)</u> |
| Investment of U.S. government | 2,009,739 | 36,581 | 2,046,320 |
| Accumulated net revenues | <u>(140,753)</u> | <u>-</u> | <u>(140,753)</u> |
| Total federal investment | <u>1,868,986</u> | <u>36,581</u> | <u>1,905,567</u> |
| Current liabilities | | | |
| Accounts payable | 9,182 | 4,431 | 13,613 |
| Accrued liabilities | - | 581 | 581 |
| Total current liabilities | 9,182 | 5,012 | 14,194 |
| Accrued workers' compensation | <u>10,913</u> | <u>-</u> | <u>10,913</u> |
| Total federal investment and liabilities | <u>\$ 1,889,081</u> | <u>\$ 41,593</u> | <u>\$ 1,930,674</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Combining Assets, Federal Investment, and Liabilities Information
September 30, 2008

Exhibit V

| (in thousands of dollars) | Corps of Engineers | Southeastern Power Administration | Total |
|--|-----------------------|---|---------------------|
| Assets | | | |
| Utility plant | | | |
| Plant in service | \$ 2,270,246 | \$ 1,585 | \$ 2,271,831 |
| Less: Accumulated depreciation | <u>(803,276)</u> | <u>(1,240)</u> | <u>(804,516)</u> |
| Plant in service - net | 1,466,970 | 345 | 1,467,315 |
| Construction work in progress | 124,625 | - | 124,625 |
| Net utility plant | <u>1,591,595</u> | <u>345</u> | <u>1,591,940</u> |
| Current assets | | | |
| Cash/unexpended appropriations | 79,481 | 21,445 | 100,926 |
| Accounts receivable | 514 | 38,081 | 38,595 |
| Other | <u>4,643</u> | <u>168</u> | <u>4,811</u> |
| Total current assets | 84,638 | 59,694 | 144,332 |
| Deferred workers' compensation | 7,533 | - | 7,533 |
| Total assets | <u>\$ 1,683,766</u> | <u>\$ 60,039</u> | <u>\$ 1,743,805</u> |
| Federal Investment and Liabilities | | | |
| Federal investment | | | |
| Congressional appropriations | \$ 3,667,224 | \$ 394,177 | \$ 4,061,401 |
| U.S. Treasury transfers to continuing fund | - | 146,587 | 146,587 |
| Transfers from other federal agencies | 88,626 | (36,758) | 51,868 |
| Accumulated interest on federal investment | 1,892,261 | 860 | 1,893,121 |
| Funds returned to U.S. Treasury | <u>(3,881,602)</u> | <u>(455,069)</u> | <u>(4,336,671)</u> |
| Investment of U.S. government | 1,766,509 | 49,797 | 1,816,306 |
| Accumulated net revenues | <u>(100,136)</u> | <u>-</u> | <u>(100,136)</u> |
| Total federal investment | <u>1,666,373</u> | <u>49,797</u> | <u>1,716,170</u> |
| Current liabilities | | | |
| Accounts payable | 9,860 | 9,718 | 19,578 |
| Accrued liabilities | - | 524 | 524 |
| Total current liabilities | 9,860 | 10,242 | 20,102 |
| Accrued workers' compensation | 7,533 | - | 7,533 |
| Total federal investment and liabilities | <u>\$ 1,683,766</u> | <u>\$ 60,039</u> | <u>\$ 1,743,805</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program

