

southeastern power administration

2011

annual report

Contents

Fast Facts	2
Letter to the Secretary	3
Human Capital	4
Information Management	4
Energy Efficiency and Renewable Energy	4
Customer Funding.....	5
Marketing Objectives	6
Marketing Area	7
Mission, Vision and Organization	8
Rates & Repayments	9
Georgia-Alabama-South Carolina System.....	10
Kerr-Philpott System.....	12
Cumberland System.....	14
Jim Woodruff System	16
Customer Sales.....	18
Financial Overview, Financial Statements, and Independent Auditors' Report.....	21

Fast Facts

Administrator:	Kenneth E. Legg
Headquarters:	1166 Athens Tech Road Elberton, GA 30635-6711 Telephone: 706-213-3800 Fax: 706-213-3884
Website:	http://www.sepa.doe.gov
Number of Employees:	44
Marketing Area:	Alabama, Florida, Georgia, Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia
Customers:	Electric Cooperatives 198 Public Bodies 290 Investor-Owned Utilities 1 Total 489
Nameplate Generating Capacity:3,392 MW
Financial Data:	Power Revenues and Other Operating Revenues\$276 million Total Capital Investment\$2.5 billion Investment Remaining..... \$1.7 billion Cumulative Investment Repaid.....\$766 million Cumulative Interest Paid on Investment...\$1.8 billion

Letter to the Secretary

Dear Secretary Chu:

I am pleased to submit Southeastern Power Administration's (Southeastern) fiscal year (FY) 2011 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, 2010, and ending September 31, 2011.



This past year, Southeastern marketed approximately 6.2 billion kilowatt-hours of energy to 489 wholesale customers in 10 southeastern states. Revenues from the sale of this power totaled more than \$264 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 2011. This funding, which totaled more than \$45 million, provided much needed repairs and maintenance for aging projects in Southeastern's marketing area. Currently, there are more than 214 customers participating in the funding efforts in the

Georgia-Alabama-South Carolina, Kerr-Philpott, and Cumberland Systems of projects.

Drought conditions continued in the southeastern region of the United States this past year, particularly in the Savannah River Basin. Lack of rain placed strains on our natural and financial resources. Power purchases for FY 2011 totaled approximately \$38 million. About \$9 million of this amount was for replacement power, which is purchased only during adverse water conditions in order to meet Southeastern's customer contract requirements.

Southeastern's goal is to maximize the benefits of our region's water resources. Competing uses of these resources will present another challenging year for Southeastern's employees. With the cooperation and communication among the Department of Energy (DOE), preference customers, and Corps, I am certain Southeastern is positioned to meet these challenges in the future. We are committed to providing reliable hydroelectric power to preference customers, which ultimately serve more than 12 million consumers in the southeast.

Sincerely,

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

Kenneth E. Legg
Administrator

Human Capital

In FY 2011, Southeastern completed the preliminary phases for the development of a new Strategic Plan. This new plan will align with the DOE's goals and objectives published in their May 2011 plan. The agency's Strategic Planning Team anticipates producing a final document early in 2012. This plan will achieve DOE requirements for collective corporate planning and performance goals.

To maintain Southeastern's organizational effectiveness and to accomplish its mission, the agency continued to utilize its allocation of full-time employees in FY 2011. The agency continued to implement its succession plan and employee development initiatives in anticipation of turn-over among professional staff. In addition, all new hires acquired the necessary security clearances and certifications for Federal employment as mandated by the Office of Personnel Management, DOE, and Homeland Security.

Information Management

Southeastern's Information Management Team began testing virtual computing in FY 2011. This process separates the computer/server (software and operating system) from the physical hardware. Once the computer is virtualized, the computer then runs on a virtual machine which is a simulation of the physical hardware required. Multiple virtual machines can be run independently on a single physical machine.

This virtualization effort is in response to the DOE's initiative for data center consolidation and to reduce energy consumption within the DOE. Currently, Southeastern has several servers virtualized and is looking into personal computer virtualization where feasible.

Also, planning is underway to conduct an independent security controls assessment on Southeastern's Federal Information Security Management Act systems in preparation for authorization of the agency's computer systems in March 2012.

Energy Efficiency and Renewable Energy

In 2011, Southeastern's Energy Efficiency and Renewable Energy program supported the National Energy Policy Act by promoting energy efficiency and renewable energy education among preference customers in the southeast. Support of the program increased by 43 percent over the five-year average, and exceeded last year's level of support by over 70 percent.

In addition, Southeastern co-sponsored the Bonbright and the Southeastern Bio-Energy Conferences in FY 2011. The Bonbright Conference continues to be a premier energy symposium that promotes dialog among energy suppliers, regulators, and transmission providers.

Wind energy development efforts in the coastal and mountainous regions of North Carolina were enhanced in FY 2011 through Southeastern's partnership with the North Carolina Wind Working Group.

Southeastern continued to co-sponsor training to enhance marketing skills to more effectively serve large-load customers this past year, and continued its collaboration with customers throughout the southeast to enhance their energy efficiency programs.

Customer Funding

In FY 2011, Southeastern continued its efforts to coordinate customer funding for the aging hydroelectric projects. Non-routine maintenance and rehabilitation work has not occurred at the projects because of the lack of funding, therefore energy production and efficiency has not been optimized.

Section 212 of the Water Resources and Development Act of 2000 allowed the Corps to use funds provided by Southeastern's customers to carry out the operation, maintenance, rehabilitation, and modernization of hydroelectric generating facilities at water resource projects under the jurisdiction of the Department of the Army. From this public law, support from the preference customers, and coordination by the Corps and Southeastern, customer funding continues in the Georgia-Alabama-South Carolina, Cumberland, and Kerr-Philpott Systems. Southeastern is working diligently to implement this funding program in the Jim Woodruff System.

Georgia-Alabama-South Carolina System:

In February 2011, the Project Review Committee (PRC) approved Work Item No. 11, Microwave System Installation at West Point Powerhouse. The total funding requirement for this project was \$400,000. Funding for this Work Item was collected with Work Item No. 13.

Work Item No. 12 for the GA-ALA-SC System was approved by the PRC in March 2011. This sub-agreement consisted of six items listed below. Total funding for Work Item No. 12 was \$14,955,000.

Work Item No. 12 includes six work packages as follows:

West Point – station service transformer replacement	\$ 215,000
Thurmond – transmission line protection replacement	\$ 375,000
Savannah District – remote operation study	\$ 310,000
Mobile District – motor control centers installation	\$ 7,000,000
Savannah and Mobile Districts – SCADA upgrade phase two	\$ 2,530,000
Savannah and Mobile Districts – power plant print updates	\$ 4,525,000

In May 2011, the PRC approved Work Item No. 13, Station Service Transformer Replacement at Buford Powerhouse and Unit #3 Cavitation Repair at Jones Bluff Powerhouse. Maximum total funding requirement for this work item is \$3,415,000.

In July 2011, the PRC approved Work Item No. 14 – Unit 1 Turbine Repair at Carters Powerhouse in the amount of \$750,000. No funding needed to be collected for this work item due to the funds available from closed-out sub-agreements #2, 3, 4 and 6.

Kerr-Philpott System:

The PRC approved the funding of Work Item No. 3 – Replacement of 115 kV Oil Filled Cable System at the Kerr Project. Total amount of funding needed was \$521,000.

Cumberland System:

During FY 2011, the Project Coordination Committee, comprised of customer, Corps and Southeastern representatives, completed work on a multi-year Memorandum of Agreement (MOA). This MOA provides funding in the Cumberland System for non-routine hydroelectric facility maintenance, rehabilitation, and modernization activities. Currently, 23 customers are participating in the Cumberland System funding. Approximately \$69.4 million to date has been provided to the Corps.

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. Headquartered in Elberton, Georgia, Southeastern has the authority to market hydro-electric 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.

