

TENNESSEE
VALLEY
AUTHORITY
ANNUAL
REPORT
1982

VOLUME 2

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ANNUAL REPORT OF THE TENNESSEE VALLEY AUTHORITY

VOLUME II — APPENDIXES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1982

**For sale by the Treasurer
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TENNESSEE VALLEY AUTHORITY

(A CORPORATION WHOLLY OWNED BY THE UNITED STATES OF AMERICA)

BALANCE SHEETS SEPTEMBER 30, 1982 AND 1981

ASSETS

	Power program		All programs	
	1982	1981	1982	1981
	(Thousands of Dollars)			
PROPERTY, PLANT, AND EQUIPMENT				
substantially all at original cost				
Completed plant; schedule A				
Multipurpose dams; note 1	\$ 529,486	\$ 506,496	\$ 1,269,045	\$ 1,260,824
Single-purpose dams	359,863	359,799	359,863	359,799
Steam production plant	3,170,209	2,802,487	3,170,209	2,802,487
Nuclear production plant	2,522,322	1,876,256	2,522,322	1,876,256
Other electric plant	2,553,265	2,342,877	2,553,265	2,342,877
Other plant	-	-	222,600	213,713
	<u>9,135,145</u>	<u>7,887,915</u>	<u>10,097,304</u>	<u>8,855,956</u>
Less accumulated depreciation and depletion; note 2	<u>2,377,512</u>	<u>2,184,898</u>	<u>2,581,561</u>	<u>2,380,007</u>
Completed plant, net	<u>6,757,633</u>	<u>5,703,017</u>	<u>7,515,743</u>	<u>6,475,949</u>
Construction in progress; schedule B and note 3	5,034,542	6,650,267	5,337,149	6,886,225
Deferred nuclear generating projects, net; schedule B and note 3	<u>2,614,643</u>	<u>1,587,418</u>	<u>2,614,643</u>	<u>1,587,418</u>
	<u>7,649,185</u>	<u>8,237,685</u>	<u>7,951,792</u>	<u>8,473,643</u>
Nuclear fuel; schedule B	318,297	255,635	318,297	255,635
Less accumulated amortization; schedule B and note 2	<u>301,901</u>	<u>229,612</u>	<u>301,901</u>	<u>229,612</u>
Nuclear fuel, net	<u>16,396</u>	<u>26,023</u>	<u>16,396</u>	<u>26,023</u>
Total	<u>14,423,214</u>	<u>13,966,725</u>	<u>15,483,931</u>	<u>14,975,615</u>
INVESTMENT FUNDS				
at amortized cost				
Bond retirement; note 4	32,291		32,291	
Decommissioning of nuclear plant; note 4	<u>26,775</u>		<u>26,775</u>	
Total	<u>59,066</u>	<u>-</u>	<u>59,066</u>	<u>-</u>
CURRENT ASSETS				
Cash	65,430	105,595	219,669	322,710
Accounts receivable	450,598	413,450	461,915	421,264
Inventories, principally at average cost	<u>788,695</u>	<u>583,965</u>	<u>811,131</u>	<u>607,231</u>
Total	<u>1,304,723</u>	<u>1,103,010</u>	<u>1,492,715</u>	<u>1,351,205</u>
DEFERRED CHARGES AND OTHER ASSETS				
Loans and other long-term receivables	294,847	240,573	329,341	261,941
Unamortized cost of cancelled nuclear generating units; note 3	1,291,538	-	1,291,538	-
Mine and mill development costs, net; schedule B and note 2	289,913	284,403	289,913	284,403
Energy conservation cost, net; schedule B and note 2	65,876	45,350	65,876	45,350
Unamortized debt issue and reacquisition expense; note 2	<u>7,153</u>	<u>7,703</u>	<u>7,153</u>	<u>7,703</u>
Total	<u>1,949,327</u>	<u>578,029</u>	<u>1,983,821</u>	<u>599,397</u>
Total assets	<u>\$17,736,330</u>	<u>\$15,647,764</u>	<u>\$19,019,533</u>	<u>\$16,926,217</u>

Notes 1 through 11 following the exhibits are an integral part of the financial statements. Certain amounts were reclassified in 1981 for comparative purposes.

*Deduct

CAPITALIZATION AND LIABILITIES

	Power program		All programs	
	1982	1981	1982	1981
	(Thousands of Dollars)			
PROPRIETARY CAPITAL				
Appropriation investment; note 5				
Congressional appropriations	\$ 1,413,243	\$ 1,391,602	\$ 3,864,145	\$ 3,735,054
Transfers of property from other Federal agencies, net	23,846	23,855	58,139	58,105
	<u>1,437,089</u>	<u>1,415,457</u>	<u>3,922,284</u>	<u>3,793,159</u>
Less repayments to General Fund of the U.S. Treasury; note 6	555,059	535,059	596,785	576,785
Appropriation investment	<u>882,030</u>	<u>880,398</u>	<u>3,325,499</u>	<u>3,216,374</u>
Retained earnings reinvested in the power program; exhibit II	1,396,753	1,115,830	1,396,753	1,115,830
Accumulated net expense of nonpower programs; exhibit III	-	-	1,230,930*	1,127,059*
Total	<u>2,278,783</u>	<u>1,996,228</u>	<u>3,491,322</u>	<u>3,205,145</u>
LONG-TERM DEBT				
Principal; note 7	13,425,000	11,325,000	13,425,000	11,325,000
Less unamortized discount; note 2	<u>4,923</u>	<u>5,299</u>	<u>4,923</u>	<u>5,299</u>
Total	<u>13,420,077</u>	<u>11,319,701</u>	<u>13,420,077</u>	<u>11,319,701</u>
OTHER LIABILITIES				
Accumulated provisions for				
Decommissioning of nuclear plant	26,784	19,892	26,784	19,892
Disposal of spent nuclear fuel	53,629	48,275	53,629	48,275
Cancellation costs for nuclear generating units; note 3	<u>212,334</u>	-	<u>212,334</u>	-
Total	<u>292,747</u>	<u>68,167</u>	<u>292,747</u>	<u>68,167</u>
CURRENT LIABILITIES				
Short-term debt; note 7				
U.S. Treasury	150,000	150,000	150,000	150,000
Federal Financing Bank	<u>585,000</u>	<u>1,310,000</u>	<u>585,000</u>	<u>1,310,000</u>
Short-term debt	<u>735,000</u>	<u>1,460,000</u>	<u>735,000</u>	<u>1,460,000</u>
Accounts payable	623,226	484,212	665,959	528,095
Employees' accrued leave	29,062	28,614	47,836	43,990
Payrolls accrued	27,017	32,886	36,174	43,163
Interest accrued	<u>330,418</u>	<u>257,956</u>	<u>330,418</u>	<u>257,956</u>
Total	<u>1,744,723</u>	<u>2,263,668</u>	<u>1,815,387</u>	<u>2,333,204</u>
COMMITMENTS AND CONTINGENCIES; notes 3, 8, and 10				
Total capitalization and liabilities	\$17,736,330	\$15,647,764	\$19,019,533	\$16,926,217

TENNESSEE VALLEY AUTHORITY
POWER PROGRAM
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 1982, 1981, AND 1980

EXHIBIT II

	1982		1981		1980	
	kWh	Amount	kWh	Amount	kWh	Amount
	(Thousands of Dollars)					
OPERATING REVENUES						
Sales of electric energy						
Municipalities and cooperatives	75,681,355	\$2,815,440	76,680,264	\$2,525,399	78,682,740	\$2,130,799
Federal agencies	16,670,674	670,902	14,807,292	474,928	16,922,647	429,137
Industries	15,490,317	626,437	22,180,276	714,925	23,862,225	647,523
Electric utilities	353,778	13,828	709,330	27,748	707,890	20,666
Interdivisional	350,764	14,273	477,943	17,216	394,696	12,326
Revenue credit due customers; note 11	-	183,732*	-	-	-	57,000*
Total sales of electric energy	108,546,888	3,957,148	114,855,105	3,760,216	120,570,198	3,183,451
Rents		16,737		16,346		19,175
Discounts and penalties		868		524		194
Other miscellaneous revenues		7,049		2,965		1,459
Total operating revenues		3,981,802		3,780,051		3,204,279
OPERATING EXPENSES; schedule C						
Production						
Fuel		1,322,235		1,449,443		1,301,221
Other		534,903		561,752		479,296
Transmission		45,107		34,049		31,559
Customer accounts		9,059		841		818
Power consumer services		9,095		4,724		-
Demonstration of power use		16,890		10,936		5,407
Research, development, and demonstrations		58,777		52,461		47,191
General and administrative		76,635#		140,417		130,307
Payments in lieu of taxes		163,461		137,438		113,569
Provision for depreciation		225,095		198,244		169,032
Total operating expenses		2,461,257		2,590,305		2,278,400
Operating income		1,520,545		1,189,746		925,879
OTHER INCOME AND DEDUCTIONS						
Interest income		1,343		1,379		8,874
Amortization of loss on cancelled nuclear generating units; note 3		256,647*		400,000*		-
Other, net		3,298*		11,923*		6,597*
Total other income and deductions		258,602*		410,544*		2,277
Income before interest charges		1,261,943		779,202		928,156
INTEREST CHARGES						
Interest on long-term debt		1,260,832		961,083		673,296
Other interest expense		121,481		211,372		207,563
Allowance for borrowed funds used during construction; note 2		511,745*		178,243*		154,666*
Amortization of long-term debt discount and expense; note 2		974		966		958
Net interest charges		871,542		995,178		727,151
NET INCOME (LOSS)		390,401		(215,976)		201,005
Return on appropriation investment; note 6		109,478		86,417		78,413
Increase (decrease) in retained earnings reinvested		280,923		(302,393)		122,592
Retained earnings reinvested at beginning of period		1,115,830		1,418,223		1,295,631
Retained earnings reinvested at end of period		\$1,396,753		\$1,115,830		\$1,418,223

Notes 1 through 11 following the exhibits are an integral part of the financial statements.
#Beginning in 1982, employee benefits were included with labor charges to functional accounts.

*Deduct

TENNESSEE VALLEY AUTHORITY
NONPOWER PROGRAMS
STATEMENTS OF NET EXPENSE AND ACCUMULATED NET EXPENSE
FOR THE YEARS ENDED SEPTEMBER 30, 1982, 1981, AND 1980

EXHIBIT III

	<u>1982</u>	<u>1981</u>	<u>1980</u>
	(Thousands of Dollars)		
GENERAL RESOURCES DEVELOPMENT			
Navigation operations	\$ 8,563	\$ 6,856	\$ 7,478
System flood control operations	7,167	6,022	6,448
Recreation development	6,421	5,587	5,687
Community preparedness	3,771	5,244	4,993
Environmental protection of public lands and water	686	589	870
Regional water quality management	1,482	1,025	1,648
Fisheries and wildlife resources development	1,457	1,466	1,505
Environmental education	587	473	713
Valley agricultural development	3,741	3,761	3,683
Forest resources development	1,284	1,149	1,381
Acidic precipitation assessment	401	-	-
TVA lands planning	522	413	-
Renewable fuels research	2,348	-	-
Townlift	978	2,127	657
Industrial skills development	1,129	1,897	862
Economic development and analysis	2,403	-	-
Waterway development and engineering assistance	1,206	-	-
Minority economic development	1,340	-	-
Special opportunities cities and counties program	1,112	2,686	3,414
Floodplain management	3,585	3,598	4,898
Land Between The Lakes operations	6,098	5,777	6,158
Valley mapping and remote sensing	954	944	977
Other general resources development projects	687	1,281	1,975
Net expense of general resources development	<u>57,922</u>	<u>50,895</u>	<u>53,347</u>
FERTILIZER DEVELOPMENT; note 2			
Research and development	<u>16,063</u>	<u>14,684</u>	<u>14,610</u>
Fertilizer introduction			
Fertilizer industry demonstrations	3,457	3,074	3,106
Farm test demonstrations outside the Valley	1,136	1,483	1,321
Net expense of fertilizer introduction	<u>4,593</u>	<u>4,557</u>	<u>4,427</u>
Developmental production			
Cost of products distributed	<u>36,453</u>	<u>37,047</u>	<u>31,394</u>
General expenses			
Loss on retirements of manufacturing plant and equipment, net	222	570	444
Gain on sale of phosphate reserves, net	-	17,479*	313*
General and administrative	170	166	218
Other	867	466*	1,427
Total general expenses	<u>1,259</u>	<u>17,209*</u>	<u>1,776</u>
Total production expense	<u>37,712</u>	<u>19,838</u>	<u>33,170</u>
Less transfers and sales of products			
Transfers to other TVA programs, at market prices	23,827	28,454	24,473
Direct sales	358	292	483
Total transfers and sales	<u>24,185</u>	<u>28,746</u>	<u>24,956</u>
Net expense of developmental production	<u>13,527</u>	<u>8,908*</u>	<u>8,214</u>
Net expense of fertilizer development	<u>34,183</u>	<u>10,333</u>	<u>27,251</u>
NATIONAL ENERGY DEMONSTRATIONS	<u>12,527</u>	<u>29,674</u>	<u>4,375</u>
OTHER EXPENSE, NET	<u>761*</u>	<u>931</u>	<u>959</u>
NET EXPENSE; schedule D	<u>103,871</u>	<u>91,833</u>	<u>85,932</u>
Accumulated net expense at beginning of period	<u>1,127,059</u>	<u>1,035,226</u>	<u>949,294</u>
Accumulated net expense at end of period	<u>\$1,230,930</u>	<u>\$1,127,059</u>	<u>\$1,035,226</u>

Notes 1 through 11 following the exhibits are an integral part of the financial statements.

*Deduct

TENNESSEE VALLEY AUTHORITY
STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 1982, 1981, AND 1980

EXHIBIT IV
PAGE 1

	Power program			All programs		
	1982	1981	1980	1982	1981	1980
	(Thousands of Dollars)					
SOURCE OF FUNDS						
Program sources						
Net power income or loss*; exhibit II	\$ 390,401	\$ 215,976*	\$ 201,005	\$ 390,401	\$ 215,976*	\$ 201,005
Items not requiring funds; note a	20,019	447,838	22,807	20,019	447,838	22,807
Funds from power operations	410,420	231,862	223,812	410,420	231,862	223,812
Sale of power assets, principally nuclear fuel	312,055	189,604	702,114	312,055	189,604	702,114
Funds from power program; note b	722,475	421,466	925,926	722,475	421,466	925,926
Net expense of nonpower programs; exhibit III				103,871*	91,833*	85,932*
Add items not requiring funds; note a				9,519	7,090*	9,595
Funds used in nonpower operations				94,352*	98,923*	76,337*
Sale of nonpower facilities				916	30,326	459
Funds used in nonpower programs				93,436*	68,597*	75,878*
Debt sources						
Long-term bonds						
Issues	2,100,000	2,300,000	2,400,000	2,100,000	2,300,000	2,400,000
Redemptions	-	-	300,000*	-	-	300,000*
Short-term notes						
Issues	3,870,000	6,660,000	7,312,000	3,870,000	6,660,000	7,312,000
Redemptions	4,595,000*	6,985,000*	7,602,000*	4,595,000*	6,985,000*	7,602,000*
Total debt sources	1,375,000	1,975,000	1,810,000	1,375,000	1,975,000	1,810,000
Other sources						
Liability for cancellation costs for nuclear generating units	212,334	-	-	212,334	-	-
Congressional appropriations	1,677	992	928	129,162	201,936	222,673
Property transfers	10*	47	163	36*	320	432
Total other sources	214,001	1,039	1,091	341,460	202,256	223,105
Total source of funds	\$2,311,476	\$2,397,505	\$2,737,017	\$2,345,499	\$2,530,125	\$2,883,153
DISPOSITION OF FUNDS						
Expended for plant and equipment, excluding allowance for borrowed funds used	\$1,807,230	\$2,220,560	\$2,212,560	\$1,904,940	\$2,296,635	\$2,299,425
Less:						
Depreciation and depletion allowances charged to construction clearing accounts and other asset categories	9,301	8,778	6,128	12,424	11,339	8,663
Cost of removing retired facilities and salvage from retained materials	3,149*	3,571*	2,875*	9,211	12,869*	3,529*
	1,801,078	2,215,353	2,209,307	1,883,305	2,298,165	2,294,291
Payments to U.S. Treasury; note 6						
Return on appropriation investment	109,478	86,417	78,413	109,478	86,417	78,413
Repayments of appropriation investment	20,000	20,000	20,000	20,000	20,011	20,005
	129,478	106,417	98,413	129,478	106,428	98,418
Investment funds	59,066	-	-	59,066	-	-
Deferred charges and other assets changes						
Loans and other long-term receivables	54,274	118,795	121,779	67,401	137,529	124,412
Mine and mill development cost	24,310	20,998	67,289	24,310	20,998	67,289
Energy conservation cost	35,231	33,534	20,982	35,231	33,534	20,982
Cancellation costs for nuclear generating units	212,334	-	-	212,334	-	-
Debt issue expense	48	40	48	48	40	48
	326,197	173,367	210,098	339,324	192,101	212,731
Changes in working capital (increase or decrease*)						
Cash	40,165*	102,534	1,158	103,041*	142,757	65,023
Accounts receivable	37,148	3,924	12,046*	40,651	83*	12,925*
Inventories	204,730	161,074*	134,048	203,900	159,430*	138,024
	201,713	54,616*	123,160	141,510*	16,756*	190,122
Less other current liabilities (excluding short-term debt)	206,056	43,016	96,039*	207,184	49,813	87,500
	4,343*	97,632*	219,199	65,674*	66,569*	277,713
Total disposition of funds	\$2,311,476	\$2,397,505	\$2,737,017	\$2,345,499	\$2,530,125	\$2,883,153

*Deduct

TENNESSEE VALLEY AUTHORITY
STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 1982, 1981, AND 1980

EXHIBIT IV
PAGE 2

NOTES:

a. Items not requiring funds:

	Power			Nonpower		
	1982	1981	1980	1982	1981	1980
	(Thousands of Dollars)					
Provision for depreciation	\$225,095	\$198,244	\$169,032	\$9,297	\$ 9,819	\$9,464
Amortization of loss on cancelled nuclear units	256,647	400,000	-	-	-	-
Net loss or gain* on retirements and disposals of property, plant, and equipment	3,298	11,923	4,499	222	16,909*	131
Amortization of energy conservation cost	14,705	7,067	2,098	-	-	-
Provision for writeoff of uranium properties	18,800	3,000	-	-	-	-
Provision for disposal of spent fuel	5,354	4,881	886	-	-	-
Provision for decommissioning nuclear plants	6,891	-	-	-	-	-
Amortization of long-term debt discount and expense	974	966	958	-	-	-
Allowance for borrowed funds used during construction	511,745*	178,243*	154,666*	-	-	-
	<u>\$ 20,019</u>	<u>\$447,838</u>	<u>\$ 22,807</u>	<u>\$9,519</u>	<u>\$ 7,090*</u>	<u>\$9,595</u>

b. Net power proceeds (see note 7) may be derived as follows:

	Year ended September 30		
	1982	1981	1980
	(Thousands of Dollars)		
Funds from power program	\$ 722,475	\$ 421,466	\$ 925,926
Add back interest	<u>1,382,313</u>	<u>1,172,455</u>	<u>880,859</u>
Net power proceeds	<u>\$2,104,788</u>	<u>\$1,593,921</u>	<u>\$1,806,785</u>

Notes 1 through 11 following the exhibits are an integral part of the financial statements.

*Deduct

TENNESSEE VALLEY AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. Allocation of cost of multipurpose projects--Section 14 of the TVA Act requires TVA's Board of Directors to allocate the cost of completed multipurpose projects, subject to the approval of the President of the United States. The cost of facilities installed exclusively for a single purpose is assigned directly to that purpose; the cost of multiple-use facilities is allocated among the various purposes served.

The total investment of \$1,269,045,000 in completed multipurpose dams at September 30, 1982, is classified as follows:

	Investment		
	Direct	Multiple-Use	Total
	(Thousands)		
Power	\$323,892	\$205,594	\$ 529,486
Navigation	164,260	161,721	325,981
Flood control	65,364	183,003	248,367
Recreation	6,259	115,009	121,268
Local economic development	144	43,799	43,943
Total	<u>\$559,919</u>	<u>\$709,126</u>	<u>\$1,269,045</u>

2. Summary of significant accounting policies--Power accounts are kept in accordance with the uniform system prescribed by the Federal Energy Regulatory Commission.

Plant additions and retirements--Additions to plant are recorded at cost, which includes material, labor, overhead, and allowance for funds used. The costs of generation during preliminary operations prior to commercial acceptance including amortization of nuclear fuel less credit for the fair value of energy generated are also included in the recorded costs of steam and nuclear generating plants. Except for chemical plant, plant retirements (including original cost and removal cost less salvage) are charged against appropriate accumulated depreciation accounts. Because of the experimental nature of fertilizer development, losses on early retirement of chemical plant are included in current year operations.

Depreciation and depletion--Straight-line depreciation is provided for substantially on a composite basis. Rates of depreciation are derived from engineering studies of useful life and are reviewed each year. Depletion of coal land and landrights and phosphate land and mineral rights is provided on a unit of production basis.

Decommissioning--Provisions for decommissioning costs of nuclear generating units are derived through engineering studies of useful life and estimated costs based on the dismantling/removal method. The present cost estimates for decommissioning are based on a current dollar basis amounting to \$42 million and \$55 million per unit, respectively, for pressurized water and boiling water reactors.

Allowance for funds used--The practice of capitalizing an allowance for funds used during construction is followed in the power program. In accordance with the TVA Board of Directors criteria for establishing wholesale power rates, the allowance is applicable to construction in progress excluding generating facilities in a deferred status. The amount of interest capitalized is limited to the amount of depreciation and other noncash charges less the amount of the repayment of the appropriation investment to the U.S. Treasury. The method used provides for the calculation each month of the interest on the most recent debt issues that are equivalent to the average balance of construction work in progress.

Repairs and maintenance--The cost of current repairs and minor replacements is charged to appropriate operating expense and clearing accounts, and the cost of renewals and betterments is capitalized.

Nuclear fuel--Nuclear fuel is obtained directly from vendors and through contractual arrangements for mining, milling and fabrication of raw materials obtained from land leased by TVA. During fiscal year 1980, TVA entered into an agreement whereby it will sell and lease back nuclear fuel on hand except prior to the milling stage or in a spent condition. The lease meets the criteria of a capital lease as defined by statement of Financial Accounting Standards No. 13 but is not accounted for as such

TENNESSEE VALLEY AUTHORITY
NOTES TO FINANCIAL STATEMENTS--CONTINUED

in accordance with the ratemaking process. Certain nuclear fuel amounts included in the balance sheet at September 30, 1982, represent acquisition transactions that will be included in the sale-lease agreement during ensuing months. The nuclear fuel costs are charged to operations on a unit of production basis in amounts equal to lease payments (the cost of fuel burned plus finance charges) and a provision for spent nuclear fuel disposal.

Energy conservation cost--Certain energy conservation program costs are deferred and charged to operations over a five-year period.

Mine and mill development costs--Deferred mine and mill development costs are assigned to coal inventory and nuclear fuel on a unit of production basis determined in relation to estimated ore reserves. A determination has been made that the cost related to certain uranium properties may not be recovered from future operations and that an estimated unrecoverable amount should be charged to operations over a five-year period beginning in fiscal year 1981 with a reevaluation of the provision to be made annually. An estimated amount of \$15 million was established in fiscal year 1981 and increased to \$94 million in fiscal year 1982.

Operating revenues--Revenues from the sale of electric energy are recorded only when billed. Revenue credits due customers are recorded in accordance with authorization of the Board of Directors.

Borrowing expenses--Issue and reacquisition expenses and discounts on power borrowings from the public are amortized on a straight-line basis over the term of the related securities. Issue expenses on power borrowings from the Federal Financing Bank are amortized over a five-year period except that amounts under \$6,000 are expensed as incurred.

Sales of fertilizer--Sales of fertilizer materials are not made on a commercial basis, but are made to organizations collaborating in an experimental and educational program aimed at improving the manufacture, distribution, and use of fertilizers.

3. Construction projects--The construction budgets for fiscal year 1983 are \$2,061,377,000 for power projects and \$69,698,000 for multipurpose and nonpower projects. Substantial commitments have been incurred for these projects.

In August 1982, the TVA Board of Directors approved cancellation of construction of four previously deferred nuclear generating units, two units at Phipps Bend plant and two units at the Hartsville plant site. The plants being constructed were to meet forecasted load requirements based upon projected growth in demand for electricity at the time construction began. Present trends in the demand for electricity indicate that the forecasts upon which the plants were being constructed may not be realized by the time the plants had been scheduled for completion, or during the time covered by present forecasts. Because of the probability of permanent curtailment of certain nuclear generating units in a deferred construction status, the estimated minimum cost of such curtailment of \$400 million for one unit was included in the expenses of TVA for fiscal year 1981.

The costs incurred to the date of cancellation of \$1.9 billion, including estimated cancellation of \$212 million, less \$400 million provided during fiscal year 1981, will be recovered through rates from customers and accordingly is being reflected as deferred charges on the financial statements. Annual amortization of these costs is calculated as the amount equivalent to the allowance for funds used less other noncash charges plus the amount of the repayment of the appropriation investment to the U.S. Treasury. By resolution of the TVA Board of Directors, the total amount must be amortized within ten years of date of cancellation. For the fiscal year 1982, the amount of the amortization of the loss on cancelled plants was \$257 million.

During 1982, the Board deferred construction on three nuclear generating units which brought the total to four units at two sites in a deferred status at September 30, 1982. At September 30, 1982, cost incurred on these deferred units was approximately \$2.6 billion. If these deferred units are not completed, additional losses for permanent curtailment of these projects will be recognized.

4. Investment funds--On September 30, 1982, investments of power funds totaling \$59.1 million were made in U.S. Government securities to provide for the accumulation of funds required for retirement of bonds and decommissioning of nuclear plants. The bond retirement fund was established to provide funds to retire \$1.85 billion of bond debt by the end of the 20th year from the date of the cancellation of construction of four nuclear units. The decommissioning fund was established to provide funds for estimated nuclear plant decommissioning costs when incurred at the end of the life of the plants. Annual deposits into the funds will be based upon annual calculations of the requirements considering rates of return, inflation, and revised estimates for decommissioning.

TENNESSEE VALLEY AUTHORITY
NOTES TO FINANCIAL STATEMENTS—CONTINUED

5. Appropriation investment--Changes in appropriation investment during the years ended September 30, 1982 and 1981, were as follows:

	<u>Power program</u>		<u>All programs</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	(Thousands)			
Congressional appropriations, net	\$ 21,642	\$ 927	\$ 129,162	\$ 201,936
Transfers of property from other Federal agencies	<u>10*</u>	<u>47</u>	<u>36*</u>	<u>320</u>
	21,632	974	129,126	202,256
Less repayments to General Fund of the U.S. Treasury	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,011</u>
Increase or decrease* for the period	1,632	19,026*	109,126	182,245
Balance, beginning of period	<u>880,398</u>	<u>899,424</u>	<u>3,216,373</u>	<u>3,034,129</u>
Balance, end of period	<u>\$882,030</u>	<u>\$880,398</u>	<u>\$3,325,499</u>	<u>\$3,216,374</u>
*Deduct				

An appropriation of \$129 million for the fiscal year beginning October 1, 1982, has been approved.

6. Payments to the U.S. Treasury--Section 15d of the TVA Act requires the payment from net power proceeds of a return on the net appropriation investment in power facilities plus repayments of such investment, beginning with fiscal year 1961. The amount of return payable during each year is based on the appropriation investment as of the beginning of that year and the computed average interest rate payable by the U.S. Treasury on its total marketable public obligations as of the same date. The repayment schedule calls for payment of not less than \$10 million for each of the first five years (1961-1965), \$15 million for each of the next five years (1966-1970), and \$20 million for each year thereafter until a total of \$1 billion shall have been repaid. The payments required by Section 15d may be deferred under certain circumstances for not more than two years.

Required payments have been made as follows:

	<u>Return</u>	<u>Repayment</u>	<u>Total</u>
	(Thousands)		
Total to September 30, 1981	\$1,198,601	\$350,000	\$1,548,601
Year ended September 30, 1982	<u>109,478</u>	<u>20,000</u>	<u>129,478</u>
	<u>\$1,308,079</u>	<u>\$370,000</u>	<u>\$1,678,079</u>

For fiscal year 1983 the required payments will be \$106,567,000 as a return on the appropriation investment at the computed average interest rate of 12.082 percent and \$20,000,000 as a repayment, a total of \$126,567,000.

In addition to the payments from net power proceeds, certain nonpower proceeds are paid to the U.S. Treasury under the provisions of Section 26 of the TVA Act. There were no payments made in 1982, but previous payments from nonpower proceeds amount to \$41,726,000.

Prior to 1961, under then existing legislation, TVA paid to the Treasury \$185,059,000 of power proceeds. In addition to the repayments indicated in Exhibit I, \$65,072,000 of bonds sold to the Treasury and Reconstruction Finance Corporation in fiscal years 1939-1941 have been fully repaid from power proceeds. Section 26 of the TVA Act provides for annual payments to the Treasury of any power or nonpower proceeds not needed for the operation of dams and reservoirs, the conduct of the power program, and the manufacture and distribution of fertilizers.

TENNESSEE VALLEY AUTHORITY
NOTES TO FINANCIAL STATEMENTS--CONTINUED

7. Borrowing authority--Section 15d of the TVA Act authorizes TVA to issue bonds, notes, and other evidences of indebtedness up to a total of \$30 billion outstanding at any one time to assist in financing its power program. Debt service on these obligations, which is payable solely from TVA's net power proceeds, has precedence over the payment to the U.S. Treasury described in note 5. Issues outstanding on September 30, 1982, consist of the following:

	(Thousands)
Long-term debt	
4.40% 1960 Series A, due November 15, 1985	\$ 50,000
4-5/8% 1961 Series A, due July 1, 1986	50,000
4-1/2% 1962 Series A, due February 1, 1987	45,000
5.70% 1967 Series A, due May 15, 1992	70,000
6-3/8% 1967 Series B, due November 1, 1992	60,000
8-1/4% 1969 Series B, due October 15, 1994	100,000
7.30% 1971 Series B, due October 1, 1996	150,000
7% 1972 Series A, due January 1, 1997	150,000
7.35% 1972 Series B, due May 1, 1997	150,000
7.35% 1972 Series C, due July 1, 1997	150,000
7.40% 1972 Series D, due October 1, 1997	150,000
7.35% 1973 Series A, due January 1, 1998	100,000
7.35% 1973 Series B, due April 1, 1998	150,000
7-3/4% 1973 Series C, due July 1, 1998	150,000
7.70% 1973 Series D, due October 1, 1998	100,000
8.05% 1974 Series A, due January 1, 1999	100,000
8.05% 1975 Series A, due January 31, 1990 (FFB)	200,000
8.70% 1975 Series B, due March 31, 2000 (FFB)	100,000
8.35% 1975 Series C, due May 31, 1988 (FFB)	200,000
8.47% 1975 Series D, due July 31, 2000 (FFB)	200,000
8.485% 1975 Series E, due October 31, 2000 (FFB)	300,000
8.175% 1976 Series A, due February 28, 2001 (FFB)	300,000
7.97% 1976 Series B, due November 30, 2001 (FFB)	400,000
7.625% 1976 Series C, due January 31, 2002 (FFB)	200,000
7.975% 1977 Series A, due February 28, 2002 (FFB)	300,000
7.935% 1977 Series B, due May 31, 2002 (FFB)	400,000
8% 1977 Series C, due October 31, 2002 (FFB)	400,000
8.375% 1978 Series A, due January 31, 2003 (FFB)	400,000
9.296% 1979 Series A, due February 28, 1989 (FFB)	500,000
9.155% 1979 Series B, due May 31, 1987 (FFB)	500,000
9.195% 1979 Series C, due August 31, 2004 (FFB)	500,000
10.545% 1979 Series D, due October 31, 2004 (FFB)	400,000
11.225% 1980 Series A, due January 31, 2005 (FFB)	500,000
12.955% 1980 Series B, due March 31, 2005 (FFB)	500,000
10.475% 1980 Series C, due June 30, 2005 (FFB)	500,000
10.890% 1980 Series D, due August 31, 2005 (FFB)	500,000
12.425% 1980 Series E, due November 30, 2005 (FFB)	500,000
12.735% 1981 Series A, due March 31, 2011 (FFB)	500,000
12.925% 1981 Series B, due April 30, 2011 (FFB)	500,000
13.255% 1981 Series C, due June 30, 2011 (FFB)	500,000
14.905% 1981 Series D, due September 30, 2011 (FFB)	300,000
13.035% 1981 Series E, due December 31, 2011 (FFB)	650,000
13.565% 1982 Series A, due April 30, 2012 (FFB)	700,000
13.575% 1982 Series B, due May 31, 2012 (FFB)	300,000
14.125% 1982 Series C, due July 31, 2012 (FFB)	350,000
11.945% 1982 Series D, due September 30, 2012 (FFB)	100,000
Total long-term debt	<u>13,425,000</u>
Short-term debt	
U.S. Treasury	150,000
Federal Financing Bank (FFB)	585,000
Total short-term debt	<u>735,000</u>
	<u>\$14,160,000</u>

A \$200 million bond issue, 10.725 percent 1982 Series E, due November 30, 2012, was sold to the Federal Financing Bank in November 1982.

TENNESSEE VALLEY AUTHORITY
NOTES TO FINANCIAL STATEMENTS—CONTINUED

During fiscal years 1982, 1981, and 1980, the maximum amount of short-term borrowings outstanding was \$1,790,000,000, \$2,000,000,000, and \$2,122,000,000, respectively, and the average amount (and weighted average interest rates) of such borrowings was approximately \$880,000,000 (13.8 percent), \$1,450,000,000 (14.5 percent), and \$1,790,000,000 (11.6 percent), respectively.

8. Lease obligations--At September 30, 1982, TVA had sold and leased back approximately \$1.2 billion of nuclear fuel. Estimated lease payments (exclusive of finance charges) are estimated to be: 1983, \$101 million; 1984, \$127 million; 1985, \$180 million; 1986, \$248 million; 1987, \$284 million. These estimates include additional sale-lease transactions. Lease payments for nuclear fuel charged to operations for the years ended September 30, 1982, 1981, and 1980, amounted to approximately \$84 million, \$57 million, and \$45 million, respectively.

At September 30, 1982, the aggregate minimum gross rental commitments of TVA under all noncancelable operating leases are as follows: 1983, \$18,672,000; 1984, \$16,952,000; 1985, \$10,084,000; 1986, \$6,544,000; 1987, \$6,141,000; and thereafter, \$62,381,000. The total rentals charged to power operating expenses and other operating clearing accounts for the years ended September 30, 1982, 1981, and 1980, amounted to approximately \$32,206,000, \$26,759,000, and \$23,159,000, respectively.

Minimum gross rental commitments include rentals paid under agreements with the City of Memphis, Tennessee, which provide that (1) TVA sells to the City all the power and energy requirements of its electric distribution system, and (2) the City leases to TVA the Thomas H. Allen steam-electric generating plant with an installed capacity of 990,000 kilowatts. Each agreement is for a term of 20 years, beginning January 1, 1965. The lease agreement provides for annual rental payments of \$6,900,000 and grants TVA an option to buy the plant for \$2,000,000 at the end of the lease term. The option will be exercised on December 31, 1984.

9. Retirement plan--TVA has a contributory retirement plan which covers substantially all of its salaried employees. The cost of currently accruing benefits is funded currently. The cost of the plan to TVA, including amortization of unfunded prior service costs over the average future careers of active members, was \$71,955,000 in 1982, \$70,241,000 in 1981, and \$59,978,000 in 1980. These costs are charged to all TVA activities in relation to direct labor charges.

The valuation information as of September 30, 1981 and 1980, the latest actuarial valuation dates, follows:

	1981	1980
Assumed rate of return used in determining actuarial present value of accumulated plan benefits	8.5%	8.5%
Actuarial present value of accumulated plan benefits (thousands)		
Vested	\$614,887	\$543,308
Nonvested	38,940	19,209
	<u>\$653,827</u>	<u>\$562,517</u>
Net assets at market value available for benefits	<u>\$684,737</u>	<u>\$646,034</u>

10. Litigation--A consent decree, incorporating the terms of a settlement agreement in five cases, was approved and entered by the United States District Court for the Middle District of Tennessee in December 1980. The citizens' suits had been filed in five different district courts under the Clean Air Act. The complaints alleged that the sulfur dioxide emissions from eight of TVA's coal-fired steam plants and the particulate emissions from six coal-fired plants violate the emission standards set by the States. Plaintiffs include the Commonwealth of Kentucky and the United States of America at the request of the Environmental Protection Agency (EPA). The cases were consolidated in the United States District Court for the Middle District of Tennessee. A consent decree, incorporating the terms of a settlement agreement covering two plants in Alabama, was approved and entered by the United States District Court for the Northern District of Alabama in October 1979. Both settlements specify compliance schedules to control sulfur dioxide and particulate emissions at TVA steam plants and provide for stipulated daily penalties if TVA does not meet these compliance schedules. TVA liability for penalties and fines for past violations is waived. TVA's August 1979 proposal to delete the Cumberland scrubber project and any reference to activities in lieu of penalties and TVA's August 1980 proposal to delete the Johnsonville scrubber project and substitute therefore a low-sulfur coal compliance strategy for that plant were agreed to by all parties and incorporated into the settlements. TVA is potentially subject by law to mandatory noncompliance penalties under section 120 of the Clean Air Act Amendments of 1977 which, if levied by EPA, will be separate from the court action. Temple, Barker & Sloane, Inc., in a report prepared for EPA, estimated TVA's potential liability, calculated from July 1979 to the date TVA's plants will achieve compliance, at about \$320 million. Since the report was issued, EPA has promulgated final regulations implementing section 120. These final regulations provide for calculation of penalties from the date of receipt of a notice of violation until compliance is achieved and do not consider preceding periods of noncompliance. Under EPA regulations, notices of violation will be issued to noncomplying sources in phases commencing no sooner than January 1, 1981. It is EPA's stated policy to issue notices first to those sources not in compliance with approved compliance schedules. When TVA would be

TENNESSEE VALLEY AUTHORITY
NOTES TO FINANCIAL STATEMENTS--CONTINUED

issued such a notice is unknown, and it is therefore impossible to calculate the amount of penalties TVA might be assessed. However, since the penalties are not retroactive and TVA is rapidly bringing its plants into compliance, the penalties which TVA may ultimately have to pay would be substantially less than the Temple, Barker & Sloane, Inc., estimates. Petitions for review of EPA's section 120 regulations have been filed with the Circuit Court of Appeals for the District of Columbia by several parties, including TVA. It is TVA's position that under the Clean Air Act no penalties are due.

The United States Court of Appeals for the Sixth Circuit has affirmed the judgment and adopted the opinions of the United States District Court dismissing a complaint for declaratory relief against TVA and finding for TVA on its counterclaim. The plaintiff, which purchased electricity directly from TVA under a power contract, challenged the validity of certain of the contractual provisions including the minimum bill provision. TVA counterclaimed for unpaid minimum bills and late payment charges and was awarded \$1,616,114.79, plus statutory interest in lieu of late payment charges after the date of the court's liability decision. Plaintiff's time for seeking certiorari has not yet expired.

A direct power customer has filed suit to have its December 31, 1980 power contract declared void because of alleged misrepresentations by TVA, and seeking unspecified amounts of damages, court costs, and attorneys' fees. TVA has counterclaimed for amounts due under the contract.

A former TVA hourly construction worker sought reinstatement to his previous job at a TVA construction project after a period of full-time active duty training in the Tennessee National Guard. TVA denied reinstatement and the Merit Systems Protection Board affirmed on the grounds that the petitioner had been in a "temporary" position and thus had no statutory rights to reinstatement under the statute he relied upon. On petition for review, the Sixth Circuit reversed and remanded for reconsideration under the court's definition of "temporary." Both parties have petitioned for rehearing. Recovery by petitioner would mean that TVA could be liable to grant military leave in accordance with statute to its hourly trades and labor construction employees with the appropriate military backgrounds, and also paid annual and sick leave. TVA does not now accord to such employees any of these kinds of paid leave because TVA believes they are ineligible under the statutes. The financial effects of such a holding are presently unknown and are not now calculable.

The United States District Court in Chattanooga has dismissed the suit, mentioned here last year, challenging the reconstruction and operation of the Ocoee No. 2 hydroelectric project. The court granted TVA's motion for summary judgment, finding that the TVA Board's reconsideration and reaffirmation of its decisions concerning the project complied with the law, and further concluding that the National Environmental Policy Act of 1969 "does not dictate that the TVA direct power resources or funds to nonpower purposes." Plaintiffs' time to appeal has expired. The United States District Court in Nashville has ruled that TVA does not need a permit from the Tennessee State Water Quality Board in order to divert the river from its bed for hydroelectric generation purposes. This issue is now before the United States Court of Appeals for the Sixth Circuit.

TVA has been permitted to intervene in a proceeding brought by the State of New York in the Sixth Circuit Court of Appeals to review an action by the Administrator of the Environmental Protection Agency. New York seeks to reverse the Administrator's approval of a portion of the Tennessee State Implementation Plan which increased allowable sulfur dioxide emissions from the Kingston Steam Plant, claiming that New York's air quality will be adversely affected thereby. Final nonapproval of the increase in emissions could increase TVA's air quality compliance costs at Kingston by about \$35 million per year.

On November 18, 1977, TVA filed antitrust suits against 10 foreign uranium producers and 3 domestic firms. The complaints were filed in United States District Courts in Chattanooga, Denver, and New York City and alleged unlawful agreements among the defendants to fix uranium prices and allocate world uranium markets, which resulted in damages to TVA in an amount which has not yet been precisely determined. The cases were consolidated in Chicago for pretrial purposes by the Judicial Panel on Multidistrict Litigation. To date, settlements have been reached with seven foreign defendants and two domestic defendants. The benefits to TVA of this partial settlement of the suit total hundreds of millions of dollars. The case against two defendants was dismissed. Discovery is continuing against the remaining defendants, Gulf Oil Corporation and Gulf Minerals Canada Ltd. It is likely that the case will go to trial early in 1983.

A suit filed in the United States District Court for the Middle District of Tennessee challenges TVA's charging of rates to produce revenues to pay interest costs on funds borrowed for construction of new facilities. Plaintiffs seek a declaratory judgment that TVA's action is unlawful and an injunction requiring TVA to "refund" to consumers about \$1 billion in alleged "overcharges," representing current interest charges collected from ratepayers. TVA has moved to dismiss or for summary judgment. In TVA's opinion, plaintiffs are unlikely to prevail.

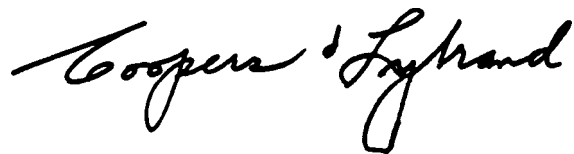
11. Revenue credit due customers--In August 1982, the TVA Board of Directors authorized that the amount received from power sales exceeding operating expenses and interest coverage rates of 1.10 would be returned to customers. The revenue credit of \$183,732,000 for fiscal year 1982 will be used to offset future rate increases with \$140 million being applied to rates that went into effect October 1982. During fiscal year 1980, the Board authorized a revenue credit of \$57 million that was returned to customers during fiscal year 1981.

To the Board of Directors of
Tennessee Valley Authority

We have examined the balance sheets (power program and all programs) of Tennessee Valley Authority as of September 30, 1982 and 1981, and the related statements of income and retained earnings (power program), net expense and accumulated net expense (nonpower programs), and changes in financial position (power program and all programs) for each of the three years in the period ended September 30, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances (Exhibits I through IV).

