

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Complaint and petition by
Lee County Electric Cooperative, Inc.
for an investigation of the rate
structure of Seminole Electric
Cooperative, Inc.

Docket No. 981827

Filed: May 30, 2000

DIRECT TESTIMONY

of

MARTIN J. BLAKE

on behalf of

**LEE COUNTY ELECTRIC
COOPERATIVE, INC.**

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DIRECT TESTIMONY OF MARTIN J. BLAKE

INTRODUCTION

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Q: Please state your name and business address.

A: My name is Martin J. Blake. My business address is The Prime Group, LLC, 6711 Fallen Leaf, Louisville, Kentucky 40241.

Q: By whom are you employed and in what position?

A: I am a member and principal of The Prime Group, LLC, a firm located in Louisville, Kentucky. The Prime Group provides consulting and educational services in the areas of utility rate design, cost of service, marketing, fuel and power procurement , market power studies, and general regulatory analysis.

QUALIFICATIONS AND EXPERIENCE

Q: Please summarize your educational background.

A: I received my Ph.D. in Agricultural Economics in 1976 from the University of Missouri, Columbia. My doctoral work centered on the areas of marketing and econometrics. I also hold a Master of Arts in Economics from the University of Missouri, Columbia, which I received in 1972. In addition, I received a Bachelor of Arts degree in Economics from Illinois Benedictine College in 1970.

Q: Please briefly summarize your areas of professional experience prior to joining the Prime Group.

DIRECT TESTIMONY OF MARTIN J. BLAKE

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A: I have professional experience as an economist and professor of economics, as a utility regulator, and as a utility manager and executive.

Q: Please describe your professional experience as an economist and professor of economics.

A: From January 1977 to December 1986, I was employed first as an Assistant Professor, then as an Associate Professor, and finally as a Professor of Agricultural Economics at New Mexico State University in Las Cruces, New Mexico ("NMSU"). I was the head of the undergraduate program and taught economics, agricultural economics and econometrics. While at NMSU, I also worked as a consultant for various clients, providing price forecasting, load forecasting, and marketing services. Since 1992, I have taught mathematical economics and econometrics as an Adjunct Professor in the Economics Department at the University of Louisville. Prior to my joining the faculty at NMSU, I served in the U. S. Army as an instructor of economics, statistics, and accounting at the U. S. Army Institute of Administration at Fort Benjamin Harrison, Indianapolis, Indiana.

I also have a variety of experience with the application of economics to utility public policy issues. In addition to my experience as a utility regulator and executive, I have taught ratemaking for electric utilities since 1993 at the National Association of Regulatory Utility Commissioners ("NARUC") Annual Regulatory Studies Program at Michigan State University.

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 **Q: Please describe your professional experience as a utility regulator.**

2 A: From January 1987 to November 1990, I served as a Commissioner and as
3 the Chairman of the New Mexico Public Service Commission. As a
4 Commissioner, my duties included making policy and adjudicatory decisions
5 regarding rates, terms of service, financing, certificates of public convenience
6 and necessity, and complaints for electric, gas, water, and sewer utilities. As
7 Chairman, I supervised a staff of thirty-two professionals and sixteen support
8 staff. During my tenure on the New Mexico Commission, I also served as
9 Chairman of the Western Conference of Public Service Commissioners
10 Electric Committee and as Chairman of the Committee on Regional Electric
11 Power Cooperation, a group composed of state public service commissioners
12 and representatives from the state energy offices of the thirteen western
13 states.

14
15 **Q: Please describe your professional experience as a utility manager.**

16 A: From December, 1990 to June 1996, I was employed by Louisville Gas and
17 Electric Company ("LG&E"). Initially, I served as LG&E's Director of
18 Regulatory Planning. In this position, I was responsible for coordinating all
19 of LG&E's state and federal regulatory efforts, and advised and presented
20 testimony to regulators. In performing my duties in the federal regulatory
21 area, I performed the market power analysis in LG&E's original market-
22 based rate filing at the Federal Energy Regulatory Commission ("FERC"),
23 which was one of the first applications of the "hub and spoke" methodology

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 that the FERC now uses in assessing generation market dominance in
2 market-based rate filings. I also supervised the preparation of the market-
3 based rate filings and served as LG&E's principal witness before FERC in
4 that case. I further helped develop the electronic bulletin board that the
5 FERC required as a condition for approving the market-based tariff.
6 Additionally, I helped to develop LG&E's comparable transmission tariff
7 filing, which provided third parties with access to LG&E's transmission
8 system at the same price, terms and conditions as LG&E.