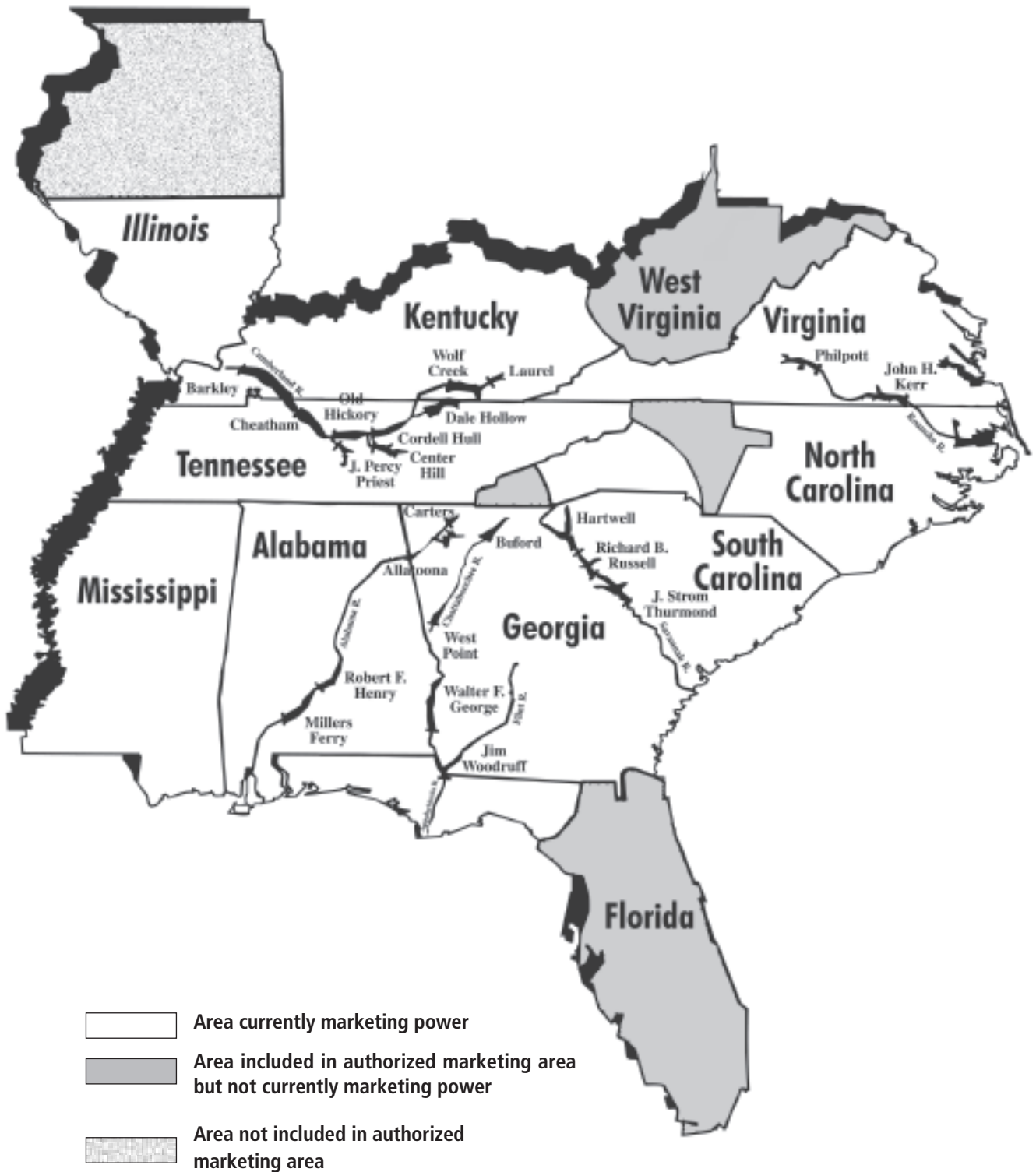
The objectives of Southeastern are to market the electric power and energy generated by the Federal reservoir projects and to encourage widespread use of the power at the lowest possible cost to consumers. Power rates are formulated based on sound financial principles. Preference in the sale of power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

Marketing Area



Mission, Vision and Organization

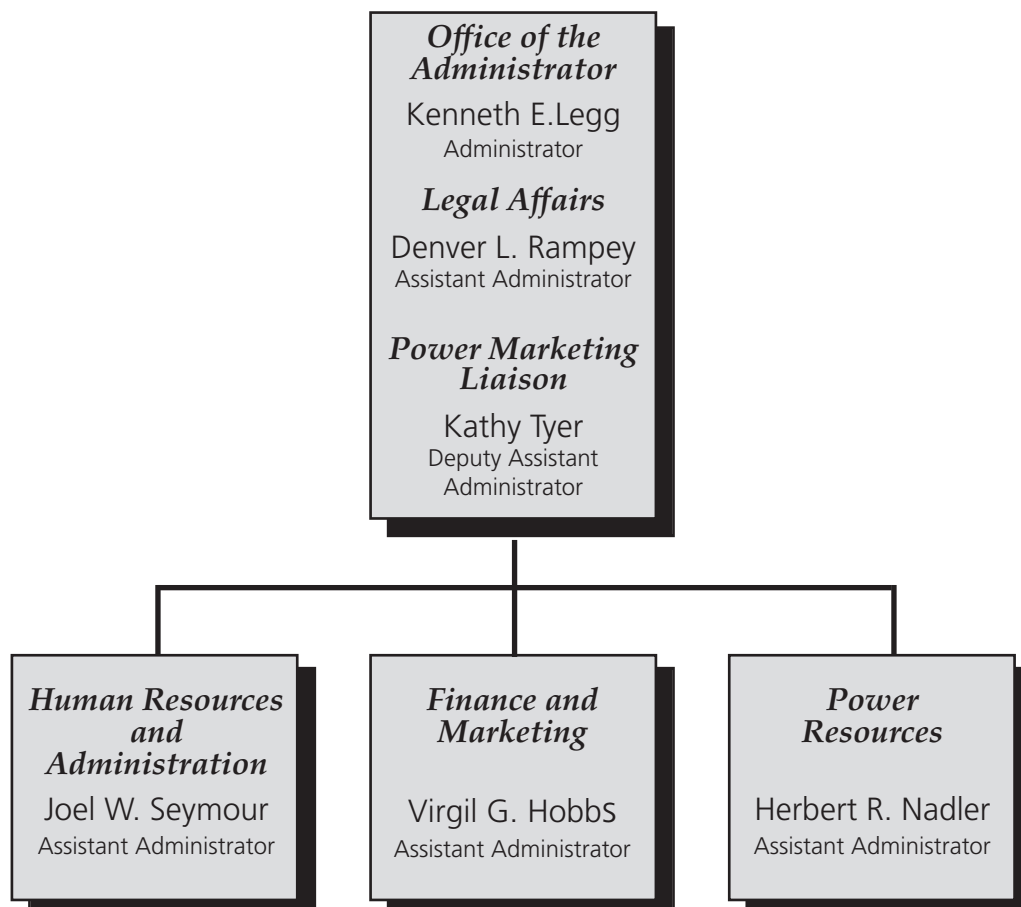
Mission Statement

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

Vision Statement

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

Organizational Chart



Rates and Repayments

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

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

Status of Repayment as of September 30, 2011 - Table 1

System	Initial Year of Repayment Studies	Cumulative Revenue \$	Cumulative Expenses and Interest \$	Total Investment to be Repaid \$	Investment Repaid to Date \$	Unpaid Balance of Investment \$
Georgia- Alabama- S. Carolina	1950	3,829	3,467	1,750	363	1,387
Jim Woodruff	1957	208	185	72	23	49
Cumberland	1949	1,384	1,093	425	290	134
Kerr-Philpott	1953	511	421	210	90	120
TOTAL		5,932	5,166	2,457	766	1,690

(Dollars in Millions)

Georgia-Alabama-South Carolina System

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 176 preference entities that serve 204 preference customers in Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina.

Generation

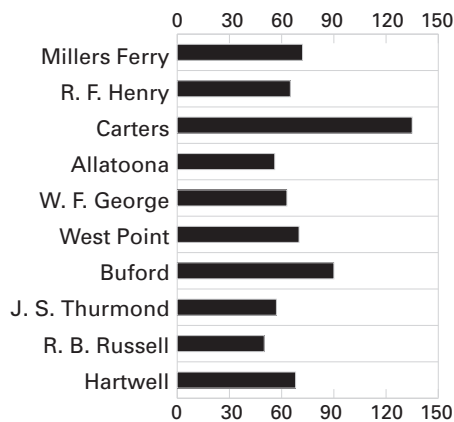
Generation for FY 2011 was 74% of average. Figure A illustrates the percent of average generation by project, and Figure B shows system generation for the years 2002 through 2011.

Financial Performance

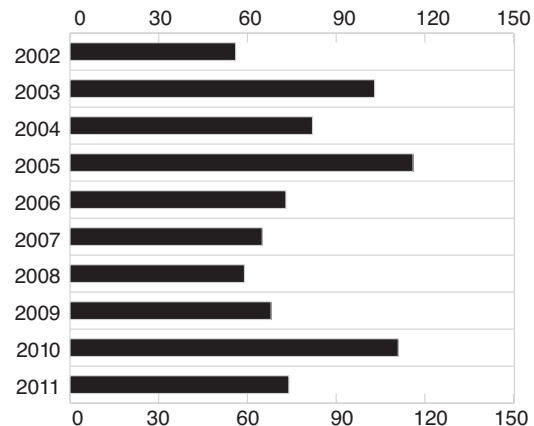
Total revenue for the Georgia-Alabama-South Carolina System in FY 2011 was \$200.5 million. Of this amount, \$191.5 million was derived from the sale of 2,853,413 megawatt-hours of energy and 2,184.2 megawatts of capacity. Total operating expenses, excluding depreciation, were \$116.7 million. Interest charged to Federal investment was \$68.2 million and repayment of the Federal investment was \$15.5 million. Figure C shows the revenue by source for this system, and Figure D shows the application of revenues.