In our opinion, the financial statements referred to above present fairly the financial position of the power program and all programs of Tennessee Valley Authority as of September 30, 1982 and 1981, and the results of operations of the power program and nonpower programs and the changes in financial position of the power program and all programs for each of the three years in the period ended September 30, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedules A through F are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Knoxville, Tennessee
December 21, 1982

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	Assets	Accumulated depreciation and depletion
Power		
Multipurpose dams		
System allocation; page 21	\$ 440,495,355	\$ 202,725,515
Project allocations; page 23	88,991,001	13,945,201
Single-purpose dams; page 25	359,863,100	52,147,388
Steam production plants; page 25	3,170,208,794	1,173,175,384
Nuclear production plants; page 26	2,522,321,549	234,862,558
Other electric plant; page 26	2,553,265,350	700,655,943
Total power	<u>9,135,145,149</u>	<u>2,377,511,989</u>
Navigation		
Multipurpose dams		
System allocation; page 21	240,715,915	67,243,708
Project allocations; page 23	85,264,681	9,245,147
Single-purpose navigation plant; page 27	-	1,466,215
Total navigation	<u>325,980,596</u>	<u>77,955,070</u>
Flood control		
Multipurpose dams		
System allocation; page 21	180,238,735	45,308,084
Project allocations; page 23	68,128,494	2,382,459
Single-purpose flood control plant; page 27	2,065,257	230,700
Total flood control	<u>250,432,486</u>	<u>47,921,243</u>
Recreation and environmental education		
Multipurpose dams		
Project allocations; page 23	121,268,228	4,037,950
Land Between The Lakes; page 27	64,197,231	7,204,112
Other recreation plant; page 27	4,622,126	725,995
Total recreation and environmental education	<u>190,087,585</u>	<u>11,968,057</u>
Local economic development		
Multipurpose dams		
Project allocations; page 23	43,942,481	2,393,691
Chemical; page 27	<u>87,525,189</u>	<u>32,015,723</u>
General; page 27	<u>64,190,782</u>	<u>31,795,531</u>
Total	<u>\$10,097,304,268</u>	<u>\$2,581,561,304</u>
Total completed plant		
Multipurpose dams		
System allocation	\$ 861,450,005	\$ 315,277,307
Project allocations	407,594,885	32,004,448
	<u>1,269,044,890</u>	<u>347,281,755</u>
Single-purpose dams	359,863,100	52,147,388
Steam production plants	3,170,208,794	1,173,175,384
Nuclear production plants	2,522,321,549	234,862,558
Other electric plant	2,553,265,350	700,655,943
Other plant	222,600,585	73,438,276
Total	<u>\$10,097,304,268</u>	<u>\$2,581,561,304</u>

TENNESSEE VALLEY AUTHORITY
MULTIPURPOSE DAMS
SYSTEM ALLOCATION
 SEPTEMBER 30, 1982

	Kentucky	Pickwick	Wilson	Wheeler
Multiple-use facilities				
Reservoir land and landrights	\$ 14,663,945	\$ 2,797,505	\$ 684,167	\$ 4,344,168
Highway, railroad, and other relocations and removals	27,434,261	1,915,648	136,355	2,113,711
Reservoir clearing	6,915,483	1,509,836	951,436	3,613,759
Dam structure, excluding power intake section	27,595,304	6,006,246	12,726,592	8,384,889
Roadways	276,832	33,934	2,116,796	901,410
Village and reservoir facilities	1,993,243	158,797	238,792	1,324,110
Other structures and improvements	1,616,232	634,933	1,312,330	631,509
Total	80,495,300	13,056,899	18,166,468	21,313,556
Deduct direct flood control investment, contra below	16,532,000	788,000	-	-
Add nonoverflow sections to replace other sections, contra below				
Power intake section	2,890,000	550,000	3,900,000	830,000
Lock section	210,000	380,000	125,000	200,000
Total multiple-use facilities, allocated below; note 1, page 8	67,063,300	13,198,899	22,191,468	22,343,556
Navigation facilities				
Lock and appurtenances	10,082,252	6,010,874	28,602,750	21,727,974
Channel improvements	-	-	-	-
Deduct nonoverflow section to replace lock section, contra above	210,000	380,000	125,000	200,000
Total before allocation of multiple-use facilities	9,872,252	5,630,874	28,477,750	21,527,974
Add allocation of total multiple-use facilities shown above; note 1, page 8				
Total navigation facilities after allocation				
Flood control facilities				
Reservoir land and landrights	-	-	-	-
Add direct flood control investment, contra above	16,532,000	788,000	-	-
Total before allocation of multiple-use facilities	16,532,000	788,000	-	-
Add allocation of total multiple-use facilities shown above; note 1, page 8				
Total flood control facilities after allocation				
Power facilities				
Powerhouse, including intake section	10,765,129	9,471,196	21,423,445	18,040,876
Turbines and generators	10,155,867	12,382,062	29,071,486	20,977,274
Accessory electric equipment	1,113,091	1,643,193	5,171,826	2,559,669
Other power plant equipment	958,408	427,250	2,049,452	672,889
Total	22,992,495	23,923,701	57,716,209	42,250,708
Deduct nonoverflow section to replace power intake section, contra above	2,890,000	550,000	3,900,000	830,000
Total before allocation of multiple-use facilities	20,102,495	23,373,701	53,816,209	41,420,708
Add allocation of total multiple-use facilities shown above; note 1, page 8				
Total power facilities after allocation				
Total	\$113,570,047	\$42,991,474	\$104,485,427	\$85,292,238
Accumulated depreciation	\$ 33,107,062	\$22,100,035	\$ 48,806,459	\$32,687,529

<u>Guntersville</u>	<u>Chickamauga</u>	<u>Watts Bar</u>	<u>Fort Loudoun</u>
\$ 3,656,626	\$ 4,435,777	\$ 4,990,413	\$ 3,959,407
3,867,304	2,704,136	4,977,205	5,111,630
2,436,597	971,651	953,785	560,341
5,146,272	8,242,856	3,963,969	8,816,481
366,029	165,767	70,281	259,732
1,126,051	363,743	200,450	107,274
894,803	988,352	1,006,212	811,653
<u>17,493,682</u>	<u>17,872,282</u>	<u>16,162,315</u>	<u>19,626,518</u>
-	1,107,000	1,952,000	786,000
780,000	1,470,000	614,000	1,610,000
<u>440,000</u>	<u>790,000</u>	<u>565,000</u>	<u>940,000</u>
<u>18,713,682</u>	<u>19,025,282</u>	<u>15,389,315</u>	<u>21,390,518</u>
17,747,559	5,298,611	3,161,200	5,709,247
-	-	-	-
440,000	790,000	565,000	940,000
<u>17,307,559</u>	<u>4,508,611</u>	<u>2,596,200</u>	<u>4,769,247</u>
-	-	-	-
-	1,107,000	1,952,000	786,000
-	<u>1,107,000</u>	<u>1,952,000</u>	<u>786,000</u>
5,667,801	6,298,561	4,961,629	6,241,562
7,663,016	7,828,832	7,977,430	6,856,041
796,555	1,393,472	1,436,811	1,270,573
302,681	577,716	512,839	573,688
<u>14,430,053</u>	<u>16,098,581</u>	<u>14,888,709</u>	<u>14,941,864</u>
780,000	1,470,000	614,000	1,610,000
<u>13,650,053</u>	<u>14,628,581</u>	<u>14,274,709</u>	<u>13,331,864</u>
<u>\$49,671,294</u>	<u>\$39,269,474</u>	<u>\$34,212,224</u>	<u>\$40,277,629</u>
<u>\$17,076,158</u>	<u>\$16,742,763</u>	<u>\$14,413,718</u>	<u>\$16,121,236</u>

	Norris	Hiwassee	Cherokee	Chatuge
Multiple-use facilities				
Reservoir land and landrights	\$ 6,799,250	\$ 1,678,482	\$ 4,498,514	\$ 964,833
Highway, railroad, and other relocations and removals	4,308,463	1,191,433	5,519,525	2,693,192
Reservoir clearing	1,561,458	394,601	575,359	194,329
Dam structure, excluding power intake section	10,854,069	9,392,733	13,205,027	3,088,682
Roadways	266,690	246,236	31,727	38,234
Village and reservoir facilities	111,546	155,009	170,058	2,499
Other structures and improvements	549,695	245,428	937,534	198,635
Total	24,451,171	13,303,922	24,937,744	7,180,404
Deduct direct flood control investment, contra below	5,506,000	1,356,000	3,467,000	537,000
Add nonoverflow sections to replace other sections, contra below				
Power intake section	-	-	-	-
Lock section	-	-	-	-
Total multiple-use facilities, allocated below; note 1, page 8	18,945,171	11,947,922	21,470,744	6,643,404
Navigation facilities				
Lock and appurtenances	-	-	-	-
Channel improvements	-	-	-	-
Deduct nonoverflow section to replace lock section, contra above	-	-	-	-
Total before allocation of multiple-use facilities	-	-	-	-
Add allocation of total multiple-use facilities shown above; note 1, page 8	-	-	-	-
Total navigation facilities after allocation				
Flood control facilities				
Reservoir land and landrights	1,318,285	-	-	-
Add direct flood control investment, contra above	5,506,000	1,356,000	3,467,000	537,000
Total before allocation of multiple-use facilities	6,824,285	1,356,000	3,467,000	537,000
Add allocation of total multiple-use facilities shown above; note 1, page 8	-	-	-	-
Total flood control facilities after allocation				
Power facilities				
Powerhouse, including intake section	2,349,235	2,574,106	3,177,646	511,136
Turbines and generators	2,122,440	5,316,089	5,845,681	1,040,607
Accessory electric equipment	486,468	670,393	722,885	176,293
Other power plant equipment	269,802	539,467	503,450	135,546
Total	5,227,945	9,100,055	10,249,662	1,863,582
Deduct nonoverflow section to replace power intake section, contra above	-	-	-	-
Total before allocation of multiple-use facilities	5,227,945	9,100,055	10,249,662	1,863,582
Add allocation of total multiple-use facilities shown above; note 1, page 8	-	-	-	-
Total power facilities after allocation				
Total	\$30,997,401	\$22,403,977	\$35,187,406	\$9,043,986
Accumulated depreciation	\$10,274,344	\$10,409,960	\$12,341,040	\$2,520,686

Assets

Nottely	Fontana	South Holston	Watauga	Douglas	Boone	Channel improvements	Total system allocation dams	Accumulated depreciation
\$ 413,407	\$ 1,625,351	\$ 2,424,289	\$ 4,598,632	\$ 6,786,680	\$ 2,117,405	\$ -	\$ 71,438,851	\$ -
1,344,854	9,017,018	3,745,948	6,369,316	8,107,311	2,724,631	-	93,281,941	-
232,108	1,033,436	892,864	385,808	574,899	575,423	-	24,333,173	-
3,205,912	45,779,373	17,411,137	10,757,436	16,912,546	6,585,430	-	218,074,954	95,447,738
197,851	606,244	211,319	341,593	82,470	24,164	-	6,237,309	3,214,839
2,822	62,688	52,161	122,403	123,263	76,189	-	6,391,098	3,250,199
95,765	3,314,501	997,473	922,647	1,007,856	389,375	-	16,554,933	8,875,881
5,492,719	61,438,611	25,735,191	23,497,835	33,595,025	12,492,617	-	436,312,259	110,788,657
623,000	7,623,000	4,950,000	3,045,000	7,057,000	110,000	-	55,439,000	12,367,101
-	-	-	-	-	1,160,000	-	13,804,000	6,258,558
-	-	-	-	-	-	-	3,650,000	1,581,122
<u>4,869,719</u>	<u>53,815,611</u>	<u>20,785,191</u>	<u>20,452,835</u>	<u>26,538,025</u>	<u>13,542,617</u>	<u>-</u>	<u>\$398,327,259</u>	<u>\$106,261,236</u>
-	-	-	-	-	-	-	\$ 98,340,467	\$ 33,973,441
-	-	-	-	-	-	38,477,088	38,477,088	6,160,855
-	-	-	-	-	-	-	3,650,000	1,581,122
-	-	-	-	-	-	38,477,088	133,167,555	38,553,174
							107,548,360	28,690,534
							240,715,915	67,243,708
-	-	-	-	-	-	-	1,318,285	-
623,000	7,623,000	4,950,000	3,045,000	7,057,000	110,000	-	55,439,000	12,367,101
623,000	7,623,000	4,950,000	3,045,000	7,057,000	110,000	-	56,757,285	12,367,101
							123,481,450	32,940,983
							180,238,735	45,308,084
607,075	5,686,147	2,770,322	4,922,424	4,734,010	4,742,968	-	114,945,268	50,011,023
1,274,527	6,704,930	1,830,587	2,583,300	5,887,166	4,983,954	-	140,501,289	89,677,512
185,800	1,141,987	440,244	771,803	715,887	907,100	-	21,604,050	18,012,853
131,472	537,773	259,823	391,820	511,891	595,332	-	9,951,299	6,652,966
2,198,874	14,070,837	5,300,976	8,669,347	11,848,954	11,229,354	-	287,001,906	164,354,354
-	-	-	-	-	1,160,000	-	13,804,000	6,258,558
<u>2,198,874</u>	<u>14,070,837</u>	<u>5,300,976</u>	<u>8,669,347</u>	<u>11,848,954</u>	<u>10,069,354</u>	<u>-</u>	<u>273,197,906</u>	<u>158,095,796</u>
							167,297,449	44,629,719
							440,495,355	202,725,515
<u>\$7,691,593</u>	<u>\$75,509,448</u>	<u>\$31,036,167</u>	<u>\$32,167,182</u>	<u>\$45,443,979</u>	<u>\$23,721,971</u>	<u>\$38,477,088</u>	<u>\$861,450,005</u>	
<u>\$2,664,707</u>	<u>\$27,803,188</u>	<u>\$ 9,255,167</u>	<u>\$ 8,857,369</u>	<u>\$14,690,886</u>	<u>\$ 8,479,141</u>	<u>\$ 6,925,859</u>		<u>\$315,277,307</u>

TENNESSEE VALLEY AUTHORITY
MULTIPURPOSE DAMS
PROJECT ALLOCATIONS
SEPTEMBER 30, 1982

	<u>Melton Hill</u>	<u>Nickajack</u>
Multiple-use facilities		
Reservoir land and landrights; note a	\$ 3,415,142	\$ 3,275,632
Highway, railroad, and other relocations and removals	2,667,365	9,106,970
Reservoir clearing	904,168	736,361
Dam structure, excluding power intake section	2,825,723	9,998,809
Roadways	419,618	499,660
Village and reservoir facilities	173,875	370,600
Other structures and improvements	1,229,844	1,166,859
Total	<u>11,635,735</u>	<u>25,154,891</u>
Deduct direct power investment, contra below	2,138,725	-
Deduct direct flood control investment, contra below	-	-
Add nonoverflow sections to replace other sections, contra below		
Power intake section	1,120,000	700,000
Lock section	480,000	950,000
Add sluiceway to replace power intake and water conductor, contra below	-	-
Total multiple-use facilities, allocated below; note 1, page 8	<u>\$11,097,010</u>	<u>\$26,804,891</u>
Navigation facilities		
Lock and appurtenances	\$ 9,458,833	\$21,361,960
Channel improvements	-	-
Deduct nonoverflow section to replace lock section, contra above	480,000	950,000
Total before allocation of multiple-use facilities	<u>8,978,833</u>	<u>20,411,960</u>
Add allocation of total multiple-use facilities shown above; note 1, page 8	7,213,056	22,795,316
Total navigation facilities after allocation	<u>16,191,889</u>	<u>43,207,276</u>
Flood control facilities		
Reservoir land and landrights	-	-
Structures and improvements	-	-
Dam structures and waterways	-	-
Reservoir facilities	-	-
Channel improvements	-	-
Total	-	-
Add direct flood control investment, contra above	-	-
Total before allocation of multiple-use facilities	-	-
Add allocation of total multiple-use facilities shown above; note 1, page 8	-	402,994
Total flood control facilities after allocation	-	<u>402,994</u>
Local economic development facilities		
Water supply	-	-
Add allocation of total multiple-use facilities shown above; note 1, page 8	-	-
Less reimbursement by local agencies	-	-
Total local economic development facilities after allocation and reimbursements	-	-
Recreation facilities		
Land and landrights	-	-
Other recreation plant	-	-
Add allocation of total multiple-use facilities shown above; note 1, page 8	-	-
Total recreation facilities after allocation	-	-
Power facilities		
Land and landrights	-	-
Powerhouse, including intake section	6,275,274	11,978,693
Turbines and generators	6,715,326	13,023,289
Accessory electrical equipment	763,423	1,300,569
Other power plant equipment	566,568	769,048
Total	<u>14,320,591</u>	<u>27,071,599</u>
Add direct power investment, contra above	2,138,725	-
Deduct nonoverflow section to replace power intake section, contra above	1,120,000	700,000
Deduct sluiceway to replace power intake and water conductor, contra above	-	-
Total before allocation of multiple-use facilities	<u>15,339,316</u>	<u>26,371,599</u>
Add allocation of total multiple-use facilities shown above; note 1, page 8	3,883,954	3,606,581
Total power facilities after allocation	<u>19,223,270</u>	<u>29,978,180</u>
Total	<u>\$35,415,159</u>	<u>\$73,588,450</u>
Accumulated depreciation	<u>\$ 7,618,279</u>	<u>\$12,764,880</u>

Note:

a. Nickajack includes land and landrights in the amount of \$1,299,981 acquired for retired Hales Bar project which is allocated on system basis.

Assets

Tellico	Tims Ford	Bear Creek	Duck River	Beech River	Channel improvements	Total project allocations dams	Accumulated depreciation
\$ 25,125,523	\$ 8,131,143	\$13,026,219	\$ 5,560,980	\$2,089,255	\$ -	\$ 60,623,894	\$ -
51,348,905	12,363,625	7,880,886	11,140,706	222,931	-	94,731,388	-
5,357,147	3,057,250	6,506,321	512,541	953,369	-	18,027,157	-
30,084,731	14,132,918	36,087,769	18,512,728	2,943,715	-	114,586,393	8,954,410
9,705,490	352,345	1,731,810	-	80,600	-	12,789,523	688,494
10,715,426	83,127	561,346	486,159	221,958	-	12,612,491	818,576
1,906,093	1,192,083	916,597	171,103	66,595	-	6,649,174	1,087,216
134,243,315	39,312,491	66,710,948	36,384,217	6,578,423	-	320,020,020	11,548,696
-	-	-	-	-	-	2,138,725	183,805
-	-	5,707,000	-	-	-	5,707,000	83,932
-	-	-	-	-	-	1,820,000	306,482
-	-	-	-	-	-	1,430,000	226,142
-	4,273,000	-	-	-	-	4,273,000	568,601
<u>\$134,243,315</u>	<u>\$43,585,491</u>	<u>\$61,003,948</u>	<u>\$36,384,217</u>	<u>\$6,578,423</u>	<u>\$ -</u>	<u>\$319,697,295</u>	<u>\$12,382,184</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,820,793	\$ 5,810,550
-	-	-	-	-	1,701,719	1,701,719	471,361
-	-	-	-	-	-	1,430,000	226,142
-	-	-	-	-	1,701,719	31,092,512	6,055,769
24,163,797	-	-	-	-	-	54,172,169	3,189,378
<u>24,163,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701,719</u>	<u>85,264,681</u>	<u>9,245,147</u>
-	-	-	-	386,655	-	386,655	-
-	-	-	-	10,022	-	10,022	4,111
-	-	-	-	114,479	-	114,479	19,908
-	-	-	-	1,839	-	1,839	317
-	-	-	-	2,386,478	-	2,386,478	410,586
-	-	-	-	2,899,473	-	2,899,473	434,922
-	-	5,707,000	-	-	-	5,707,000	83,932
-	-	5,707,000	-	2,899,473	-	8,606,473	518,854
26,848,663	6,973,679	20,741,342	2,910,737	1,644,606	-	59,522,021	1,863,605
<u>26,848,663</u>	<u>6,973,679</u>	<u>26,448,342</u>	<u>2,910,737</u>	<u>4,544,079</u>	<u>-</u>	<u>68,128,494</u>	<u>2,382,459</u>
-	-	124,659	-	19,445	-	144,104	8,734
6,712,166	9,588,808	8,540,553	22,922,057	4,933,817	-	52,697,401	2,384,957
-	3,000,000	-	5,700,000	199,024	-	8,899,024	-
<u>6,712,166</u>	<u>6,588,808</u>	<u>8,665,212</u>	<u>17,222,057</u>	<u>4,754,238</u>	<u>-</u>	<u>43,942,481</u>	<u>2,393,691</u>
-	12,175	1,031,094	-	-	-	1,043,269	-
2,880,810	282,761	990,618	1,061,826	-	-	5,216,015	299,877
48,327,593	24,407,875	31,722,053	10,551,423	-	-	115,008,944	3,738,073
<u>51,208,403</u>	<u>24,702,811</u>	<u>33,743,765</u>	<u>11,613,249</u>	<u>-</u>	<u>-</u>	<u>121,268,228</u>	<u>4,037,950</u>
-	971,562	-	-	-	-	971,562	-
-	7,247,407	-	-	-	-	25,501,374	4,487,074
-	3,501,721	-	-	-	-	23,240,336	7,301,542
-	794,183	-	-	-	-	2,858,175	1,020,106
-	741,453	-	-	-	-	2,077,069	621,586
-	13,256,326	-	-	-	-	54,648,516	13,430,308
-	-	-	-	-	-	2,138,725	183,805
-	-	-	-	-	-	1,820,000	306,482
-	4,273,000	-	-	-	-	4,273,000	568,601
-	8,983,326	-	-	-	-	50,694,241	12,739,030
28,191,096	2,615,129	-	-	-	-	38,296,760	1,206,171
<u>28,191,096</u>	<u>11,598,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,991,001</u>	<u>13,945,201</u>
<u>\$137,124,125</u>	<u>\$49,863,753</u>	<u>\$68,857,319</u>	<u>\$31,746,043</u>	<u>\$9,298,317</u>	<u>\$1,701,719</u>	<u>\$407,594,885</u>	
1,585,442	\$ 4,125,670	\$ 2,737,383	\$ 1,659,535	\$1,041,893	\$ 471,361		\$32,004,448

TENNESSEE VALLEY AUTHORITY
SINGLE-PURPOSE POWER DAMS AND STEAM PRODUCTION PLANTS
 SEPTEMBER 30, 1982

	<u>Raccoon Mountain</u>	<u>Apalachia</u>	<u>Fort Patrick Henry</u>	<u>Great Falls</u>	<u>Ocoee No. 3</u>
Single-purpose power dams					
Assets					
Reservoir land and landrights, including relocations	\$ 2,457,772	\$ 775,306	\$ 1,207,743	\$ 702,114	\$ 237,226
Reservoir clearing	2,215,025	72,151	126,855	216,057	28,702
Structures and improvements	70,025,119	1,311,053	1,885,662	323,256	674,043
Dams and waterways	120,372,919	17,148,404	4,565,201	2,386,337	5,591,966
Turbines and generators	64,125,811	2,680,152	2,979,115	740,446	1,018,085
Accessory electric equipment	18,177,350	521,920	549,119	404,446	213,661
Other power plant equipment	5,262,238	297,122	273,636	131,695	177,836
Roads, railroads, and bridges	2,076,951	371,809	20,462	22,431	377,029
Village and reservoir facilities	<u>2,355,102</u>	<u>817</u>	<u>16,838</u>	<u>5,877,009</u>	<u>-</u>
Total single-purpose power dams	<u>\$287,068,287</u>	<u>\$ 23,178,734</u>	<u>\$ 11,624,631</u>	<u>\$ 10,803,791</u>	<u>\$ 8,318,548</u>
Accumulated depreciation	<u>\$ 20,323,780</u>	<u>\$ 10,467,710</u>	<u>\$ 4,789,515</u>	<u>\$ 4,192,006</u>	<u>\$ 4,036,760</u>

	<u>Cumberland</u>	<u>Paradise</u>	<u>Widows Creek</u>	<u>Shawnee</u>	<u>Kingston</u>
Steam production plants					
Assets					
Land and landrights	\$ 1,821,536	\$ 716,336	\$ 195,354	\$ 504,507	\$ 1,416,826
Structures and improvements	84,878,634	59,881,346	44,733,182	48,717,984	38,040,408
Boiler plant equipment	405,274,571	229,070,973	253,792,693	184,061,688	161,016,467
Turbogenerators	69,146,738	94,108,570	75,113,431	76,568,397	69,688,992
Accessory electric equipment	47,091,433	20,216,150	25,522,782	16,635,254	15,188,320
Other power plant equipment	<u>9,903,592</u>	<u>8,615,205</u>	<u>8,408,091</u>	<u>5,271,797</u>	<u>6,138,606</u>
Total steam production plants	<u>\$618,116,504</u>	<u>\$412,608,580</u>	<u>\$407,765,533</u>	<u>\$331,759,627</u>	<u>\$291,489,619</u>
Accumulated depreciation	<u>\$110,682,364</u>	<u>\$148,056,890</u>	<u>\$151,719,852</u>	<u>\$159,080,384</u>	<u>\$144,910,531</u>

<u>Ocoee No. 2</u>	<u>Blue Ridge</u>	<u>Ocoee No. 1</u>	<u>Wilbur</u>	<u>Total</u>
\$ 20,252	\$ 877,086	\$ 230,409	\$ 33,717	\$ 6,541,625
-	125,636	29,686	2,610	2,816,722
201,594	231,840	243,337	401,997	75,297,901
1,257,606	3,069,257	7,991,181	961,667	163,344,538
423,526	550,605	330,295	683,523	73,531,558
159,281	206,870	200,733	171,728	20,605,108
101,912	61,815	97,642	84,437	6,488,333
13,387	46,894	6,550	1,912	2,937,425
-	32,346	11,162	6,616	8,299,890
<u>\$ 2,177,558</u>	<u>\$ 5,202,349</u>	<u>\$ 9,140,995</u>	<u>\$ 2,348,207</u>	<u>\$ 359,863,100</u>
<u>\$ 2,143,516</u>	<u>\$ 2,761,330</u>	<u>\$ 2,118,525</u>	<u>\$ 1,314,246</u>	<u>\$ 52,147,388</u>

<u>Johnsonville</u>	<u>Colbert</u>	<u>Gallatin</u>	<u>Bull Run</u>	<u>John Sevier</u>	<u>Watts Bar</u>	<u>Thomas H. Allen (note 8, page 12)</u>	<u>Total</u>
\$ 108,467	\$ 279,029	\$ 690,082	\$ 2,082,768	\$ 1,491,572	\$ 11,996	\$ -	\$ 9,318,473
40,959,148	30,084,175	28,308,448	27,831,283	22,740,483	4,424,579	3,239,456	433,839,126
165,534,371	102,721,231	126,224,542	109,660,244	62,187,060	11,516,723	21,584,170	1,832,644,733
63,211,419	60,378,517	48,186,505	26,836,993	32,556,104	6,273,948	17,651,500	639,721,114
23,533,798	10,866,252	11,110,615	10,075,946	7,070,734	1,775,235	1,039,079	190,125,598
5,304,923	4,679,852	5,039,647	3,784,554	3,745,351	1,103,090	2,565,042	64,559,750
<u>\$298,652,126</u>	<u>\$209,009,056</u>	<u>\$219,559,839</u>	<u>\$180,271,788</u>	<u>\$129,791,304</u>	<u>\$25,105,571</u>	<u>\$46,079,247</u>	<u>\$3,170,208,794</u>
<u>\$114,989,192</u>	<u>\$102,884,224</u>	<u>\$ 75,458,364</u>	<u>\$ 61,449,759</u>	<u>\$ 69,906,129</u>	<u>\$21,588,747</u>	<u>\$12,448,948</u>	<u>\$1,173,175,384</u>

TENNESSEE VALLEY AUTHORITY
NUCLEAR PRODUCTION AND OTHER ELECTRIC PLANT
SEPTEMBER 30, 1982

SCHEDULE A
PAGE 5

	Browns Ferry	Sequoyah	Total
Nuclear production plants			
Assets			
Land and landrights	\$ 890,270	\$ 3,111,268	\$ 4,001,538
Structures and improvements	192,217,044	409,234,788	601,451,832
Reactor plant equipment	331,951,569	691,908,791	1,023,860,360
Turbogenerators	262,485,711	263,909,766	526,395,477
Accessory electric equipment	109,028,838	194,994,712	304,023,550
Other power plant equipment	18,940,882	43,647,910	62,588,792
Total nuclear production plants	<u>\$915,514,314</u>	<u>\$1,606,807,235</u>	<u>\$2,522,321,549</u>
Accumulated depreciation	<u>\$176,380,079</u>	<u>\$ 58,482,479</u>	<u>\$ 234,862,558</u>

	Assets	Accumulated depreciation and depletion
Other electric plant		
Other production plant		
Gallatin gas turbines	\$ 30,433,789	
Thomas H. Allen gas turbines	52,387,202	
Colbert gas turbines	41,096,571	
Johnsonville gas turbines	86,283,385	
	<u>210,200,947</u>	\$ 66,293,345
System control center	30,482,558	6,133,710
Total other production plant	<u>240,683,505</u>	<u>72,427,055</u>
Transmission plant, including substations serving wholesale and industrial customers		
Land and landrights	83,897,125	
Structures and improvements	166,819,223	
Station equipment	697,587,641	
Towers and fixtures	299,327,618	
Poles and fixtures	77,690,274	
Overhead conductors and devices	368,315,294	
Roads and trails	247,133	
Total transmission plant	<u>1,693,884,308</u>	<u>497,957,195</u>
General plant		
Communication equipment	58,005,547	19,627,721
Coal land and landrights and mining equipment	143,793,555	2,698,593
Uranium land and landrights	8,476,552	1,571,222
Office and transportation equipment	101,056,728	24,487,929
Other, including land and landrights of \$912,615	67,484,529	20,424,941
Total general plant	<u>378,816,911</u>	<u>68,810,406</u>
Plant leased to others, including land and landrights of \$4,862,369	<u>125,038,611</u>	<u>53,789,268</u>
Plant held for future use		
Uranium land and landrights	100,090,462	
Coal land and landrights	159,219	
Other, including land and landrights of \$5,404,983	10,941,653	
Total plant held for future use	<u>111,191,334</u>	<u>5,297,919</u>
Other physical property, including land and landrights of \$1,276,583	<u>3,650,681</u>	<u>2,374,100</u>
Total other electric plant	<u>\$2,553,265,350</u>	<u>\$700,655,943</u>

TENNESSEE VALLEY AUTHORITY

OTHER PLANT

SEPTEMBER 30, 1982

SCHEDULE A

PAGE 6

	Assets	Accumulated depreciation and depletion
Single-purpose flood control plant, including land of \$726,828	\$ 2,065,257	\$ 230,700
Single-purpose navigation plant, including land of \$59,426	-	1,466,215
Recreation and environmental education plant		
Land Between The Lakes plant, including land of \$33,888,958	64,197,231	7,204,112
Other recreation plant, including land of \$366,594	4,622,126	725,995
Total recreation and environmental education plant	68,819,357	7,930,107
Chemical plant		
Land		
Phosphate land and mineral rights	1,114,142	
Other land and landrights	2,120	
Total land	1,116,262	184,241
Buildings and equipment		
Manufacturing plant and equipment		
Phosphate facilities	-	
Nitrogen facilities	54,019,480	
	54,019,480	16,894,386
General service facilities		
Utility systems	21,320,785	
Other general facilities	11,068,662	
	32,389,447	14,937,096
Total buildings and equipment	86,408,927	31,831,482
Total chemical plant	87,525,189	32,015,723
General plant		
Land and landrights	842,862	
Land improvements	2,086,980	
Structures	25,133,562	
General utility systems	1,573,273	
Data processing equipment	914,680	
Engineering equipment	807,922	
Photographic and reproduction equipment	1,981,252	
Medical equipment	2,004,651	
Office furniture and equipment	3,544,568	
Transportation equipment	16,392,025	
Alterations to leased plant	756,675	
Environmental quality equipment	2,148,566	
Miscellaneous equipment	6,003,766	
Total general plant	64,190,782	31,795,531
Total other plant	\$222,600,585	\$73,438,276

TENNESSEE VALLEY AUTHORITY
CONSTRUCTION IN PROGRESS,
NUCLEAR FUEL, AND OTHER DEFERRED CHARGES
 SEPTEMBER 30, 1982

SCHEDULE B

	<u>Power program</u>	<u>All programs</u>
CONSTRUCTION IN PROGRESS		
Construction in progress		
Generating facilities		
Sequoyah Nuclear Plant	\$ 13,034,694	\$ 13,034,694
Watts Bar Nuclear Plant	1,886,639,207	1,886,639,207
Bellefonte Nuclear Plant	2,047,017,677	2,047,017,677
Total generating facilities	<u>3,946,691,578</u>	<u>3,946,691,578</u>
Transmission lines, substations, and other additions to power facilities	<u>1,067,085,270</u>	<u>1,067,085,270</u>
Pickwick new lock		<u>98,522,530</u>
Other navigation facilities		<u>113,609</u>
Flood control facilities		<u>18,845</u>
Multipurpose facilities		
Columbia Dam and Reservoir	-	69,161,807
Other	<u>1,870,884</u>	<u>3,774,573</u>
Total multipurpose facilities	<u>1,870,884</u>	<u>72,936,380</u>
Chemical plant		<u>5,840,585</u>
Recreation and environmental education facilities		
Land Between The Lakes		7,487,778
Other recreation facilities		<u>1,998,339</u>
Total recreation and environmental education facilities		<u>9,486,117</u>
General plant		
Coal gasification project	-	61,355,363
Ammonia from coal project	-	48,994,359
General construction equipment and materials	-	2,229,849
Other additions to general plant	<u>7,240,871</u>	<u>12,251,461</u>
Total general plant	<u>7,240,871</u>	<u>124,831,032</u>
Investigations for future power facilities	<u>11,623,405</u>	<u>11,623,405</u>
Total construction in progress	<u>\$5,034,512,008</u>	<u>\$5,337,149,351</u>
 DEFERRED NUCLEAR GENERATING PROJECTS		
Hartsville Nuclear Plant A	\$1,501,645,081	\$1,501,645,081
Yellow Creek Nuclear Plant	<u>1,112,997,902</u>	<u>1,112,997,902</u>
Total deferred nuclear generating projects	<u>\$2,614,642,983</u>	<u>\$2,614,642,983</u>
 NUCLEAR FUEL		
Nuclear fuel in process	\$ 1,122,129	\$ 1,122,129
Nuclear fuel in stock	15,273,478	15,273,478
Nuclear fuel in reactor	172,100,734	172,100,734
Spent nuclear fuel in cooling	<u>129,800,279</u>	<u>129,800,279</u>
	318,296,620	318,296,620
Less accumulated amortization	<u>301,901,013</u>	<u>301,901,013</u>
Total nuclear fuel	<u>\$ 16,395,607</u>	<u>\$ 16,395,607</u>
 OTHER DEFERRED CHARGES		
Energy conservation costs	\$ 65,875,738	\$ 65,875,738
Mine and mill development costs		
Coal mine development and leases	84,134,895	84,134,895
Uranium mine and mill development and preoperations	<u>205,778,285</u>	<u>205,778,285</u>
Total mine and mill development costs	<u>289,913,180</u>	<u>289,913,180</u>
Total other deferred charges	<u>\$ 355,788,918</u>	<u>\$ 355,788,918</u>

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE C

PAGE 1

SUMMARY	Total	Provision for depreciation	Total before depreciation (exhibit II)	Operation		Maintenance	Other
				Fuel	Other		
Production							
Multipurpose dams							
Direct; page 30	\$ 19,473,180	\$ 5,591,773	\$ 13,881,407	\$ -	\$ 7,961,830	\$ 5,919,577	\$ -
Multiple-use; schedule E	7,089,469	1,407,887	5,681,582	-	4,578,124	1,103,458	-
Single-purpose dams and pumped storage; page 32	13,875,131	6,670,992	7,204,139	-	3,713,772	3,490,367	-
Cumberland Basin projects; note a	12,733,387	-	12,733,387	-	-	-	12,733,387
Steam plants; page 34	1,547,794,524	85,734,172	1,462,060,352	1,207,646,296	94,349,954	160,064,102	-
Nuclear plants; page 36	329,747,845	64,292,625	265,455,220	111,964,362	84,007,118	69,482,740	-
Gas turbine plants; page 36	13,938,304	8,408,571	5,529,733	2,406,380	681,783	2,441,570	-
Total generation	<u>1,944,651,840</u>	<u>172,106,020</u>	<u>1,772,545,820</u>	<u>1,322,017,038</u>	<u>195,292,581</u>	<u>242,502,814</u>	<u>12,733,387</u>
Purchased power	4,656,318	-	4,656,318	-	-	-	4,656,318
Interchange power received	63,805,731	-	63,805,731	-	-	-	63,805,731
Interchange power delivered	86,010,969*	-	86,010,969*	-	-	-	86,010,969*
Power purchased and interchanged, net	<u>17,548,920*</u>	<u>-</u>	<u>17,548,920*</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,548,920*</u>
System control and load dispatching	6,978,565	1,022,045	5,956,520	-	-	-	5,956,520
Other	96,185,337	-	96,185,337	-	-	-	96,185,337
Total production	<u>2,030,266,822</u>	<u>173,128,065</u>	<u>1,857,138,757</u>	<u>1,322,017,038</u>	<u>195,292,581</u>	<u>242,502,814</u>	<u>97,326,324</u>
Transmission; page 36	86,604,794	41,497,970	45,106,824	-	25,436,920	19,669,904	-
Customer accounts; page 37	9,058,800	-	9,058,800	-	9,058,800	-	-
Demonstration of power use; page 37	25,985,503	-	25,985,503	-	25,985,503	-	-
Research, development, and demonstrations; page 37	58,776,998	-	58,776,998	-	58,776,998	-	-
Payments in lieu of taxes; note b	163,461,062	-	163,461,062	-	-	-	163,461,062
Administrative and general; page 37							
Direct	87,077,760	10,468,546	76,609,214	-	76,528,569	80,645	-
Multiple-use	25,292	-	25,292	-	25,292	-	-
Total operating expense	<u>\$2,461,257,031</u>	<u>\$225,094,581</u>	<u>\$2,236,162,450</u>	<u>\$1,322,017,038</u>	<u>\$391,104,663</u>	<u>\$262,253,363</u>	<u>\$260,787,386</u>

SYSTEM STATISTICS	kWh generated less station use (thousands)	Production expense including depreciation		Installed capacity at September 30, 1982 (kilowatts)	Ratio of average gross generation to installed capacity (percent)
		Total	Per kWh (mills)		
Generation					
Multipurpose dams					
Direct; page 30	12,282,219	\$ 19,473,180	1.586	3,053,250	46.29
Multiple-use; schedule E	-	7,089,469	.577	-	-
Total multipurpose dams	<u>12,282,219</u>	<u>26,562,649</u>	<u>2.163</u>	<u>3,053,250</u>	<u>46.29</u>
Single-purpose dams; page 32	939,064	5,094,563	5.425	249,160	43.17
Pumped storage--Raccoon Mountain; page 33	334,293*	8,780,568	7.255	1,530,000	9.13
Cumberland Basin projects; note a	2,795,462	12,733,387	4.555	853,000	37.70
Alcoa dams; note c	<u>1,738,245</u>	<u>-</u>	<u>-</u>	<u>423,715</u>	<u>46.94</u>
Total hydro generation	<u>17,420,697</u>	<u>-</u>	<u>-</u>	<u>6,109,125</u>	<u>35.70</u>
Steam plants; page 34	68,148,749	1,547,794,524	22.712	17,647,360	46.86
Nuclear plants; page 36	27,556,594	329,747,845	11.966	5,897,160	61.65
Gas turbine plants; page 36	<u>32,574</u>	<u>13,938,304</u>	<u>427.897</u>	<u>2,510,000</u>	<u>.21</u>
Total generation; note d	<u>113,158,614</u>	<u>-</u>	<u>-</u>	<u>32,163,645</u>	<u>43.47</u>
Purchased power	149,677	4,656,318	-	-	-
Interchange power received	14,154,670	63,805,731	-	-	-
System control and load dispatching	-	6,978,565	-	-	-
Wheeling received; note e	491,678	-	-	-	-
Other; note f	<u>438,212</u>	<u>96,185,337</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total system input	<u>128,392,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Delivered under Alcoa Agreement	1,750,834*	-	-	-	-
Interchange power delivered	14,777,397*	86,010,969*	-	-	-
Wheeling delivered	<u>477,446*</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net energy supply	<u>111,387,174</u>	<u>2,030,266,822</u>	<u>18.135</u>	<u>-</u>	<u>-</u>
Shop and internal uses	11,612*	-	-	-	-
Transmission and transformation losses	<u>2,828,674*</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total kWh sales and production expense	<u>108,546,888</u>	<u>\$2,030,266,822</u>	<u>18.610</u>	<u>-</u>	<u>-</u>

Notes:

- TVA purchases substantially all of the output of eight hydro plants in the Cumberland River Basin. In accordance with memorandums of understanding with the Corps of Engineers, Department of the Army, the Cumberland Basin projects are operated for optimum production of power in conjunction with TVA's power system, subject to flood control, navigation, and other operating requirements of the Army.
- Payments made to states and counties in which power operations are carried out. The basic amount is 5 percent of gross revenues from the sale of power to other than Federal agencies during the preceding year, with the provision of minimum payments under certain circumstances.
- Operation of twelve hydro plants of the Aluminum Company of America is coordinated with the operation of TVA's power plants under an arrangement whereby the storage and release of water from the Alcoa plants are carried out by the company under TVA's direction.
- Installed capacity increased 1,112,485 kilowatts during fiscal year 1982. Additions consisted of 1,220,580 kilowatts for the second generating unit at the Sequoyah Nuclear Plant, 6,300 kilowatts from modification of two generators, and a 57,580 kilowatt correction in the rating for unit 1 at Sequoyah. Ratings on eight units previously increased by modification were reduced 171,975 kilowatts to reflect nameplate capacity.
- TVA transmits (wheels) power and energy through its system for transactions between Big Rivers RECC and the South Mississippi Electric Power Association and for East Kentucky Cooperative. Wheeled losses for fiscal year 1982 totaled 14,232,000 kilowatthours.

"kWh generated" included 438,212,000 kWh generated during test runs of the second unit at the Sequoyah Nuclear Plant. The expenses of the generation, less credit for the fair value of energy delivered to the TVA power system, were charged to construction.

*Deduct

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1982

	<u>Total</u>	<u>Kentucky</u>	<u>Pickwick</u>	<u>Wilson</u>	<u>Wheeler</u>	<u>Gunters- ville</u>	<u>Nickajack</u>	<u>Chickamauga</u>
Direct hydraulic production - multipurpose dams								
Operation								
Supervision and engineering	\$ 1,104,842	\$ 66,005	\$ 87,560	\$ 213,533	\$ 229,546	\$ 61,446	\$ 27,361	\$ 44,217
Hydraulic	19,862	-	6,612	3,056	5,445	2,806	-	-
Electric	4,205,563	256,195	276,776	538,679	422,370	215,116	160,597	253,495
Miscellaneous	<u>2,631,563</u>	<u>179,946</u>	<u>184,187</u>	<u>390,938</u>	<u>231,363</u>	<u>145,376</u>	<u>64,230</u>	<u>184,406</u>
Total operation	<u>7,961,830</u>	<u>502,146</u>	<u>555,135</u>	<u>1,146,206</u>	<u>888,724</u>	<u>424,744</u>	<u>252,188</u>	<u>482,118</u>
Maintenance								
Supervision and engineering	504,259	50,772	44,317	56,095	47,384	53,385	26,035	25,784
Structures	497,041	21,467	25,857	90,878	36,463	29,132	12,368	33,786
Reservoirs, dams, and waterways	505,135	34,218	2,835	16,271	23,673	4,377	3,495	10,193
Electric plant	3,691,213	281,180	154,792	758,165	450,807	195,991	357,949	192,777
Miscellaneous plant	<u>721,929</u>	<u>40,115</u>	<u>76,898</u>	<u>172,482</u>	<u>21,663</u>	<u>25,843</u>	<u>18,693</u>	<u>38,069</u>
Total maintenance	<u>5,919,577</u>	<u>427,752</u>	<u>304,699</u>	<u>1,093,891</u>	<u>579,990</u>	<u>308,728</u>	<u>418,540</u>	<u>300,609</u>
Provision for depreciation	<u>5,591,773</u>	<u>341,672</u>	<u>404,339</u>	<u>941,195</u>	<u>698,633</u>	<u>240,470</u>	<u>440,336</u>	<u>264,434</u>
Total	<u>\$19,473,180</u>	<u>\$1,271,570</u>	<u>\$1,264,173</u>	<u>\$3,181,292</u>	<u>\$2,167,347</u>	<u>\$973,942</u>	<u>\$1,111,064</u>	<u>\$1,047,161</u>
kWh generated less station use (thousands)	12,282,219	1,113,214	1,158,377	2,381,271	1,250,664	656,058	578,632	681,910
Total production expense including depreciation per kWh (mills)	1.585	1.142	1.091	1.336	1.733	1.485	1.920	1.536
Installed capacity at September 30, 1982 (kilowatts); note d, page 29	3,053,250	175,000	220,040	629,840	361,800	115,200	103,950	120,000
Ratio of average gross generation to installed capacity (percent)	46.29	72.78	60.26	43.31	39.68	65.24	64.06	65.20

	Watts Bar	Fort Loudoun	Norris	Hiwassee	Cherokee	Chatuge	Nottely	Fontana	South Holston	Watauga	Douglas	Boone	Melton Hill	Tims Ford
\$	69,144	\$ 21,636	\$ 68,881	\$ 44,649	\$ 28,354	\$ 8,593	\$ 14,912	\$ 20,473	\$ 13,060	\$ 17,854	\$ 28,534	\$ 12,549	\$ 19,771	\$ 6,764
	239	-	1,661	-	43	-	-	-	-	-	-	-	-	-
	327,183	206,581	187,316	106,227	193,910	32,393	31,756	156,083	74,080	188,519	191,685	188,211	111,330	87,061
	193,711	179,620	81,678	106,173	177,629	20,013	19,809	96,233	32,817	117,869	86,533	44,227	53,836	40,969
	590,277	407,837	339,536	257,049	399,936	60,999	66,477	272,789	119,957	324,242	306,752	244,987	184,937	134,794
	29,865	27,549	16,382	4,940	17,197	3,604	3,604	22,692	12,025	14,024	14,102	13,886	14,948	5,669
	57,700	29,522	15,483	11,227	39,367	7,278	4,144	26,774	2,835	10,970	24,022	11,412	4,433	1,923
	177,214	40,250	21,310	10,402	2,818	4,624	312	49,794	1,586	7,081	5,768	68,574	12,207	8,133
	122,633	90,370	281,646	108,515	154,271	20,792	36,996	57,635	43,166	36,720	90,931	72,115	78,322	105,440
	24,244	133,908	11,693	36,618	25,896	2,526	3,491	13,862	7,205	20,457	34,796	5,924	2,655	4,891
	411,656	321,599	346,514	171,702	239,549	38,824	48,547	170,757	66,817	89,252	169,619	171,911	112,565	126,056
	256,375	243,748	91,190	167,254	186,946	33,425	39,660	248,234	88,738	138,039	204,170	179,898	238,126	144,891
	<u>\$1,258,308</u>	<u>\$973,184</u>	<u>\$777,240</u>	<u>\$596,005</u>	<u>\$826,431</u>	<u>\$133,248</u>	<u>\$154,684</u>	<u>\$691,780</u>	<u>\$275,512</u>	<u>\$551,533</u>	<u>\$680,541</u>	<u>\$596,796</u>	<u>\$535,628</u>	<u>\$405,741</u>
	880,605	780,133	418,300	227,137	327,351	23,078	30,193	840,867	135,608	104,429	314,440	173,020	157,704	49,228
	1.429	1.247	1.858	2.624	2.525	5.774	5.123	.823	2.032	5.281	2.164	3.449	3.396	8.242
	166,500	139,140	100,800	117,100	135,180	10,000	15,000	238,500	35,000	57,600	120,600	75,000	72,000	45,000
	60.53	64.15	47.52	27.08	27.84	26.65	23.19	40.34	44.43	20.88	29.94	26.58	25.15	12.63

TENNESSEE VALLEY AUTHORITY
 DETAILS OF POWER EXPENSE
 FOR THE YEAR ENDED SEPTEMBER 30, 1982

	<u>Total</u>	<u>Apalachia</u>	<u>Fort Patrick Henry</u>
Hydraulic production - single-purpose dams and pumped storage			
Operation			
Supervision and engineering	\$ 220,390	\$ 35,274	\$ 10,353
Hydraulic	51,193	2,857	10,022
Electric	1,102,305	94,556	82,269
Miscellaneous	<u>556,406</u>	<u>46,140</u>	<u>190,863</u>
Total operation	<u>1,930,294</u>	<u>178,827</u>	<u>293,507</u>
Maintenance			
Supervision and engineering	106,179	4,758	12,837
Structures	286,637	8,485	3,281
Reservoirs, dams, and waterways	1,073,081	10,320	2,824
Electric plant	569,486	45,697	64,697
Miscellaneous plant	<u>106,287</u>	<u>13,596</u>	<u>5,406</u>
Total maintenance	<u>2,141,670</u>	<u>82,856</u>	<u>89,045</u>
Provision for depreciation	<u>1,022,599</u>	<u>281,610</u>	<u>158,483</u>
Total	<u>\$5,094,563</u>	<u>\$543,293</u>	<u>\$541,035</u>
kWh generated less station use (thousands)	939,064	412,832	105,340
Total production expense including depreciation per kWh (mills)	5.425	1.316	5.136
Installed capacity at September 30, 1982 (kilowatts)	249,160	82,800	36,000
Ratio of average gross generation to installed capacity (percent)	43.17	56.99	33.66

a. Excludes kWh used in pumping.

