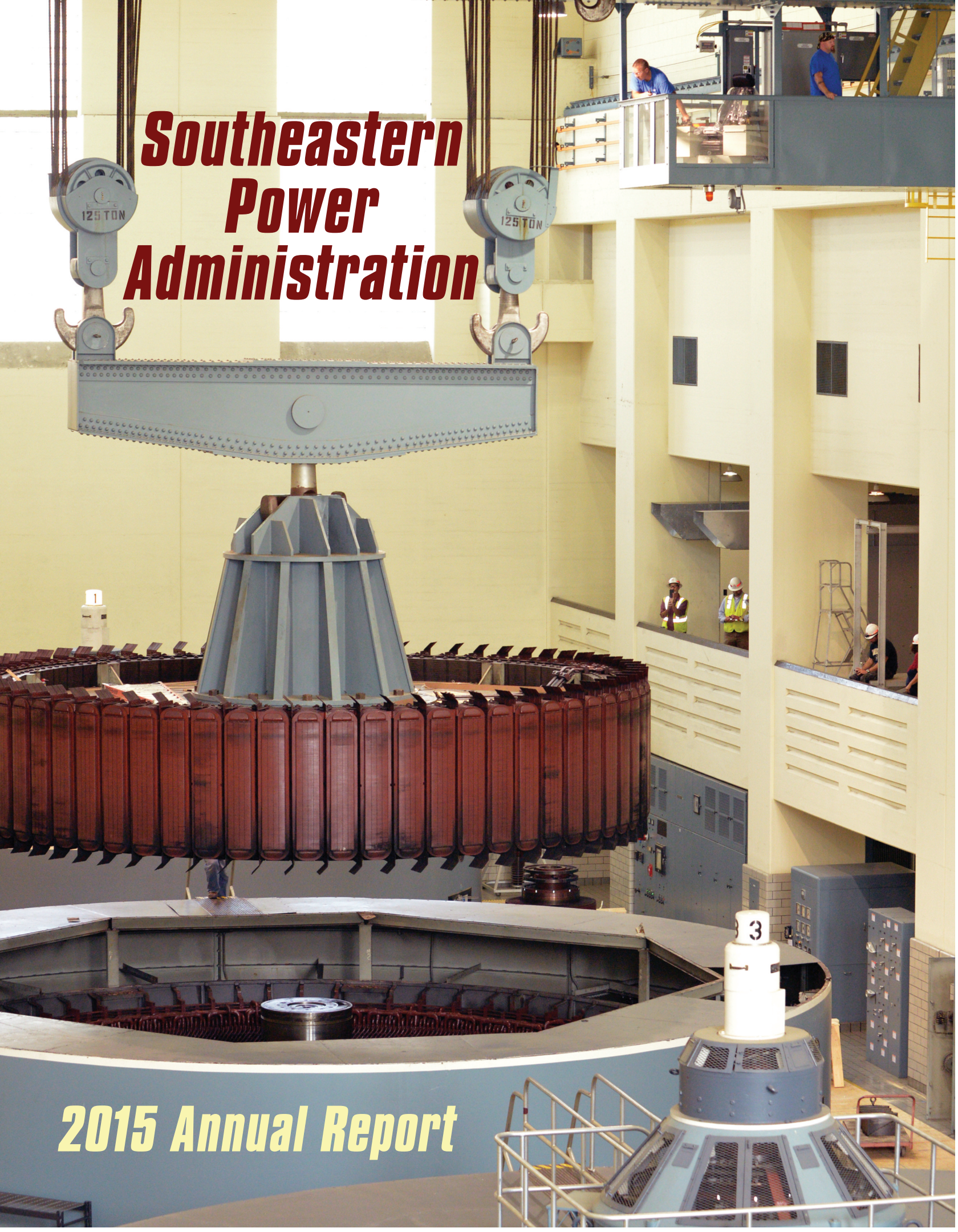


Southeastern Power Administration

2015 Annual Report

Contents

ON THE FRONT COVER:
Disassembly of Center Hill Unit 2 began in August 2015 for customer funded $48.9 million replacement of three generators and turbines. In the picture, crane operators lift nearly 240 tons, removing the generator rotor. Photo courtesy of U.S. Army Corps of Engineers (USACE)

Fast Facts

Administrator:	Kenneth E. Legg
Contact:	1166 Athens Tech Road Elberton, GA 30635-6711 Telephone: 706-213-3800 Fax: 706-213-3884
Website:	http://energy.gov/sepa/southeastern-power-administration
Number of Employees:	44
Marketing Area:	Alabama, Florida, Georgia, Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia
Customers:	Electric Cooperatives ..... 197 Public Bodies ..... 288 Investor-Owned Utilities ..... 1 Total 486
Financial Data:	Power Revenues and Other Operating Revenues ..... $297 million Total Capital Investment ..... $2.7 billion Investment Remaining ..... $1.7 billion Cumulative Investment Repaid ..... $984 million Cumulative Interest Paid on Investment. ..... $2.1 billion

Letter to the Secretary

Secretary Moniz:

I am pleased to submit Southeastern Power Administration's (Southeastern) Fiscal Year 2015 Annual Report for your review. This report reflects our agency's programs, accomplishments, operational and financial activities for the 12-month period beginning October 1, 2014, and ending September 30, 2015.

This past year, Southeastern marketed approximately 6.5 billion kilowatt-hours of energy to 486 wholesale customers in ten southeastern states. Revenues from the sale of this power totaled about $289 million.

With the financial assistance and support of Southeastern's customers, funding for capitalized equipment purchases and replacements at hydroelectric facilities operated by the U.S. Army Corps of Engineers (Corps) continued in FY 2015. Currently, there are 214 customers participating in funding infrastructure renewal efforts of power plants feeding the Georgia-Alabama-South Carolina, Kerr-Philpott and Cumberland Systems. This funding, which totaled more than $27 million, provided much needed repairs and maintenance for aging projects in Southeastern's marketing area. Hydropower asset reliability will continue to be a concern until generator refurbishments are completed and current prolonged equipment outages are addressed.

Southeastern's cyber and physical security programs continued to be reviewed and updated to meet Department of Energy, Department of Homeland Security and North American Electric Reliability Corporation standards and requirements. To improve potential continuity of operations during an emergency, Southeastern acquired a new emergency site at the Richard B. Russell Lake and Dam Project in Elbert County.

This past year, Southeastern developed new rates for two of its marketed systems: the Kerr-Philpott System and the Cumberland System. Particular interest and discussion during the rate process involved the treatment of costs associated with the dam safety repairs of the Wolf Creek and Center Hill Projects.

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

Sincerely,

Kenneth E. Legg
Administrator

Mission, Vision & Organization

Ken Legg, Southeastern Administrator (center), speaks to Brigadier General C. David Turner, South Atlantic Division Commander, at the Southeastern Federal Power Alliance meeting. From left to right, David Logeman, Central Electric Power Cooperative and Southeastern Federal Power Customers President , George Taylor, Oglethorpe Power Corporation, and Kamau Sadiki, US Army Corps of Engineers Hydropower Business Line Manager, listen and contribute to the discussion.

