

Southeastern Power Administration



2022 Annual Report

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Fast Facts

Administrator & Chief Executive:

Virgil G. Hobbs III

Headquarters:

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

Website:

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 Cooperatives191
Public Bodies280
Investor-Owned Utilities.....1
Total.....472

Financial Data:

Power and Other
Operating Revenues.....\$325 million
Total Capital Investment.....\$3.0 billion
Investment Remaining.....\$1.6 billion
Cumulative Investment Repaid\$1.3 billion
Cumulative Investment Interest
Paid.....\$2.6 billion



General Counsel Leon Jourolmon administers the oath of office to new Legal Assistant Karen Fitzpatrick.



Former employee and guest speaker, Donnie Cordell, poses with daughter and current employee, Dixie Cordell, following SEPA Day 2022 commemorating our 72nd anniversary.

ON THE COVER:

Generator floor at the Richard B. Russell powerplant. The nearest four domes top conventional hydroelectric generators, while the far four are reversible pump turbine generators for a combined installed capacity of 660 megawatts.

Administrator's Report

I am honored to provide the Southeastern Power Administration (Southeastern) Annual Report for FY 2022. This report reflects the agency's programs, accomplishments, operational functions, and financial activities for the fiscal year period beginning October 1, 2021 and ending September 30, 2022.



Southeastern's accomplishments are truly the result of our dedicated civil servants. Fiscal year 2022 began with the majority of staff still observing extended COVID socially distant maximum telework protocol. I could not be more proud of our 24/7 Operations Center Power System Dispatchers, reporting daily through the pandemic, to fulfill our critical power delivery mission. In February 2022, Southeastern reentered the physical office routinely adopting our new post COVID hybrid work environment – telework eligible staff commuting to the workplace three days per week!

Southeastern marketed over seven billion kilowatt-hours of Federal hydropower energy to 472 wholesale customers in ten southeastern states. Power revenues totaled nearly \$307 million.

I'd also like to acknowledge the staff and leadership of our generating partners at the U.S. Army Corps of Engineers (Corps) with whom we coordinated throughout the year, not only to meet immediate power needs but also to improve the reliability and availability of the Federal hydropower assets in the Southeastern service area. The strong partnerships between Southeastern, the Corps and the Federal power customers supported the approval of \$52 million this year for capitalized hydropower infrastructure improvements.

The renewable energy certificate distribution program for the customers of the Kerr-Philpott System in North Carolina and Virginia was completed early in the fiscal year with positive feedback on the certificate distribution. We will be moving forward, as requested by our customers, with similar programs in our other systems over the next few years.

Carbon-free hydroelectric power marketed by Southeastern is important to the cities and cooperatives we serve. These customers in turn provide the Federal power benefits to twelve million consumers. As new nuclear, natural gas and solar technology is introduced to the region under challenging economic circumstances, it is so very important our clean energy is available and cost competitive. Southeastern will pursue operational efficiencies and value improvements for our cost-based power products. We will continue to build our strong generation, transmission and distribution partnerships to improve and sustain this renewable energy resource.

I am honored and humbled to lead Southeastern. I appreciate the support from customers, the Corps, my Power Marketing Administration colleagues, and the Department of Energy. My utmost appreciation to the Southeastern employees in rural Elberton, Georgia, for their resiliency, professionalism, and hard work in meeting these important accomplishments of Fiscal Year 2022. I remain committed to the well-being of our valued staff and making Southeastern a great place to work as we move forward together.

Sincerely,

A handwritten signature in black ink that reads "Virgil G. Hobbs III". The signature is written in a cursive, slightly stylized font.

Virgil G. Hobbs III
Administrator & Chief Executive

Mission, Vision & Organization

Mission Statement

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

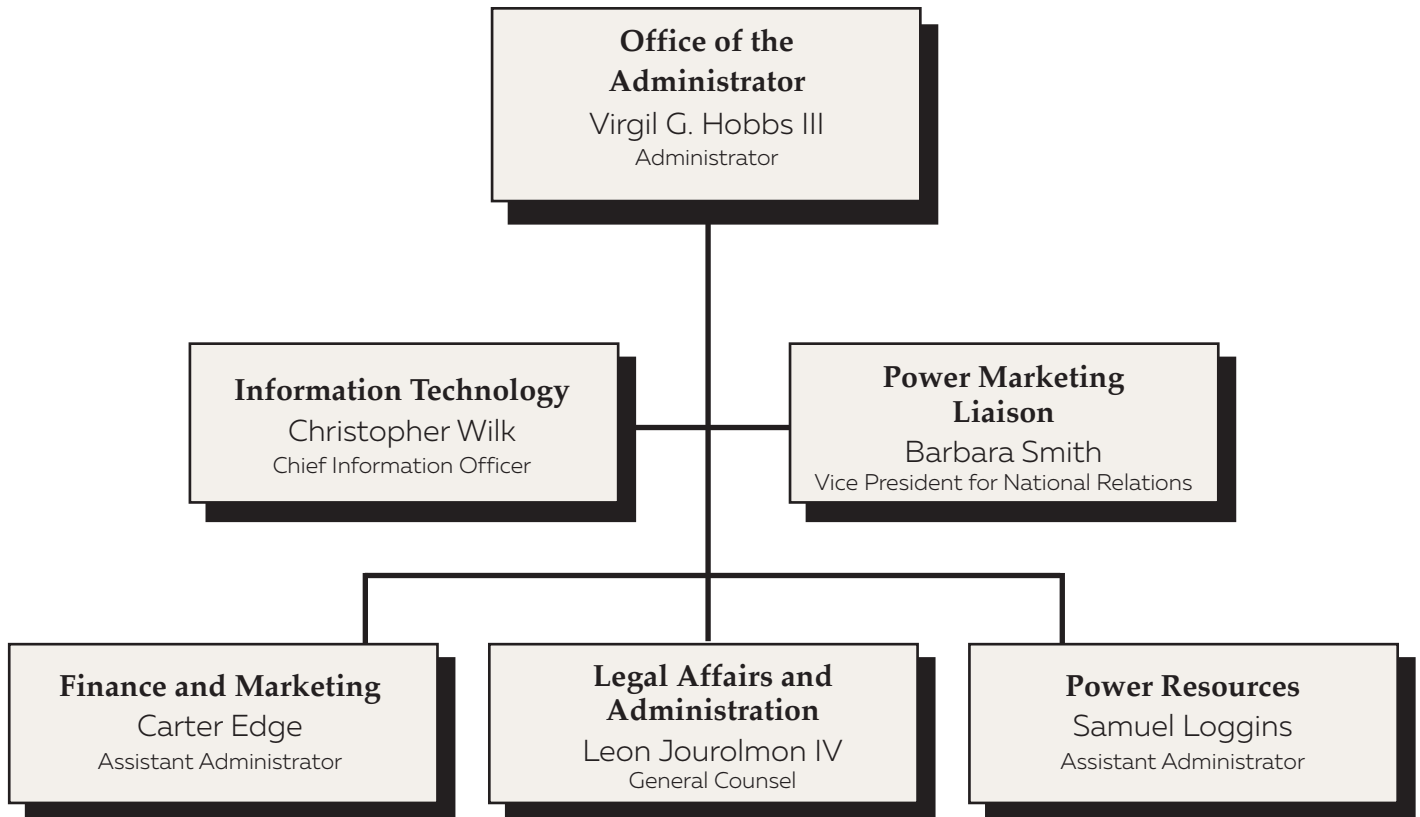
Vision Statement

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

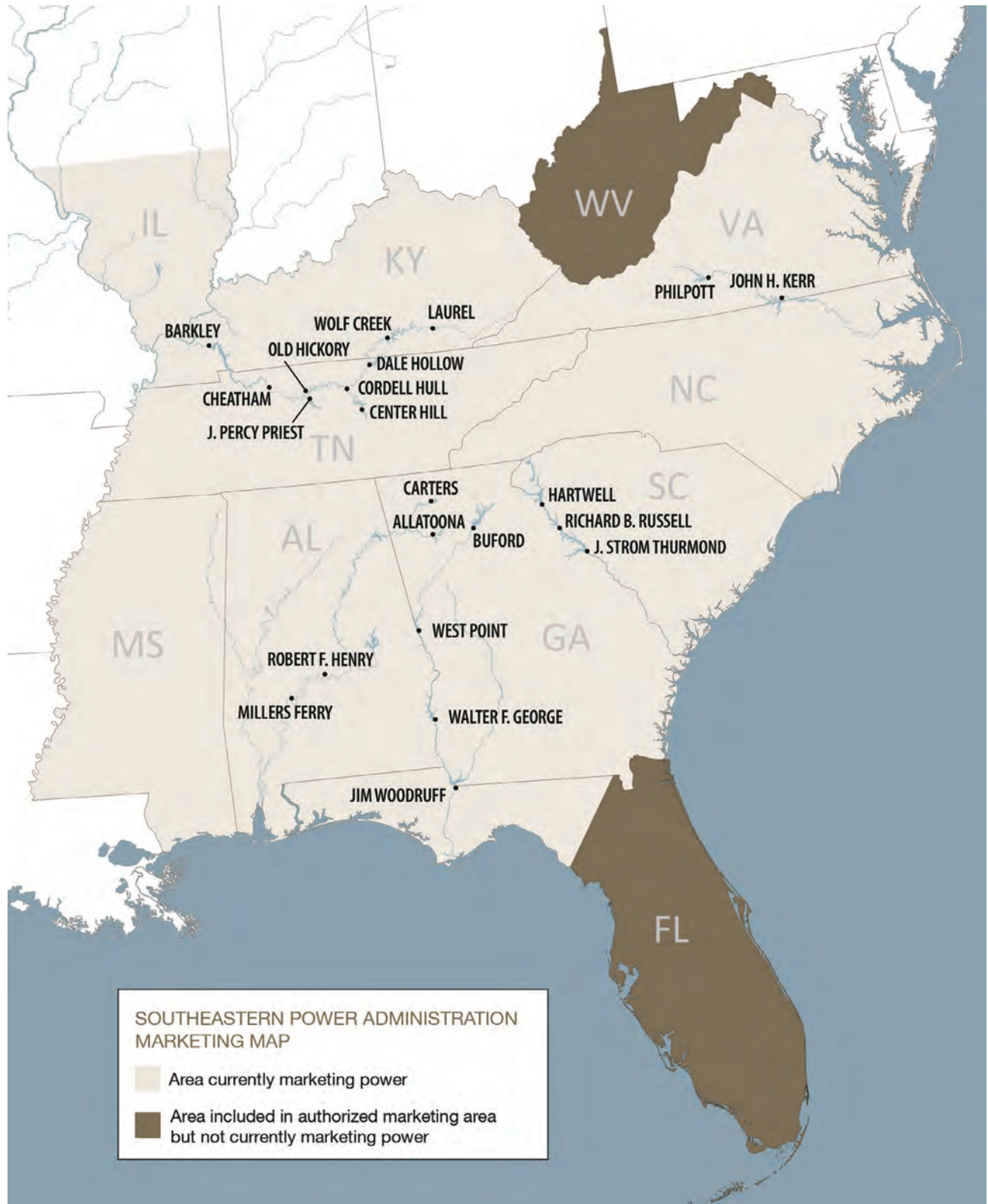


Secretary of Energy, Jennifer Granholm and Virgil Hobbs meet outside her DOE headquarters office in the James V. Forrestal Building.

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 from reservoir projects operated by the Corps in the states of Alabama, Florida, Georgia, Illinois, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

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

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

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

Section 5 of the Flood Control Act of 1944

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

Rates & Repayment

Cumberland

Cumberland System rate schedules were effective on October 1, 2020, and approved by FERC on a final basis November 5, 2020.

Georgia-Alabama-South Carolina

On August 22, 2022, Southeastern's Administrator confirmed and approved, on an interim basis, new rate schedules for the sale of power from the Georgia-Alabama-South Carolina System's ten hydropower plants. The rate schedules are approved on an interim basis, effective October 1, 2022, and extending through September 30, 2027. The rate schedules are subject to confirmation and approval by FERC on a final basis.

Jim Woodruff

Jim Woodruff System rate schedules were effective on October 1, 2021, and approved by FERC on a final basis on February 10, 2022.

Kerr-Philpott

Kerr-Philpott System rate schedules were effective October 1, 2020, and approved by FERC on a final basis December 11, 2020.

Repayment Studies

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

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

Status of Repayment as of September 30, 2022 (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 \$ |
|---------------|-----------------------------------|-----------------------|-------------------------------------|----------------------------------|------------------------------|---------------------------------|
| Cumberland | 1949 | 2,107 | 1,673 | 728 | 434 | 294 |
| GA-AL-SC | 1950 | 6,075 | 5,319 | 1,936 | 756 | 1,180 |
| Kerr-Philpott | 1953 | 819 | 705 | 240 | 114 | 126 |
| Jim Woodruff | 1957 | 326 | 284 | 83 | 42 | 40 |
| TOTAL | | 9,327 | 7,981 | 2,987 | 1,346 | 1,640 |

Program Direction

Program Direction

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

In FY 2022, Southeastern pursued workforce efficiencies, improved Information Technology, and regional partnerships such as through the Southeastern Federal Power Alliance and Team Cumberland biannual meetings. Southeastern maintained active engagement in the Federal Hydropower Council, a coordinated effort to explore nationwide program improvements.

Human Capital

Management is committed to Southeastern's vision to excel in an evolving energy market by maintaining a well-trained, flexible workforce in an open, rewarding, and safe environment. Last year's reorganization created a new Information Technology Division led by a Chief Information Officer (CIO) position along with subsequent management changes in the Power Resources and Finance and Marketing Divisions.