*Deduct

Single-Purpose Dams

<u>Great Falls</u>	<u>Ocoee No. 3</u>	<u>Ocoee No. 2</u>	<u>Blue Ridge</u>	<u>Ocoee No. 1</u>	<u>Wilbur</u>	<u>Raccoon Mountain</u>
\$ 38,740	\$ 35,383	\$ 21,720	\$ 14,878	\$ 52,012	\$ 12,030	\$ 286,194
19,372	5,233	3,837	644	5,576	3,652	26,033
324,577	57,528	129,106	42,181	342,079	30,009	547,379
<u>54,411</u>	<u>32,933</u>	<u>65,229</u>	<u>41,594</u>	<u>103,862</u>	<u>21,374</u>	<u>923,872</u>
<u>437,100</u>	<u>131,077</u>	<u>219,892</u>	<u>99,297</u>	<u>503,529</u>	<u>67,065</u>	<u>1,783,478</u>
17,236	14,023	27,873	4,650	14,243	10,559	103,720
16,489	2,490	218,033	5,330	32,132	397	116,739
57,115	226,772	668,811	77,685	22,579	6,975	4,483
84,887	78,852	143,081	31,031	96,900	24,341	1,063,113
<u>18,224</u>	<u>20,133</u>	<u>28,071</u>	<u>4,039</u>	<u>11,199</u>	<u>5,619</u>	<u>60,642</u>
<u>193,951</u>	<u>342,270</u>	<u>1,085,869</u>	<u>122,735</u>	<u>177,053</u>	<u>47,891</u>	<u>1,348,697</u>
<u>177,711</u>	<u>105,918</u>	<u>271</u>	<u>55,711</u>	<u>206,037</u>	<u>36,858</u>	<u>5,648,393</u>
<u>\$808,762</u>	<u>\$579,265</u>	<u>\$1,306,032</u>	<u>\$277,743</u>	<u>\$886,619</u>	<u>\$151,814</u>	<u>\$8,780,568</u>
151,289	154,058	326*	31,614	66,701	17,556	334,293*
5.346	3.760	-	8.785	13.292	8.647	7.255 ^a
31,860	28,800	21,000	20,000	18,000	10,700	1,530,000
54.36	61.23	-	18.12	42.50	18.92	9.13

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1982

	<u>Total</u>	<u>Cumberland</u>	<u>Paradise</u>	<u>Widows Creek</u>	<u>Shawnee</u>
Steam production					
Operation					
Supervision and engineering	\$ 13,885,936	\$ 1,478,683	\$ 1,556,835	\$ 1,639,026	\$ 1,653,150
Fuel	1,207,646,296	180,849,886	124,605,473	82,428,417	149,118,948
Steam	31,844,504	2,910,044	3,072,079	5,390,568	3,407,388
Electric	12,662,897	819,653	1,219,014	1,407,021	1,498,521
Miscellaneous	29,056,617	3,712,424	4,447,844	3,396,379	2,120,447
Rent	<u>6,900,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operation	<u>1,301,996,250</u>	<u>189,770,690</u>	<u>134,901,245</u>	<u>94,261,411</u>	<u>157,798,454</u>
Maintenance					
Supervision and engineering	6,854,876	865,990	1,257,112	610,967	651,985
Structures	10,069,411	1,105,911	1,774,649	948,370	666,215
Boiler plant	108,815,006	21,803,771	18,769,372	10,170,200	7,451,514
Electric plant	25,305,969	3,644,539	3,372,616	2,185,863	2,558,971
Miscellaneous plant	<u>9,018,840</u>	<u>1,143,622</u>	<u>1,775,324</u>	<u>861,061</u>	<u>545,300</u>
Total maintenance	<u>160,064,102</u>	<u>28,563,833</u>	<u>26,949,073</u>	<u>14,776,461</u>	<u>11,873,985</u>
Provision for depreciation	<u>85,734,172</u>	<u>14,729,831</u>	<u>11,715,952</u>	<u>11,634,669</u>	<u>9,396,373</u>
Total	<u>\$1,547,794,524</u>	<u>\$233,064,354</u>	<u>\$173,566,270</u>	<u>\$120,672,541</u>	<u>\$179,068,812</u>
kWh generated less station use (thousands)	68,148,749	8,393,265	10,191,666	4,376,292	6,847,353
Total production expense including depreciation per kWh (mills)	22.712	27.768	17.030	27.574	26.152
Installed capacity at September 30, 1982 (kilowatts); note d, page 29	17,647,360	2,600,000	2,558,200	1,968,760	1,750,000
Ratio of average gross generation to installed capacity (percent)	46.86	38.62	47.97	27.01	48.45

<u>Kingston</u>	<u>Johnsonville</u>	<u>Colbert</u>	<u>Gallatin</u>	<u>Bull Run</u>	<u>John Sevier</u>	<u>Watts Bar</u>	Thomas H. Allen (note 8, page 12)
\$ 1,110,584	\$ 1,507,069	\$ 941,364	\$ 1,034,327	\$ 793,887	\$ 1,017,577	\$ 414,326	\$ 739,108
145,260,459	82,576,684	109,491,605	94,724,661	82,028,740	96,438,772	4,500,352	55,622,299
3,462,958	3,048,557	2,572,032	2,152,087	1,533,826	1,685,178	1,055,944	1,553,843
1,539,867	1,417,325	1,194,798	988,577	766,139	782,622	452,159	577,201
2,277,705	2,281,122	2,222,835	2,449,007	1,873,312	1,552,504	857,101	1,865,937
-	-	-	-	-	-	-	6,900,000
<u>153,651,573</u>	<u>90,830,757</u>	<u>116,422,634</u>	<u>101,348,659</u>	<u>86,995,904</u>	<u>101,476,653</u>	<u>7,279,882</u>	<u>67,258,388</u>
595,343	435,932	565,874	523,119	460,352	368,333	182,496	337,373
900,146	704,687	911,261	955,986	346,942	746,702	596,137	412,405
9,550,938	5,569,512	10,111,146	6,784,906	5,979,713	4,014,693	1,599,357	7,009,884
2,222,298	3,851,059	1,518,622	1,954,158	1,032,352	541,365	442,901	1,981,225
<u>726,353</u>	<u>540,670</u>	<u>950,956</u>	<u>681,871</u>	<u>518,014</u>	<u>550,378</u>	<u>202,369</u>	<u>522,922</u>
<u>13,995,078</u>	<u>11,101,860</u>	<u>14,057,859</u>	<u>10,900,040</u>	<u>8,337,373</u>	<u>6,221,471</u>	<u>3,023,260</u>	<u>10,263,809</u>
<u>8,235,605</u>	<u>6,675,563</u>	<u>5,896,155</u>	<u>5,833,569</u>	<u>5,090,242</u>	<u>3,655,327</u>	<u>713,195</u>	<u>2,157,691</u>
<u>\$175,882,256</u>	<u>\$108,608,180</u>	<u>\$136,376,648</u>	<u>\$118,082,268</u>	<u>\$100,423,519</u>	<u>\$111,353,451</u>	<u>\$11,016,337</u>	<u>\$79,679,888</u>
8,506,691	4,006,823	5,835,776	5,329,318	5,431,451	5,770,804	159,946	3,299,364
20.676	27.106	23.369	22.157	18.489	19.296	68.875	24.150
1,700,000	1,485,200	1,350,000	1,255,200	950,000	800,000	240,000	990,000
61.37	33.53	51.83	52.15	67.61	85.18	8.37	41.48

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE C
PAGE 5

	<u>Allen</u>	<u>Colbert</u>	<u>Gallatin</u>	<u>Johnsonville</u>	<u>Total</u>
Gas turbine production					
Fuel expense	\$ 573,401	\$ 472,396	\$ 200,623	\$1,159,960	\$ 2,406,380
Other operating expense	51,818	502,994	66,856	60,115	681,783
	<u>625,219</u>	<u>975,390</u>	<u>267,479</u>	<u>1,220,075</u>	<u>3,088,163</u>
Maintenance	589,399	613,426	1,085,358	153,387	2,441,570
Provision for depreciation	<u>2,096,025</u>	<u>1,643,859</u>	<u>1,217,352</u>	<u>3,451,335</u>	<u>8,408,571</u>
Total	<u>\$3,310,643</u>	<u>\$3,232,675</u>	<u>\$2,570,189</u>	<u>\$4,824,797</u>	<u>\$13,938,304</u>
kWh generated less station use (thousands)	6,830	6,871	3,072	15,801	32,574
Total production expense including depreciation per kWh (mills)	484.721	470.481	836.650	305.348	427.897
Installed capacity at September 30, 1982 (kilowatts)	620,800	476,000	325,200	1,088,000	2,510,000
Ratio of average gross generation to installed capacity (percent)	.18	.22	.19	.23	.21

	<u>Browns Ferry</u>	<u>Sequoyah</u>	<u>Total</u>
Nuclear production			
Operation			
Supervision and engineering	\$ 12,186,343	\$ 11,333,113	\$ 23,519,456
Fuel	68,625,799	43,338,563	111,964,362
Coolants and water	1,494,193	1,488,626	2,982,819
Steam	9,381,807	2,507,090	11,888,897
Electric	2,015,502	1,025,265	3,040,767
Miscellaneous	28,023,612	14,551,567	42,575,179
Total operation	<u>121,727,256</u>	<u>74,244,224</u>	<u>195,971,480</u>
Maintenance			
Supervision and engineering	12,230,388	3,060,397	15,290,785
Structures	3,123,416	1,636,761	4,760,177
Reactor plant	20,902,882	11,119,061	32,021,943
Electric plant	7,203,169	3,645,205	10,848,374
Miscellaneous plant	4,857,443	1,705,018	6,562,461
Total maintenance	<u>48,317,298</u>	<u>21,166,442</u>	<u>69,483,740</u>
Provision for depreciation	<u>26,874,623</u>	<u>37,418,002</u>	<u>64,292,625</u>
Total	<u>\$196,919,177</u>	<u>\$132,828,668</u>	<u>\$329,747,845</u>
kWh generated less station use (thousands)	17,738,303	9,818,291	27,556,594
Total production expense including depreciation per kWh (mills)	11.101	13.529	11.966
Installed capacity at September 30, 1982 (kilowatts); note d, page 29	3,456,000	2,441,160	5,897,160
Ratio of average gross generation to installed capacity (percent)	60.52	63.77	61.65

Transmission			
Operation			
Supervision and engineering			\$ 6,130,134
Load dispatching			2,940,038
Stations			6,940,641
Overhead lines			1,088,630
Transmission of electricity by others			107,318
Miscellaneous			5,490,239
Rents			<u>2,739</u>
Total operation			<u>25,436</u>

TENNESSEE VALLEY AUTHORITY
DETAILS OF POWER EXPENSE
 FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE C
PAGE 6

Transmission - continued

Maintenance		
Supervision and engineering	\$	838,925
Structures		895,825
Station equipment		10,240,998
Overhead lines		6,865,602
Miscellaneous plant		828,554
Total maintenance		<u>19,669,904</u>
Total		<u>\$45,106,824</u>
Customer accounts		
Meter reading	\$	315,676
Customer records and collections		8,711,466
Miscellaneous		31,658
Total		<u>\$ 9,058,800</u>
Demonstration of power use		
Supervision and general	\$	4,404,148
Commercial and industrial		694,138
Residential conservation/demonstration		3,648,142
Load management		1,636,573
Solar applications and demonstrations		3,449,898
Deferred conservation cost		12,150,401
Industrial marketing		453,541
		<u>26,436,841</u>
Less reimbursements from power distributors for technical advisory services		<u>451,338</u>
Total		<u>\$25,985,503</u>
Research, development, and demonstrations		
Transmission	\$	3,076,687
Demonstration of power use		3,559,812
Administrative and general		10,841,358
Other production		41,299,141
Total		<u>\$58,776,998</u>
Administrative and general		
Direct		
Operation		
Salaries	\$20,030,233	
Office supplies and expenses	<u>4,947,369</u>	\$24,977,602
Less transfers to construction and other accounts		<u>2,333,853</u>
		22,643,749
Outside services employed		977,480
Property insurance		4,751,068
Injuries and damages		975,438
Employee pensions and benefits		243,711*
Miscellaneous		34,036,121
Rents		2,161,270
Electricity used by shops and laboratories		494,202*
Total operation		<u>64,807,213</u>
Maintenance		
General property		80,645
Total direct		<u>64,887,858</u>
Allocation from nonpower divisions		
TVA general offices		
Direct; schedule F	11,721,356	
Multiple-use; schedule E	<u>25,292</u>	<u>11,746,648</u>
Total administrative and general charged to power operations		<u>\$76,634,506</u>

Deduct

TENNESSEE VALLEY AUTHORITY
DETAILS OF NONPOWER NET EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE D
PAGE 1

	Direct	Multiple-use (schedule E)	Total
GENERAL RESOURCES DEVELOPMENT			
Navigation operations			
Studies and investigations			
Navigation engineering and investigations	\$ 435,507	\$ -	\$ 435,507
General and administrative expenses	4,173	-	4,173
	<u>439,680</u>	<u>-</u>	<u>439,680</u>
Operation and maintenance of facilities			
Operation	160,832	3,099,505	3,260,337
Maintenance	875,111	743,890	1,619,001
General and administrative expenses	-	18,483	18,483
Provision for depreciation	<u>2,125,255</u>	<u>1,099,925</u>	<u>3,225,180</u>
Total expense of navigation operations	<u>\$3,600,878</u>	<u>\$4,961,803</u>	<u>8,562,681</u>
System flood control operations			
Studies and investigations			
System studies and investigations	\$ 369,294	\$ -	369,294
General and administrative expenses	1,651	-	1,651
	<u>370,945</u>	<u>-</u>	<u>370,945</u>
Operation and maintenance of facilities			
Operation	-	4,287,340	4,287,340
Maintenance	-	868,716	868,716
General and administrative expenses	-	25,292	25,292
Provision for depreciation	<u>380,409</u>	<u>1,234,278</u>	<u>1,614,687</u>
Total expense of system flood control operations	<u>\$ 751,354</u>	<u>\$6,415,626</u>	<u>7,166,980</u>
Recreation development			
Recreation development	\$1,112,658	\$ -	1,112,658
General and administrative expenses	5,368	-	5,368
	<u>1,118,026</u>	<u>-</u>	<u>1,118,026</u>
Operation and maintenance of facilities			
Operation and maintenance	-	4,418,349	4,418,349
General and administrative expenses	-	26,265	26,265
Provision for depreciation	<u>193,414</u>	<u>664,502</u>	<u>857,916</u>
Total expense of recreation development	<u>\$1,311,440</u>	<u>\$5,109,116</u>	<u>6,420,556</u>
Community preparedness			
Community preparedness	\$2,959,436	\$ -	2,959,436
General and administrative expenses	13,154	-	13,154
	<u>2,972,590</u>	<u>-</u>	<u>2,972,590</u>
Operation and maintenance of facilities			
Operation and maintenance	-	471,138	471,138
General and administrative expenses	-	1,945	1,945
Provision for depreciation	<u>3,311</u>	<u>322,345</u>	<u>325,656</u>
Total expense of community preparedness	<u>\$2,975,901</u>	<u>\$ 795,428</u>	<u>3,771,329</u>
Regional water quality management			
Regional water quality management			1,417,528
Provision for depreciation			57,725
General and administrative expenses			<u>6,673</u>
Total expense of regional water quality management			<u>1,481,926</u>
Fisheries and wildlife resources development			
Fisheries resources development			653,000
Wildlife resources development			719,800
Provision for depreciation			77,900
General and administrative expenses			<u>6,326</u>
Total expense of fisheries and wildlife resources development			<u>1,457,095</u>

TENNESSEE VALLEY AUTHORITY
 DETAILS OF NONPOWER NET EXPENSE
 FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE D
 PAGE 2

GENERAL RESOURCES DEVELOPMENT - continued

Environmental protection of public lands and water	
Environmental protection of public lands and water	\$ 682,293
General and administrative expenses	<u>3,193</u>

Total expense of environmental protection of public lands and water	<u>685,486</u>
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Environmental education	
Environmental education	574,618
Provision for depreciation	9,725
General and administrative expenses	<u>2,618</u>

Total expense of environmental education	<u>586,961</u>
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Valley agricultural development	
Farm resource management and fertilizer use	1,896,687
Program planning and analysis	360,954
Agricultural waste heat and energy applications	571,518
Developing specialty enterprises for the rural poor	440,755
Market development	261,682
Provision for depreciation	191,090
General and administrative expenses	<u>18,113</u>

Net expense of Valley agricultural development	<u>3,740,799</u>
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Renewable fuels research	
Renewable fuels research	2,330,996
General and administrative expenses	<u>16,881</u>

Total expense of renewable fuels research	<u>2,347,877</u>
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Forest resources development	
Forest resources development	1,265,146
Provision for depreciation	13,104
General and administrative expenses	<u>6,222</u>

Total expense of forest resources development	<u>1,284,472</u>
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Acidic precipitation assessment	
Acidic precipitation assessment	399,020
General and administrative expenses	<u>1,496</u>

Total expense of acidic precipitation assessment	<u>400,516</u>
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TVA lands planning	
TVA lands planning	519,792
General and administrative expenses	<u>2,642</u>

Total expense of TVA lands planning	<u>522,434</u>
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Townlift	
Townlift	972,656
General and administrative expenses	<u>4,881</u>

Total expense of townlift	<u>977,537</u>
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Industrial skills development	
Industrial skills development	1,119,661
General and administrative expenses	<u>8,963</u>

Total expense of industrial skills development	<u>1,128,624</u>
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Economic development and analysis	
Economic development and analysis	2,393,562
Provision for depreciation	-
General and administrative expenses	<u>9,383</u>

Total expense of economic development and analysis	<u>2,402,945</u>
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TENNESSEE VALLEY AUTHORITY
DETAILS OF NONPOWER NET EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE D
PAGE 3

GENERAL RESOURCES DEVELOPMENT - continued

Waterway development and engineering assistance	\$ 1,198,300
Waterway development and engineering assistance	7,795
General and administrative expenses	
Total expense of waterway development and engineering assistance	<u>1,206,098</u>
Special opportunities cities and counties program	
Special opportunities cities and counties program	1,099,788
General and administrative expenses	12,644
Total expense of special opportunities cities and counties program	<u>1,112,432</u>
Minority economic development	
Minority economic development	1,334,737
General and administrative expenses	5,642
Total expense of minority economic development	<u>1,340,379</u>
Floodplain management	
Floodplain management	3,562,745
Provision for depreciation	13,496
General and administrative expenses	8,561
Total expense of floodplain management	<u>3,584,802</u>
Land Between The Lakes operations	
Land Between The Lakes operations	5,306,066
Provision for depreciation	764,728
General and administrative expenses	27,349
Total expense of Land Between The Lakes operations	<u>6,098,143</u>
Valley mapping and remote sensing	
Valley mapping and remote sensing	929,329
Provision for depreciation	20,920
General and administrative expenses	3,809
Total expense of Valley mapping and remote sensing	<u>954,058</u>
Other general resources development projects	
Regional air quality management	610,044
Water and wastewater treatment systems	74,426
General and administrative expenses	2,978
Total expense of other general resources development projects	<u>687,448</u>
Total expense of general resources development	<u>\$57,921,578</u>

FERTILIZER DEVELOPMENT

Research and development	
Chemical fertilizer research and development	\$10,088,778
Soils and fertilizer research	1,964,824
Development of ammonia from coal process	3,760,340
Provision for depreciation	166,491
General and administrative expenses	81,902
Total expense of research and development	<u>16,062,335</u>
Fertilizer introduction	
Fertilizer industry demonstrations	3,444,000
Farm test demonstrations outside the Valley	1,129,100
General and administrative expenses	19,787
Net expense of fertilizer introduction	<u>4,593,331</u>

TENNESSEE VALLEY AUTHORITY
DETAILS OF NONPOWER NET EXPENSE
 FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE D
PAGE 4

FERTILIZER DEVELOPMENT - continued

Developmental production	
Cost of products distributed	
Materials used	\$ 16,668,608
Direct manufacturing and shipping expense	14,917,887
Indirect manufacturing and shipping expense	4,554,999
Provision for depreciation and depletion	1,734,310
Finished inventory changes	<u>1,423,088*</u>
Total cost of products distributed	<u>36,452,716</u>
General expenses	
Loss on sale of phosphate reserves, net	1,150
Loss on retirements of manufacturing plant and equipment, net	220,719
Other general expenses	
General and administrative expenses	170,544
Provision for depreciation of idle manufacturing plant and equipment	220,272
Other, including depreciation of \$3,603	<u>646,857</u>
Total general expenses	<u>1,259,542</u>
Total production expense	<u>37,712,258</u>
Less transfers and sales of products	
Transfers to TVA programs, at market prices	23,827,333
Direct sales	<u>357,485</u>
Total transfers and sales	<u>24,184,818</u>
Net expense of developmental production	<u>13,527,440</u>
Net expense of fertilizer development	<u>\$ 34,183,106</u>

NATIONAL ENERGY DEMONSTRATIONS

Solar energy demonstrations	\$ 561,908
Fuel cells	419,446
Atmospheric fluidized bed combustion demonstration	11,828,810
Other energy demonstration projects	<u>283,031*</u>
Total expense of national energy demonstrations	<u>\$ 12,527,133</u>

OTHER EXPENSE OR INCOME

Adjustment to accrued leave	\$ 2,075,330*
World's Fair exhibit	850,392
Gain on disposal of general property	56,593*
Maintenance of bridges financed by others on TVA dams	685,304
Emergency preparedness and other miscellaneous expenses	4,378
Interest income from receivables	<u>168,853*</u>
Other expense, net	<u>\$ 760,702*</u>

NET EXPENSE \$103,871,115

*Deduct

TENNESSEE VALLEY AUTHORITY
 OPERATING EXPENSES OF MULTIPLE-USE FACILITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE E

Expenses

Operation

Water control operations	\$ 1,979,813
Water control investigations	682,840
Investigations and control of reservoir ecology	2,031,891
Reservoir release improvements	1,097,478
Plant protection and services to visitors	3,379,682
Operation and upkeep of dam reservations	2,545,336
Operation of reservoir lands	4,016,046
Development of water resource management methods	726,960
Central services expenses	<u>197,484</u>

Total operation 16,657,530

General and administrative expenses 97,277

Maintenance 2,912,990

Provision for depreciation 4,728,937

Total \$24,396,734

	<u>Operation</u>	<u>General and administrative</u>	<u>Maintenance</u>	<u>Depreciation</u>	<u>Total</u>
Distributed to					
Power operations	\$ 4,578,124	\$25,292	\$1,103,458	\$1,407,887	\$ 7,114,761
Navigation operations	3,099,505	18,483	743,890	1,099,925	4,961,803
Flood control operations	4,287,340	25,292	868,716	1,234,278	6,415,626
Recreation development	4,301,254	26,265	117,095	664,502	5,109,116
Community preparedness	<u>391,307</u>	<u>1,945</u>	<u>79,831</u>	<u>322,345</u>	<u>795,428</u>
Total	<u>\$16,657,530</u>	<u>\$97,277</u>	<u>\$2,912,990</u>	<u>\$4,728,937</u>	<u>\$24,396,734</u>

TENNESSEE VALLEY AUTHORITY
GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 1982

SCHEDULE F

Expenses

Board of directors	\$ 481,525
Office of the general manager	2,189,263
Planning and budget staffs	1,866,100
Washington office	580,724
Information office	3,764,520
District offices	1,143,910
Citizen action office	641,149
Equal employment opportunity staff	2,592,865
Accounting policy and procedures staff	705,801
Office of the general counsel	6,384,551
Environmental quality staff	1,644,150
Other general and administrative	278,174
Total	<u>\$22,272,732</u>

	Amount	Percent of total
Distributed to		
Construction and investigations in progress	\$ 9,581,502	43.02
Recovered through services billed to others	356,822	1.60
Expense of programs		
Power	11,721,356	52.63
Navigation	4,173	.02
System flood control	1,651	.01
Environmental protection of public lands and waters	3,193	.01
Regional water quality management	6,673	.03
Fisheries resources development	2,932	.01
Wildlife resources development	3,394	.01
TVA lands planning	2,642	.01
Recreation development	5,368	.03
Environmental education	2,618	.01
Valley agricultural development	18,113	.08
Forest resources development	6,222	.03
Acidic precipitation assessment	1,496	.01
Industrial skills development	8,963	.04
Economic development and analysis	9,383	.04
Renewable fuels research	16,881	.07
Community preparedness	13,154	.06
Townlift	4,881	.02
Waterway development and engineering assistance	7,795	.03
Minority economic development	5,642	.03
Regional air quality management	2,563	.01
Special opportunities cities and counties	12,644	.06
Floodplain management	8,561	.04
Water and wastewater systems	415	-
Land Between The Lakes operations	27,349	.12
Valley mapping and remote sensing	3,809	.02
Multipurpose operations	97,277	.44
Fertilizer development		
Developmental production	170,544	.77
Research and development	57,467	.26
Ammonia from coal	24,435	.11
Fertilizer introduction		
Farm test demonstrations	6,815	.03
Fertilizer industry demonstrations	12,972	.06
National energy demonstrations	60,646	.27
World's Fair exhibit	2,381	.01
Total	<u>\$22,272,732</u>	<u>100.00</u>

APPENDIX B

Table 1. Distribution of TVA Fertilizers in Educational

State	Ammonium Poly- phosphate (11-55-0)	Ammonium Poly- phosphate Suspension	Anhydrous Ammonia	Nitrogen- Fluid Clay	Ortho- phosphate Suspension	Granular Urea (46-0-0)	Sulfur Coated Ammonium Poly- phosphate
Alabama	-	649.500	24.195	-	7,744.975	359.085	105.625
Arizona	-	-	-	-	-	-	-
Arkansas	344.150	-	-	-	710.645	126.000	-
California	-	-	-	-	-	-	-
Colorado	1,251.050	-	-	-	-	-	-
Connecticut	-	-	-	-	-	224.400	-
Florida	-	-	-	-	-	78.650	-
Georgia	-	-	-	-	1,632.500	21.099	.250
Hawaii	-	-	-	-	-	-	-
Idaho	-	-	-	-	-	-	-
Illinois	390.115	2,870.535	-	-	-	23.110	-
Indiana	1,231.450	451.750	-	-	99.950	-	-
Iowa	7,583.145	765.665	-	-	-	-	-
Kansas	1,386.780	319.800	-	-	99.150	-	-
Kentucky	-	-	-	-	246.075	3,369.030	.200
Louisiana	.525	-	-	656.600	-	-	-
Maryland	-	-	-	-	-	-	-
Michigan	-	-	-	-	-	-	-
Minnesota	479.850	-	-	-	-	-	-
Mississippi	-	-	-	-	2,593.930	6.360	-
Missouri	1,957.630	552.100	-	-	-	84.900	-
Montana	-	2.431	-	-	-	-	-
Nebraska	1,804.980	54.300	-	-16.450	-	-	-
Nevada	.075	-	-	-	-	-	-
New Jersey	-	-	-	-	-	350.000	-
New Mexico	89.600	-	-	-	-	2.150	-
New York	386.300	206.650	-	-	-	306.400	-
North Carolina	69.550	-	-	-	-	7.525	3.750
North Dakota	281.900	-	-	-	-	-	-
Ohio	-	-	-	-	-	115.149	-
Oklahoma	-	-	-	-	-	.400	-
Oregon	-	-	-	-	-	-	-
Pennsylvania	-	104.800	-	-	-	115.200	-
South Carolina	-	-	-	-	-	-	-
South Dakota	1,786.890	56.100	-	-	-	57.650	-
Tennessee	47.230	623.440	-	-	982.940	1,619.895	-
Texas	7.825	785.300	-	-	-	8.900	-
Utah	-	-	-	-	-	-	-
Virginia	-	761.200	-	-	-	393.050	-
Washington	-	-	-	-	-	-	-
Wisconsin	-	-	-	-	-	-	-
Wyoming	-	-	-	-	-	-	-
Puerto Rico	-	-	-	-	-	-	-
Total	19,099.045	8,203.571	24.195	640.150	14,110.165	7,268.953	109.825

a. Includes 28-0-0, 30-0-0, and 32-0-0.

Programs for the Fiscal Year Ended September 30, 1982 (Tons)

Sulfur-Coated Potash	Sulfur-Coated Urea	Urea-Ammonium Nitrate Solution (Tons of N) ^a	Urea-Ammonium Nitrate Suspension (31-0-0)	Urea-Ammonium Phosphate (35-17-0)	Urea-Ammonium Phosphate (28-28-0)	Pilot Plant Products	Byproduct Liquid Urea-Ammonium Phosphate	Total
158.000	1,566.295	5,054.864	2,511.500	-	2,168.800	.150	7,838.200	28,181.189
-	-	-	-	470.650	750.450	-	-	1,221.100
-	1,425.540	7.165	979.590	-	-	1.150	-	3,594.240
-	169.300	-	-	6,048.850	70.200	-	-	6,288.350
-	-	-	-	174.500	-	-	-	1,425.550
-	749.350	-	-	-	-	-	-	973.750
-	1,180.200	354.384	-	-	-	1.185	-	1,614.419
.250	112.545	8.355	-	-	.250	.025	-	1,775.274
-	44.000	-	-	-	-	.550	-	44.550
-	-	-	-	-	-	.049	-	.049
-	22.500	1,335.558	16,968.300	-	-	.050	171.150	21,781.318
-	72.275	7,108.864	209.300	-	271.335	.100	-	9,445.024
-	-	-	3,669.895	169.320	-	-	-	12,188.025
-	-	-	-	334.720	240.600	.175	-	2,381.225
.175	1.000	-	-	-	5,033.100	.249	246.200	8,896.029
-	.600	-	-	-	-	.075	-	657.800
-	-	-	-	-	-	.075	-	.075
-	-	-	-	-	68.650	.074	-	68.724
-	.200	-	-	-	-	.123	-	480.173
-	139.318	1,012.493	2,615.575	-	445.950	-	193.020	7,006.646
-	294.405	-	4,281.648	5.000	-	-	3,296.225	10,471.908
-	-	-	-	-	-	.250	-	2.681
-	165.350	-	1,592.050	928.690	-	2.265	-	4,531.185
-	-	-	-	-	-	.149	-	.224
-	50.600	-	-	-	-	-	-	400.600
-	1.750	-	-	240.050	1.800	.375	-	335.725
-	-	-	-	-	-	-	-	899.350
10.575	31.600	1,252.208	-	10.250	60.250	.375	-	1,446.083
-	-	-	-	-	-	-	-	281.900
-	2.000	1,155.536	858.150	-	-	-	-	2,130.835
-	.125	-	-	-	.750	.545	-	1.820
-	40.000	-	-	-	-	-	-	40.000
-	22.000	-	-	-	546.000	.099	-	788.099
-	60.150	-	-	.550	-	-	-	60.700
-	-	-	-	655.060	-	.025	-	2,555.725
-	104.485	866.891	600.610	-	987.980	.100	205.570	6,039.141
-	18.775	-	-	2,543.800	343.150	.225	-	3,707.975
-	100.000	-	-	-	-	.500	-	100.500
-	-	345.730	201.000	-	-	-	-	1,700.980
-	230.600	-	-	155.680	-	1.350	-	387.630
-	-	-	-	-	-	.174	-	.174
-	-	-	-	-	-	.350	-	.350
-	110.000	-	-	-	-	-	-	110.000
169.000	6,714.963	18,502.048	34,487.618	11,737.120	10,989.265	10.812	11,950.365	144,017.095

Table 2. TVA Fertilizers Shipped for the Fiscal Year Ended September 30, 1982 (Tons)

TVA Fertilizer	Agronomic Research	Agricultural Resource Development	Farm Test- Demonstration	Fertilizer Industry Demonstration	Other TVA Programs	Other Federal Agencies	Total
Ammonium polyphosphate (11-55-0)	-	10.800	148.340	18,939.905	104.250	-	19,203.295
Ammonium polyphosphate suspension	-	1.015	2.431	8,200.125	-	-	8,203.571
Anhydrous ammonia	-	24.195	-	-	-	-	24.195
Nitrogen-fluid clay	-	-	-	640.150	-	-	640.150
Orthophosphate suspension	-	1.975	7.050	14,101.140	-	-	14,110.165
Granular urea (46-0-0)	-	32.410	218.608	7,017.935	26.000	-	7,294.953
Sulfur-coated ammonium polyphosphate	-	3.750	.450	105.625	-	-	109.825
Sulfur-coated potash	.025	2.575	.425	166.000	-	-	169.025
Sulfur-coated urea	.500	18.600	136.353	6,560.010	10.000	70.000	6,795.463
Urea-ammonium nitrate solution (tons of N) ^a	-	-	-	18,502.048	-	-	18,502.048
Urea-ammonium nitrate suspension	-	-	-	34,487.618	-	-	34,487.618
Urea-ammonium phosphate (35-17-0)	-	.250	53.950	11,682.920	11.000	100.000	11,848.120
Urea-ammonium phosphate (28-28-0)	-	.500	9.850	10,978.915	32.000	50.000	11,071.265
Pilot plant products	5.347	.625	10.187	-	-	-	16.159
Byproduct liquid urea-ammonium phosphate	-	-	-	11,950.365	472.820	-	12,423.185
Total	5.872	96.695	587.644	143,332.756	656.070	220.000	144,899.037

a. Includes 28-0-0, 30-0-0, and 32-0-0.

Table 3.—TVA power sales in fiscal year 1982

Municipal and County Systems Distributing Power Under Standard Contracts	TVA Sales		Average rate in mills per kWh
	Kilowatt- hours sold (1,000)	Revenue	
Aberdeen, MS	129,888	\$ 4,674,527	35.99
Albertville, AL	316,207	11,641,844	36.82
Alcoa, TN	334,759	12,466,281	37.24
Amory, MS	101,269	3,722,678	36.76
Athens, AL	420,584	15,996,877	38.03
Athens, TN	379,331	13,958,416	36.80
Benton, KY	48,168	1,858,476	38.58
Benton County, TN	168,603	6,366,039	37.76
Bessemer, AL	260,387	9,355,609	35.93
Bolivar, TN	182,935	6,777,388	37.05
Bowling Green, KY	523,361	19,060,894	36.42
Bristol, TN	625,030	22,675,780	36.28
Bristol, VA	409,213	15,059,391	36.80
Brownsville, TN	107,599	4,070,242	37.83
Carroll County, TN	277,809	10,581,932	38.09
Chattanooga, TN	4,954,386	183,316,660	37.00
Chickamauga, GA	34,034	1,271,604	37.36
Clarksville, TN	527,001	19,884,334	37.73
Cleveland, TN	614,880	23,182,132	37.70
Clinton, TN	461,328	17,276,957	37.45
Columbia, TN	405,467	15,060,632	37.14
Columbus, MS	361,933	13,564,241	37.48
Cookeville, TN	309,796	11,630,870	37.54
Courtland, AL	12,997	511,191	39.33
Covington, TN	108,717	4,054,852	37.30
Cullman, AL	228,961	8,789,151	38.39
Dayton, TN	150,232	5,457,509	36.33
Decatur, AL	1,005,998	37,243,932	37.02
Dickson, TN	341,188	12,811,710	37.55
Dyersburg, TN	305,155	11,385,025	37.31
Elizabethton, TN	400,582	14,827,897	37.02
Erwin, TN	157,676	5,701,355	36.16
Etowah, TN	110,461	4,132,961	37.42
Fayetteville, TN	266,345	9,964,373	37.41
Florence, AL	773,924	29,689,424	38.36
Fort Payne, AL	176,996	6,711,521	37.92
Franklin, KY	134,339	4,971,554	37.01
Fulton, KY	41,391	1,557,212	37.62
Gallatin, TN	300,272	11,934,848	39.75
Glasgow, KY	208,343	7,632,959	36.64
Greeneville, TN	648,895	23,742,664	36.59
Guntersville, AL	151,367	5,580,234	36.87
Harriman, TN	245,495	8,935,562	36.40
Hartselle, AL	104,182	3,948,277	37.90
Hickman, KY	19,545	722,587	36.97
Holly Springs, MS	166,041	6,027,583	36.30
Hopkinsville, KY	315,759	11,538,386	36.54
Humboldt, TN	163,905	6,230,491	38.01
Huntsville, AL	2,434,224	91,434,578	37.56
Jackson, TN	881,512	32,358,732	36.71
Jellico, TN	71,551	2,615,642	36.56
Johnson City, TN	1,152,691	43,061,957	37.36
Knoxville, TN	4,036,140	149,926,656	37.15
LaFollette, TN	293,263	10,917,117	37.23
Lawrenceburg, TN	315,522	11,739,931	37.21
Lebanon, TN	243,605	9,048,198	37.14
Lenoir City, TN	640,206	24,928,539	38.94
Lewisburg, TN	159,702	5,930,137	37.13
Lexington, TN	287,724	10,601,927	36.85
Loudon, TN	138,723	5,005,933	36.09
Louisville, MS	106,423	3,943,019	37.05
Macon, MS	21,903	834,402	38.10
Maryville, TN	304,015	11,288,546	37.13
Mayfield, KY	116,241	4,586,312	39.46
McMinnville, TN	177,825	6,718,368	37.78
Memphis, TN	9,155,945	330,754,141	36.12
Milan, TN	181,722	6,955,045	38.27

See footnotes at end of table.

Table 3.—TVA power sales in fiscal year 1982—(Continued)

Municipal and County Systems Distributing Power Under Standard Contracts--Continued	TVA Sales		Average rate in mills per kWh
	Kilowatt- hours sold (1,000)	Revenue	
Monticello, KY	67,734	2,518,767	37.19
Morristown, TN	370,026	14,156,967	38.26
Mount Pleasant, TN	73,491	2,669,034	36.32
Murfreesboro, TN	561,863	21,063,122	37.49
Murphy, NC	100,538	3,974,879	39.54
Murray, KY	180,417	6,893,534	38.21
Muscle Shoals, AL	151,168	5,763,081	38.12
Nashville, TN	7,786,421	286,203,286	36.76
New Albany, MS	160,432	6,151,729	38.34
Newbern, TN	32,483	1,304,095	40.15
Newport, TN	309,296	11,140,005	36.02
Oak Ridge, TN	332,189	12,531,203	37.72
Okolona, MS	67,707	2,512,885	37.11
Oxford, MS	102,922	3,890,859	37.80
Paducah, KY	437,597	16,336,882	37.33
Paris, TN	375,938	13,980,953	37.19
Philadelphia, MS	93,053	3,490,980	37.52
Princeton, KY	63,903	2,322,095	36.34
Pulaski, TN	289,707	10,641,375	36.73
Ripley, TN	177,882	6,648,768	37.38
Rockwood, TN	204,305	7,661,869	37.50
Russellville, AL	106,432	3,950,982	37.12
Russellville, KY	87,212	3,233,989	37.08
Scottsboro, AL	295,989	10,806,917	36.51
Sevierville, TN	506,538	19,042,217	37.59
Sheffield, AL	428,215	16,456,230	38.43
Shelbyville, TN	207,947	7,705,876	37.06
Smithville, TN	54,703	2,069,757	37.84
Somerville, TN	28,815	1,121,661	38.93
Sparta, TN	70,668	2,644,383	37.42
Springfield, TN	137,652	5,094,409	37.01
Starkville, MS	233,885	8,790,386	37.58
Sweetwater, TN	129,688	4,851,135	37.41
Tarrant City, AL	48,120	1,794,451	37.29
Trenton, TN	77,730	2,915,954	37.51
Tullahoma, TN	207,345	7,781,699	37.53
Tupelo, MS	404,908	15,337,618	37.88
Tuscumbia, AL	84,183	3,187,349	37.86
Union City, TN	270,292	10,111,152	37.41
Water Valley, MS	63,269	2,362,909	37.35
Weakley County, TN	380,717	14,416,344	37.87
West Point, MS	123,908	4,636,123	37.42
Winchester, TN	88,426	3,340,024	37.77
Total	55,187,385	2,043,714,175	37.03
Preceding year	55,872,770	1,834,233,321	32.83
Four largest metropolitan areas:			
Total	25,932,892	950,200,743	36.64
Preceding year	26,171,423	850,868,645	32.51
Other municipalities:			
Total	29,254,493	1,093,513,432	37.38
Preceding year	29,701,347	983,364,676	33.11
Cooperative Systems Distributing Power Under Standard Contracts			
Alcorn County EPA, Corinth, MS	460,685	17,173,073	37.28
Appalachian EC, Jefferson City, TN	550,893	20,293,836	36.84
Arab EC, Arab, AL	167,588	6,295,169	37.56
Blue Ridge Mountain EMC, Young Harris, GA	204,304	7,169,577	35.09
Caney Fork EC, McMinnville, TN	337,252	12,719,314	37.71
Central EPA, Carthage, MS	309,198	11,453,816	37.04
Cherokee EC, Centre, AL	232,538	8,601,626	36.99
Chickasaw EC, Somerville, TN	162,638	6,157,621	37.86
Cullman EC, Cullman, AL	423,908	16,033,367	37.82

See footnotes at end of table.

Table 3.—TVA power sales in fiscal year 1982—(Continued)

Cooperative Systems Distributing Power Under Standard Contracts--Continued	TVA Sales		Average rate in mills per kWh
	Kilowatt- hours sold (1,000)	Revenue	
Cumberland EMC, Clarksville, TN	1,011,995	39,125,609	38.66
Duck River EMC, Shelbyville, TN	733,562	28,088,056	38.29
East Miss. EPA, Meridian, MS	153,572	5,677,200	36.97
Forked Deer EC, Halls, TN	128,039	5,210,105	40.69
Ft. Loudoun EC, Madisonville, TN	235,077	8,688,229	36.96
4-County EPA, Columbus, MS	636,964	24,009,059	37.69
Franklin EC, Russellville, AL	191,895	7,201,347	37.53
Gibson County EMC, Trenton, TN	545,715	20,589,478	37.73
Hickman-Fulton Cos. RECC, Hickman, KY	118,310	4,740,172	40.07
Holston EC, Rogersville, TN	407,026	14,949,718	36.73
Joe Wheeler EMC, Hartselle, AL	490,966	18,873,792	38.44
Marshall-DeKalb EC, Boaz, AL	228,305	8,372,203	36.67
Meriwether-Lewis EC, Centerville, TN	532,245	19,563,887	36.76
Middle Tenn. EMC, Murfreesboro, TN	1,419,910	54,334,737	38.27
Monroe County EPA, Amory, MS	114,995	4,397,799	38.24
Mountain EC, Mountain City, TN	364,009	13,308,197	36.56
Natchez Trace EPA, Houston, MS	230,505	8,673,930	37.63
North Alabama EC, Stevenson, AL	229,153	8,558,741	37.35
Northcentral Miss. EPA, Byhalia, MS	201,908	7,755,887	38.41
Northeast Miss. EPA, Oxford, MS	260,859	9,575,970	36.71
North Georgia EMC, Dalton, GA	1,198,855	45,555,175	38.00
Pennyrile RECC, Hopkinsville, KY	699,160	26,400,398	37.76
Pickwick EC, Selmer, TN	287,139	10,742,929	37.41
Plateau EC, Oneida, TN	192,145	6,955,077	36.20
Pontotoc EPA, Pontotoc, MS	241,334	8,996,286	37.28
Powell Valley EC, Jonesville, VA	288,306	10,383,315	36.01
Prentiss County EPA, Booneville, MS	186,162	6,924,980	37.20
Sand Mountain EC, Rainsville, AL	312,761	11,527,187	36.86
Sequachee Valley EC, South Pittsburg, TN	476,640	18,065,049	37.90
Southwest Tenn. EMC, Brownsville, TN	541,714	21,001,404	38.77
Tallahatchie Valley EPA, Batesville, MS	323,674	12,246,674	37.84
Tenn. Valley EC, Savannah, TN	233,661	8,736,767	37.39
Tippah EPA, Ripley, MS	198,299	7,314,741	36.89
Tishomingo Co. EPA, Iuka, MS	189,048	6,982,833	36.94
Tombigbee EPA, Tupelo, MS	486,117	18,449,574	37.95
Tri-County EMC, LaFayette, TN	570,084	20,964,607	36.77
Tri-State EMC, McCaysville, GA	137,152	5,051,632	36.83
Upper Cumberland EMC, Carthage, TN	534,267	20,225,233	37.86
Volunteer EC, Decatur, TN	979,399	36,497,504	37.27
Warren RECC, Bowling Green, KY	773,680	29,646,103	38.32
West Kentucky RECC, Mayfield, KY	560,359	21,463,915	38.30
Total	20,493,970	771,722,898	37.66
Preceding year	20,807,494	691,165,764	33.22
Total sales to municipalities and cooperatives under standard contracts	75,681,355	2,815,437,073	37.20
Preceding year	76,680,264	2,525,399,085	32.93
<u>Direct Sales to Federal Agencies</u>	16,670,674	670,902,289	40.24
<u>Direct Sales to Industries</u>			
A.E. Staley Manufacturing Co., Loudon, TN ¹	11,345	513,075	45.22
Air Products and Chemicals, Inc., Calvert City, KY	88,631	3,408,029	38.45
Airco, Inc., Calvert City, KY	147,913	5,505,806	37.22
Aluminum Company of America, Alcoa, TN	1,495,799	62,916,149	42.06
American Enka Co., Lowland, TN	286,469	10,180,048	35.54
Amoco Chemicals Corp., Decatur, AL	401,136	19,443,283	48.47
B. F. Goodrich Chemical Co., Calvert City, KY	733,015	25,924,153	35.37
Bowater Southern Paper Co., Calhoun, TN	1,061,578	38,795,625	36.55
Champion International Corp., Courtland, AL	541,170	19,287,017	35.64
Consolidated Aluminum Corp., New Johnsonville, TN	690,366	34,149,021	49.47
Diamond Shamrock Corp., Muscle Shoals, AL	430,613	14,952,384	34.72
E. I. Du Pont de Nemours & Co., New Johnsonville, TN	192,096	7,047,179	36.69
Engelhard Minerals & Chemicals Corp., Rockwood, TN	171,838	8,610,169	50.11
Florida Steel Corp., Jackson, TN	47,690	3,884,397	81.45
Foote Mineral Co., New Johnsonville, TN	57,343	2,402,261	41.89

See footnotes at end of table.

Table 3.—TVA power sales in fiscal year 1982—(Continued)

Direct Sales to Industries--Continued	TVA Sales		Average rate in mills per kWh
	Kilowatt- hours sold (1,000)	Revenue	
GAF Corp., Calvert City, KY	48,077	1,743,467	36.26
General Motors Corp., Athens, AL	147,319	5,921,259	40.19
Hooker Chemicals & Plastics Corp.:			
Chemical Plant, Columbus, MS	317,900	9,871,432	31.05
Phosphorus Plant, Columbia, TN	516,749	18,400,734	35.61
International Minerals & Chem. Corp., Bridgeport, AL	281,402	10,453,835	37.15
International Minerals & Chemical Corp., Kimball, TN	166,967	6,129,909	36.71
Jersey Miniere Zinc Co., Clarksville, TN	292,112	9,965,463	34.12
Kerr-McGee Chemical Corp., Hamilton, MS	390,413	12,701,029	32.53
Mead Corp., The, Stevenson, AL	201,093	7,300,238	36.30
Monsanto Co.:			
Phosphorus Plant, Columbia, TN	607,104	23,883,554	39.34
Textiles Plant, Decatur, AL	523,318	19,093,078	36.48
Olin Corp., Charleston, TN	676,580	24,959,146	36.89
Pennwalt Corp., Calvert City, KY	332,575	13,390,911	40.26
Revere Copper and Brass Inc., Scottsboro, AL	1,340,724	52,050,080	38.82
Reynolds Metals Co., Sheffield, AL:			
Alloys Plant	424,810	16,610,365	39.10
Reduction Plants	482,458	42,480,994	88.05
SKW Alloys, Inc., Calvert City, KY	412,240	18,946,581	45.96
Stauffer Chemical Co., Mt. Pleasant, TN	526,198	17,448,170	33.16
Tennessee Chemical Co., Copperhill, TN ²	188,212	7,643,510	40.61
Tennessee Forging Steel Corp., Harriman, TN	15,380	2,402,933	3
Tennessee River Pulp & Paper Co., Counce, TN	327,343	11,820,711	36.11
Texas Eastern Transmission Corp.:			
Pumping Station, Egypt, MS	128,335	5,050,505	39.35
Pumping Station, Mt. Pleasant, TN	138,037	5,329,838	38.61
Pumping Station, Tompkinsville, KY	125,405	4,675,585	37.28
Union Carbide Corp., Columbia, TN	275,725	11,869,430	43.05
U. S. Steel Corp., Cherokee, AL ⁴	187,080	6,797,710	36.34
Weyerhaeuser Co., Columbus, MS	51,550	2,021,931	39.22
W. R. Grace & Co., Memphis, TN	-	101,706	5
Other Industrials	8,209	353,715	43.09
Total	15,490,317	626,436,415	40.44
Total industries and Federal agencies	32,160,991	1,297,338,704	40.34
Preceding year	36,987,569	1,189,853,021	32.17
<u>Other Electric Utilities</u> ⁶			
Appalachian Power Co.	61,281	2,079,016	33.93
Carolina Power & Light Co.	71,129	1,990,809	27.99
Nantahala Power and Light Co.	221,368	9,758,229	44.08
Total	353,778	13,828,054	39.09
Preceding year	709,330	27,748,166	39.12
<u>Interdivisional Sales</u>			
Chemical Development, Muscle Shoals, AL	138,568	5,062,454	36.53
Other (principally power for construction purposes)	212,195	9,210,133	43.40
Total	350,763	14,272,587	40.69
Preceding year	477,943	17,215,721	36.02
Total kWh sales and operating revenues	108,546,888	\$4,140,879,562	38.15
Preceding year	114,855,105	3,760,215,993	32.74

1. Service began March 1, 1982.
2. Formerly Cities Service Co.'s chemical plant.
3. Minimum bill applicable for last nine months.
4. Transferred from distributor service to direct service on July 25, 1982.
5. Standby power service through March 25, 1982.
6. TVA had a variety of contractual arrangements with 16 privately owned utility companies and 4 generation and transmission cooperatives. The contracts with these utilities provided for interconnection of facilities; for interchange, sale, and purchase of power; for emergency standby service; or for various combinations of these. Nantahala Power and Light Company purchased a portion of its power requirements from TVA at standard wholesale rates and resold at rates approved by TVA.

TABLE 4—TVA PROCUREMENT SOURCES
FISCAL YEAR 1982 AND FISCAL YEARS 1934 THROUGH 1982

	<u>1982</u>		<u>1934 - 1982</u>	
Alabama	\$ 85,338,809		\$ 1,131,712,034	
Georgia	11,927,386		251,990,015	
Kentucky	352,058,546		8,552,678,021	
Mississippi	3,741,996		145,724,626	
North Carolina	15,741,199		631,825,110	
Tennessee	225,276,994		3,868,596,081	
Virginia	21,898		1,274,882,263	
Total Valley States	<u>\$694,106,828</u>	69%	<u>\$15,857,408,250</u>	52%
Alaska	1,297		86,182	
Arizona	230,158		32,455,952	
Arkansas	2,154,060		43,671,471	
California	74,338,043		1,195,981,104	
Colorado	1,281,554		54,546,099	
Connecticut	4,227,273		156,992,694	
Delaware	1,174,908		40,388,262	
Washington DC	200,954		11,721,534	
Florida	3,364,400		563,537,605	
Hawaii	2,164		138,951	
Idaho	110,358		2,769,844	
Illinois	(182,553,385)		1,111,456,937	
Indiana	193,916,426		561,542,028	
Iowa	534,108		36,204,678	
Kansas	1,115,792		24,432,326	
Louisiana	16,092,350		279,961,340	
Maine	220,502		24,506,349	
Maryland	4,477,472		87,080,216	
Massachusetts	8,815,138		273,177,741	
Michigan	5,695,026		146,420,835	
Minnesota	4,025,021		45,286,000	
Missouri	3,502,683		158,911,218	
Montana	73,520		3,958,659	
Nebraska	753,899		12,489,430	
Nevada	247,149		1,562,579	
New Hampshire	732,512		53,736,506	
New Jersey	11,341,084		287,168,074	
New Mexico	208,304		3,875,474	
New York	26,604,726		897,990,519	
North Dakota	97,751		553,506	
Ohio	10,413,792		3,111,900,975	
Oklahoma	4,707,315		126,642,425	
Oregon	1,700,892		23,261,888	
Pennsylvania	41,567,267		1,575,779,361	
Rhode Island	49,200		31,284,240	
South Carolina	5,726,770		523,140,301	
South Dakota	391,400		34,746,048	
Texas	15,253,485		696,880,236	
Utah	233,359		6,361,174	
Vermont	219,390		4,546,680	
Washington	30,265		37,337,633	
West Virginia	2,032,473		326,522,426	
Wisconsin	6,404,163		202,813,861	
Wyoming	98,516		832,733,170	
Total Other States	<u>\$271,813,534</u>	27%	<u>\$13,646,554,531</u>	44%
Foreign	<u>37,685,226</u>	4%	<u>1,193,273,571</u>	4%
Grand Total	<u>\$1,003,605,588</u>		<u>\$30,697,236,352</u>	

Note: Amounts shown are totals of purchase contracts awarded during the period, not actual amounts of money expended under the contracts. Expenditures under some contracts are made over a period of two or more fiscal years.