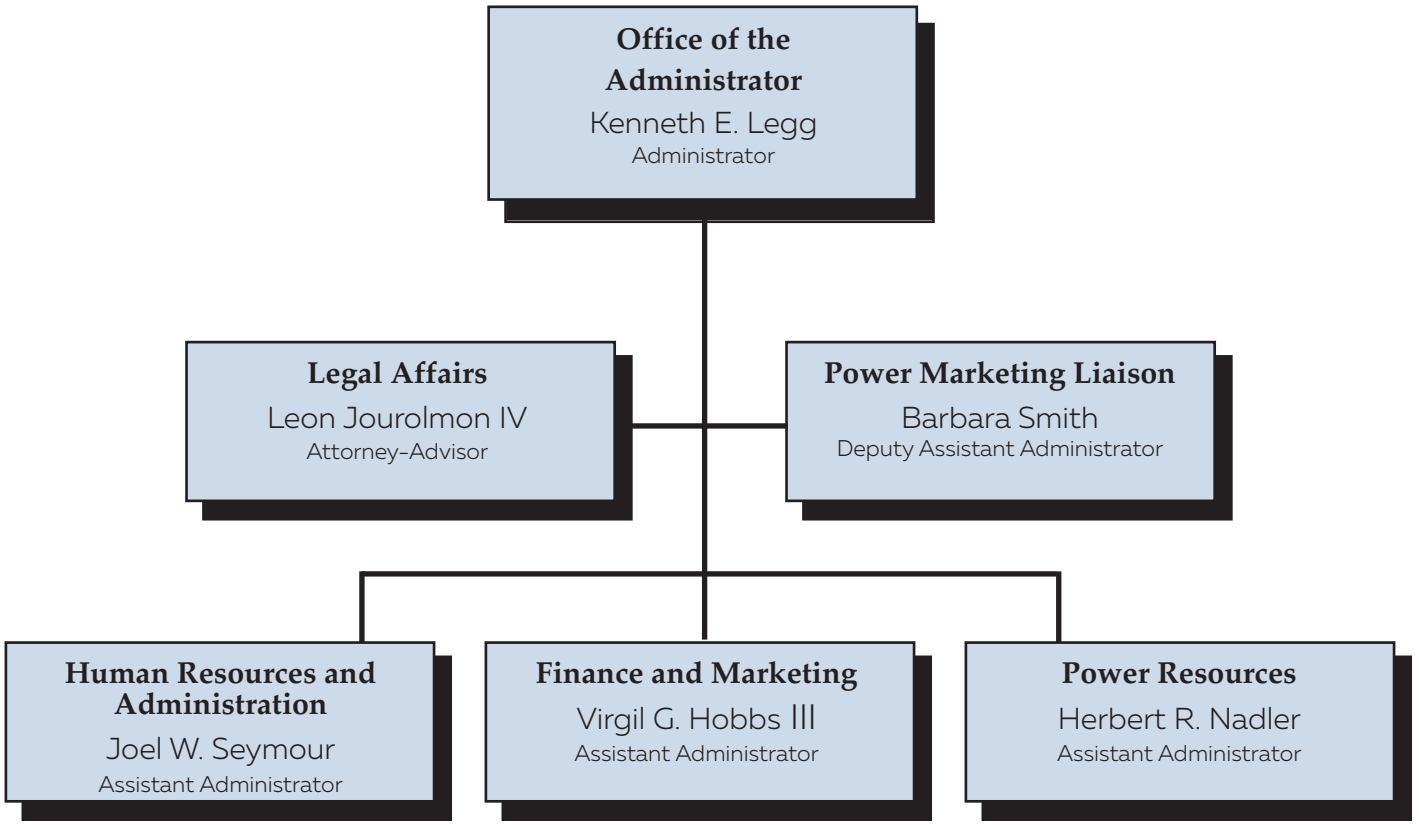
Mission Statement

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

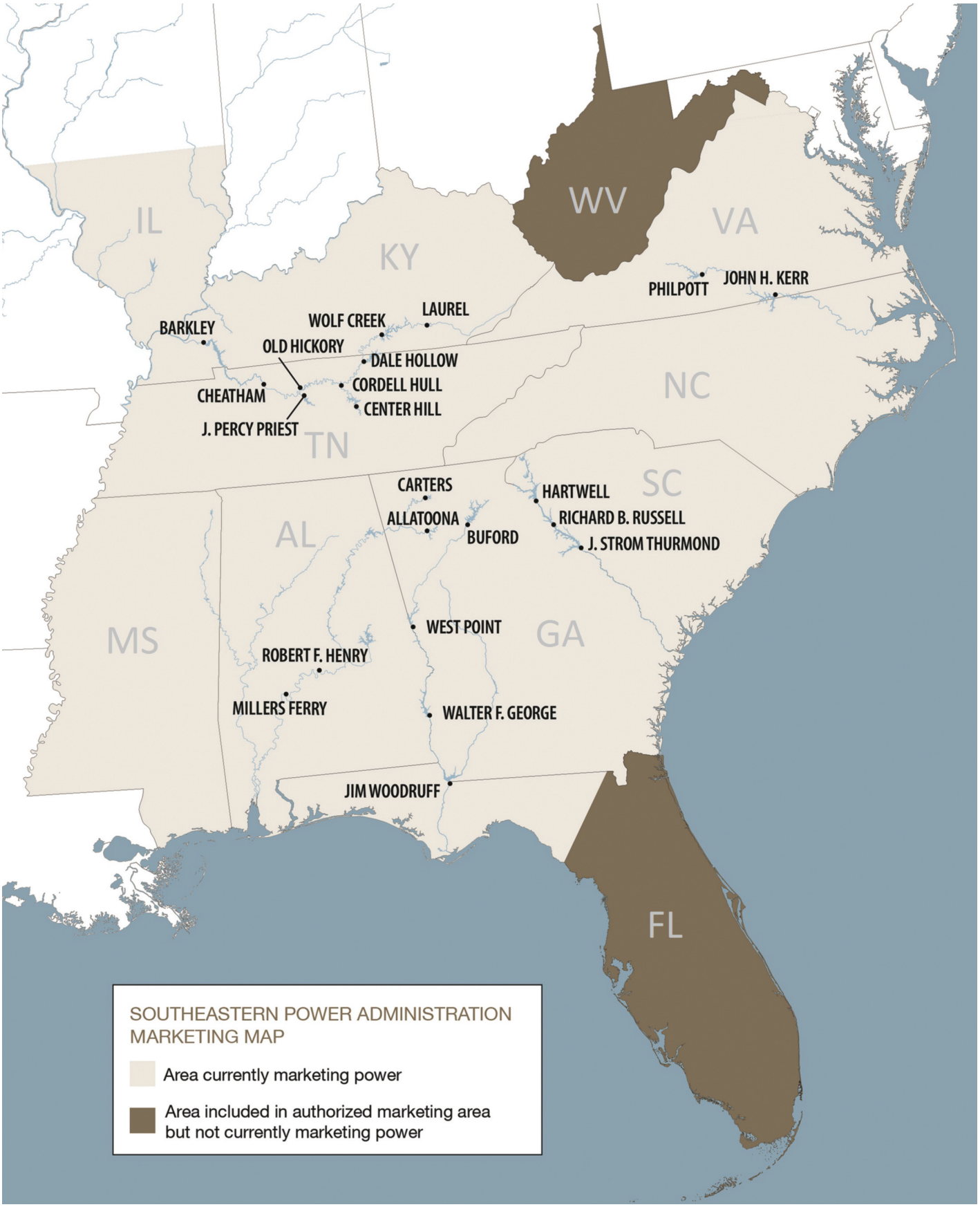
Vision Statement

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

Organizational Chart



Marketing Map



Marketing Objectives

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

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

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

Section 5 of the Flood Control Act of 1944

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

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.

Kerr-Philpott

New rate schedules were approved on an interim basis by the Deputy Secretary of Energy for the Kerr-Philpott system on September 16, 2015. The new rates will be effective on October 1, 2015.

Cumberland

In FY 2015, Southeastern proposed a rate adjustment that included the recovery cost of dam safety repairs at Wolf Creek and Center Hill. The new rate schedules were approved on an interim basis by the Deputy Secretary of Energy for the Cumberland system on September 25, 2015. The new rates will be effective on October 1, 2015.

Status of Repayment as of September 30, 2015 (in millions) - Table 1

System	Initial Year of Repayment Studies	Cumulative Revenue $	Cumulative Expenses and Interest $	Total Investment to be Repaid $	Investment Repaid to Date $	Unpaid Balance of Investment $
GA-AL-SC	1950	4,640	4,128	1,833	512	1,321
Jim Woodruff	1957	259	223	77	36	41
Cumberland	1949	1,619	1,278	541	341	200
Kerr-Philpott	1953	594	500	226	95	131
TOTAL		**7,112**	**6,129**	**2,677**	**984**	**1,693**

Kerr-Philpott System customer representatives tour the John H Kerr Powerplant Control Room after attending a public forum announcing power rate revisions.

Customer Funding

Georgia-Alabama-South Carolina System

On January 28, 2015, the Project Review Committee (PRC) agreed to an amendment to Work Item No. 10 that increased funding by $2.31 million for a second repair of the generator 3 stator at the Hartwell Powerhouse. Work Item No. 10, which provided funds for the initial repair of generator 3 stator, was originally signed in September 2010. The total funds collected through Customer Funding for Work Item No. 10 are $4.5 million.

On April 23, 2015, the PRC approved an additional $300,000 for Work Item No. 9, amendment number three, which increased the total work item funding requirement to $1 million for the 230kV Reversing Switch Replacement at Carters Powerhouse. The amendment was signed on June 4, 2015.

On June 29, 2015, the PRC agreed to increase funding by $1.2 million and scope for Work Item No. 10, to include generator 4 stator frame foundation concrete repair, vibration analysis and vibration repair at the Hartwell Powerhouse.

On September 17, 2015, Sub-Agreement No.19 was signed approving funds for restoration of Allatoona Powerhouse. Allatoona Hydropower operations ceased in May of 2014 when a fire damaged electrical components and control systems. The total funds collected for this work item was $10 million.

Excavation begins on a new station circuit breaker building beside the entrance road to Philpott powerplant. Moving the generator breakers from the control room will eliminate arc flash personnel hazards and improve maintenance access. In the right foreground, the new step-up power transformer was placed in service in 2014. Photo:USACE

GA-AL-SC System Customers approved nearly $2 million to install eleven 230,000 volt circuit breakers in the Richard B. Russell switchyard reliably tying the plant to Santee Cooper and Southern Company transmission lines. These new Sulfur Hexafluoride Gas circuit breakers have eliminated the need to store and transfer insulating oil in close proximity to downstream ecosystems. Photo:USACE

Cumberland System

On January 24, 2015, Team Cumberland approved Legacy Ballot No. 17 to amend the scope and budget for the Barkley Crane Rehabilitation to include trolley replacement, which will expedite the schedule and reduce the crane's out-of-service time. The budget amendment added $1.16 million to the project work item, taken from the Emergent Work item fund.

On January 29, 2015, Team Cumberland approved Legacy Ballot No. 16 to amend the scope of work and budget for Center Hill Medium Voltage Cables and Busses Planning, Engineering and Design, and Laurel Unit No. 1 Turbine Generator Assessment, and to close Work Item No. 14, Barkley Unit No. 1 Rewind. The budget amendments for the two projects came from budget excess in the Barkley Unit No. 1 Rewind project, and the remaining $1.49 million was placed in the Emergent Work item fund.

On January 29, 2015, Team Cumberland approved Long Term Memorandum of Agreement (MOA) Ballot No. 5 to close 11 project work items and authorize Work Item No. 35 for System-Wide Transformer Bushings Replacement. The authorized project replaces Type T and Type U transformer bushings at three plants and costs $550,000. The closure of the 11 project work items resulted in excess budget that funded the new work item and added over $1 million to the Emergent Work item fund.

Long Term MOA Sub-Agreement No. 6 was approved May 4, 2015, to authorize and fund repairs to Old Hickory Unit No. 4, Wolf Creek Station Service Systems Rehabilitation, Wolf Creek Penstock / Repair and Program Management Year 3, with a total cost of $25 million.

Generator and turbine manufacturer, Voith, arrived at the Center Hill Project in July 2015 and began disassembly of Generator 2. The first of three rehabilitated generators and new dissolved oxygen enhancing turbines is scheduled for initial operation in August 2016.

One of the new self-aspirating vented turbines for Center Hill powerplant is assembled at Voith Hydro's York, Pennsylvania manufacturing facility. The turbine has hollow blades enabling ambient air to pass through into the discharge improving downstream water quality and permitting year round operation. Photo:USACE

Alstom Power technicians remove winding coil halves from the stator core of Carters Reversible Pump Turbine Generator 4. At a contract cost of nearly $20 million, authorized by GA-AL-SC System customers, the electrical components of two versatile and drought critical generators will be replaced. Photo:USACE

Cumberland Dam Safety

The Corps provided Southeastern with financial statements and supplemental reports for the Wolf Creek and Center Hill Projects for fiscal year 2015 which includes $283 million in total joint cost for dam safety repairs of which $121 million was allocated by the Corps to power. The Army has determined the costs of rehabilitating the Wolf Creek and Center Hill Projects do not qualify under the Dam Safety Act and therefore all repair costs would be considered joint costs recoverable by authorized project purposes. Southeastern disagrees with the Army. In FY 2015, Southeastern proposed new rate schedules for the Cumberland System applying the Dam Safety Act to recover 15% of the repair costs or $18 million. On September 25, 2015, the Deputy Secretary of the Department of Energy approved the new rate schedules on an interim basis. The rate schedules have been forwarded to FERC with a request for approval on a final basis.

Alternate Operating Facility

Southeastern's Information Management Team and other Southeastern personnel, took on the task of locating a new Alternate Operating Facility (AOF) and Backup Control Center. The previous AOF, located in Athens, Georgia, needed building upgrades to continue to meet Southeastern's future needs. A recently vacated building was selected at the Corps' Richard B. Russell Project. This property provides additional space and enhanced physical security at a reduced annual cost. Modifications will be made to the property in FY 2016.

Wilmington District Hydropower managers, engineers and electricians witness factory acceptance testing of new 13,800 volt generator breakers, enclosures and controls for Philpott Powerplant.

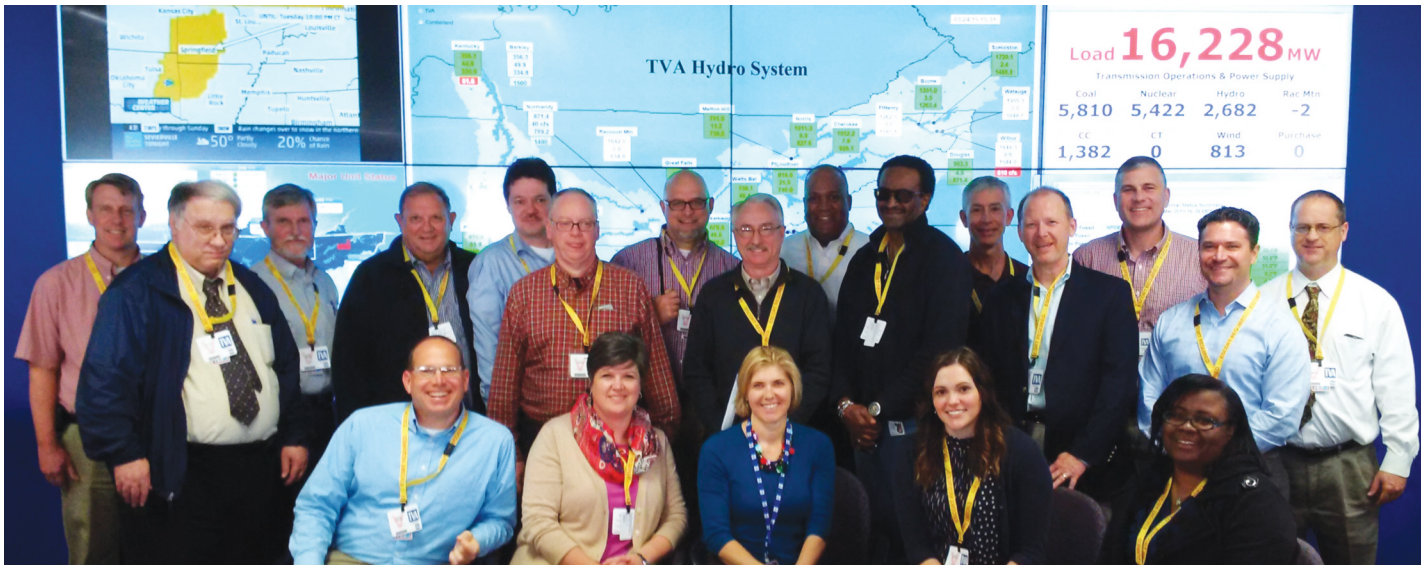
Human Capital Initiative

To maintain organization effectiveness and accomplish Southeastern's mission, we continue to utilize our allocation of Full-Time Equivalent (FTE) employees. Southeastern experienced minimal turnover among its professional staff due to retirements, resignations and transfers. As needed, we have followed our succession plan and employee development initiatives to acquire necessary training, make suitability determinations, initiate security clearances and facilitate certifications for new and existing employees.

Human Resources Service Model

Southeastern continues to support the implementation of the DOE Human Resources (HR) Service Model. This service model consists of Shared Service Centers (SSCs); Centers of Excellence; and on-site HR Business Partners who will serve as liaisons between DOE customers and the SSCs. All HR operations will report to the DOE Office of the Chief Human Capital Officer and utilize uniform processes, guidance and policy across the HR line of business.