9
10 I also negotiated with customer representatives an agreement that defined a
11 set of Demand Side Management ("DSM") and energy conservation
12 programs, including related cost recovery mechanisms, and was elected
13 Chairman of the DSM Collaborative which was established to provide
14 oversight for these programs. I was the principal witness in obtaining
15 approval for these DSM and energy conservation programs.

16
17 My areas of responsibility with LG&E were expanded in April 1994 to
18 include marketing and strategic planning. As the Director, Marketing,
19 Planning and Regulatory Affairs, I was responsible for coordinating LG&E's
20 retail gas and electric marketing, strategic planning, and state and federal
21 regulatory efforts. I continued to be employed in that capacity at LG&E until
22 June 1996, when I joined The Prime Group as one of its Principals.

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 **Q: Have you taught any courses or seminars in the electric utility area ?**

2 A: Yes. In addition to teaching ratemaking for electric utilities at the NARUC
3 Annual Regulatory Studies Program since 1993, I have also taught a course
4 regarding the institutions and organizations of the new electric utility
5 industry. Each year, I also teach and conduct numerous workshops and
6 programs, and deliver invited presentations, to utility managers and
7 regulators on a variety of subjects including industry restructuring.

8
9 **Q. Have you previously testified before other regulatory commissions
10 or courts?**

11 A. Yes. I testified before the Kentucky Public Service Commission in the
12 rehearing in Case No. 90-158, an LG&E rate case; in Case No. 92-494, a
13 biennial fuel adjustment clause review; in Case No. 93-150, an application for
14 approval of a DSM cost recovery mechanism and a set of initial programs; in
15 Case No. 94-332, an application for an environmental cost recovery
16 mechanism; in Case No. 92-494-B, regarding the confidentiality of coal bid
17 data; and in Case No. 95-455, a biannual review of the environmental cost
18 recovery mechanism. I participated in the conference to review LG&E's first
19 integrated resource plan in Case No. 91-423 and testified in a number of fuel
20 adjustment clause proceedings. I also testified on behalf of Blazer Energy
21 Corp. in Case No. 98-489 which was an application for an adjustment in
22 rates. Additionally, I have prepared and filed cost of money testimony on
23 *behalf of Delta Natural Gas Company in its rate case filed with the Kentucky*
24 Public Service Commission in Docket No. 99-176.

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 I prepared and filed testimony before the FERC in Docket No. ER92-533,
2 in which LG&E provided open transmission access and also received
3 authority to charge market-based rates for its generation, and Docket No.
4 ER 94-1380, the first comparability tariff which was approved by the
5 FERC. I prepared a market power analysis that was filed in support of
6 OGE Energy Resources, Inc.'s request for the authority to charge market
7 based rates in FERC Docket No. ER97-4345. I prepared a market power
8 analysis that was filed in support of Oklahoma Gas and Electric Co.'s
9 request for the authority to charge market based rates in FERC Docket
10 No. ER98-511. I prepared and filed an affidavit in support of
11 Commonwealth Edison Co.'s request for authority to charge cost based
12 rates to its affiliates in FERC Docket No. ER99-51.

13
14 I prepared and filed rebuttal testimony in Cause No. PUD 960000116,
15 Oklahoma Gas and Electric Company's last rate case before the
16 Oklahoma Corporation Commission.

17
18 I have prepared and filed direct and rebuttal testimony for Southern
19 California Edison Company in California Public Utility Commission Case
20 No. 90-12-018 (phase 5). In this testimony, I reviewed the
21 reasonableness of contracting by Southern California Edison with
22 Integrated Energy Group ("IEG") to provide marketing services to

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 Southern California Edison and the reasonableness of the resulting
2 marketing services performed by IEG.