Appendix C

POWER CONTRACTS

During Fiscal Year 1982 which ended September 30, 1982, TVA entered into new, superseding, or supplemental power supply contracts with the following contractors:

DISTRIBUTORS:	Page
Electric Plant Board of the City of Fulton, Kentucky, and City of Fulton, Kentucky, power contract, February 10, 1982	54
Electric Plant Board of the City of Hopkinsville, Kentucky, and City of Hopkinsville, Kentucky, power contract, April 20, 1982	72
City of Lebanon, Tennessee, power contract December 1, 1981	82
Marshall-Dekalb Electric Cooperative, power contract December 30, 1981	95
Electric Plant Board of the City of Mayfield, Kentucky, and City of Mayfield, Kentucky, power contract, March 25, 1982	107
Electric Plant Board of the City of Murray, Kentucky, and City of Murray, Kentucky, power contract, April 22, 1982	115
Pennyrile Rural Electric Cooperative Corporation, power contract April 7, 1982	120
Electric Plant Board of the City of Russellville, Kentucky, and City of Russellville, Kentucky, power contract, October 7, 1981	128
Warren Rural Electric Cooperative Corporation, power contract May 7, 1982	133
West Kentucky Rural Electric Cooperative Corporation, power contract April 26, 1982	138
INDUSTRIES:	
Airco, Inc., power contract December 17, 1981	146
General Motors Corporation, power contract, November 10, 1981	153
Kerr-McGee Chemical Corporation, power contract, October 15, 1981	159
A. E. Staley Manufacturing Company, power contract, February 26, 1982	165
Tennessee Chemical Company, power contract, March 26, 1982	169
FEDERAL AGENCIES:	
United States of America, Department of the Air Force, Memorandum of Understanding, April 30, 1982	174
Rate schedules, adjustment addendums, terms and conditions, and rules and regulations attached to the respective items listed as "power contracts" are similar for customers in the same class and are published herein only once to avoid repetition. For reference to any such attachment, please refer to the appropriate item in the following index:	
Wholesale Power Rate—Schedule WS (October 1976)	58
Residential Rate—Schedule RS-2 (October 1976)	142
Residential Rate—Schedule RS-5 (October 1976)	125

Residential Rate—Schedule RS-7 (October 1976)	59
Residential Rate—Schedule RS-8 (October 1976)	100
Residential Rate—Schedule RS-10 (October 1976)	112
Residential Rate—Schedule RS-11 (October 1976)	87
Residential Rate—Schedule RS-12 (October 1976)	76
General Power Rate—Schedule GS-2 (October 1976)	143
General Power Rate—Schedule GS-5 (October 1976)	126
General Power Rate—Schedule GS-7 (October 1976)	60
General Power Rate—Schedule GS-8 (October 1976)	101
General Power Rate—Schedule GS-10 (October 1976)	113
General Power Rate—Schedule GS-11 (October 1976)	88
General Power Rate—Schedule GS-12 (October 1976)	77
Outdoor Lighting Rate—Schedule LS ¹ (October 1976)	63
Outdoor Lighting Rate—Schedule LSI ¹ (November 1980)	80
Adjustment Addendum to Schedule of Rates and Charges - Effective October 2, 1981	150
5-Percent Interruptible Power Credit (Exhibit A)	150
Rate Attachment for United States of America, Department of the Air Force .	179
Schedule of Terms and Conditions for Cooperatives	103
Schedule of Terms and Conditions for Municipalities (Kentucky)	65
Schedule of Terms and Conditions for Municipalities (Tennessee) ²	90
Schedule of Terms and Conditions for Industries and Federal Agencies	151
Schedule of Terms and Conditions for Tennessee Chemical Company	172
Schedule of Rules and Regulations	69

1. The percentage amount specified in Part A II of Outdoor Lighting Rate—Schedule LS or Outdoor Lighting Rate—Schedule LSI may differ among individual distributors from the amount specified in the schedule published herein. Individual distributors select either paragraph “A” or paragraph “B” under Part A III of these schedules.

2. Terms and Conditions for Tennessee municipalities reflect applicable statutory provisions relating to payments in lieu of taxes.

In addition, existing power supply contracts with municipal and cooperative distributors, included in prior annual reports, were necessarily amended and supplemented by agreement as a result of normal growth and change. These agreements were technical in nature and affected the mechanics of operation established under the contracts rather than established policies. They related to matters such as the establishment of additional points of delivery of electrical energy and the supply of power thereto, ownership of facilities, changed maximum demands, changes in wholesale and resale rate schedules, and the like. A number of existing contracts with industries, electric utilities, and Federal agencies also were amended in technical respects or to modify the availability of power thereunder.

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, ELECTRIC PLANT BOARD OF THE CITY OF FULTON, KENTUCKY, And CITY OF FULTON, KENTUCKY

THIS CONTRACT, made and entered into as of the 10 day of February, 1982, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"); the ELECTRIC PLANT BOARD OF THE CITY OF FULTON, KENTUCKY (hereinafter called "Board"), a corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky, acting for itself and as agent of the City of Fulton, Kentucky; and the CITY OF FULTON, KENTUCKY (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality has established Board pursuant to the laws of the Commonwealth of Kentucky for purposes of acquiring, constructing, operating, maintaining, and managing a municipal electric system and, under said laws, Board has the power to act as agent of Municipality in all matters pertaining thereto; and

WHEREAS, Board operates an electric system and in the operation thereof is presently purchasing and desires to continue to purchase the entire power requirements for said system from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. Purpose of Contract. It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Board agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Board or Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Board agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. Power Supply.

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the delivery point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would receive the energy for such consumer if it were served by Board. The supply of power by TVA

to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by Board or TVA which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case Board and TVA, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
Point of connection of Board's facilities to TVA's Clinton-Pilot Oak 69-kV Line	69,000

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither Board nor TVA shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and

operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

The payments to be made hereunder shall be made solely and exclusively from the revenues of Board's electric system and shall not be a charge upon Municipality's general funds or Board's other funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-7, GS-7 and LS of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties hereto shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Board agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and
- (4) From any revenues then remaining, tax equivalent payments, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Municipality's Participation.* Municipality's participation in this contract is limited to, and Municipality hereby approves and shall be bound by, all of the provisions of this contract with respect to which the approval, consent, execution, or other action of Municipality is or may be required in order to make the contract, or its respective provisions, the valid and binding obligation or obligations of the parties. The execution of this contract by Municipality shall signify conclusively that its governing body approves and deems appropriate all of the covenants, provisions, terms, and conditions of this contract and that it will from time to time take such actions as may be necessary to enable Board to validly comply with their language, tenor, and intent.

12. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect to any default of any other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

13. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Board without the consent of TVA.

14. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

15. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated April 6, 1962, and numbered TV-23443A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of (1) section 3 of Agreement TV-23443A, Supplement No. 1, dated June 20, 1966, between Board and TVA relative to a license for Board's 69-kV line on TVA's Mayfield-Fulton 69-kV Transmission Line rights of way and (2) section 3 of Agreement TV-23443A, Supplement No. 10, dated December 13, 1976, between Board and TVA relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS, it being the intention of the parties that said sections of agreements shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of each agreement. Any reference in said

sections to the power contract dated April 6, 1962, shall be deemed to refer to this contract.

16. *Term of Contract.* This contract shall become effective as of April 6, 1982, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest:
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Martha C. Jelley
(Title)

ELECTRIC PLANT BOARD OF THE
CITY OF FULTON, KENTUCKY
By s/Betty Snow
Superintendent

Attest:
s/Barbara Rice
(Title)

CITY OF FULTON, KENTUCKY
By s/Kenneth F. Turner
Mayor

Approved by TVA
Board of Directors
MAR 4, 1982
s/HSD
Assistant Secretary

**TENNESSEE VALLEY AUTHORITY
SCHEDULE OF RATES AND CHARGES**

**WHOLESALE POWER RATE—SCHEDULE WS
(October 1976)**

AVAILABILITY

Firm power available under long-term contracts with, and for distribution and resale by, States, counties, municipalities, and cooperative organizations of citizens or farmers, all referred to herein as "Distributor."

BASE CHARGES

Delivery Point Charge:	\$1,500 per delivery point per month
Demand Charge:	\$1.81 per kilowatt of demand per month
Energy Charge:	0.950 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

ADJUSTMENTS

1. Distributor's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.
2. Distributor's bill for each month shall be adjusted by adding to the bill 10 cents per kW and 0.02 cent per kWh for power and energy resold by Distributor in the preceding month

to any consumer which has a billing demand of more than 10,000 kW or which uses more than 5 million kWh (herein referred to as a large load), except that such adjustment shall not apply to any portion of a large load up to the following respective amounts: 10,000 kW plus an amount (not to exceed 20,000 kW) equal to that portion of Distributor's demand at the TVA delivery point from which such large load is served by Distributor which is in excess of the sum of the billing demands of all large loads served by Distributor from that delivery point; 5 million kWh plus an amount (not to exceed 15 million kWh) equal to that portion of Distributor's purchases of energy at the TVA delivery point from which such large load is served by Distributor which is in excess of the energy resold to all large loads served by Distributor from that delivery point.

DETERMINATION OF DEMAND

The demand for any month shall be the highest average during any 60-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus 10 percent of the excess over 5,000 kVA of the maximum kVA demand for the month for each individual consumer, whichever is the higher.

FACILITIES RENTAL

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to Distributor's bill a facilities rental charge. This charge shall be 20 cents per kW per month, except for delivery at voltages below 46 kV, in which case the charge shall be 55 cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the highest billing demand established at each delivery point during the latest 12-consecutive-month period and shall be in addition to all other charges under this rate schedule including minimum bill charges.

MINIMUM BILL

The monthly bill, exclusive of Adjustment 2, shall not be less than the higher of (1) the base delivery point charge or (2) 70 percent of the highest billing demand established during the previous 36 months multiplied by the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the Distributor's billing demand as provided in Adjustment 1 above). At Distributor's request, in lieu of such minimum bill being applied individually in the case of two or more delivery points through each of which less than half of the energy taken by Distributor is resold to lighting and power consumers with demands of 50 kW or more, the minimum bill, exclusive of Adjustment 2, for any month for such delivery points, considered together, shall instead be an amount equal to the sum of the minimum bills which would otherwise have been applicable to such delivery points for such month; provided, however, that a special minimum bill shall be applied for any delivery point through which more than 75 percent of the energy taken by Distributor is resold to lighting and power consumers with demands of 50 kW or more.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to Distributor through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

RESIDENTIAL RATE—SCHEDULE RS-7 (October 1976)

AVAILABILITY

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing

therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate.

CHARACTER OF SERVICE

Alternating current, single-phase, 60 hertz. Voltage supplied shall be at the discretion of Distributor and shall be determined by the voltage available from distribution lines in the vicinity and/or other conditions. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

BASE CHARGES

Customer Charge: \$2.45 per delivery point per month

Energy Charge:

First 500 kilowatthours per month at 2.297 cents per kilowatthour*
Additional " " " " 1.777 " " kilowatthour*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

MINIMUM MONTHLY BILL

The customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GS-7 (October 1976)

AVAILABILITY

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Under A below power shall be delivered at a voltage available in the vicinity or agreed to by Distributor. Under B below power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

BASE CHARGES

A. If the customer's demand for the month and its contract demand, if any, are each 5,000 kilowatts or less:

Customer Charge: \$3.45 per delivery point per month

Demand Charge:

First 50 kilowatts of demand per month, no demand charge

Next 50 kilowatts of demand per month, at \$2.05 per kilowatt

Excess over 100 kilowatts of demand per month, at \$2.20 per kilowatt

Energy Charge:

First 500 kilowatthours per month at 3.063 cents per kWh*

Next 14,500 " " " " 2.283 " " kWh*

Next 25,000 " " " " 1.387 " " kWh*

Next 60,000 " " " " 1.177 " " kWh*

Next 400,000 " " " " 1.077 " " kWh*

Additional " " " " 1.037 " " kWh*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

B. If either the customer's demand for the month or its contract demand is greater than 5,000 kilowatts:

Customer Charge: \$1,000 per delivery point per month

Demand Charge: \$1.91 per kilowatt of demand per month

Additional charge for any demand in excess of customer's contract demand: \$1.91 per kilowatt per month

Energy Charge: 0.993 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

FACILITIES RENTAL CHARGE APPLICABLE UNDER B ABOVE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 20 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 55 cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

DETERMINATION OF DEMAND

Distributor shall measure the demands in kilowatts of all customers having loads in excess of 50 kilowatts. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kilowatts, (2) 70 percent of the next 45,000 kilowatts, and (3) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM BILL

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

The monthly bill under B above shall not be less than the base demand charge (adjusted in accordance with the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 1,500 kilowatts and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of \$5.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 3 cents per kilowatthour of the maximum monthly consumption for customers whose demand does not exceed 50 kilowatts or (b) \$10.00 per kilowatt of the maximum demand established for customers whose demand is over 50 kilowatts; and shall pay in addition the actual cost of connections and disconnections in excess of one of each per year.

CONTRACT REQUIREMENT

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand exceeds 50 kilowatts shall be required to execute contracts for an initial term of at least one year. If the customer requires in excess of 5,000 kilowatts, the contract shall be for an initial term of at least five years, and any renewal or extension of the initial contract shall also be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, replacement, or adjustment from time to time upon agreement between Distributor and TVA.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer

through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

**OUTDOOR LIGHTING RATE—SCHEDULE LS
(October 1976)**

AVAILABILITY

Available for service to street and park lighting systems, traffic signal systems, athletic field lighting installations (during prescribed use-period), and outdoor lighting for individual customers.

Service under this schedule is for a term of not less than one year.

**PART A—CHARGES FOR STREET AND PARK LIGHTING SYSTEMS, TRAFFIC
SIGNAL SYSTEMS, AND ATHLETIC FIELD LIGHTING INSTALLATIONS**

- I. Energy Charge: 1.984 cents per kilowatthour as increased or decreased in accordance with Appendix I to the Schedule of Rates and Changes.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

II. Investment Charge

The annual investment charge shall be 6 percent of the installed cost to Distributor's electric system of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual investment charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual investment charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.

Traffic signal systems and athletic field lighting installations shall be provided, owned, and maintained by and at the expense of the customer, except as Distributor may agree otherwise in accordance with the provisions of the paragraph next following in this Section II. The facilities necessary to provide service to such systems and installations shall be provided by and at the expense of Distributor's electric system, and the annual investment charge provided for first above in this Section II shall apply to the installed cost of such facilities.

When so authorized by policy duly adopted by Distributor's governing board, traffic signal systems and athletic field lighting installations may be provided, owned, and maintained by Distributor's electric system for the customer's benefit. In such cases Distributor may require reimbursement from the customer for a portion of the initial installed cost of any such system or installation and shall require payment by the customer of an investment charge sufficient to cover all of Distributor's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such system or installation; provided that, for athletic field lighting installations, such investment charge shall in no case be less than 12 percent per year of such costs. Said investment charge shall be in addition to the annual investment charge on the facilities necessary to provide service to such system or installation as provided for in the preceding paragraph. Replacement

of lamps and related glassware for traffic signal systems and athletic field lighting installations provided under this paragraph shall be paid for under the provisions of paragraph A in Section III.

III. Replacement of Lamps and Related Glassware - Street and park lighting.

Customer shall be billed and shall pay for replacements as provided in paragraph A below, which shall be applied to all service for street and park lighting.

- A. Distributor shall bill the customer monthly for such replacements during each month at Distributor's cost of materials, including appropriate storeroom expense.
- B. Distributor shall bill the customer monthly for one-twelfth of the amount by which Distributor's cost of materials, including appropriate storeroom expense, exceeds the product of 3 mills multiplied by the number of kilowatthours used for street and park lighting during the fiscal year immediately preceding the fiscal year in which such month occurs.

METERING

For any billing month or part of such month in which the energy is not metered or for which a meter reading is found to be in error or a meter is found to have failed, the energy for billing purposes for that billing month or part of such month shall be computed from the rated capacity of the lamps (including ballast) plus 5 percent of such capacity to reflect secondary circuit losses, multiplied by the number of hours of use.

USE-PERIOD FOR ATHLETIC FIELD LIGHTING

Service to athletic field lighting installations under this rate schedule shall not commence earlier than 7 p.m., except that the customer may be permitted to use up to 10 percent (not to exceed 10 kilowatts) of the total installed lighting capacity prior to commencement of such period. In the event the customer fails to restrict service in accordance with these requirements, it shall be billed under the General Power Rate.

REVENUE AND COST REVIEW

Distributor's costs of providing service under Part A of this rate schedule are subject to review at any time and from time to time to determine if Distributor's revenues from the charges being applied are sufficient to cover said costs. If any such review discloses that revenues are either less or more than sufficient to cover said costs, Distributor shall revise the above investment charges so that revenues will be sufficient to cover said costs. Any such revision of the annual investment charge provided for first above in Section II of Part A of this rate schedule shall be by agreement between Distributor and TVA.

PART B—CHARGES FOR OUTDOOR LIGHTING FOR INDIVIDUAL CUSTOMERS

Charge Per Fixture

<i>Type of Fixture</i>	<i>Lamp Size (Watts)</i>	<i>Base Monthly Charge</i>
Mercury Vapor or Incandescent*	175	\$ 3.00
	250	3.50
	400	4.75
	700	7.75
	1,000	10.00
High Pressure Sodium	100	3.50
	150	3.75
	250	5.00
	400	6.50
	1,000	14.00

*Incandescent fixtures not offered for new service.

The above charges in this Part B are limited to service from a photoelectrically controlled standard street lighting fixture installed on a pole already in place. If the customer wishes to have the fixture installed at a location other than on a pole already in place, Distributor may apply a monthly charge not to exceed \$2.00 per pole for additional poles required to serve the fixture from Distributor's nearest available source. Distributor may uniformly adjust the above base monthly charges up or down by an amount not to exceed \$1.00.

When so authorized by policy duly adopted by Distributor's governing board, special outdoor lighting installations may be provided, owned, and maintained by Distributor's electric system. In such cases Distributor may require reimbursement from the customer for a portion of the initial installed cost of any such installation and shall require payment by the customer of monthly charges sufficient to cover all of Distributor's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such installations.

LAMP REPLACEMENTS

Replacements of lamps and related glassware will be made in accordance with replacement policies of Distributor without additional charge to the customer.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Service is subject to Rules and Regulations of Distributor.

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy.* Board agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Board shall administer, operate, and maintain the electric system as a separate entity in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other operations of Board or Municipality. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Board or Municipality, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other operations of Board or Municipality. In the interest of efficiency and economy, Board may use property and personnel jointly for the electric system and other operations, subject to agreement between Board and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Board shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Board shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Board shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Board shall furnish promptly to TVA such monthly operating, statistical, and financial statements relating to electric system operations as may reasonably be requested by TVA. In the event of failure to furnish promptly such statements TVA, following written notification to Board of intention so to do, may with its own staff perform at Board's expense all work necessary to collect such data.

(d) Board shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing

standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area.

2. *Payments to Taxing Jurisdictions.*

(a) Board shall pay each year from the revenues from its electric operations to the State, each county, each school district, each municipality, and each other special taxing jurisdiction in which it operates its electric system only an amount in lieu of taxes (sometimes referred to herein as "tax equivalents"), which shall not exceed the amount to be calculated and paid in accordance with the provisions of KRS 96.820, as amended, which are in effect on the date of this Power Contract.

(b) The tax equivalents provided for above are in lieu of all taxation or other charges in respect of electric system property, franchises, and operations by the respective taxing jurisdictions in which Board operates its electric system, except as otherwise provided in subsection (4) of the above-mentioned KRS 96.820. Municipality shall not directly or indirectly, voluntarily or involuntarily, impose, collect, or receive for nonelectric system purposes the proceeds from, any tax or other charge not expressly provided for in this contract upon the property, franchises, receipts, or operations of the electric system or upon the sale, purchase, use or consumption of electric energy supplied thereby, and, except to the extent prevented by law, Municipality shall take all such steps as may be available to it to prevent any other taxing jurisdiction from imposing, collecting, or receiving the proceeds from, any similar tax or charge other than such tax equivalent payable to such taxing jurisdictions.

In the event Municipality directly or indirectly imposes, collects, or receives for nonelectric system purposes the proceeds from such a tax or charge in whole or in part, or fails or is unable to prevent any other taxing jurisdiction from imposing, collecting, or receiving the proceeds from, any similar tax or charge, the tax equivalent which Municipality, or such other taxing jurisdiction, as the case may be, would otherwise be paid by Board under this section shall be reduced each year either prior to payment or, if this is judicially determined to be in violation of law, by refund, upon which refund any payment in full of such tax equivalent shall be conditioned, by the aggregate amount of the tax or charge so imposed, collected, or received by Municipality or such taxing jurisdiction. Nevertheless, any such reduction in tax equivalent payments shall in no way prejudice the rights of TVA to enforce, by whatever means available to it, the provisions of this subsection or any other provision or provisions of this contract which may be violated by the imposition, collection, or receipt of the proceeds from any such tax or charge.

(c) Nothing herein shall be construed to prevent Board from (1) collecting from its consumers and paying over to the State the amount of any State tax on sales or consumption of electric energy required by a State revenue law of general application throughout the Commonwealth of Kentucky, and (2) collecting from its consumers and paying over to any school district in which Board operates its electric system and which elects to apply a utility gross receipts license tax for schools to all utility services, as permitted by a State revenue law of general application throughout the Commonwealth of Kentucky, the amount of such utility gross receipts license tax.

(d) The foregoing provisions of this section 2 are not intended to establish any precedent of any kind with respect to amendment of, or waiver of reliance upon, the provisions of the Power Contract in the event of any future impairment of the parties' obligations under the Power Contract due to any future enactment of the General Assembly of the Commonwealth of Kentucky.

3. *Board's Lines and Equipment.* All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Board's side of such point or points of delivery shall be furnished and maintained by Board. Board's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Board's premises.

4. *Responsibility for Property of the Other Party.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other on its premises, and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises, for such purposes as reading its meters, and testing, repairing, or replacing its equipment.

5. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Board at each point

of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of delivery, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under the Wholesale Power Rate—Schedule WS. TVA may also, at its option, provide equipment to determine power factor. Board shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Board shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the requests of Board. Board shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Board, the testing charge will be paid by Board; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Board's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

6. *Billing.* Payment for power and energy used in any monthly period shall become due fifteen days after TVA's meter reading date or seven days after the date of bill from TVA, whichever is later. To any amount remaining unpaid fifteen days after the due date, there shall be added a charge of one percent and an additional one percent shall be added for each succeeding thirty-day period until the amount is paid in full. Upon failure of Board to pay for the power and energy used in any monthly period within sixty days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Board of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued. All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WS and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

7. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Board and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Board's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

- (a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

- and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue

to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Board or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July, pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Board adequate to compensate for changes, if any, in the cost of power to Board resulting from adjustments to Wholesale Power Rate—Schedule WS made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WS and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Board by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Board billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Board shall pay for power and energy in accordance with Wholesale Power Rate—Schedule WS of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Board and TVA's other customers, or the costs of Board's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Board to continue on a financially sound basis as provided in section 5(c) of the contract and Board shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

8. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in the Wholesale Power Rate—Schedule WS were designed to cover all annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

9. *Interference with Availability or Use of Power.* Neither TVA nor Board shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional

appropriations or legislative authorizations, or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Board hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

10. *Additional Load.* The transmission system, transformers, meters, and equipment used for delivery of power to Board have limited capacity and unless otherwise agreed no addition shall be made to Board's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

11. *Voltage and Load Fluctuations Caused by Board.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Board at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

12. *Balancing of Loads.* Board shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between phases, Board agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Board within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

13. *Notice of Trouble.* Board shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

14. *Submetering.* Board shall not sell electricity for submetering or resale.

15. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

16. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.

SCHEDULE OF RULES AND REGULATIONS

1. *Application for Service.* Each prospective Customer desiring electric service may be required to sign Distributor's standard form of application for service or contract before service is supplied by the Distributor.

2. *Deposit.* A deposit or suitable guarantee approximately equal to twice the average monthly bill may be required of any Customer before electric service is supplied. Distributor may at its option return deposit to Customer after one year. Upon termination of service, deposit may be applied by Distributor against unpaid bills of Customer, and if any balance remains after such application is made, said balance shall be refunded to Customer.

3. *Point of Delivery.* The point of delivery is the point, as designated by Distributor, on Customer's premises where current is to be delivered to building or premises. All wiring and equipment beyond this point of delivery shall be provided and maintained by Customer at no expense to Distributor.

4. *Customer's Wiring—Standards.* All wiring of Customer must conform to Distributor's requirements and accepted modern standards, as exemplified by the requirements of the National Electrical Safety Code and the National Electrical Code.

5. *Inspections.* Distributor shall have the right, but shall not be obligated, to inspect any installation before electricity is introduced or at any later time, and reserves the right to reject any wiring or appliances not in accordance with Distributor's standards; but such inspection or failure to inspect or reject shall not render Distributor liable or responsible for any loss

or damage resulting from defects in the installation, wiring, or appliances, or from violation of Distributor's rules, or from accidents which may occur upon Customer's premises.

6. *Underground Service Lines.* Customers desiring underground service lines from Distributor's overhead system must bear the excess cost incident thereto. Specifications and terms for such construction will be furnished by Distributor on request.

7. *Customer's Responsibility for Distributor's Property.* All meters, service connections, and other equipment furnished by Distributor shall be, and remain, the property of Distributor. Customer shall provide a space for and exercise proper care to protect the property of Distributor on its premises, and, in the event of loss or damage to Distributor's property arising from neglect of Customer to care for same, the cost of the necessary repairs or replacements shall be paid by Customer.

8. *Right of Access.* Distributor's identified employees shall have access to Customer's premises at all reasonable times for the purpose of reading meters, testing, repairing, removing, or exchanging any or all equipment belonging to Distributor.

9. *Billing.* Bills will be rendered monthly and shall be paid at the office of Distributor or at other locations designated by Distributor. Failure to receive bill will not release Customer from payment obligation. Should bills not be paid by due date specified on bill, Distributor may at any time thereafter, upon five (5) days' written notice to Customer, discontinue service. Bills paid after due date specified on bill may be subject to additional charges. Should the due date of bill fall on a Sunday or holiday, the business day next following the due date will be held as a day of grace for delivery of payment. Remittances received by mail after the due date will not be subject to such additional charges if the incoming envelope bears United States Postal Service date stamp of the due date or any date prior thereto.

10. *Discontinuance of Service by Distributor.* Distributor may refuse to connect or may discontinue service for the violation of any of its Rules and Regulations, or for violation of any of the provisions of the Schedule of Rates and Charges, or of the application of Customer or contract with Customer. Distributor may discontinue service to Customer for the theft of current or the appearance of current theft devices on the premises of Customer. The discontinuance of service by Distributor for any causes as stated in this rule does not release Customer from his obligation to Distributor for the payment of minimum bills as specified in application of Customer or contract with Customer.

11. *Connection, Reconnection, and Disconnection Charges.* Distributor may establish and collect standard charges to cover the reasonable average cost, including administration, of connecting or reconnecting service, or disconnecting service as provided above. Higher charges may be established and collected when connections and reconnections are performed after normal office hours, or when special circumstances warrant.

12. *Termination of Contract by Customer.* Customers who have fulfilled their contract terms and wish to discontinue service must give at least three (3) days' written notice to that effect, unless contract specifies otherwise. Notice to discontinue service prior to expiration of contract term will not relieve Customer from any minimum or guaranteed payment under any contract or rate.

13. *Service Charges for Temporary Service.* Customers requiring electric service on a temporary basis may be required by Distributor to pay all costs for connection and disconnection incidental to the supplying and removing of service. This rule applies to circuses, carnivals, fairs, temporary construction, and the like.

14. *Interruption of Service.* Distributor will use reasonable diligence in supplying current, but shall not be liable for breach of contract in the event of, or for loss, injury, or damage to persons or property resulting from, interruptions in service, excessive or inadequate voltage, single-phasing, or otherwise unsatisfactory service, whether or not caused by negligence.

15. *Shortage of Electricity.* In the event of an emergency or other condition causing a shortage in the amount of electricity for Distributor to meet the demand on its system, Distributor may, by an allocation method deemed equitable by Distributor, fix the amount of electricity to be made available for use by Customer and/or may otherwise restrict the time during which Customer may make use of electricity and the uses which Customer may make of electricity. If such actions become necessary, Customer may request a variance because of unusual circumstances including matters adversely affecting the public health, safety and welfare. If Customer fails to comply with such allocation or restriction, Distributor may take such remedial actions as it deems appropriate under the circumstances including temporarily disconnecting electric service and charging additional amounts because of the excess use of electricity. The provisions of the Section entitled *Interruption of Service* of this Schedule of Rules and Regulations are applicable to any such allocation or restriction.

16. *Voltage Fluctuations Caused by Customer.* Electric service must not be used in such

a manner as to cause unusual fluctuations or disturbances to Distributor's system. Distributor may require Customer, at his own expense, to install suitable apparatus which will reasonably limit such fluctuations.

17. *Additional Load.* The service connection, transformers, meters, and equipment supplied by Distributor for each Customer have definite capacity, and no addition to the equipment or load connected thereto will be allowed except by consent of Distributor. Failure to give notice of additions or changes in load, and to obtain Distributor's consent for same, shall render Customer liable for any damage to any of Distributor's lines or equipment caused by the additional or changed installation.

18. *Standby and Resale Service.* All purchased electric service (other than emergency or standby service) used on the premises of Customer shall be supplied exclusively by Distributor, and Customer shall not, directly or indirectly, sell, sublet, assign, or otherwise dispose of the electric service or any part thereof.

19. *Notice of Trouble.* Customer shall notify Distributor immediately should the service be unsatisfactory for any reason, or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if verbal, should be confirmed in writing.

20. *Non-Standard Service.* Customer shall pay the cost of any special installation necessary to meet his peculiar requirements for service at other than standard voltages, or for the supply of closer voltage regulation than required by standard practice.

21. *Meter Tests.* Distributor will, at its own expense, make periodical tests and inspections of its meters in order to maintain a high standard of accuracy. Distributor will make additional tests or inspections of its meters at the request of Customer. If tests made at Customer's request show that the meter is accurate within two percent (2%), slow or fast, no adjustment will be made in Customer's bill, and Distributor's standard testing charge will be paid by Customer. In case the test shows meter to be in excess of two percent (2%) fast or slow, an adjustment shall be made in Customer's bill over a period of not over thirty (30) days prior to date of such test, and cost of making test shall be borne by Distributor.

22. *Relocation of Outdoor Lighting Facilities.* Distributor shall, at the request of Customer, relocate or change existing Distributor-owned equipment. Customer shall reimburse Distributor for such changes at actual cost including appropriate overheads.

23. *Billing Adjusted to Standard Periods.* The demand charges and the blocks in the energy charges set forth in the rate schedules are based on billing periods of approximately one month. In the case of the first billing of new accounts (temporary service, cotton gins, and other seasonal customers excepted) and final billings of all accounts (temporary service excepted) where the period covered by the billing involves fractions of a month, the demand charges and the blocks of the energy charge will be adjusted to a basis proportionate with the period of time during which service is extended.

24. *Home Energy Conservation Surveys.* All customers of Distributor receiving service under the residential rate schedule are eligible for a free energy conservation survey of their home. As part of such survey information covering efficient utilization of electric energy will be made available, including a wide variety of specific recommendations as to the materials and equipment that would provide effective weatherization and thereby yield the greatest energy savings for the customer. Customers will also be furnished a list of private contractors in their area which install various types of energy-saving materials and equipment, and instructional material concerning the self-installation of such materials and equipment.

25. *Home Insulation Program.* Customers of Distributor receiving service under the residential rate schedule and who heat or cool their homes with electricity or who are converting so as to heat or cool their homes with electricity, are eligible to participate in the home insulation program being conducted by Distributor and TVA. If the home energy conservation survey for such customers indicates home weatherization measures such as storm windows, insulated doors, caulking and weatherstripping of doors and windows, and the installation of attic insulation are cost effective, Distributor will, as part of providing electric service to residential customers, arrange to make available funds provided by TVA to accomplish said measures at customers' dwellings. Participants will be required to enter into a standard form agreement under which the funds furnished to accomplish said measures will be repaid to Distributor in a lump sum payment, or by monthly payments, at no additional charge, extending for a period of up to seven years. The monthly repayment amount due for this service will be included as part of the electric bill rendered by Distributor, to which bills the provisions of the section entitled "Billing" of this Schedule of Rules and Regulations are applicable; provided, however, that said monthly amount shall not be subject to additional charges for past-due payment.

26. *Scope.* This Schedule of Rules and Regulations is a part of all contracts for receiving electric service from Distributor, and applies to all service received from Distributor, whether the service is based upon contract, agreement, signed application, or otherwise. A copy of this

schedule, together with a copy of Distributor's Schedule of Rates and Charges, shall be kept open to inspection at the offices of Distributor.

27. *Revisions.* These Rules and Regulations may be revised, amended, supplemented, or otherwise changed from time to time, without notice. Such changes, when effective, shall have the same force as the present Rules and Regulations.

28. *Conflict.* In case of conflict between any provision of any rate schedule and the Schedule of Rules and Regulations, the rate schedule shall apply.

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, ELECTRIC PLANT BOARD OF THE CITY OF HOPKINSVILLE, KENTUCKY, And CITY OF HOPKINSVILLE, KENTUCKY

THIS CONTRACT, made and entered into as of the 20 day of April, 1982, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"); the ELECTRIC PLANT BOARD OF THE CITY OF HOPKINSVILLE, KENTUCKY (hereinafter called "Board"), a corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky, acting for itself and as agent of the City of Hopkinsville, Kentucky; and the CITY OF HOPKINSVILLE, KENTUCKY (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality has established Board pursuant to the laws of the Commonwealth of Kentucky for purposes of acquiring, constructing, operating, maintaining, and managing a municipal electric system and, under said laws, Board has the power to act as agent of Municipality in all matters pertaining thereto; and

WHEREAS, Board operates an electric system and in the operation thereof is presently purchasing and desires to continue to purchase the entire power requirements for said system from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Board agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Board or Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Board agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the delivery point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in

making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would receive the energy for such consumer if it were served by Board. The supply of power by TVA to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by Board or TVA which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case Board and TVA, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point

69-kV side of the Hopkinsville District Substation

*Normal Wholesale
Delivery Voltage*

69,000

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither Board nor TVA shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part here of is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

The payments to be made hereunder shall be made solely and exclusively from the revenues of Board's electric system and shall not be a charge upon Municipality's general funds or Board's other funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-12, GS-12, and LSI of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties hereto shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Board agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and
- (4) From any revenues then remaining, tax equivalent payments, as more particularly

provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Municipality's Participation.* Municipality's participation in this contract is limited to, and Municipality hereby approves and shall be bound by, all of the provisions of this contract with respect to which the approval, consent, execution, or other action of Municipality is or may be required in order to make the contract, or its respective provisions, the valid and binding obligation or obligations of the parties. The execution of this contract by Municipality shall signify conclusively that its governing body approves and deems appropriate all of the covenants, provisions, terms, and conditions of this contract and that it will from time to time take such actions as may be necessary to enable Board to validly comply with their language, tenor, and intent.

12. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect to any default of any other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

13. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Board without the consent of TVA.

14. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary

value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

15. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated May 24, 1962, and numbered TV-23555A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Lease and Amendatory Agreement TV-23555A, Supplement No. 1, dated December 12, 1963, among the United States of America, TVA, and Board, as amended by Agreements TV-23555A, Supplement Nos. 8, 9, 12, 13, and 15, dated May 20, 1974, August 14, 1975, June 22, 1978, December 16, 1980, and June 25, 1981, respectively, setting out the parties' rights and obligations relative to arrangements for Board to take all of its power requirements at 69 kV; and

(b) Section 3 of Agreement TV-23555A, Supplement No. 10, dated December 13, 1976, relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS.

Any references in said agreements, or portions thereof, to the power contract dated May 24, 1962, shall be deemed to refer to this contract.

16. *Term of Contract.* This contract shall become effective as of June 11, 1982, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest:(Seal)
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Betty W. Nelson
Board Chairman

ELECTRIC PLANT BOARD OF THE
CITY OF HOPKINSVILLE, KENTUCKY
By s/W. H. Hightower
Superintendent

Attest:
s/Illegible
City Administrative Officer

CITY OF HOPKINSVILLE, KENTUCKY
By s/Sheirell L. Jeffers
Mayor

Approved by TVA
Board of Directors
MAY 19, 1982
s/HSD
Assistant Secretary

**RESIDENTIAL RATE—SCHEDULE RS-12
(October 1976)**

AVAILABILITY

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing

therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate.

CHARACTER OF SERVICE

Alternating current, single-phase, 60 hertz. Voltage supplied shall be at the discretion of Distributor and shall be determined by the voltage available from distribution lines in the vicinity and/or other conditions. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

BASE CHARGES

Customer Charge: \$1.90 per delivery point per month

Energy Charge:

First 500 kilowatthours per month at 1.637 cents per kilowatthour*
Additional " " " " 1.637 " " kilowatthour*

*as increased or decreased in accordance with Appendix I to the
Schedule of Rates and Charges

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

MINIMUM MONTHLY BILL

The customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GS-12 (October 1976)

AVAILABILITY

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Under A below power shall be delivered at a voltage available in the vicinity or agreed to by Distributor. Under B below power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

BASE CHARGES

A. If the customer's demand for the month and its contract demand, if any, are each 5,000 kilowatts or less:

Customer Charge: \$2.90 per delivery point per month

Demand Charge:

First 50 kilowatts of demand per month, no demand charge
Next 50 kilowatts of demand per month, at \$1.80 per kilowatt
Excess over 100 kilowatts of demand per month, at \$2.20 per kilowatt

Energy Charge:

First	500 kilowatthours	per month	at	2.163 cents	per kWh*
Next	14,500	"	"	1.983	" kWh*
Next	25,000	"	"	1.127	" kWh*
Next	60,000	"	"	1.127	" kWh*
Next	400,000	"	"	1.027	" kWh*
Additional	"	"	"	0.993	" kWh*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

B. If either the customer's demand for the month or its contract demand is greater than 5,000 kilowatts:

Customer Charge: \$1,000 per delivery point per month

Demand Charge: \$1.91 per kilowatt of demand per month

Additional charge for any demand in excess of customer's contract demand: \$1.91 per kilowatt per month

Energy Charge: 0.993 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

FACILITIES RENTAL CHARGE APPLICABLE UNDER B ABOVE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 20 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 55 cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

DETERMINATION OF DEMAND

Distributor shall measure the demands in kilowatts of all customers having loads in excess of 50 kilowatts. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kilowatts, (2) 70 percent of the next 45,000 kilowatts, and (3) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM BILL

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

The monthly bill under B above shall not be less than the base demand charge (adjusted in accordance with the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 1,500 kilowatts and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of \$5.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 3 cents per kilowatthour of the maximum monthly consumption for customers whose demand does not exceed 50 kilowatts or (b) \$10.00 per kilowatt of the maximum demand established for customers whose demand is over 50 kilowatts; and shall pay in addition the actual cost of connections and disconnections in excess of one of each per year.

CONTRACT REQUIREMENT

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand exceeds 50 kilowatts shall be required to execute contracts for an initial term of at least one year. If the customer requires in excess of 5,000 kilowatts, the contract shall be for an initial term of at least five years, and any renewal or extension of the initial contract shall also be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, replacement, or adjustment from time to time upon agreement between Distributor and TVA.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer

through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

**OUTDOOR LIGHTING RATE—SCHEDULE LSI
(November 1980)**

AVAILABILITY

Available for service to street and park lighting systems, traffic signal systems, athletic field lighting installations (during prescribed use-period), and outdoor lighting for individual customers.

Service under this schedule is for a term of not less than one year.

**PART A—CHARGES FOR STREET AND PARK LIGHTING SYSTEMS, TRAFFIC
SIGNAL SYSTEMS, AND ATHLETIC FIELD LIGHTING INSTALLATIONS**

I. Energy Charge: 1.984 cents per kilowatthour

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

II. Investment Charge

The annual investment charge shall be 6 percent of the installed cost to Distributor's electric system of the facilities devoted to street and park lighting service specified in this Part A. Such installed cost shall be recomputed on July 1 of each year, or more often if substantial changes in the facilities are made. Each month, one-twelfth of the then total annual investment charge shall be billed to the customer. If any part of the facilities has not been provided at the electric system's expense or if the installed cost of any portion thereof is reflected on the books of another municipality or agency or department, the annual investment charge shall be adjusted to reflect properly the remaining cost to be borne by the electric system.

Traffic signal systems and athletic field lighting installations shall be provided, owned, and maintained by and at the expense of the customer, except as Distributor may agree otherwise in accordance with the provisions of the paragraph next following in this Section II. The facilities necessary to provide service to such systems and installations shall be provided by and at the expense of Distributor's electric system, and the annual investment charge provided for first above in this Section II shall apply to the installed cost of such facilities.

When so authorized by policy duly adopted by Distributor's governing board, traffic signal systems and athletic field lighting installations may be provided, owned, and maintained by Distributor's electric system for the customer's benefit. In such cases Distributor may require reimbursement from the customer for a portion of the initial installed cost of any such system or installation and shall require payment by the customer of an investment charge sufficient to cover all of Distributor's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such system or installation; provided that, for athletic field lighting installations, such investment charge shall in no case be less than 12 percent per year of such costs. Said investment charge shall be in addition to the annual investment charge on the facilities necessary to provide service to such system or installation as provided for in the preceding paragraph. Replacement of lamps and related glassware for traffic signal systems and athletic field lighting

installations provided under this paragraph shall be paid for under the provisions of paragraph A in Section III.

III. Replacement of Lamps and Related Glassware - Street and Park lighting.

Customer shall be billed and shall pay for replacements as provided in paragraph B below, which shall be applied to all service for street and park lighting.

- A. Distributor shall bill the customer monthly for such replacements during each month at Distributor's cost of materials, including appropriate storeroom expense.
- B. Distributor shall bill the customer monthly for one-twelfth of the amount by which Distributor's cost of materials, including appropriate storeroom expense, exceeds the product of 3 mills multiplied by the number of kilowatthours used for street and park lighting during the fiscal year immediately preceding the fiscal year in which such month occurs.

METERING

For any billing month or part of such month in which the energy is not metered or for which a meter reading is found to be in error or a meter is found to have failed, the energy for billing purposes for that billing month or part of such month shall be computed from the rated capacity of the lamps (including ballast) plus 5 percent of such capacity to reflect secondary circuit losses, multiplied by the number of hours of use.

USE-PERIOD FOR ATHLETIC FIELD LIGHTING

Service to athletic field lighting installations under this rate schedule shall not commence earlier than 7 p.m., except that the customer may be permitted to use up to 10 percent (not to exceed 10 kilowatts) of the total installed lighting capacity prior to commencement of such period. In the event the customer fails to restrict service in accordance with these requirements, it shall be billed under the General Power Rate.

REVENUE AND COST REVIEW

Distributor's costs of providing service under Part A of this rate schedule are subject to review at any time and from time to time to determine if Distributor's revenues from the charges being applied are sufficient to cover said costs. If any such review discloses that revenues are either less or more than sufficient to cover said costs, Distributor shall revise the above investment charges so that revenues will be sufficient to cover said costs. Any such revision of the annual investment charge provided for first above in Section II of Part A of this rate schedule shall be by agreement between Distributor and TVA.

PART B—CHARGES FOR OUTDOOR LIGHTING FOR INDIVIDUAL CUSTOMERS

Charge Per Fixture					
(a)	Type of Fixture	Lamp Size (Watts)	Lamp Size (Lumens)	Rated kWh	Facility Charge
	Mercury Vapor or Incandescent*	175	7,650	77	\$ 2.42
		250	10,400	108	2.87
		400	19,100	171	3.64
		700	33,600	293	4.90
		1,000	47,500	416	6.24
	High Pressure Sodium	100	8,550	46	3.69
		150	14,400	69	3.79
		250	23,000	116	4.36
		400	45,000	181	5.17
		1,000	126,000	424	8.27

Low Pressure Sodium	55	7,650	35	3.47
	90	12,750	58	5.77
	135	22,000	83	7.60
	180	33,000	102	8.63

(b) Energy Charge: 2.797 cents per rated kWh for each lamp size under (a) above

*Incandescent fixtures not offered for new service.

ADJUSTMENT

The Facility Charges shown above may be uniformly adjusted by Distributor by an amount not to exceed the greater of \$1 or 20 percent of said charges.

The Energy Charge shown above shall be increased or decreased in accordance with any then current Adjustment Addendum published by TVA subsequent to the Adjustment Addendum that became effective October 2, 1980.

ADDITIONAL FACILITIES

The above charges in this Part B are limited to service from a photoelectrically controlled standard lighting fixture installed on a pole already in place. If the customer wishes to have the fixture installed at a location other than on a pole already in place, Distributor may apply an additional monthly charge not to exceed \$3 per pole for additional poles required to serve the fixture from Distributor's nearest available source.

When so authorized by policy duly adopted by Distributor's governing board, special outdoor lighting installations may be provided, owned, and maintained by Distributor's electric system. In such cases Distributor may require reimbursement from the customer for a portion of the initial installed cost of any such installation and shall require payment by the customer of monthly charges sufficient to cover all of Distributor's costs (except reimbursed costs), including appropriate overheads, of providing, owning, and maintaining such installations.

If Distributor wishes to make additional lamp sizes and/or types of fixtures available to individual customers under this Part B, appropriate rated kWh values and Facility Charges will be established.

LAMP REPLACEMENTS

Replacements of lamps and related glassware will be made in accordance with replacement policies of Distributor without additional charge to the customer.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

Service is subject to Rules and Regulations of Distributor.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And CITY OF LEBANON, TENNESSEE

THIS CONTRACT, made and entered into as of the 1 day of December, 1981, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and CITY OF LEBANON (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the State of Tennessee;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Municipality's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Municipality agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Municipality agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Municipality at the delivery point or points specified in or hereafter established under section 3 hereof and Municipality shall take and distribute the electric power required for service to Municipality's customers. Municipality shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Municipality and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Municipality shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Municipality to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Municipality would receive the energy for such consumer if it were served by Municipality. The supply of power by TVA to Municipality for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Municipality under said resale rate schedules, and the contract for such resale between Municipality and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Municipality and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Municipality shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Municipality regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Municipality would be entitled to serve hereunder, TVA shall notify Municipality of the time schedule upon which the additional power required for such service could be made available to Municipality at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Municipality shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Municipality, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Municipality which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Municipality to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Municipality.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Municipality to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
46-kV side of the Lebanon City Substation	46,000

It is recognized that load growth and development and the maintenance of high quality service in Municipality's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Municipality and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Municipality is referred to as "Distributor." Subject to the other provisions of this contract, Municipality shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

The payments to be made hereunder shall be made solely and exclusively from the revenues of the electric system and shall not be a charge upon Municipality's general funds.

5. *Resale Rates.* In distributing electric energy in the area served by Municipality, the parties agree as follows:

(a) Municipality agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Municipality agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-11, GS-11, and LS of said Schedule of

Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Municipality shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Municipality for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Municipality shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Municipality shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Municipality agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and
- (4) From any revenues then remaining, tax equivalent payments into Municipality's general funds, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Municipality will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Municipality will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Municipality will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

(c) Municipality will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Municipality hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Municipality is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Municipality at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Municipality, to the extent of their capacity in excess of the requirements of Municipality, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Municipality the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Municipality by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Municipality from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Municipality without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated December 31, 1961, and numbered TV-22975A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, it being the intention of the parties that said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of each agreement, respectively:

(a) Section 3 of Agreement TV-22975A, Supplement No. 10, dated January 18, 1977, between the parties hereto relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate-Schedule WS;

(b) Sections 3 and 8 of Letter Agreement TV-51492A, dated March 22, 1979, between the parties hereto relative to temporary installation of additional 46-13-kV transformation facilities at TVA's Lebanon City Substation; and

(c) Lease and Amendatory Agreement TV-22975A, Supplement No. 12, dated July 30, 1981, relative to the lease by Municipality of TVA's Lebanon City Substation.

Any reference in said agreements to the power contract dated December 31, 1961, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of January 1, 1982, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Municipality should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Municipality unless Municipality agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/James H. Boyd
Commissioner of Finance

CITY OF LEBANON, TENNESSEE
By s/Willis H. Maddox
Mayor

Approved by TVA
Board of Directors
DEC 17, 1981
s/HSD
Assistant Secretary

**RESIDENTIAL RATE—SCHEDULE RS-11
(October 1976)**

AVAILABILITY

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate.

CHARACTER OF SERVICE

Alternating current, single-phase, 60 hertz. Voltage supplied shall be at the discretion of Distributor and shall be determined by the voltage available from distribution lines in the vicinity and/or other conditions. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

BASE CHARGES

Customer Charge: \$2.00 per delivery point per month

Energy Charge:

First 500 kilowatthours per month at 1.697 cents per kilowatthour*
Additional " " " " 1.697 " " kilowatthour*

*as increased or decreased in accordance with Appendix I to the
Schedule of Rates and Charges

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

MINIMUM MONTHLY BILL

The customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GS-11 (October 1976)

AVAILABILITY

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Under A below power shall be delivered at a voltage available in the vicinity or agreed to by Distributor. Under B below power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

BASE CHARGES

A. If the customer's demand for the month and its contract demand, if any, are each 5,000 kilowatts or less:

Customer Charge: \$3.00 per delivery point per month

Demand Charge:

First 50 kilowatts of demand per month, no demand charge

Next 50 kilowatts of demand per month, at \$1.85 per kilowatt

Excess over 100 kilowatts of demand per month, at \$2.20 per kilowatt

Energy Charge:

First	500 kilowatthours per month	at 2.343 cents per kWh*
Next	14,500	" " " " 2.043 " " kWh*
Next	25,000	" " " " 1.187 " " kWh*
Next	60,000	" " " " 1.137 " " kWh*
Next	400,000	" " " " 1.037 " " kWh*
Additional	"	" " " " 0.997 " " kWh*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

B. If either the customer's demand for the month or its contract demand is greater than 5,000 kilowatts:

Customer Charge: \$1,000 per delivery point per month

Demand Charge: \$1.91 per kilowatt of demand per month

Additional charge for any demand in excess of customer's contract demand: \$1.91 per kilowatt per month

Energy Charge: 0.993 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

FACILITIES RENTAL CHARGE APPLICABLE UNDER B ABOVE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 20 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 55 cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

DETERMINATION OF DEMAND

Distributor shall measure the demands in kilowatts of all customers having loads in excess of 50 kilowatts. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kilowatts, (2) 70 percent of the next 45,000 kilowatts, and (3) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM BILL

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

The monthly bill under B above shall not be less than the base demand charge (adjusted in accordance with the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 1,500 kilowatts and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of \$5.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 3 cents per kilowatthour of the maximum monthly consumption for customers whose demand does not exceed 50 kilowatts or (b) \$10.00 per kilowatt of the maximum demand established for customers whose demand is over 50 kilowatts; and shall pay in addition the actual cost of connections and disconnections in excess of one of each per year.