Combining Revenues, Expenses, and Accumulated Net Deficit Information

Year Ended September 30, 2009

Exhibit V

| (in thousands of dollars) | Corps of Engineers | Southeastern Power Administration | Total |
|---|-----------------------|---|------------------|
| Operating revenues | | | |
| Sales of electric power | \$ 154,988 | \$ 84,842 | \$ 239,830 |
| Other operating revenues | 7,093 | 27 | \$ 7,120 |
| Total operating revenues | <u>162,081</u> | <u>84,869</u> | <u>246,950</u> |
| Operating expenses | | | |
| Operations | 43,456 | 6,543 | 49,999 |
| Maintenance | 40,935 | 63 | 40,998 |
| Transmission services charged by others | - | 33,127 | 33,127 |
| Purchased power | - | 44,991 | 44,991 |
| Total operating expenses - | | | |
| excluding depreciation | 84,391 | 84,724 | 169,115 |
| Depreciation | <u>41,876</u> | <u>127</u> | <u>42,003</u> |
| Total operating expenses | <u>126,267</u> | <u>84,851</u> | <u>211,118</u> |
| Net operating revenues | <u>35,814</u> | <u>18</u> | <u>35,832</u> |
| Interest expense | | | |
| Interest of federal investment | 83,634 | 18 | 83,652 |
| Less: Interest charged to construction | <u>(7,203)</u> | <u>-</u> | <u>(7,203)</u> |
| Net interest expense | <u>76,431</u> | <u>18</u> | <u>76,449</u> |
| Net deficit | <u>(40,617)</u> | <u>-</u> | <u>(40,617)</u> |
| Accumulated net deficit | | | |
| Beginning of year | <u>(100,136)</u> | <u>-</u> | <u>(100,136)</u> |
| End of year | <u>5</u> | <u>(140,753)</u> | <u>\$ -</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Combining Revenues, Expenses, and Accumulated Net Deficit Information
Year Ended September 30, 2008

Exhibit V

| (in thousands of dollars) | Corps of Engineers | Southeastern Power Administration | Total |
|---|-----------------------|---|---------------------|
| Operating revenues | | | |
| Sales of electric power | \$ 133,917 | \$ 129,517 | \$ 263,434 |
| Other operating revenues | 13,602 | 29 | 13,631 |
| Total operating revenues | <u>147,519</u> | <u>129,546</u> | <u>277,065</u> |
| Operating expenses | | | |
| Operations | 42,607 | 5,355 | 47,962 |
| Maintenance | 36,809 | 45 | 36,854 |
| Transmission services charged by others | - | 32,538 | 32,538 |
| Purchased power | - | 91,464 | 91,464 |
| Total operating expenses - | | | |
| excluding depreciation | 79,416 | 129,402 | 208,818 |
| Depreciation | 40,096 | 126 | 40,222 |
| Total operating expenses | <u>119,512</u> | <u>129,528</u> | <u>249,040</u> |
| Net operating revenues | <u>28,007</u> | <u>18</u> | <u>28,025</u> |
| Interest expense | | | |
| Interest of federal investment | 106,634 | 18 | 106,652 |
| Less: Interest charged to construction | (9,006) | * | (9,006) |
| Net interest expense | <u>97,628</u> | <u>18</u> | <u>97,646</u> |
| Net deficit | <u>(69,621)</u> | <u>-</u> | <u>(69,621)</u> |
| Accumulated net deficit | | | |
| Beginning of year | (30,515) | - | (30,515) |
| End of year | <u>\$ (100,136)</u> | <u>\$ -</u> | <u>\$ (100,136)</u> |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Combining Cash Flows Information
Year Ended September 30, 2009

Exhibit V

| (in thousands of dollars) | Corps of Engineers | Southeastern Power Administration | Total |
|---|-----------------------|---|-------------------|
| Cash flows from operating activities | | | |
| Net deficit | \$ (40,617) | \$ - | \$ (40,617) |
| Adjustments to reconcile net deficit to net cash provided by operating activities | | | |
| Depreciation | 41,876 | 127 | 42,003 |
| Net interest on federal investment | 76,431 | 18 | 76,449 |
| Changes in certain assets and liabilities | | | |
| Accounts receivable | 71 | 10,597 | 10,668 |
| Other assets | 64 | (24) | 40 |
| Accounts payable | (678) | (5,287) | (5,965) |
| Accrued liabilities | - | 57 | 57 |
| Net cash provided by operating activities | <u>77,147</u> | <u>5,488</u> | <u>82,635</u> |
| Cash flows from investing activities | | | |
| Cash used in investing activities - investment in utility plant | <u>(91,014)</u> | <u>(238)</u> | <u>(91,252)</u> |
| Cash flows from financing activities | | | |
| Congressional appropriations | 290,130 | 6,612 | 296,742 |
| U.S. Treasury Transfers to Contingency Fund | - | 9,789 | 9,789 |
| Transfers from other federal agencies | 31,461 | (29,635) | 1,826 |
| Funds returned to U.S. Treasury | <u>(161,995)</u> | <u>-</u> | <u>(161,995)</u> |
| Net cash provided by (used in) financing activities | <u>159,596</u> | <u>(13,234)</u> | <u>146,362</u> |
| Net increase (decrease) in cash | <u>145,729</u> | <u>(7,984)</u> | <u>137,745</u> |
| Cash and cash equivalent | | | |
| Beginning of year | <u>79,479</u> | <u>21,447</u> | <u>100,926</u> |
| End of year | <u>\$ 225,208</u> | <u>\$ 13,463</u> | <u>\$ 238,671</u> |
| Supplemental disclosure of noncash investing and financing activities | | | |
| Interest charged to construction | \$ 7,203 | \$ - | \$ 7,203 |