With a new leadership team in place, Southeastern continues to focus on workforce development and succession planning strategies to ensure adequate staffing levels and well-trained employees and to anticipate the need for staff with relevant skill sets to support the agency's mission and future needs. Southeastern's annual staffing plan, reviewed and updated each fiscal year, accounts for known and potential upcoming vacancies enabling open positions to be quickly filled.

In February 2022, Southeastern's telework eligible workforce returned to the physical office rejoining our Power System Dispatchers who performed their responsibilities in the Operations Center throughout the COVID pandemic. Southeastern expects to integrate developing organizational health and performance indicators associated with evolving

government workplace environment management policies. In 2023, Southeastern will continue to support a positive office setting to balance the work/life needs of our most valued employees.

Federal Hydropower Council

The Power Marketing Administrations (PMA), Bureau of Reclamation, and Corps leadership met twice as the Federal Hydropower Council in 2022. While positive improvements have developed from the meetings and related working groups, important issues remain unresolved. In January 2022, the Joint Cost and Accounting focus area was further spotlighted following analysis of Corps FY 2023 Supplemental Funding spend plans and the impacts to SEPA from non-hydropower work assignment to Joint activities. A Corps-only steering group proposed a set of pending recommendations to Corps leadership, but no Corps decisions were made and more PMA collaboration would be required prior to finalization. A PMA-Corps working group proposal was made to the Corps for a Memorandum of Understanding on water storage reallocation crediting. However, no Corps decisions were made in this important area and more work remains to address PMA issues with Corps hydropower valuation and other water storage reallocation analysis concerns. SEPA continues to take a leadership role in the Federal Hydropower Council to seek improvements in these and other important areas critical to the cost, value, and sustainability of the Federal hydropower.

Renewable Energy Certificates

Southeastern began a new program to distribute renewable energy certificates in the Kerr-Philpott System in FY 2020. One certificate is created for each megawatt-hour of electric generation, and assigned a unique serial number. These certificates may be used by electricity suppliers and other energy market participants to comply with relevant state policies and regulatory programs and to support voluntary "green" electricity markets. FY 2022 generation resulted in the distribution of 276,000 renewable energy

certificates (RECs). Since the inception of the program through the end of FY 2022 Southeastern has distributed 2.1 million RECs.

Southeastern began the public process of revising the Georgia-Alabama-South Carolina System Power Marketing Policy in February 2022 by publishing a notice of intent to distribute RECs in FY 2023. In coordination with our customers, Southeastern chose the Midwest Renewable Energy Tracking System (M-RETS) to register, track and transfer Federal hydropower RECs for generation attributes created in our Cumberland, Georgia-Alabama-South Carolina and Jim Woodruff Systems. M-RETS is a trading platform designed to meet the needs of participants in the REC market from generation located anywhere within North America. Potential annual volume from Southeastern's four markets electrical systems is 6 million RECs!

Building Acquisition

On September 1, 2022, Southeastern executed on the contract to purchase our headquarters facility ending

a 20-year lease arrangement with the US General Services Administration. The property is located at 1166 Athens Tech Road, Elberton, GA 30635 and has been our main office since construction in FY 2001. The 3 acre property includes a 22,100 square foot professional office building with surrounding parking lots and green spaces.

Alternative financing, appropriated in FY 2021, was used for the acquisition and ongoing maintenance and operating costs are included in Program Direction funding. These costs positively offset the prior lease payments for a net savings to the government and will allow greater flexibility in meeting Southeastern's real property needs into the future.

In addition to our primary facility, Southeastern maintains Continuity of Operations site and backup System Control Center. The building is located in the southeastern portion of Elbert County on property owned by the Corps' Savannah District. The property is 0.19 acres with 10 parking spaces and a 5,600 square foot metal building as part of a 10 year permit agreement with the Department of the Army.



From left to right, Jose Mojica, Tabitha Rambert, Karen Fitzpatrick, Russell Lyon, Douglas Spencer, Audra Whyte, Kim Ledbetter, Sonya Hulme, Amanda Adams, Stephanie Pullen, Dale Jett, Greg Hall and seated Samuel Loggins, Leon Jourolmon and Carter Edge peruse the signed documents purchasing SEPA's headquarters building.

Customer Funding

Cumberland

The Long-Term Memorandum of Agreement (MOA) Program Coordination Committee members, twenty-four customers in Illinois, Kentucky, Mississippi, and North Carolina, signed Sub-Agreement 11 in March 2022. Power revenue collections continued through September 2022, providing \$22 million to fund the main power transformer acquisition, excitation replacement acquisition, powerhouse crane rehabilitation, direct and essential alternating current system acquisition at Wolf Creek, \$1 million for excitation replacement engineering and design (E&D) at Laurel and J. Percy Priest, and \$750,000 for intake gantry crane E&D at Cheatham.

The Short-Term MOA Sub-Agreement 10 was signed in August 2022 on behalf of 153 Tennessee Valley Public Power Association members to collect \$22.8 million of customer funds to complete the total funding requirement of \$125 million needed for major rehabilitation of hydroelectric generation equipment at the Old Hickory Powerhouse and to collect \$2.2 million to initiate and complete engineering and design of hydroelectric generation equipment at the Wolf Creek Powerhouse.

Georgia-Alabama-South Carolina

Sub-Agreement 28 was executed on April 1, 2020, which included funding for model testing and validation for the Savannah and Mobile Districts, in the amount of \$870,000. On July 27, 2021, the Project Review Committee recommended an additional \$870,000 to expand the scope to include original manufacturer's services to test, and model and verify parameters of the various exciters and governors. The revised total funding requirement authorized on December 21, 2021 is \$1.74 million.

Sub-Agreement 26, executed on October 29, 2019, included funding for Jones Bluff Powerhouse and Millers Ferry Powerhouse for 13.8 kilovolt switchgear replacements in the amount of \$1.65 million each. On December 20, 2021, the Project Review Committee agreed to amend Sub-Agreement 26, Millers Ferry.

Funding will be increased by \$587,336.44 to cover the costs of additional switchgear necessary for the replacement work. These additional funds were provided from the close-out of the under estimated budget completed Jones Bluff work.

Sub-Agreement 23 authorized the replacement of digital microwave communication systems for the Allatoona, Buford, Carters, Millers Ferry, and Jones Bluff Powerhouses. Amendment 1 provided \$3 million for the replacement of microwave and fiber optic communication infrastructure. On August 3, 2022, the Project Review Committee agreed to increase funding by \$1.4 million to cover increased costs for microwave equipment replacement at Millers Ferry and Jones Bluff Powerhouses, and further increase funding by \$1.1 million to add replacement of the microwave tower at Millers Ferry, an increase of \$2.5 million. The updated total work item funding requirement is \$5.5 million and was transferred in early FY 2023.

Kerr-Philpott

On April 1, 2020, Sub-Agreement 5 was signed to provide \$200,000 for testing of the generator excitation control systems and turbine/governor control systems and model parameter verification of the exciters and governors at the John H. Kerr Powerhouse. The Project Review Committee recommended on July 22, 2021, to expand the scope of Sub-Agreement 5 to include the original manufacturer's services to accomplish the task and increase funding of \$220,000 was authorized on December 21, 2021.

Sub-Agreement 6 was executed in December 2021, to provide funds for the procurement, installation, and engineering for the John H. Kerr Powerhouse plant control system and protective relay replacement in the amount of \$5.35 million. The switchgear replacement at the Philpott Powerhouse was also included in this sub-agreement for \$2.05 million. Total funding requirement is \$7.4 million, of which \$235,808 was available from the close-out of Sub-Agreement 3, Philpott control system replacement.

Customer Funding

Customer Funding Approval Summary

| | | | |
|--------------------------------|-------------|--------------------------|--------------|
| Buford..... | \$155,000 | Old Hickory | \$22,800,000 |
| Carters | \$90,000 | Philpott..... | \$2,050,000 |
| Cheatham..... | \$750,000 | J. Percy Priest | \$500,000 |
| Hartwell..... | \$112,000 | Richard B. Russell | \$265,000 |
| John H. Kerr..... | \$5,570,000 | J. Strom Thurmond..... | \$157,000 |
| Laurel..... | \$500,000 | Walter F. George..... | \$91,000 |
| Millers Ferry/Jones Bluff..... | \$2,500,000 | Wolf Creek..... | \$24,350,000 |



Secretary of Energy Jennifer Granholm, Virgil Hobbs and Mike Wech, Southwestern Power Administration Chief Executive Officer, discuss the unique mission of the Power Marketing Administrations and how we collaborate to accomplish Department of Energy goals, objectives and priorities.

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 purchased by and benefits 189 preference customers in Alabama, Florida, Georgia, Mississippi, North Carolina and South Carolina.

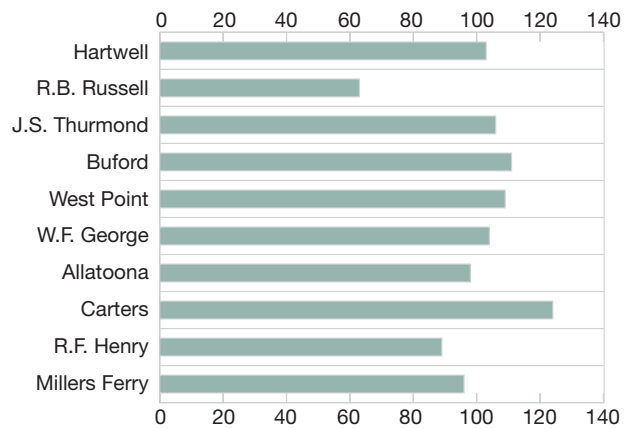
Operational Performance

Generation from streamflow for FY 2022 was 98% of annual average. Figure A illustrates the percent of average generation by project. Figure B shows system generation for the years 2013 through 2022.

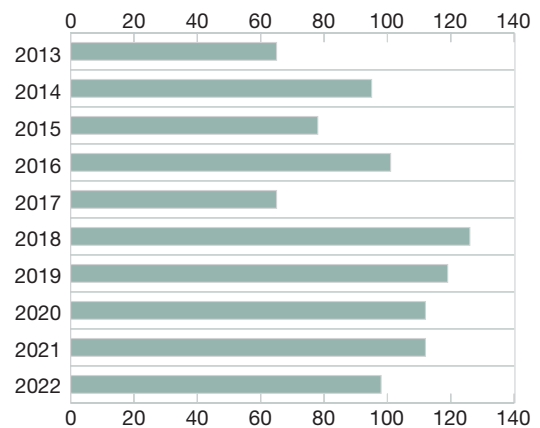
Hartwell Generator 3 is out of service awaiting stator rewind. While awaiting the fabrication and delivery of a replacement for the lifting beam required to raise the rotor from the unit, the Corps reviewed and accepted the contractor's proposal and issued a contract modification in March 2022 to proceed with an interim solution to allow the rewind work to continue. Estimated return to service is August 2024.

The contractor, continued work on the initial vibration analysis for Russell Generator 5 and has been awarded an additional task order to determine the maximum rim shrink the unit can withstand in order to align the rotor support spider. The contractor determined the appropriate rim shrink could not be applied to the existing rotor without modifications. In addition to strengthening the rotor support spider, the rotor pole wedges will be lengthened. These enhancements are significant with the alternative being the replacement of the rotor spider. Estimated return to service is May 2025.

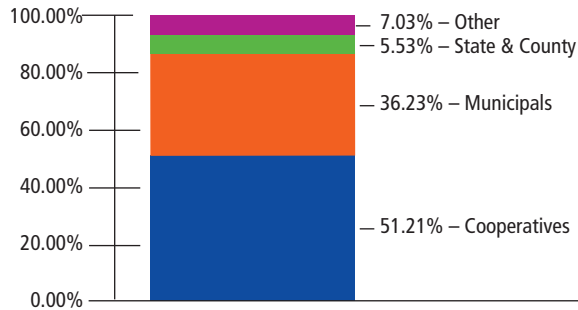
Actual Generation as a Percentage of Average Project Generation - Figure A



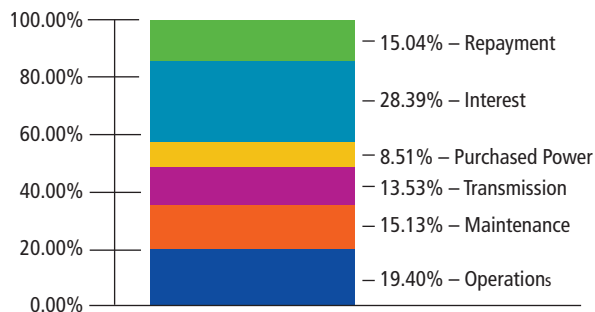
Actual Generation as a Percentage of Average System Generation - Figure B



FY 2022 Revenue by Source - Figure C



FY 2022 Application of Revenues - Figure D



Financial Performance

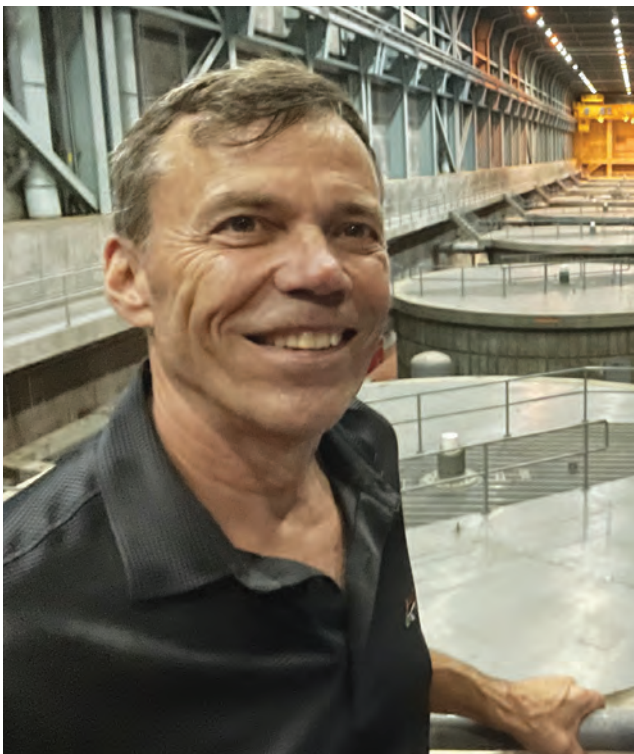
Total revenue for the Georgia-Alabama-South Carolina System in FY 2022 was \$210.8 million. Of this amount, \$195.9 million was derived from the sale of 3,525,592 megawatt-hours of energy and 2,184.3 megawatts of capacity. Total operating expenses, excluding depreciation, were \$119.2 million. Interest charged to Federal investment was \$59.8 million and repayment of the Federal investment was \$31.8 million. Figure C shows the revenue by source for this system and Figure D shows the application of revenues. Table 2 indicates the current rates.