3
4 I prepared and filed direct and rebuttal testimony for Oklahoma Gas and
5 Electric in Arkansas Public Service Commission Docket No. 96-360-U
6 regarding recovery of stranded cost by Entergy Arkansas, Inc.

7
8 I testified before the New Mexico Public Utility Commission in Docket No.
9 2797, a general rate case for Plains Electric Generation and Transmission
10 Cooperative, Inc.

11
12 I testified in Illinois Commerce Commission ("ICC") Dockets 98-0013 and
13 98-0035, which was a consolidated proceeding concerned with ensuring
14 non-discrimination with regard to affiliate transactions for electric
15 utilities. In that case, I sponsored ComEd's proposed affiliate transactions
16 rules and suggested some basic principles that the ICC should follow in
17 developing rules and regulations for ensuring non-discrimination and
18 non-cross subsidization in transactions with affiliated and unaffiliated
19 alternative retail electric suppliers. I testified in ICC Docket 98-0036,
20 which was a rulemaking to develop rules and regulations for assessing
21 and assuring the reliability of the transmission and distribution systems
22 as a part of electric utility restructuring in Illinois. I further testified in
23 Docket Nos. 98-0147 and 98-0148 which were concerned with developing

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 standards of conduct and rules for functional separation. In those
2 dockets, I sponsored ComEd's proposed standards of conduct and
3 functional separation rules.
4
5

6 **PURPOSE AND SUMMARY OF TESTIMONY**
7

8 **Q: What is the purpose of your testimony in this proceeding?**

9 A: My testimony describes Rate Schedule SECI-7b, the current wholesale
10 rate schedule for Seminole Electric Cooperative, Inc. ("Seminole"), and
11 addresses whether SECI-7b is properly designed and fair, just and
12 reasonable. My testimony also addresses policy considerations associated
13 with the Florida Public Service Commission's (the "Commission"s)
14 evaluation of the wholesale rate structure of Seminole.
15

16 **Q: Please summarize your testimony.**

17 A: In my opinion, SECI-7b was not designed in accordance with generally
18 accepted rate making standards, nor is it fair, just and reasonable. SECI-
19 7b discourages conservation, discourages the implementation of load
20 management programs, and violates other generally accepted ratemaking
21 standards.
22

23 The Commission is charged with ensuring that Seminole's wholesale rate
24 structure is fair, just and reasonable. The Commission's evaluation of
25 SECI-7b is necessary to protect the public interest because flaws in the

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 rate structure will ultimately impact Florida's retail electric ratepayers.
2 Furthermore, if the Commission does not exercise jurisdiction over
3 Seminole's wholesale rate structure, there will be a regulatory gap and
4 the wholesale rate structure will go unregulated. The fact that there is a
5 contract between Seminole and Lee County Electric Cooperative, Inc.
6 ("LCEC") does not eliminate the need for the Commission to exercise
7 jurisdiction over Seminole's rate structure. The existence of a contract
8 should not operate to deprive the Commission of its right and
9 responsibility to protect the public interest by ensuring that rate
10 structures of Florida electric utilities are fair, just and reasonable.
11

12 **Q. Are you sponsoring any exhibits to your testimony?**

13 **A:** Yes. I am sponsoring the following exhibits:

14
15 Exhibit ____ (MJB-1) Rate Schedule SECI-7b

16
17 Exhibit ____ (MJB-2) Rate Schedule SECI-7

18
19 Exhibit ____ (MJB-3) Rate Schedule SECI-6b

20
21 Exhibit ____ (MJB-4) Wholesale Power Contract dated March
22 22, 1975 between LCEC and Seminole, as
23 amended.
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DIRECT TESTIMONY OF MARTIN J. BLAKE

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BACKGROUND AND STANDARD OF REVIEW

Q. What is the relationship between Lee County Electric Cooperative (“LCEC”) and Seminole?

A. LCEC and Seminole are both electric cooperatives. Seminole provides generation and transmission service to LCEC and nine other member cooperatives. The member cooperatives purchase power from Seminole and, in turn, distribute that power to their retail residential, commercial and industrial customers in Florida. Unlike LCEC, Seminole does not provide distribution services and, therefore, does not have retail customers. Seminole is commonly referred to as a Generation and Transmission (“G&T”) Cooperative. LCEC is commonly referred to as a Distribution Cooperative.