CONTRACT REQUIREMENT

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand exceeds 50 kilowatts shall be required to execute contracts for an initial term of at least one year. If the customer requires in excess of 5,000 kilowatts, the contract shall be for an initial term of at least five years, and any renewal or extension of the initial contract shall also be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, replacement, or adjustment from time to time upon agreement between Distributor and TVA.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy.* Municipality agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Municipality shall administer, operate, and maintain the electric system as a separate department in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of its operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Municipality, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other departments of Municipality. In the interest of efficiency and economy, Municipality may use property and personnel jointly for the electric system and other operations, subject to agreement between Municipality and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Municipality shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Municipality shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Municipality shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Municipality shall furnish promptly to TVA such monthly operating, statistical, and financial statements relating to electric system operations as may reasonably be requested by TVA. In the event of failure to furnish promptly such statements TVA, following written notification to Municipality of intention so to do, may with its own staff perform at Municipality's expense

all work necessary to collect such data.

(d) Municipality shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area.

2. *Payments in Lieu of Taxes.* Municipality may pay or cause to be paid from its electric system revenues for each year beginning July 1 (hereinafter called "fiscal year," the first such fiscal year for purposes hereof being the year beginning July 1, 1969), an amount for payments in lieu of taxes (hereinafter called "tax equivalents") on its electric system and electric operations which, in the judgment of Municipality's governing body after consultation with the supervisory body, shall represent the fair share of the cost of government properly to be borne thereby, subject, however, to the following conditions and limitations:

(a) The total amount so paid as tax equivalents for each fiscal year shall not exceed a maximum equal to the sum of the following:

(1) One and one-half times the weighted average effective tax rates of the respective taxing jurisdictions as of the beginning of each fiscal year, determined as hereinafter provided in this section, multiplied by the net plant values of the electric plant in service and the book values of materials and supplies within the respective taxing jurisdictions in which Municipality's electric system is located as of the beginning of such fiscal year; and

(2) Two and one-half percent of the adjusted net distribution plant value of electric plant in service within the corporate limits of Municipality and of any other city taxing jurisdiction as of the beginning of each fiscal year; and

(3) One and one-half percent of the adjusted net distribution plant value of electric plant in service outside the corporate limits of Municipality and of any other city taxing jurisdictions as of the beginning of each fiscal year.

(b) Notwithstanding the foregoing, until the first fiscal year in which the aforesaid maximum amount for payments in lieu of taxes calculated as provided in subparagraph (a) of this section exceeds the total of (1) and (2) of this subparagraph (b), the maximum total tax equivalent that may be paid for any fiscal year shall not be less than the sum of the following:

(1) The highest total annual amount in lieu of taxes taken or paid from Municipality's electric system funds prior to April 1, 1969, for any one of the three consecutive calendar years ending with calendar year 1968, increased by the same percentage as that by which the net plant value has increased from December 31, 1968, through June 30, 1969; and

(2) The amount by which the result of the calculation of item (1) in subparagraph (a) of this section for such fiscal year exceeds the result of such a calculation for the year ending with June 30, 1969.

Thereafter, such maximum for any fiscal year shall not exceed the aforesaid maximum calculated as provided in subparagraph (a) of this section. All such maximum amounts shall be subject to the conditions and limitations of subparagraphs (c), (d), and (e) of this section.

(c) Such tax equivalent payments shall be made only from current electric system revenues remaining after payment of or making reasonable provision for payment of (i) current operating expenses of the electric system, including without limitation salaries, wages, cost of materials and supplies, cost of power, and insurance; (ii) current payments of interest on electric system indebtedness, and payment of principal thereof, including amortization, reserve and sinking fund payments, when due; and (iii) reasonable reserves for renewals, replacements, and contingencies and for cash working capital.

(d) The total tax equivalent to be paid for each fiscal year shall be in lieu of all State, county, city, and other local taxes or charges on Municipality's electric system and electric operations except as provided in subparagraph (f) of this section. Accordingly, after initial determination of such total tax equivalent to be paid in the absence of any such taxes or charges, such total tax equivalent shall be reduced by the aggregate amount of any taxes or other charges imposed for such fiscal year on Municipality's electric system or electric operations for the benefit of the respective taxing jurisdictions (including Municipality) in which Municipality's electric system is located and in which such electric operations are conducted, whether or not such taxes or other charges were imposed by the respective taxing jurisdictions receiving the benefit thereof. It shall be the responsibility of Municipality to provide for allocation of such total tax equivalent among the taxing jurisdictions in which Municipality's electric system is located in accordance with applicable law or contracts, but any amount so allocated to any such taxing jurisdiction shall be reduced by the aggregate amount of any such tax or other charges imposed for that fiscal year for the benefit of that taxing jurisdiction. Only the respective amounts remaining after the aforesaid allocated amounts have been so reduced shall be actually paid

to Municipality and to such other taxing jurisdictions.

(e) The amounts to be paid for each fiscal year to Municipality and to each other taxing jurisdiction, determined in accordance with and subject to the provisions of this section 2, shall be set forth in a resolution adopted by Municipality's governing body after consultation with the supervisory body, and Municipality's electric system shall pay such amounts to Municipality and the other taxing jurisdictions as provided in said resolution. Such determination shall be made as early in such fiscal year as possible and shall become final at the end of such year; provided, however, that any reductions in such amounts required by subsection (d) above, to the extent not made during such year, shall be made in the succeeding years until the full adjustments are completed.

(f) Notwithstanding anything in the foregoing which might be construed to the contrary, properly authorized retail sales or use taxes on electric power or energy at the same rates applicable generally to sales or use of personal property or services, including natural or artificial gas, coal, and fuel oil as well as electric power or energy, imposed upon the vendees or users thereof by the State, a county, or a city (including Municipality) on a statewide, countywide, or citywide basis, respectively, shall not be considered a tax or charge on Municipality's electric system or its electric operations or properties for purposes of this section 2.

For purposes of this section 2, the following terms shall have the following meanings:

(a) "Electric system" shall mean all tangible and intangible property and resources of every kind and description used or held for use in the purchase, transmission, distribution, and sale, but not the generation, of electric energy.

(b) "Electric operations" shall mean all activities associated with the establishment, development, and administration of an electric system and the business of supplying electricity and associated services to the public, including without limitation the generation, purchase, and sale of electric energy and the purchase, use, and consumption thereof by ultimate consumers.

(c) "Supervisory body" shall mean any board or other agency of Municipality established to supervise the management and operation of its electric system and electric operations, or, in the absence thereof, the governing body of Municipality.

(d) The term "weighted average effective tax rate" of any taxing jurisdiction shall mean the actual ad valorem real property tax rate in effect multiplied by the weighted average ratio of the assessed value to market value of all classes of real property within such taxing jurisdiction. Said weighted average ratio of assessed to market value for any taxing jurisdiction shall be determined by dividing (1) the total actual assessed valuation of all classes of taxable real property within such jurisdiction, by (2) the total market value of the same classes of taxable real property within the jurisdiction included in (1), calculated from the assessment ratios determined and published by any authorized agency of the State of Tennessee or, in the absence thereof, by the Tennessee Taxpayers Association, or, if such information is unavailable from either of these sources, from the best information available. For purposes of this section 2, the weighted average effective tax rate in effect at the beginning of any fiscal year for any taxing jurisdiction shall be deemed to be the weighted average effective tax rate of such taxing jurisdiction determined as provided in this paragraph for the tax year (calendar year) immediately preceding such fiscal year using the actual property tax rate and assessment ratios of such taxing jurisdiction in effect for such tax year.

(e) "Net plant value" shall mean the depreciated original cost of electric plant in service used and held for use in the transmission and distribution, but not the generation, of electricity as shown on the books of the electric system from time to time.

(f) "Adjusted net distribution plant value" shall mean net plant value less the depreciated original cost of (1) underground plant in service and (2) electric lines and equipment in service designed for operation at voltages in excess of 26,000 volts.

(g) "Electric plant in service" or "plant in service" shall have the meanings defined or ascribed to them in the Federal Energy Regulatory Commission's Uniform System of Accounts.

3. *Municipality's Lines and Equipment.* All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Municipality's side of such point or points of delivery shall be furnished and maintained by Municipality. Municipality's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Municipality's premises.

4. *Responsibility for Property of the Other Party.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property

of the other on its premises, and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises, for such purposes as reading its meters, and testing, repairing, or replacing its equipment.

5. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Municipality at each point of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of delivery, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate—Schedule WS. TVA may also, at its option, provide equipment to determine power factor. Municipality shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Municipality shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Municipality. Municipality shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Municipality, the testing charge will be paid by Municipality; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Municipality's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

6. *Billing.* Payment for power and energy used in any monthly period shall become due fifteen days after TVA's meter reading date or seven days after the date of bill from TVA, whichever is later. To any amount remaining unpaid fifteen days after the due date, there shall be added a charge of one percent and an additional one percent shall be added for each succeeding thirty-day period until the amount is paid in full. Upon failure of Municipality to pay for the power and energy used in any monthly period within sixty days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Municipality of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued. All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WS and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

7. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Municipality and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Municipality's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

- (a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power

system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Municipality or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July, pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Municipality adequate to compensate for changes, if any, in the cost of power to Municipality resulting from adjustments to Wholesale Power Rate—Schedule WS made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WS and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Municipality by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Municipality billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Municipality shall pay for power and energy in accordance with Wholesale Power Rate—Schedule WS of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Municipality and TVA's other customers, or the costs of Municipality's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Municipality to continue on a financially sound basis as provided in section 5(c) of the contract and Municipality shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

8. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in Wholesale Power Rate—Schedule WS were designed to cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding

fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

9. *Interference with Availability or Use of Power.* Neither TVA nor Municipality shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations, or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Municipality hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

10. *Additional Load.* The transmission system, transformers, meters, and equipment used for delivery of power to Municipality have limited capacity and unless otherwise agreed no addition shall be made to Municipality's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

11. *Voltage and Load Fluctuations Caused by Municipality.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Municipality at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

12. *Balancing of Loads.* Municipality shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance between phases, Municipality agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Municipality within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

13. *Notice of Trouble.* Municipality shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

14. *Submetering.* Municipality shall not sell electricity for submetering or resale.

15. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

16. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And MARSHALL-DEKALB ELECTRIC COOPERATIVE

THIS CONTRACT, made and entered into as of the 30 day of December, 1981, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and MARSHALL-DEKALB ELECTRIC COOPERATIVE

(hereinafter called "Cooperative"), a cooperative corporation duly created, organized, and existing under and by virtue of the laws of the State of Alabama;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Cooperative owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Cooperative's operation of an electric system and TVA's wholesale service thereto are for the benefit of the consumers of electricity. Toward that end, Cooperative agrees that the electric system shall be operated on a nonprofit basis, that electric system funds and accounts shall not be mingled with other funds or accounts of Cooperative, and that resale rates and charges shall be applied which will provide revenues which can reasonably be expected to be at least equal to, and not substantially greater than, the sum required for the items listed in subsection (a) of section 6 hereof. In accordance with these principles, which are mutually recognized as of the essence of this contract, Cooperative agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Cooperative at the delivery point or points specified in or hereafter established under section 3 hereof and Cooperative shall take and distribute the electric power required for service to Cooperative's customers. Cooperative shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Cooperative and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Cooperative shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Cooperative to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Cooperative would receive the energy for such consumer if it were served by Cooperative. The supply of power by TVA to Cooperative for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Cooperative under said resale rate schedules, and the contract for such resale between Cooperative and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Cooperative and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder and the party originally serving said consumer shall

cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Cooperative shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Cooperative regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Cooperative would be entitled to serve hereunder, TVA shall notify Cooperative of the time schedule upon which the additional power required for such service could be made available to Cooperative at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Cooperative shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Cooperative, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Cooperative which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Cooperative to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Cooperative.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Cooperative to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
46-kV side of the Albertville 161-kV Substation	46,000
46-kV side of the Geraldine Substation	46,000

It is recognized that load growth and development and the maintenance of high quality service in Cooperative's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Cooperative and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Cooperative is referred to as "Distributor." Subject to the other provisions of this contract, Cooperative shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

5. *Resale Rates.* In distributing electric energy in the area served by Cooperative, the parties agree as follows:

(a) Cooperative agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Cooperative agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-8, GS-8, and LSI of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Cooperative shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Cooperative for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Cooperative shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Cooperative shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Cooperative agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, taxes, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due; and
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Cooperative will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Cooperative will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Cooperative will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Cooperative will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Cooperative hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Cooperative is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Cooperative at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Cooperative, to the extent of their capacity in excess of the requirements of Cooperative, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Cooperative the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Cooperative by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Cooperative from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Cooperative without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Cooperative offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated December 14, 1961, and numbered TV-22924A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Agreement TV-22924A, Supplement No. 7, dated August 1, 1972, relative to the application by Cooperative of a temporary additional charge to its customers in order to facilitate Cooperative's payment of the Alabama 2.2-percent license tax on gross receipts;

(b) The provisions of Lease and Amendatory Agreement TV-22924A, Supplement No. 8, dated August 9, 1973, as amended, relative to the parties' rights and obligations for facilities at the Boaz 46-kV Substation;

(c) Section 3 of Agreement TV-22924A, Supplement No. 11, dated December 13, 1976, relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS;

(d) The provisions of Letter Agreement TV-22924A, Supplement No. 13, dated January 27, 1978, relative to the parties' rights and obligations for facilities at Cooperative's Horton Substation;

(e) Lease and Amendatory Agreement TV-22924A, Supplement No. 14, dated May 1, 1979, relative to the lease by Cooperative of TVA's Geraldine 46-kV Substation, TVA's Albertville-Boaz and Albertville-Horton 46-kV Transmission Lines, and certain facilities at TVA's Albertville 161-kV Substation; and

(f) Lease Agreement TV-22924A, Supplement No. 16, dated June 11, 1981, relative to the lease by Cooperative of a section of the Albertville-Collinsville 46-kV Transmission Line.

Any references in said agreements, or portions thereof, to the power contract dated December 14, 1961, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of February 6, 1982, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Cooperative should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Cooperative unless Cooperative agrees to reimburse TVA for its nonrecoverable costs in connection with the making or

completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:

s/Macon Roberts
Secretary

MARSHALL-DEKALB ELECTRIC
COOPERATIVE
By s/C. M. Elrod
President

Approved by TVA
Board of Directors
FEB 3, 1982
s/HSD
Assistant Secretary

**RESIDENTIAL RATE—SCHEDULE RS-8
(October 1976)**

AVAILABILITY

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate.

CHARACTER OF SERVICE

Alternating current, single-phase, 60 hertz. Voltage supplied shall be at the discretion of Distributor and shall be determined by the voltage available from distribution lines in the vicinity and/or other conditions. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

BASE CHARGES

Customer Charge: \$2.30 per delivery point per month

Energy Charge:

First 500 kilowatthours per month at 2.147 cents per kilowatthour*
Additional " " " " 1.757 " " kilowatthour*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

MINIMUM MONTHLY BILL

The customer charge constitutes the minimum monthly bill for all customers served under

this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GS-8 (October 1976)

AVAILABILITY

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Under A below power shall be delivered at a voltage available in the vicinity or agreed to by Distributor. Under B below power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

BASE CHARGES

A. If the customer's demand for the month and its contract demand, if any, are each 5,000 kilowatts or less:

Customer Charge: \$3.30 per delivery point per month

Demand Charge:

First 50 kilowatts of demand per month, no demand charge

Next 50 kilowatts of demand per month, at \$2.00 per kilowatt

Excess over 100 kilowatts of demand per month, at \$2.20 per kilowatt

Energy Charge:

First	500 kilowatthours per month	at 2.883 cents per kWh*
Next	14,500	" " " " 2.223 " " kWh*
Next	25,000	" " " " 1.337 " " kWh*
Next	60,000	" " " " 1.167 " " kWh*
Next	400,000	" " " " 1.067 " " kWh*
Additional	"	" " " " 1.027 " " kWh*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

B. If either the customer's demand for the month or its contract demand is greater than 5,000 kilowatts:

Customer Charge: \$1,000 per delivery point per month

Demand Charge: \$1.91 per kilowatt of demand per month

Additional charge for any demand in excess of customer's contract demand: \$1.91 per kilowatt per month

Energy Charge: 0.993 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

FACILITIES RENTAL CHARGE APPLICABLE UNDER B ABOVE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 20 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 55 cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

DETERMINATION OF DEMAND

Distributor shall measure the demands in kilowatts of all customers having loads in excess of 50 kilowatts. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kilowatts, (2) 70 percent of the next 45,000 kilowatts, and (3) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM BILL

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

The monthly bill under B above shall not be less than the base demand charge (adjusted in accordance with the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 1,500 kilowatts

and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of \$5.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 3 cents per kilowatthour of the maximum monthly consumption for customers whose demand does not exceed 50 kilowatts or (b) \$10.00 per kilowatt of the maximum demand established for customers whose demand is over 50 kilowatts; and shall pay in addition the actual cost of connections and disconnections in excess of one of each per year.

CONTRACT REQUIREMENT

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand exceeds 50 kilowatts shall be required to execute contracts for an initial term of at least one year. If the customer requires in excess of 5,000 kilowatts, the contract shall be for an initial term of at least five years, and any renewal or extension of the initial contract shall also be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, replacement, or adjustment from time to time upon agreement between Distributor and TVA.

PAYMENT*

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

*For any customer served directly by TVA, the additional charges applicable in the event any amount of a bill remains unpaid after the specified time for payment are set out in the Terms and Conditions of the power contract between TVA and such customer.

SCHEDULE OF TERMS AND CONDITIONS

1. *Financial and Accounting Policy.* Cooperative agrees to be bound by the following statement of financial and accounting policy:

(a) Except as hereinafter provided, Cooperative shall administer, operate, and maintain its electric system as a separate department in all respects, shall establish and maintain a separate fund for the revenues from electric operations, and shall not directly or indirectly mingle electric system funds or accounts, or otherwise consolidate or combine the financing of the electric system, with those of any other of its operations. The restrictions of this subsection include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting electric system funds, revenues, credit or property to other operations of Cooperative, the purchase or payment of, or providing security for, indebtedness or other obligations applicable to such other operations, and payment of greater than standardized or market prices for property or services from other operations of Cooperative. In the interest of efficiency and economy, Cooperative may use property and personnel jointly for the electric system and other operations, subject to agreement between Cooperative and TVA as to appropriate allocations, based on direction of effort, relative use, or similar standards, of any and all joint investments, salaries and other expenses, funds, or use of property or facilities.

(b) Cooperative shall keep the general books of accounts of the electric system according to the Federal Energy Regulatory Commission Uniform System of Accounts. Cooperative shall allow the duly authorized agents of TVA to have free access at all reasonable times to all books and records relating to electric system operations. TVA may provide advisory accounting service, in reasonable amount, to help assure the proper setting up and administering of such accounts.

(c) Cooperative shall supply TVA not later than August 15 of each year with an annual financial report in such form as may be requested, of electric system transactions for the preceding year ending June 30 and of electric system assets and liabilities as of June 30. Cooperative shall furnish promptly to TVA such monthly operating, statistical, and financial statements relating to electric system operations as may reasonably be requested by TVA. In the event of failure to furnish promptly such statements TVA, following written notification to Cooperative of intention so to do, may with its own staff perform at Cooperative's expense all work necessary to collect such data.

(d) Cooperative shall have the electric system financial statements examined annually by independent certified public accountants in accordance with generally accepted auditing standards and shall publish the financial statements, along with the auditor's certificate, in a newspaper of general circulation in the area. If no such newspaper exists, Cooperative shall furnish each member copies of said statements and certificate.

2. *Cooperative's Lines and Equipment.* All lines and substations from the point or points of delivery (as defined in section 3 of the contract of which these Terms and Conditions are a part), and all electrical equipment, except metering equipment of TVA, located on Cooperative's side of such point or points of delivery shall be furnished and maintained by Cooperative. Cooperative's electrical facilities shall conform to accepted modern standards. Failure to inspect for or to object to defects in such facilities shall not render TVA liable or responsible for any loss or damage resulting therefrom or from violation of the contract of which these Terms and Conditions are a part, or from accidents which may occur upon Cooperative's premises.

3. *Responsibility for Property of the Other Party.* All equipment furnished by each party shall be and remain its property. Each party shall exercise proper care to protect any property of the other on its premises and shall bear the cost of any necessary repairs or replacements arising from its neglect to exercise such proper care. The authorized employees of each party shall have access at all reasonable times to any of its facilities on the other's premises, for such purposes as reading its meters, and testing, repairing, or replacing its equipment.

4. *Measurement of Demand, Energy, and Power Factor.* TVA will, at its own expense, install and maintain or cause to be installed and maintained the necessary metering equipment for measuring the maximum demand and the amount of energy furnished Cooperative at each point of delivery. If, for economy or convenience, such equipment is located elsewhere than at the point of delivery, the readings shall be adjusted to reflect the quantities delivered at the point of delivery and such adjusted amounts shall be deemed to be the measured amounts for purposes of billing under Wholesale Power Rate—Schedule WS. TVA may also, at its option, provide equipment to determine power factor. Cooperative shall permit the use of its housing facilities, ducts, and supports for TVA's metering equipment.

Cooperative shall have the right at its own expense to install, equip, and maintain check meters in a mutually satisfactory location.

TVA will make periodical tests and inspections of its metering equipment in order to maintain a high standard of accuracy, and will make additional tests or inspections of its metering equipment at the request of Cooperative. Cooperative shall have the right to have representatives present at tests and meter readings. If any test shows that the metering equipment is accurate within two percent no adjustment of past readings will be made and, if the test was requested by Cooperative, the testing charge will be paid by Cooperative; all other tests shall be at TVA's expense. In case any test shows the meter reading to be in error more than two percent, a corresponding adjustment shall be made in Cooperative's bills for any agreed period of error; in the absence of such agreement, the adjustment shall be limited to the current billing period. Should the metering equipment fail, the deliveries will be estimated by TVA from the best information available.

5. *Billing.* Payment for power and energy used in any monthly period shall become due fifteen days after TVA's meter reading date or seven days after the date of bill from TVA, whichever is later. To any amount remaining unpaid fifteen days after the due date, there shall be added a charge of one percent and an additional one percent shall be added for each succeeding thirty-day period until the amount is paid in full. Upon failure of Cooperative to pay for the power and energy used in any monthly period within sixty days after due date, TVA shall have the right, upon reasonable notice, to discontinue the supply of power and energy

and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Cooperative of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued. All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate. For purposes of billing, the term "month" in Wholesale Power Rate—Schedule WS and the term "monthly period" in this section are defined as the period from the meter reading time in one month to the meter reading time in the next month; provided, however, that with respect to the determination of demand said period shall begin and end at midnight prior to said meter reading times. Subject to such changes in TVA's meter reading scheduling as it deems necessary, meters shall be read on the same day of each month.

6. *Adjustment and Change of Wholesale Rate and Resale Rates.* The wholesale rate and resale rates provided in sections 4 and 5 of the contract shall be subject to adjustment and change from time to time in accordance with this section in order to assure TVA's ability to continue to supply the power requirements of Cooperative and TVA's other customers on a financially sound basis with due regard for the primary objectives of the TVA Act, including the objective that power shall be sold at rates as low as feasible, and to assure Cooperative's ability to continue to operate on a financially sound basis.

Wholesale power rates and charges shall be sufficient to produce revenue from TVA's wholesale power customers which, together with revenue from its other power customers, will assure TVA's ability each fiscal year to:

- (a) meet the requirements of the TVA Act including particularly section 15d(f) thereof which provides in part that:

The Corporation shall charge rates for power which will produce gross revenues sufficient to provide funds for operation, maintenance, and administration of its power system; payments to States and counties in lieu of taxes; debt service on outstanding bonds, including provision and maintenance of reserve funds and other funds established in connection therewith; payments to the Treasury as a return on the appropriation investment pursuant to subsection (e) hereof; payment to the Treasury of the repayment sums specified in subsection (e) hereof; and such additional margin as the Board may consider desirable for investment in power system assets, retirement of outstanding bonds in advance of maturity, additional reduction of appropriation investment, and other purposes connected with the Corporation's power business, having due regard for the primary objectives of the Act, including the objective that power shall be sold at rates as low as are feasible.

- and (b) meet all tests and comply with the provisions of TVA's bond resolutions as from time to time adopted and amended in such a manner as to assure its ability to continue to finance and operate its power program at the lowest feasible cost.

Adjustment. TVA may review with Cooperative or its representative, at least 30 days prior to the first day of any of the months of October, January, April, or July pertinent data concerning the current and anticipated conditions and costs affecting TVA's operations and the adequacy of its revenues from both wholesale and other power customers to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section; provided, however, that at least one such review shall be conducted each fiscal year; and provided further, that no adjustment shall be made as hereinafter provided in this paragraph unless such a review has been conducted within the 120 days preceding the effective date of such adjustment. Following any such review TVA, at least 15 days prior to the first day of whichever of the aforesaid months follows next, will determine what adjustments, if any, are required in the demand and energy charges provided for in the then effective Schedule of Rates and Charges to assure (a) revenues to TVA adequate to meet the requirements of the TVA Act and the tests and provisions of its bond resolutions as provided in the second paragraph of this section and (b) revenues to Cooperative adequate to compensate for changes, if any, in the cost of power to Cooperative resulting from adjustments to Wholesale Power Rate—Schedule WS made under the provisions of this section. Such adjustments as TVA determines are required shall be incorporated by TVA in Adjustment Addendums to Wholesale Power Rate—Schedule WS and to the resale schedules of the Schedule of Rates and Charges, which Adjustment Addendums shall be promptly published by TVA by mailing the same to Cooperative by registered mail and shall be applicable to bills rendered from meter readings taken for TVA and Cooperative billing cycles scheduled to begin on or after the effective date of said Adjustment Addendum; provided that any adjustment determined by TVA to be necessary as hereinbefore provided shall not be conditioned upon or be postponed pending the review provided for in the first sentence of this paragraph or the completion of such review. Cooperative shall pay for power and energy in accordance with

Wholesale Power Rate—Schedule WS of the Schedule of Rates and Charges as so adjusted from time to time by any such Adjustment Addendums published by TVA as above provided, and shall adjust the charges in the resale schedules of the Schedule of Rates and Charges applicable to its customers in accordance with such Adjustment Addendums and the provisions of such resale schedules.

Change. Whenever any adjustment or adjustments made under the preceding paragraph, or the costs of TVA's service to Cooperative and TVA's other customers, or the costs of Cooperative's service to customers, or any other factors are believed by either party to warrant general or major changes in the Schedule of Rates and Charges, either party or its representative may request that the parties or their representatives meet and endeavor to reach agreement upon such changes. If within 180 days after any request for such changes the representatives of the parties for any reason have not agreed upon such changes, TVA may thereafter, upon not less than 30 days' notice by registered mail in which the basis for each change is set forth, place into effect such changes in the Schedule of Rates and Charges as it determines will enable TVA to carry out the objectives of the TVA Act and meet the requirements and tests and comply with the provisions of its bond resolutions as outlined in the second paragraph of this section and enable Cooperative to continue on a financially sound basis as provided in section 5(c) of the contract and Cooperative shall thereafter pay and charge for power and energy in accordance with the Schedule of Rates and Charges as so changed; provided, however, that unless the parties agree otherwise, any adjustment determined by TVA to be required under the provisions of the preceding paragraph of this section shall become effective without reference to, and shall not be delayed or postponed pending completion of, any actions under this paragraph.

7. *Compensation for Additional Tax or in Lieu of Tax Payments.* It is recognized that among the costs which the rates specified in Wholesale Power Rate—Schedule WS were designed to cover are annual payments in lieu of taxes by TVA in an aggregate sum equivalent to 5 percent of its gross proceeds from sales of power exclusive of sales to agencies of the Government of the United States. If at any time TVA is compelled by law to pay during any fiscal year of TVA taxes and payments in lieu of taxes in an aggregate amount which shall exceed 5 percent of such proceeds, TVA may, if it so elects, increase the billing amounts during the succeeding fiscal year by the number of percentage points (to the nearest 0.1 point) by which said aggregate amount exceeded 5 percent of said proceeds.

8. *Interference with Availability or Use of Power.* Neither TVA nor Cooperative shall be liable for damages or breach of contract when and to the extent that the availability or use of power, respectively, is interrupted, curtailed, or interfered with or the performance of any other obligation hereunder is prevented by circumstances reasonably beyond the control of the party affected, such as (without limiting the generality of the foregoing) acts of God, strikes, accidents, laws of the United States or any State, regulations or orders of governmental agencies, judicial decrees, inability to obtain or install equipment, lack by TVA of necessary Congressional appropriations or legislative authorizations or other inability of either party to obtain necessary financing. Acts of God shall be deemed to include the effects of drought if the drought is of such severity as to have a probability of occurrence of less than once in 40 years. Each party shall advise the other at the earliest practicable date of any circumstances which are likely to result in the interruption, curtailment, or interference with the performance of any obligation hereunder.

TVA will furnish electric service hereunder continuously so far as reasonable diligence will permit but TVA may interrupt, curtail, or otherwise interfere with service to Cooperative hereunder in the course of installation, operation, or maintenance of TVA's facilities, or for the purpose of safeguarding life or property, or otherwise, and in such event shall not be liable for damages or breach of contract. TVA, as far as reasonably possible, shall avoid such interruption, curtailment, or interference for routine operating purposes or repairs, and shall give such prior notice of those it deems necessary as may be reasonable under the circumstances.

9. *Additional Load.* The transmission system, transformers, meters, and equipment used for delivery of power to Cooperative have limited capacity and unless otherwise agreed no addition shall be made to Cooperative's load which would result in a total load at any delivery point in excess of the maximum available from the then existing facilities at said delivery point.

10. *Voltage and Load Fluctuations Caused by Cooperative.* Electric service must not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. TVA may require Cooperative at its own expense to install suitable apparatus to reasonably limit such fluctuations or disturbances.

11. *Balancing of Loads.* Cooperative shall take and use power in such manner that the current on the most heavily loaded phase shall not exceed the current on either of the other phases by more than 20 percent. In the event that any check indicates a greater unbalance

between phases, Cooperative agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected by Cooperative within 60 days, or such longer period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and to compute the billing demand as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with its current coil in that phase wire and its potential coil connected between that phase wire and the neutral voltage point.

12. *Notice of Trouble.* Cooperative shall notify TVA immediately should the service be unsatisfactory for any reason or should there be any defects, trouble, or accidents affecting the supply of electricity. Such notices, if oral, should be confirmed in writing.

13. *Submetering.* Cooperative shall not sell electricity for submetering or resale.

14. *Conflict.* In case of conflict between any express provision of the body of this contract or any provision of the Schedule of Rates and Charges and these Terms and Conditions, the former shall govern.

15. *Section Headings.* The section headings in this contract are only for convenience of reference and are not a part of the contract between the parties.

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, ELECTRIC PLANT BOARD OF THE CITY OF MAYFIELD, KENTUCKY, And CITY OF MAYFIELD, KENTUCKY

THIS CONTRACT, made and entered into as of the 25 day of March, 1982, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"); the ELECTRIC PLANT BOARD OF THE CITY OF MAYFIELD, KENTUCKY (hereinafter called "Board"), a corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky, acting for itself and as agent of the City of Mayfield, Kentucky; and the CITY OF MAYFIELD, KENTUCKY (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality has established Board pursuant to the laws of the Commonwealth of Kentucky for purposes of acquiring, constructing, operating, maintaining, and managing a municipal electric system and, under said laws, Board has the power to act as agent of Municipality in all matters pertaining thereto; and

WHEREAS, Board operates an electric system and in the operation thereof is presently purchasing and desires to continue to purchase the entire power requirements for said system from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Board agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Board or Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share

of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Board agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. Power Supply.

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the delivery point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would receive the energy for such consumer if it were served by Board. The supply of power by TVA to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by Board or TVA which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case Board and TVA, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. Delivery and Receipt of Power. The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery

voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
13-kV side of TVA's Mayfield District Substation	13,000

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither Board nor TVA shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part here of is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

The payments to be made hereunder shall be made solely and exclusively from the revenues of Board's electric system and shall not be a charge upon Municipality's general funds or Board's other funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-10, GS-10, and LSI of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties hereto shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

- (a) Board agrees to use the gross revenues from electric operations for the following purposes:
- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;
 - (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;
 - (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and
 - (4) From any revenues then remaining, tax equivalent payments, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.
- (b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Municipality's Participation.* Municipality's participation in this contract is limited to, and Municipality hereby approves and shall be bound by, all of the provisions of this contract with respect to which the approval, consent, execution, or other action of Municipality is or may be required in order to make the contract, or its respective provisions, the valid and binding obligation or obligations of the parties. The execution of this contract by Municipality shall signify conclusively that its governing body approves and deems appropriate all of the covenants, provisions, terms, and conditions of this contract and that it will from time to time take such actions as may be necessary to enable Board to validly comply with their language, tenor, and intent.

12. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect

to any default of any other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

13. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Board without the consent of TVA.

14. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

15. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated March 26, 1962, and numbered TV-23465A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of (1) Letter Agreement TV-72963, Supplement No. 6, dated April 23, 1954, among the parties hereto, relative to a building used jointly by the electric system and other municipal operations; (2) section 3 of Agreement TV-23465A, Supplement No. 10, dated December 13, 1976, between Board and TVA relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS; and (3) Agreement TV-23465A, Supplement No. 16, dated June 1, 1981, between Board and TVA relative to the delivery and sale of power and energy by TVA to distributor for resale to Ingersoll-Rand Company, it being the intention of the parties that said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of each agreement. Any reference in said agreements, or portions thereof, to the power contract dated March 26, 1962, shall be deemed to refer to this contract.

16. *Term of Contract.* This contract shall become effective as of June 11, 1982, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Nancy Barger
Secretary-Treasurer

ELECTRIC PLANT BOARD OF THE
CITY OF MAYFIELD, KENTUCKY
By s/Joe E. Rister
Superintendent

Attest:
s/Jennifer Burgess
Secretary, Mayor

CITY OF MAYFIELD, KENTUCKY
By s/Virgil Gilliam
Mayor

Approved by TVA
Board of Directors
APR 21, 1982
s/HSD
Assistant Secretary

(October 1976)

AVAILABILITY

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate.

CHARACTER OF SERVICE

Alternating current, single-phase, 60 hertz. Voltage supplied shall be at the discretion of Distributor and shall be determined by the voltage available from distribution lines in the vicinity and/or other conditions. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

BASE CHARGES

Customer Charge: \$2.10 per delivery point per month

Energy Charge:

First 500 kilowatthours per month at 1.847 cents per kilowatthour*
Additional " " " " 1.717 " " kilowatthour*

***as increased or decreased in accordance with Appendix I to the
Schedule of Rates and Charges**

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

MINIMUM MONTHLY BILL

The customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

**GENERAL POWER RATE—SCHEDULE GS-10
(October 1976)**

AVAILABILITY

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Under A below power shall be delivered at a voltage available in the vicinity or agreed to by Distributor. Under B below power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

BASE CHARGES

A. If the customer's demand for the month and its contract demand, if any, are each 5,000 kilowatts or less:

Customer Charge: \$3.10 per delivery point per month

Demand Charge:

First 50 kilowatts of demand per month, no demand charge
Next 50 kilowatts of demand per month, at \$1.90 per kilowatt
Excess over 100 kilowatts of demand per month, at \$2.20 per kilowatt

Energy Charge:

First	500 kilowatthours per month at 2.523 cents per kWh*
Next 14,500	" " " " 2.103 " " kWh*
Next 25,000	" " " " 1.237 " " kWh*
Next 60,000	" " " " 1.147 " " kWh*
Next 400,000	" " " " 1.047 " " kWh*
Additional	" " " " 1.007 " " kWh*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

B. If either the customer's demand for the month or its contract demand is greater than 5,000 kilowatts:

Customer Charge: \$1,000 per delivery point per month

Demand Charge: \$1.91 per kilowatt of demand per month

Additional charge for any demand in excess of customer's contract demand: \$1.91 per kilowatt per month

Energy Charge: 0.993 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

FACILITIES RENTAL CHARGE APPLICABLE UNDER B ABOVE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 20 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 55

cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

DETERMINATION OF DEMAND

Distributor shall measure the demands in kilowatts of all customers having loads in excess of 50 kilowatts. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kilowatts, (2) 70 percent of the next 45,000 kilowatts, and (3) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM BILL

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

The monthly bill under B above shall not be less than the base demand charge (adjusted in accordance with the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 1,500 kilowatts and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of \$5.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 3 cents per kilowatthour of the maximum monthly consumption for customers whose demand does not exceed 50 kilowatts or (b) \$10.00 per kilowatt of the maximum demand established for customers whose demand is over 50 kilowatts; and shall pay in addition the actual cost of connections and disconnections in excess of one of each per year.

CONTRACT REQUIREMENT

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand exceeds 50 kilowatts shall be required to execute contracts for an initial term of at least one year. If the customer requires in excess of 5,000 kilowatts, the contract shall be for an initial term of at least five years, and any renewal or extension of the initial contract shall also be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, replacement, or adjustment from time to time upon agreement between Distributor and TVA.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, ELECTRIC PLANT BOARD OF THE CITY OF MURRAY, KENTUCKY, And CITY OF MURRAY, KENTUCKY

THIS CONTRACT, made and entered into as of the 22 day of April, 1982, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"); the ELECTRIC PLANT BOARD OF THE CITY OF MURRAY, KENTUCKY (hereinafter called "Board"), a corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky, acting for itself and as agent of the City of Murray, Kentucky; and the CITY OF MURRAY, KENTUCKY (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality has established Board pursuant to the laws of the Commonwealth of Kentucky for purposes of acquiring, constructing, operating, maintaining, and managing a municipal electric system and, under said laws, Board has the power to act as agent of Municipality in all matters pertaining thereto; and

WHEREAS, Board operates an electric system and in the operation thereof is presently purchasing and desires to continue to purchase the entire power requirements for said system from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Board agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Board or Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share of the cost of government properly to be borne by such system. In accordance with these

principles, which are mutually recognized as of the essence of this contract, Board agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. Power Supply.

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the delivery point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would receive the energy for such consumer if it were served by Board. The supply of power by TVA to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by TVA or Board which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case TVA and Board, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. Delivery and Receipt of Power. The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale

delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
69-kV side of TVA's Murray 161-kV Substation	69,000

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither Board nor TVA shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

The payments to be made hereunder shall be made solely and exclusively from the revenues of Board's electric system and shall not be a charge upon Municipality's general funds or Board's other funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-12, GS-12, and LS of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties hereto shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Board agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and
- (4) From any revenues then remaining, tax equivalent payments, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Municipality's Participation.* Municipality's participation in this contract is limited to, and Municipality hereby approves and shall be bound by, all of the provisions of this contract with respect to which the approval, consent, execution, or other action of Municipality is or may be required in order to make the contract, or its respective provisions, the valid and binding obligation or obligations of the parties. The execution of this contract by Municipality shall signify conclusively that its governing body approves and deems appropriate all of the covenants, provisions, terms, and conditions of this contract and that it will from time to time take such actions as may be necessary to enable Board to validly comply with their language, tenor, and intent.

12. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect to any default of any other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

13. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Board without the consent of TVA.

14. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

15. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated June 11, 1962, and numbered TV-23487A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Section 3 of Agreement TV-23487A, Supplement No. 7, dated December 13, 1976, between TVA and Board relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS;

(b) Lease and Amendatory Agreement TV-23487A, Supplement No. 9, dated August 8, 1977, among the United States of America, TVA, and Board relative to the lease by Board of the West Murray and Murray District Substations and the Murray-West Murray and Murray-Murray District 69-kV Transmission Lines; and

(c) Lease Agreement TV-23487A, Supplement No. 11, dated December 14, 1977, among the United States of America, TVA, and Board relative to the lease by Board of a section of the Kentucky Dam-Murray District 69-kV Transmission Line.

Any reference in said agreements, or portions thereof, to the power contract dated June 11, 1962, shall be deemed to refer to this contract.

16. *Term of Contract.* This contract shall become effective as of June 11, 1982, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Luther Vance
Assistant Superintendent

ELECTRIC PLANT BOARD OF THE
CITY OF MURRAY, KENTUCKY
By s/Ron Underwood
Superintendent

Attest:
s/Sarah Duncan
Deputy Clerk

CITY OF MURRAY, KENTUCKY
By s/Holmes Ellis
Mayor

Approved by TVA
Board of Directors
MAY 19, 1982
s/HSD
Assistant Secretary

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And PENNYRILE
RURAL ELECTRIC COOPERATIVE CORPORATION

THIS CONTRACT, made and entered into as of the 7 day of April, 1982, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and PENNYRILE RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called "Cooperative"), a cooperative corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Cooperative owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Cooperative's operation of an electric system and TVA's wholesale service thereto are for the benefit of the consumers of electricity. Toward that end, Cooperative agrees that the electric system shall be operated on a nonprofit basis, that electric system funds and accounts shall not be mingled with other funds or accounts of Cooperative, and that resale rates and charges shall be applied which will provide revenues which can reasonably be expected to be at least equal to, and not substantially greater than, the sum required for the items listed in subsection (a) of section 6 hereof. In accordance with these principles, which are mutually recognized as of the essence of this contract, Cooperative agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Cooperative at the delivery point or points specified in or hereafter established under section 3 hereof and Cooperative shall take and distribute the electric power required for service to Cooperative's customers. Cooperative shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Cooperative and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Cooperative shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Cooperative to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Cooperative would receive the energy for such consumer if it were served by Cooperative. The supply of power by TVA to Cooperative for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Cooperative under said resale rate schedules, and the contract for such resale between Cooperative and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Cooperative and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Cooperative shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Cooperative regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Cooperative would be entitled to serve hereunder, TVA shall notify Cooperative of the time schedule upon which the additional power required for such service could be made available to Cooperative at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Cooperative shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Cooperative, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Cooperative which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Cooperative to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Cooperative.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Cooperative to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
13-kV side of TVA's Adairville Substation	13,000
13-kV side of TVA's Cadiz Substation	13,000
13-kV side of TVA's Cerulean Substation	13,000
13-kV side of TVA's Edgoten Substation	13,000
13-kV side of TVA's Elkton Substation	13,000
13-kV side of TVA's Kirkmansville Substation	13,000
13-kV side of TVA's Pembroke Substation	13,000
13-kV side of TVA's Russellville District Substation	13,000
26-kV side of TVA's Dunmor Substation	26,000
26-kV side of TVA's Hopson Substation	26,000
26-kV side of TVA's Lyon Substation	26,000
26-kV side of TVA's Peedee Substation	26,000
26-kV side of TVA's Penchem Substation	26,000
Point of connection of Cooperative's Homer Substation to TVA's Russellville-Auburn Tap 69-kV Line	69,000
69-kV side of Cooperative's Happy Hollow Substation	69,000

Point of connection of Cooperative's Rockcastle Substation to TVA's Kentucky Hydro-Cadiz 69-kV Line	69,000
Point of connection of Cooperative's 69-kV line to TVA's Hopkinsville-Edgoten 69-kV Line	69,000

It is recognized that load growth and development and the maintenance of high quality service in Cooperative's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Cooperative and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Cooperative is referred to as "Distributor." Subject to the other provisions of this contract, Cooperative shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

5. *Resale Rates.* In distributing electric energy in the area served by Cooperative, the parties agree as follows:

(a) Cooperative agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Cooperative agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-5, GS-5, and LS of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Cooperative shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after the date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Cooperative for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Cooperative shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Cooperative shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Cooperative agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, taxes, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due; and
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system

construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Cooperative will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Cooperative will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Cooperative will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Cooperative will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Cooperative hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Cooperative is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Cooperative at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Cooperative, to the extent of their capacity in excess of the requirements of Cooperative, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Cooperative the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Cooperative by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Cooperative from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Cooperative without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Cooperative offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract between the parties dated April 26, 1962, and numbered TV-23513A, as supplemented and amended, is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) The provisions of Agreement TV-23513A, Supplement No. 3, dated May 14, 1964, setting out the parties' rights and obligations relative to arrangements involving the Penchem Substation;

(b) The provisions of Agreement TV-23513A, Supplement No. 5, dated October 28, 1965, setting out the parties' rights and obligations relative to arrangements involving the Hopson Substation;

(c) The provisions of Agreement TV-23513A, Supplement No. 12, dated June 12, 1969, setting out the parties' rights and obligations relative to Cooperative's Canton Line;

(d) The provisions of Agreement TV-23513A, Supplement No. 17, dated May 13, 1971, setting out the parties' rights and obligations relative to arrangements at the Dunmor Substation;

(e) The provisions of Agreement TV-23513A, Supplement No. 20, dated September 28, 1976, setting out the parties' rights and obligations relative to metering arrangements at the Rockcastle Substation;

(f) Section 3 of Agreement TV-23513A, Supplement No. 21, dated December 13, 1976, between the parties hereto relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate-Schedule WS;

(g) The provisions of Agreement TV-23513A, Supplement No. 23, dated June 23, 1977, setting out the parties' rights and obligations relative to metering arrangements at the Homer Substation;

(h) The provisions of Agreement TV-23513A, Supplement No. 25, dated August 13, 1979, setting out the parties' rights and obligations relative to arrangements at the Happy Hollow Substation;

(i) Agreement TV-37914A, dated January 17, 1973, as amended by Agreement TV-37914A, Supplement No. 1, dated April 19, 1973, and section 10 of Agreement TV-23513A, Supplement No. 21, dated December 13, 1976, relative to the delivery and sale of power and energy to Cooperative for resale to the Mid-Valley Pipeline Company for use at its pumping station near Elkton, Kentucky;

(j) Agreement TV-23513A, Supplement No. 26, dated June 24, 1981, relative to the delivery and sale of power and energy to Cooperative for resale to the Peabody Coal Company for use at its mining operations near Paradise, Kentucky; and

(k) Agreement TV-23513A, Supplement No. 28, dated January 1, 1982, relative to the delivery and sale of power and energy to Cooperative for resale to Atlantic Richfield Company for use at its aluminum rolling plant near Russellville, Kentucky.

All references in said agreements, or portions thereof, to the power contract dated April 26, 1962, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 11, 1982, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Cooperative should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Cooperative unless Cooperative agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:

s/Kyle K. Bruce
Secretary

PENNYRILE RURAL ELECTRIC
COOPERATIVE CORPORATION
By s/Robert K. Broadbent
President

Approved by TVA
Board of Directors
MAY 5, 1982
s/HSD
Assistant Secretary

AVAILABILITY

CHARACTER OF SERVICE

BASE CHARGES

ADJUSTMENT

MINIMUM MONTHLY BILL

PAYMENT

SINGLE-POINT DELIVERY

125

**GENERAL POWER RATE—SCHEDULE GS-5
(October 1976)**

AVAILABILITY

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Under A below power shall be delivered at a voltage available in the vicinity or agreed to by Distributor. Under B below power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

BASE CHARGES

A. If the customer's demand for the month and its contract demand, if any, are each 5,000 kilowatts or less:

Customer Charge: \$3.75 per delivery point per month

Demand Charge:

First 50 kilowatts of demand per month, no demand charge
Next 50 kilowatts of demand per month, at \$2.15 per kilowatt
Excess over 100 kilowatts of demand per month, at \$2.20 per kilowatt

Energy Charge:

First	500 kilowatthours per month at 3.423 cents per kWh*
Next 14,500	" " " " 2.403 " " kWh*
Next 25,000	" " " " 1.487 " " kWh*
Next 60,000	" " " " 1.197 " " kWh*
Next 400,000	" " " " 1.097 " " kWh*
Additional	" " " " 1.057 " " kWh*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

B. If either the customer's demand for the month or its contract demand is greater than 5,000 kilowatts:

Customer Charge: \$1,000 per delivery point per month

Demand Charge: \$1.91 per kilowatt of demand per month

Additional charge for any demand in excess of customer's contract demand: \$1.91 per kilowatt per month

Energy Charge: 0.993 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

FACILITIES RENTAL CHARGE APPLICABLE UNDER B ABOVE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 20 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 55

cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

DETERMINATION OF DEMAND

Distributor shall measure the demands in kilowatts of all customers having loads in excess of 50 kilowatts. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kilowatts, (2) 70 percent of the next 45,000 kilowatts, and (3) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM BILL

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

The monthly bill under B above shall not be less than the base demand charge (adjusted in accordance with the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 1,500 kilowatts and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of \$5.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 3 cents per kilowatthour of the maximum monthly consumption for customers whose demand does not exceed 50 kilowatts or (b) \$10.00 per kilowatt of the maximum demand established for customers whose demand is over 50 kilowatts; and shall pay in addition the actual cost of connections and disconnections in excess of one of each per year.