See accompanying independent auditors' report.

Southeastern Federal Power Program
Combining Cash Flows Information
Year Ended September 30, 2008

Exhibit V

| (in thousands of dollars) | Corps of Engineers | Southeastern Power Administration | Total |
|---|-----------------------|---|-------------------|
| Cash flows from operating activities | | | |
| Net deficit | \$ (69,621) | \$ - | \$ (69,621) |
| Adjustments to reconcile net deficit to net cash provided by operating activities | | | |
| Depreciation | 40,096 | 126 | 40,222 |
| Net interest on federal investment | 97,628 | 18 | 97,646 |
| Changes in certain assets and liabilities | | | |
| Accounts receivable | (356) | (9,797) | (10,153) |
| Other assets | 647 | (167) | 480 |
| Accounts payable | 75 | 894 | 969 |
| Accrued liabilities | - | (78) | (78) |
| Net cash provided by (used in) operating activities | <u>68,469</u> | <u>(9,004)</u> | <u>59,465</u> |
| Cash flows from investing activities | | | |
| Cash used in investing activities - investment in utility plant | <u>(67,537)</u> | <u>(55)</u> | <u>(67,592)</u> |
| Cash flows from financing activities | | | |
| Congressional appropriations | 146,063 | 6,339 | 152,402 |
| U.S. Treasury Transfers to Contingency Fund | - | 63,099 | 63,099 |
| Transfers from other federal agencies | 7,213 | (13,087) | (5,874) |
| Funds returned to U.S. Treasury | <u>(137,679)</u> | <u>(43,676)</u> | <u>(181,355)</u> |
| Net cash provided by financing activities | <u>15,597</u> | <u>12,675</u> | <u>28,272</u> |
| Net increase in cash | <u>16,529</u> | <u>3,616</u> | <u>20,145</u> |
| Cash and cash equivalent | | | |
| Beginning of year | <u>62,950</u> | <u>17,831</u> | <u>80,781</u> |
| End of year | <u>\$ 79,479</u> | <u>\$ 21,447</u> | <u>\$ 100,926</u> |
| Supplemental disclosure of noncash investing and financing activities | | | |
| Interest charged to construction | \$ 9,006 | \$ - | \$ 9,006 |

See accompanying independent auditors' report.

**Southeastern Federal Power Program
Amount and Allocation of Plant Investment (Unaudited)
Year Ended September 30, 2009**