This new approach will make efficient use of resources in support of DOE's mission and put customers at the center of HR's focus. The Power Marketing Administration SSC will be situated at the Western Area Power Administration (Western) located in Lakewood, CO. This center will provide streamlined HR services to Western, Southeastern and the Southwestern Power Administration. The timeline for standup is October 2016.



Members of Team Cumberland tour Tennessee Valley Authority's River Forecast Center in Knoxville.

Georgia - Alabama - South Carolina

The Georgia-Alabama-South Carolina System consists of ten projects located in or on the border of Alabama, Georgia, and South Carolina. The power generated at these Projects is sold to 170 preference entities that serve 203 preference customers in Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina.

Operational Performance

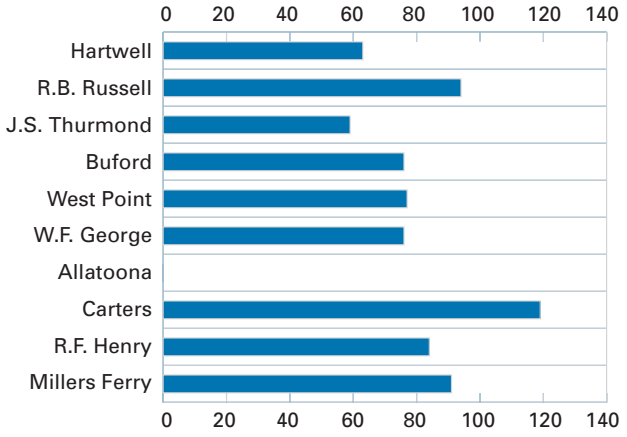
Generation from streamflow for FY 2015 was 78% of the average. Figure A illustrates the percent of average generation by project, and Figure B shows system generation for the years 2006 through 2015.

During FY 2015, customer funded work on the Allatoona switchyard was completed, and the customers agreed to fund the repair work at the project that was caused during the fire in May of 2014. The contractor worked on completing the tasks associated with his original scope of work and should be finished in May of 2016. The contract for installation of new controls is expected to be awarded during FY 2016 and all the work at the plant should be completed by May of 2017. No generation occurred at Allatoona during FY 2015 as a result of this outage.

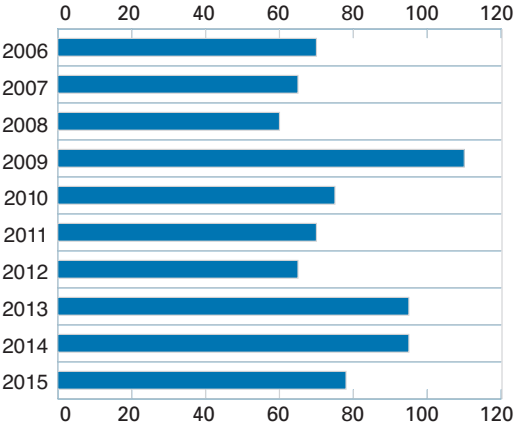
Work on analyzing the vibration problem on generator 3 at Hartwell continued during FY 2015. Near the FY end, solicitation for the stator repair work had to be revised and re-advertised due to an incomplete proposal package.

Planning for West Point transformers replacement and switchyard reconfiguration continued during FY 2016. Generator 2 should return to service in 2017.

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



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

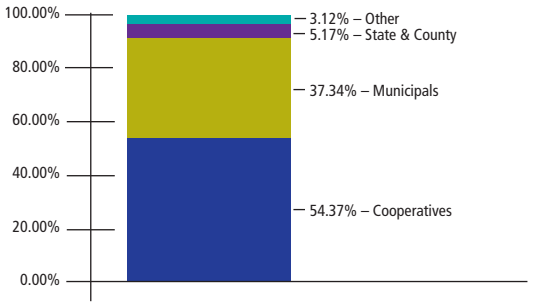


Financial Performance

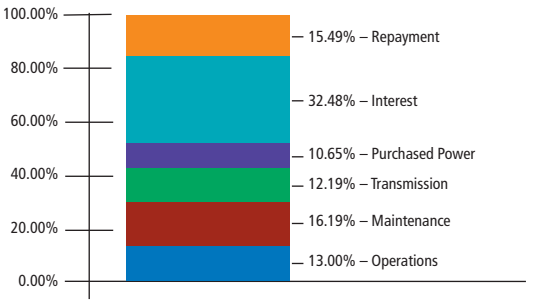
Georgia-Alabama-South Carolina System FY 2015 total revenue was $207.3 million. Of this amount, $200.8 million was derived from the sale of 2,745,233 megawatt-hours of energy and 2,184.2 megawatts of capacity. Total operating expenses, excluding depreciation, were $107.9 million. Interest charged to Federal investment was $67.4 million and repayment of the Federal investment was $32.1 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, and Table 3 indicates the current rates. Current rates for the Georgia-Alabama-South Carolina System were approved by FERC on a final basis on April 2, 2013. The rate schedules are effective for the period October 1, 2012, through September 30, 2017.

FY 2015 Revenue by Source – Figure C



FY 2015 Application of Revenues – Figure D



Cost Allocation by Authorized Purchase as of September 30, 2015 – Table 2

Project	Total $	Power %	Navigation %	Flood Risk Management %	Fish and Wildlife %	Recreation %	Water Supply %
Allatoona	78,456,832	71.37	–	13.06	–	15.27	0.30
Buford	100,682,968	80.92	2.13	4.72	–	12.23	–
Carters	179,771,321	82.42	–	11.12	–	6.46	–
J. Strom Thurmond	187,139,759	86.53	2.33	2.19	–	8.95	–
Walter F. George	286,267,216	66.53	28.84	–	0.12	4.50	–
Hartwell	207,904,246	84.77	1.93	7.68	–	5.61	–
Millers Ferry/ Robert F. Henry	243,444,490	55.26	35.71	–	–	9.03	–
West Point	173,738,307	49.89	1.56	12.80	8.03	27.71	–
Richard B. Russell	904,462,183	87.42	–	0.10	–	12.48	–
Marketing Facilities	1,644,567	100.00	–	–	–	–	–
Total GA-AL-SC System	**2,363,511,888**	**77.34**	**7.73**	**3.31**	**0.60**	**11.01**	**0.01**

Power Rates – Table 3

Product	Effective October 1, 2012
Capacity	4.81 $/kW/Month
Energy	12.33 mills/kWh
Generation Services	0.12 $/kW/Month

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

Kerr-Philpott

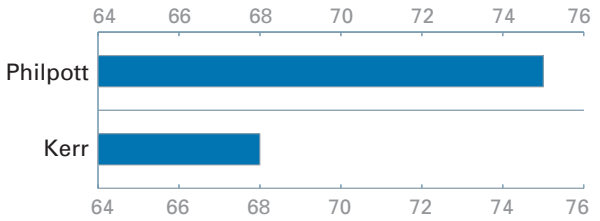
The Kerr-Philpott System consists of two projects, John H. Kerr on the Roanoke River and Philpott on the Smith River. Power generated at the projects is marketed to 75 preference customers in North Carolina and Virginia.

Operational Performance

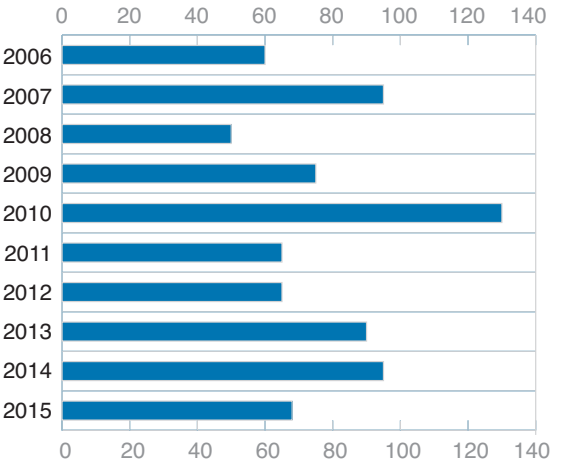
Generation for FY 2015 was 68% of average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 2006 through 2015.

There were no significant operational issues in the Kerr-Philpott System during FY 2015.

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



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



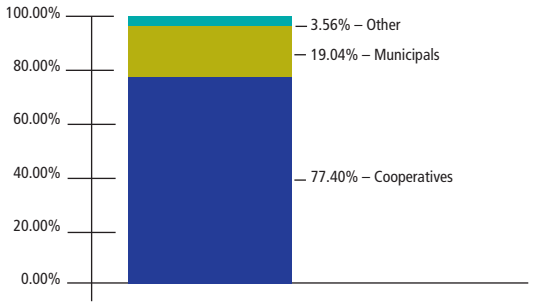
Financial Performance

Total revenue for the Kerr-Philpott System in FY 2015 was $18.3 million. Of this amount, $17.7 million was derived from the sale of 302,280 megawatt-hours of energy and 196.5 megawatts of capacity.

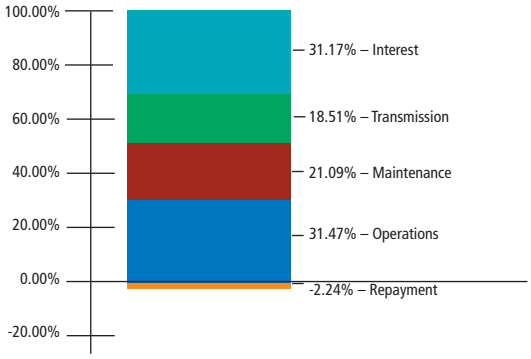
Total operating expenses, excluding depreciation, were $13.0 million. Interest charged to Federal investment was $5.7 million. The Kerr-Philpott system incurred a repayment deficit of $0.5 million in FY 2015. Figure G shows the revenue by source for the Kerr-Philpott System, and Figure H shows the application of revenues.

Table 4 indicates the allocation of costs by project function for each project in the System. Table 5 indicates the current rates. New rate schedules were approved on an interim basis by the Deputy Secretary of Energy for the Kerr-Philpott system on September 16, 2015. The new rates are to go into effect on October 1, 2015.

FY 2015 Revenue by Source – Figure G



FY 2015 Application of Revenues – Figure H



Cost Allocation by Authorized Purpose as of September 30, 2015 - Table 4

Project	Total $	Power %	Navigation %	Flood Risk Management %	Fish and Wildlife %	Recreation %	Water Supply %
John H. Kerr	227,757,604	84.19	–	11.70	–	3.93	0.17
Philpott	32,577,268	53.98	–	28.92	–	17.10	–
Marketing Facilities	308,356	100.00	–	–	–	–	–
TOTAL-Kerr-Philpott System	**260,643,228**	**80.43**	**–**	**13.84**	**–**	**5.58**	**0.15**

Power Rates - Table 5

Product	Through September 30, 2015	Effective October 1, 2015
Capacity	4.18 $/kW/Month	4.40 $/kW/Month
Energy	16.63 mills/kWh	17.80 mills/kWh

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

Cumberland

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

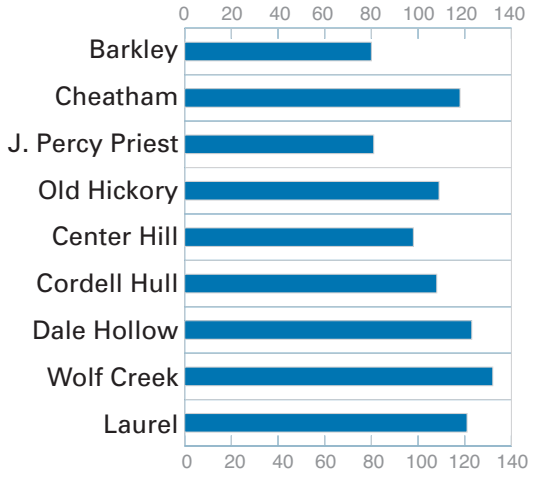
Operational Performance

Generation for the system during FY 2015 was 109% of average. The percentage of average generation by project is shown in Figure I, and Figure J shows system generation for the years 2006 through 2015.