Table 2 indicates the allocation of costs by project function for each project in the System, and Table 3 indicates the current rates. Current rates for the Georgia-Alabama-South Carolina System were approved on a final basis by FERC on June 30, 2011. Rate schedules are approved for the period October 1, 2010, through September 30, 2015.

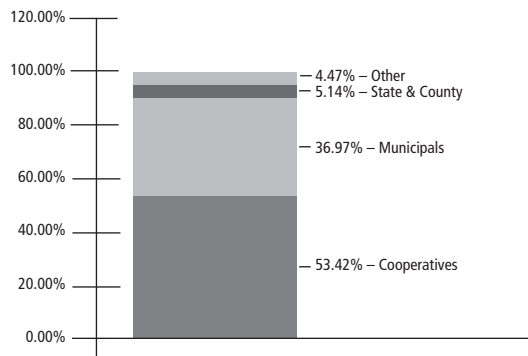
Actual Generation as a Percentage of Average Project Generation - Figure A



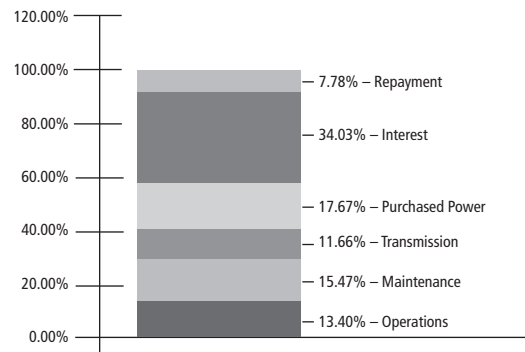
Actual Generation as a Percentage of Average System Generation - Figure B



FY 2011 Revenue by Source - Figure C



FY 2011 Application of Revenues - Figure D



Cost Allocation by Project Function as of September 30, 2011 (in thousands) - Table 2

Project	Total \$	Power %	Navigation %	Flood Risk Management %	Fish and Wildlife %	Recreation %	Water Supply %
Allatoona	72,209	69.92	—	14.05	—	15.71	0.32
Buford	99,099	80.78	2.12	4.71	—	12.39	—
Carters	175,225	82.00	—	11.38	—	6.62	—
J. Strom Thurmond	192,021	83.66	2.65	4.29	—	9.40	—
Walter F. George	279,079	65.65	29.65	—	0.12	4.57	—
Hartwell	207,242	85.57	1.82	6.96	—	5.64	—
Robert F. Henry/Millers Ferry	238,469	55.55	35.99	—	—	8.46	—
West Point	167,954	48.32	1.63	13.04	8.36	28.65	—
Richard B. Russell	891,275	87.04	—	0.10	—	12.86	—
Marketing Facilities	1,248	100.00	—	—	—	—	—
TOTAL-GA-AL-SC	2,323,821	76.86	7.84	3.45	0.62	11.22	0.01

Power Rates as of September 30, 2011 - Table 3

Capacity	4.19	\$/kW/Month
Energy	10.67	mills/kWh
Generation Services	0.12	\$/kW/Month

Respective rate schedules provide for a monthly pass-through of actual transmission, wheeling, and ancillary service expense.

Kerr-Philpott System

The Kerr-Philpott System consists of two projects – John H. Kerr on the Roanoke River and Philpott on the Smith River. Power generated at the projects is marketed to 76 preference customers in North Carolina and Virginia.

Generation

Generation for FY 2011 was 62% of average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 2002 through 2011.

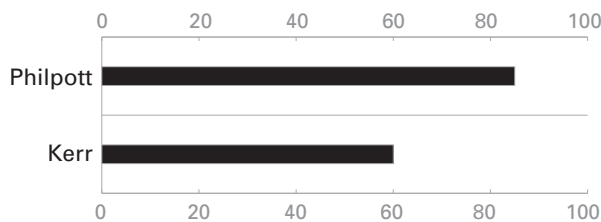
Financial Performance

Total revenue for the Kerr-Philpott System in FY 2011 was \$14.3 million. Of this amount, \$13.4 million was derived from the sale of 276,767 megawatt-hours of energy and 196.5 megawatts of capacity.

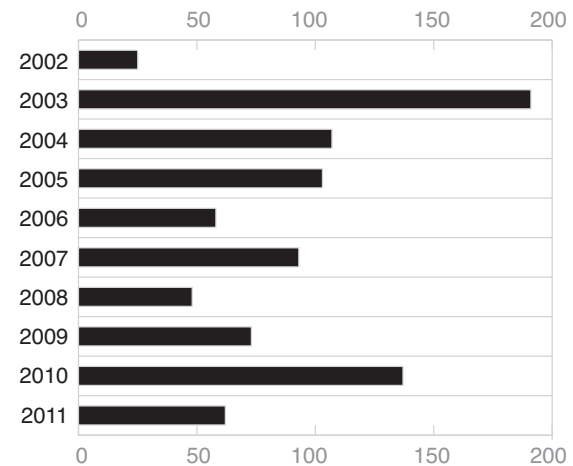
Total operating expenses, excluding depreciation, were \$10.3 million. Interest charged to Federal investment was \$4.9 million. The Kerr-Philpott System incurred a deficit of \$0.9 million in FY 2011. Figure G shows the revenue by source for the Kerr-Philpott System, and Figure H shows the application of revenues.

Table 4 indicates the allocation of costs by project function for each project in the System. Table 5 indicates the current rates. Current rates for the Kerr-Philpott System were approved on a final basis by FERC on March 11, 2011. The rate schedules are approved for the period October 1, 2010, through September 30, 2015.

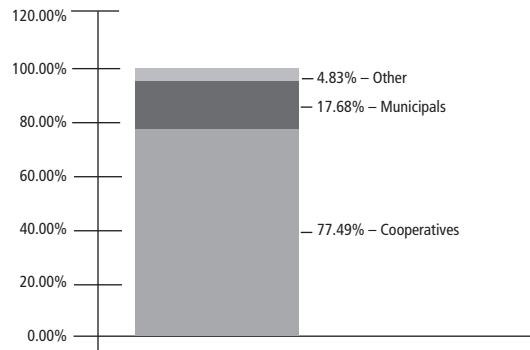
Actual Generation as a Percentage of Average Project Generation - Figure E



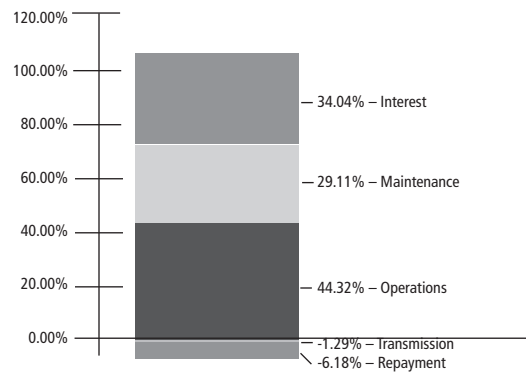
Actual Generation as a Percentage of Average System Generation - Figure F



FY 2011 Revenue by Source - Figure G



FY 2011 Application of Revenues - Figure H



Cost Allocation by Project Function as of September 30, 2011 (in thousands) - Table 4

Project	Total \$	Power %	Navigation %	Flood Risk Management %	Fish and Wildlife %	Recreation %	Water Supply %
John H. Kerr	215,323	84.10	—	11.86	—	3.87	0.17
Philpott	30,785	52.00	—	31.05	—	16.95	—
Marketing Facilities	234	100.00	—	—	—	—	—
TOTAL- Kerr-Philpott System	246,342	80.10	—	14.24	—	5.50	0.15

Power Rates as of September 30, 2011 - Table 5

Capacity	3.90	\$/kW/Month
Energy	15.71	mills/kWh

Respective rate schedules provide for a monthly pass-through of actual transmission and ancillary service expense.

Cumberland System

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 213 preference customers in Alabama, Georgia, Illinois, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia.

Generation

Generation for the system during FY 2011 was 99% of average. The percentage of average generation by project is shown in Figure I, and Figure J shows system generation for the years 2002 through 2011.

Financial Performance

Total revenue for the Cumberland System in FY 2011 was \$47.9 million. Of this amount, \$46.4 million was derived from the sale of 2,885,357 megawatt-hours of energy. Total operating expenses, excluding depreciation, were \$41.7 million. Interest charged to Federal investment was \$3.9 million and repayment was \$2.2 million. Figure K shows the revenue by source for the Cumberland System, and Figure L shows the application of revenues for this System.