On August 22, 2022, Southeastern's Administrator confirmed and approved, on an interim basis, new rate schedules for the sale of power from the Georgia-Alabama-South Carolina System of Projects. The rate schedules are approved on an interim basis for the period of October 1, 2022, through September 30, 2027, and are subject to confirmation and approval by FERC on a final basis.

Power Rates - Table 2

| Product | Effective October 1, 2022 |
|---------------------|---------------------------|
| Capacity | 4.04 \$/kW/Month |
| Energy | 12.80 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.



Partner Portrait: Stan Simpson with the US Army Corps of Engineers Savannah District Water Management has been working closely with SEPA Dispatchers coordinating river water flows and energy scheduling for over 40 years! Thank you Stan for being one of SEPA's steadfast advocates.

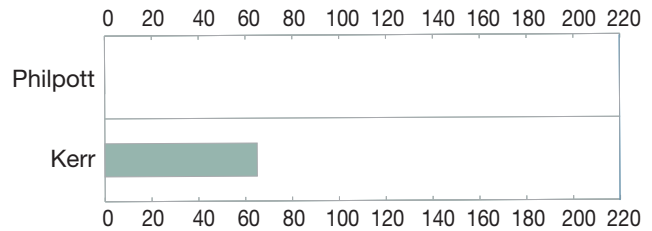
The Kerr-Philpott System consists of two projects in Virginia, John H. Kerr on the Roanoke River and Philpott on the Smith River. Power generated at the projects is marketed to 75 preference customers in North Carolina and Virginia.

Operational Performance

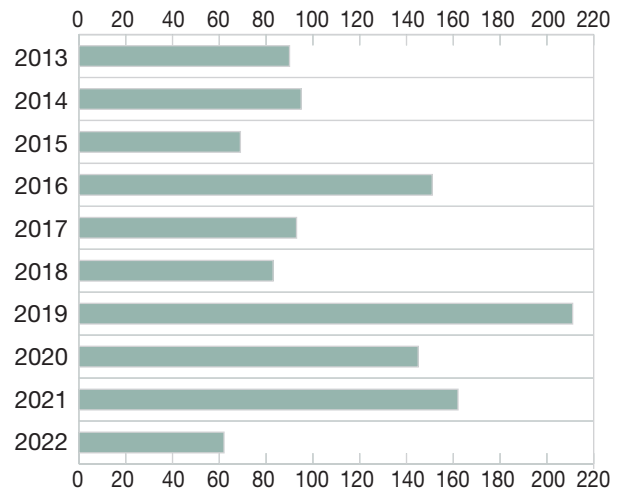
Generation for FY 2022 was 62% of annual average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 2013 through 2022.

The Philpott Project remediation efforts continue with a plant outage due to the May 2020 landslide. Construction work is ongoing at the dam, powerhouse and hillside. Philpott Generator 2 rehabilitation for turbine and generator replacement is ongoing. Following the completion of landslide remediation efforts and switchgear building construction, Philpott is expected to return to service in 2026.

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

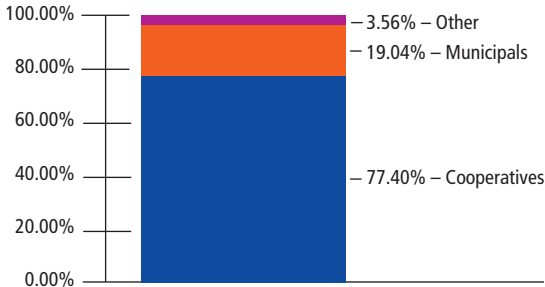


Actual Generation as a Percentage of Average System Generation - Figure F

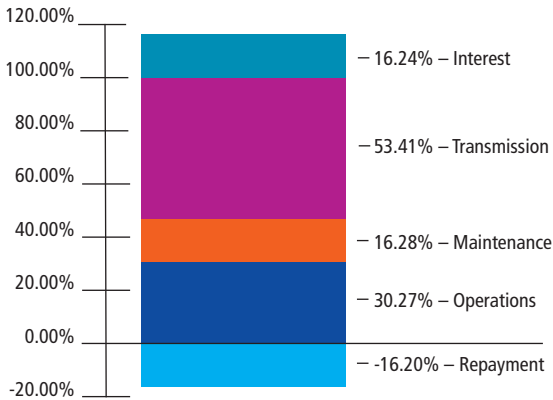


Following reports to the American Public Power Association Legislative Rally in February, Mike Wech and Virgil Hobbs met Barbara Smith, center, and Kathy Tyer for dinner. Barbara is the National Relations Liason for both SEPA and SWPA. Kathy held the position prior to 2014 and closed her career in a similar role with the Western Area Power Administration.

FY 2022 Revenue by Source - Figure G



FY 2022 Application of Revenues - Figure H



Financial Performance

Total revenue for the Kerr-Philpott System in FY 2022 was \$30.9 million. Of this amount, \$29.9 million was derived from the sale of 277,110 megawatt-hours of energy and 196.5 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$30.9 million. Interest charged to Federal investment was \$5.0 million and a repayment deficit of \$5.0 million in FY 2022. Figure G shows the revenue by source for the Kerr-Philpott System and Figure H shows the application of revenues.

Table 3 indicates the current rates. Current rates for the Kerr-Philpott System were approved by FERC on a final basis. The rate schedules are effective for the period October 1, 2020, through September 30, 2025.

Power Rates - Table 3

| Product | Through September 30, 2022 |
|----------|----------------------------|
| Capacity | 3.65 \$/kW/Month |
| Energy | 14.80 mills/kWh |

Rate schedules also provide an adjustment to true-up energy and capacity rates based on the cumulative net revenue available for repayment. The rates for capacity and energy for the period April 1, 2023, through March 31, 2024, will be as follows:

| | |
|----------|------------------|
| Capacity | 4.84 \$/kW/Month |
| Energy | 20.00 mills/kWh |



Douglas Spencer presents SEPA's Renewable Energy Certificate distribution process for the Federal hydropower purchased by our municipal and electric cooperative customers at the 43rd Annual Joint Hydro.

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 serving 208 preference customers in Alabama, Georgia, Illinois, Kentucky, Mississippi, North Carolina, Tennessee and Virginia.

Operational Performance

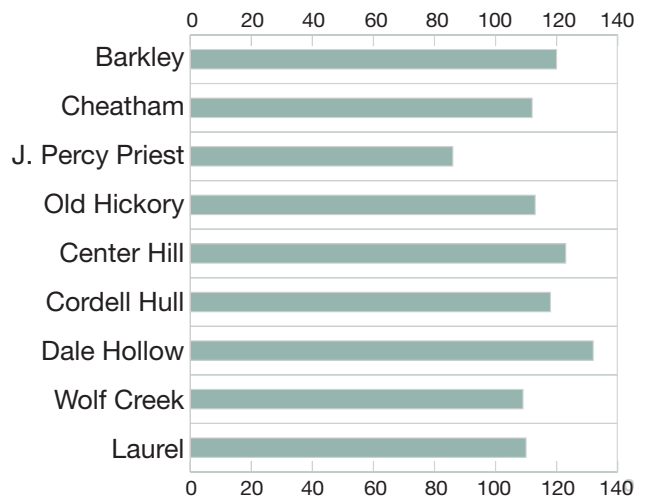
Generation for the system during FY 2022 was 114% of annual average. The percent of average generation by project is shown in Figure I. Figure J shows the system generation for the years 2013 through 2022.

Barkley Generator 4 rehabilitation is on schedule to begin in October. Center Hill Generator 1 and Generator 2 warranty inspections were completed January through March. Medium voltage cables and bus work was completed during May through September with sequential outages for Cheatham Generator 1, Generator 2 and Generator 3. Excitation replacement was performed one outage at the time for Cordell Hull Generator 1, Generator 2 and Generator 3 during January through June. The warranty work to address the governor oil system for Old Hickory Generator 4 is expected to be completed in 2023. J. Percy Priest Generator 1 is unavailable each year for generation during the months of May through November due to water quality limitations.

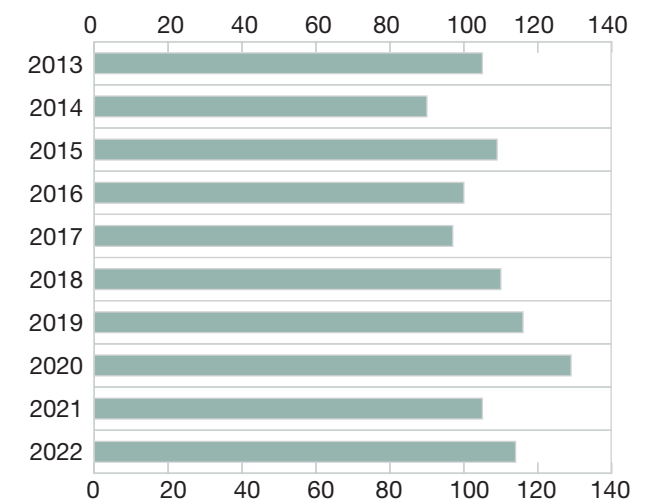
Limiting generation for downstream low dissolved oxygen levels continues to reduce the capacity and energy output at multiple projects. Southeastern, the Corps and Tennessee Valley Authority continue to evaluate various operational and project dispatch procedures to improve environmental concerns and hydroelectric production.

The Nashville District continues with non-routine maintenance, rehabilitation or modernization of the Cumberland System hydropower facilities as outlined in their Capital Improvement Plan. During this time as the units are unavailable for generation, the system capacity will be less than the marketed capacity for the Cumberland customer groups. Until generation

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

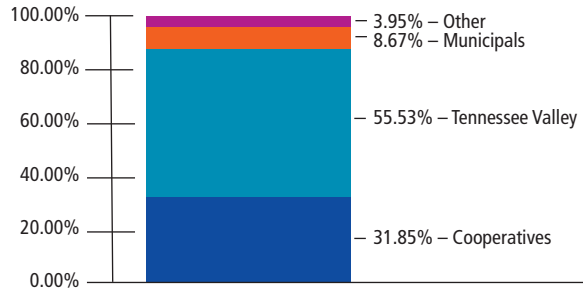


Actual Generation as a Percentage of Average System Generation - Figure J

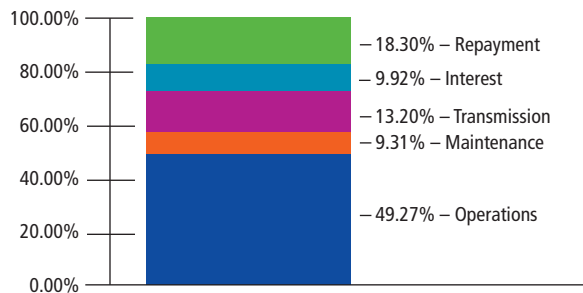


resources are restored to marketed customer allocation levels, scheduling capacities are calculated based on available system capacity. Reductions to contract capacity are reconciled through the monthly delivered power invoicing process by providing customers capacity credits.

FY 2022 Revenue by Source - Figure K



FY 2022 Application of Revenues - Figure L



Financial Performance

Total revenue for the Cumberland System in FY 2022 was \$74.6 million. Of this amount, \$71.7 million was derived from the sale of 3,359,661 megawatt-hours of energy and 948.3 megawatts of capacity. Total operating expenses, excluding depreciation, were \$53.6 million. Interest charged to Federal investment was \$7.4 million and repayment was \$13.6 million. Figure K shows the revenue by source for the Cumberland System and Figure L shows the application of revenues.

Table 4 indicates the current rates. Current rates for the Cumberland System were approved by FERC on a final basis on November 5, 2020. The rate schedules are effective for the period October 1, 2020, through September 30, 2025.