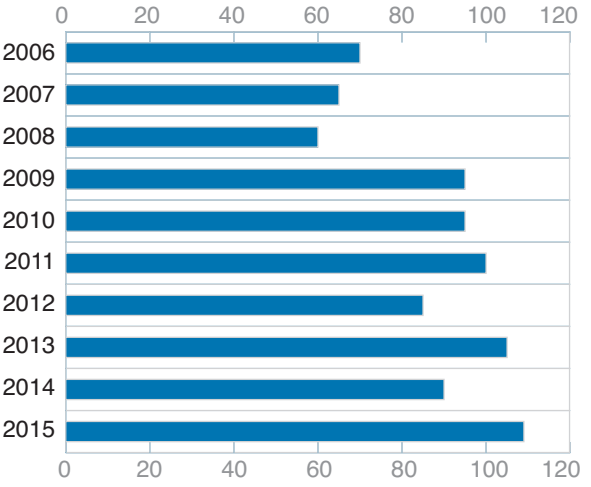
During FY 2015 the Dam Safety repair work at the Center Hill Project continued and the system once again ran in a partial peaking operation mode. Also during the year, in July, generator 2 at Center Hill was taken out of service to begin its major rehabilitation. Stator winding fabrication for the unit began in November 2015 and the unit is expected to return to service in August 2016. Also during the year, the outage of generator 4 at Old Hickory continued due to alignment problems. It is expected that this generator will remain out of service until it undergoes a major rehabilitation.

Capacity interruption credits were provided to customers when their full allocated capacity was not available due to scheduled maintenance, forced outage and environmental operating restrictions. The total revenue foregone from these credits was about $4.0 million.

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



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



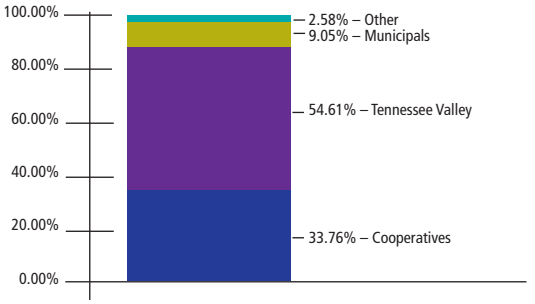
Financial Performance

Total revenue for the Cumberland System in FY 2015 was $59.8 million. Of this amount, $58.3 million was derived from the sale of 3,227,135 megawatt-hours of energy and 829.5 megawatts of capacity. Total operating expenses, excluding depreciation, were $43.8 million. Interest charged to Federal investment was $5.4 million and repayment was $10.6 million. Figure K shows the revenue by source for the Cumberland System, and Figure L shows the application of revenues.

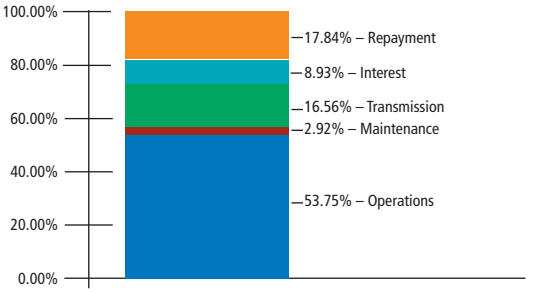
Table 6 indicates the allocation of costs by project function for each project in this System, and Table 7 indicates the current rates. In FY 2015, Southeastern proposed a rate adjustment that included the

recovery cost of dam safety repairs at Wolf Creek and Center Hill. The new rate schedules were approved on an interim basis by the Deputy Secretary of Energy for the Cumberland System on September 25, 2015. The new rates will go into effect on October 1, 2015.

FY 2015 Revenue by Source – Figure K



FY 2015 Application of Revenues – Figure L



Cost Allocation by Authorized Purpose as of September 30, 2015 - Table 6

Project	Total $	Power %	Navigation %	Flood Risk Management %	Recreation %	Dam Safety %	Other %
Barkley	227,069,149	29.38	55.66	11.21	3.75	–	–
J. Percy Priest	72,826,066	21.87	–	37.29	40.83	–	–
Cheatham	69,758,478	35.16	58.24	–	6.60	–	–
Cordell Hull	98,239,411	47.23	17.92	–	28.19	–	6.66 (a)
Old Hickory	84,501,722	58.82	35.69	–	5.48	–	–
Center Hill	402,546,073	21.78	–	16.81	1.97	59.27	0.17 (b)
Dale Hollow	46,279,686	64.81	–	30.33	4.85	–	–
Wolf Creek	914,395,725	22.38	–	14.10	2.17	61.32	0.03 (b)
Laurel	52,631,219	54.53	–	–	33.41	–	12.06 (a)
Marketing Facilites	565,320	100.00	–	–	–	–	–
Contributions in Aid of Construction	(586,162)	100.00	–	–	–	–	–
Total Cumberland Basin System	**1,968,226,686**	**28.16**	**10.91**	**13.38**	**6.24**	**40.61**	**0.70**

(a) Area Redevelopment
(b) World War II Suspension Costs

Power Rates - Table 7

Product	Through September 30, 2015	Effective October 1, 2015
Capacity	1.697 $/kW/Month	1.902 $/kW/Month
Energy	11.012 mills/kWh	12.35 mills/kWh

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

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

Jim Woodruff

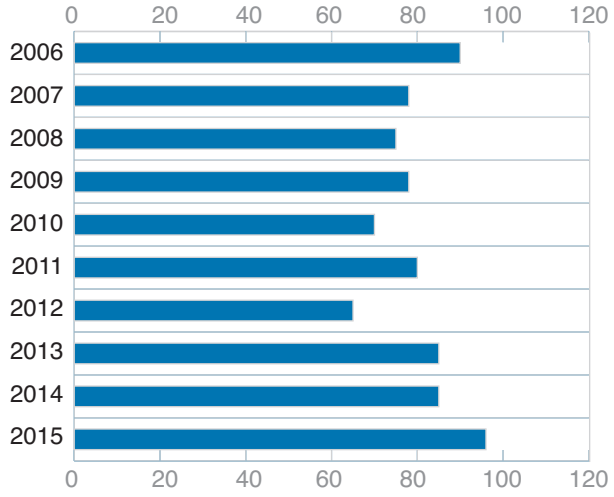
The Jim Woodruff System is a single-project system located on the border of Florida and Georgia. This system has six preference customers and one investor-owned utility located in the central panhandle of Florida.

Operational Performance

Generation during FY 2015 was 96% of average. Figure M illustrates the Project's generation for the years 2006 through 2015.

There were no significant operational issues in the Jim Woodruff System during FY 2015.

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



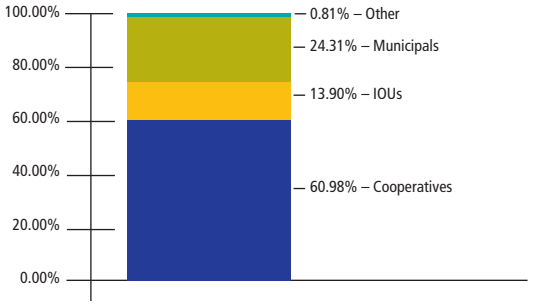
Financial Performance

Total revenue from the Jim Woodruff System was $11.9 million in FY 2015. Of this amount, $11.8 million was derived from the sale of 237,298 megawatt-hours of energy and 36 megawatts of capacity.

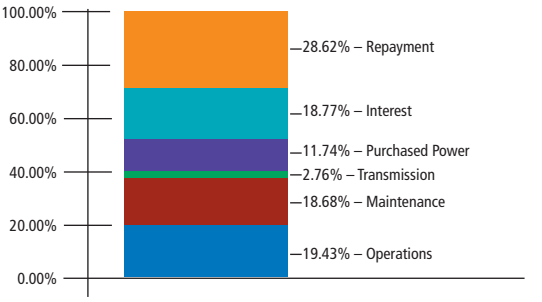
Total operating expenses, excluding depreciation, were $6.2 million. Interest charged to the Federal investment was $2.2 million and repayment of the Federal investment was $3.4 million. Figure N shows the revenue by source for the System, and Figure 0 shows the application of revenues.

Table 8 indicates the allocation of costs by project function, and Table 9 indicates the current rates. Current rates for the Jim Woodruff System were approved on a final basis by the FERC on December 22, 2011. The rate schedules were placed in effect on September 20, 2011, and are approved through September 19, 2016.

FY 2015 Revenue by Source – Figure N



FY 2015 Application of Revenues – Figure O



Cost Allocation by Authorized Purpose as of September 30, 2015 – Table 8

Project	Total $	Power %	Navigation %	Flood Risk Management %	Fish and Wildlife %	Recreation %	Water Supply %
Jim Woodruff	123,483,336	59.51	34.03	–	–	6.46	–
Marketing Facilities	51,393	100.00	–	–	–	–	–
TOTAL- Jim Woodruff System	**123,534,729**	**59.51**	**34.03**	**–**	**–**	**6.46**	**–**

Power Rates – Table 9

Product	Through September 19, 2016
Capacity	10.29 $/kW/Month
Energy	26.51 mills/kWh