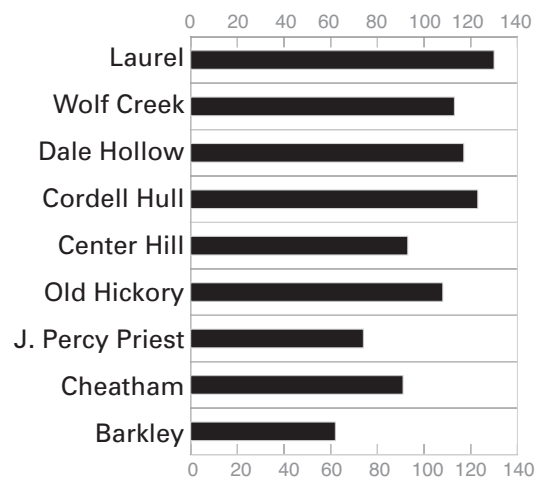
Table 6 indicates the allocation of costs by project function for each project in this System, and Table 7 indicates the current rates. Current rates for the Cumberland System were approved on an interim basis by the Deputy Secretary of Energy on September 12, 2011.

Cumberland System Dam Safety

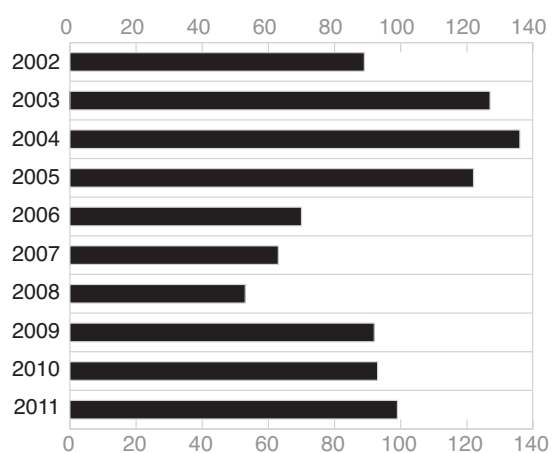
During FY 2011, Southeastern continued an interim operating strategy in the Cumberland System. Dam safety concerns at both the Wolf Creek and Center Hill projects have severely impacted Cumberland River Basin operations. These are the only storage projects in the basin, and as a result, Southeastern is unable to market dependable capacity. Restricted operations began in FY 2007 and are expected to continue through FY 2014.

In January 2007, the Corps lowered the elevation of the Wolf Creek and Center Hill projects in response to numerous studies conducted by dam safety experts which concluded the dams were at high risk for failure due to foundation deterioration. The Corps began a grouting program at both projects in an effort to fill the cavities and voids under the dams' foundations which are providing paths for seepage.

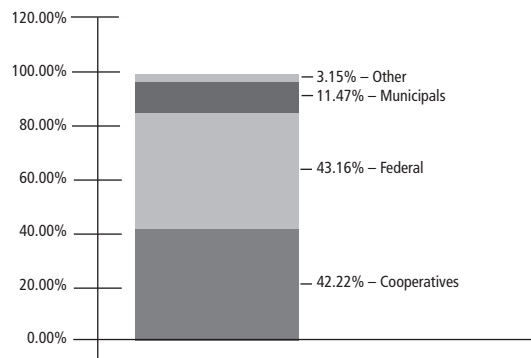
Actual Generation as a Percentage of Average Project Generation - Figure I



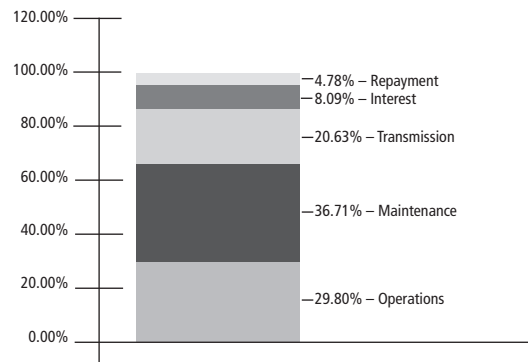
Actual Generation as a Percentage of Average System Generation - Figure J



FY 2011 Revenue by Source - Figure K



FY 2011 Application of Revenues - Figure L



Cost Allocation by Project Function as of September 30, 2011 (in thousands) - Table 6

Project	Total \$	Power %	Navigation %	Flood Risk Management %	Fish and Wildlife %	Recreation %	Other %
Barkley	203,260	25.86	58.34	11.68	—	4.12	—
J. Percy Priest	69,157	18.03	—	39.11	—	42.86	—
Cheatham	54,378	41.33	49.98	—	—	8.68	—
Cordell Hull	93,890	46.11	18.70	—	—	28.23	6.96
Old Hickory	74,735	55.98	37.84	—	—	6.18	—
Center Hill	213,756	48.07	—	47.85	—	3.75	0.33
Dale Hollow	39,336	63.78	—	31.21	—	5.01	—
Wolf Creek	626,723	56.46	—	40.36	—	3.14	0.04
Laurel	51,746	53.98	—	—	—	33.79	12.23
Marketing Facilities	429	100.00	—	—	—	—	—
Contributions in aid of construction	(586)	100.00	—	—	—	—	—
TOTAL- Cumberland System	1,426,824	47.81	13.43	29.32	—	8.48	0.97

Power Rates under the Interim Operating Plan as of September 30, 2011 - Table 7

Energy 12.67 mills/kWh

Respective rate schedules provide for a monthly pass-through of actual transmission expense.

Jim Woodruff System

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

Generation

Generation during FY 2011 was 80% of average. Figure M illustrates the project's generation for the years 2002 through 2011.

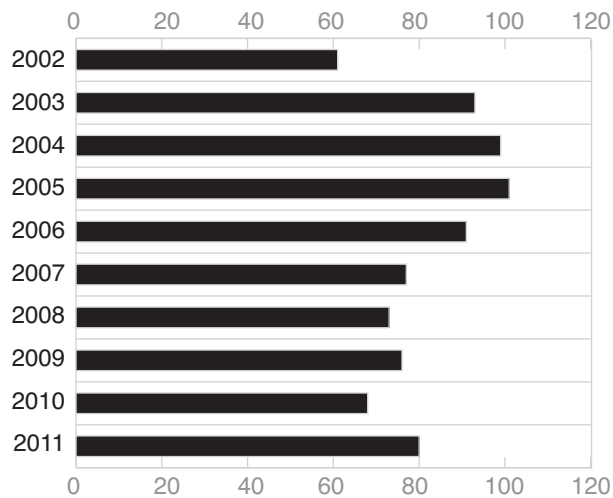
Financial Performance

Total revenue from the Jim Woodruff System was \$13.3 million in FY 2011. Of this amount, \$13.2 million was derived from the sale of 223,383 megawatt-hours of energy and 36 megawatts of capacity.

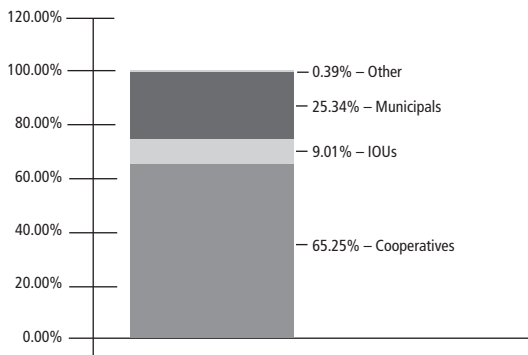
Total operating expenses, excluding depreciation, were \$7.6 million. Interest charged to the Federal investment was \$2.7 million and repayment of the Federal investment was \$2.9 million. Figure N shows the revenue by source for the System, and Figure O shows the application of revenues.

Table 8 indicates the allocation of costs by project function for the project in the System, and Table 9 indicates the current rates. Current rates for the Jim Woodruff System were approved on an interim basis by the Deputy Secretary of Energy on September 2, 2011.