Q. From what rate schedule does LCEC currently purchase power from Seminole?

A. LCEC and Seminole's other distribution members are currently served under SECI-7b. SECI-7b is included as Exhibit ___ (MJB-1). SECI-7b became effective on January 1, 2000. From January 1, 1999 to December 31, 1999, LCEC was served under SECI-7. SECI-7 is included as Exhibit ___ (MJB-2). Prior to January 1, 1999, LCEC was served under rate SECI-6b. SECI-6b is included as Exhibit ___ (MJB-3). These prior

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 Seminole wholesale rate schedules are included to provide a basis for
2 assessing the changes that Seminole has made to its wholesale rate
3 structure.

4

5 **Q: In reviewing Seminole's wholesale rate structure, what standard**
6 **should the Commission employ?**

7 A: The Commission should determine whether Seminole's wholesale rate
8 structure is fair, just and reasonable.

9

10 **Q: Are there certain factors that the Commission should examine in**
11 **determining whether Seminole's wholesale rate structure is fair,**
12 **just and reasonable?**

13 A: Yes. The Commission has adopted Rule 25-9.052, Florida Administrative
14 Code, which provides that the Commission may consider, among other
15 things, the cost of providing service, rate history, value of service and
16 experience of the utility, consumption and load characteristics, and public
17 acceptance of the rate structure. The Commission is further authorized to
18 consider fairness in apportioning costs, avoidance of undue
19 discrimination, encouragement of efficiency, and other generally accepted
20 principles of ratemaking.

21

22 **Q: Why is it important that the Commission ensure that Seminole's**
23 **wholesale rate structure is fair, just and reasonable?**

24 A: There are two primary reasons why it is necessary that the Commission
25 ensure that Seminole's wholesale rates are fair, just and reasonable.

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 First, flaws in Seminole's rate structure will ultimately affect Florida's
2 retail electric ratepayers. Second, if the Commission does not ensure that
3 Seminole's wholesale rate structure is fair, just and reasonable, no other
4 person or entity will.

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9 **Q: How will flaws in Seminole's wholesale rate structure affect**
10 **Florida's retail electric ratepayers?**

11 A: If Seminole's rate structure is flawed, which I believe it is, Seminole's
12 members, such as LCEC have no choice but to alter their own rates and
13 rate structures so that those companies suffer no financial harm
14 resulting from their purchases from Seminole. This can be accomplished
15 by adopting retail rate structures that mirror or perpetuate the structural
16 objectives of the wholesale rate schedule. In the case at hand, this could
17 result in LCEC being forced to adopt a three year ratchet to minimize any
18 adverse financial exposure from SECI-7b. Thus, the flaws in the
19 wholesale rate structure will ultimately be reflected in the retail rates
20 and retail rate structure.

21
22 **Q: Why is the Commission the only entity that can ensure that**
23 **Seminole's wholesale rate structure is fair, just and reasonable?**

24 A: Seminole's wholesale rate structure is not regulated by the FERC. Thus,
25 if the Commission does not review and exercise jurisdiction over

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 Seminole's wholesale rate structure there will be a regulatory gap and
2 Seminole's wholesale rate structure will go unregulated. Consequently,
3 flaws in Seminole's wholesale rate structure will continue uninterrupted,
4 which will ultimately negatively impact Florida retail electric customers.
5
6

7 **RATE DESIGN OF SECI-7b**
8

9 **Q. Please describe the basic design of SECI-7b.**

10 A. SECI-7b is designed around six basic rate components: (1) a Production
11 Demand Charge, (2) a Production Fixed Energy Charge, (3) a
12 Transmission Demand Charge, (4) a Distribution Demand Surcharge, (5)
13 a Non-Fuel Energy Charge, and (6) a Fuel Charge.
14