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

Customer Sales

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE ($)
Georgia-Alabama-South Carolina System			
Alabama			
Baldwin County EMC	17,284	23,346,178	$2,098,823.74
Black Warrior EMC	18,494	25,773,158	2,288,321.55
Central Alabama EC	18,660	25,040,180	2,264,342.29
Clarke-Washington EMC	6,678	8,830,832	809,022.41
Coosa Valley EC	5,728	7,653,374	694,815.39
Dixie EC	7,273	9,801,603	883,049.04
Pea River EC	3,422	4,522,063	414,509.50
Pioneer EC	10,056	13,519,655	1,220,421.21
Tallapoosa River EC	11,494	15,295,046	1,393,534.65
Tombigbee EC	6,578	9,110,217	813,437.11
Wiregrass EC	8,467	11,301,072	1,026,976.49
PowerSouth Energy Cooperative	100,000	134,087,000	8,359,192.04
City of Alexander City	7,846	11,079,248	972,128.05
City of Dothan	52,461	74,127,224	6,500,829.30
City of Evergreen	4,047	5,709,090	501,326.58
City of Fairhope	6,248	8,825,545	774,184.57
City of Foley	21,199	29,933,704	2,626,649.30
City of Hartford	3,050	4,189,896	376,544.51
City of LaFayette	2,358	3,327,738	292,123.53
City of Lanett	5,321	7,513,815	659,279.28
City of Luverne	3,158	4,458,991	391,272.94
City of Opelika	20,809	29,391,203	2,578,432.20
City of Piedmont	3,869	5,354,555	478,372.15
City of Robertsdale	3,372	4,661,514	416,827.62
City of Sylacauga	16,494	22,810,060	2,039,048.65
City of Troy	10,079	10,270,956	1,196,638.06
City of Tuskegee	11,689	16,339,312	1,446,708.16
Alabama Total	**386,134**	**526,273,229**	**$43,516,810.31**
Florida			
Choctawhatchee EC	1,231	1,661,288	$149,440.71
West Florida ECA	8,402	11,369,252	1,020,535.56
Florida Total	**9,633**	**13,030,540**	**$1,169,976.27**
Georgia			
Altamaha EMC	10,956	11,993,910	$859,997.05
Amicalola EMC	11,513	12,599,102	903,638.31
Canoochee EMC	9,392	10,283,732	737,265.26
Carroll EMC	17,032	18,640,822	1,336,853.16
Central Georgia EMC	13,381	14,652,675	1,050,420.15
Coastal EMC	3,157	3,458,889	247,860.12
Cobb EMC	42,613	46,691,586	3,345,666.38
Colquitt EMC	38,410	42,029,114	3,014,666.87
Coweta-Fayette EMC	13,378	14,656,074	1,050,302.63
Diverse Power, Inc.	12,050	13,198,628	945,996.29
Excelsior EMC	8,914	9,757,871	699,698.82
Flint EMC	55,744	54,487,571	4,294,869.07
Grady EMC	10,439	11,422,718	819,322.81
Greystone Power Corporation	31,540	34,548,081	2,476,105.37
Habersham EMC	10,176	11,135,986	798,699.47
Hart EMC	18,630	20,379,333	1,462,096.94
Irwin EMC	8,246	9,021,215	647,168.89
Jackson EMC	48,415	53,007,573	3,800,467.48
Jefferson EMC	14,188	15,541,196	1,113,855.43
Little Ocmulgee EMC	7,754	8,480,621	608,514.01
Middle Georgia EMC	6,028	6,595,914	473,115.50
Mitchell EMC	18,023	19,722,010	1,414,576.84
Ocmulgee EMC	8,188	8,957,749	642,616.69
Oconee EMC	8,018	8,777,552	629,376.66
Okefenoke Rural EMC	9,487	10,383,463	744,646.85
Planters EMC	10,258	11,224,384	805,111.85
Rayle EMC	10,350	11,324,120	812,316.09
Satilla Rural EMC	30,374	33,235,700	2,383,945.12
Sawnee EMC	19,423	21,265,586	1,524,664.10
Slash Pine EMC	4,785	5,235,932	375,559.29
Snapping Shoals EMC	20,119	22,043,043	1,579,571.10
Southern Rivers Energy	6,842	7,491,234	537,085.24
Sumter EMC	11,437	12,520,903	897,760.98
Three Notch EMC	12,194	13,345,959	957,117.55
Tri-County EMC	6,416	7,028,839	503,716.10
Upson EMC	4,581	5,013,803	359,567.30
Walton EMC	31,322	34,331,615	2,459,385.20
Washington EMC	14,249	15,595,594	1,118,425.05
City of Acworth	2,303	3,210,781	197,807.65
City of Adel	6,902	9,616,452	592,711.27
City of Albany	60,831	84,816,286	5,224,987.31
City of Barnesville	2,635	3,672,968	226,311.37
City of Blakely	5,412	7,542,370	464,791.60
City of Brinson	156	218,094	13,409.90
City of Buford	2,356	3,284,441	202,355.80
City of Cairo	6,253	8,720,958	537,136.11
City of Calhoun	7,660	10,688,152	658,086.16
City of Camilla	6,072	8,459,532	521,425.50
City of Cartersville	17,152	23,909,695	1,473,150.60
City of College Park	15,559	21,704,182	1,336,604.28
City of Commerce	4,456	6,206,352	382,621.98
City of Covington	9,382	13,082,885	805,882.14
City of Dalton	45,822	66,406,075	3,959,493.51
City of Doerun	629	876,720	54,021.70
City of Douglas	10,180	14,189,246	874,311.57
City of East Point	33,488	46,671,122	2,876,022.14
City of Elberton	11,447	15,945,568	982,953.58
City of Ellaville	936	1,305,687	80,407.61
City of Fairburn	1,799	2,510,271	154,557.30
City of Fitzgerald	9,720	13,549,404	834,828.10
City of Forsyth	3,720	5,185,201	319,495.66
City of Fort Valley	9,417	13,127,653	808,815.47
City of Grantville	470	654,288	40,351.23
City of Griffin	18,157	25,312,150	1,559,495.21
City of Hampton	832	880,591	97,701.92
City of Hogansville	1,531	2,133,295	131,478.24
City of Jackson	2,067	2,881,472	177,532.29
City of LaFayette	6,607	9,209,144	567,444.86
City of Lagrange	17,096	23,841,814	1,468,525.05
City of Lawrenceville	4,795	6,693,098	411,994.05
City of Marietta	37,172	51,854,886	3,193,306.26
City of Monroe	7,223	10,065,639	620,312.05
City of Monticello	1,836	2,557,935	157,664.65
City of Moultrie	15,480	21,577,079	1,329,512.60
City of Newnan	6,893	9,609,225	592,034.17
City of Norcross	1,736	2,422,166	149,141.23
City of Oxford	458	639,845	39,362.01
City of Palmetto	923	1,286,914	79,279.60
City of Quitman	4,428	6,168,794	380,243.51
City of Sandersville	4,997	6,963,185	429,135.66
City of Sylvania	5,436	7,582,814	466,979.10
City of Sylvester	3,952	5,511,618	339,475.67
City of Thomaston	7,687	10,721,377	660,325.72
City of Thomasville	25,053	34,925,716	2,151,789.92
City of Washington	5,068	7,062,848	435,246.42
City of West Point	4,683	6,521,224	402,090.22
City of Whigham	319	444,859	27,401.46
Crisp County Power Commission	18,068	25,185,046	1,551,796.31
Town of Mansfield	379	527,186	32,531.05
Georgia Total	**1,095,655**	**1,338,214,400**	**$89,506,360.77**
Mississippi			
Coast EPA	26,863	37,985,774	$3,329,301.81
East Mississippi EPA	11,336	16,001,106	1,404,765.97
Singing River EPA	33,684	47,641,780	4,174,864.50
South Mississippi EPA	68,000	86,984,750	7,768,502.70
Mississippi Total	**139,883**	**188,613,410**	**$16,677,434.98**
North Carolina			
Blue Ridge EMC	7,311	11,204,470	$658,990.59
EnergyUnited EMC	16,302	24,824,240	1,418,428.71
Haywood EMC	926	1,426,870	83,419.30
Pee Dee EMC	455	710,367	41,085.16
Rutherford EMC	24,018	36,722,260	2,162,805.79
Union EMC	11,633	18,367,593	1,054,525.35
City of Cherryville	1,478	920,387	106,133.21
City of Concord	8,007	5,465,854	696,722.74
City of Gastonia	15,971	9,941,927	1,146,783.77
City of Kings Mountain	2,896	1,976,308	251,981.13
City of Lincolnton	1,577	981,453	113,230.47
City of Monroe	7,693	4,789,908	552,410.06
City of Morganton	9,535	14,441,904	857,433.08
City of Newton	2,067	1,286,085	148,406.60
City of Shelby	5,892	3,667,028	423,055.09
City of Statesville	9,705	6,041,018	696,852.42
Town of Bostic	412	629,122	37,152.63
Town of Cornelius	361	224,885	25,924.63
Town of Dallas	1,299	885,967	113,016.02
Town of Drexel	879	1,334,182	79,101.49
Town of Forest City	2,721	1,857,673	236,770.10
Town of Granite Falls	828	515,154	59,448.14
Town of Huntersville	490	304,634	35,176.03
Town of Landis	1,098	682,917	78,829.04
Town of Maiden	1,235	768,304	88,668.39
Town of Pineville	490	304,634	35,176.03
North Carolina Total	**135,279**	**150,275,144**	**$11,201,525.96**

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE ($)
South Carolina			
Central Electric Power Cooperative	180,700	252,259,099	$18,687,166.62
Little River EC	522	624,056	62,254.24
City of Abbeville	2,959	4,801,827	248,322.86
City of Clinton	2,975	1,855,869	209,960.31
City of Easley	8,656	13,144,559	752,612.36
City of Gaffney	6,986	10,614,635	607,521.79
City of Georgetown	5,300	7,188,446	558,886.27
City of Greenwood	11,404	17,568,640	1,029,635.91
City of Greer	9,159	13,966,324	797,406.77
City of Laurens	5,891	8,973,553	512,712.53
City of Newberry	3,277	2,043,829	231,265.97
City of Orangeburg	13,779	16,350,217	1,640,782.91
City of Rock Hill	19,115	29,026,517	1,661,980.05
City of Seneca	2,688	1,704,290	193,348.48
City of Union	3,484	2,173,943	245,892.95
City of Westminster	678	422,498	47,841.48
Town of Bamberg	2,300	3,080,758	241,767.41
Town of Due West	285	194,421	24,796.46
Town of McCormick	522	602,869	62,084.24
Town of Prosperity	602	1,006,607	64,192.32
Town of Winnsboro	1,366	1,567,450	162,252.80
South Carolina PSA	135,000	139,655,830	10,721,986.26
South Carolina Total	**417,648**	**528,826,237**	**$38,764,670.98**
Georgia-Alabama-South Carolina System Total	**2,184,232**	**2,745,232,960**	**$200,836,779.28**
Kerr-Philpott System			
North Carolina			
Albemarle EMC	2,593	4,549,256	$175,801.10
Brunswick EMC	3,515	6,623,276	289,367.45
Carteret-Craven EMC	2,735	5,090,656	224,185.11
Central EMC	1,239	2,334,636	101,998.82
Edgecombe-Martin County EMC	4,155	7,384,965	304,356.43
Four County EMC	4,198	7,910,242	345,594.30
Halifax EMC	2,606	4,687,878	185,909.52
Jones-Onslow EMC	5,184	9,768,151	426,765.40
Lumbee River EMC	3,729	7,026,512	306,984.55
Pee Dee EMC	2,968	5,592,569	244,336.46
Piedmont EMC	1,086	2,050,140	89,463.60
Pitt & Greene EMC	1,580	2,977,179	130,071.30
Randolph EMC	3,608	6,798,516	297,023.54
Roanoke EMC	5,528	9,754,963	375,822.76
South River EMC	6,119	11,529,961	503,737.88
Tideland EMC	3,098	5,570,962	220,784.75
Tri-County EMC	3,096	5,833,760	254,873.83
Wake EMC	2,164	4,077,603	178,148.23
City of Elizabeth City	2,073	1,578,476	191,193.93
City of Kinston	1,466	1,116,279	95,294.77
City of Laurinburg	415	316,001	26,976.36
City of Lumberton	895	681,494	58,177.88
City of New Bern	1,204	916,780	78,263.79
City of Rocky Mount	2,538	1,932,550	164,978.23
City of Washington	2,703	2,058,192	175,703.82
City of Wilson	2,950	2,246,266	191,759.53
Fayetteville Public Works Commission	5,431	4,135,412	353,032.59
Greenville Utilities Commission	7,534	5,736,734	489,734.36
Town of Apex	145	110,410	9,425.52
Town of Ayden	208	158,380	13,520.67
Town of Belhaven	182	138,585	16,785.99
Town of Benson	120	91,373	7,800.38
Town of Clayton	161	122,593	10,465.56
Town of Edenton	775	590,120	71,478.65
Town of Enfield	259	198,046	12,883.93
Town of Farmville	237	180,461	15,405.76
Town of Fremont	60	45,686	3,900.17
Town of Hamilton	40	30,457	3,689.23
Town of Hertford	203	154,573	18,722.80
Town of Hobgood	46	35,026	4,242.61
Town of Hookerton	30	22,843	1,950.11
Town of La Grange	93	70,816	6,045.33
Town of Louisburg	857	1,611,359	70,496.40
Town of Pikeville	40	30,457	2,600.10
Town of Red Springs	117	89,091	7,605.41
Town of Robersonville	232	176,655	21,397.49
Town of Scotland Neck	304	231,481	28,038.11
Town of Selma	183	139,345	11,895.56
Town of Smithfield	378	287,827	24,571.27
Town of Tarboro	2,145	1,633,301	197,834.55
Town of Wake Forest	149	113,455	9,685.46
Town of Windsor	331	250,593	30,493.32
North Carolina Total	**93,705**	**136,792,342**	**$7,081,274.66**