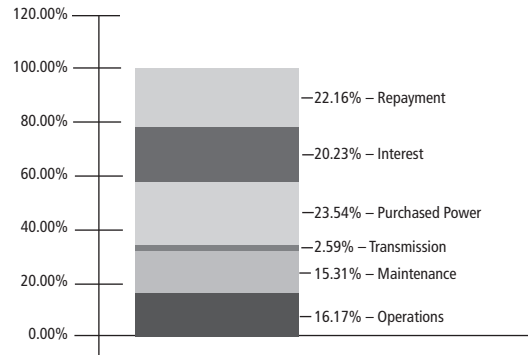
Actual Generation as a Percentage of Average System Generation - Figure M



FY 2011 Revenue by Source - Figure N



FY 2011 Application of Revenues - Figure O



Cost Allocation by Project Function as of September 30, 2011 (in thousands) - Table 8

Project	Total \$	Power %	Navigation %	Flood Risk Management %	Fish and Wildlife %	Recreation %	Water Supply %
Jim Woodruff	117,414	60.32	32.84	—	—	6.84	—
Marketing Facilities	39	100.00	—	—	—	—	—
TOTAL- Jim Woodruff System	117,453	60.32	32.84	—	—	6.84	—

Power Rates as of September 30, 2011 - Table 9

Capacity	10.29	\$/kW/Month
Energy	26.51	mills/kWh

Respective rate schedules provide for a monthly pass-through of net purchased power expense.

southeastern power administration 2011 annual report

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE (\$)
South Carolina			
Central Electric Power Cooperative	180,700	257,651,062	18,284,017.62
Little River EC	522	622,458	57,433.78
City of Abbeville	2,959	4,656,833	234,336.82
City of Clinton	2,975	1,799,829	190,202.50
City of Easley	8,656	12,747,648	705,041.53
City of Gaffney	6,986	10,294,118	569,136.56
City of Georgetown	5,300	7,312,679	534,833.68
City of Greenwood	11,404	18,110,870	1,029,287.14
City of Greer	9,159	13,544,601	747,145.86
City of Laurens	5,891	8,702,593	480,373.04
City of Newberry	3,277	1,982,114	209,501.95
City of Orangeburg	13,779	16,485,428	1,514,225.59
City of Rock Hill	19,115	28,150,045	1,556,929.14
City of Seneca	2,688	1,256,150	175,332.69
City of Union	3,484	2,108,297	222,755.38
City of Westminster	678	409,743	43,338.19
Town of Bamberg	2,300	3,134,005	231,162.81
Town of Due West	285	222,607	23,220.85
Town of McCormick	522	608,517	57,339.05
Town of Prosperity	602	1,152,551	64,281.62
Town of Winnsboro	1,366	1,582,145	149,790.90
South Carolina PSA	135,000	142,069,420	10,303,977.39
South Carolina Total	417,648	534,603,713	37,383,664.09
Georgia-Alabama-South Carolina System			
	2,184,232	2,853,413,718	191,561,856.29
Kerr-Philpott System			
North Carolina			
Albemarle EMC	2,593	4,162,367	168,790.19
Brunswick EMC	3,515	5,842,479	262,857.68
Carteret-Craven EMC	2,735	4,495,606	203,761.50
Central EMC	1,239	2,059,410	92,654.47
Edgecombe-Martin County EMC	4,155	6,752,258	272,103.87
Four County EMC	4,198	6,977,735	313,933.57
Halifax EMC	2,606	4,252,992	176,026.24
Jones-Onslow EMC	5,184	8,616,617	387,668.20
Lumbee River EMC	3,729	6,198,180	278,860.93
Pee Dee EMC	2,968	4,933,279	221,952.09
Piedmont EMC	1,086	1,813,260	81,337.24
Pitt & Greene EMC	1,580	2,626,209	118,155.16
Randolph EMC	3,608	5,997,062	269,812.36
Roanoke EMC	5,528	8,925,360	360,866.51
South River EMC	6,119	10,170,736	457,589.29
Tideland EMC	3,098	5,055,100	209,110.36
Tri-County EMC	3,096	5,146,038	231,524.23
Wake EMC	2,164	3,596,908	161,827.56
City of Elizabeth City	2,073	1,595,773	115,177.23
City of Kinston	1,466	1,128,509	89,721.03
City of Laurinburg	415	319,461	25,398.52
City of Lumberton	895	688,959	54,775.15
City of New Bern	1,204	926,826	73,686.31
City of Rocky Mount	2,538	1,953,723	155,328.82
City of Washington	2,703	2,080,741	165,427.11
City of Wilson	2,950	2,270,876	180,543.92
Fayetteville Public Works Commission	5,431	4,180,722	332,384.15
Greenville Utilities Commission	7,534	5,799,589	461,090.48
Town of Apex	145	111,620	8,874.20
Town of Ayden	208	160,117	12,729.90
Town of Belhaven	182	140,102	10,112.03
Town of Benson	120	92,373	7,344.16
Town of Clayton	161	123,935	9,853.42
Town of Edenton	775	596,586	43,059.49
Town of Enfield	259	196,209	12,440.40
Town of Farmville	237	182,440	14,504.72
Town of Fremont	60	46,187	3,672.05
Town of Hamilton	40	30,791	2,222.40
Town of Hertford	203	156,269	11,278.86
Town of Hobgood	46	35,411	2,555.80
Town of Hookerton	30	23,094	1,836.05
Town of La Grange	93	71,590	5,691.75
Town of Louisville	857	1,432,390	64,204.57
Town of Pikeville	40	30,791	2,448.08
Town of Red Springs	117	90,066	7,160.57
Town of Robersonville	232	178,591	12,890.07
Town of Scotland Neck	304	234,016	16,890.44
Town of Selma	183	140,872	11,199.83
Town of Smithfield	378	290,979	23,134.08
Town of Tarboro	2,145	1,651,198	119,177.60
Town of Wake Forest	149	114,698	9,119.01
Town of Windsor	331	250,550	18,349.65
North Carolina Total	93,705	124,947,650	6,353,113.30

CUSTOMER	CAPACITY (kW)	ENERGY (kWh)	REVENUE (\$)
Virginia			
B-A-R-C EC	3,740	6,034,346	271,808.72
Central Virginia EC	7,956	12,911,826	579,102.43
Community EC	4,230	6,834,480	307,609.15
Craig-Botetourt EC	1,692	2,748,916	123,258.45
Mecklenburg EMC	11,344	18,477,756	827,901.42
Northern Neck EC	3,944	6,341,331	286,195.20
Northern Virginia EC	3,268	5,300,007	238,093.79
Prince George EC	2,530	4,067,843	183,588.72
Rappahannock EC	22,427	36,258,711	1,631,367.25
Shenandoah Valley EMC	9,938	16,160,916	724,760.76
Southside EC	14,575	23,621,014	1,061,333.08
City of Bedford	1,200	913,849	57,558.40
City of Danville	5,600	4,264,635	268,606.00
City of Franklin	1,003	759,212	55,603.15
City of Martinsville	1,600	1,218,467	76,744.57
City of Radford	1,300	987,313	62,262.45
City of Salem	2,200	1,670,843	105,367.31
Harrisonburg Electric Commission	2,691	2,063,552	149,699.56
Town of Blackstone	389	294,449	21,564.90
Town of Culpepper	391	299,833	21,751.25
Town of Elkton	171	129,437	9,479.70
Town of Richlands	500	380,772	23,982.71
Town of Wakefield	106	80,235	5,876.30
Virginia Total	102,795	151,819,743	7,093,515.27
Kerr-Philpott System Total			
	196,500	276,767,393	13,446,628.57
Jim Woodruff System			
Florida			
Central Florida EC	2,300	10,893,100	709,797.71
Suwannee Valley EC	4,800	23,134,742	1,494,187.18
Talquin EC	13,500	81,349,942	4,724,612.62
Tri-County EC	5,200	28,479,903	1,728,294.48
City of Chattahoochee	1,800	10,365,140	614,506.05
City of Quincy	8,400	44,634,616	2,747,880.14
Florida Power Corporation	-	24,525,798	1,195,419.12
Jim Woodruff System Total	36,000	223,383,241	13,214,697.30
Cumberland System			
Southern Illinois Power Cooperative	-	63,643,000	1,298,957.41
Kentucky			
Big Rivers Electric Corporation	-	403,751,000	8,246,770.01
East Kentucky Power Cooperative	-	366,454,000	7,633,473.94
City of Barbourville	-	5,949,510	114,113.42
City of Bardstown	-	6,076,614	116,490.75
City of Bardwell	-	1,465,741	28,062.45
City of Benham	-	670,672	12,907.67
City of Corbin	-	7,025,829	134,749.14
City of Falmouth	-	1,595,550	30,570.06
City of Frankfort	-	42,244,225	810,009.25
City of Henderson	-	27,329,000	557,372.99
City of Madisonville	-	21,101,831	404,651.71
City of Nicholasville	-	6,912,247	132,543.13
City of Owensboro	-	67,608,062	1,296,368.23
City of Paris	-	3,688,696	70,704.21
City of Providence	-	3,329,023	63,846.28
City of Princeton	-	1,616,216	29,335.39
City of Paducah	-	11,277,784	204,699.59
Kentucky Total	-	978,096,000	19,886,668.22
Mississippi			
South Mississippi EPA	-	114,644,000	2,349,728.36
Mississippi Delta Energy Agency	-	25,030,000	514,438.78
Municipal Energy Agency of Mississippi	-	42,038,000	863,099.18
Mississippi Total	-	181,712,000	3,727,266.32
North Carolina			
French Broad EMC	-	19,480,559	544,255.76
Haywood EMC	-	5,701,629	159,259.35
Town of Waynesville	-	4,038,652	112,820.64
North Carolina Total	-	29,220,840	816,335.75
Tennessee Valley Authority	-	1,632,686,000	20,686,131.62
Cumberland System Total	-	2,885,357,840	46,415,359.32