15 **Q. Please explain the Production Demand Charge component.**

16 A. The Production Demand Charge is a demand charge designed to recover a
17 *portion of fixed production costs such as depreciation of existing*
18 *generating plants, fixed operations and maintenance expenses for*
19 *generating plants, and associated margins. The charge is applied on the*
20 *basis of customer demands determined at the time of Seminole's monthly*
21 *peak, which is referred to as the "coincident peak" demand. The*
22 *Production Demand Charge in SECI-7b is \$8.50/kW/month. The*
23 *Production Demand Charge is only applicable during Seminole's eight*

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 peak months – the four summer months of June through September and
2 the four winter months of December through March, and is not applied
3 during the four “shoulder” months of April, May, October and November.
4

5 **Q. Please explain the Production Fixed Energy Charge.**

6 A. The Production Fixed Energy Charge is designed to recover the portion of
7 fixed production costs described above that are not recovered through the
8 Production Demand Charge. The Production Fixed Energy Charge is
9 *allocated* to Seminole’s customers on the basis of each customer’s total
10 kWhs purchased from Seminole during a three-year period prior to the
11 current year. The Production Fixed Energy Charge is assessed to
12 Seminole’s members during every month of the year on the basis of one-
13 twelfth of the annual charge. The allocator for the Production Fixed
14 Energy Charge is described in Appendix A to SECI-7b as follows:

15 Portion of Production Fixed Energy Charge allocated to each
16 Member based upon the Member’s percentage share of actual
17 Energy Determinants for the three calendar years ending with
18 the year prior to the preceding calendar year. For example, for the
19 year 1999 each Member’s share of the total Production Fixed
20 Energy Charge shall be based upon the total Energy
21 Determinants for the years 1995 through 1997.

22 (Emphasis added). There is a one-year lag between the end of the three-
23 year period used to determine the allocation of the Production Fixed

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 Energy Charge and the current year. Thus, the allocator is determined
2 using kWh usage data from four years ago, three years ago and two years
3 ago. It does not include the kWh usage data from the immediately
4 preceding year.

5
6 The structure of this allocator is very important for the discussion of
7 energy conservation and demand side management later in my testimony.
8 Because of the way that the allocator is constructed, any reduction in
9 energy usage as a result of LCEC energy conservation or demand side
10 management efforts will not reduce the allocation of the Production Fixed
11 Energy Charge for four years! For example, during the year 2000, the
12 Production Fixed Energy Charge is allocated on the basis of each
13 distribution member's kWh purchases determined during the three-year
14 period 1996 through 1998, *unadjusted for actual known changes in usage*
15 *patterns*. The Production Fixed Energy Charge therefore is based on
16 energy purchases that occurred up to 59 months (almost five years)
17 earlier. Indeed, in December 2000, the Production Fixed Energy Charge
18 will be determined on the basis of energy usage going back to January
19 1996.

20
21 **Q. Please explain the other components of SECI-7b.**

22 A. Other components of the SECI-7b rate structure are a Transmission
23 Demand Charge, a Distribution Demand Charge, a Non-Fuel Energy

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 Charge, and a Fuel Charge. The Transmission Demand Charge is an
2 unbundled charge designed to recover Seminole's transmission costs, and
3 is applied on the basis of monthly coincident peak demand. The
4 Distribution Demand Surcharge is applied on the basis of monthly
5 coincident peak demand and is designed to recover the cost of delivery
6 points below 69 kV. This surcharge is imposed on delivery points below 69
7 kV. The Non-Fuel Energy Charge is designed to recover variable
8 operation and maintenance expenses excluding the cost of fuel, and is
9 applied to the monthly kWh energy purchased by the member system
10 during each month. The Fuel Charge is designed to recover the cost of fuel
11 and purchased energy, and is applied by multiplying the fuel rate by the
12 monthly kWh energy purchased by the member system.