CONTRACT REQUIREMENT

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand exceeds 50 kilowatts shall be required to execute contracts for an initial term of at least one year. If the customer requires in excess of 5,000 kilowatts, the contract shall be for an initial term of at least five years, and any renewal or extension of the initial contract shall also be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, replacement, or adjustment from time to time upon agreement between Distributor and TVA.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

POWER CONTRACT Among TENNESSEE VALLEY AUTHORITY, ELECTRIC PLANT BOARD OF THE CITY OF RUSSELLVILLE, KENTUCKY, And CITY OF RUSSELLVILLE, KENTUCKY

THIS CONTRACT, made and entered into as of the 7 day of October, 1981, by and among TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"); the ELECTRIC PLANT BOARD OF THE CITY OF RUSSELLVILLE, KENTUCKY (hereinafter called "Board"), a corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky, acting for itself and as agent of the City of Russellville, Kentucky; and the CITY OF RUSSELLVILLE, KENTUCKY (hereinafter called "Municipality"), a municipal corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Municipality has established Board pursuant to the laws of the Commonwealth of Kentucky for purposes of acquiring, constructing, operating, maintaining, and managing a municipal electric system and, under said laws, Board has the power to act as agent of Municipality in all matters pertaining thereto; and

WHEREAS, Board operates an electric system and in the operation thereof is presently purchasing and desires to continue to purchase the entire power requirements for said system from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Board's operation of a municipal electric system and TVA's wholesale service thereto are primarily for the benefit of the consumers of electricity. Toward that end, Board agrees that the electric system shall be operated on a nonprofit basis, and that electric system funds and accounts shall not be mingled with other funds or accounts of Board or Municipality. Municipality may, as hereinafter provided, receive from the operation thereof for the benefit of its general funds only an amount in lieu of taxes representing a fair share

of the cost of government properly to be borne by such system. In accordance with these principles, which are mutually recognized as of the essence of this contract, Board agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. Power Supply.

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Board at the delivery point or points specified in or hereafter established under section 3 hereof and Board shall take and distribute the electric power required for service to Board's customers. Board shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Board and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Board shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Board to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Board would receive the energy for such consumer if it were served by Board. The supply of power by TVA to Board for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Board under said resale rate schedules, and the contract for such resale between Board and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Board and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by Board or TVA which, because of changed conditions, may become a consumer which the other is entitled to serve under the provisions of subsection (b) of this section. In any such case Board and TVA, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Board shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Board regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Board would be entitled to serve hereunder, TVA shall notify Board of the time schedule upon which the additional power required for such service could be made available to Board at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Board shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Board, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Board which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Board to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Board.

3. Delivery and Receipt of Power. The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery

voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Board to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

Delivery Point

*Normal Wholesale
Delivery Voltage*

13-kV side of TVA's Russellville District Substation

13,000

It is recognized that load growth and development and the maintenance of high quality service in Board's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Board and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither Board nor TVA shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Board is referred to as "Distributor." Subject to the other provisions of this contract, Board shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

The payments to be made hereunder shall be made solely and exclusively from the revenues of Board's electric system and shall not be a charge upon Municipality's general funds or Board's other funds.

5. *Resale Rates.* In distributing electric energy in the area served by Board, the parties agree as follows:

(a) Board agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Board agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-11, GS-11, and LS of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provision of the paragraph entitled "Payment" of said resale schedules, Board shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Board for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties hereto shall agree upon, and Board shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Board shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Board agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due;
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks; and
- (4) From any revenues then remaining, tax equivalent payments, as more particularly provided in section 2 of the Schedule of Terms and Conditions hereinafter referred to.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Board will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Board will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Board will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Board will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Board hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Board is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Board at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Board, to the extent of their capacity in excess of the requirements of Board, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Board the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Board by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Board from any damage or injury caused by TVA's exercise of such use.

11. *Municipality's Participation.* Municipality's participation in this contract is limited to, and Municipality hereby approves and shall be bound by, all of the provisions of this contract with respect to which the approval, consent, execution, or other action of Municipality is or may be required in order to make the contract, or its respective provisions, the valid and binding obligation or obligations of the parties. The execution of this contract by Municipality shall signify conclusively that its governing body approves and deems appropriate all of the covenants, provisions, terms, and conditions of this contract and that it will from time to time take such actions as may be necessary to enable Board to validly comply with their language, tenor, and intent.

12. *Waiver of Defaults.* Any waiver at any time by any party hereto of its rights with respect to any default of any other party or with respect to any other matter arising in connection

with this contract shall not be considered a waiver with respect to any subsequent default or matter.

13. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Board without the consent of TVA.

14. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Municipality or Board offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

15. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated November 30, 1961, and numbered TV-22913A, as supplemented and amended, among the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of (1) the provisions of Letter Agreement TV-22913A, Supplement No. 2, dated June 28, 1962, between Board and TVA setting out the parties' rights and obligations relative to service arrangements at TVA's Russellville District Substation and (2) section 3 of Agreement TV-22913A, Supplement No. 9, dated December 13, 1976, between Board and TVA relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS, it being the intention of the parties that said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with the provisions of each agreement. Any reference in said agreements, or portions thereof, to the power contract dated November 30, 1961, shall be deemed to refer to this contract.

16. *Term of Contract.* This contract shall become effective as of November 30, 1981, and shall continue in effect for 20 years from said date, subject to termination by either Board or TVA, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Board should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Board unless Board agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest:
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Larry Wilcutt
Office Manager

ELECTRIC PLANT BOARD OF THE
CITY OF RUSSELLVILLE, KENTUCKY
By s/George M. Wheeler
Superintendent

Attest:

CITY OF RUSSELLVILLE, KENTUCKY

s/Illegible
City clerk

By s/Ken Smith
Mayor Pro Tem

Approved by TVA
Board of Directors
NOV 10, 1981
s/HSD
Assistant Secretary

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And WARREN
RURAL ELECTRIC COOPERATIVE CORPORATION

THIS CONTRACT, made and entered into as of the 7 day of May, 1982, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and WARREN RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called "Cooperative"), a cooperative corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Cooperative owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, TVA will continue to make available the entire power requirements of Cooperative; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Cooperative's operation of an electric system and TVA's wholesale service thereto are for the benefit of the consumers of electricity. Toward that end, Cooperative agrees that the electric system shall be operated on a nonprofit basis, that electric system funds and accounts shall not be mingled with other funds or accounts of Cooperative, and that resale rates and charges shall be applied which will provide receipts, including patronage capital, which can reasonably be expected to be at least equal to, and not substantially greater than, the sum required for the items listed in subsection (a) of section 6 hereof. In accordance with these principles, which are mutually recognized as of the essence of this contract, Cooperative agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, including the limitations referred to in section 3 hereof relative to the delivery of power and energy to TVA from Kentucky Utilities Company (hereinafter called "Company"), TVA shall produce and deliver to Cooperative at the delivery point or points specified in or hereafter established under section 3 hereof and Cooperative shall take and distribute the electric power required for service to Cooperative's customers. Cooperative shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Cooperative and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Cooperative shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Cooperative to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Cooperative would receive the energy for such consumer if it were served by Cooperative. The supply of power by TVA to Cooperative for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Cooperative

under said resale rate schedules, and the contract for such resale between Cooperative and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Cooperative and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer) as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder, and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Cooperative shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Cooperative regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Cooperative would be entitled to serve hereunder, TVA shall notify Cooperative of the time schedule upon which the additional power required for such service could be made available to Cooperative at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Cooperative shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Cooperative, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Cooperative which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Cooperative to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Cooperative.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Cooperative to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
161-kV side of TVA's East Bowling Green Switching Station	161,000
69-kV side of Company's Leitchfield 138-kV Substation	69,000
69-kV side of the Morgantown Substation	69,000
69-kV side of the Caneyville Substation	69,000
69-kV side of the Rosine Substation	69,000
Terminus of TVA's Morgantown-Cromwell 69-kV Transmission Line	69,000

TVA's obligations to deliver power and energy to Cooperative at any delivery point served from Company's system is contingent upon, and is hereby made subject to the provisions of the contractual arrangements existing from time to time between TVA and Company providing

for deliveries to TVA. In the event that any delivery point served from Company's system is to be discontinued, TVA and Cooperative will develop alternate arrangements consistent with the following two paragraphs.

It is recognized that load growth and development and the maintenance of high quality service in Cooperative's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Cooperative and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system.

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Cooperative is referred to as "Distributor." Subject to the other provisions of this contract, Cooperative shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

5. *Resale Rates.* In distributing electric energy in the area served by Cooperative, the parties agree as follows:

(a) Cooperative agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Cooperative agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-5, GS-5, and LS of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Cooperative shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after the date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce receipts, including patronage capital, sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Cooperative for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Cooperative shall put into effect promptly, such changes in rates and charges as will provide the increased receipts, including patronage capital, necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide receipts, including patronage capital, that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Cooperative shall promptly put such reduced rates and charges into effect.

6. *Use of Receipts.*

(a) Cooperative agrees to use the gross receipts, including patronage capital, from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, taxes, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness and the payment of principal amounts, including sinking fund payments, when due; and
- (3) From any remaining receipts, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks.

(b) All receipts, including patronage capital, remaining over and above the requirements described in subsection (a) of this section shall be considered surplus receipts and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity;

provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus receipts, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Cooperative will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Cooperative will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Cooperative will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Cooperative will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Cooperative hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Cooperative is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Cooperative at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Cooperative, to the extent of their capacity in excess of the requirements of Cooperative, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Cooperative the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Cooperative by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Cooperative from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Cooperative without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Cooperative offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract between the parties dated May 22, 1962, and numbered TV-23561A, as supplemented and amended, is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) The provisions of Agreement TV-23561A, Supplement No. 12, dated October 30, 1970,

setting out the parties' rights and obligations relative to metering arrangements at the delivery point at the terminus of TVA's Morgantown-Cromwell 69-kV Transmission Line;

(b) Lease and Amendatory Agreement TV-23561A, Supplement No. 14, dated February 25, 1971, among the United States of America, TVA, and Cooperative, as supplemented and amended by Agreement TV-23561A, Supplement No. 18, dated January 17, 1975, and Letter Agreement TV-23561A, Supplement No. 30, dated January 1, 1981, setting out the parties' rights and obligations relative to arrangements involving the Leitchfield and East Leitchfield Substations;

(c) Lease and Amendatory Agreement TV-23561A, Supplement No. 16, dated January 10, 1974, among the United States of America, TVA, and Cooperative, as amended by section 8 of TV-23561A, Supplement No. 21, dated July 15, 1977, and Letter Agreement TV-23561A, Supplement No. 31, dated January 1, 1981, setting out the parties' rights and obligations relative to arrangements involving the Morgantown Substation;

(d) Lease-Purchase Agreement TV-23561A, Supplement No. 20, dated June 25, 1976, among the United States of America, TVA, and Cooperative, as amended by Letter Agreement TV-23561A, Supplement No. 32, dated January 1, 1981, setting out the parties' rights and obligations relative to arrangements involving a portion of TVA's deenergized Summer Shade-Oakland 69-kV Transmission Line;

(e) Section 3 of Agreement TV-23561A, Supplement No. 21, dated July 15, 1977, relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS;

(f) Lease and Amendatory Agreement TV-23561A, Supplement No. 23, dated August 24, 1977, among the United States of America, TVA, and Cooperative, setting out the parties' rights and obligations relative to arrangements involving the Caneyville and Rosine Substations;

(g) Agreement TV-23561A, Supplement No. 25, dated October 9, 1977, relative to the delivery and sale of power and energy by TVA to Cooperative for resale to the Peabody Coal Company for use at its Homestead Mine;

(h) Agreement TV-23561A, Supplement No. 26, dated June 6, 1978, relative to the delivery and sale of power and energy by TVA to Cooperative for resale to Brown-Badgett, Incorporated, to serve its mining operations in Ohio County, Kentucky;

(i) Agreement TV-23561A, Supplement No. 29, dated February 10, 1981, relative to the delivery and sale of power and energy by TVA to Cooperative for resale to the Firestone Tire & Rubber Company to serve its plant near Bowling Green, Kentucky; and

(j) Lease and Amendatory Agreement TV-23561A, Supplement No. 34, dated May 26, 1981, among the United States of America, TVA, and Cooperative, setting out the parties' rights and obligations relative to TVA's Morgantown-Cromwell 69-kV Transmission Line and the Aberdeen 161-kV Substation.

All references in said agreements, or portions thereof, to the power contract dated May 22, 1962, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 11, 1982, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Cooperative should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Cooperative unless Cooperative agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal)
s/Helen S. Drummer
Assistant Secretary
OGC

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:

s/James W. McGuirk
Secretary

WARREN RURAL ELECTRIC
COOPERATIVE CORPORATION
By s/Kenneth Robbins
President

Approved by TVA
Board of Directors
JUNE 1, 1982
s/HSD
Assistant Secretary

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And WEST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

THIS CONTRACT, made and entered into as of the 26 day of April, 1982, by and between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended (hereinafter called "TVA Act"), and WEST KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called "Cooperative"), a cooperative corporation duly created, organized, and existing under and by virtue of the laws of the Commonwealth of Kentucky;

WITNESSETH:

WHEREAS, the TVA Act authorizes TVA to sell the power generated by it and not used in its operations to States, counties, municipalities, corporations, partnerships, or individuals according to the policies therein set forth; and

WHEREAS, the TVA Act provides that the sale of such power shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers, to whom it is desired to make power available at the lowest possible rates; and

WHEREAS, Cooperative owns and operates an electric system, and in the operation thereof is presently purchasing and desires to continue to purchase its entire power requirements from TVA; and

WHEREAS, the parties wish to enter into a new contract to replace their present power contract;

NOW, THEREFORE, in consideration of the mutual promises herein contained and subject to the provisions of the TVA Act, the parties agree as follows:

1. *Purpose of Contract.* It is hereby recognized and declared that, pursuant to the obligations imposed by the TVA Act, Cooperative's operation of an electric system and TVA's wholesale service thereto are for the benefit of the consumers of electricity. Toward that end, Cooperative agrees that the electric system shall be operated on a nonprofit basis, that electric system funds and accounts shall not be mingled with other funds or accounts of Cooperative, and that resale rates and charges shall be applied which will provide revenues which can reasonably be expected to be at least equal to, and not substantially greater than, the sum required for the items listed in subsection (a) of section 6 hereof. In accordance with these principles, which are mutually recognized as of the essence of this contract, Cooperative agrees that the electric system shall be operated and the system's financial accounts and affairs shall be maintained in full and strict accordance with the provisions of this contract.

2. *Power Supply.*

(a) Subject to the other provisions of this contract, TVA shall produce and deliver to Cooperative at the delivery point or points specified in or hereafter established under section 3 hereof and Cooperative shall take and distribute the electric power required for service to Cooperative's customers. Cooperative shall keep TVA currently informed of any important developments affecting its probable future loads or service arrangements. TVA shall take account of all available information in making its forecasts of the loads of Cooperative and of TVA's other customers. TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver the output thereof so as to be in a position to supply additional power therefrom when and to the extent needed to meet increases in their loads.

(b) Cooperative shall be entitled to use the power made available hereunder to serve all consumers to whom the resale rate schedules specified in section 5(b) hereof are applicable except those TVA is entitled to serve directly, as provided below. TVA shall be entitled to serve directly any consumer to whom said resale rate schedules are not applicable, any federal

installations excepting those with loads less than 5,000 kilowatts served from a general delivery point, and any consumer whose energy requirements in any month are more than 10 million kilowatthours plus the amount of energy, if any, delivered by Cooperative to residential consumers under billings for the preceding June and received from TVA at the delivery point through which Cooperative would receive the energy for such consumer if it were served by Cooperative. The supply of power by TVA to Cooperative for resale to any consumer which has a supply of 5,000 kilowatts or more of power other than that furnished by Cooperative under said resale rate schedules, and the contract for such resale between Cooperative and such consumer, shall be subject to such special arrangements as TVA may reasonably require. Nothing herein shall be construed as preventing Cooperative and TVA from agreeing upon special arrangements for service to any consumer.

(c) It is recognized that from time to time there may be a consumer served by one party hereto which, because of changed conditions, may become a consumer which the other party is entitled to serve under the provisions of subsection (b) of this section. In any such case the parties hereto, unless otherwise agreed, shall make such arrangements (including making appropriate allowance for any otherwise unrecoverable investment made to serve such consumer as may be necessary to transfer as soon as practicable such consumer to the party entitled to serve the consumer hereunder and the party originally serving said consumer shall cooperate in every way with the party entitled to serve the consumer in making arrangements for the latter to undertake such service including, without limitation, releasing the consumer from any then existing power contract from and after the effective date for initiating service under any contract between such consumer and the party entitled to serve it.

(d) Cooperative shall keep TVA informed of any prospective developments affecting any individual load which uses or will use 5,000 kilowatts or more. As soon as practicable after receipt of information from Cooperative regarding the prospective addition of, or increase in, any load of 5,000 kilowatts or larger which Cooperative would be entitled to serve hereunder, TVA shall notify Cooperative of the time schedule upon which the additional power required for such service could be made available to Cooperative at the wholesale rates then in effect hereunder and, upon request, of any terms under which it could supply any power in advance of said schedule. Cooperative shall not take and deliver such additional power for said load in advance of or in amounts larger than specified in said schedule except to the extent that it has made special arrangements with TVA to do so. TVA, by notice in writing to Cooperative, may change the designated amount of 5,000 kilowatts appearing in this subsection (d) to such other amount as TVA deems necessary.

(e) The area limitations in the first three paragraphs of subsection (a) of section 15d of the TVA Act are incorporated herein by reference as fully as though set out herein, and this contract shall not be construed as permitting any arrangement by Cooperative which would be inconsistent with those limitations.

(f) Notwithstanding any other provision of this section, TVA may, as a condition precedent to TVA's obligation to make power available, require Cooperative to provide such assurances of revenue to TVA as in TVA's judgment may be necessary to justify the reservation, alteration, or installation by TVA of additional generation, transmission, or transformation facilities for the purpose of supplying power to Cooperative.

3. *Delivery and Receipt of Power.* The power to be supplied hereunder shall be delivered at the delivery points designated below and, under normal operating conditions, shall be within commercial limits of 60 hertz and within 3 percent above or below the normal wholesale delivery voltage specified below for each delivery point; provided, however, that any normal wholesale delivery voltage of 46 kV or higher specified below may be changed by TVA from time to time upon notice to Cooperative to a voltage level not more than 5 percent higher or lower than the voltage so specified. Substation transformers with a high-side voltage rating of 46 kV or above will be equipped with taps or other suitable means for adjusting for the changes in normal voltage set forth herein. The operating representatives of the parties may by mutual agreement provide for variations in wholesale delivery voltage other than those provided for herein when in their judgment such variations are necessary or desirable.

<i>Delivery Point</i>	<i>Normal Wholesale Delivery Voltage</i>
161-kV side of Cooperative's Benton 161-kV Substation	161,000
69-kV side of the Coldwater Substation	69,000
69-kV side of the East Murray Substation	69,000
69-kV side of the Gilbertsville Substation	69,000
69-kV side of the Hardin Substation	69,000

69-kV side of the Hickory Grove Substation	69,000
13-kV side of TVA's Mayfield District Substation	13,000
69-kV side of the Milburn Substation	69,000
13-kV side of TVA's Pilot Oak Substation	13,000
Point of connection of Cooperative's Stella 161-kV Substation to TVA's Mayfield-Murray 161-kV Transmission Line	161,000

It is recognized that load growth and development and the maintenance of high quality service in Cooperative's area may require new delivery points from time to time. Such new delivery points will be established by mutual agreement. In reaching such agreement Cooperative and TVA shall be guided by the policy of providing the most economical of the practical combinations of transmission and distribution facilities, considering all pertinent factors, including any unusual factors applicable to the area involved.

Neither party shall be responsible for installing at any delivery point equipment for the protection of the other's facilities, or for damages to the other's system resulting from the failure of its own protective devices, but each party agrees so to design, construct, and operate its system as not to cause undue hazards to the other's system

4. *Wholesale Rate.* Attached hereto and made a part hereof is a "Schedule of Rates and Charges" wherein Cooperative is referred to as "Distributor." Subject to the other provisions of this contract, Cooperative shall pay for the power and energy supplied by TVA in accordance with the provisions of Wholesale Power Rate—Schedule WS.

5. *Resale Rates.* In distributing electric energy in the area served by Cooperative, the parties agree as follows:

(a) Cooperative agrees that the power purchased hereunder shall be sold and distributed to the ultimate consumer without discrimination among consumers of the same class, and that no discriminatory rate, rebate, or other special concession will be made or given to any consumer, directly or indirectly.

(b) Cooperative agrees to serve consumers, including all municipal and governmental customers and departments, at and in accordance with the rates, charges, and provisions set forth for the several classes thereof in Schedules RS-2, GS-2, and LSI of said Schedule of Rates and Charges, and not to depart therefrom except as the parties hereto may agree upon surcharges, special minimum bills, or additional resale schedules for special classes of consumers or special uses of electric energy, and except as provided in subsection (c) next following.

For the purpose of uniform application, within the classes of consumers, of the provisions of the paragraph entitled "Payment" of said resale schedules, Cooperative shall designate in its standard policy periods of not less than (1) 15 days, for customers served under the RS Schedule, and (2) 10 days, for customers served under the GS Schedule, after the date of the bill during which periods the bill is payable as computed by application of the charges for service under the appropriate resale schedule, and shall further designate in said policy the percentage or percentages, if any, not to exceed 5 percent of the bill, computed as above provided, which will be added to the bill as additional charges for payment after the periods so designated.

(c) If the rates and charges provided for in said resale schedules do not produce revenues sufficient to provide for the operation and maintenance of the electric system on a self-supporting and financially sound basis, including requirements for interest and principal payments on indebtedness incurred or assumed by Cooperative for the acquisition, extension, or improvement of the electric system (hereinafter called "System Indebtedness"), the parties shall agree upon, and Cooperative shall put into effect promptly, such changes in rates and charges as will provide the increased revenues necessary to place the system upon a self-supporting and financially sound basis. If the rates and charges in effect at any time provide revenues that are more than sufficient for such purposes, as more particularly described in section 6 hereof, the parties shall agree upon a reduction in said rates and charges, and Cooperative shall promptly put such reduced rates and charges into effect.

6. *Use of Revenues.*

(a) Cooperative agrees to use the gross revenues from electric operations for the following purposes:

- (1) Current electric system operating expenses, including salaries, wages, cost of materials and supplies, taxes, power at wholesale, and insurance;
- (2) Current payments of interest on System Indebtedness, and the payment of principal amounts, including sinking fund payments, when due; and
- (3) From any remaining revenues, reasonable reserves for renewals, replacements, and contingencies; and cash working capital adequate to cover operating expenses for a reasonable number of weeks.

(b) All revenues remaining over and above the requirements described in subsection (a) of this section shall be considered surplus revenues and may be used for new electric system construction or the retirement of System Indebtedness prior to maturity; provided, however, that resale rates and charges shall be reduced from time to time to the lowest practicable levels considering such factors as future circumstances affecting the probable level of earnings, the need or desirability of financing a reasonable share of new construction from such surplus revenues, and fluctuations in debt service requirements.

7. *Equal Opportunity.* It is the policy of the federal government to provide equal employment opportunity, and in furtherance of that policy, it is the policy of TVA, as an agency of the federal government, to encourage equal employment opportunity in the various aspects of its programs, including the sale and distribution of TVA power. Accordingly, during the term of this power contract:

(a) Cooperative will not discriminate against any employee or applicant for employment with its electric system because of race, color, religion, sex, or national origin. Cooperative will take such affirmative action as is necessary to insure that all applicants are considered for employment and that all employees are treated in all aspects of employment without regard to their race, color, religion, sex, or national origin.

(b) Cooperative will, in all solicitations or advertisements for employees placed by or on behalf of the electric system, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) Cooperative will cooperate and participate with TVA in the development of training and apprenticeship programs which will provide opportunities for applicants and prospective applicants for employment with the electric system to become qualified for such employment, and such cooperation will include access by authorized TVA representatives to its electric system's books, records, and accounts pertaining to training, apprenticeship, recruitment, and employment practices and procedures.

8. *Terms and Conditions.* Certain additional provisions of this contract are set forth in a "Schedule of Terms and Conditions," which is attached hereto and made a part hereof.

9. *Rules and Regulations.* Cooperative hereby adopts the "Schedule of Rules and Regulations" attached hereto, in which Cooperative is referred to as "Distributor." Such Rules and Regulations may be amended, supplemented, or repealed by Cooperative at any time upon 30 days' written notice to TVA setting forth the nature of and reason for the proposed change. No change shall be made in said schedule, however, which is in violation of or inconsistent with any of the provisions of this contract.

10. *Use of Lines for Transmission Purposes.* TVA is hereby granted the privilege of using any electric lines of Cooperative, to the extent of their capacity in excess of the requirements of Cooperative, for the purpose of transmitting electric energy between adjoining portions of TVA's facilities or to other customers of TVA. TVA shall be obligated to pay Cooperative the additional cost, including any additional fixed charges and operating and maintenance costs, imposed on Cooperative by permitting use of its facilities to serve other customers of TVA, and to indemnify and save harmless Cooperative from any damage or injury caused by TVA's exercise of such use.

11. *Waiver of Defaults.* Any waiver at any time by either party hereto of its rights with respect to any default of the other party or with respect to any other matter arising in connection with this contract shall not be considered a waiver with respect to any subsequent default or matter.

12. *Transfer of Contract.* Neither this contract nor any interest herein shall be transferable or assignable by Cooperative without the consent of TVA.

13. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Cooperative offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of this contract.

14. *Termination of Existing Contracts.* It is hereby agreed that the power contract dated May 10, 1962, and numbered TV-23488A, as supplemented and amended, between the parties is terminated as of the effective date of this contract; provided, however, that nothing herein contained shall be construed as effecting the termination of the following agreements, or portions of agreements, between the parties hereto, it being the intention of the parties that each of said agreements, or portions thereof, shall remain in full force and effect for the term

of this contract unless sooner terminated in accordance with specific provisions of each agreement, respectively:

(a) Section 3 of Agreement TV-23488A, Supplement No. 10, dated March 22, 1977, relative to application of a monthly facilities rental credit to billings under Wholesale Power Rate—Schedule WS;

(b) Lease and Amendatory Agreement TV-23488A, Supplement No. 13, dated November 9, 1979, relative to the lease by Cooperative of TVA's Benton 69-kV Substation;

(c) Lease and Amendatory Agreement TV-23488A, Supplement No. 14, dated January 17, 1980, relative to the lease by Cooperative of TVA's Coldwater, East Murray, Gilbertsville, Hardin, Hickory Grove, and Milburn Substations; and

(d) The provisions of Letter Agreement TV-23488A, Supplement No. 19, dated November 19, 1981, setting out the parties' rights and obligations relative to metering arrangements at Cooperative's Stella 161-kV Substation.

All references in said agreements, or portions thereof, to the power contract dated May 10, 1962, shall be deemed to refer to this contract.

15. *Term of Contract.* This contract shall become effective as of June 11, 1982, and shall continue in effect for 20 years from said date, subject to termination by either party, effective not earlier than 10 years from said date, on not less than four years' prior written notice. If Cooperative should give notice of termination hereunder, TVA shall be under no obligation from the date of receipt of such notice to make or complete any additions to or changes in any transformation or transmission facilities for service to Cooperative unless Cooperative agrees to reimburse TVA for its nonrecoverable costs in connection with the making or completion of such additions or changes.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their duly authorized officers, as of the day and year first above written.

Attest: (Seal):
s/Helen S. Drummer
Assistant Secretary
OGC s/SDK

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Ralph C. Edrington
Secretary

WEST KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION
By s/Jeffrey Howard
President

Approved by TVA
Board of Directors
MAY 19, 1982
s/HSD
Assistant Secretary

RESIDENTIAL RATE—SCHEDULE RS-2 (October 1976)

AVAILABILITY

This rate shall apply only to electric service to a single family dwelling and its appurtenances, where the major use of electricity is for domestic purposes such as lighting, household appliances, and the personal comfort and convenience of those residing therein. Any such dwelling in which space is occasionally used for the conduct of business by a person residing therein may be served under this rate. Where a portion of a dwelling is used regularly for the conduct of business, the electricity consumed in that portion so used shall be separately metered and billed under the General Power Rate; if separate circuits are not provided by the customer, service to the entire premises shall be billed under the General Power Rate.

CHARACTER OF SERVICE

Alternating current, single-phase, 60 hertz. Voltage supplied shall be at the discretion of Distributor and shall be determined by the voltage available from distribution lines in the vicinity and/or other conditions. Multi-phase service shall be supplied in accordance with Distributor's standard policy.

BASE CHARGES

Customer Charge: \$3.30 per delivery point per month

Energy Charge:

First 500 kilowatthours per month at 3.147 cents per kilowatthour*
Additional " " " "1.917 " " kilowatthour*

*as increased or decreased in accordance with Appendix I to the
Schedule of Rates and Charges

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

MINIMUM MONTHLY BILL

The customer charge constitutes the minimum monthly bill for all customers served under this rate schedule except those customers for which a higher minimum monthly bill is required under Distributor's standard policy because of special circumstances affecting Distributor's cost of rendering service.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

GENERAL POWER RATE—SCHEDULE GS-2 (October 1976)

AVAILABILITY

This rate shall apply to the firm power requirements for electric service to commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers; and other customers except those to whom service is available under other resale rate schedules.

CHARACTER OF SERVICE

Alternating current, single or three-phase, 60 hertz. Under A below power shall be delivered at a voltage available in the vicinity or agreed to by Distributor. Under B below power shall be delivered at a transmission voltage of 161 kV or, if such transmission voltage is not available, at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

BASE CHARGES

A. If the customer's demand for the month and its contract demand, if any, are each 5,000 kilowatts or less:

Customer Charge: \$4.30 per delivery point per month

Demand Charge:

First 50 kilowatts of demand per month, no demand charge
Next 50 kilowatts of demand per month, at \$2.30 per kilowatt
Excess over 100 kilowatts of demand per month, at \$2.30 per kilowatt

Energy Charge:

First	500 kilowatthours per month	at 3.963 cents per kWh*
Next	14,500	" " " " 2.583 " " kWh*
Next	25,000	" " " " 1.637 " " kWh*
Next	60,000	" " " " 1.227 " " kWh*
Next	400,000	" " " " 1.127 " " kWh*
Additional		" " " " 1.087 " " kWh*

*as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

B. If either the customer's demand for the month or its contract demand is greater than 5,000 kilowatts:

Customer Charge: \$1,000 per delivery point per month

Demand Charge: \$1.91 per kilowatt of demand per month

Additional charge for any demand in excess of customer's contract demand: \$1.91 per kilowatt per month

Energy Charge: 0.993 cent per kilowatthour per month as increased or decreased in accordance with Appendix I to the Schedule of Rates and Charges

FACILITIES RENTAL CHARGE APPLICABLE UNDER B ABOVE

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 20 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 55 cents per kW per month for the first 10,000 kW and 30 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's currently effective contract demand and shall be in addition to all other charges under this rate schedule including minimum bill charges.

ADJUSTMENT

The customer's bill for each month shall be increased or decreased in accordance with the current Adjustment Addendum published by TVA.

DETERMINATION OF DEMAND

Distributor shall measure the demands in kilowatts of all customers having loads in excess of 50 kilowatts. The demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month of (a) the load measured in kilowatts or (b) 85 percent of the load in kVA plus an additional 10 percent for that part of the load over 5,000 kVA, and such amount shall be used as the billing demand except that, under B above, the billing demand for any month shall in no case be less than the sum of (1) 40 percent of the first 5,000 kilowatts, (2) 70 percent of the next 45,000 kilowatts, and (3) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective contract demand or the highest billing demand established during the preceding 12 months.

MINIMUM BILL

The monthly bill under A above shall not be less than the higher of (1) the base customer charge or (2) 70 percent of the base demand charge (adjusted for the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

The monthly bill under B above shall not be less than the base demand charge (adjusted in accordance with the portion of the current Adjustment Addendum applicable to the customer's billing demand as provided in *Adjustment* above) applied to the higher of (a) the currently effective contract demand or (b) the highest demand established during the preceding 12 months.

Distributor may require minimum bills higher than those stated above.

SEASONAL SERVICE

Customers who contract for service on a seasonal basis shall be limited to 1,500 kilowatts and shall pay the above charges plus 10 percent of the bill computed after any adjustments are applied. For such customers the minimum monthly bill provided for above shall not apply. Instead, such customers shall pay a minimum monthly bill of \$5.00 so long as service is connected; shall pay a minimum annual bill which shall in no case be less than (a) 3 cents per kilowatthour of the maximum monthly consumption for customers whose demand does not exceed 50 kilowatts or (b) \$10.00 per kilowatt of the maximum demand established for customers whose demand is over 50 kilowatts; and shall pay in addition the actual cost of connections and disconnections in excess of one of each per year.

CONTRACT REQUIREMENT

Distributor may require contracts for all service provided under this rate schedule. Customers whose demand exceeds 50 kilowatts shall be required to execute contracts for an initial term of at least one year. If the customer requires in excess of 5,000 kilowatts, the contract shall be for an initial term of at least five years, and any renewal or extension of the initial contract shall also be for a term of at least five years. The customer shall contract for its maximum requirements and Distributor shall not be obligated to supply power in greater amount at any time than the customer's currently effective contract demand. If the customer uses any power other than that supplied by Distributor under this rate schedule, the contract may include other special provisions. The rate schedule in any power contract shall be subject to modification, replacement, or adjustment from time to time upon agreement between Distributor and TVA.

PAYMENT

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy.

SINGLE-POINT DELIVERY

The charges under this rate schedule are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to the same customer through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate schedule.

Service is subject to Rules and Regulations of Distributor.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And AIRCO, INC.

THIS CONTRACT, made and entered into as of December 17, 1981, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and AIRCO, INC. (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, the parties have heretofore entered into a power contract dated February 27, 1978, (hereinafter called the "1978 Contract"), under which firm power is made available for the operation of Company's carbide plant near Calvert City, Kentucky; and

WHEREAS, Company wishes to expand its operations to use interruptible power and amounts of firm power in excess of that provided for in the 1978 Contract; and

WHEREAS, the parties desire to replace the 1978 Contract with a new contract under which specified amounts of firm power and interruptible power will be made available to supply Company's expanded power requirements;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the meter-reading time on January 31, 1982, and shall continue in effect through the meter-reading time for the month of January 1992, unless sooner terminated as hereinafter provided.

At any time upon 5 years' written notice, either party may terminate the provisions hereunder covering availability of either the total amount of firm power or the total amount of interruptible power, or may terminate this contract. Upon Company's termination of the contract, or upon Company's termination of the provision hereunder covering availability of interruptible power, Company shall pay to TVA a termination charge equal in amount to TVA's average expense (as determined by TVA) in cents per kWh of purchased power and interchange (billed economy and nonreplacement energy) received for the previous 12 months multiplied by the amount, if any, of kilowatthours by which 43,824,000 kWh exceeds the sum (in kilowatthours) of (a) 5.0 percent of the total interruptible energy availability for the terminated portion of the contract term and (b) the interruption rights used (the total hours interrupted multiplied by the interruptible contract demand) by TVA up to the date of termination. In the event that TVA's said average expense of purchased power and interchange ceases, in TVA's judgment, to be a valid basis for determining the value of its interruption rights, TVA may substitute therefor in the foregoing formula and computations, TVA's average expense (as determined by TVA) of operating its combustion turbines for the previous 12 months.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 2400 CST or CDT, whichever is currently effective, on the last day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm and Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder 18,600 kW of firm power and 10,000 kW of interruptible power during the term of this contract. Said amounts of firm power and interruptible power shall be the "firm contract demand" and the "interruptible contract demand," respectively, hereunder.

Except as provided below with respect to interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA. TVA shall have the right to reduce the power made available under this section to the amount of the firm contract demand at any time and from time to time, provided that such reductions shall not exceed 2 in any calendar day nor aggregate more than 12 hours in any calendar day, 60 hours in any calendar week, 800 hours in any 12 consecutive months, or 5 percent of the time (4,382.4 hours) during the term of this contract.

Whenever practicable, TVA will give Company preliminary notice of expected reductions on the day before such reductions of availability of interruptible power are likely to occur. TVA will give Company a final notice of reduction, and Company shall reduce its load no later than 5 minutes after such final notice has been given. For the purposes of determining the billing amounts and the use of TVA's rights of reduction hereunder, each period of reduction shall commence 5 minutes after such final notice is given and shall end at the time notice is given of the restoration of the availability of interruptible power. Such notices may be given orally but shall be confirmed in writing.

3. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

4. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be the point of interconnection of Company's 13.2-kV lines and TVA's 13.2-kV bus served from OCB No. 274 in TVA's National Carbide 161-kV Substation. The power available hereunder shall be delivered at a nominal voltage of 13,200 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

Notwithstanding anything hereip which might be construed to the contrary, TVA's National Carbide 161-kV Substation may be used in serving loads other than Company's load in any manner that TVA deems necessary or desirable.

5. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of or price of supplemental power under section 3 of this contract will be divided for billing purposes, each billing period in that month comprising the intervals in which the same aggregate amounts of such power are available at the same price, whether or not they are consecutive intervals, and except that a month may be divided for billing purposes pursuant to section 4 of the Terms and Conditions, and billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, interruptible, and supplemental power available hereunder (during periods when firm, interruptible, and supplemental power are available), or (b) the aggregate amount of firm and interruptible power available hereunder (during periods when only firm and interruptible power are available), or (c) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make supplemental power available under section 3 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 3, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each billing period, less any supplemental energy deemed to have been taken by Company hereunder, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for interruptible power shall be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for interruptible power as so determined in a month shall be the respective billing demands for those classes of power for the month, except that the billing demand for either for any billing period in which the availability of that class of power was interrupted or curtailed pursuant to section 4 of the

Terms and Conditions shall be the highest demand for such power as so determined for that billing period; provided, however, that the total billing demand for firm and interruptible power shall in no case be less than the minimum amount prescribed for the billing demand for any month in the *Determination of Demand* section of the attached rate schedule.

6. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for interruptible power, charges for supplemental power, demand charges for any excess takings, charges for total normal energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GS-8, as modified, replaced, or adjusted by TVA from time to time, which schedule, including the current Adjustment Addendum, is attached hereto and made a part hereof; provided that

(a) in recognition of TVA's right to reduce the availability of power under section 2 of this contract, Company's monthly power bill as determined hereunder shall be reduced by the amount of the credit determined in accordance with Exhibit A as modified, replaced, or adjusted by TVA from time to time, which is attached hereto and made a part hereof;

(b) the minimum bill as determined in accordance with the second paragraph of the "*Minimum Bill*" section of said schedule shall apply to the sum of the firm and interruptible contract demands, except that it may be modified pursuant to section 4 of the Terms and Conditions;

(c) the sections of said schedule headed "*Availability*," "*Seasonal Service*," "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect; and

(d) the term "Distributor" in said schedule shall be deemed to refer to TVA, and the words "contract demand" in said schedule shall be deemed to be the total firm and interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control.

7. *Facilities Rental.* It is recognized that TVA has installed oil circuit breaker numbered 274 and related facilities, hereinafter collectively called "Rental Breaker," on the low-tension side of TVA's National Carbide 161-kV Substation and that Company's plant is supplied through the Rental Breaker. As consideration for TVA's providing, operating, and maintaining the Rental Breaker at Company's request and for Company's use and benefit, Company shall pay TVA, in addition to all other charges provided for in this contract, including the facilities rental charge specified in the rate schedule, a rental charge of \$547.59 per month, which is 1.25 percent per month of TVA's total installed cost, including applicable overheads, of the Rental Breaker. Payment for any period of less than one month shall be prorated. The rental rates specified in this section 7 may be changed by TVA upon at least one-year's prior written notice to Company.

The parties hereby further recognize that, in the future, circumstances may require changes in the interrupting capacity of the Rental Breaker or other changes therein, including additions and replacements. When in TVA's opinion changes in the Rental Breaker become necessary, such changes will be made by TVA, and Company shall, beginning on the date the Rental Breaker, as changed, is ready for service, pay to TVA a monthly rental of 1.25 percent of the total installed cost, including applicable overheads, of the Rental Breaker as changed (any such changes to be made by TVA shall be discussed with Company). In addition, Company shall pay to TVA, promptly upon receipt of a statement therefor, the cost, including applicable overheads, of removing the replaced Rental Breaker and the undepreciated portion of the cost of installing the replaced Rental Breaker (the latter cost shall be deemed to be the total installed cost less the original material cost of reusable materials and equipment); provided, however, that Company shall not be obligated to pay such costs of removal and installation if such changes in the Rental Breaker are caused by equipment failure or original inadequacy. Title to material and equipment determined to be nonreusable shall pass to Company without further action by the parties.

Upon expiration of this contract or of any extension, renewal, or replacement thereof, whichever is later, Company shall pay to TVA, promptly upon receipt of a statement therefor, the undepreciated portion of the cost of installing the then existing Rental Breaker (said cost shall be deemed to be the total installed cost less the original material cost of reusable materials and equipment). The obligations of the respective parties under this paragraph shall survive any such expiration or termination of this contract, notwithstanding anything to the contrary appearing in this contract.

The parties hereby further recognize that TVA's obligations with respect to the provision, installation, operation, and maintenance of the Rental Breaker are undertaken upon solicitation by Company for Company's benefit in maintaining power supply. Accordingly, Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents and employees, or sustained by third parties through or in connection with the operation of any of Company's facilities, arising out of or in any way connected with the use, maintenance, defect, failure, or operation of the Rental Breaker even though the personal injuries, property damage, or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees.

8. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide, at its expense, suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Plant Manager of Company of the circumstances and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay the amounts due for power and energy under this contract, including the minimum bills for such power, and for applicable rental charges as provided herein.

9. *Notices.* Any notice or demand required by this contract shall be deemed properly given if mailed, postage prepaid, to the Manager of Power, Tennessee Valley Authority, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, Airco, Inc., Airco Carbide Division, Post Office Box 67, Calvert City, Kentucky 42029, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of such person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

10. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

11. *Previous Agreement.* Notwithstanding anything to the contrary contained in the 1978 Contract, the 1978 Contract is hereby terminated effective as of the meter-reading time on January 31, 1982.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

Attest:
s/Helen S. Drummer
Assistant Secretary
s/JMc
OGC

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest: (Seal)
s/C. A. Bonnes
Secretary

AIRCO, INC.
By s/J. G. Baldwin
Senior Vice President

Approved by TVA
Board of Directors
DEC 17, 1981
s/HSD
Assistant Secretary

TENNESSEE VALLEY AUTHORITY
ADJUSTMENT ADDENDUM
To
SCHEDULES OF RATES AND CHARGES

Effective October 2, 1981

The following table lists the adjustments applicable to the designated rate schedules. All adjustments shall be applicable to bills rendered from meter readings taken for TVA and Distributor monthly billing cycles scheduled to begin on or after the effective date of this Adjustment Addendum.

	<i>Energy Charge Per kWh</i>	<i>Demand Charge Per kW of Billing Demand</i>
Wholesale Power Rate - WS		Add \$4.64
Exempt kWh*	Add 0.733¢	
Additional kWh	Add 1.491¢	
Residential Rates - RS Series		
First 500 kWh	Add 1.968¢	
Additional kWh	Add 2.802¢	
General Power Rates - GS Series		
Customers billed under Part "A"		Add \$4.64**
First 15,000 kWh	Add 3.002¢	
Additional kWh	Add 1.537¢	
Customers billed under Part "B"		Add \$4.79
First 20,000,000 kWh	Add 1.581¢	
Additional kWh	Add 1.536¢	
Outdoor Lighting Rate - LS, Part A	Add 1.928¢	
Outdoor Lighting Rate - LSI, Part A	Add 1.928¢	
LSI, Part B	Add 0.533¢	

*Exempt kWh is defined as 550 kWh multiplied by the total number of residential customers served by Distributor during June preceding the beginning of each fiscal year (October 1—September 30) of application.

**Applicable only to billing demand in excess of 50 kilowatts.

This addendum supersedes and replaces the Adjustment Addendum that became effective on April 2, 1981.

Exhibit A

5-PERCENT INTERRUPTIBLE POWER CREDIT

Industrial customers having 5-percent interruptible power under a power contract shall receive a credit on their monthly power bill as determined below.

All calculations and definitions hereunder shall exclude any excess, standby, and/or supplemental power demands and associated energy that the customer is deemed to have taken in the month under the power contract.

Credit: \$3.44 per kilowatt of the effective interruptible demand (EID) per month.

Where: $EID = [(0.3 + .7UF) \text{ kWT}]$ less the customer's firm contract demand,

UF or customer's monthly "use factor" = The total firm and interruptible energy taken in the month divided by the sum of (a) the firm billing demand times hours available and (b) the interruptible billing demand times hours available,

kWT = The sum of the customer's billing demands for firm and interruptible power for the month,

The terms "firm contract demand," "firm billing demand," and "interruptible billing demand," as used herein, are the same as those terms defined in the power contract.

If at any time after October 1981 TVA should change, modify, replace, or adjust its General Power Rate schedules so that the total monthly bill, exclusive of any applicable facilities rental charges under said schedule, for a firm power load of 20,000 kW and 10,000,000 kWh (herein called "designated load") is increased, the above credit of \$3.44 per kilowatt shall be increased. The increased credit shall become effective with any such change, modification, replacement, or adjustment, and shall be equal to \$2.35 (initial credit based on April 1979 rate schedule) times the ratio of said monthly bill for the designated load after the change, modification, replacement, or adjustment to said monthly bill for the designated load for the month of April 1979. Each such increase in the credit shall become effective, however, only if at least five years remain in effect in the customer's contract term on the effective date of the increased credit. TVA, the distributor, and the customer may, however, agree to extend the contract term such that a minimum of five years remain after the effective date of the increased credit.

TERMS AND CONDITIONS

1. *Conditions of Delivery.* The power delivered under the contract shall be 3-phase alternating current at a frequency of approximately 60 cycles per second and at the nominal voltage specified in the contract. Except for temporary periods of abnormal operating conditions, voltage variations shall not exceed 7 percent up or down from a normal voltage to be determined from operating experience.

Company shall exercise all reasonable precautions and install all equipment necessary to limit its total demand as determined in accordance with the contract or rate schedule attached thereto to the amount to which it is entitled under the contract. If the total demand for any interval exceeds the amount to which Company is so entitled, Company shall not be entitled to continue such excess takings thereafter whether or not it is obligated to pay therefor.

Maintenance by TVA at the point of delivery of voltage within the above-stated limits and the frequency contracted for will constitute availability of power for purposes of the contract.

TVA shall not be obligated to install protective equipment, but may install such equipment as TVA deems necessary for the protection of its own property and operations. The electrical equipment installed by Company shall be capable of satisfactory coordination with TVA's protective equipment.

In the event Company's use of power causes fluctuations or disturbances on TVA's system, TVA may require Company, at Company's expense, to install suitable apparatus to keep such fluctuations or disturbances within reasonable limits.

2. *Billing.* TVA will bill Company for all charges applicable under the contract for the preceding month as defined herein as soon thereafter as practicable. Company shall pay such bill within 20 days after the date of the bill. Any amount so billed and remaining unpaid 20 days after the date of the bill shall be increased by 1 percent, and an additional 1 percent of the then unpaid amount shall be added for each succeeding 30-day period until the amount is paid in full. All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate by notice to Company.

Upon failure of Company to pay such charges within 30 days after date of any bill, TVA shall have the right, upon reasonable notice, to discontinue the supply of power, and may refuse to resume delivery so long as any such past due account remains unpaid. Discontinuance of supply under this section shall not relieve Company of its liability for minimum monthly charges.

In the event Company voluntarily or involuntarily fails to pay in full any monthly bill by the expiration of 60 days from the date of bill, TVA shall have the right to consider the contract breached and to cancel the same upon written notice that if payment in full is not received

within 10 days (or such longer period as may be specified) after the date of said notice, the contract shall be deemed permanently breached and canceled; and such cancellation by TVA shall be without waiver of any amounts which may be due or of any rights, including the right to damages for such breach, which may have accrued up to and including the date of such cancellation.

For purposes of determining billing amounts, the term "month" in the body of this contract, and in the attachments thereto, if any, shall mean the period from the meter-reading time in one calendar month to the meter-reading time in the next calendar month.

3. *Metering.* TVA shall install and maintain the meters and associated equipment which in TVA's judgment are needed to determine the amounts of power and energy used by Company. If Company provides its own stepdown substation, and if in TVA's judgment there are special conditions which must be met in Company's substation or switchgear with respect to metering equipment, Company shall at its expense provide, install, and maintain, in accordance with plans and specifications approved by TVA, that part of the associated equipment necessary in TVA's judgment for the installation and operation of TVA's meters under the circumstances. If the metering equipment is not located at the point of delivery defined in the contract, all amounts so metered shall be appropriately adjusted to reflect delivery at the point of delivery. The amounts so metered by TVA, and so adjusted if appropriate, shall be the amounts used as the basis for billing, except as otherwise provided. Company shall have the right to install and maintain at its expense meters adjacent to TVA's meters, as a check on TVA's meters. Should TVA's meters fail to register for any period, the consumption during such period shall be determined from the Company's meters or from the best information available.

TVA shall, at its expense, make periodic tests and inspections of its metering equipment in order to maintain a high standard of accuracy. If requested by Company, TVA shall make additional tests and inspections of its metering equipment; if such additional tests show that the measurements are accurate within 1 percent fast or slow at the average load during the preceding 30 days, the cost of making such additional tests or inspections shall be paid by Company. TVA shall give Company reasonable notice of tests, so that Company may have a representative present if it wishes.