Power Rates - Table 4

| Product | Through September 30, 2022 |
|----------|----------------------------|
| Capacity | 3.763 \$/kW/Month |
| Energy | 14.278 mills/kWh |

Rate schedules provide for a monthly pass-through of actual purchase power, transmission and ancillary service expense. Rate schedules also provide an adjustment to true-up capacity and energy rates based on transfers of specific power investment to plant in service for the preceding fiscal year. The rates for capacity and energy for the period April 1, 2023, through March 31, 2024, will be as follows:

| | |
|----------|-------------------|
| Capacity | 3.793 \$/kW/Month |
| Energy | 14.408 mills/kWh |



In December, SEPA's Douglas Spencer, Samuel Loggins and Dixie Cordell accepted Santee Cooper's Glenda Horne's invitation to visit Jeffries Hydro Plant and navigation lock on the Cooper River and Lake Moultrie in Moncks Corner, South Carolina. Santee Cooper is SEPA's largest Georgia-Alabama-South Carolina System Federal power customer. SEPA contracts with Santee Cooper to purchase transmission service to deliver energy from Richard B. Russell and J. Strom Thurmond substations.

Jim Woodruff

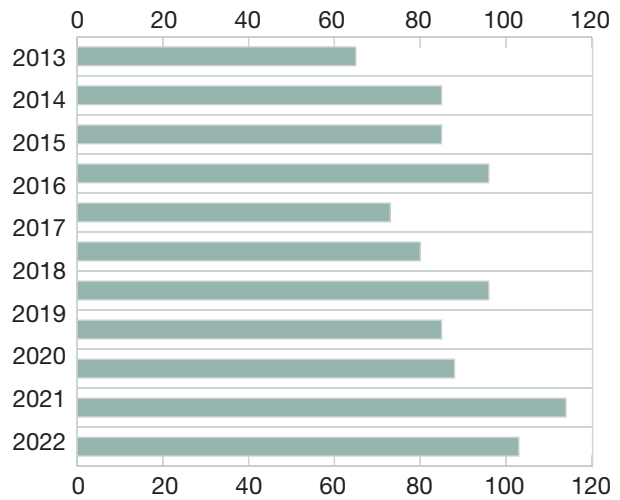
The Jim Woodruff System is a single project system located on the border of Florida and Georgia. This system has six preference customers and one investor owned utility located in the central panhandle of Florida.

Operational Performance

Generation during FY 2022 was 103% of annual average. Figure M illustrates the project's generation for the years 2013 through 2022. There were no significant operational issues in the Woodruff system during FY 2022.

Southeastern's transmission service provider at the Jim Woodruff project provided termination notice in May on a 66 year old interchange agreement in favor of modern Open Access Transmission Tariff service. The original 1957 contract was a bundled arrangement where deficient stream flow energy was purchased from, and excess Federal hydropower was sold to, the investor owned utility. Southeastern began the process of formulating a power marketing policy to address future generation capacity and energy delivery decisions associated with this single project, run of river electrical system. No changes in river operations or to the amount and timing of energy production levels are anticipated.

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

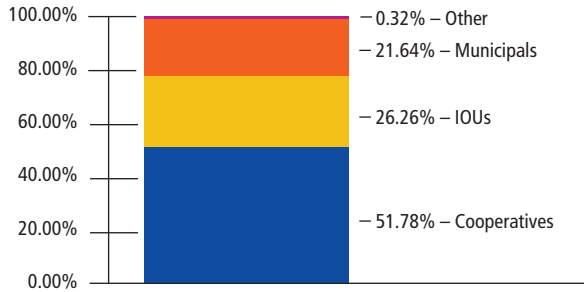


Southeastern employees recognize the value of meeting peers and utility staff. Mike Newton, Georgia Power Mechanic, Dixie Cordell and Samuel Loggins are pictured here during a tour of Morgan Falls Hydro Plant downstream of Buford.

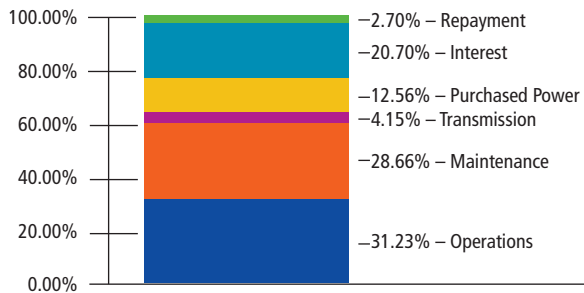


Building relationships with generation partners prior to a Southeastern Federal Power Alliance meeting, from left are Bob Prince, South Atlantic Division Chief of Staff, Brigadier General Jason Kelly, South Atlantic Division Commander and James Hathorn, Mobile District Water Management Chief.

FY 2022 Revenue by Source - Figure N



FY 2022 Application of Revenues - Figure O



Financial Performance

Total revenue from the Jim Woodruff System was \$9.1 million in FY 2022. Of this amount, \$9.1 million was derived from the sale of 246,839 megawatt-hours of energy and 36 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$7.0 million. Interest charged to the Federal investment was \$1.9 million and repayment of the Federal investment was \$0.2 million. Figure N shows the revenue by source for the System and Figure O shows the application of revenues.

Table 5 indicates the current rates. Current rates for the Jim Woodruff System were approved by FERC on a final basis on February 10, 2022. The rate schedules are effective for the period October 1, 2021, through September 30, 2026.

Power Rates - Table 5

| Product | Through September 30, 2026 |
|----------|----------------------------|
| Capacity | 8.46 \$/kW/Month |
| Energy | 22.32 mills/kWh |

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



The four Power Marketing Administrators and Chief Executives meeting for the first time, face-to-face, in Denver, Colorado. From left, Tracey LeBeau, Western Area Power Administration, John Hairston, Bonneville Power Administration, Virgil Hobbs and Mike Wech, Southwestern Power Administration.

Customer Sales

| CUSTOMER | CAPACITY (kW) | ENERGY (kWh) | REVENUE (\$) |
|--|----------------|--------------------|----------------------|
| GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM | | | |
| Alabama | | | |
| Baldwin County EMC | 17,284 | 28,939,33 | 2,238,453.03 |
| Black Warrior EMC | 18,494 | 30,581,823 | 2,390,951.63 |
| Central Alabama EC | 18,660 | 31,145,921 | 2,415,518.99 |
| Clarke-Washington EMC | 6,678 | 10,946,475 | 862,163.09 |
| Coosa Valley EC | 5,728 | 9,486,938 | 740,717.74 |
| Dixie EC | 7,273 | 12,162,975 | 941,830.70 |
| Pea River EC | 3,422 | 5,605,438 | 441,731.69 |
| Pioneer EC | 10,056 | 16,773,468 | 1,301,564.88 |
| Tallapoosa River EC | 11,494 | 18,996,664 | 1,485,800.62 |
| Tombigbee EC | 8,038 | 13,205,391 | 1,038,250.47 |
| Wiregrass EC | 8,467 | 14,027,497 | 1,094,979.76 |
| PowerSouth Energy Cooperative | 100,000 | 205,739,000 | 8,524,862.38 |
| City of Alexander City | 7,846 | 13,146,368 | 1,016,217.69 |
| City of Dothan | 61,759 | 103,519,793 | 7,999,723.73 |
| City of Fairhope | 7,686 | 12,879,251 | 995,510.93 |
| City of Foley | 27,407 | 45,926,444 | 3,549,754.79 |
| City of Hartford | 3,050 | 4,971,632 | 393,295.86 |
| City of LaFayette | 2,358 | 3,948,615 | 305,370.01 |
| City of Lanett | 5,321 | 8,915,719 | 689,180.78 |
| City of Luverne | 3,158 | 5,290,930 | 409,017.98 |
| City of Opelika | 20,809 | 34,874,908 | 2,695,380.15 |
| City of Piedmont | 4,609 | 7,567,594 | 595,259.20 |
| City of Robertsdale | 3,372 | 5,644,360 | 436,648.68 |
| City of Sylacauga | 19,624 | 32,197,241 | 2,534,065.43 |
| City of Troy | 10,079 | 15,628,440 | 1,279,397.69 |
| City of Tuskegee | 11,689 | 19,387,838 | 1,511,771.27 |
| Alabama Total | 404,361 | 711,510,054 | 47,887,419.17 |
| Florida | | | |
| Choctawhatchee EC | 1,231 | 2,059,295 | 159,383.79 |
| West Florida ECA | 8,402 | 14,093,043 | 1,088,485.48 |
| Florida Total | 9,633 | 16,152,338 | 1,247,869.27 |
| Georgia | | | |
| Altamaha EMC | 10,956 | 15,253,016 | 817,925.31 |
| Amicalola EMC | 11,513 | 16,022,657 | 859,407.58 |
| Canoochee EMC | 9,392 | 13,078,135 | 701,208.04 |
| Carroll EMC | 17,032 | 23,706,099 | 1,271,428.65 |
| Coastal EMC | 3,157 | 4,398,773 | 235,749.35 |
| Cobb EMC | 42,613 | 59,379,107 | 3,182,212.51 |
| Colquitt EMC | 38,410 | 53,449,699 | 2,867,084.08 |
| Diverse Power, Inc. | 12,050 | 16,785,092 | 899,754.47 |
| Flint EMC | 55,744 | 74,793,456 | 4,126,790.36 |
| Grady EMC | 10,439 | 14,526,614 | 779,213.45 |
| Greystone Power Corporation | 43,317 | 60,352,420 | 3,234,652.09 |
| Habersham EMC | 10,176 | 14,161,970 | 759,605.19 |
| Hart EMC | 18,630 | 25,917,015 | 1,390,488.30 |
| Inwin EMC | 8,246 | 11,472,554 | 615,477.57 |
| Jackson EMC | 48,415 | 67,411,335 | 3,614,577.34 |
| Jefferson EMC | 14,188 | 19,764,211 | 1,059,412.67 |
| Little Ocmulgee EMC | 7,754 | 10,785,066 | 578,703.31 |
| Middle Georgia EMC | 6,028 | 8,388,224 | 449,953.93 |
| Mitchell EMC | 18,023 | 25,081,076 | 1,345,330.68 |
| Ocmulgee EMC | 8,188 | 11,391,843 | 611,148.20 |
| Oconee EMC | 8,018 | 11,162,678 | 598,586.96 |
| Okefenoke Rural EMC | 9,487 | 13,204,965 | 708,206.22 |
| Planters EMC | 10,258 | 14,274,391 | 765,696.83 |
| Rayle EMC | 10,350 | 14,401,227 | 772,543.43 |
| Satilla Rural EMC | 30,374 | 42,266,844 | 2,267,237.87 |
| Sawnee EMC | 19,423 | 27,044,094 | 1,450,089.81 |
| Slash Pine EMC | 4,785 | 6,658,694 | 357,174.16 |
| Southern Rivers Energy | 6,842 | 9,526,829 | 510,816.01 |
| Sumter EMC | 11,437 | 15,923,209 | 853,844.03 |
| Three Notch EMC | 12,194 | 16,972,461 | 910,277.56 |
| Tri-County EMC | 6,416 | 8,938,791 | 479,100.35 |
| Walton EMC | 31,322 | 43,660,557 | 2,339,292.41 |
| Washington EMC | 14,249 | 19,833,392 | 1,063,693.67 |
| City of Acworth | 2,303 | 3,809,832 | 184,647.12 |
| City of Albany | 60,831 | 100,640,996 | 4,877,384.98 |
| City of Barnesville | 2,635 | 4,358,258 | 211,252.27 |
| City of Brinson | 156 | 258,787 | 12,519.63 |
| City of Buford | 2,356 | 3,897,238 | 188,891.70 |
| City of Cairo | 6,253 | 10,348,079 | 501,409.97 |
| City of Calhoun | 7,660 | 12,682,303 | 614,331.20 |
| City of Camilla | 6,072 | 10,037,875 | 486,714.94 |
| City of Cartersville | 17,152 | 28,370,675 | 1,375,129.08 |