(page intentionally left blank)

southeastern power administration

2011

annual report

2011
financial overview
and
financial statements

(page intentionally left blank)

2011 Financial Overview & Financial Statements

Contents

Financial Overview and Program Performance	25
Independent Auditors' Report	29
Combined Financial Statements:	
Combined Balance Sheets as of September 30, 2011 and 2010.....	31
Combined Statements of Revenue and Expenses for the years ended September 30, 2011 and 2010	32
Combined Statements of Changes in Capitalization for the years ended September 30, 2011 and 2010	33
Combined Statements of Cash Flows for the years ended September 30, 2011 and 2010	34
Notes to the Combined Financial Statements – September 30, 2011 and 2010	35
Schedules:	
1 – Combining Schedules of Balance Sheet Data as of September 30, 2011 and 2010	44
2 – Combining Schedules of Revenues and Expenses Data as of September 30, 2011 and 2010	46
3 – Schedule of Amount and Allocation of Gross Utility Plant Investment (unaudited)	48

(page intentionally left blank)

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. 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, 2011, 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 2011, Southeastern marketed 6.2 billion kilowatt-hours of energy to 489 wholesale customers. The Program's revenues totaled \$276 million, \$21 million more than in FY 2010.

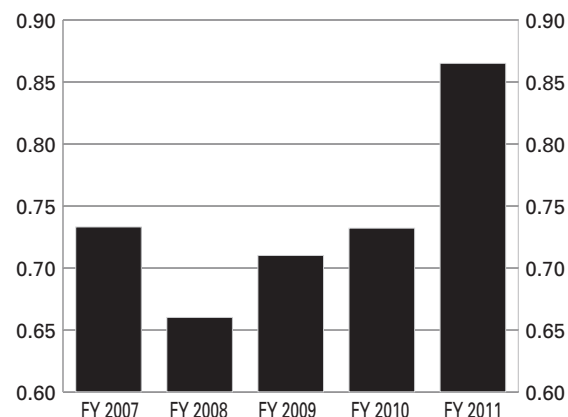
Financial Performance Debt Service Coverage Ratio

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

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

Over the last five years, the Program's debt service ratio has ranged from about 0.664 to 0.865. The Program's debt service ratio for FY 2007 through FY 2011 was below normal due to adverse water conditions. FY 2010 was below normal due to higher than expected Corps' maintenance expenses as a result of American Recovery and Reinvestment Act appropriations. FY 2011 was below normal due to streamflow conditions. The Program's debt service coverage ratio for fiscal years 2007-2011 is illustrated in Figure P.

**Debt Service Coverage Ratio -
Figure P**



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

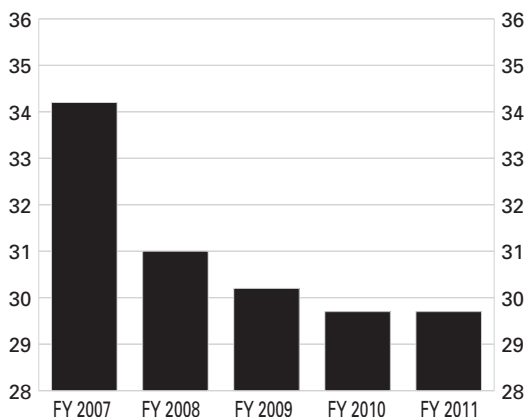
This indicator is a cumulative cash flow measure. It measures the cumulative principal payments made relative to the total Federal investment to date. During a period of capital expansion, this ratio would tend to decrease, whereas increases in cumulative payments over time would be expected for a mature system. Thus, a system with little time remaining in its repayment period would be expected to have a ratio of cumulative principal payments relative to total Federal investment that approaches 100%. This indicator provides useful information by showing the relationship between the cumulative amount of principal paid to date by 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. Over the last five years, the Program's principal payments as a percentage of total investment have declined from 34.2% to 29.7%. This is due to an increase in the power investment and a lack of repayment due to drought conditions. Payments as a percent of total investment are illustrated in Figure Q.

Percent Variance of Actual from Planned Principal Payment

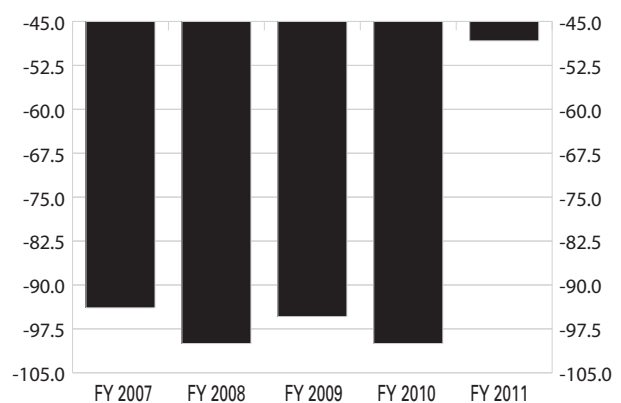
The Power Marketing Administrations show relatively large fluctuations between actual and planned revenues due to the high variability of water over the years analyzed. A negative number means that actual repayment is not as large as expected. A positive number means that actual repayment is larger than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

The Program's -93.9% ratio in 2007, -100% in 2008, and -95% in 2009 were the result of below average streamflow conditions, as illustrated in Figure R. The -100% ratio in 2010 was due to higher than expected Corps' operation and maintenance expenses. The FY 2011 ratio of -48.3% was also due to streamflow conditions.

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



Percent Variance of Actual From Planned Principal Payments - Figure R



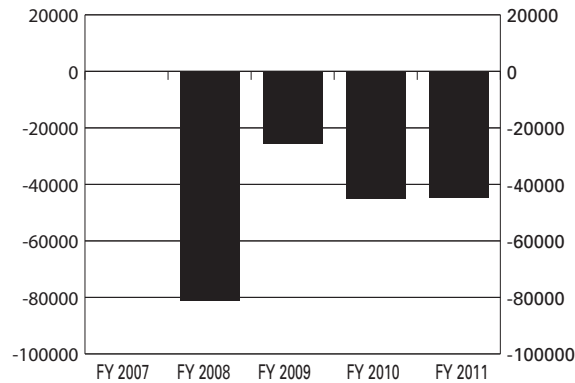
Net Cash to the Treasury

Net cash flow to the Treasury measures the actual net cash flow, both inflows and outflows, to the U.S. Treasury, excluding revenue from the Tennessee Valley Authority (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 Treasury excluded revenue from and expenses paid to Federal entities, such as TVA. Net cash flow to the U.S. Treasury is illustrated in Figure S.

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





KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

Independent Auditors' Report

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

We have audited the accompanying combined balance sheet of the Southeastern Federal Power Program (the Program) as of September 30, 2011, and the related combined statements of revenues and expenses, changes in capitalization, and cash flows for the year then ended. As described in note 1(a) to the combined financial statements, the combined financial statement presentation includes the hydroelectric generation functions of another federal agency (the generating agency) for which Southeastern Power Administration (Southeastern), a component of the U.S. Department of Energy (DOE), markets the related power. These combined financial statements are the responsibility of Program management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The accompanying combined financial statements as of and for the year ended September 30, 2010 were audited by other auditors whose report thereon, dated January 28, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the Program's combined financial statements taken as a whole. The 2011 supplementary information in schedules 1 through 3 is presented for purposes of additional analysis of the combined financial statements and is not a required part of the 2011 basic combined financial statements. The 2011 supplementary information in schedules 1 and 2 has been subjected to the auditing procedures applied in the audit of the 2011 combined financial statements and, in



our opinion, is fairly presented, in all material respects, in relation to the combined financial statements taken as a whole. The supplementary information in schedule 3 has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we express no opinion on it.