Exhibit VI

| | Total | Reimbursable Power | Navigation | Flood Control | Allocated to Nonreimbursable Fish and Wildlife | Recreation | Other | Percent of Total Plant Investment Power Revenues |
|--------------------------------------|------------------|--------------------|----------------|----------------|--|----------------|---------------|--|
| Allatoona | \$ 61,778,864 | \$ 43,229,862 | \$ 2,093,321 | \$ 9,253,690 | \$ 8,981,276 | \$ 232,016 | (a) | 70.1% |
| Buford | 97,185,042 | 79,239,321 | - | 4,638,860 | 11,212,884 | - | - | 81.5% |
| Cards | 186,171,100 | 140,117,278 | - | 20,052,388 | - | 6,001,434 | - | 84.3% |
| J. Strom Thurmond | 171,902,820 | 151,472,278 | 4,614,689 | 4,244,796 | - | 11,571,057 | - | 86.1% |
| Walter F. George | 250,052,868 | 159,390,917 | 82,021,023 | - | 348,012 | 8,322,854 | - | 63.7% |
| Hartwell | 200,111,217 | 161,091,525 | 4,189,825 | 5,309,941 | - | 9,519,926 | - | 90.5% |
| Robert F. Henry | - | - | - | - | - | - | - | 0% |
| Millers Ferry | 187,800,401 | 125,330,679 | 50,371,316 | - | - | 13,908,486 | - | 63.4% |
| West Point | 157,275,614 | 72,818,164 | 2,685,865 | 21,487,162 | 13,787,603 | 46,496,790 | - | 46.3% |
| Richard B. Russell | 1,181,800,934 | 700,090,439 | - | 4,680,520 | - | 416,232,735 | - | 64.4% |
| Marketing facilities | 1,014,626 | 1,014,626 | - | - | - | - | - | 100.0% |
| Contributions in aid of construction | (4,706) | (4,706) | - | - | - | - | - | 100.0% |
| Total GA-Ala-SC System | 2,484,897,277 | 1,714,860,403 | 153,976,628 | 69,667,357 | 14,135,616 | 532,226,281 | - | 69.0% |
| Jim Woodruff | 103,851,198 | 65,879,220 | 32,762,363 | - | - | 5,309,585 | - | 63.4% |
| Marketing facilities | 36,483 | 36,483 | - | - | - | - | - | 100.0% |
| Total Jim Woodruff System | 103,887,681 | 65,915,703 | 32,762,363 | - | - | 5,309,585 | - | 63.4% |
| Barkley | 197,513,231 | 50,126,215 | 116,586,122 | 23,120,616 | - | 7,680,276 | - | 25.4% |
| J. Percy Priest | 66,771,086 | 11,126,253 | - | 26,191,381 | - | 28,853,452 | - | 17.6% |
| Chestnut | 62,511,026 | 22,060,460 | 26,003,391 | - | - | 4,427,215 | - | 42.0% |
| Cordell Hull | 89,417,898 | 42,924,149 | 17,557,887 | - | - | 22,502,017 | 6,533,825 (c) | 47.9% |
| Old Hickory | 73,458,435 | 40,864,629 | 28,208,598 | - | - | 4,387,208 | - | 55.6% |
| Center Hill | 131,758,387 | 64,927,794 | - | 59,590,379 | - | 7,443,644 | 696,550 (b) | 48.6% |
| Data Hollow | 37,545,692 | 23,265,808 | - | 12,256,609 | - | 2,003,275 | - | 62.0% |
| Wolf Creek | 423,205,622 | 240,847,798 | - | 162,778,618 | - | 19,333,506 | 246,700 (b) | 56.9% |
| Laurel | 51,349,512 | 27,536,496 | - | - | - | 17,483,056 | 6,329,950 (b) | 53.6% |
| Stonewall Jackson | - | - | - | - | - | - | - | - |
| Marketing facilities | 401,308 | 401,308 | - | - | - | - | - | 100.0% |
| Contributions in aid of construction | (586,102) | (586,102) | - | - | - | - | - | 100.0% |
| Total Cumberland Basin System | 1,123,345,997 | 523,355,727 | 188,355,899 | 283,936,603 | - | 114,113,654 | 13,806,034 | 46.6% |
| John H. Kerr | 192,751,161 | 161,230,658 | - | 25,434,890 | - | 5,713,413 | 372,300 (a) | 83.6% |
| Philpott | 24,174,489 | 11,927,559 | - | 8,564,104 | - | 3,682,826 | - | 49.3% |
| Marketing facilities | 218,895 | 218,895 | - | - | - | - | - | 100.0% |
| Total Karn-Philpott System | 217,144,645 | 173,317,012 | - | 33,998,994 | - | 9,396,299 | 372,300 | 79.8% |
| Total | \$ 3,829,375,490 | \$ 2,477,088,845 | \$ 375,062,997 | \$ 387,602,953 | \$ 14,135,615 | \$ 681,044,739 | \$ 14,410,350 | 63.0% |

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

See accompanying independent auditors' report.

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