| CUSTOMER | CAPACITY (kW) | ENERGY (kWh) | REVENUE (\$) |
|------------------------------------|------------------|----------------------|----------------------|
| City of College Park | 15,559 | 25,753,660 | 1,247,717.81 |
| City of Commerce | 4,456 | 7,364,309 | 357,145.31 |
| City of Covington | 9,382 | 15,523,834 | 752,274.35 |
| City of Dalton | 45,822 | 78,795,874 | 3,707,047.68 |
| City of Doerun | 629 | 1,040,293 | 50,426.68 |
| City of Douglas | 10,180 | 16,836,627 | 816,130.94 |
| City of East Point | 33,488 | 55,378,853 | 2,684,620.02 |
| City of Elberton | 11,447 | 18,920,636 | 917,511.32 |
| City of Ellaville | 936 | 1,549,297 | 75,060.55 |
| City of Fairburn | 1,799 | 2,978,627 | 144,281.31 |
| City of Forsyth | 3,720 | 6,152,633 | 298,234.96 |
| City of Fort Valley | 9,417 | 15,576,959 | 754,999.45 |
| City of Grantville | 470 | 776,366 | 37,663.62 |
| City of Griffin | 18,157 | 30,034,799 | 1,455,733.42 |
| City of Hampton | 832 | 1,119,870 | 102,879.60 |
| City of Jackson | 2,067 | 3,419,083 | 165,719.80 |
| City of LaFayette | 6,607 | 10,927,357 | 529,684.92 |
| City of LaGrange | 17,096 | 28,290,125 | 1,370,844.83 |
| City of Lawrenceville | 4,795 | 7,941,867 | 384,610.28 |
| City of Marietta | 37,172 | 61,529,767 | 2,980,951.80 |
| City of Monroe | 8,408 | 13,799,906 | 672,267.83 |
| City of Monticello | 1,836 | 3,035,185 | 147,168.98 |
| City of Moultrie | 15,480 | 25,602,845 | 1,241,042.36 |
| City of Newnan | 6,893 | 11,402,084 | 552,642.69 |
| City of Norcross | 1,736 | 2,874,087 | 139,224.82 |
| City of Oxford | 458 | 759,225 | 36,747.55 |
| City of Palmetto | 923 | 1,527,023 | 74,005.17 |
| City of Quitman | 4,428 | 7,319,748 | 354,930.20 |
| City of Sandersville | 4,997 | 8,262,354 | 400,573.19 |
| City of Sylvester | 3,952 | 6,539,962 | 316,895.71 |
| City of Thomaston | 7,687 | 12,721,731 | 616,407.60 |
| City of Thomasville | 25,053 | 41,442,015 | 2,008,619.06 |
| City of West Point | 4,683 | 7,737,922 | 375,312.82 |
| City of Whigham | 319 | 527,862 | 25,578.89 |
| Crisp County Power Commission | 18,068 | 29,883,980 | 1,448,536.92 |
| Town of Mansfield | 379 | 625,552 | 30,362.95 |
| Georgia Total | 1,014,175 | 1,528,362,854 | 78,202,818.67 |
| Mississippi | | | |
| Coast EPA | 26,863 | 45,073,035 | 3,480,369.38 |
| East Mississippi EPA | 13,758 | 23,029,530 | 1,781,892.43 |
| Singing River EPA | 33,684 | 56,530,625 | 4,364,313.02 |
| Cooperative Energy | 68,000 | 103,677,000 | 5,198,489.14 |
| Mississippi Total | 142,305 | 228,310,190 | 14,825,063.97 |
| North Carolina | | | |
| Blue Ridge EMC | 7,311 | 15,387,096 | 644,937.34 |
| EnergyUnited EMC | 18,210 | 36,749,013 | 1,560,572.78 |
| Haywood EMC | 926 | 1,987,369 | 82,154.05 |
| Pee Dee EMC | 455 | 1,012,739 | 40,746.27 |
| Rutherford EMC | 26,829 | 53,410,629 | 2,316,887.77 |
| Union EMC | 11,633 | 26,185,854 | 1,046,896.41 |
| City of Cherryville | 1,651 | 1,334,906 | 108,357.12 |
| City of Concord | 9,179 | 10,954,210 | 658,845.68 |
| City of Gastonia | 17,840 | 14,419,906 | 1,170,775.96 |
| City of Kings Mountain | 3,320 | 3,977,000 | 238,692.06 |
| City of Lincolnton | 1,762 | 1,424,127 | 115,632.28 |
| City of Monroe | 8,593 | 6,946,769 | 563,949.04 |
| City of Morganton | 10,651 | 18,955,094 | 892,347.41 |
| City of Newton | 2,309 | 1,865,640 | 151,518.38 |
| City of Shelby | 6,582 | 5,319,492 | 431,940.71 |
| City of Statesville | 10,841 | 8,762,402 | 711,451.30 |
| Town of Bostic | 512 | 889,732 | 42,494.69 |
| Town of Cornelius | 461 | 398,077 | 30,729.62 |
| Town of Dallas | 1,299 | 1,684,521 | 115,802.34 |
| Town of Drexel | 982 | 1,750,994 | 82,335.58 |
| Town of Forest City | 2,721 | 3,532,051 | 242,626.17 |
| Town of Granite Falls | 928 | 751,121 | 60,920.56 |
| Town of Huntersville | 590 | 495,072 | 39,059.21 |
| Town of Landis | 1,227 | 991,280 | 80,514.35 |
| Town of Maiden | 1,380 | 1,115,060 | 90,557.42 |
| Town of Pineville | 590 | 495,072 | 39,059.21 |
| North Carolina Total | 148,782 | 279,044,435 | 11,139,913.57 |
| South Carolina | | | |
| Central Electric Power Cooperative | 201,852 | 385,772,343 | 20,122,025.71 |
| Little River EC | 572 | 1,330,161 | 85,845.19 |
| City of Abbeville | 3,305 | 6,096,367 | 264,319.91 |
| City of Clinton | 3,323 | 2,613,848 | 215,599.18 |

Customer Sales

| CUSTOMER | CAPACITY (kW) | ENERGY (kWh) | REVENUE (\$) |
|--|------------------|----------------------|-----------------------|
| City of Easley | 9,669 | 16,767,429 | 794,601.99 |
| City of Gaffney | 7,804 | 13,540,180 | 641,462.01 |
| City of Georgetown | 5,300 | 10,802,382 | 565,747.80 |
| City of Greenwood | 12,739 | 25,294,449 | 1,100,581.02 |
| City of Greer | 10,231 | 17,810,480 | 842,037.21 |
| City of Laurens | 6,581 | 11,444,948 | 541,423.23 |
| City of Newberry | 3,661 | 2,879,483 | 237,524.63 |
| City of Orangeburg | 15,090 | 34,880,365 | 2,261,215.21 |
| City of Rock Hill | 21,352 | 37,026,781 | 1,754,703.45 |
| City of Seneca | 2,688 | 3,634,587 | 193,660.00 |
| City of Union | 3,892 | 3,062,258 | 252,531.69 |
| City of Westminster | 778 | 620,040 | 50,624.64 |
| Town of Bamberg | 2,569 | 5,062,538 | 271,230.53 |
| Town of Due West | 285 | 369,659 | 25,408.30 |
| Town of McCormick | 522 | 1,489,449 | 81,659.35 |
| Town of Prosperity | 620 | 1,116,189 | 52,437.01 |
| Town of Winnsboro | 1,366 | 3,028,628 | 203,137.48 |
| South Carolina PSA | 150,802 | 235,818,679 | 11,660,358.08 |
| South Carolina Total | 465,001 | 820,461,243 | 42,218,133.62 |
| Georgia-Alabama-South Carolina System Total | 2,184,257 | 3,525,591,905 | 195,941,108.41 |
| KERR-PHILPOTT SYSTEM | | | |
| North Carolina | | | |
| Albemarle EMC | 2,593 | 4,127,304 | 268,081.05 |
| Brunswick EMC | 3,515 | 6,046,363 | 418,382.26 |
| Carteret-Craven EMC | 2,735 | 4,650,817 | 324,744.11 |
| Central EMC | 1,239 | 2,131,280 | 147,475.27 |
| Edgecombe-Martin County EMC | 4,155 | 6,700,006 | 431,490.39 |
| Four County EMC | 4,198 | 7,221,233 | 499,678.18 |
| Halifax EMC | 2,606 | 4,259,301 | 279,378.20 |
| Jones-Onslow EMC | 5,184 | 8,917,308 | 617,039.42 |
| Lumbee River EMC | 3,729 | 6,414,478 | 443,854.23 |
| Pee Dee EMC | 2,968 | 5,105,436 | 353,274.16 |
| Piedmont EMC | 1,086 | 1,875,300 | 129,370.66 |
| Pitt & Greene EMC | 1,580 | 2,717,853 | 188,063.72 |
| Randolph EMC | 3,608 | 6,206,341 | 429,451.84 |
| Roanoke EMC | 5,528 | 8,850,185 | 572,657.44 |
| South River EMC | 6,119 | 10,525,660 | 728,330.25 |
| Tideland EMC | 3,098 | 5,061,490 | 331,882.68 |
| Tri-County EMC | 3,096 | 5,325,618 | 368,509.75 |
| Wake EMC | 2,164 | 3,722,426 | 257,575.93 |
| City of Elizabeth City | 2,073 | 1,573,362 | 375,932.02 |
| City of Kinston | 1,466 | 1,112,663 | 153,639.98 |
| City of Laurinburg | 415 | 314,976 | 43,492.91 |
| City of Lumberton | 895 | 679,286 | 93,797.93 |
| City of New Bern | 1,204 | 913,812 | 126,181.95 |
| City of Rocky Mount | 2,538 | 1,926,289 | 265,987.95 |
| City of Washington | 2,703 | 2,051,522 | 283,280.31 |
| City of Wilson | 2,950 | 2,238,990 | 309,166.57 |
| Fayetteville Public Works Commission | 5,431 | 4,122,015 | 569,180.67 |
| Greenville Utilities Commission | 7,534 | 5,718,149 | 789,579.74 |
| Town of Apex | 145 | 110,052 | 15,196.29 |
| Town of Ayden | 208 | 157,868 | 21,798.86 |
| Town of Belhaven | 182 | 138,136 | 33,005.16 |
| Town of Benson | 120 | 91,078 | 12,576.31 |
| Town of Clayton | 161 | 122,195 | 16,873.11 |
| Town of Edenton | 775 | 588,208 | 140,543.81 |
| Town of Enfield | 259 | 196,606 | 22,116.59 |
| Town of Farmville | 237 | 179,876 | 24,838.12 |
| Town of Fremont | 60 | 45,538 | 6,288.14 |
| Town of Hamilton | 40 | 30,359 | 7,253.87 |
| Town of Hertford | 203 | 154,073 | 36,813.42 |
| Town of Hobgood | 46 | 34,914 | 8,341.97 |
| Town of Hookerton | 30 | 22,770 | 3,144.05 |
| Town of La Grange | 93 | 70,587 | 9,746.66 |
| Town of Louisburg | 857 | 1,473,885 | 102,002.37 |
| Town of Pikeville | 40 | 30,359 | 4,192.08 |
| Town of Red Springs | 117 | 88,803 | 12,261.88 |
| Town of Robersonville | 232 | 176,083 | 42,072.47 |
| Town of Scotland Neck | 304 | 230,730 | 55,129.45 |
| Town of Selma | 183 | 138,893 | 19,178.84 |
| Town of Smithfield | 378 | 286,894 | 39,615.21 |
| Town of Tarboro | 2,145 | 1,628,013 | 388,989.10 |
| Town of Wake Forest | 149 | 113,088 | 15,615.55 |
| Town of Windsor | 331 | 250,124 | 60,067.26 |
| North Carolina Total | 93,705 | 126,868,596 | 10,897,140.14 |

| CUSTOMER | CAPACITY (kW) | ENERGY (kWh) | REVENUE (\$) |
|--|------------------|----------------------|-----------------------|
| Virginia | | | |
| B-A-R-C EC | 3,740 | 5,980,168 | 746,356.45 |
| Central Virginia EC | 7,956 | 12,802,905 | 1,589,841.84 |
| Community EC | 4,230 | 6,773,124 | 844,350.42 |
| Craig-Botetourt EC | 1,692 | 2,747,702 | 338,560.46 |
| Mecklenburg EC | 11,344 | 18,311,867 | 2,267,645.96 |
| Northern Neck EC | 3,944 | 6,284,398 | 786,580.73 |
| Northern Virginia EC | 3,268 | 5,279,497 | 653,644.27 |
| Prince George EC | 2,530 | 4,031,324 | 504,576.48 |
| Rappahannock EC | 22,427 | 35,735,348 | 4,472,780.52 |
| Shenandoah Valley EC | 9,938 | 16,015,825 | 1,986,004.02 |
| Southside EC | 14,575 | 23,223,912 | 2,906,798.80 |
| City of Bedford | 1,200 | 913,459 | 102,880.73 |
| City of Danville | 5,600 | 4,262,811 | 480,110.03 |
| City of Franklin | 1,003 | 757,926 | 182,016.41 |
| City of Martinsville | 1,600 | 1,217,946 | 137,174.31 |
| City of Radford | 1,300 | 988,031 | 111,449.91 |
| City of Salem | 2,200 | 1,672,056 | 188,607.60 |
| Harrisonburg Electric Commission | 2,691 | 2,060,058 | 488,949.73 |
| Town of Blackstone | 389 | 293,952 | 70,592.63 |
| Town of Culpepper | 391 | 299,325 | 71,044.00 |
| Town of Elkton | 171 | 129,218 | 31,031.73 |
| Town of Richlands | 500 | 380,608 | 42,866.95 |
| Town of Wakefield | 106 | 80,100 | 19,236.01 |
| Virginia Total | 102,795 | 150,241,560 | 19,023,099.99 |
| Kerr-Philpott System Total | 196,500 | 277,110,156 | 29,920,240.13 |
| JIM WOODRUFF SYSTEM | | | |
| Florida | | | |
| Central Florida EC | 2,300 | 11,337,570 | 330,972.65 |
| Suwannee Valley EC | 4,800 | 23,972,787 | 693,641.01 |
| Talquin EC | 13,500 | 80,203,766 | 2,767,790.87 |
| Tri-County EC | 5,200 | 28,348,179 | 914,133.31 |
| City of Chattahoochee | 1,800 | 10,682,822 | 367,937.15 |
| City of Quincy | 8,400 | 47,343,865 | 1,599,187.61 |
| Duke Energy Florida | - | 44,949,666 | 2,386,740.31 |
| Jim Woodruff System Total | 36,000 | 246,838,655 | 9,060,402.91 |
| CUMBERLAND SYSTEM | | | |
| Illinois | | | |
| Southern Illinois Power Cooperative | 28,000 | 43,512,000 | 1,405,262.94 |
| Kentucky | | | |
| Big Rivers Electric Corporation | 178,000 | 229,187,000 | 8,912,001.70 |
| East Kentucky Power Cooperative | 170,000 | 262,649,000 | 10,160,687.04 |
| City of Barbourville | 2,200 | 3,809,293 | 135,474.84 |
| City of Bardstown | 2,247 | 4,067,000 | 138,369.12 |
| City of Bardwell | 542 | 938,471 | 33,376.08 |
| City of Benham | 248 | 429,410 | 15,271.68 |
| City of Corbin | 2,598 | 4,498,427 | 159,983.40 |
| City of Falmouth | 590 | 1,021,583 | 36,331.92 |
| City of Frankfort | 15,621 | 27,047,712 | 961,933.08 |
| City of Henderson | 12,000 | 17,960,000 | 603,339.23 |
| City of Madisonville | 7,803 | 13,510,869 | 480,504.72 |
| City of Nicholasville | 2,556 | 4,623,000 | 157,397.16 |
| City of Owensboro | 25,000 | 41,086,000 | 1,539,487.20 |
| City of Paris | 1,364 | 2,361,764 | 83,994.36 |
| City of Providence | 1,231 | 2,131,471 | 75,804.36 |
| City of Princeton | 362 | 29,984 | 53,783.57 |
| City of Paducah | 2,526 | 15,326,557 | 375,310.15 |
| Kentucky Total | 424,888 | 630,677,541 | 23,923,049.61 |
| Mississippi | | | |
| Cooperative Energy | 51,000 | 69,487,000 | 2,550,166.28 |
| Mississippi Delta Energy Agency | 11,000 | 16,810,000 | 552,093.24 |
| Municipal Energy Agency of Mississippi | 19,000 | 28,270,000 | 950,251.07 |
| Mississippi Total | 81,000 | 114,567,000 | 4,052,510.59 |
| North Carolina | | | |
| French Broad EMC | 8,200 | 13,721,894 | 571,838.76 |
| Haywood EMC | 2,400 | 4,016,167 | 167,367.36 |
| Town of Waynesville | 1,700 | 2,826,260 | 118,551.96 |
| North Carolina Total | 12,300 | 20,564,321 | 857,758.08 |
| Tennessee Valley Region | | | |
| TVA Acquisition for 153 TVPPA Members | 402,112 | 2,550,340,000 | 41,446,085.10 |
| Cumberland System Total | 948,300 | 3,359,660,862 | 71,684,666.32 |
| Grand Total | 3,365,057 | 7,409,201,578 | 306,606,417.77 |