KPMG LLP

March 2, 2012

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Balance Sheets

September 30, 2011 and 2010

(In thousands)

Assets	2011	2010
Utility plant in service	\$ 2,404,596	2,342,980
Accumulated depreciation	(918,109)	(878,546)
Net completed plant	1,486,487	1,464,434
Construction work in progress	331,759	258,890
Net utility plant	1,818,246	1,723,324
Cash	203,471	215,809
Accounts receivable, net	27,470	26,242
Regulatory assets	13,513	13,456
Other assets	455	585
Total assets	<u>\$ 2,063,155</u>	<u>1,979,416</u>
Total Liabilities and Capitalization		
Liabilities:		
Accounts payable and accrued liabilities	\$ 26,730	26,363
Workers' compensation actuarial liability	13,513	13,456
Total liabilities	<u>40,243</u>	<u>39,819</u>
Capitalization:		
Payable to U.S. Treasury	2,226,877	2,121,280
Accumulated net deficit	(203,965)	(181,683)
Total capitalization	2,022,912	1,939,597
Commitments and contingencies (note 5)		
Total liabilities and capitalization	<u>\$ 2,063,155</u>	<u>1,979,416</u>

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Revenues and Expenses

Years ended September 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Sales of electric power	\$ 264,639	246,897
Other operating revenues	11,410	7,777
Total operating revenues	<u>276,049</u>	<u>254,674</u>
Operating expenses, excluding depreciation expense:		
Operations	49,646	57,410
Maintenance	54,825	64,579
Purchased power	38,549	19,565
Purchased transmission services	33,428	36,665
Total operating expenses, excluding depreciation expense	<u>176,448</u>	<u>178,219</u>
Depreciation expense	<u>42,215</u>	<u>38,981</u>
Total operating expenses	<u>218,663</u>	<u>217,200</u>
Net operating revenues	<u>57,386</u>	<u>37,474</u>
Interest expenses:		
Interest on payable to U.S. Treasury	93,415	87,883
Interest charged to construction	(13,747)	(9,479)
Net interest expenses	<u>79,668</u>	<u>78,404</u>
Net deficit	<u>\$ (22,282)</u>	<u>(40,930)</u>

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Changes in Capitalization

Years ended September 30, 2011 and 2010

(In thousands)

	<u>Payable to U.S. Treasury</u>	<u>Accumulated net deficit</u>	<u>Total capitalization</u>
Total capitalization as of September 30, 2009:	\$ 2,046,320	(140,753)	1,905,567
Additions:			
Congressional appropriations	164,522	—	164,522
Interest	87,883	—	87,883
Transfers of property and services, net	4,908	—	4,908
Total additions to capitalization	<u>257,313</u>	<u>—</u>	<u>257,313</u>
Deductions:			
Payments to U.S. Treasury	(182,353)	—	(182,353)
Total deductions to capitalization	<u>(182,353)</u>	<u>—</u>	<u>(182,353)</u>
Net deficit for the year ended September 30, 2010	<u>—</u>	<u>(40,930)</u>	<u>(40,930)</u>
Total capitalization as of September 30, 2010	<u>2,121,280</u>	<u>(181,683)</u>	<u>1,939,597</u>
Additions:			
Congressional appropriations	150,935	—	150,935
Interest	93,415	—	93,415
Transfers of property and services, net	4,368	—	4,368
Total additions to capitalization	<u>248,718</u>	<u>—</u>	<u>248,718</u>
Deductions:			
Payments to U.S. Treasury	(143,121)	—	(143,121)
Total deductions to capitalization	<u>(143,121)</u>	<u>—</u>	<u>(143,121)</u>
Net deficit for the year ended September 30, 2011	<u>—</u>	<u>(22,282)</u>	<u>(22,282)</u>
Total capitalization as of September 30, 2011	<u>\$ 2,226,877</u>	<u>(203,965)</u>	<u>2,022,912</u>

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Cash Flows

Years ended September 30, 2011 and 2010

(In thousands)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Net deficit	\$ (22,282)	(40,930)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	42,215	38,981
Interest on payable to U.S. Treasury	79,668	78,404
Unfunded retirement benefits	4,379	4,546
(Increase) decrease in assets:		
Accounts receivable, net	(1,228)	1,684
Other assets	130	4,186
Increase in liabilities:		
Accounts payable and accrued liabilities	367	12,169
Net cash provided by operating activities	<u>103,249</u>	<u>99,040</u>
Cash flows from investing activities:		
Investment in utility plant	(123,390)	(104,433)
Cash flows from financing activities:		
Congressional appropriations	150,935	164,522
Payments to U.S. Treasury	(143,121)	(182,353)
Transfers from (to) other federal agencies, net	(11)	362
Net cash provided by (used in) financing activities	<u>7,803</u>	<u>(17,469)</u>
Net decrease in cash	(12,338)	(22,862)
Cash, beginning of year	<u>215,809</u>	<u>238,671</u>
Cash, end of year	<u>\$ 203,471</u>	<u>215,809</u>
Supplemental disclosures:		
Cash paid for interest	\$ 79,668	78,404
Interest charged to construction	13,747	9,479

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

(1) Organization and Basis of Presentation

The Southeastern Federal Power Program (the "Program") consists of all activities associated with the production, transmission, and disposition of all federal power marketed under Section 5 of the Flood Control Act of 1944 (the "Flood Control Act") in the 10 states of Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. The accompanying combined financial statements of the Program include the accounts of two separate federal government agencies—the Southeastern Power Administration ("Southeastern"), an agency of the United States Department of Energy ("DOE"), and the 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 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 properties 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, 2011, the four power systems include 22 hydroelectric generating projects owned and operated by the Corps of Engineers. The projects serve multiple purposes, including hydropower, recreation, environmental stewardship, navigation, and flood risk management. 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 nonpower 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.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

(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 nonpower purposes based on project cost allocations.

(c) Operating Revenues

Operating revenues are recorded on an accrual basis as services are rendered. 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 non-federal 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 gross, 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 FASB 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 supply revenue and headwater benefits attributable to the power function, and other miscellaneous revenue.

Accounts receivable, net represents amounts billed to customers but not collected, net of the related allowance of \$0 as of September 30, 2011 and 2010. 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.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

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 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.

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, 2011, the Jim Woodruff and Cumberland power systems were awaiting final rate approval; these power systems received final rate approval in December 2011. There were no revenues subject to refund.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

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. There were no material asset retirements or asset retirement obligations as of September 30, 2011.

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 combined power systems 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, and vehicles. Moveable equipment is currently depreciated using the straight-line method over the estimated service lives ranging from 3 to 20 years. Moveable equipment is classified as other assets on the combined balance sheets.

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. Southeastern and the Corps maintain all assets under established maintenance protocols to ensure the highest level of reliability.

Construction appropriations for power generating facilities have been authorized by Congress through fiscal year 2011. Delays or cancellations of these projects could result from congressional suspension or termination of appropriations.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

(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 2.5% to 6.25% for the years ended September 30, 2011 and 2010.

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 4.00% to 5.75% for the years ended September 30, 2011 and 2010, 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 eliminates 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 11.2%, 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 \$3.9 million and \$3.8 million for the years ended September 30, 2011 and 2010, 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 \$4.4 million and \$4.6 million of annual pension and retirement benefits expense for the years ended September 30, 2011 and 2010, 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 \$6,027 and \$5,906 per employee in fiscal years 2011 and 2010, respectively, and FEGLI is based on 0.02% of base salary for each employee enrolled in these programs.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

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 FASB ASC Topic 815, *Derivatives and Hedging*, subsequently updated by ASU No. 2010-11, *Scope Exceptions 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 statement 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, 2011 and 2010, 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.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

(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 \$13.5 million as of September 30, 2011 and 2010.

(m) Fair Value of Financial Instruments

FASB 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, excluding moveable equipment, approximates the fair value of these instruments. The fair value 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.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

(o) Reclassifications

Certain 2010 amounts have been reclassified to conform to the current year presentation.

(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 2011, except for \$7.7 million at the Jim Woodruff power system, \$5.2 million at the Kerr-Philpott power system, \$5.3 million in the Cumberland power system, and \$24.5 million at the Georgia-Alabama-South Carolina power system. 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 preliminary cost allocation studies based on project evaluation standards approved by Congress.

(4) Utility Plant

Utility plant as of September 30, 2011 and 2010 consists of the following (in thousands):

	<u>2011</u>	<u>2010</u>
Utility plant:		
Structures and facilities	\$ 1,977,451	1,917,871
Buildings	46,416	45,111
Land	361,596	361,589
Movable equipment	19,133	18,409
	<u>2,404,596</u>	<u>2,342,980</u>
Gross completed plant		
Accumulated depreciation	(918,109)	(878,546)
	<u>1,486,487</u>	<u>1,464,434</u>
Net completed plant		
Construction work-in-progress	331,759	258,890
Net utility plant	<u>\$ 1,818,246</u>	<u>1,723,324</u>

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, 2011 and 2010, contributed plant, net, used in the Program's operations totaled \$586,162.

SOUTHEASTERN FEDERAL POWER PROGRAM

Notes to Combined Financial Statements

September 30, 2011 and 2010

(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 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):

September 30:	Purchased power	Purchased transmission services	Total
2012	\$ 1,000	36,950	37,950
2013	1,000	38,061	39,061
2014	1,000	39,229	40,229
2015	1,000	40,458	41,458
2016	1,000	41,746	42,746
	<u>\$ 5,000</u>	<u>196,444</u>	<u>201,444</u>

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 through the date the combined financial statements which were available to be issued on March 2, 2012, and identified no subsequent events requiring disclosure.