If any tests or inspections show TVA's measurements to be inaccurate by more than 1 percent, an offsetting adjustment shall be made in Company's bills for any known or agreed period of inaccuracy; in the absence of such knowledge or agreement, the adjustment shall be limited to 30 days prior to the date of such tests. Any TVA metering equipment found to be inaccurate by more than 1 percent shall be promptly replaced, repaired, or readjusted by TVA.

4. *Interference with Availability or Use of Power.* The term "force majeure" shall be deemed to be a cause reasonably beyond the control of the party affected, such as, but without limitation to, injunction, strike of the party's employees, war, invasion, fire, accident, floods, backwater caused by floods, acts of God, or inability to obtain or ship essential services, materials, or equipment because of the effect of similar causes on the party's suppliers or carriers. Acts of God shall include the effects of drought if the drought is of such severity as to have a probability of occurrence not more often than an average of once in 40 years.

It is recognized by the parties that the availability of power to Company may be interrupted or curtailed from time to time during the term of this contract because of force majeure or otherwise. Company shall be solely responsible for providing and maintaining such equipment in its plant and such emergency operating procedures as may be required to safeguard persons on its property, its property, and its operations from the effects of such interruptions or curtailments. Company assumes all risk of loss, injury or damage to Company resulting from such interruptions or curtailments. If any such interruption or curtailment lasts longer than 30 consecutive minutes, TVA shall cancel or proportionately reduce, as the case may be, the charges for service for the period of such interruption or curtailment.

If Company's ability to operate the facilities for which power is available under the contract is interrupted or curtailed for a period longer than 24 hours because of force majeure suffered by Company, (1) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 75 percent of the power available, shall be combined, except for intervals covered by (2) below, into a separate billing period to which the pro rata portion of the normal monthly charge, including minimum bill, shall apply and (2) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 5 percent of the power available shall be combined into another separate billing period for which the minimum bill shall be half the pro rata portion of the normal monthly minimum bill; provided, however, that Company may designate, by oral notice to TVA within 72 hours after its load increases above

75 percent of the power available, a shorter billing period in lieu of the separate billing period provided for in (1) above. Any such oral notice shall be confirmed in writing.

Each party shall notify the other party promptly of the development of any cause of interruption or curtailment, and shall remedy the effect of any such cause as promptly as practicable.

5. *Resale of Power.* The electric power supplied under the contract is for the use of Company or any wholly owned subsidiary of Company or its parent company in the operation of its facilities at the location or locations specified in the contract and shall not be resold or otherwise disposed of, directly or indirectly, for any other purpose.

6. *Phase Balancing.* Company shall endeavor to take and use power and energy in such manner that the current will be reasonably balanced on the three phases. In the event that any check indicates that the current on the most heavily loaded phase exceeds the current on either of the other phases by more than 20 percent, Company agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced condition is not corrected within 60 days, or such other period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and compute the total demand for billing purposes as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with the current coil in that phase wire and to the potential coil connected between that phase wire and the neutral voltage point.

7. *Waivers.* A waiver of one or more defaults shall not be considered a waiver of any other or subsequent default.

8. *Successors and Assigns.* The contract may be assigned by TVA, but shall not be assignable by Company without written consent of TVA except to a wholly owned subsidiary of Company or Company's successor by any bona fide merger, reorganization or consolidation.

In the event of any such assignment the parties hereto shall remain liable for the faithful performance of the contract in all respects by their respective assigns, and such assigns by acceptance of such transfer or assignment shall likewise become bound for the full performance of the contract until the expiration thereof.

9. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of the contract or to any benefit that may arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Company offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of the contract.

10. *Counterparts.* The contract may be executed in any number of counterparts, and all such counterparts, executed and delivered each as an original, shall constitute but one and the same instrument.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And GENERAL MOTORS CORPORATION

THIS CONTRACT, made and entered into as of November 10, 1981, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and GENERAL MOTORS CORPORATION, a corporation organized and existing under the laws of the State of Delaware, acting through its Saginaw Steering Gear Division (hereinafter called "Company").

WITNESSETH:

WHEREAS, the parties have heretofore entered into a power contract dated June 9, 1975, as amended (hereinafter called the "1975 Contract"), under which power is made available by TVA to Company in specified amounts for the operation of a vehicle parts plant near Athens, Alabama, owned by the Industrial Development Board of the City of Athens, Alabama (hereinafter called "Development Board"), and operated by Company's Saginaw Steering Gear

Division as a tenant under a lease with the Development Board; and

WHEREAS, Company has requested that TVA construct a second 161-kV transmission line to Company's stepdown substation to provide loop line service to Company's plant; and

WHEREAS, the parties desire to replace the 1975 Contract with a new contract under which TVA will continue to make available a specified amount of power to Company for operation of the aforesaid plant;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the date first above written and shall continue in effect through the meter-reading time for the month of November 1991.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0800 CST or CDT, whichever is currently effective, on the twentieth day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

Company shall notify TVA in writing during November 1989 whether it will wish to continue to purchase from TVA power for operation of Company's plant after this contract expires. In the event that Company chooses at that time to continue to purchase TVA power, TVA shall be obligated to make available under a replacement contract for a term, not exceeding 10 years, beginning upon expiration of this contract, firm power in an amount not to exceed the firm power contract demand hereunder at the time of expiration of this contract. Notwithstanding the foregoing, Company shall have the opportunity to contract for larger amounts of firm power than such firm power contract demand hereunder in a replacement contract if, and to the extent that, TVA's then current policy for contract demand increases permits such a contract demand increase. The rates, terms, and provisions under said replacement contract and the maximum allowable increase in the contract demand amount shall be the same as are then currently being offered to nongovernmental industrial customers of the same general class as Company.

2. *Construction of Facilities.* TVA owns, operates, and maintains a 161-kV, 1,590-kcmil AAC transmission line approximately 5.5 miles long on a 125-foot-wide right of way from TVA's Decatur-Huntsville 161-kV Transmission Line to Company's 161-kV stepdown substation at Company's plant site for supplying Company the power provided for herein.

In accordance with the request made by Company, TVA shall construct within three months after the date first above written, or as soon thereafter as practicable, a second 161-kV, 1,590-kcmil AAC transmission line approximately 5.5 miles long parallel to the existing line on the existing right of way from TVA's Decatur-Huntsville 161-kV Transmission Line to Company's 161-kV stepdown substation to establish loop line service to Company's plant. In connection with the construction of this line, TVA shall at its expense, install, own, operate, and maintain line relays and carrier terminal equipment necessary for loop line service. The line traps, coupling capacitor voltage transformers, and line tuning units required for connecting the carrier terminals to the lines shall be furnished, owned, and operated by TVA but will be installed by Company at its expense unless otherwise agreed.

Company has installed at its expense and shall continue to own, operate, and maintain at its expense a third 3-phase, 24/32/40 MVA, 161-13.2-kV transformer in Company's 161-kV stepdown substation. In accordance with the request made by Company, TVA provided and installed effective as of January 31, 1981, metering instruments and other associated metering equipment for use by TVA in connection with measuring and recording power and energy delivered to said third transformer; provided, however, that 13.2-kV metering current transformers, furnished by Company, and the 13.2-kV metering voltage transformers and associated cables furnished by TVA as part of the aforesaid metering instruments and associated metering equipment were installed by Company at its expense in accordance with plans and specifications approved by TVA. Company, as requested by TVA from time to time, shall at its expense perform necessary maintenance on said metering transformers or replace said current transformers with new current transformers furnished by Company and replace said voltage transformers with new voltage transformers furnished by TVA.

Company has provided and installed at its expense and shall continue to own, operate, and maintain at its expense the 161-kV oil circuit breakers necessary for loop line service to its plant. Prior to the purchase of said oil circuit breakers, Company submitted their specifications to TVA for review and approval. Company shall operate its 161-kV transformers, circuit breakers, and other facilities in such a manner that these facilities will not limit power flow on, or otherwise impair the operation of, TVA's Decatur-Huntsville 161-kV Transmission Line.

Company hereby agrees to grant or cause to be granted to TVA such easement and rights

of ingress and egress in, over, and across the site on which Company's plant is situated as may be necessary during the term of this contract to permit TVA to install, maintain, operate, alter, and repair its 161-kV transmission lines and other facilities utilized to supply Company power and energy hereunder. Company shall within six months after the effective date of this contract convey or cause to be conveyed to the United States of America, without cost to TVA or the United States of America, a permanent easement and right of way 125 feet in width for the aforesaid 161-kV transmission lines by an instrument in the form attached hereto and marked "Exhibit A," which is the form normally used by TVA for acquisition of easements and rights of way for comparable facilities. All such easements, rights of way, and access rights referred to hereinabove, including the permanent easement and right of way specifically described, shall be at locations on Company's plant site that are mutually satisfactory to Company, Development Board, and TVA.

If at any time during the term of this contract, or of any renewal, replacement, or extension thereof, Company and/or Development Board requests TVA to adjust or relocate its facilities located on the plant site, TVA shall make such adjustment or relocation, and Company shall reimburse TVA for the actual costs, including applicable overheads, incurred by TVA in performing such work, and further including costs of obtaining any new easements and rights of way for any such relocated facilities. In the event of any relocation provided for above, TVA shall cause to be abandoned and released any easements and rights of way over and across the plant site from which TVA's facilities are removed. Such abandonment shall be made after completion of the relocated facilities.

Notwithstanding anything herein which might be construed to the contrary, TVA's 161-kV transmission line referred to in the first paragraph of this section may be used in serving loads other than Company's load in any manner that TVA deems necessary or desirable.

3. *Availability of Firm Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder 30,000 kW of firm power during the term of this contract, which amount of firm power shall be the "firm contract demand" hereunder.

Company shall inform TVA on or before May 1 of each year of any projected increase in Company's power requirements that would exceed the power available under this contract. The parties, from time to time, will consider together whether it would be mutually advantageous to agree upon new or revised contractual arrangements for supplying any such increase.

4. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be at the point of interconnection of TVA's 161-kV transmission lines and Company's 161-kV stepdown substation. The power available hereunder shall be delivered at a nominal voltage of 161,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

Notwithstanding anything to the contrary appearing herein or in any other agreement between the parties, it is understood that TVA may make such changes as it chooses in its transmission system without additional expense to Company, provided that, in recognition of Company's rental payments to TVA for dual transmission service under section 6 hereof, any such changes will result in two 161-kV lines remaining available for service to Company, each of which will be adequate in TVA's sole judgment to supply Company's then current firm contract demand.

5. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for any excess takings, charges for all energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GS-8, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule, including the current Adjustment Addendum, is attached hereto and made a part hereof; provided that

- (a) the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;
- (b) the section of said schedule headed "*Seasonal Service*" and "*Contract Requirement*" and the last sentence thereof relating to Rules and Regulations shall be of no force and effect; and
- (c) the term "Distributor" in said schedule shall be deemed to refer to TVA.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control.

6. *Facilities Rental.* It is recognized that under customary power supply arrangements TVA would make power available to Company over a single 161-kV transmission line from TVA's Decatur-Huntsville 161-kV Transmission Line to Company's stepdown substation utilizing

a 75-foot right of way. As consideration for TVA's providing, operating, and maintaining at Company's request and for Company's use and benefit a second 161-kV transmission line associated therewith for loop line service (hereinafter called the "Line Facilities") as described in section 2 hereof, Company shall pay to TVA a monthly facilities rental charge equal to 1.25 percent per month of TVA's total cost, including applicable overheads, of installing the Line Facilities. Said monthly facilities rental charge is estimated for convenience only to be \$9,950 per month.

As consideration for TVA's providing and maintaining an additional 50 feet of right of way for the Line Facilities at Company's request and for Company's use and benefit, Company shall pay to TVA a monthly rental charge equal to 1.25 percent per month of 50/125 of the original cost of the right of way, including applicable overheads. Said rental charge (initially \$241.53 per month) shall be in addition to the monthly rental charge paid by Company for the Line Facilities.

As consideration for TVA's providing, operating, and maintaining at Company's request and for Company's use and benefit line relays and associated carrier equipment (hereinafter called "Protective Relay Facilities") necessary for loop line service, Company shall pay to TVA a monthly rental charge equal to 1.5 percent per month of the actual total installed cost, including applicable overheads, of the Protective Relay Facilities. Said rental charge is estimated for convenience only to be \$1,300 per month.

The rental rates of 1.25 percent and 1.5 percent per month specified hereinabove and hereinbelow in this section 6 may be changed by TVA upon at least one year's written notice to Company; provided, however, such rates shall not be changed unless and until the rates of all other TVA customers with similar contract provisions to amend the rental rates for rental facilities are also changed.

The rental charges for extra right of way provided for in paragraph 2 of this section shall become applicable beginning on the date first above written, and the rental charges for the Line Facilities and for the Protective Relay Facilities shall become applicable beginning on the date that each is placed in service. All rental charges contained in this section shall continue until expiration of this contract. Payment for any period of less than one month shall be prorated.

The parties hereby recognize that TVA's obligations with respect to the provision, installation, operation, and maintenance of the Line Facilities and the Protective Relay Facilities are undertaken upon solicitation by Company for use in connection with service to Company's plant and for Company's benefit. Accordingly, Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents or employees, or third parties arising out of or in any way connected with the use, operation, maintenance, repair, defect, or failure of the Line Facilities and the Protective Relay Facilities, even though the personal injuries, property damage, or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees.

The parties hereby recognize that, in the future, circumstances may require TVA to make changes in the Protective Relay Facilities, or Company may request changes in the Line Facilities or Protective Relay Facilities, which changes may include additions and replacements. When, in TVA's opinion, any such changes in any of said facilities become necessary in order to supply power to Company hereunder, such changes will be made by TVA, and Company shall, beginning on the date the facilities, as changed, are ready for service, pay to TVA a monthly rental of 1.25 percent or 1.5 percent, as the case may be, of the total installed cost, including applicable overheads, of the facilities as changed (any such changes to be made by TVA shall be discussed with Company). In addition, Company shall pay TVA, promptly upon receipt of a statement therefor, the actual cost, including applicable overheads, of removing any replaced facilities and the undepreciated portion of the cost of installing the replaced facilities (the latter cost shall be deemed to be the actual total installed cost, including applicable overheads, less the original material cost of reusable materials and equipment); provided, however, that Company shall not be obligated to pay such costs of removal and installation of such facilities if such changes are to replace or repair equipment which has failed. Title to material and equipment determined by TVA to be nonreusable shall pass to Company without further action by the parties.

In the event that this contract or any renewal or replacement thereof expires or is terminated, Company shall pay to TVA, promptly upon receipt of a statement therefor, the actual cost, including applicable overheads, of removing the Line Facilities and the Protective Relay

Facilities and the undepreciated portion of the cost of installing the then existing facilities (the latter cost shall be deemed to be the actual total installed cost, including applicable overheads, less the original material cost of reusable materials and equipment). Any of the facilities determined by TVA to be nonreusable will become the property of Company. The obligations of the respective parties under this paragraph shall survive any such expiration or termination of this contract, notwithstanding anything to the contrary appearing herein.

7. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide, at its expense, suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify the Plant Manager of Company of the circumstances, and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the condition causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay the amounts due for power and energy under this contract, including the minimum bills for such power, and for applicable rental charges as provided herein.

8. *Notices.* Any notice or demand required by this contract shall be deemed properly given if mailed, postage prepaid, to the Manager of Power, Tennessee Valley Authority, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Divisional Energy Coordinator, Saginaw Steering Gear Division, General Motors Corporation, 3900 Holland Road, Saginaw, Michigan 48605, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

9. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

10. *Previous Contract.* Effective as of the date first above written the 1975 Contract is hereby terminated; provided, however, that notwithstanding such termination, the obligations of Company and TVA under the last paragraph of section 6 of the 1975 contract shall survive until such obligations are fulfilled.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

Attest:
s/Helen S. Drummer
Assistant Secretary
s/EHD
OGC

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Allen W. Besey
Divisional Plant Engr.

GENERAL MOTORS CORPORATION
By s/Ellis M. Ivey, Jr.
General Manager

Approved by TVA
Board of Directors
NOV 10, 1981
s/HSD
Assistant Secretary

Exhibit A
Grant of Transmission Line Easement

FOR AND IN CONSIDERATION OF THE SUM OF _____
Dollars (\$) _____), cash in hand paid, receipt whereof is hereby acknowledged, we, the
undersigned

have this day bargained and sold, and by these presents do hereby grant, bargain, sell, transfer, and convey unto the United States of America a permanent easement and right of way for the following purposes, namely: the perpetual right to enter at any time and from time to time and to erect, maintain, repair, rebuild, operate, and patrol _____ line(s) of poles or transmission line structures with sufficient wires and cables for electric power circuits and telephone circuits, and all necessary appurtenances, in, on, over, and across said right of way, together with the right to clear said right of way and keep the same clear of brush, trees, buildings, and fire hazards; to destroy or otherwise dispose of such trees and brush; and to remove, destroy, or otherwise dispose of danger trees, if any, located beyond the limits of said right of way; all over, upon, across, and under the following described land, to wit:

TO HAVE AND TO HOLD the said easement and right-of-way to the United States of America, and its assigns, forever.

We covenant with the said United States of America that we are lawfully seized and possessed of said real estate, have a good and lawful right to convey the easement rights hereinabove described, that said property is free of all encumbrances, and that we will forever warrant and defend the title thereto against the lawful claims of all persons whomsoever.

We do further covenant and agree that the payment of the purchase price above stated is accepted by us as full compensation for all damage caused by the exercise of any of the rights above described; EXCEPT that the United States of America shall remain liable for any damage to growing crops and fruit trees and any direct physical damage caused to the property of the undersigned by its construction forces or by the construction forces of its agents and employees, in the erection and maintenance of or in exercising a right of ingress and egress to said lines.

In further consideration of the payment of the purchase price above stated, we for ourselves, our heirs, personal representatives, successors, and assigns, covenant and agree to and with the United States of America that no buildings or fire hazards shall be erected or maintained within the limits of the right-of-way, and this shall be a real covenant which shall attach to and run with the land affected by the easement rights and shall be binding upon everyone who may hereafter come into ownership of said land, whether by purchase, devise, descent, or succession.

Wherever the context hereof requires, the plural number as used herein shall be read as singular.
IN WITNESS WHEREOF,

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And KERR-McGEE
CHEMICAL CORPORATION

THIS CONTRACT, made and entered into as of October 15, 1981, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and KERR-McGEE CHEMICAL CORPORATION (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, Company and TVA have heretofore entered into a power contract dated September 25, 1974 (hereinafter called the "1974 Contract"), under which power is made available by TVA to Company for the operation of Company's plant near Hamilton, Mississippi; and

WHEREAS, the 1974 Contract is scheduled to expire at the meter-reading time on October 25, 1981; and

WHEREAS, Company is expanding its plant operations and has requested that TVA make available additional firm and interruptible power for the expansion; and

WHEREAS, the additional power requirements will exceed the existing 46-13-kV transformer capacity at the Hamilton 46-kV Substation; and

WHEREAS, Company has requested TVA to construct a 161-kV line to a new 161/46-13-kV substation to be constructed by Company, and

WHEREAS, the parties desire to replace the 1974 Contract with a new contract under which specified amounts of firm and interruptible power will be made available for Company's expanded operations;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the meter-reading time on October 25, 1981, and shall continue in effect through the meter-reading time for the month of October 1991, unless sooner terminated as hereinafter provided.

At any time, upon five years' written notice, either party may terminate the provisions hereunder covering availability of either the total amount of firm power or the total amount of interruptible power, or may terminate this contract. Upon Company's termination of the contract, or upon Company's termination of the provisions hereunder covering availability of interruptible power, Company shall pay to TVA a termination charge equal in amount to TVA's average expense (as determined by TVA) in cents per kWh of purchased power and interchange (billed economy and nonreplacement energy) received for the previous 12 months multiplied by the amount, if any, of kilowatthours by which 142,862,400 kWh exceeds the sum (in kilowatthours) of (a) 5.0 percent of the total interruptible energy availability for the terminated portion of the contract term and (b) the interruption rights used (the total hours interrupted multiplied by the interruptible contract demand) by TVA up to the date of termination. In the event that TVA's said average expense of purchased power and interchange ceases, in TVA's judgment, to be a valid basis for determining the value of its interruption rights, TVA may substitute therefor in the foregoing formula and computations, TVA's average expense (as determined by TVA) of operating its combustion turbines for the previous 12 months.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0900 CST or CDT, whichever is currently effective, on the twenty-fifth day of that month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Construction of Facilities.* TVA will construct by March 1, 1983, or as soon thereafter as practicable, an approximately 8-mile, 954 kmil ACSR, wood-pole, 161-kV tapline from a point in TVA's West Point-Aberdeen 161-kV Transmission Line to Company's new 161/46-13-kV substation to permit delivery to Company of the power made available hereunder.

Company shall, for the purpose of providing land rights for the use, installation, maintenance, and operation of TVA's 161-kV tapline, convey to the United States of America, without cost to TVA or the United States of America, an easement over Company's property not less than 75 feet in width, together with such additional easements and rights of way, including rights of ingress and egress in, over, and across Company's property as TVA deems necessary or desirable to permit the installation, maintenance, operation, and replacement of said 161-kV tapline and other facilities required to supply Company hereunder. The easements and rights

of way shall be permanent easements in the form normally used by TVA for acquisition of easements for comparable facilities and shall be at mutually satisfactory locations on Company's property. Company hereby grants to TVA the right to install and maintain meters in Company's substation, and TVA shall have free access thereto at all times.

If at any time during the term of this contract, or of any renewal, replacement, or extension thereof, Company requests TVA to adjust or relocate its facilities located on Company's property, TVA shall perform such adjustment or relocation work, and Company shall reimburse TVA for the actual costs, including applicable overheads, incurred by TVA in performing such work, which costs shall also include without limitation costs of obtaining any new easements and rights of way in, over, and across property other than Company's property for any such relocated facilities. In the event of any relocation provided for above, TVA shall cause to be abandoned and released any easements and rights of way over and across Company's property from which TVA's facilities are removed. Such abandonment shall be made after completion and payment of the costs of the relocation of said facilities.

It is recognized that in order for Company to complete the installation of its 161/46-13-kV substation facilities for the conversion of TVA's Hamilton 46-kV Substation to 161 kV for Company to obtain 161-kV delivery, it will be necessary for Company to commence preparatory work in TVA's Hamilton 46-kV Substation. Accordingly, TVA hereby gives permission to Company to enter upon and use until the date of conveyance specified hereunder, subject to the terms and conditions hereinafter stated, a portion of the 2.17-acre tract of land associated with TVA's complete Hamilton 46-kV Substation site identified on TVA's records as Tract HMSS-1 (hereinafter called "Parcel 1"), which part is outlined in red on the copy of TVA drawing No. LC-36360, R-15, attached hereto and hereby made a part hereof, solely for the purpose of installing, maintaining, and operating two 161/46-13-kV, 22.5/30/37.5/42-MVA, 3-phase transformers, two 161-kV circuit switchers, and associated facilities (hereinafter called "Facilities") to be used in connection with Company's expanded operations, together with such rights of access in, on, over, and across Parcel 1 as are necessary for the installation, maintenance, and operation of the Facilities.

It is further recognized that in connection with the substation conversion that (a) Company wishes to operate the Facilities for an interim period at 46 kV and shall, at its expense, install the necessary temporary facilities adjacent to TVA's existing 46-kV switchgear structure (hereinafter called "Temporary Facilities") to permit 46-kV delivery as specified in section 5 hereof, and TVA shall perform the electrical connection from the Temporary Facilities to TVA's existing 46-kV switchgear structure upon the completion of installation of the Facilities, and (b) Company shall, at its expense, provide and install a new fence surrounding the Facilities on Parcel 1 (hereinafter called "Fence Installation").

Company shall submit to TVA, in advance of installation, plans and specifications showing the arrangements of the installation of the Facilities, Temporary Facilities, and Fence Installation, and shall not install the Facilities, Temporary Facilities, or Fence Installation until after notification by TVA that such arrangements are satisfactory to TVA. Company will also notify TVA of the times when the substation will need to be deenergized by TVA operating personnel in conjunction with Company's work. Company shall install, maintain, and operate the Facilities, Temporary Facilities, and Fence Installation, and exercise the rights of access in such a manner as will not interfere with the safe and efficient operation of TVA's facilities and property.

Company shall not reconstruct, relocate, or structurally alter any structure or fixed improvement upon the premises except upon prior written approval by TVA. TVA does not warrant or represent that the premises are safe, healthful, or suitable for the purposes for which they are permitted to be used under the terms of this section.

Company may elect to have the installation of the Facilities, Temporary Facilities, and Fence Installation performed by contractors. Company shall caution its construction forces or those of its contractors against operating cranes or other equipment in a manner that would endanger TVA's facilities or personnel operating the equipment. Company and its contractors and agents shall perform all work in the substation in accordance with good, modern practices and procedures.

Company shall reimburse TVA for any damage to TVA's property and to property in TVA's custody, and Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents and employees, or third parties arising out of or in any way connected with the installation, use, maintenance, operation, failure, revision, repair, replacement, or removal of any of the Facilities, Temporary Facilities, and Fence Installation or Company's occupancy or use of Parcel 1, even though

the personal injuries, property damage, or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees.

On December 1, 1981, or as soon as practicable after Company completes the installation of the 161/46-13-kV facilities on TVA's Hamilton 46-kV Substation site as provided herein and Company completes the transfer of all of its load to Company's 161/46-13-kV substation operated at 46 kV as specified in section 6 hereof, TVA and the United States of America shall sell and convey or cause to be conveyed to Company, subject to the reservations hereinbelow, and Company shall be obligated to purchase TVA's complete Hamilton 46-kV Substation site, consisting of Parcel 1 and the remaining portion of the 2.17-acre site which part is outlined in blue on the copy of TVA drawing No. LC- 36360, R-15. The above property being conveyed does not include any of TVA's existing 46-13-kV substation facilities, which include the 46-13-kV transformers, the 46-kV switchyard, the 13-kV switchyard and the associated facilities. The purchase price will be the sum of TVA's acquisition costs for the substation site and the net book cost of the associated site improvements. Said purchase price is estimated, for the convenience of the parties, to be \$14,000. TVA hereby retains the right to remove TVA's existing 46-13-kV substation facilities, which include the 46-13-kV transformers, the 46-kV switchyard, the 13-kV switchyard, and the associated facilities when they are no longer required to supply power to Company, after TVA's 161-kV tapline referred to hereinabove is energized. At the time of purchase, the purchase price shall be paid by Company promptly upon receipt of a statement therefor and title to the substation site will be conveyed by TVA to Company by a special warranty deed on, or as soon as practicable after, the date on which Company pays said purchase price. Said deed shall contain appropriate reservations consistent with (a) TVA's rights and responsibilities under this contract; (b) such rights as may be vested in third parties to rights of way for a road and for power and telephone lines; and (c) outstanding mineral rights.

3. *Availability of Firm and Interruptible Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder firm and interruptible power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as of the meter-reading time on the dates indicated. Said amounts of firm power and interruptible power shall be the "firm contract demand" and the "interruptible contract demand," respectively, hereunder for the respective periods.

<i>Period</i>	<i>Amount of Power Available</i>	
	<i>Firm</i>	<i>Interruptible</i>
October 25, 1981 through November 25, 1981	17,400 kW	30,000 kW
November 25, 1981 through February 25, 1983	19,400 kW	30,000 kW
February 25, 1983 to the end of the term hereof	20,000 kW	33,000 kW

Except as provided below with respect to interruptible power and as provided in section 4 of the attached Terms and Conditions with respect to interference with the availability of power, power in the amounts of the contract demands shall be made available continuously by TVA. TVA shall have the right to reduce the power made available under this section to the amount of the firm contract demand at any time and from time to time, provided that such reductions shall not exceed 2 in any calendar day nor aggregate more than 12 hours in any calendar day, 60 hours in any calendar week, 800 hours in any 12 consecutive months, or 5 percent of the time (4,382.4 hours) during the term of this contract.

Whenever practicable, TVA will give Company preliminary notice of expected reductions on the day before such reductions of availability of interruptible power are likely to occur. TVA will give Company a final notice of reduction, and Company shall reduce its load no later than 5 minutes after such final notice has been given. For the purposes of determining the billing amounts and the use of TVA's rights of reduction hereunder, each period of reduction shall commence 5 minutes after such final notice is given and shall end at the time notice is given of the restoration of the availability of interruptible power. Such notices may be given orally but shall be confirmed in writing.

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to protect its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be (a) initially the point of interconnection of Company's 13-kV lines and TVA's 13-kV facilities in TVA's Hamilton 46-kV Substation, (b) for an interim period thereafter the point of interconnection of TVA's 46-kV transmission line and Company's 161/46-kV facilities operated at 46 kV, and (c) thereafter, the point of interconnection of TVA's 161-kV transmission tapline and Company's 161-kV facilities in Company's 161/46-13-kV substation.

Subject to the provisions of section 1 of the attached Terms and Conditions, the power available hereunder shall be delivered at a nominal voltage of (a) 13,000 volts at the Hamilton 46-kV Substation for the initial period, (b) 46,000 volts at Company's 161/46-13-kV substation during the interim period, and (c) 161,000 volts at Company's 161/46-13-kV substation thereafter.

The parties hereby recognize that (a) on December 1, 1981, or as soon as practicable thereafter upon the completion of Company's transfer of all its load to Company's 161/46-13-kV substation operated at 46 kV as specified in section 6 hereunder, the reference hereinabove to the 13-kV delivery point and the 13,000-volt delivery voltage at TVA's Hamilton 46-kV Substation shall be of no force and effect and (b) on March 1, 1983, or as soon as practicable thereafter upon the completion of the construction and installation of TVA's 161-kV tapline described in section 2 hereof and Company takes delivery at 161 kV, the reference hereinabove to the 46-kV delivery point and the 46,000-volt delivery voltage at Company's 161/46-13-kV substation shall be of no force and effect.

Notwithstanding anything herein which might be construed to the contrary, TVA's transmission and substation facilities with the exception of the Rental Facilities referred to in section 8 may be used in serving loads other than Company's load in any manner which TVA deems necessary or desirable.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of or price of supplemental power under section 4 of this contract will be divided for billing purposes, each billing period in that month comprising the intervals in which the same aggregate amounts of such power are available at the same price, whether or not they are consecutive intervals, and except that a month may be divided for billing purposes pursuant to section 4 of the Terms and Conditions, and billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm, interruptible, and supplemental power available hereunder (during periods when firm, interruptible, and supplemental power are available), or (b) the aggregate amount of firm and interruptible power available hereunder (during periods when only firm and interruptible power are available), or (c) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand and any billing demand for supplemental power shall be the "total normal demand." The total metered energy for each billing period, less any supplemental energy deemed to have been taken by Company

hereunder, shall be the "total normal energy."

Of the total normal demand taken in any billing period, the demand for firm power shall be deemed to be the first power taken, up to and including the amount of firm power available, and the demand for interruptible power shall be the total normal demand less the demand for firm power. The highest demand for firm power and the highest demand for interruptible power as so determined in a month shall be the respective billing demands for those classes of power for the month, except that the billing demand for either for any billing period in which the availability of that class of power was interrupted or curtailed pursuant to section 4 of the Terms and Conditions shall be the highest demand for such power as so determined for that billing period; provided, however, that the total billing demand for firm and interruptible power shall in no case be less than the minimum amount prescribed for the billing demand for any month in the *Determination of Demand* section of the attached rate schedule.

The metered amounts of reactive power taken by Company in each billing period shall be appropriately adjusted to reflect 8,200 kVAR of reactive power generating facilities which will be made available by TVA to Company hereunder until TVA no longer supplies Company's load from the Hamilton 46-kV Substation. These reactive power generating facilities shall be available only as provided in said section 8.

Notwithstanding any provision or provisions in this contract which might be construed to the contrary, beginning on the date of initial delivery of power to Company at 46 kV through TVA's existing 46-kV facilities to Company's 161/46-13-kV substation operated at 46 kV and ending on the date on which Company completes the transfer of all load from its 13-kV delivery point at the Hamilton 46-kV Substation to its 46-kV delivery point at Company's 161/46-13-kV substation operated at 46 kV, TVA shall combine on a simultaneous basis the deliveries of power and energy supplied through the 13-kV and 46-kV delivery points for all billing purposes; provided, however, that the facilities rental charge applicable for delivery at less than 161 kV shall continue to apply to the respective amounts of firm and interruptible contract demands as specified in section 3 hereof at (a) said 13-kV delivery point until Company completes the transfer of all its load to its 46-kV delivery point and thereafter at (b) said 46 kV delivery point until TVA's completion of the construction and installation of all of the facilities described in section 2 hereof at which time the Company will take delivery at 161 kV. Company shall complete the transfer of all its load from said 13-kV delivery point to the 46-kV delivery point as soon as possible after the date of initial delivery at said 46-kV delivery point, but in any event the load transfer from the 13-kV delivery point at TVA's Hamilton 46-kV Substation shall be completed within 30 days thereafter.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, demand charges for interruptible power, charges for supplemental power, demand charges for any excess takings, charges for total normal energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GS-8, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule, including the current Adjustment Addendum, is attached hereto and made a part hereof; provided that

(a) in recognition of TVA's right to reduce the availability of power under section 3 of this contract, Company's monthly power bill as determined hereunder shall be reduced by the amount of the credit determined in accordance with Exhibit A attached hereto and made a part hereof;

(b) the minimum bill as determined in accordance with the second paragraph of the "*Minimum Bill*" section of said schedule shall apply to the sum of the firm and interruptible contract demands, except that it may be modified pursuant to section 4 of the Terms and Conditions;

(c) the sections of said schedule headed "*Availability*," "*Seasonal Service*," "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect; and

(d) the term "Distributor" in said schedule shall be deemed to refer to TVA, and the words "contract demand" in said schedule shall be deemed to be the total firm and interruptible power available.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control.

8. *Facilities Rental.* In consideration of TVA's providing, operating, and maintaining for Company's exclusive use and benefit the oil circuit breakers numbered 234, 244, 254, 364, and

374, and related facilities (hereinafter called the "Rental Facilities") on the low-tension side of TVA's Hamilton 46-kV Substation, Company shall pay TVA, in addition to all other charges provided for in this contract, including the facilities rental specified in TVA's General Power Rate—Schedule GS-8, a monthly rental charge of 1.25 percent of TVA's total installed cost, including applicable overheads, of the Rental Facilities, which charge is currently \$1,144.56 per month. The monthly rental charge for any period of less than one month shall be prorated.

The parties hereby recognize that TVA's obligations with respect to the provision, operation, and maintenance of the Rental Facilities are undertaken upon solicitation by Company for use in connection with Company's circuits and for Company's benefit. Accordingly, Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents and employees, or third parties, arising out of or in any way connected with the use, operation, maintenance, repair, defect, or failure of the Rental Facilities, even though the personal injuries, property damage, or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees.

The parties hereby recognize that, in the future, circumstances may require changes in the interrupting capacity of the Rental Facilities, or other changes therein, including additions and replacements. When, in TVA's opinion, any such changes in any of the Rental Facilities become necessary in order to supply power to Company hereunder, such changes will be made by TVA, and Company shall, beginning on the date the Rental Facilities, as changed, are ready for service, pay to TVA a monthly rental of 1.25 percent of the total installed cost, including applicable overheads, of the Rental Facilities as changed (any such changes to be made by TVA shall be discussed with Company). In addition, Company shall pay to TVA, promptly upon receipt of a statement therefor, the cost, including applicable overheads, of removing any replaced facilities and the undepreciated portion of the cost of installing such replaced facilities (the latter cost shall be deemed to be the total installed cost less the original material cost of reusable materials and equipment); provided, however, that Company shall not be obligated to pay such costs of removal and installation if such changes in the facilities are caused by equipment failure or original inadequacy. Title to material and equipment determined to be nonreusable shall pass to Company without further action by the parties.

Effective on the date of completion of Company's transfer of all load to Company's 161/46-13-kV substation operated at 46 kV as specified in section 6 hereof, the Rental Facilities shall no longer be available to Company and Company shall pay TVA, promptly upon receipt of a statement therefor, the undepreciated portion of the cost of installing the then existing Rental Facilities (said cost shall be deemed to be the total installed cost less the original material cost of reusable materials and equipment).

In addition to the other facilities provided for in this section, the parties further recognize that until TVA no longer supplies Company's load from the Hamilton 46-kV Substation, TVA shall continue to make available, operate, and maintain facilities suitable for the generation of reactive power in each billing period in the amount of 8,200 kVAR for the use and benefit of Company. In consideration thereof, Company shall pay TVA a charge of \$0.21 per month per kVAR of reactive power made available to Company.

9. *Electrical Fluctuations.* The power and energy taken hereunder shall not be used in such a manner as to cause unusual fluctuations or disturbances on TVA's system. Company shall provide, at its expense, suitable apparatus which will reasonably limit such fluctuations. In the event that unreasonable fluctuations or disturbances, including without limitation harmonic currents resulting in actionable interference with communication systems or in harmonic resonance of now existing facilities, are caused by Company's facilities, TVA shall immediately notify Plant Manager of Company of the circumstances and TVA shall then have the right to discontinue the delivery of power and energy under this contract until the conditions causing such fluctuations or disturbances is corrected by Company. TVA shall give Company written notice of these circumstances in addition to the above-mentioned notice, but the requirement of providing such written notice shall not limit or delay TVA's right to discontinue service to Company. Despite such discontinuance of service, Company shall be obligated to pay the amounts due for power and energy under this contract, including the minimum bills for such power, and for applicable rental charges as provided herein.

10. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power, Tennessee Valley Authority, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, Kerr-McGee Chemical Corporation, Hamilton, Mississippi 39746, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed

in writing. The designation of such person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

11. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

12. *Previous Contracts.* Effective as of the meter reading on October 25, 1981, Circuit Breaker Agreement TV-37974A, dated May 23, 1973, is hereby terminated.

Effective as of the date of completion of Company's transfer of all load to Company's 161/46-13-kV substation operated at 46 kV as specified in section 6 hereinabove, the Emergency Operation Contract TV-22672A, dated August 25, 1961, and Capacitor Agreement TV-23498A, dated April 1, 1962, between the parties are hereby terminated.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

ATTEST: (Seal)
s/Helen S. Drummer
Assistant Secretary
OGC

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

ATTEST: (Seal)
s/Carter G. Dudley
Assistant Secretary

KERR-McGEE CHEMICAL CORPORATION
By s/J. L. Rainey
President

Approved by TVA
Board of Directors
OCT 15, 1981
s/HSD
Assistant Secretary

Form Approved
s/JIA
Law Dept.

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And A. E. STALEY
MANUFACTURING COMPANY

THIS CONTRACT, made and entered into as of February 26, 1982, between TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and A. E. STALEY MANUFACTURING COMPANY (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, Company plans to construct a new corn processing plant at Loudon, Tennessee, and has requested that TVA make available specified amounts of electric power for the operation of said plant; and

WHEREAS, the parties wish to agree upon the terms and conditions for the supply of such power;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the date first above written and shall continue in effect through the meter-reading time for the month of February 1992; provided, however, that provisions hereof relative to delivery of and payment for power and energy shall become effective as of 0800 CST on March 1, 1982, or as soon thereafter as the facilities referred to in section 2 are placed in service, which date shall be the date of initial availability hereunder.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0800 CST or CDT, whichever is currently effective, on the eighteenth day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to

Company.

2. *Construction of Facilities.* TVA will construct by March 1, 1982, or as soon thereafter as practicable, a 161-13.09-kV substation and a 161-kV transmission line approximately 0.75 mile long from a point in TVA's Watts Bar-Ft. Loudoun No. 2 161-kV Transmission Line to said substation so as to permit delivery of the power provided for herein. Said substation shall include one 30-MVA, three-phase, self-cooled transformer; provisions for the future addition of forced-air cooling and a second three-phase transformer of approximately the same rating as the initial transformer; a 161-kV circuit switcher; and related facilities including recording meters and associated metering facilities on the low-tension side of said substation for measuring the real and reactive power and energy taken hereunder by Company.

Company shall, for the purpose of providing land rights in the vicinity of Company's plant for the use, installation, maintenance, and operation of said substation, which is to be built, owned, maintained, and operated by TVA, convey or cause to be conveyed to the United States of America, without cost to TVA or the United States of America, an easement over a parcel of land mutually satisfactory to TVA and Company, which parcel shall be approximately 290 feet by approximately 225 feet at its widest point and graded to an elevation specified by TVA, together with such additional easements and rights of way, including rights of access in, on, over, and across Company's property as TVA deems necessary or desirable to permit the installation, maintenance, operation, and replacement of said substation, 161-kV transmission line, an oil catch basin, and other facilities required to supply power and energy to Company hereunder. The easements and rights of way described in the preceding sentence shall be easements in the form normally used by TVA for acquisition of easements for comparable facilities; shall be effective for as long as power is made available to the aforesaid plant or to other loads in accordance with the last paragraph of this section 2; and all shall be at mutually satisfactory locations across Company's property. The portion of Company's property to be conveyed to TVA as hereinabove provided is outlined in red and marked "Parcel 1" on TVA's drawing numbered LC-60416, R-3, marked "Exhibit A" attached hereto and hereby made a part hereof.

Company at its expense shall provide on its system and be responsible for all low-side switchgear required for its use in taking power from said substation, and said switchgear shall be capable of satisfactory coordination with TVA's equipment. Said switchgear, which shall be and remain the property of Company, shall be located on a Company-owned parcel of land approximately 175 feet by 60 feet, which is outlined in blue and marked "Parcel 2" on the attached Exhibit A.

In connection with TVA's work of providing initial surfacing and installing a fence on Parcel 1 for said substation, TVA will furnish all materials and perform all work required to provide initial surfacing on Parcel 2 and to install at the location shown on Exhibit A a 7-foot high chain link fence on Parcel 2 to complete a single and continuous enclosure for TVA's said substation and Company's said switchgear. Company shall reimburse TVA, promptly upon receipt of a statement or statements, for the actual costs, including applicable overheads, incurred by TVA in furnishing the materials and performing the work of installing said surfacing and fence on Parcel 2, which reimbursement is estimated, for the convenience of the parties only, to be approximately \$12,100. Following said reimbursement, said surfacing and fence on Parcel 2 shall become the property of Company without further action by the parties, and Company shall thereafter at its expense maintain said surfacing and fence on Parcel 2.

If at any time during the term of this contract or of any renewal, replacement, or extension thereof Company requests TVA to adjust or relocate any of TVA's facilities located on Company's property, Company shall reimburse TVA for the actual costs, including applicable overheads, incurred by TVA in performing any such work, which costs shall include, without limitation, costs of obtaining any new easements and rights of way in, on, over, and across property other than Company's property for any such relocated facilities. In the event of any relocation provided for above, TVA shall abandon and release any easements and rights of way over and across Company's property from which TVA's facilities are removed. Such abandonment shall be made after completion and payment of the cost of the relocation of said facilities.

Notwithstanding anything herein which might be construed to the contrary, the transmission facilities to be provided by TVA hereunder may be used in serving loads other than Company's load in any manner which TVA deems necessary or desirable. TVA will inform Company if it makes plans to serve any substantial additional load from said transmission facilities.

3. *Availability of Firm Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder firm power in the respective amounts specified for the periods indicated in the tabulation set forth below. Each such period shall begin and end as

of the meter-reading time on the dates indicated. Said amounts of firm power shall be the "firm contract demand" hereunder for the respective periods.

<i>Period</i>	<i>Amount of Firm Power Available</i>
March 1, 1982 through May 18, 1982	2,000 kW
May 18, 1982 through February 18, 1983	5,001 kW
February 18, 1983 through April 18, 1983	15,000 kW
April 18, 1983 through the end of the term hereof	25,000 kW

4. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

5. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be the point at which Company's facilities connect to TVA's facilities on the low-tension side of TVA's 161-13.09-kV substation referred to in section 2 hereof. The power available hereunder shall be delivered at a nominal voltage of 13,090 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

6. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of or price of supplemental power under section 4 of this contract will be divided for billing purposes, each billing period in that month comprising the intervals in which the same aggregate amounts of such power are available at the same price, whether or not they are consecutive intervals, and except that a month may be divided for billing purposes pursuant to section 4 of the Terms and Conditions, and billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm and supplemental power available hereunder (during periods when firm and supplemental power are available), or (b) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make supplemental power available under section 4 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 4, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand and any billing demand for supplemental power shall be the firm demand, and the highest firm demand in a month shall be the billing demand for firm power for the month; provided, however, that the firm power billing demand shall in no case be less than the minimum amount prescribed for the billing demand for any month in the *Determination of Demand* section of the attached

rate schedule.

The total metered energy for each billing period, less any supplemental energy deemed to have been taken by Company hereunder, shall be the firm energy.

7. *Rates.* Company shall pay TVA monthly for power and energy available under this contract. Customer charges, demand charges for firm power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GS-8, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule, including the current Adjustment Addendum, is attached hereto and made a part hereof; provided that

- (a) the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;
- (b) the sections of said schedule headed "*Seasonal Service*," and "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect; and
- (c) the term "Distributor" in said schedule shall be deemed to refer to TVA.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control.

8. *Facilities Rental Charge.* As consideration for TVA's providing, operating, and maintaining the 161-13.09-kV substation referred to in section 2 hereof for the exclusive use and benefit of Company, Company shall pay TVA a total monthly facilities rental charge under this contract computed at the rate for facilities rental charge specified in the aforesaid rate schedule, as modified, changed, replaced, or adjusted from time to time by TVA, applied to the maximum contract demand hereunder; provided, however, that said total monthly facilities rental charge shall in no event be less than one and one-half percent per month of the actual total installed cost of said substation (exclusive of the metering facilities installed therein), including any changes in said substation made by TVA as provided hereinbelow. It is estimated for convenience only that said total installed cost will be approximately \$833,000. Said estimated cost will be used for billing purposes until the actual total installed cost is determined by TVA, at which time any needed adjustment will be made retroactively. Said monthly facilities rental charge shall start on the date of initial availability of power and energy hereunder, shall continue until the termination of this contract or any renewal or replacement thereof, and shall be in lieu of any other facilities rental charge that might be construed to be applicable for these facilities hereunder or under said rate schedule as so modified or replaced from time to time.

If and when necessary changes are made by TVA in said substation, Company shall pay to TVA, promptly upon receipt of a statement therefor, the cost of removing the replaced facilities and the undepreciated portion of the cost of installing the replaced facilities (the latter cost being the actual total installed cost less the original material cost of reusable materials and equipment); provided, however, that Company shall not be obligated to pay such costs of removal and installation if such changes are caused by equipment failure. Any facilities determined by TVA to be not reusable will become the property of Company.

In the event that this contract or any renewal or replacement thereof expires or is terminated, Company shall pay to TVA, promptly upon receipt of a statement therefor, the actual cost, including applicable overheads, of removing the substation facilities and the undepreciated portion of the cost of installing the then existing substation (the latter cost shall be deemed to be the actual total installed cost less the original material cost of reusable materials and equipment). Any facilities determined by TVA to be nonreusable will become the property of Company. The obligations of the respective parties under this paragraph shall survive any such expiration or termination of this contract, notwithstanding anything to the contrary appearing herein.

From time to time upon at least one year's prior written notice to Company, the minimum rental rate of one and one-half percent per month specified in this section may be changed by TVA to such amounts as are then being included in similar arrangements with others for rental facilities.

9. *Notices.* Any notice or demand required by this contract shall be deemed properly given, if mailed, postage prepaid, to the Manager of Power, Tennessee Valley Authority, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Plant Manager, A. E. Staley Manufacturing Company, Post Office Box 248, Loudon, Tennessee 37774, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of such person to be so notified or the address of any such person may be changed at any time and from time to time by either party by similar notice.

10. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TENNESSEE VALLEY AUTHORITY

By s/H. G. Parris

Manager of Power

Attest:

s/Charles J. Meyerson

Assistant Secretary

A. E. STALEY MANUFACTURING COMPANY

By s/William W. Anderson

Director of Purchases

POWER CONTRACT Between TENNESSEE VALLEY AUTHORITY And TENNESSEE
CHEMICAL COMPANY

THIS CONTRACT, made and entered into as of March 26, 1982, between the TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended, and TENNESSEE CHEMICAL COMPANY (hereinafter called "Company"), a corporation organized and existing under the laws of the State of Delaware;

WITNESSETH:

WHEREAS, Company is negotiating with Cities Service Company to purchase its Copperhill, Tennessee, plant; and

WHEREAS, Company has requested that TVA make available a specified amount of electric power for the operation of said plant; and

WHEREAS, the parties wish to agree upon the terms and conditions for the supply of such power;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth, and subject to the provisions of the Tennessee Valley Authority Act of 1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of the meter-reading time on March 27, 1982, and shall continue in effect through the meter-reading time for the month of March 1992, subject to section 8 of the Terms and Conditions.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 0700 CST or CDT, whichever is currently effective, on the twenty-seventh day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to Company.

2. *Availability of Firm Power.* Subject to the other provisions of this contract, TVA shall make available to Company hereunder 36,000 kW of firm power during the term of this contract. Said amount of firm power shall be the "firm contract demand" hereunder.

3. *Availability of Supplemental Power.* TVA will make available supplemental power in such amounts and at such times as Company requests and TVA, in its judgment, is able to supply, subject, however, to and in accordance with mutually satisfactory schedules of availability agreed upon a reasonable time in advance of delivery of such power. The supplemental power so scheduled for any billing period will be paid for by Company at the then prevailing daily or monthly onpeak or offpeak supplemental power rates and charges, including any minimum bill charges designated by TVA at the time of scheduling.