Contents



Hartwell Powerplant is the only one of 75 Corps hydro facilities nationwide built without a roof over the generators. The plant picture, to right, was taken from atop the gantry crane, seen in the top two pictures transiting and lowering the 296 ton Generator 3 rotor through the deck hatch to the storage/maintenance pedestal. The long awaited stator rewind work was delayed due to cracks being discovered in the lifting device hook. To facilitate the stator winding replacement an alternate method was engineered to connect the twin main crane hooks to the rotor eye using straps and a spreader bar.

Southeastern Power Administration

2022 Financial Overview and Financial Statements

2022 Financial Overview & Financial Statements

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

The Corps operates 22 Federal hydroelectric generating projects in commercial service as of September 30, 2022, for which Southeastern is the power marketing agency. The Corps and Southeastern are separately managed and financed; however, the financial statements are combined under the Program title.

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

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

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

Program Performance

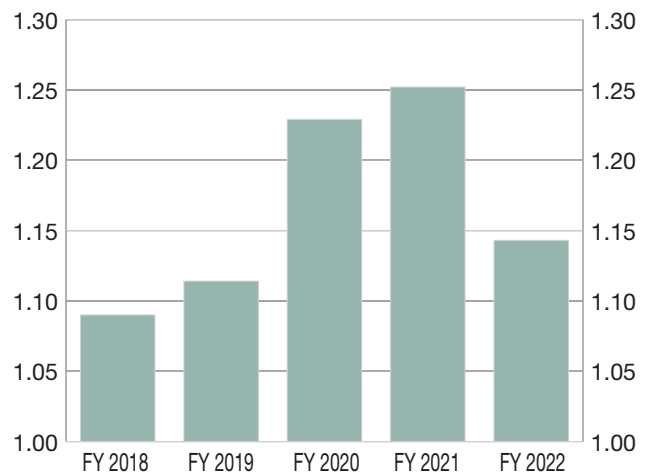
During FY 2022, Southeastern marketed 7.4 billion kilowatt-hours of energy to 472 wholesale customers. The Program's revenues totaled \$325 million, \$15.3 million more than in FY 2021.

Financial Performance Debt Service Coverage Ratio

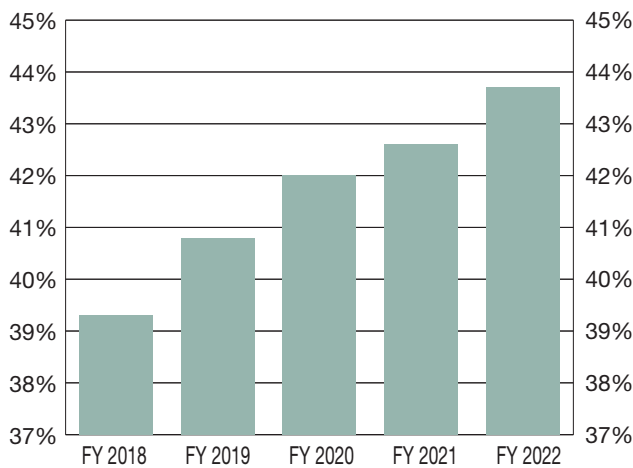
The debt service coverage ratio measures the adequacy of a utility's cash flow to cover debt service cash, both principal and interest.

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

Debt Service Coverage Ratio -
Figure P



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



Over the last five years, the Program's debt service ratio has ranged from about 1.090 to 1.143. FY 2018 actual generation was slightly less than estimates. For FY 2019, FY 2020, FY 2021 and FY 2022 generation was slightly higher than average. The Program's debt service coverage ratio for fiscal years 2018-2022 is illustrated in 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. The Program's principal payments as a percentage of total investment is now 43.7%. Payments as a percent of total investment are illustrated in Figure Q.

Variance of Actual from Planned Principal Payment

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

The FY 2018 - FY 2022 ratios reflect a higher amount for repayment than planned. The variance of actual from planned payment ratios range from 16.7% to 57.9% as found in Figure R.

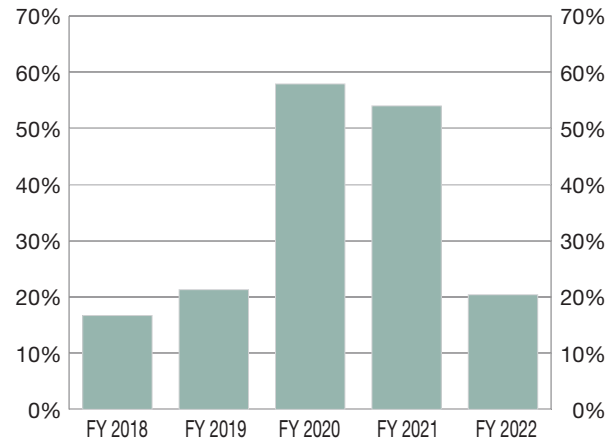
Net Cash to the Treasury

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

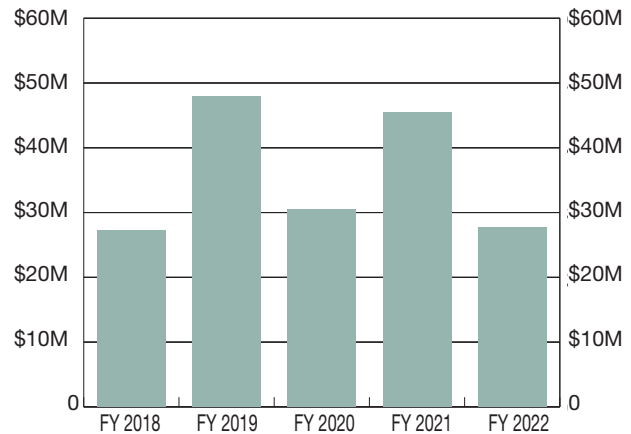
Because of its cash nature, this indicator is negatively influenced during years of large capital expenditures. Even in years of favorable financial performance, small or negative cash flow to the U.S. Treasury may result. In addition, the variability of water levels explains some of the fluctuation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

Percent Variance of Actual From Planned Principal Payments - Figure R



Net Cash Flow to the Treasury - Figure S





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Denver, CO 80202-5598

Independent Auditors' Report

Administrator, Southeastern Power Administration:

Opinion

We have audited the combined financial statements of the Southeastern Federal Power Program (the Program), which comprise the combined balance sheets as of September 30, 2022 and 2021, and the related combined statements of revenues and expenses, changes in capitalization, and cash flows for the years then ended, and the related notes to the combined financial statements. The combined financial statements include the Southeastern Power Administration (SEPA), a component of the U.S. Department of Energy, and the hydroelectric power generating function of the U.S. Department of Defense, Army Corps of Engineers (the generating agency) for which SEPA markets the related power.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Program as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for one year after the date that the combined financial statements available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Information Other Than the Combined Financial Statements and Auditors' Report Thereon

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information in schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Fast Facts; Administrator's Report; Mission, Vision, and Organization; Marketing Map; Marketing Objectives; Rates and Repayment; Program Direction; Customer Funding; Georgia-Alabama-South Carolina System; Kerr-Philpott System; Cumberland System; Jim Woodruff System; Customer Sales; 2022 Financial Overview; and schedule 3 but does not include the financial statements and our auditors' report thereon. Our opinion on the combined financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the combined financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the combined financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Denver, Colorado
March 15, 2023

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Balance Sheets

September 30, 2022 and 2021

(In thousands)

| Assets | 2022 | 2021 |
|---|----------------------------|-------------------------|
| Utility plant in service (note 5) | \$ 2,919,287 | 2,902,979 |
| Accumulated depreciation | <u>(1,316,662)</u> | <u>(1,269,948)</u> |
| Net completed plant | 1,602,625 | 1,633,031 |
| Construction work-in-progress | <u>104,787</u> | <u>66,181</u> |
| Net utility plant | 1,707,412 | 1,699,212 |
| Cash | 717,292 | 488,127 |
| Accounts receivable, net | 33,650 | 26,785 |
| Regulatory assets | 16,190 | 15,380 |
| Other assets | <u>145</u> | <u>135</u> |
| Total assets | \$ <u><u>2,474,689</u></u> | <u><u>2,229,639</u></u> |
| Total Liabilities and Capitalization | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 25,725 | 13,647 |
| Workers' compensation actuarial liability | <u>16,190</u> | <u>15,380</u> |
| Total liabilities | <u>41,915</u> | <u>29,027</u> |
| Capitalization: | | |
| Payable to U.S. Treasury (notes 4 and 5(a)) | 2,472,955 | 2,233,689 |
| Accumulated net deficit | <u>(40,181)</u> | <u>(33,077)</u> |
| Total capitalization | 2,432,774 | 2,200,612 |
| Commitments and contingencies (note 6) | <u>—</u> | <u>—</u> |
| Total liabilities and capitalization | \$ <u><u>2,474,689</u></u> | <u><u>2,229,639</u></u> |

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Revenues and Expenses

Years ended September 30, 2022 and 2021

(In thousands)

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|----------------|
| Operating revenues: | | |
| Sales of electric power | \$ 306,606 | 295,705 |
| Other operating revenues | 18,826 | 14,412 |
| Total operating revenues | <u>325,432</u> | <u>310,117</u> |
| Operating expenses, excluding depreciation expense: | | |
| Operations | 89,873 | 80,171 |
| Maintenance | 46,479 | 41,505 |
| Purchased power | 19,069 | 1,839 |
| Purchased transmission services | 55,277 | 54,864 |
| Total operating expenses, excluding depreciation expense | <u>210,698</u> | <u>178,379</u> |
| Depreciation expense | <u>47,693</u> | <u>45,805</u> |
| Total operating expenses | <u>258,391</u> | <u>224,184</u> |
| Net operating revenues | <u>67,041</u> | <u>85,933</u> |
| Interest expenses: | | |
| Interest on payable to U.S. Treasury | 76,190 | 77,379 |
| Interest charged to construction | (2,045) | (2,506) |
| Net interest expenses | <u>74,145</u> | <u>74,873</u> |
| Net revenues | <u>\$ (7,104)</u> | <u>11,060</u> |

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Changes in Capitalization

Years ended September 30, 2022 and 2021

(In thousands)

| | <u>Payable to U.S. Treasury</u> | <u>Accumulated net deficit</u> | <u>Total capitalization</u> |
|--|-------------------------------------|------------------------------------|---------------------------------|
| Total capitalization as of September 30, 2020 | \$ 2,195,305 | (44,137) | 2,151,168 |
| Additions: | | | |
| Congressional appropriations | 112,531 | — | 112,531 |
| Interest | 77,379 | — | 77,379 |
| Transfers of property and services, net | 12,511 | — | 12,511 |
| Total additions to capitalization | <u>202,421</u> | <u>—</u> | <u>202,421</u> |
| Deductions: | | | |
| Payments to U.S. Treasury | (163,016) | — | (163,016) |
| Rate adjustments to congressional appropriations (note 5(a)) | (1,021) | — | (1,021) |
| Total deductions to capitalization | <u>(164,037)</u> | <u>—</u> | <u>(164,037)</u> |
| Net revenues for the year ended September 30, 2021 | <u>—</u> | 11,060 | 11,060 |
| Total capitalization as of September 30, 2021 | <u>2,233,689</u> | <u>(33,077)</u> | <u>2,200,612</u> |
| Additions: | | | |
| Congressional appropriations | 344,589 | — | 344,589 |
| Interest | 76,190 | — | 76,190 |
| Transfers of property and services, net | 13,063 | — | 13,063 |
| Total additions to capitalization | <u>433,842</u> | <u>—</u> | <u>433,842</u> |
| Deductions: | | | |
| Payments to U.S. Treasury | (194,220) | — | (194,220) |
| Rate adjustments to congressional appropriations (note 5(a)) | (356) | — | (356) |
| Total deductions to capitalization | <u>(194,576)</u> | <u>—</u> | <u>(194,576)</u> |
| Net revenues for the year ended September 30, 2022 | <u>—</u> | (7,104) | (7,104) |
| Total capitalization as of September 30, 2022 | \$ <u>2,472,955</u> | <u>(40,181)</u> | <u>2,432,774</u> |