13
14 **Q. Is the design of SECI-7b structurally consistent with earlier rate**
15 **schedules of Seminole?**

16 A. No. SECI-7b and its parent schedule SECI-7 represent a radical
17 departure from Seminole's earlier rate schedule, SECI-6b. SECI-6b
18 incorporated a traditional rate structure consisting of a demand charge
19 that recovered fixed production and transmission costs, and an energy
20 charge that recovered variable operation and maintenance expenses.
21 SECI-7 represented a significant change of direction with respect to cost
22 recovery by including a Production Fixed Energy Charge which allocated
23 fixed production costs on the basis of three-year historical energy

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 purchases. That change in direction has continued with SECI-7b.

2

3 **Q. How does SECI-7b differ from SECI-7?**

4 A. SECI-7 specified that the Production Demand Charge would ramp down
5 over a three year period from \$8.50/kW/Month for the year 1999 to
6 \$7.50/kW/Month for the year 2000 to \$6.50/kW/Month for the year 2001.
7 Under SECI-7 there was a corresponding increase in the Production Fixed
8 Energy Charge over this same period. In other words, SECI-7 was
9 designed to shift the recovery of a large portion of fixed production costs
10 from the Production Demand Charge to the Production Fixed Energy
11 Charge over a three-year period.

12

13 **Q. Why was SECI-7b implemented?**

14 A. LCEC had serious concerns with Seminole recovering an even larger
15 portion of its fixed production costs on an energy basis, especially through
16 a component that is allocated on the basis of three-year historical kWh
17 purchases. In response to concerns expressed by LCEC (and other
18 members), on December 9, 1999, Seminole's Board of Trustees approved
19 SECI-7b. As a result, Seminole did not reduce the Production Demand
20 Charge and increase the Production Fixed Energy Charge in January
21 2000. Instead, the Production Demand Charge remained at \$8.50 and the
22 Production Fixed Energy Charge was not increased. For purposes of rate
23 structure, SECI-7b is essentially the same as SECI-7, except that the

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 Production Demand Charge is not ramped down in 2000 and 2001 and the
2 Production Fixed Energy Charge is not ramped up as designed in SECI-7.

3

4 **Q. Does this modification alleviate concerns with Seminole's rate**
5 **design?**

6 A. No. As discussed in detail below, although SECI-7b reduces the harm
7 that a fully implemented SECI-7 would have caused, there are still
8 significant flaws with the rate design of SECI-7b.

9

10 **Q. What are the significant flaws in the design of SECI-7b?**

11 A. SECI-7b is fundamentally flawed for three primary reasons: it is
12 inconsistent with the fair-cost-apportionment standard for rate design, it
13 fails to promote the efficient use of public utility services, and, it is not
14 supported by a valid cost-of-service analysis. My testimony focuses on the
15 incompatibility of SECI-7b with the fair-cost-apportionment standard,
16 and the failure of SECI-7b to promote the efficient use of the utility
17 services. Mr. Steven Seelye will address in his testimony the fact that
18 SECI-7b is not supported by a valid cost-of-service study.

19

20 **SECI-7b VIOLATES THE FAIR-COST-APPORTIONMENT STANDARD**

21

22 **Q. What do you mean by the fair-cost-apportionment standard for**
23 **rate design?**

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 A. It is a generally accepted ratemaking principle that a rate must fairly
2 distribute the burden of meeting a utility's total revenue requirement (
3 i.e., the utility's cost-of-service) among the utility's customers receiving
4 the service. The corollary to this principle is that customers that cause a
5 utility to incur costs should generally pay rates that reflect those costs. As
6 James C. Bonbright noted: "Without doubt the most widely accepted
7 measure of reasonable public utility rates and rate relationships is cost of
8 service." (James C. Bonbright, Principles of Public Utility Rates,
9 Columbia University Press, 1961, p. 294).