After schedules of supplemental power have been established, Company, upon notice adequate to TVA in advance of any scheduled future deliveries, may change the schedules as to such deliveries to any extent acceptable to TVA. TVA may change such schedules to suspend or curtail the availability of supplemental power during TVA's anticipated peak-load hours of each day when and to the extent it finds it advisable to do so, or for any period when, in its judgment, it is necessary to do so to ensure that TVA will be able to meet its other commitments because of limited reserves of generating or transmission capacity or of stored hydro or fuel

energy. Any demand or minimum bill charges for supplemental power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by Company.

Any supplemental power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

4. *Delivery of Power.* The point of delivery for power and energy made available hereunder shall be the point of interconnection of TVA's facilities with Company's 13-kV facilities at TVA's Basin Substation. The power available hereunder shall be delivered at a nominal voltage of 13,000 volts, subject to the provisions of section 1 of the attached Terms and Conditions.

5. *Determination of Billing Amounts.* A month shall be the billing period, except that any month within which there is a change in the availability of or price of supplemental power under section 3 of this contract will be divided for billing purposes, each billing period in that month comprising the intervals in which the same aggregate amounts of such power are available at the same price, whether or not they are consecutive intervals, and except that a month may be divided for billing purposes pursuant to section 4 of the Terms and Conditions, and billing for periods provided for therein shall be governed thereby.

Company's "total demand" for each billing period shall be determined in the same manner as prescribed for determining the demand for any month under the *Determination of Demand* section of the attached rate schedule or, when applicable, determined as provided in section 6 of the Terms and Conditions. If the total demand exceeds (a) the aggregate amount of firm and supplemental power available hereunder (during periods when firm and supplemental power are available), or (b) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand," and the highest excess demand as so determined in a month shall be the billing demand for excess power for the month.

For any billing period in which TVA has agreed to make supplemental power available under section 3 hereof, the billing demand for supplemental power shall be the supplemental power scheduled in accordance with said section 3, and such supplemental power shall be deemed to have been made available by TVA and used by Company at 92-percent load factor during the hours scheduled for purposes of determining the amounts of supplemental energy deemed to have been taken by Company hereunder.

The total demand for each billing period less the sum of any excess demand and any billing demand for supplemental power shall be the firm demand, and the highest firm demand in a month shall be the billing demand for firm power for the month; provided, however, that the firm power billing demand shall in no case be less than the minimum amount prescribed for the billing demand for any month in the *Determination of Demand* section of the attached rate schedule.

The total metered energy for each billing period, less any supplemental energy deemed to have been taken by Company hereunder, shall be the firm energy.

6. *Rates.* Company shall pay TVA semimonthly for power and energy available under this contract as provided below. Customer charges, demand charges for firm power, charges for supplemental power, demand charges for any excess takings, charges for firm energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates and provisions of TVA's General Power Rate—Schedule GS-8, as modified, changed, replaced, or adjusted by TVA from time to time, which schedule, including the current Adjustment Addendum, is attached hereto and made a part hereof; provided that

- (a) the minimum bill may be modified pursuant to section 4 of the Terms and Conditions;
- (b) the sections of said schedule headed "*Seasonal Service*," and "*Contract Requirement*," and the last sentence thereof relating to rules and regulations shall be of no force and effect; and
- (c) the term "Distributor" in said schedule shall be deemed to refer to TVA.

Notwithstanding anything in section 2 of the Terms and Conditions which might be construed to the contrary, but subject to the provisions of section 8 of the Terms and Conditions, TVA will bill Company semimonthly. The first billing for each month shall be an estimated billing in an amount equal to one-half of the previous regular monthly billing and the second billing for each month shall be the regular monthly billing as provided for in said section 2. It is understood that for the initial month of electric service the estimated billing shall be \$350,000.00 and shall be billed on April 12, 1982. Thereafter the estimated billings shall be billed as above provided and on or as soon as practicable after the 15th day following the preceding regular monthly billing. Each regular monthly billing will reflect as a credit the amount paid pursuant to the previous estimated billing. The provisions of said section 2 concerning payment shall be fully applicable to the estimated billings in the same respects as they are applicable to the

regular monthly billings; provided, however, that the figures and word "20 days" appearing in the first paragraph of said section 2 shall be deleted and the figures and word "10 days" shall be substituted therefor; provided, further, that in addition to the rights TVA has pursuant to the second paragraph of said section 2, TVA shall have the right, in the event any payment is not made within 10 days after the date of either the regular or estimated bill, as above provided, to discontinue the supply of power without any notice whatsoever and may refuse to resume delivery so long as any past due account remains unpaid. Such discontinuance of supply shall not relieve Company of its liability for minimum bill charges.

Notwithstanding anything to the contrary in the Terms and Conditions or elsewhere in this contract, as partial consideration for TVA agreeing to supply Company with power and energy hereunder, Company by execution of this contract expressly waives any right it may otherwise have to receive any notice of termination prior to TVA exercising its rights of termination provided in this section 6.

In the event of any conflict between the provisions of said rate schedule and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control.

7. *Notices.* Any notice or demand required by this contract shall be deemed properly given if mailed, postage prepaid, to the Manager of Power, Tennessee Valley Authority, Chattanooga, Tennessee 37401, on behalf of TVA, or to the Vice President, Operations, Tennessee Chemical Company, Copperhill, Tennessee 37317, on behalf of Company, except that oral notices between the authorized operating representatives of the parties will be sufficient if confirmed in writing. The designation of the person to be so notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

8. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control; provided, however, that the phrase "5 percent of the power available" appearing in the third paragraph of section 4 of said Terms and Conditions shall be deemed to mean "5,000 kilowatts" irrespective of the amount of power available.

9. *Use of TVA's Facilities.* TVA will supply to Company, free of charge, direct current from TVA's storage battery installation at Basin Substation for the purpose of operating Company's oil circuit breakers, but such supply shall be limited to the amount which, in TVA's sole judgment, is available from said battery installation in excess of the requirements for TVA's facilities. Company shall furnish, install, operate, and maintain all facilities necessary to obtain the direct current from said battery installation in such a manner as not to interfere with the operation of TVA's equipment and facilities. Upon 120 days' written notice to Company, TVA shall have the right to change the voltage of said battery installation.

The parties hereby recognize that the direct current made available to Company pursuant to the preceding paragraph is made available upon solicitation by Company and for its sole benefit. Accordingly, Company releases the United States of America, TVA, their agents and employees from and shall indemnify and save harmless the United States of America, TVA, their agents and employees from any and all claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents or employees, or third parties arising out of or in any way connected with the failure or interruption in the supply of direct current made available under the preceding paragraph or with the use, maintenance, defect, failure, or operation of TVA's storage battery installation at the Basin Substation, even though the personal injuries, property damage, or loss of life or property is caused, occasioned, or contributed to by the negligence, sole or concurrent, of the United States of America, TVA, their agents or employees; provided, however, that said indemnification provisions shall apply only to claims, demands, or causes of action for personal injuries, property damage, or loss of life or property sustained by Company, its agents and employees, or sustained by third parties, through or in connection with the operation of any of Company's facilities.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

Attest: (Seal)
s/Helen S. Drummer
Assistant Secretary
s/JMC
OGC

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

Attest:
s/Earl T. Stolberg
Assistant Secretary

TENNESSEE CHEMICAL COMPANY
By s/Bruce D. Davis
President

Approved by TVA
Board of Directors
APR 12, 1982
s/HSD
Assistant Secretary

TERMS AND CONDITIONS

1. *Conditions of Delivery.* The power delivered under the contract shall be 3-phase alternating current at a frequency of approximately 60 cycles per second and at the nominal voltage specified in the contract. Except for temporary periods of abnormal operating conditions, voltage variations shall not exceed 7 percent up or down from a normal voltage to be determined from operating experience.

Company shall exercise all reasonable precautions and install all equipment necessary to limit its total demand as determined in accordance with the contract or rate schedule attached thereto to the amount to which it is entitled under the contract. If the total demand for any interval exceeds the amount to which Company is so entitled, Company shall not be entitled to continue such excess takings thereafter whether or not it is obligated to pay therefor.

Maintenance by TVA at the point of delivery of voltage within the above-stated limits and the frequency contracted for will constitute availability of power for purposes of the contract.

TVA shall not be obligated to install protective equipment, but may install such equipment as TVA deems necessary for the protection of its own property and operations. The electrical equipment installed by Company shall be capable of satisfactory coordination with TVA's protective equipment.

In the event Company's use of power causes fluctuations or disturbances on TVA's system, TVA may require Company, at Company's expense, to install suitable apparatus to keep such fluctuations or disturbances within reasonable limits.

2. *Billing.* TVA will bill Company for all charges applicable under the contract for the preceding month as defined herein as soon thereafter as practicable. Company shall pay such bill within 20 days after the date of the bill. Any amount so billed and remaining unpaid 20 days after the date of the bill shall be increased by 1 percent, and an additional 1 percent of the then unpaid amount shall be added for each succeeding 30-day period until the amount is paid in full. All payments shall be made to TVA at its offices at Chattanooga, Tennessee, or at such other place as TVA may from time to time designate by notice to Company.

Upon failure of Company to pay such charges within 30 days after date of any bill, TVA shall have the right, upon reasonable notice, to discontinue the supply of power, and may refuse to resume delivery so long as any such past due account remains unpaid. Discontinuance of supply under this section shall not relieve Company of its liability for minimum monthly charges.

In the event Company voluntarily or involuntarily fails to pay in full any monthly bill by the expiration of 60 days from the date of bill, TVA shall have the right to consider the contract breached and to cancel the same upon written notice that if payment in full is not received within 10 days (or such longer period as may be specified) after the date of said notice, the contract shall be deemed permanently breached and canceled; and such cancellation by TVA shall be without waiver of any amounts which may be due or of any rights, including the right to damages for such breach, which may have accrued up to and including the date of such cancellation.

For purposes of determining billing amounts, the term "month" in the body of this contract, and in the attachments thereto, if any, shall mean the period from the meter-reading time in one calendar month to the meter-reading time in the next calendar month.

3. *Metering.* TVA shall install and maintain the meters and associated equipment which in TVA's judgment are needed to determine the amounts of power and energy used by Company. If Company provides its own stepdown substation, and if in TVA's judgment there are special conditions which must be met in Company's substation or switchgear with respect to metering equipment, Company shall at its expense provide, install, and maintain, in accordance with plans and specifications approved by TVA, that part of the associated equipment necessary in TVA's judgment for the installation and operation of TVA's meters

under the circumstances. If the metering equipment is not located at the point of delivery defined in the contract, all amounts so metered shall be appropriately adjusted to reflect delivery at the point of delivery. The amounts so metered by TVA, and so adjusted if appropriate, shall be the amounts used as the basis for billing, except as otherwise provided. Company shall have the right to install and maintain at its expense meters adjacent to TVA's meters, as a check on TVA's meters. Should TVA's meters fail to register for any period, the consumption during such period shall be determined from the Company's meters or from the best information available.

TVA shall, at its expense, make periodic tests and inspections of its metering equipment in order to maintain a high standard of accuracy. If requested by Company, TVA shall make additional tests and inspections of its metering equipment; if such additional tests show that the measurements are accurate within 1 percent fast or slow at the average load during the preceding 30 days, the cost of making such additional tests or inspections shall be paid by Company. TVA shall give Company reasonable notice of tests, so that Company may have a representative present if it wishes.

If any tests or inspections show TVA's measurements to be inaccurate by more than 1 percent, an offsetting adjustment shall be made in Company's bills for any known or agreed period of inaccuracy; in the absence of such knowledge or agreement, the adjustment shall be limited to 30 days prior to the date of such tests. Any TVA metering equipment found to be inaccurate by more than 1 percent shall be promptly replaced, repaired, or readjusted by TVA.

4. *Interference with Availability or Use of Power.* The term "force majeure" shall be deemed to be a cause reasonably beyond the control of the party affected, such as, but without limitation to, injunction, strike of the party's employees, war, invasion, fire, accident, floods, backwater caused by floods, acts of God, or inability to obtain or ship essential services, materials, or equipment because of the effect of similar causes on the party's suppliers or carriers. Acts of God shall include the effects of drought if the drought is of such severity as to have a probability of occurrence not more often than an average of once in 40 years.

It is recognized by the parties that the availability of power to Company may be interrupted or curtailed from time to time during the term of this contract because of force majeure or otherwise. Company shall be solely responsible for providing and maintaining such equipment in its plant and such emergency operating procedures as may be required to safeguard persons on its property, its property, and its operations from the effects of such interruptions or curtailments. Company assumes all risk of loss, injury or damage to Company resulting from such interruptions or curtailments. If any such interruption or curtailment lasts longer than 30 consecutive minutes, TVA shall cancel or proportionately reduce, as the case may be, the charges for service for the period of such interruption or curtailment.

If Company's ability to operate the facilities for which power is available under the contract is interrupted or curtailed for a period longer than 24 hours because of force majeure suffered by Company, (1) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 75 percent of the power available, shall be combined, except for intervals covered by (2) below, into a separate billing period to which the pro rata portion of the normal monthly charge, including minimum bill, shall apply and (2) all of the intervals of 24 hours' or longer duration within any month when Company is, because of such force majeure, unable to use more than 5 percent of the power available shall be combined into another separate billing period for which the minimum bill shall be half the pro rata portion of the normal monthly minimum bill; provided, however, that Company may designate, by oral notice to TVA within 72 hours after its load increases above 75 percent of the power available, a shorter billing period in lieu of the separate billing period provided for in (1) above. Any such oral notice shall be confirmed in writing.

Each party shall notify the other party promptly of the development of any cause of interruption or curtailment, and shall remedy the effect of any such cause as promptly as practicable.

5. *Resale of Power.* The electric power supplied under the contract is for the use of Company or any wholly owned subsidiary of Company or its parent company in the operation of its facilities at the location or locations specified in the contract and shall not be resold or otherwise disposed of, directly or indirectly, for any other purpose.

6. *Phase Balancing.* Company shall endeavor to take and use power and energy in such manner that the current will be reasonably balanced on the three phases. In the event that any check indicates that the current on the most heavily loaded phase exceeds the current on either of the other phases by more than 20 percent, Company agrees to make at its expense, upon request, the changes necessary to correct the unbalanced condition. If said unbalanced

condition is not corrected within 60 days, or such other period as may be agreed upon, TVA may thereafter elect to meter the load on individual phases and compute the total demand for billing purposes as being equal to three times the maximum kilowatt load on any phase. For all purposes hereunder, the load on any phase shall be the load measured by a wattmeter connected with the current coil in that phase wire and to the potential coil connected between that phase wire and the neutral voltage point.

7. *Waivers.* A waiver of one or more defaults shall not be considered a waiver of any other or subsequent default.

8. *Successors and Assigns.* The contract may be assigned by TVA, but shall not be assignable by Company without written consent of TVA except (1) to a wholly owned subsidiary of Company or Company's successor by any bona fide merger, reorganization or consolidation or (2) to Cities Service Company in accordance with the provisions of an agreement of even date herewith among TVA, Company, and Cities Service Company.

In the event of any such assignment the parties hereto shall remain liable for the faithful performance of the contract in all respects by their respective assigns, and such assigns by acceptance of such transfer or assignment shall likewise become bound for the full performance of the contract until the expiration thereof; provided, however, that in the event of an assignment under item (2) of the preceding paragraph, (1) paragraphs 2 and 3 of section 6 of the contract shall no longer be of any force or effect and the term "semimonthly" in the first line of said section 6 shall be changed to read "monthly," (2) Cities Service shall have the right to terminate the contract upon 5 years' prior written notice, and (3) Company thereafter will be considered relieved of its responsibility for further performance of the contract, but will remain liable for all obligations incurred prior to the assignment.

9. *Restriction of Benefits.* No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of the contract or to any benefit to arise therefrom unless the contract be made with a corporation for its general benefit, nor shall Company offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value, except as provided in 18 C.F.R. § 1300.735-12 or -34 (1980). Breach of this provision shall constitute a material breach of the contract.

10. *Counterparts.* The contract may be executed in any number of counterparts, and all such counterparts, executed and delivered each as an original, shall constitute but one and the same instrument.

MEMORANDUM OF UNDERSTANDING Between UNITED STATES OF AMERICA,
DEPARTMENT OF THE AIR FORCE And TENNESSEE VALLEY AUTHORITY

THIS MEMORANDUM OF UNDERSTANDING, made and entered into as of April 30, 1982, between the UNITED STATES OF AMERICA, DEPARTMENT OF THE AIR FORCE (hereinafter called "Air Force") and the TENNESSEE VALLEY AUTHORITY (hereinafter called "TVA"), a corporation created and existing under and by virtue of the Tennessee Valley Authority Act of 1933, as amended;

WITNESSETH:

WHEREAS, Air Force operates the Arnold Engineering Development Center (hereinafter called "AEDC"), located near Tullahoma, Tennessee; and

WHEREAS, TVA and Air Force have heretofore entered into Memorandum of Understanding TV-33420A, F40650-70-C-0037, dated May 27, 1970, as amended and supplemented (hereinafter called the "1970 Contract"), under which power is made available by TVA to Air Force in specified amounts for the operation of AEDC; and

WHEREAS, the term of the 1970 Contract expires on April 30, 1982; and

WHEREAS, the parties desire to replace the 1970 Contract with a new contract under which TVA will continue to make available to Air Force specified amounts of power for the operation of AEDC;

NOW, THEREFORE, for and in consideration of the premises and of the mutual agreements hereinafter set forth and subject to the provisions of the Tennessee Valley Authority Act of

1933, as amended, the parties hereto mutually agree as follows:

1. *Term of Contract.* This contract shall become effective as of May 1, 1982, and shall continue in effect through the meter-reading time for the month of April 1987, and from year to year thereafter through the meter-reading time for the month of April 1992, unless sooner terminated as provided herein; provided, however, that unless otherwise agreed by TVA the term of this contract shall be extended from time to time insofar as is necessary to provide a 5-year commitment for any increases in firm contract demands, pursuant to section 2 below, of 5,000 kW or more. Either party may terminate this contract at any time after the meter-reading time for the month of April 1987 upon giving the other party 5-years' written notice of such termination.

For purposes of this contract, the term "meter-reading time" for any calendar month shall mean 2400 CST or CDT, whichever is currently effective, on the last day of that calendar month; provided, however, that TVA may change the meter-reading time upon notice to AEDC. (The designation "AEDC" appearing in this contract shall be deemed to refer to Air Force where and to the extent the context so requires.)

2. *Availability of Firm Power.* Subject to the other provisions of this contract, TVA shall make available to AEDC hereunder firm power in the respective amounts specified for the onpeak and offpeak hours (onpeak and offpeak hours being those defined in the provisions covering determinations of onpeak and offpeak hours in the rate attachment hereto) indicated in the tabulation set forth below. Said amounts of firm power shall be the "firm contract demand" hereunder for the respective hours.

<i>Hours</i>	<i>Amount of Firm Power Available - kW</i>
Onpeak	70,000
Offpeak	70,000

On January 1 of each year, AEDC shall furnish to TVA estimates of AEDC's firm onpeak and offpeak demand and energy requirements and onpeak and offpeak preferred surplus power requirements for the succeeding 60 months. Upon request by AEDC, the firm onpeak or offpeak contract demand shall be increased to the amount requested by AEDC; provided, however, that TVA shall not be obligated to increase the firm onpeak or offpeak contract demand above the level that TVA in its judgment is able to supply on a firm basis.

It is recognized that the above listed firm contract demands do not include the power requirements for AEDC's proposed new Aeropropulsion Systems Test Facility (ASTF). At such time as the ASTF project is operational for testing and upon request of AEDC, the availability of firm power under this section 2 shall be increased to include the firm power requirements of the ASTF project.

3. *Availability of Preferred Surplus Power.* TVA shall make available preferred surplus power in such amounts and at such times as AEDC requests and TVA in its judgment is able to supply, subject to mutually satisfactory schedules being agreed upon at the time of scheduling. AEDC shall schedule preferred surplus power for the following calendar day at the time AEDC furnishes TVA its daily hourly estimates as provided in section 7 below. The preferred surplus power so scheduled shall be paid for by AEDC at the then prevailing onpeak and offpeak charges for preferred surplus power. Said charges shall be determined monthly, based on TVA's fixed cost and TVA's operating cost of supplying preferred surplus power, as described in Attachment 2. The hours designated as onpeak and offpeak for preferred surplus power shall be those hours designated as onpeak and offpeak for firm power in the rate attachment, as such hour designations may be changed by TVA from time to time with two weeks' advance notice to AEDC.

After schedules of preferred surplus power have been established, AEDC shall have the right to modify or cancel such preferred surplus power schedules because of changes in its testing program not later than 30 minutes prior to scheduled takings, except in cases where TVA has incurred reservation or startup costs in which event the advance notice required for such modification or cancellation shall be 2 hours or any shorter period then acceptable to TVA; provided, AEDC shall endeavor to give TVA at least 4 hours' advance notice of a cancellation of a test startup. TVA shall inform AEDC 6 hours prior to each scheduled taking of preferred surplus power as to whether TVA will incur such reservation or startup costs for its supply. TVA may change the schedule to suspend or curtail the availability of preferred surplus power after ceasing deliveries of supplemental power to its customers and after curtailing interchange power deliveries to other electric systems (except for deliveries of seasonal diversity capacity and term energy under exchange power arrangements) and prior to TVA's curtailment of firm power to its customers in the TVA service area. In the event it is necessary for TVA to change

said schedule to suspend or curtail the availability of preferred surplus power, TVA shall notify AEDC at least 30 minutes prior to such schedule change; provided, however, that TVA shall not be obligated to give AEDC such 30 minutes' notice during force majeure conditions as defined in the attached Terms and Conditions. After such notice of suspension or curtailment by TVA, AEDC shall endeavor to reduce its take of power to the level specified by TVA as soon as practicable, but in no event shall such reduction by AEDC take longer than 30 minutes. Any charges for preferred surplus power shall be prorated for availability of less than a full scheduled period if any schedule therefor is changed by TVA, unless such change is requested by AEDC.

Any preferred surplus power schedule agreed to by the parties or any subsequent change therein, if oral, shall be confirmed in writing.

TVA shall have the right to cancel these provisions covering availability of preferred surplus power upon 1 year's written notice. In the event TVA exercises such right, the firm offpeak contract demand in section 2 above shall be increased by the parties to an amount which will reflect AEDC's then total firm offpeak power requirements in the absence of said preferred surplus power.

4. *Conditions of Delivery.* The point of delivery for power and energy made available hereunder shall be at the terminals of TVA's 161-kV transmission lines in the AEDC 161-kV switching station. The power available hereunder shall be delivered at a nominal voltage of approximately 161 kV, subject to the provisions of section 1 of the attached Terms and Conditions.

5. *Determination of Billing Amounts.* A month shall be the billing period except that any month within which there is a change in the availability of or price of preferred surplus power under section 3 of this contract shall be divided for billing purposes, each billing period in that month comprising the intervals in which the same aggregate amounts of such power are available at the same price, whether or not they are consecutive intervals, and except that a month may be divided for billing purposes pursuant to section 4 of the attached Terms and Conditions, and billing for periods provided for therein shall be governed thereby.

AEDC's "total onpeak and offpeak demands" for each billing period shall be determined in the same manner as prescribed for determining the demands for any month under the provisions covering determination of onpeak and offpeak demands in the rate attachment or, when applicable, determined as provided in section 6 of the attached Terms and Conditions. If the total onpeak or offpeak demand exceeds (a) the aggregate amount of firm and preferred surplus power available hereunder (during periods when firm and preferred surplus power are available), or (b) the amount of firm power available hereunder (during periods when only firm power is available), the amount of such excess shall be the "excess demand" and the excess takings charge shall be applied to the highest of the onpeak or offpeak excess takings incurred during the billing month.

For any billing period in which TVA has agreed to make preferred surplus power available under section 3 hereof, the billing demand for preferred surplus power shall be the preferred surplus power scheduled in accordance with said section 3, and said preferred surplus power shall be deemed to have been made available by TVA and used by AEDC at 92-percent load factor during the hours scheduled for purposes of determining the amounts of preferred surplus energy deemed to have been taken by AEDC hereunder.

The total onpeak and offpeak demands for each billing period less the sum of any excess demands and any billing demand for preferred surplus power shall be the firm onpeak and offpeak demands, and the highest firm onpeak and offpeak demands in the month shall be the onpeak and offpeak demands for firm power for the month; provided, however, that the firm power onpeak and offpeak billing demands shall in no case be less than the minimum amounts prescribed for the billing demands for any month in the provisions covering determination of onpeak and offpeak demands in the rate attachment.

The metered onpeak and offpeak energy for each billing period, less any preferred surplus energy deemed to have been taken by AEDC hereunder during the respective onpeak and offpeak hours designated in the rate attachment, shall be the onpeak and offpeak firm kilowatthours used during each billing period.

6. *Rates.* AEDC shall pay TVA monthly for power and energy under this contract. Customer charges, demand charges for onpeak and offpeak firm power, charges for preferred surplus power, demand charges for any onpeak or offpeak excess takings, charges for onpeak and offpeak firm energy used, as well as any other charges under this contract shall be separate and cumulative. Except as otherwise provided in this contract, such charges and payments shall be in accordance with the rates, charges, adjustments, and provisions set forth in the rate attachment hereto as modified, changed, replaced, or adjusted by TVA from time to time,

which rate attachment is hereby made a part hereof; provided that

(a) the minimum bill may be modified pursuant to section 4 of the attached Terms and Conditions; and

(b) the charges for power and energy and minimum bills so computed shall be reduced 5 percent since no payments in lieu of taxes are made on these revenues.

In the event that TVA is required by any law enacted after the effective date of this contract to pay any amounts for or in lieu of taxes which it would not have been required to pay except for the supply of power hereunder, including without limitation any payments resulting from TVA's ownership or operation of steam-electric generating and other facilities required for such supply of power, AEDC shall reimburse TVA for such payments. Such reimbursement shall not be required prior to the effective date of such legislation. TVA shall confer with AEDC before making any payment for which it would be entitled to such reimbursement in whole or in part.

It is recognized that the rates, charges, adjustments, and provisions set forth in the rate attachment are based on TVA's costs for the respective onpeak and offpeak hours of service to customers having loads comparable in size to that of AEDC. TVA shall have the right, after reasonable discussion with the Air Force Contracting Officer, to revise, modify, change, or adjust the rates, charges, adjustments, and provisions set forth in the rate attachment to reflect revisions, modifications, changes, and adjustments of rates and charges applicable for customers having loads comparable in size to that of AEDC.

Moreover, it is understood that at such time as TVA develops and implements a rate schedule containing time-differentiated rates for the firm power requirements for electric service to customers having loads comparable in size to that of AEDC, the rates, charges, adjustments, and provisions set forth in the rate attachment shall be revised, modified, changed, or adjusted by TVA as necessary to achieve consistency with said rate schedule.

In the event of any conflict between the provisions of said rate attachment and any provision or provisions of the body of this contract or the Terms and Conditions, either the body of this contract or said Terms and Conditions, as the case may be, shall control rather than said rate attachment.

7. *Schedules of Deliveries.* On Wednesday of each week AEDC shall mail to TVA an estimate of its anticipated use of power by hours for the following calendar week. By 12 noon each day AEDC shall give TVA, by phone, an hourly estimate of its use of power for the following calendar day. Significant changes in the daily schedule shall be given by the AEDC load dispatcher to TVA's load coordinator.

When any of the various facilities of AEDC are to be operated, the loads shall not be increased or reduced (except in emergencies or unless otherwise agreed by AEDC's load dispatcher and TVA's load coordinator) by more than 60,000 kW per minute, regardless of whether the change is gradual or in steps, and AEDC shall notify TVA's load coordinator in advance of any reduction that may exceed 50,000 kW.

8. *Billing.* Billings for all charges applicable under this contract shall be submitted pursuant to the *Billing* section of the attached Terms and Conditions except that, in addition, TVA shall submit a provisional bill to AEDC on the last business day of each month on the basis of 90 percent of the bill for the immediately preceding month. Upon receipt thereof AEDC shall immediately make a payment in the amount of such provisional bill. Such provisional bill shall not be subject to the provisions of the *Billing* section of the attached Terms and Conditions. As soon as practicable, TVA shall submit a net bill to AEDC for power and energy actually delivered during the month less the amount for which TVA has been compensated by the provisional payment. Said net bill shall be subject to the provisions of the *Billing* section of the attached Terms and Conditions.

In addition to the billings provided for in this section, TVA shall submit a bill to AEDC as of April 30, 1982, for payment of estimated demand charges for onpeak and offpeak firm power for the months of May through September. Thereafter, TVA shall submit a bill to AEDC on the last business day of each fiscal year for 12 months of estimated demand charges for the succeeding fiscal year for onpeak and offpeak firm power. Upon receipt thereof AEDC shall immediately make a payment in the amount of such bill. Said bill shall not be subject to the provisions of the *Billing* section of the attached Terms and Conditions. It is understood that nothing herein, including AEDC's payment of estimated demand charges at the beginning of each fiscal year, shall be construed to relieve AEDC of responsibilities for total demand charges applicable each month, as such charges are adjusted or changed. Each month the provisional bill and net bill provided for in this section shall reflect the payment of the estimated monthly demand charges as provided for in this paragraph. As consideration for the payment of estimated annual demand charges in accordance with this paragraph, each month's bill shall

be credited by an amount computed in accordance with Attachment 3. Either party shall have the right to cancel the provisions in this paragraph covering payment of the estimated annual demand charges on 1 year's written notice to the other party. Any overpayment for a fiscal year shall be reflected in a reduction in the succeeding fiscal year payment of estimated demand charges.

9. *Metering.* Metering shall be provided as described in the *Metering* section of the attached Terms and Conditions except that AEDC shall continue, at its expense, to provide and maintain the necessary current and potential transformers with conduit, secondary wiring, and auxiliary devices complete to TVA's meters; and AEDC shall provide adequate panel board space for TVA's meters. TVA shall furnish AEDC a copy of the results of any periodic tests and inspections performed as provided under the *Metering* section of the attached Terms and Conditions.

10. *AEDC Operations.* AEDC shall so operate and maintain its electrical facilities as not to endanger or interfere with the use of TVA's facilities.

AEDC's operations of its 161-kV facilities shall be in accordance with mutually satisfactory written operating procedures, and all its circuit breakers, relays, communication and telemetering facilities, and related equipment connected directly or indirectly to TVA's system shall at all times be operated and maintained so that said equipment and facilities shall be coordinated with similar equipment and facilities on TVA's system. AEDC shall have no obligation to modify its facilities for TVA's convenience in delivering power to customers other than AEDC. All tests, settings, and adjustments on such equipment shall be subject to the approval of TVA, and TVA shall have the privilege of having its engineers present when such tests, adjustments, or settings are made; or TVA, upon request of AEDC and at the expense of AEDC, shall make the necessary tests, adjustments, or settings.

AEDC shall maintain carrier communication equipment at its switching station coordinated with TVA's communication equipment for direct communication with TVA's load dispatching office and for telemetering and load control.

11. *Notices.* Any notice or demand required by this contract shall be deemed properly given if mailed, postage prepaid, to the Manager of Power, Tennessee Valley Authority, 500A Chestnut Street Tower II, Chattanooga, Tennessee 37401, on behalf of TVA, or to Headquarters, AEDC, Arnold Air Force Station, Tennessee 37389, on behalf of AEDC, except that oral notices between the authorized operating representatives of the parties shall be sufficient if confirmed in writing. The designation of such person to be notified or the address of such person may be changed at any time and from time to time by either party by similar notice.

12. *Rights of Access.* Subject to applicable security regulations, each party hereby grants to the other all rights, in, over, and across its property including, without limitation, rights of ingress and egress necessary to enable the other party to carry out its obligations and exercise its rights under this contract. Any equipment or facilities installed by either AEDC or TVA on the property of the other shall be considered to be the personal property of the party installing the same, except as otherwise provided herein. Each party shall exercise reasonable care to protect the facilities and equipment of the other located on its property and shall pay the cost of any repairs or replacements necessary in the event of loss of or damage to such facilities or equipment arising from its failure to exercise reasonable care therefor. The facilities or equipment of each party installed upon the property of the other shall be removed at the expense of the owning party upon the termination of this contract unless other mutually satisfactory arrangements are concluded.

13. *Incorporation of Terms and Conditions.* The attached Terms and Conditions are hereby made a part of this contract. The term "Company" in said Terms and Conditions shall be deemed to refer to AEDC. In the event of any conflict between the body of this contract and said Terms and Conditions, the former shall control.

14. *Assignment.* This contract may be assigned by either party upon written consent of the other party, but the Air Force may assign the contract to another Federal Government agency for the operation of AEDC without such consent being required.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed by their respective officers thereunto duly authorized, as of the day and year first above written.

ATTEST: (SEAL)
s/Helen S. Drummer
Assistant Secretary
s/EHD
OGC

TENNESSEE VALLEY AUTHORITY
By s/W. F. Willis
General Manager

ATTEST:
s/Kenneth R. Johnson
Commander

UNITED STATES OF AMERICA
By s/Thomas M. Cooper
Contracting Officer

Approved by TVA
Board of Directors
APR 30, 1982
s/HSD
Assistant Secretary

RATE ATTACHMENT

The character of service to AEDC shall be alternating current, three-phase, 60 hertz. Power shall be delivered at a transmission voltage of 161 kV.

The base charges to AEDC shall be as follows:

Customer Charge: \$1,000.00 per delivery point per month.

Demand Charges:

\$7.78 per kilowatt per month of AEDC's onpeak demand.

\$3.89 per kilowatt per month for each kilowatt by which AEDC's offpeak demand exceeds its onpeak demand.

Energy Charges:

All onpeak kilowatthours per month at 2.944 cents per kilowatthour.

All offpeak kilowatthours per month at 2.111 cents per kilowatthour.

The determination of Onpeak and Offpeak Hours shall be as follows:

Onpeak Hours:

Each day during months of May through September from 10 a.m. to 10 p.m. and, during all other months, from 6 a.m. to noon and from 4 p.m. to 10 p.m. except for Saturdays, Sundays, and weekdays observed as Federal holidays for New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Offpeak Hours:

All hours not onpeak hours shall be offpeak hours.

The times appearing in this rate attachment shall be the applicable times prescribed under the Uniform Time Act of 1966, as amended. The onpeak and offpeak hours under this rate attachment shall be subject to change by TVA from time to time.

AEDC's bill for each month shall be increased or decreased to reflect the adjustments to the base charges set forth in the current Adjustment Addendum to TVA's Schedules of Rates and Charges published by TVA; provided, however, that this section will not become effective prior to the effective date of the Adjustment Addendum superseding the October 2, 1981 Adjustment Addendum.

The determination of Onpeak and Offpeak Demands shall be as follows:

The onpeak demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month during the hours designated as onpeak hours of (a) the load measured in kilowatts or (b) 85 percent of the load during the onpeak hours in kVA plus an additional 10 percent for that part of the load over 5,000 kVA. The offpeak demand for any month shall be the higher of the highest average during any 30-consecutive-minute period of the month during the hours designated as offpeak hours of (1) the load measured in kilowatts or (2) 85 percent of the load during the offpeak hours in kVA plus an additional 10 percent for that part of the load over 5,000 kVA.

The onpeak billing demand for any month shall in no case be less than the sum of (a) 70 percent

of the first 50,000 kilowatts and (b) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective onpeak contract demand or the highest onpeak billing demand established during the preceding 12 months. Similarly, the offpeak billing demand for any month shall in no case be less than the sum of (1) 70 percent of the first 50,000 kilowatts and (2) 90 percent of all kilowatts in excess of 50,000 kilowatts of the higher of the currently effective offpeak contract demand or the highest offpeak billing demand established during the preceding 12 months.

The monthly bill shall not be less than the sum of (a) the customer charge, (b) the onpeak demand charge* applied to the higher of (1) AEDC's onpeak contract demand or (2) the highest onpeak billing demand established during the preceding 12 months, and (c) the offpeak demand charge* applied to the amount, if any, by which the higher of (1) AEDC's offpeak contract demand or (2) the highest offpeak billing demand established during the preceding 12 months exceeds the applicable onpeak demand in (b) above.

Demands in excess of contract demands shall be subject to an excess takings charge. The excess takings charge shall be equal to the onpeak demand charge* applied to the highest of the onpeak or offpeak excess takings incurred during the billing month.

Bills under this rate attachment shall be rendered monthly. Any amount of bill unpaid after the due date specified on the bill shall be subject to additional charges as set out in section 2 of the attached Terms and Conditions.

The charges under this rate attachment are based upon the supply of service through a single delivery and metering point, and at a single voltage. If service is supplied to AEDC through more than one point of delivery or at different voltages, the supply of service at each delivery and metering point and at each different voltage shall be separately metered and billed under this rate attachment.

*Adjusted to reflect the adjustments set forth in TVA's current Adjustment Addendum applicable to AEDC's billing demands as provided hereinabove.

Attachment 2

PREFERRED SURPLUS POWER

Charges:

Charges for preferred surplus power will be based on TVA's fixed cost and TVA's operating cost. TVA's fixed cost during the onpeak hours will be recovered by applying the onpeak demand charge for firm power (expressed in mills per kWh) times a coverage factor for unspecified use of preferred surplus power. TVA's fixed cost during the offpeak hours will be recovered by applying one-half of the mills-per-kWh charge for onpeak fixed cost. TVA's operating cost during the onpeak and offpeak hours will be recovered by applying the respective daily onpeak and offpeak supplemental power charges which are determined on a monthly basis.

Derivation of Charges as Computed for May 1982:

Onpeak Preferred Surplus Power Charge

$$\frac{\text{firm demand charge}}{\text{onpeak hours}} \times \text{coverage factor} = \text{fixed cost charge}$$

$$\frac{\$7.78}{255 \text{ hrs.}} \times 2 = 61.0 \text{ mills per kWh}$$

Daily onpeak supplemental	
power charge for May 1982	= 37.0 mills per kWh
Total charge	= 98.0 mills per kWh

Offpeak Preferred Surplus Power Charge

One-half onpeak fixed cost charge	= 30.5 mills per kWh
Daily offpeak supplemental	
power charge for May 1982	= <u>29.0</u> mills per kWh
Total charge	= <u>59.5</u> mills per kWh

Attachment 3

COST OF MONEY ADJUSTMENT

The uniform monthly cost of money adjustment (CMA) shall be calculated as of April 30, 1982, and thereafter as of the beginning of each fiscal year using the following equations:

$$I = nD - \left\{ D \left[\frac{(1+i)^{(n-1)} - 1}{i (1+i)^{(n-1)}} \right] + D \right\}$$

$$CMA = I \left[\frac{i (1+i)^n}{(1+i)^n - 1} \right]$$

Where:

D = estimated demand charge for a month

i = monthly interest rate which when compounded over 12 months equals the effective annual interest rate of TVA's latest long-term bond issue.

n = number of periods (months)

I = savings to TVA

CMA = cost of money adjustment

APPENDIX D
SUMMARY OF LITIGATION
November 1982

During fiscal year 1981, final decisions were entered in about 168 cases, leaving some 195 cases pending before courts at the end of the fiscal year. Some 110 cases were also pending at that point before the Merit Systems Protection Board. Some of the more significant decisions include the following.

TVA REPRESENTATION IN COURT

TVA was sued by a contractor under the Contract Disputes Act of 1978 about several disputes, and the contractor filed a Freedom of Information Act (FOIA) lawsuit as an additional discovery device for the contract litigation. TVA undertook the defense of all the suits through attorneys in its Office of the General Counsel, in accordance with TVA's longstanding construction and understanding of the TVA Act as vesting it with self-representation authority. The Department of Justice moved the court, in the FOIA case only, to substitute its lawyers for TVA's. While not disagreeing with any of the actions taken by TVA's attorneys (and, indeed, seeking to adopt their pleadings), the Department insisted that TVA lacked statutory authority to represent itself in court. The district court denied the motion in a scholarly opinion which traced the almost 50-year history of TVA self-representation in court, and pointed out the relevant statutory provisions in the TVA Act, the congressional concurrences in other statutes, the judicial opinions, and the administrative constructions by both agencies. The Department subsequently took a voluntary dismissal of its appeal to the Eleventh Circuit Court of Appeals after its motion to stay the district court proceedings pending appeal was denied. *Algernon Blair Indus. Contractors, Inc. v. Tennessee Valley Authority*, 540 F. Supp. 551 (M.D. Ala. 1982), *appeal dismissed*, No. 82-7225 (11th Cir. Aug. 2, 1982).

PROCUREMENT

Pursuant to the authority given by the Contract Disputes Act of 1978, TVA promulgated a regulation concerning the method for contractors otherwise excluded from that Act to indicate their election to proceed under the Act in lieu of using their contractual remedies. (Section 16 of the Act, 41 U.S.C. § 601 note (Supp. IV 1980), provides for such an election with respect to disputes initiated after the Act's effective date.) The regulation simply requires notice to TVA at the time the matter is first submitted to the Contracting Officer for decision. 18 C.F.R. § 1308.4(b). The contractor failed to make such an election. After receiving an adverse Contracting Officer's decision and appealing to TVA's General Manager under the contract, it sought to file a lawsuit under the Act and to enjoin the administrative processing of its appeal, claiming that TVA's regulation about election procedure was unlawful. The district court so held and enjoined the administrative process; TVA appealed; and the Eleventh Circuit reversed and directed dismissal of the complaint, finding that the regulation was in full conformity with the Act. *Brown & Root Dev., Inc. v. Tennessee Valley Authority*, 681 F.2d 1313 (11th Cir. 1982).

PERSONNEL

In *Walters v. Tennessee Valley Authority*, 503 F. Supp. 111 (E.D. Tenn. 1980), Judge Taylor dismissed a suit against TVA and several TVA management employees. The plaintiff, a former TVA employee who had resigned from his position following a conditional transfer because of his work performance, sued for damages for alleged infliction of emotional harm because of the transfer and for alleged defamation in defendants' responding to press inquiries about the situation which the employee had initiated. The defendants' activities were held to be privileged. The Sixth Circuit affirmed, and the Supreme Court has denied certiorari. No. 80-5430 (6th Cir. Jan. 28, 1982), *cert. denied*, No. 81-1976, 51 U.S.L.W. 3254 (U.S. Oct. 4, 1982).

Doran v. Tennessee Valley Authority, No. 3-80-422 (E.D. Tenn. Nov. 26 & Dec. 18, 1980), and a number of related cases, arose out of an unauthorized work stoppage at a TVA construction site. TVA terminated a number of persons in accordance with the procedure specified in the applicable negotiated labor agreement, which includes an interview by a joint labor-management committee. In their respective cases, both Judge Taylor and Judge Neese held that the plaintiffs had no constitutionally protected property interests in their jobs with TVA, and that any liberty interests which they might have to be protected against stigmatizing statements in their files would be satisfactorily protected by the negotiated provisions of the

labor agreement. The Sixth Circuit affirmed on appeal "for the reasons stated by Judge Taylor in his opinions." Nos. 81-5025 *et al.* (June 10, 1982). One of the related decisions has been published, *Leighton v. Tennessee Valley Authority*, 520 F. Supp. 23 (E.D. Tenn. 1981).

A former employee who had been dismissed for attempting to remove TVA property from his worksite without authorization sued TVA and his union for damages and reinstatement. He claimed that he had not been fairly represented by the union in his grievance concerning his termination, and that TVA had wrongfully terminated him under the applicable labor agreement. Chief Judge Morton dismissed the suit, finding that TVA was exempted from 29 U.S.C. § 301—the sole basis for the alleged fair representation claim—and that plaintiff's other contentions had no basis. *Medley v. Tennessee Valley Authority*, No. 82-3327 (M.D. Tenn. June 29, 1982).

ENVIRONMENTAL

A group of residents in the area of a proposed barge terminal sued to enjoin TVA from granting a Section 26a permit and conveying landrights to the terminal's operators. TVA had performed an environmental assessment and concluded that no final environmental impact statement was required; plaintiffs contended that one was, and that TVA's actions thus violated the National Environmental Policy Act of 1969. The court upheld TVA's position, denied a preliminary injunction, and granted summary judgment for TVA. *James v. Tennessee Valley Authority*, 538 F. Supp. 704 (E.D. Tenn. 1982).

In *Ocoee River Council v. Tennessee Valley Authority*, 540 F. Supp. 788 (E.D. Tenn. June 9, 1981; June 3, 1982), the court looked at TVA's decision to rehabilitate the Ocoee No. 2 hydroelectric project, an old hydro project which had been shut down since 1976 for safety reasons. The shutdown and resulting water flow had led to the growth of recreational rafting business. The TVA Board decided to bypass the turbines and allow continued water releases for rafting some 82 days per year if arrangements to compensate the power system for power generation losses could be worked out. The court found that TVA's environmental impact statement was lawful and adequate in its discussion of the rehabilitation's impacts on the environment, that TVA's decision after having considered the environmental matters was not arbitrary, capricious, or otherwise unlawful, and that NEPA "does not dictate that the TVA direct power resources or funds to non-power purposes."

ELECTRICITY

TVA was sued for damages by the industrial customer of a TVA cooperative electric distributor. The industry claimed that TVA had negligently cut off the electric supply for an hour on two separate occasions, causing damage to goods in process of manufacture. The court dismissed the negligence claim, holding that TVA had no legal duty to supply uninterrupted electrical service to its customers or to exercise any degree of care to avoid brief interruptions of service such as those involved in the case. The industry subsequently abandoned a claim that TVA had violated any contractual duty to it (there being no direct contract between the industry and TVA). *AFG Indus., Inc. v. Holston Elec. Coop. & TVA*, No. 2-81-262 (E.D. Tenn. May 24, 1982).

APPENDIX E—ALLOCATION REPORT

REPORT ON ALLOCATION OF COSTS OF THE TELlico PROJECT

PURSUANT TO SECTION 14 OF THE TVA ACT

Section 14 of the TVA Act directs the TVA Board to allocate the cost of dams, steam plants, and other similar improvements. As new multiple-purpose projects have been completed, TVA has reported its allocations of such investment cost to the President and the Congress. Fifteen reports have been completed; the last, dated June 1979, presented the allocation of the Bear Creek project. All new projects or major additions to existing projects not included in those allocation reports have been accounted as single-purpose works. Successive annual reports to the Congress have recorded this increasing investment.

In fiscal year 1982, TVA essentially completed construction of the Tellico Reservoir project. The project consists of a dam and reservoir that extends 33 miles up the Little Tennessee River and 20 miles up the Tellico River. An interreservoir canal connects Tellico Reservoir with Fort Loudoun Reservoir. Water coming down the Tellico Reservoir passes through this canal and generates an average of 200 million kilowatthours per year of additional energy at the existing Fort Loudoun powerhouse. Through the canal and the existing lock at Fort Loudoun Dam the navigable waterway is extended approximately 30 miles up the Little Tennessee River, providing access for barge traffic to available industrial sites. The dam, which is about 129 feet in height, adds about 126,000 acre-feet of flood storage to the system and about 16,000 acres for recreational use. The estimated cost of \$137 million is allocated as follows:

Purpose	Separable Cost	Allocation of Common Cost		Allocated Total Investment	
		Percent	Amount	Percent	Amount
Flood Control	—	20	\$ 26,700,000	19	\$ 26,700,000
Navigation	—	18	24,030,000	18	24,030,000
Power	—	21	28,035,000	20	28,035,000
Recreation	\$3,500,000	36	48,060,000	38	51,560,000
Local Economic Development Facilities	—	5	6,675,000	5	6,675,000
	<u>\$3,500,000</u>	<u>100</u>	<u>\$133,500,000</u>	<u>100</u>	<u>\$137,000,000</u>

Notes on Allocation of the Tellico Project

The Tellico project is allocated to flood control, navigation, power, recreation, and local economic development facilities. Allocation of cost of the Tellico project is guided by an approach generally known as the separable costs-remaining benefits method. Calculation of percentages for distribution of the common costs and allocation of the investment are shown by the following tabulation and explanatory notes.

Purpose	Net Benefit ^a	Separable Cost	Remaining Benefit ^b		Allocation of Common Cost	Total Estimated Multiple-Purpose Investment
			Amount	Per-Cent		
Flood control	\$ 29,800,000 ^c	—	\$ 29,800,000	20	\$ 26,700,000	\$ 26,700,000
Navigation	27,300,000 ^d	—	27,300,000	18	24,030,000	24,030,000
Power	31,100,000 ^e	—	31,100,000	21	28,035,000	28,035,000
Recreation	57,600,000 ^f	\$3,500,000 ^g	54,100,000	36	48,060,000	51,560,000
Local Economic Development Facilities	7,800,000 ^h	—	7,800,000	5	6,675,000	6,675,000
	<u>\$153,600,000</u>	<u>\$3,500,000</u>	<u>\$150,100,000</u>	<u>100</u>	<u>\$133,500,000</u>	<u>\$137,000,000</u>

a. Capitalized benefit, limited by alternative cost and net of direct and common operation, maintenance, and replacement costs (OM&R). Power benefit based on 9-3/8%, the equivalent estimated rate of return on payments to U.S. Treasury over 50-year period. Discount rate for other benefits is 3-1/4% and 100 years, determined based upon principles established by Senate Document 97 of the 87th Congress, applicable procedures of the Water Resources Council, and the Water Resources Development Act of 1974.