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Statements of Cash Flows

Years ended September 30, 2022 and 2021

(In thousands)

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-----------------|
| Cash flows from operating activities: | | |
| Net revenues | \$ (7,104) | 11,060 |
| Adjustments to reconcile net revenues to net cash provided by operating activities: | | |
| Depreciation expense | 47,693 | 45,805 |
| Interest on payable to U.S. Treasury, net | 74,145 | 74,873 |
| Unfunded retirement benefits | 10,640 | 9,617 |
| (Increase) decrease in assets: | | |
| Accounts receivable, net | (6,865) | (4,211) |
| Other assets | (10) | 78 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued liabilities | 12,078 | (4,365) |
| Net cash provided by operating activities | <u>130,577</u> | <u>132,857</u> |
| Cash flows used in investing activities: | | |
| Investment in utility plant | <u>(54,205)</u> | <u>(61,262)</u> |
| Cash flows used in financing activities: | | |
| Congressional appropriations | 344,589 | 112,531 |
| Payments to U.S. Treasury | (194,220) | (163,016) |
| Transfers from other federal agencies, net | 2,424 | 2,892 |
| Net cash provided by (used in) financing activities | <u>152,793</u> | <u>(47,593)</u> |
| Net increase in cash | 229,165 | 24,002 |
| Cash, beginning of year | <u>488,127</u> | <u>464,125</u> |
| Cash, end of year | <u>\$ 717,292</u> | <u>488,127</u> |
| Supplemental disclosures: | | |
| Cash paid for interest | \$ 74,145 | 74,873 |
| Interest charged to construction | 2,045 | 2,506 |
| Adjustments to power allocations impacting (note 5(a)): | | |
| Congressional appropriations | 356 | 1,021 |
| Investment in utility plant | 356 | 1,021 |

See accompanying notes to combined financial statements.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Financial Statements

September 30, 2022 and 2021

(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, 2022, the four power systems include 22 hydroelectric generating projects owned and operated by the Corps of Engineers. The projects serve multiple purposes, including power, recreation, navigation, and flood control. The costs of multipurpose generating agency projects are assigned to specific hydroelectric power functions through a cost allocation process administratively developed pursuant to relevant law. These combined financial statements include only those expenses and net assets of the Corps that are expected to be recovered through sales of power and other related revenues. Costs of multipurpose Corps projects are allocated to power and non-power purposes. The portion of total project costs allocated to power is included in the accompanying combined financial statements.

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

(2) Summary of Significant Accounting Policies

(a) General

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

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Financial Statements

September 30, 2022 and 2021

(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

The Program recognizes operating revenues in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*. The core principle of ASC Topic 606 is for the entity to recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration which an entity expects to be entitled in exchange for those goods or services.

Under the provisions of ASC Topic 606, the Program has elected the following practical expedients:

- Recognize revenue in the amount the Program has the right to invoice a customer.
- Apply the standard to a portfolio of contracts with similar characteristics, as the effects of applying the guidance to the portfolio would not differ materially from applying this guidance to the individual contracts.

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 under long-term contracts. Electric power revenues are billed monthly based on meter readings or estimates. Revenues can vary from period to period as a result of weather and hydrological conditions.

Accounts receivable, net represents amounts billed to customers but not collected, net of the allowance of \$0 as of September 30, 2022 and 2021. 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.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combined Financial Statements

September 30, 2022 and 2021

(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 Administrator, Southeastern Power Administration, has the authority to confirm, approve, and place such rates in effect on an interim basis, effective June 13, 2022, through Redelegation Order No. S3-DEL-SEPA1-2022 by the Under Secretary (for Infrastructure). Projects under construction are included in the combined financial statements at the multi-purpose allocation rate specific to the related project. Any adjustments to the multi-purpose allocation rate, as determined necessary by Southeastern's Administrator, are recorded at the time the asset is placed into service and subjected to repayment (note 4(a)).

The Secretary has delegated to FERC the authority to confirm, approve, and place such rates in effect on a final basis and to remand or to disapprove such rates. FERC's review is limited to (1) whether the rates are the lowest possible consistent with sound business principles; (2) whether the revenue levels generated are sufficient to recover the costs of producing and transmitting electric energy including repayment within the period permitted by law; and (3) the assumptions and projections used in developing the rates. FERC shall reject decisions of Southeastern's Administrator only if it finds them to be arbitrary, capricious, or in violation of the law. Refunds with interest, as determined by FERC, are authorized if final approved rates are lower than rates approved on an interim basis. However, if at any 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, 2022, rates for the Cumberland, Jim Woodruff, and the Kerr-Philpott Systems were approved on a final basis by FERC. The rates for the Georgia-Alabama-South Carolina System were approved on an interim basis by the Administrator, Southeastern Power Administration. There were no revenues subject to refund.

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

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SOUTHEASTERN FEDERAL POWER PROGRAM

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or eliminate the value of an asset, or impose a liability on a regulated enterprise. Rate actions received after the balance sheet date but prior to the completion of the combined financial statements are considered conditions that existed at the balance sheet date unless the rate action addressed a specific event that occurred after the balance sheet date.

(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, 2022 and 2021.

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

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

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

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

Interest, a component of total capitalization, is accrued annually on the outstanding payable to the U.S. Treasury based on federal statutes and power system legislation. Such interest is reflected as an expense in the combined financial statements. Interest rates on unpaid balances ranged from 1.625% to 6.125% for the years ended September 30, 2022 and 2021.

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 1.625% to 4.125% for the years ended September 30, 2022 and 2021, depending on the year in which

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SOUTHEASTERN FEDERAL POWER PROGRAM

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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 18.2%, respectively, of eligible employee compensation. Program contributions to these plans are submitted to benefit program trust funds administered by the Office of Personnel Management (OPM) and totaled \$23.6 million and \$20.9 million for the years ended September 30, 2022 and 2021, respectively. The contribution levels, as legislatively mandated, do not reflect the total current cost/full cost requirements to fund the pension plans. Additional sources of funding for CSRS and FERS benefits include direct appropriations to the OPM, not Southeastern or the Corps, and is approximately 46.2% and 20.4% of base salary, respectively. In addition to the amounts contributed to the CSRS and FERS, the Program has recorded \$10.6 million and \$9.5 million of annual pension and retirement benefits expense for the years ended September 30, 2022 and 2021, respectively. This amount reflects the contribution made on behalf of Southeastern and the Corps by OPM to benefit program trust funds. This expense will be recovered from power customers through the future sale of power. Costs incurred by OPM on behalf of the Program are included as transfers of property and services, net within the payable to U.S. Treasury on the combined balance sheets.

Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program (“FEHB”) and the Federal Employee Group Life Insurance Program (“FEGLI”). FEHB is calculated at \$8,775 and \$8,476 per employee in fiscal years 2022 and 2021, 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 the Program’s combined financial statements.

(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

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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, 2022 and 2021, 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.

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SOUTHEASTERN FEDERAL POWER PROGRAM

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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 \$16.2 million and \$15.4 million as of September 30, 2022 and 2021, 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, accrued liabilities, and other assets, approximates the fair value of these instruments because of the short maturity of these instruments. The fair value of the payable to U.S. Treasury and of certain unfunded and actuarially based liabilities cannot be determined as the future payout dates have yet to be determined.

(n) Use of Estimates

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

(o) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. ASU No. 2016-02 is effective for the Program for periods beginning after December 15, 2021. The Program is evaluating the effect that ASU No. 2016-02 will have on the Program’s combined financial statements and related disclosures.

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(3) Operating Revenues

(a) Disaggregated Revenues

Disaggregated revenues as of September 30, 2022 and 2021 consist of the following (in thousands):

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|-------------------|----------------|
| Sales: | | |
| Power | \$ 306,606 | 295,705 |
| Non-reimbursable revenue | — | 16 |
| | <u>306,606</u> | <u>295,722</u> |
| Revenue from contracts with customers | 306,606 | 295,722 |
| Non-contract revenues | <u>18,826</u> | <u>14,396</u> |
| Total operating revenues | <u>\$ 325,432</u> | <u>310,117</u> |

(b) Revenue from Contracts with Customers

The majority of the Program's revenue is derived from the sale of power through power sales contracts with customers. The Program provides wholesale electric energy and capacity to preference power customers under long-term and non-firm contracts. The Program establishes rates for power in a formal rate proceeding. Rate schedules establish rates that provide sufficient revenues to meet all program costs. Electric power revenues are billed monthly based on usage and rates specified in rate schedules. Revenues can vary from period to period due to weather, hydrological conditions, and customer usage requirements.

Non-reimbursable revenue is money received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to offset power-related expenses incurred that are excluded for rate-making purposes. Revenues are recognized as expenditures are incurred.

(c) Non-contract Revenues

Non-contract revenues consist primarily of headwater benefits and water revenues at the Corps of Engineers attributable to the power function, timber sales, and miscellaneous fees. Revenues are recognized upon receipt.

(d) Contract Balances

All accounts receivable is billed as of September 30, 2022 and 2021. Contract advances represent the Program's unsatisfied performance obligation to transfer goods or service to a customer from which the Program has received consideration. As of September 30, 2022 and 2021, the Program has no contract advances.

(4) 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.

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SOUTHEASTERN FEDERAL POWER PROGRAM

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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 2022. 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.

(5) Utility Plant

Utility plant as of September 30, 2022 and 2021 consists of the following (in thousands):

| | 2022 | 2021 |
|-------------------------------|--------------|-------------|
| Utility plant: | | |
| Structures and facilities | \$ 2,479,361 | 2,467,380 |
| Buildings | 52,739 | 49,968 |
| Land | 364,040 | 364,244 |
| Movable equipment | 23,147 | 21,387 |
| Gross completed plant | 2,919,287 | 2,902,979 |
| Accumulated depreciation | (1,316,662) | (1,269,948) |
| Net completed plant | 1,602,625 | 1,633,031 |
| Construction work-in-progress | 104,787 | 66,181 |
| Net utility plant | \$ 1,707,412 | 1,699,212 |

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, 2022 and 2021, contributed plant, net, used in the Program's operations totaled approximately \$586,000.

As of September 30, 2022, major projects included in construction work-in-progress included an Island Creek transformer replacement, General Data Acquisition and Control Systems (GDACS) upgrades, replacing a power plant control system, a security camera system upgrade, and turbines and generator upgrades in the Kerr-Philpott power system; GDACS improvements, security system upgrades, fire suppressant system upgrades, powerhouse rock fall prevention, repairs due to hurricanes, switchgear replacements, turbine runner upgrades, raw water system upgrades, and a bank fish deterrent system in the Georgia-Alabama-South Carolina power system; GDACS upgrades, heating and ventilation replacements, and upgrades of the circuit switches in the Jim Woodruff System; and hydropower trash screens, an intake and spillway crane, powerhouse generator roof replacement, turbine and generator

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upgrades and rehabilitations, generator stator winding, medium voltage cables and busses upgrades, spillway gate upgrades, and transformer replacements in the Cumberland power system.

As of September 30, 2021, major projects included in construction work-in-progress included an Island Creek transformer replacement, a replacement power plant control system, and upgrade design for turbines and generators in the Kerr-Philpott power system; GDACS improvements, crane replacement, Unit 3 Static Excitation System (SES), turbine upgrades, fire support system upgrades, induction welder upgrades, switchgear replacements, upstream bulkhead upgrades, and security system updates in the Georgia-Alabama-South Carolina power system; GDACS upgrades and HVAC system replacement in the Jim Woodruff System; and turbine upgrades, design and purchase hydropower trash screens, spillway gate machinery upgrade, security system upgrades, GDACS upgrades, stator upgrades, major hydro rehabilitation, and ventilation upgrades in the Cumberland power system.

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

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

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

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

| | <u>Total project costs</u> | <u>Multi-purpose allocation</u> | <u>Dam Safety Act adjustment</u> | <u>Allocated to power</u> |
|--------------|----------------------------|---------------------------------|----------------------------------|---------------------------|
| 2015 | \$ 2,759 | 1,521 | 1,293 | 228 |
| 2016 | 3,721 | 2,051 | 1,743 | 308 |
| 2017 | 1,211 | 667 | 567 | 100 |
| 2018 | 132 | 73 | 62 | 11 |
| 2019 | 494 | 272 | 231 | 41 |
| 2020 | 488 | 269 | 229 | 40 |
| 2021 | 92 | 51 | 43 | 8 |
| 2022 | — | — | — | — |
| Total | \$ 8,897 | 4,904 | 4,168 | 736 |

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

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

| | <u>Total project costs</u> | <u>Multi-purpose allocation</u> | <u>Dam Safety Act adjustment</u> | <u>Allocated to power</u> |
|--------------|----------------------------|---------------------------------|----------------------------------|---------------------------|
| 2016 | \$ 13,812 | 5,876 | 4,995 | 881 |
| 2017 | 2,119 | 902 | 767 | 135 |
| 2018 | 2,130 | 906 | 770 | 136 |
| 2019 | 2,268 | 965 | 820 | 145 |
| 2020 | 85,872 | 36,534 | 31,054 | 5,480 |
| 2021 | 2,705 | 1,151 | 978 | 173 |
| 2022 | 986 | 419 | 356 | 63 |
| Total | \$ 109,892 | 46,753 | 39,740 | 7,013 |

As of September 30, 2022, remediation efforts remain underway in both the Wolf Creek and Center Hill projects.