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE ($)
Virginia			
B-A-R-C EC	3,740	6,632,943	$414,401.60
Central Virginia EC	7,956	14,072,387	878,797.77
Community EC	4,230	7,512,453	468,887.53
Craig-Botetourt EC	1,692	3,324,895	195,063.17
Mecklenburg EC	11,344	20,310,725	1,260,472.34
Northern Neck EC	3,944	6,970,377	436,557.53
Northern Virginia EC	3,268	5,788,307	362,632.65
Prince George EC	2,530	4,471,361	280,043.20
Rappahannock EC	22,427	39,855,541	2,486,456.23
Shenandoah Valley EC	9,938	17,764,053	1,103,707.91
Southside EC	14,575	25,758,950	1,613,292.90
City of Bedford	1,200	911,116	59,876.94
City of Danville	5,600	4,251,870	279,425.63
City of Franklin	1,003	759,354	92,401.32
City of Martinsville	1,600	1,214,821	79,835.93
City of Radford	1,300	980,857	64,683.76
City of Salem	2,200	1,659,912	109,464.81
Harrisonburg Electric Commission	2,691	2,063,939	248,397.65
Town of Blackstone	389	294,507	35,836.63
Town of Culpepper	391	299,889	36,091.97
Town of Elkton	171	129,461	15,753.36
Town of Richlands	500	379,632	24,948.72
Town of Wakefield	106	80,251	9,765.23
Virginia Total	**102,795**	**165,487,601**	**$10,556,794.77**
Allocation of Interest			30,491.59
Kerr-Philpott System Total	**196,500**	**302,279,943**	**$17,668,561.02**
Jim Woodruff System			
Florida			
Central Florida EC	2,300	11,152,747	$519,001.03
Suwannee Valley EC	4,800	24,568,982	1,179,274.18
Talquin EC	13,500	77,626,570	4,045,234.46
Tri-County EC	5,200	29,131,242	1,495,816.46
City of Chattahoochee	1,800	10,517,178	559,132.28
City of Quincy	8,400	45,670,562	2,326,773.86
Duke Energy Florida	-	38,630,996	1,650,468.03
Jim Woodruff System Total	**36,000**	**237,298,277**	**$11,775,700.30**
Cumberland System			
Illinois			
Southern Illinois Power Cooperative	24,000	35,000,000	$1,180,537.28
Illinois Total	**24,000**	**35,000,000**	**$1,180,537.28**
Kentucky			
Big Rivers Electric Corporation	154,000	241,761,000	$7,735,536.53
East Kentucky Power Cooperative	157,000	265,443,000	8,437,125.28
City of Barbourville	1,916	3,392,526	115,109.03
City of Bardstown	1,957	3,465,122	117,510.31
City of Bardwell	472	835,737	28,306.41
City of Benham	216	382,456	13,020.45
City of Corbin	2,263	4,006,935	135,939.96
City of Falmouth	514	910,104	30,843.62
City of Frankfort	13,605	24,089,417	817,099.85
City of Henderson	10,000	15,000,000	500,629.54
City of Madisonville	6,796	12,033,199	408,194.83
City of Nicholasville	2,226	3,941,421	133,698.14
City of Owensboro	21,775	38,555,460	1,307,772.97
City of Paris	1,188	2,103,508	71,324.76
City of Providence	1,072	1,898,115	64,399.76
City of Princeton	313	1,800,376	35,475.20
City of Paducah	2,183	12,556,624	247,427.33
Kentucky Total	**377,496**	**632,175,000**	**$20,199,413.97**
Mississippi			
South Mississippi EPA	44,000	58,734,000	$2,098,089.26
Mississippi Delta Energy Agency	10,000	13,974,000	475,525.36
Municipal Energy Agency of Mississippi	16,000	23,427,000	790,570.03
Mississippi Total	**70,000**	**96,135,000**	**$3,364,184.65**
North Carolina			
French Broad EMC	7,029	10,651,453	$575,663.07
Haywood EMC	2,057	3,117,498	168,221.02
Town of Waynesville	1,457	2,208,229	119,167.55
North Carolina Total	**10,543**	**15,977,180**	**863,051.64**
TVA Acquisition for 155 TVPPA Members	**347,504**	**2,447,848,000**	**$32,664,011.79**
Cumberland System Total	**829,543**	**3,227,135,180**	**$58,271,199.33**
Grand Total	**3,246,275**	**6,511,946,360**	**$288,552,239.93**

Oglethorpe Power Corporation hosted the Southeastern Federal Power Alliance meeting in September and facilitated a tour of the Georgia System Operations Corporation Control Center. The interconnected transmission system and member cooperative boundaries are displayed and monitored on a two story, real time screen.

Nashville District Commander, Lieutenant Colonel John Hudson briefs Team Cumberland on the advantages of improving hydropower monitoring, control and operation systems.

Members of Team Cumberland listen as Senior Electrician Jake Kennedy explains the function of equipment during a tour of Old Hickory Powerhouse.

Southeastern Power Administration

2015 Financial Overview and Financial Statements

2015 Financial Overview & Financial Statements

Contents

Description

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

The Corps operates 22 Federal hydroelectric generating projects in commercial service as of September 30, 2015, for which Southeastern is the power marketing agency. The Corps and Southeastern are separately managed and financed; however, the financial statements are combined under the Program title.

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

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

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

Program Performance

During FY 2015, Southeastern marketed 6.5 billion kilowatt-hours of energy to 486 wholesale customers. The Program's revenues totaled $297.3 million, $1.6 million less than in FY 2014.

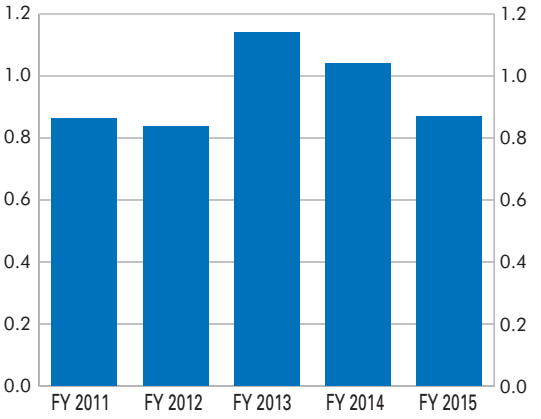
Debt Service Coverage Ratio

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, the Program's debt service ratio has ranged from about 0.838 to 1.140. The Program's debt service ratio for FY 2011 and FY 2012 was below normal due to adverse water conditions. FY 2013 is above normal due to improved streamflow conditions and lower than expected operating expenses. FY 2014 was slightly above normal due to average streamflow conditions with slightly lower than expected operating expenses. FY 2015 was below average due to higher than expected operating expenses and stream flow conditions. The Program's debt service coverage ratio for fiscal years 2011-2015 is illustrated in Figure P.

Debt Service Coverage Ratio - Figure P



Principal Payment Relationship to Total Investment

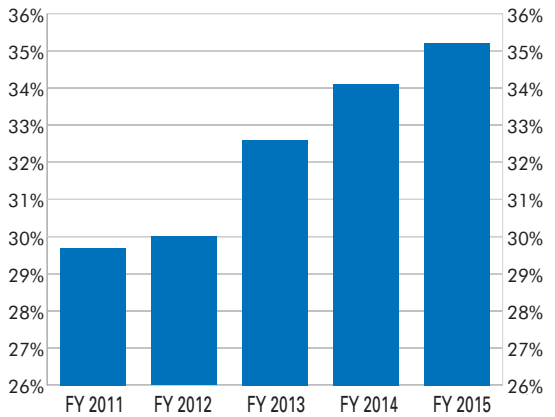
This indicator is a cumulative cash flow measure. It measures the cumulative principal payments made relative to the total Federal investment to date. During a period of capital expansion, this ratio would tend to decrease, whereas increases in cumulative payments over time would be expected for a mature system. Thus, a system with little time remaining in its repayment period would be expected to have a ratio of cumulative principal payments relative to total Federal investment that approaches 100%. This indicator provides useful information by showing the relationship between the cumulative amount of principal paid to date by the Program, as well as the progress made over the period studied. While analysis of this indicator does not necessarily provide conclusive information without further analysis of additional factors, such as the average age of the system, the measure nevertheless provides valuable information on the status of repayment. The Program's principal payments as a percentage of total investment is now 35.2%. Payments as a percent of total investment are illustrated in Figure Q.

Variance from Planned Principal Payment

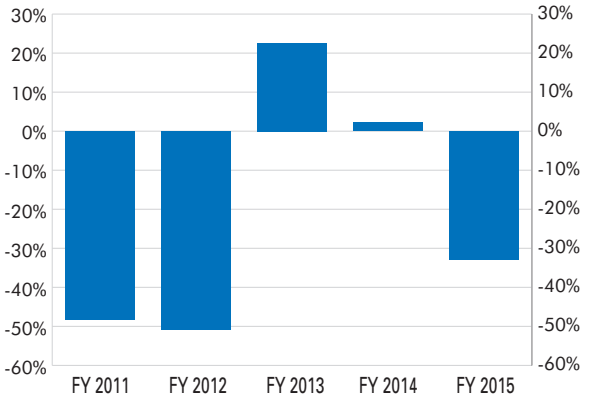
The Power Marketing Administrations show relatively large fluctuations between actual and planned revenues due to the high variability of water over the years analyzed. A negative number means that actual repayment is not as large as expected. A positive number means that actual repayment is larger than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

The FY 2011 and FY 2012 ratio of -48.3% and -50.8% were due to streamflow conditions. The FY 2013 ratio of 22.6% is due to improved streamflow conditions and lower than expected operating expenses. The FY 2014 ratio of 2.3% is due to slightly lower than expected operating expenses. The FY 2015 ratio of –32.8% was due to higher than expected operating expenses and lower than average streamflow conditions. The variance of actual from planned payment is found in Figure R.

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



Percent Variance From Planned Principal Payments – Figure R



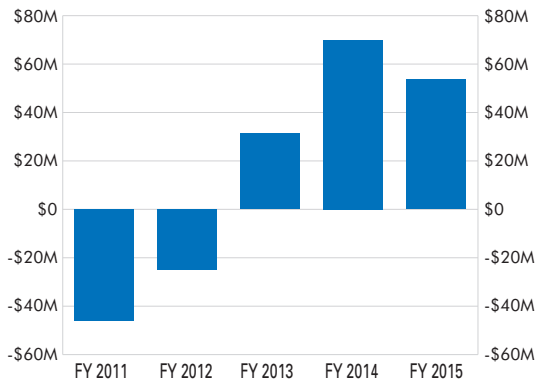
Net Cash to Treasury

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

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

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

Net Cash Flow to Treasury – Figure S



SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Financial Statements

September 30, 2015 and 2014

(With Independent Auditors' Reports Thereon)

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

Independent Auditors' Report

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Southeastern Federal Power Program (the Program), which comprise the combined balance sheets as of September 30, 2015 and 2014, and the related combined statements of revenues and expenses, changes in capitalization, and cash flows for the years then ended, and the related notes to the combined financial statements. As described in note 1 to the combined financial statements, the combined financial statements include the hydroelectric power generating functions of the United States Army Corps of Engineers (the generating agency) for which Southeastern Power Administration (Southeastern) markets the related power.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Federal Power Program as of September 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 4(b), Southeastern's Administrator imposed rate actions in 2015 and 2014 to cap repayment of certain dam remediation project costs under the Dam Safety Act. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

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

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

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

KPMG LLP

Denver, Colorado
February 16, 2016

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Balance Sheets

September 30, 2015 and 2014

(In thousands)

Assets		2015	2014
Utility plant in service (note 4)	$	2,614,381	2,586,321
Accumulated depreciation		(1,031,752)	(994,583)
Net completed plant		1,582,629	1,591,738
Construction work-in-progress		50,878	136,200
Net utility plant		1,633,507	1,727,938
Cash		295,950	292,825
Accounts receivable, net		24,115	23,421
Regulatory assets		12,964	20,121
Other assets		296	359
Total assets	$	1,966,832	2,064,664
Total Liabilities and Capitalization			
Liabilities:			
Accounts payable and accrued liabilities	$	12,123	14,057
Workers' compensation actuarial liability		12,964	20,121
Total liabilities		25,087	34,178
Capitalization:			
Payable to U.S. Treasury (notes 3 and 4(b))		2,052,579	2,142,985
Accumulated net deficit		(110,834)	(112,499)
Total capitalization		1,941,745	2,030,486
Commitments and contingencies (note 5)			
Total liabilities and capitalization	$	1,966,832	2,064,664

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Revenues and Expenses

Years ended September 30, 2015 and 2014

(In thousands)

	2015	2014
Operating revenues:		
Sales of electric power	$ 288,552	291,120
Other operating revenues	8,740	7,806
Total operating revenues	297,292	298,926
Operating expenses, excluding depreciation expense:		
Operations	67,170	69,039
Maintenance	41,386	32,080
Purchased power	23,476	12,601
Purchased transmission services	38,890	38,574
Total operating expenses, excluding depreciation expense	170,922	152,294
Depreciation expense	44,035	37,572
Total operating expenses	214,957	189,866
Net operating revenues	82,335	109,060
Interest expenses:		
Interest on payable to U.S. Treasury	87,318	95,599
Interest charged to construction	(6,648)	(14,227)
Net interest expenses	80,670	81,372
Net revenues	$ 1,665	27,688

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Changes in Capitalization

Years ended September 30, 2015 and 2014

(In thousands)

	Payable to U.S. Treasury	Accumulated net deficit	Total capitalization
Total capitalization as of September 30, 2013	$ 2,440,675	(140,187)	2,300,488
Additions:			
Congressional appropriations	114,967	—	114,967
Interest	95,599	—	95,599
Total additions to capitalization	210,566	—	210,566
Deductions:			
Payments to U.S. Treasury	(199,611)	—	(199,611)
Transfers of property and services, net	(919)	—	(919)
Rate adjustments to congressional appropriations (note 4(b))	(260,118)	—	(260,118)
Rate adjustments to interest (note 4(b))	(47,608)	—	(47,608)
Total deductions to capitalization	(508,256)	—	(508,256)
Net revenues for the year ended September 30, 2014	—	27,688	27,688
Total capitalization as of September 30, 2014	$ 2,142,985	(112,499)	2,030,486
Additions:			
Congressional appropriations	121,135	—	121,135
Interest	87,318	—	87,318
Transfers of property and services, net	6,955	—	6,955
Total additions to capitalization	215,408	—	215,408
Deductions:			
Payments to U.S. Treasury	(203,018)	—	(203,018)
Rate adjustments to congressional appropriations (note 4(b))	(86,960)	—	(86,960)
Rate adjustments to interest (note 4(b))	(15,836)	—	(15,836)
Total deductions to capitalization	(305,814)	—	(305,814)
Net deficit for the year ended September 30, 2015	—	1,665	1,665
Total capitalization as of September 30, 2015	$ 2,052,579	(110,834)	1,941,745