Schedule 1

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2011

(In thousands)

Assets	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Utility plant in service	\$ 1,729,873	67,908	192,314	414,501	2,404,596
Accumulated depreciation	(595,039)	(23,693)	(54,530)	(244,847)	(918,109)
Net completed plant	1,134,834	44,215	137,784	169,654	1,486,487
Construction work in progress	56,180	2,960	5,012	267,607	331,759
Net utility plant	1,191,014	47,175	142,796	437,261	1,818,246
Cash	68,715	2,810	16,141	115,805	203,471
Accounts receivable, net	17,508	1,611	7,169	7,169	27,470
Regulatory assets	3,970	1,872	3,103	4,568	13,513
Other assets	220	7	121	107	455
Total assets	\$ 1,281,427	53,475	163,343	564,910	2,063,155
Total Liabilities and Capitalization					
Liabilities:					
Accounts payable and accrued liabilities	\$ 9,921	651	798	15,360	26,730
Workers' compensation actuarial liability	3,970	1,872	3,103	4,568	13,513
Total liabilities	13,891	2,523	3,901	19,928	40,243
Capitalization:					
Payable to U.S. Treasury	1,519,703	55,944	141,331	509,899	2,226,877
Accumulated net deficit	(252,167)	(4,992)	18,111	35,083	(203,965)
Total capitalization	1,267,536	50,952	159,442	544,982	2,022,912
Commitments and contingencies					
Total liabilities and capitalization	\$ 1,281,427	53,475	163,343	564,910	2,063,155

See accompanying independent auditors' report.

Schedule 1

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2010

(In thousands)

	Assets					Total
	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland		
Utility plant in service	\$ 1,702,622	66,532	168,634	405,192		2,342,980
Accumulated depreciation	(566,304)	(22,452)	(50,270)	(239,520)		(878,546)
Net completed plant	1,136,318	44,080	118,364	165,672		1,464,434
Construction work in progress	39,646	438	24,406	194,400		258,890
Net utility plant	1,175,964	44,518	142,770	360,072		1,723,324
Cash	95,387	6,013	16,155	98,254		215,809
Accounts receivable, net	15,329	1,803	625	8,485		26,242
Regulatory assets	3,839	2,723	2,156	4,738		13,456
Other assets	197	7	282	99		585
Total assets	\$ 1,290,716	55,064	161,988	471,648		1,979,416
Total Liabilities and Capitalization						
Liabilities:						
Accounts payable and accrued liabilities	\$ 12,875	1,056	6,158	6,274		26,363
Workers' compensation actuarial liability	3,839	2,723	2,156	4,738		13,456
Total liabilities	16,714	3,779	8,314	11,012		39,819
Capitalization:						
Payable to U.S. Treasury	1,510,628	57,970	130,316	422,366		2,121,280
Accumulated net deficit	(236,626)	(6,685)	23,358	38,270		(181,683)
Total capitalization	1,274,002	51,285	153,674	460,636		1,939,597
Commitments and contingencies						
Total liabilities and capitalization	\$ 1,290,716	55,064	161,988	471,648		1,979,416

See accompanying independent auditors' report.

Schedule 2

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2011

(In thousands)

	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Operating revenues:					
Sales of electric power	\$ 191,562	13,215	13,447	46,415	264,639
Other operating revenues	8,961	52	889	1,508	11,410
Total operating revenues	200,523	13,267	14,336	47,923	276,049
Operating expenses, excluding depreciation expense:					
Operations	26,864	2,145	6,354	14,283	49,646
Maintenance	31,029	2,032	4,171	17,593	54,825
Purchased power	35,426	3,123	—	—	38,549
Purchased transmission services	23,385	344	(185)	9,884	33,428
Total operating expenses, excluding depreciation expense	116,704	7,644	10,340	41,760	176,448
Depreciation expense	31,132	1,247	4,361	5,475	42,215
Total operating expenses	147,836	8,891	14,701	47,235	218,663
Net operating revenues	52,687	4,376	(365)	688	57,386
Interest expenses:					
Interest on payable to U.S. Treasury	70,654	2,755	4,672	15,334	93,415
Interest charged to construction	(2,426)	(72)	210	(11,459)	(13,747)
Net interest expenses	68,228	2,683	4,882	3,875	79,668
Net deficit	\$ (15,541)	1,693	(5,247)	(3,187)	(22,282)

See accompanying independent auditors' report.

Schedule 2

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2010

(In thousands)

	GA-AL-SC	Jim Woodruff	Kerr-Philpott	Cumberland	Total
Operating revenues:					
Sales of electric power	\$ 170,517	13,244	19,023	44,113	246,897
Other operating revenues	5,119	59	966	1,633	7,777
Total operating revenues	175,636	13,303	19,989	45,746	254,674
Operating expenses, excluding depreciation expense:					
Operations	34,701	1,822	6,365	14,522	57,410
Maintenance	36,001	3,384	5,094	20,100	64,579
Purchased power	13,850	4,679	1,036	—	19,565
Purchased transmission services	23,362	323	3,135	9,845	36,665
Total operating expenses, excluding depreciation expense	107,914	10,208	15,630	44,467	178,219
Depreciation expense	29,522	1,262	3,006	5,191	38,981
Total operating expenses	137,436	11,470	18,636	49,658	217,200
Net operating revenues	38,200	1,833	1,353	(3,912)	37,474
Interest expenses:					
Interest on payable to U.S. Treasury	69,108	2,968	5,320	10,487	87,883
Interest charged to construction	(1,094)	(294)	(1,197)	(6,894)	(9,479)
Net interest expenses	68,014	2,674	4,123	3,593	78,404
Net deficit	\$ (29,814)	(841)	(2,770)	(7,505)	(40,930)

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, 2011
 (In thousands)

Projects in service and other	Total	Allocated to:						Percent of total plant investment returnable from power revenue	
		Power	Navigation	Flood risk management	Fish and wildlife	Recreation	Other		
Allanona	\$ 72,209	50,492	—	10,144	—	11,341	232	(a)	69.9%
Buford	99,099	80,048	2,105	4,663	—	12,283	—	—	80.8%
Carters	175,225	143,679	—	19,940	—	11,606	—	—	82.0%
J. Strom Thurmond	192,021	160,652	5,681	8,230	—	18,058	—	—	83.7%
Walter F. George	279,079	183,208	82,758	—	348	12,765	—	—	65.6%
Hartwell	207,242	177,346	3,777	14,428	—	11,691	—	—	85.6%
Alabama Power Projects	238,469	132,465	85,831	—	—	20,173	—	—	55.5%
West Point	167,954	81,156	2,737	21,897	14,041	48,123	—	—	48.3%
Richard B. Russell	891,275	775,759	—	887	—	114,629	—	—	87.0%
Marketing facilities	1,248	1,248	—	—	—	—	—	—	100.0%
Total GA-AL-SC System	2,323,821	1,786,053	182,289	80,189	14,389	260,669	232	—	76.9%
Jim Woodruff	117,414	70,829	38,559	—	—	8,026	—	—	60.3%
Marketing facilities	39	39	—	—	—	—	—	—	100.0%
Total Jim Woodruff System	117,453	70,868	38,559	—	—	8,026	—	—	60.3%
Barkley	203,260	52,556	118,583	23,741	—	8,380	—	—	25.9%
J. Percy Priest	69,157	12,469	—	27,048	—	29,640	—	—	18.0%
Chickilum	54,378	22,477	27,179	—	4,722	—	—	—	41.3%
Cordell Hull	93,890	43,290	17,558	—	—	26,508	6,534	(b)	46.1%
Old Hickory	74,735	41,840	28,280	—	—	4,615	—	—	56.0%
Center Hill	213,756	102,750	—	102,290	—	8,019	697	(c)	48.1%
Dale Hollow	39,336	25,089	—	12,276	—	1,971	—	—	63.8%
Wolf Creek	626,723	353,861	—	252,923	—	19,693	246	(c)	56.5%
Laurel	51,746	27,933	—	—	—	17,483	6,330	(b)	54.0%
Marketing facilities	429	429	—	—	—	—	—	—	100.0%
Contributors in aid of construction	(586)	(586)	—	—	—	—	—	—	100.0%
Total Cumberland Basin System	1,426,824	682,108	191,600	418,278	—	121,031	13,807	—	47.8%
John H. Kerr	215,323	181,083	—	25,532	—	8,334	374	(d)	84.1%
Philpott	30,785	16,009	—	9,558	—	5,218	—	—	52.0%
Marketing facilities	234	234	—	—	—	—	—	—	100.0%
Total Kerr-Philpott System	246,342	197,326	—	35,090	—	13,552	374	—	80.1%
Total	\$ 4,114,440	2,736,355	412,448	533,557	14,389	403,278	14,413	—	

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

See accompanying independent auditors' report.



1166 ATHENS TECH ROAD
ELBERTON, GA 30635-6711
706.213.3800
FAX: 706.213.3884
WWW.SEPA.DOE.GOV