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SOUTHEASTERN FEDERAL POWER PROGRAM

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(6) 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, most of the 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.

As of September 30, 2020, a \$3.8 million claim was filed with the Armed Services Board of Contract Appeals relating to the remediation of the Allatoona Powerhouse fire. This claim was not accrued in the combined financial statements, but it is reasonably possible the claim will result in an unfavorable outcome to the Program that would not be paid by the U.S. Treasury Judgment Fund.

(b) Transmission Contract Commitments

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

| | Commitments for transmission services |
|---|--|
| Fiscal year ending September 30, | |
| 2023 | \$ 57,979 |
| 2024 | 60,135 |
| 2025 | 62,401 |
| 2026 | 64,779 |
| 2027 | 67,278 |
| | <hr/> |
| | \$ 312,572 |
| | <hr/> <hr/> |

(7) Subsequent Events

The Program has evaluated subsequent events as of September 30, 2022, through the date the combined financial statements were available to be issued on March 15, 2023 and identified no subsequent events requiring disclosure.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2022

(In thousands)

| Assets | GA-AL-SC | Jim Woodruff | Kerr-Philpott | Cumberland | Total |
|---|---------------------|---------------------|----------------------|-------------------|------------------|
| Utility plant in service | \$ 1,903,069 | 79,458 | 220,399 | 716,361 | 2,919,287 |
| Accumulated depreciation | (853,401) | (40,790) | (101,274) | (321,197) | (1,316,662) |
| Net completed plant | 1,049,668 | 38,668 | 119,125 | 395,164 | 1,602,625 |
| Construction work-in-progress | 36,522 | 3,173 | 7,381 | 57,711 | 104,787 |
| Net utility plant | 1,086,190 | 41,841 | 126,506 | 452,875 | 1,707,412 |
| Cash | 113,864 | 4,825 | 60,040 | 538,563 | 717,292 |
| Accounts receivable, net | 26,885 | 598 | 2,669 | 3,498 | 33,650 |
| Regulatory assets | 13,547 | 533 | — | 2,110 | 16,190 |
| Other assets | 71 | 3 | 16 | 55 | 145 |
| Total assets | <u>\$ 1,240,557</u> | <u>47,800</u> | <u>189,231</u> | <u>997,101</u> | <u>2,474,689</u> |
| Total Liabilities and Capitalization | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 10,827 | 537 | 2,409 | 11,952 | 25,725 |
| Workers' compensation actuarial liability | 13,547 | 533 | — | 2,110 | 16,190 |
| Total liabilities | 24,374 | 1,070 | 2,409 | 14,062 | 41,915 |
| Capitalization: | | | | | |
| Payable to U.S. Treasury | 1,348,591 | 48,836 | 193,165 | 882,363 | 2,472,955 |
| Accumulated net revenues (deficit) | (132,408) | (2,106) | (6,343) | 100,676 | (40,181) |
| Total capitalization | 1,216,183 | 46,730 | 186,822 | 983,039 | 2,432,774 |
| Commitments and contingencies | — | — | — | — | — |
| Total liabilities and capitalization | <u>\$ 1,240,557</u> | <u>47,800</u> | <u>189,231</u> | <u>997,101</u> | <u>2,474,689</u> |

See accompanying independent auditors' report.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Balance Sheet Data

September 30, 2021

(In thousands)

| | GA-AL-SC | Jim Woodruff | Kerr-Philpott | Cumberland | Total |
|---|--------------|--------------|---------------|------------|-------------|
| Assets | | | | | |
| Utility plant in service | \$ 1,898,924 | 79,342 | 222,509 | 702,204 | 2,902,979 |
| Accumulated depreciation | (823,912) | (38,840) | (96,906) | (310,290) | (1,269,948) |
| Net completed plant | 1,075,012 | 40,502 | 125,603 | 391,914 | 1,633,031 |
| Construction work-in-progress | 31,040 | 516 | 2,011 | 32,614 | 66,181 |
| Net utility plant | 1,106,052 | 41,018 | 127,614 | 424,528 | 1,699,212 |
| Cash | 108,189 | 6,575 | 38,186 | 335,177 | 488,127 |
| Accounts receivable, net | 19,690 | 1,047 | 3,245 | 2,803 | 26,785 |
| Regulatory assets | 13,337 | 2 | — | 2,041 | 15,380 |
| Other assets | 68 | 3 | 15 | 49 | 135 |
| Total assets | \$ 1,247,336 | 48,645 | 169,060 | 764,598 | 2,229,639 |
| Total Liabilities and Capitalization | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 5,543 | 147 | 1,586 | 6,371 | 13,647 |
| Workers' compensation actuarial liability | 13,337 | 2 | — | 2,041 | 15,380 |
| Total liabilities | 18,880 | 149 | 1,586 | 8,412 | 29,027 |
| Capitalization: | | | | | |
| Payable to U.S. Treasury | 1,362,263 | 49,076 | 164,095 | 658,255 | 2,233,689 |
| Accumulated net revenues (deficit) | (133,807) | (580) | 3,379 | 97,931 | (33,077) |
| Total capitalization | 1,228,456 | 48,496 | 167,474 | 756,186 | 2,200,612 |
| Commitments and contingencies | — | — | — | — | — |
| Total liabilities and capitalization | \$ 1,247,336 | 48,645 | 169,060 | 764,598 | 2,229,639 |

See accompanying independent auditors' report.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2022

(In thousands)

| | GA-AL-SC | Jim Woodruff | Kerr-Philpott | Cumberland | Total |
|--|------------|--------------|---------------|------------|---------|
| Operating revenues: | | | | | |
| Sales of electric power | \$ 195,941 | 9,060 | 29,920 | 71,685 | 306,606 |
| Other operating revenues | 14,822 | 29 | 1,024 | 2,951 | 18,826 |
| Total operating revenues | 210,763 | 9,089 | 30,944 | 74,636 | 325,432 |
| Operating expenses, excluding depreciation expense: | | | | | |
| Operations | 40,898 | 2,840 | 9,367 | 36,768 | 89,873 |
| Maintenance | 31,891 | 2,605 | 5,036 | 6,947 | 46,479 |
| Purchased power | 17,928 | 1,141 | — | — | 19,069 |
| Purchased transmission services | 28,523 | 377 | 16,526 | 9,851 | 55,277 |
| Total operating expenses, excluding depreciation expense | 119,240 | 6,963 | 30,929 | 53,566 | 210,698 |
| Depreciation expense | 30,291 | 1,771 | 4,711 | 10,920 | 47,693 |
| Total operating expenses | 149,531 | 8,734 | 35,640 | 64,486 | 258,391 |
| Net operating revenues | 61,232 | 355 | (4,696) | 10,150 | 67,041 |
| Interest expenses: | | | | | |
| Interest on payable to U.S. Treasury | 60,668 | 1,855 | 5,120 | 8,547 | 76,190 |
| Interest charged to construction | (835) | 26 | (94) | (1,142) | (2,045) |
| Net interest expenses | 59,833 | 1,881 | 5,026 | 7,405 | 74,145 |
| Net revenues | \$ 1,399 | (1,526) | (9,722) | 2,745 | (7,104) |

See accompanying independent auditors' report.

SOUTHEASTERN FEDERAL POWER PROGRAM

Combining Schedule of Revenues and Expenses Data

Year ended September 30, 2021

(In thousands)

| | GA-AL-SC | Jim Woodruff | Kerr-Philpott | Cumberland | Total |
|--|------------|--------------|---------------|------------|---------|
| Operating revenues: | | | | | |
| Sales of electric power | \$ 185,945 | 8,812 | 39,876 | 61,072 | 295,705 |
| Other operating revenues | 8,362 | 69 | 782 | 5,199 | 14,412 |
| Total operating revenues | 194,307 | 8,881 | 40,658 | 66,271 | 310,117 |
| Operating expenses, excluding depreciation expense: | | | | | |
| Operations | 36,841 | 2,816 | 7,363 | 33,151 | 80,171 |
| Maintenance | 31,809 | 2,655 | 5,029 | 2,012 | 41,505 |
| Purchased power | 1,226 | 613 | — | — | 1,839 |
| Purchased transmission services | 26,827 | 362 | 17,824 | 9,851 | 54,864 |
| Total operating expenses, excluding depreciation expense | 96,703 | 6,446 | 30,216 | 45,014 | 178,379 |
| Depreciation expense | 30,646 | 1,606 | 4,707 | 8,846 | 45,805 |
| Total operating expenses | 127,349 | 8,052 | 34,923 | 53,860 | 224,184 |
| Net operating revenues | 66,958 | 829 | 5,735 | 12,411 | 85,933 |
| Interest expenses: | | | | | |
| Interest on payable to U.S. Treasury | 61,274 | 1,943 | 5,253 | 8,909 | 77,379 |
| Interest charged to construction | (537) | (47) | (47) | (1,875) | (2,506) |
| Net interest expenses | 60,737 | 1,896 | 5,206 | 7,034 | 74,873 |
| Net revenues | \$ 6,221 | (1,067) | 529 | 5,377 | 11,060 |

See accompanying independent auditors' report.

SOUTHEASTERN FEDERAL POWER PROGRAM

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

As of September 30, 2022

(in thousands)

| Projects in service and other | Total | Allocated to: | | | | | | | Percent of total plant investment returnable from power revenue | |
|--------------------------------------|--------------|---------------|------------|-----------------------|-------------------|------------|------------|--------|---|--------|
| | | Power | Navigation | Flood Risk Management | Fish and Wildlife | Recreation | Dam Safety | Other | | |
| Alatoona | \$ 89,905 | 67,217 | — | 10,361 | — | 12,095 | — | 232 | (a) | 74.8% |
| Buford | 106,077 | 86,542 | 2,159 | 4,783 | — | 12,593 | — | — | — | 81.6% |
| Carters | 208,073 | 176,207 | — | 19,854 | — | 12,012 | — | — | — | 84.7% |
| J. Strom Thurmond | 197,175 | 171,230 | 4,467 | 4,207 | — | 17,271 | — | — | — | 86.8% |
| Walter F. George | 319,244 | 211,240 | 94,330 | — | 348 | 13,326 | — | — | — | 66.2% |
| Hartwell | 214,184 | 180,647 | 3,997 | — | — | 12,911 | — | — | — | 84.3% |
| Millers Ferry/Henry | 261,420 | 153,083 | 86,796 | — | — | 21,541 | — | — | — | 58.6% |
| West Point | 184,355 | 95,068 | 2,816 | — | 14,430 | 49,128 | — | — | — | 51.6% |
| Richard B. Russell | 908,337 | 794,594 | — | 873 | — | 112,870 | — | — | — | 87.5% |
| Marketing facilities | 3,763 | 3,763 | — | — | — | — | — | — | — | 100.0% |
| Total GA-AL-SC System | 2,492,533 | 1,939,591 | 194,565 | 79,620 | 14,778 | 263,747 | — | 232 | — | 77.8% |
| Jim Woodruff | 134,415 | 82,513 | 43,635 | — | — | 8,267 | — | — | — | 61.4% |
| Marketing facilities | 118 | 118 | — | — | — | — | — | — | — | 100.0% |
| Total Jim Woodruff System | 134,533 | 82,631 | 43,635 | — | — | 8,267 | — | — | — | 61.4% |
| Barkley | 284,557 | 112,874 | 135,704 | 27,022 | — | 8,957 | — | — | — | 39.7% |
| J. Percy Priest | 75,522 | 17,527 | — | 27,674 | — | 30,321 | — | — | — | 23.2% |
| Cheatham | 96,412 | 32,001 | 59,601 | — | — | 4,810 | — | — | — | 33.2% |
| Cordell Hull | 104,347 | 51,301 | 17,738 | — | — | 28,589 | — | 6,719 | (b) | 49.2% |
| Old Hickory | 132,359 | 92,527 | 33,791 | — | — | 6,041 | — | — | — | 69.9% |
| Center Hill | 584,989 | 165,717 | — | 71,737 | — | 14,848 | 331,990 | 697 | (c) | 28.3% |
| Dale Hollow | 57,388 | 38,344 | — | 14,521 | — | 4,523 | — | 246 | (c) | 66.8% |
| Wolf Creek | 950,952 | 232,939 | — | 131,132 | — | 20,719 | 565,916 | 6,381 | (b) | 24.5% |
| Laurel | 54,254 | 30,134 | — | — | — | 17,739 | — | — | — | 55.5% |
| Marketing facilities | 1,294 | 1,294 | — | — | — | — | — | — | — | 100.0% |
| Contributions in aid of construction | (586) | (586) | — | — | — | — | — | — | — | 100.0% |
| Total Cumberland Basin System | 2,341,488 | 774,072 | 246,834 | 272,086 | — | 136,547 | 897,906 | 14,043 | — | 33.1% |
| John H. Kerr | 233,597 | 197,358 | — | 27,095 | — | 9,144 | — | — | — | 84.5% |
| Philpott | 44,652 | 29,716 | — | 9,456 | — | 5,480 | — | — | — | 66.6% |
| Marketing facilities | 706 | 706 | — | — | — | — | — | — | — | 100.0% |
| Total Kerr-Philpott System | 278,955 | 227,780 | — | 36,551 | — | 14,624 | — | — | — | 81.7% |
| Total | \$ 5,247,509 | 3,024,074 | 485,034 | 388,257 | 14,778 | 423,185 | 897,906 | 14,275 | — | 57.6% |

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

See accompanying independent auditors' report.



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