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Cash Flows

Years ended September 30, 2015 and 2014

(In thousands)

		2015	2014
Cash flows from operating activities:			
Net revenues	$	1,665	27,688
Adjustments to reconcile net revenues to net cash provided by operating activities:			
Depreciation		44,035	37,572
Interest on payable to U.S. Treasury, net		80,670	81,372
Unfunded retirement benefits		3,498	4,300
(Increase) decrease in assets:			
Accounts receivable, net		(694)	5,649
Other assets		63	(54)
Increase (decrease) in liabilities:			
Accounts payable and accrued liabilities		(1,935)	3,856
Net cash provided by operating activities		127,302	160,383
Cash flows from investing activities:			
Investment in utility plant		(45,751)	(51,857)
Cash flows from financing activities:			
Congressional appropriations		121,135	114,967
Payments to U.S. Treasury		(203,018)	(199,611)
Transfers (to) from other federal agencies, net		3,457	(5,219)
Net cash used in financing activities		(78,426)	(89,863)
Net increase in cash		3,125	18,663
Cash, beginning of year		292,825	274,162
Cash, end of year	$	295,950	292,825
Supplemental disclosures:			
Cash paid for interest	$	80,670	81,372
Interest charged to construction		6,648	14,227
Adjustments to power allocations impacting (note 4(b)):			
Congressional appropriations		86,960	260,118
Payments to U.S. Treasury (interest on payable to U.S. Treasury)		15,836	47,608
Investment in utility plant		102,796	307,726

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2015 and 2014

(1) Organization and Basis of Presentation

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

Southeastern purchases, transmits, and markets power within four separate power systems: Georgia-Alabama-South Carolina; Jim Woodruff; Cumberland; and Kerr-Philpott. As of September 30, 2015, the four power systems include 22 hydroelectric generating projects owned and operated by the Corps of Engineers. The projects serve multiple purposes, including power, recreation, navigation, and flood control. The costs of multipurpose generating agency projects are assigned to specific hydroelectric power functions through a cost allocation process administratively developed pursuant to relevant law. These combined financial statements include only those expenses and net assets of the Corps that are expected to be recovered through sales of power and other related revenues. Costs of multipurpose Corps projects are allocated to power and non-power purposes. The portion of total project costs allocated to power is included in the accompanying combined financial statements.

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

(2) Summary of Significant Accounting Policies

(a) General

The 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 ("FASB"), except where deviations therefrom are specifically authorized by federal statute or allowed by federal regulation.

(b) Congressional Authority and Financing

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

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

(c) Operating Revenues

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

Southeastern markets federal power and provides services necessary to market power on behalf of nonfederal entities. The agent transactions are evaluated under the provisions of FASB Accounting Standards Codification ("ASC") Subtopic 605-45, *Revenue Recognition – Principal Agent Considerations*, to determine whether the transactions should be reported at the gross or net value. Generally, the Program's policy is to record agent activity at the gross value because Southeastern typically shares in the risks and rewards of the transaction.

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

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

Accounts receivable, net represents amounts billed to customers but not collected, net of the related allowance for uncollectible accounts of $0 as of September 30, 2015 and 2014. The estimate of the allowance is based on past experience in the collection of receivables and an analysis of the outstanding balances. Interest may be charged on the principal portion of delinquent receivables based on rates

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

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

(d) Confirmation and Approval of Rates

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

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

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

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

any time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. As of September 30, 2015, there were no power systems awaiting final rate approval. There were no revenues subject to refund.

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

(e) Cash

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

(f) Utility Plant

Utility plant in service and construction work-in-progress consist principally of generating facilities and are stated at cost, net of contributions by entities outside the Program. Cost includes direct labor and materials; payments to contractors; indirect charges for engineering, supervision, and similar overhead items; and interest on federal funds used during construction. The costs of additions, replacements, and betterments are capitalized, while repairs and minor replacement costs are charged to operation and maintenance expenses. The cost of utility plant retired, together with removal costs less salvage, is charged against accumulated depreciation when the property is removed from service. In fiscal year 2015, $6.3 million was retired at the Allatoona Project with a majority of the asset retirements related to the Allatoona Powerhouse fire. There were no material asset retirements or asset retirement obligations as of September 30, 2014. The policy of the Program is to move capitalized costs into completed utility plant at the time a project or feature of a project is deemed to be substantially complete. A project is substantially complete when it is providing benefits and services for the intended purpose, and is generating project purpose revenue, where applicable.

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

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

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

Interest, a component of total capitalization, is accrued annually on the outstanding payable to the U.S. Treasury based on federal statutes and power system legislation. Such interest is reflected as an expense in the combined financial statements. Interest rates on unpaid balances ranged from 2.50% to 6.25% for the years ended September 30, 2015 and 2014.

Interest charged to construction represents interest on federal funds used during utility plant construction and is included in the cost of completed projects. Applicable interest rates ranged from 2.75% to 5.125% for the years ended September 30, 2015 and 2014, depending on the year in which construction of the transmission and generation facilities was initiated and requirements of the authorizing legislation.

(h) Transfer of Property and Services, Net

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

(i) Retirement Benefits

Substantially all employees engaged in Program activities participate in either the Civil Service Retirement System ("CSRS") or the Federal Employees Retirement System ("FERS"). Both are contributory defined benefit pension plans and are not covered under the Employee Retirement Income Security Act of 1974. Pension benefit expense under CSRS and FERS is equivalent to 7.0% and up to 13.2%, respectively, of eligible employee compensation. Contributions to these plans are submitted to benefit program trust funds administered by the Office of Personnel Management (the OPM), and totaled $4.8 million and $4.4 million for the years ended September 30, 2015 and 2014, respectively. The contribution levels, as legislatively mandated, do not reflect the total current cost/full cost requirements to fund the pension plans. Additional sources of funding include direct appropriations to the OPM, not Southeastern or the Corps. In addition to the amounts contributed to the CSRS and FERS, the Program has recorded $3.5 million and $4.3 million of annual pension and retirement benefits expense for the years ended September 30, 2015 and 2014, respectively. This amount reflects the contribution made on behalf of Southeastern and the Corps by OPM to the benefit program trust funds. This expense will be recovered from power customers through the future sale of power. Costs incurred by OPM on behalf of the Program are included as transfers of property and services, net within the payable to U.S. Treasury on the combined balance sheets.

Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program ("FEHB") and the Federal Employee Group Life Insurance Program ("FEGLI"). FEHB is calculated at $5,469 and $5,169 per employee in fiscal years 2015 and 2014, respectively, and FEGLI is based on 0.02% of base salary for each employee enrolled in these programs.

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

(j) Derivative and Hedging Activities

The Program analyzes derivative financial instruments under ASC Topic 815, *Derivatives and Hedging*, subsequently updated by ASU No. 2010-11, *Scope Exception Related to Embedded Credit Derivatives*. This standard requires that all derivative instruments, as defined by ASC Topic 815, be recorded on the combined balance sheets at fair value, unless exempted. Changes in a derivative instrument's fair value must be recognized currently in the combined statements of revenues and expenses, unless the derivative has been designated in a qualifying hedging relationship. The application of hedge accounting allows a derivative instrument's gains and losses to offset related results of the hedged item in the combined statements of revenues and expenses to the extent effective. ASC Topic 815 requires that the hedging relationship be highly effective and that an organization formally designate a hedging relationship at the inception of the contract to apply hedge accounting.

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

The Program's policy is to fulfill all derivative and hedging contracts by either providing power to a third party or by taking delivery of power from a third party as provided for in each contract. The Program's policy does not authorize the use of derivative or hedging instruments for speculative purposes such as hedging electricity pricing fluctuations beyond the Program's estimated capacity to deliver or receive power. Accordingly, the Program evaluates all of its contracts to determine if they are derivatives and, if applicable, to ensure that they qualify and meet the normal purchases and normal sales designation requirements under ASC Topic 815. Normal purchases and normal sales contracts are accounted for as executory contracts as required under accounting principles generally accepted in the United States. As of September 30, 2015 and 2014, the Program has no contracts accounted for as derivatives.

(k) Concentrations of Credit Risk

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

(l) Regulatory Assets

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

Workers' Compensation Actuarial Cost

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

The recovery of these future claims will be deferred for purposes of the rate-making process until such time the future claims are actually submitted and paid by the DOL. Therefore, the recognition of the expense associated with this actuarially determined liability has been recorded as a regulatory asset in the combined balance sheets to reflect the effects of the rate-making process. The Program's cumulative unpaid expenses associated with estimated future claims are approximately $13.0 million and $20.1 million as of September 30, 2015 and 2014, respectively.

(m) Fair Value of Financial Instruments

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

(n) Use of Estimates

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America requires Program management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Significant items subject to such estimates and assumptions include: the useful lives of completed utility plant, allowance for doubtful accounts, employee benefit obligations, and other contingencies. Estimates have also been used in allocating the reimbursable power activity of the generating agency for the purpose of repayment to the U.S. Treasury. Actual results could differ significantly from those estimates.

(3) Payable to U.S. Treasury

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

Southeastern follows the provisions of DOE Order RA 6120.2 in setting priorities for repayment. Order RA 6120.2 requires that annual revenues be first applied to current-year operating expenses, excluding depreciation, and interest, net of interest charged to construction and interest credited on operating revenues deposited with the U.S. Treasury. All annual amounts for such expenses have been paid through fiscal year 2015, except for $471,311 at the Kerr-Philpott System, which will be recovered in future periods. Remaining revenues are to be first applied to repayment of operating deficits, if any, and then to repayment of the outstanding principal. Annual net revenues available for repayment are generally applied first against investments in projects bearing the highest interest rates.

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

(4) Utility Plant

(a) Utility plant as of September 30, 2015 and 2014 consists of the following (in thousands):

		2015	2014
Utility plant:			
Structures and facilities	$	2,183,587	2,155,843
Buildings		48,477	48,572
Land		361,403	361,596
Movable equipment		20,914	20,310
Gross completed plant		2,614,381	2,586,321
Accumulated depreciation		(1,031,752)	(994,583)
Net completed plant		1,582,629	1,591,738
Construction work-in-progress		50,878	136,200
Net utility plant	$	1,633,507	1,727,938

In accordance with FERC guidelines, the Program excludes contributed plant within the combined balance sheets to eliminate the impact on power rates. As of September 30, 2015 and 2014, contributed plant, net, used in the Program's operations totaled approximately $586,000.

As of September 30, 2015, major projects included in construction work-in-progress included switchgear relocation, governor replacement, exciter replacement, and a headgate machinery upgrade in the Kerr-Philpott power system; main transformers, switchyard bus and insulators, motor control centers, raw water supply system, microwave system, remote operations, station battery, and main switchgear in the Georgia-Alabama-South Carolina power system; supervisory control and data

acquisition (SCADA) system servers and motor control centers in the Jim Woodruff System; and dam safety remediations, turbine rehabilitation, generation modifications, relay and breaker replacement, and power house crane rehabilitation in the Cumberland power system.

As of September 30, 2014, major projects included in construction work-in-progress included spillway gate rehabilitation, security camera installation, switchgear relocation, governor replacement, exciter replacement, and intake gate machinery upgrade in the Kerr-Philpott power system; switchyard upgrade, microwave system installation, and battery room modification in the Georgia-Alabama-South Carolina power system; and dam safety remediations, turbine rehabilitation, and generation modifications in the Cumberland power system.

(b) Adjustments to Multi-Purpose Utility Plant Allocation Rates

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

In evaluating the impact of the construction remediation efforts on the Program's rates, Southeastern's Administrator determined the costs represented dam safety remediation costs under the Dam Safety Act (Section 1203 of the Water Resources Development Act of 1986) rather than major rehabilitation costs. Further, Southeastern's Administrator concluded that including the remediation costs at the typical multi-purpose allocation rate would not provide for the lowest possible rate consistent with sound business principles, as required under the Secretary's delegation order (note 2(d)). Accordingly, effective September 30, 2014, Southeastern's Administrator imposed a rate action to cap repayment of the remediation costs at 15% under the Dam Safety Act. In addition, effective October 1, 2015, the Deputy Secretary of Energy approved the rate action valid through September 30, 2020 on an interim basis. The rate schedules have been forwarded to FERC with a request for approval on a final basis. These costs were then allocated at the project's multi-purpose allocation rate of 55.113%. Consequently, Program management recorded a rate action adjustment to the Wolf Creek project of $260.1 million to utility plant in service and $47.6 million to accumulated interest payable, resulting in a reduction of $307.7 million in the payable to the U.S. Treasury.

In fiscal year 2015, additional remediation efforts to the Wolf Creek project within the Cumberland power system were completed and placed into service. Total project costs of $2.8 million were incurred in construction remediation costs with no additional interest during construction. This cost was subjected to the rate action to cap repayment of the remediation costs of 15% under the Dam Safety Act approved by the Deputy Secretary of Energy effective October 1, 2015 and then allocated at the project's multi-purpose allocation rate of 55.113%. Program management recorded a rate action adjustment to the Wolf Creek project of $1.3 million to utility plant in service, resulting in a reduction of this amount being payable to the U.S Treasury.

As of September 30, 2015, scheduled remediation efforts to the Center Hill project within the Cumberland system were completed and placed into service. The remediation efforts addressed problems with karst foundation seepage. Total project costs of $280.7 million of the remediation costs included $236.9 million in construction remediation and $43.8 million in interest during construction. Typically, multipurpose rehabilitation costs are allocated to the power function based on established cost studies at 42.545%. Accordingly, effective September 30, 2015, Southeastern's Administrator imposed a rate action to cap repayment of the remediation costs at 15% under the Dam Safety Act. In addition, effective October 1, 2015, the Deputy Secretary of Energy approved the rate action valid through September 30, 2020 on an interim basis. The rate schedules have been forwarded to FERC with a request for approval on a final basis. Consequently, Program management recorded a rate action adjustment to the Center Hill project of $85.7 million to utility plant in service and $15.8 million to accumulated interest payable, resulting in a reduction of $101.5 million in payable to the U.S. Treasury.

(5) Commitments and Contingencies

(a) General

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

(b) Power Contract Commitments

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 authority from Congress. The budgeted amounts are as follows (in thousands):

	Purchased power	Purchased transmission services	Total
Fiscal year ending September 30,			
2016	$ 1,000	41,987	42,987
2017	1,000	44,036	45,036
2018	1,000	45,256	46,256
2019	1,000	46,555	47,555
2020	1,000	47,966	48,966
	$ 5,000	225,800	230,800

To fulfill its contractual obligations to deliver power, Southeastern has historically had to purchase a certain level of transmission services under these arrangements. Southeastern fully intends to provide ongoing services to power customers and will continue to acquire resources under these contracts.

(6) Subsequent Events

The Program has evaluated subsequent events as of September 30, 2015 through the date the combined financial statements were available to be issued on February 16, 2016, and identified no subsequent events requiring disclosure.

Schedule 1

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2015

(In thousands)

Assets	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Utility plant in service	$ 1,803,196	73,368	207,866	529,951	2,614,381
Accumulated depreciation	(663,907)	(29,699)	(70,331)	(267,815)	(1,031,752)
Net completed plant	1,139,289	43,669	137,535	262,136	1,582,629
Construction work-in-progress	24,630	123	1,776	24,349	50,878
Net utility plant	1,163,919	43,792	139,311	286,485	1,633,507
Cash	107,656	2,014	11,302	174,978	295,950
Accounts receivable, net	18,542	1,181	1,775	2,617	24,115
Regulatory assets	5,524	1,549	88	5,803	12,964
Other assets	167	6	34	89	296
Total assets	$ 1,295,808	48,542	152,510	469,972	1,966,832
Total Liabilities and Capitalization					
Liabilities:					
Accounts payable and accrued liabilities	$ 7,807	360	940	3,016	12,123
Workers' compensation actuarial liability	5,524	1,549	88	5,803	12,964
Total liabilities	13,331	1,909	1,028	8,819	25,087
Capitalization:					
Payable to U.S. Treasury	1,464,223	44,086	145,294	398,976	2,052,579
Accumulated net revenues (deficit)	(181,746)	2,547	6,188	62,177	(110,834)
Total capitalization	1,282,477	46,633	151,482	461,153	1,941,745
Commitments and contingencies					
Total liabilities and capitalization	$ 1,295,808	48,542	152,510	469,972	1,966,832

See accompanying independent auditors' report.

Schedule 1

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2014

(In thousands)

Assets	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Utility plant in service	$ 1,805,187	73,368	204,928	502,838	2,586,321
Accumulated depreciation	(639,329)	(28,177)	(66,109)	(260,968)	(994,583)
Net completed plant	1,165,858	45,191	138,819	241,870	1,591,738
Construction work-in-progress	21,908	265	3,375	110,652	136,200
Net utility plant	1,187,766	45,456	142,194	352,522	1,727,938
Cash	112,027	1,225	10,858	168,715	292,825
Accounts receivable, net	18,434	1,150	1,105	2,732	23,421
Regulatory assets	8,318	1,795	4,003	6,005	20,121
Other assets	168	6	96	89	359
Total assets	$ 1,326,713	49,632	158,256	530,063	2,064,664
Total Liabilities and Capitalization					
Liabilities:					
Accounts payable and accrued liabilities	$ 6,545	528	788	6,196	14,057
Workers' compensation actuarial liability	8,318	1,795	4,003	6,005	20,121
Total liabilities	14,863	2,323	4,791	12,201	34,178
Capitalization:					
Payable to U.S. Treasury	1,494,298	46,637	142,554	459,496	2,142,985
Accumulated net revenues (deficit)	(182,448)	672	10,911	58,366	(112,499)
Total capitalization	1,311,850	47,309	153,465	517,862	2,030,486
Commitments and contingencies					
Total liabilities and capitalization	$ 1,326,713	49,632	158,256	530,063	2,064,664

See accompanying independent auditors' report.

Schedule 2

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2015

(In thousands)

	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Operating revenues:					
Sales of electric power	$ 200,837	11,776	17,669	58,270	288,552
Other operating revenues	6,476	97	621	1,546	8,740
Total operating revenues	207,313	11,873	18,290	59,816	297,292
Operating expenses, excluding depreciation expense:					
Operations	26,958	2,306	5,756	32,150	67,170
Maintenance	33,570	2,218	3,850	1,748	41,386
Purchased power	22,082	1,394	—	—	23,476
Purchased transmission services	25,272	328	3,386	9,904	38,890
Total operating expenses, excluding depreciation expense	107,882	6,246	12,992	43,802	170,922
Depreciation expense	31,375	1,522	4,285	6,853	44,035
Total operating expenses	139,257	7,768	17,277	50,655	214,957
Net operating revenues	68,056	4,105	1,013	9,161	82,335
Interest expenses:					
Interest on payable to U.S. Treasury	68,286	2,240	5,805	10,987	87,318
Interest charged to construction	(932)	(11)	(70)	(5,635)	(6,648)
Net interest expenses	67,354	2,229	5,735	5,352	80,670
Net revenues (deficit)	$ 702	1,876	(4,722)	3,809	1,665

See accompanying independent auditors' report.

Schedule 2

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2014

(In thousands)

	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Operating revenues:					
Sales of electric power	$ 202,004	10,897	20,744	57,475	291,120
Other operating revenues	5,474	53	515	1,764	7,806
Total operating revenues	207,478	10,950	21,259	59,239	298,926
Operating expenses, excluding depreciation expense:					
Operations	30,551	2,170	6,900	29,418	69,039
Maintenance	23,902	1,928	3,182	3,068	32,080
Purchased power	10,588	2,013	—	—	12,601
Purchased transmission services	24,350	324	3,994	9,906	38,574
Total operating expenses, excluding depreciation expense	89,391	6,435	14,076	42,392	152,294
Depreciation expense	26,005	1,557	4,199	5,811	37,572
Total operating expenses	115,396	7,992	18,275	48,203	189,866
Net operating revenues	92,082	2,958	2,984	11,036	109,060
Interest expenses:					
Interest on payable to U.S. Treasury	69,650	2,401	5,762	17,786	95,599
Interest charged to construction	(759)	(8)	(67)	(13,393)	(14,227)
Net interest expenses	68,891	2,393	5,695	4,393	81,372
Net revenues (deficit)	$ 23,191	565	(2,711)	6,643	27,688

See accompanying independent auditors' report.

Schedule 3

SOUTHEASTERN FEDERAL POWER PROGRAM
Schedule of Amount and Allocation of Gross Utility Plant Investment (unaudited)
As of September 30, 2015
(In thousands)

Projects in service and other	Total	Allocated to: Power	Navigation	Flood risk management	Fish and wildlife	Recreation	Dam Safety	Other		Percent of total plant investment returnable from power revenue
Allatoona	$ 78,457	55,998	—	10,244	—	11,983	—	232	(a)	71.4%
Buford	100,684	81,471	2,147	4,756	—	12,310	—	—		80.9%
Carters	179,771	148,170	—	19,991	—	11,610	—	—		82.4%
J. Strom Thurmond	187,139	161,926	4,361	4,107	—	16,745	—	—		86.5%
Walter F. George	286,267	190,466	82,566	—	348	12,887	—	—		66.5%
Hartwell	207,904	176,249	4,016	15,966	—	11,673	—	—		84.8%
Robert F. Henry	—	—	—	—	—	—	—	—		0.0%
Millers Ferry/Henry	243,445	134,526	86,924	—	—	21,995	—	—		55.3%
West Point	173,738	86,684	2,719	22,236	13,950	48,149	—	—		49.9%
Richard B. Russell	904,462	790,691	—	874	—	112,897	—	—		87.4%
Marketing facilities	1,645	1,645	—	—	—	—	—	—		100.0%
Contributions in aid of construction	—	—	—	—	—	—	—	—		0.0%
Total GA-AL-SC System	2,363,512	1,827,826	182,733	78,174	14,298	260,249	—	232		77.3%
Jim Woodruff	123,441	73,440	42,019	—	—	7,982	—	—		59.5%
Marketing facilities	51	51	—	—	—	—	—	—		100.0%
Total Jim Woodruff System	123,492	73,491	42,019	—	—	7,982	—	—		59.5%
Barkley	227,069	66,702	126,391	25,455	—	8,521	—	—		29.4%
J. Percy Priest	72,826	15,930	—	27,160	—	29,736	—	—		21.9%
Cheatham	69,758	24,530	40,625	—	—	4,603	—	—		35.2%
Cordell Hull	98,240	46,402	17,605	—	—	27,695	—	6,538	(c)	47.2%
Old Hickory	84,502	49,707	30,161	—	—	4,634	—	—		58.8%
Center Hill	402,546	87,673	—	67,671	—	7,926	238,579	697	(b)	21.8%
Dale Hollow	46,280	29,995	—	14,038	—	2,247	—	—		64.8%
Wolf Creek	914,396	204,682	—	128,925	—	19,845	560,698	246	(b)	22.4%
Laurel	52,631	28,700	—	—	—	17,583	—	6,348	(c)	54.5%
Stonewall Jackson	—	—	—	—	—	—	—	—		0.0%
Marketing facilities	565	565	—	—	—	—	—	—		100.0%
Contributions in aid of construction	(586)	(586)	—	—	—	—	—	—		100.0%
Total Cumberland Basin System	1,968,227	554,300	214,782	263,249	—	122,790	799,277	13,829		28.2%
John H. Kerr	227,757	191,748	—	26,657	—	8,962	—	390	(a)	84.2%
Philpott	32,578	17,586	—	9,420	—	5,572	—	—		54.0%
Marketing facilities	308	308	—	—	—	—	—	—		100.0%
Total Kerr-Philpott System	260,643	209,642	—	36,077	—	14,534	—	390		80.4%
Total	$ 4,715,874	2,665,259	439,534	377,500	14,298	405,555	799,277	14,451		56.5%

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

See accompanying independent auditors' report.

NOTES

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