10

11 **Q. Why do you say that SECI-7b is inconsistent with the fair-cost-**
12 **apportionment standard?**

13 A. Based on an analysis of the impact of SECI-7b on 1998 wholesale billings,
14 SECI-7b would recover about \$46 million in fixed production costs
15 through a Production Fixed Energy Charge that is determined based on
16 three years of historical energy usage. Because electricity cannot be
17 stored and because Seminole must provide instant and uninterrupted
18 service to its customers, Seminole must install enough generation
19 capacity or purchase enough capacity from another utility to meet its
20 peak demand for services. Thus, Seminole's fixed production resources,
21 and its fixed production costs, are determined by the quantity of electric
22 power that Seminole must render during the period of peak demand, not
23 the amount of kWhs sold during a historical three-year period. By

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 allocating a portion of its fixed production costs on the basis of energy
2 purchases that are up to 59 months old, Seminole's rate structure does
3 not reflect the cost of providing service.

4 Furthermore, recovering \$46 million in fixed costs through a charge
5 allocated based on energy results in undue rate discrimination.

6
7 **Q. Why would there be undue rate discrimination?**

8 **A.** Customers with higher load factors will be required to bear more than
9 their fair share of these fixed production costs while customers with lower
10 load factors would bear less than their fair share. High load factor
11 customers purchase a relatively large amount of kWh for each kW of
12 capacity that they use. With each kWh of usage allocated a portion of the
13 \$46 million in fixed production costs that were not recovered through the
14 Production Demand Charge, a customer purchasing a relatively large
15 amount of kWh for each kW that it used would bear a larger amount of
16 the fixed costs. For example, take two customers each using 50 kW with
17 the first customer having a high load factor of 80% and the second
18 customer having a low load factor of 20%. During a typical 30 day month,
19 such as June, the high load factor customer would purchase 28,800 kWh
20 (24hours x 30 days x 50 kW x 80% load factor), while the low load factor
21 customer would purchase 7,200 kWh (24hours x 30 days x 50 kW x 20%
22 load factor). With fixed production costs allocated on a kWh basis, the
23 high load factor customer would bear four times as much of the fixed cost

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 recovery as the low load factor customer, even though they used the same
2 50 kW of generating capacity. This is not consistent with the fair cost
3 apportionment standard.
4
5

6 **SECI-7b FAILS TO PROMOTE THE EFFICIENT**
7 **USE OF UTILITY SERVICES**
8

9 **Q. Why do you assert that SECI-7b fails to promote the efficient**
10 **utilization of electric services?**

11 **A. There are several reasons that allocating a significant portion of**
12 **Seminole's fixed costs on the basis of 3-year historical kWh purchases**
13 **does not encourage the efficient utilization of service.**

14 **First, basing rates on historical usage results in a disconnect between**
15 **Seminole's rate structure and the current level of its costs. To use 3-year**
16 **energy purchases that are up to 59 months old to allocate costs is to look**
17 **backwards at historical usage patterns which have nothing to do with the**
18 **on-going incurrence of costs on Seminole's system.**

19
20 **Second, allocating a portion of fixed production costs on the basis of total**
21 **kWh usage, without regard to whether the usage occurred during off-peak**
22 **periods, penalizes customers that efficiently utilize service by purchasing**
23 **energy during times when it is beneficial to the system for them to do so.**

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 Seminole does not incur additional fixed production costs as a result of
2 kWh sales made during off-peak periods. However, the price signal being
3 sent by the Production Fixed Energy Charge in SECI-7b would suggest
4 that there is a relationship between off-peak kWh usage and Seminole's
5 incurrence of fixed production costs when no such relationship exists.
6

7 Third, a rate structure that allocates fixed production costs on the basis of
8 energy does not provide an incentive for customers to have constant usage
9 patterns which results in an efficient use of the system. As mentioned
10 earlier, production capacity is sized to meet the maximum demand on the
11 system, not annual or three-year energy sales. Recovering the fixed cost of
12 a system sized to meet maximum demand on the basis of total energy
13 unfairly rewards large on-peak users who have very little off-peak usage.
14

15 **Q. Does SECI-7B encourage conservation?**

16 A. No, SECI-7b discourages conservation. By assessing the Production Fixed
17 Energy Charge on the basis of energy usage for a three-year prior period,
18 unadjusted for usage changes, rather than on current demand
19 requirements, SECI-7b provides less of an incentive to implement
20 programs that will encourage retail residential, commercial and
21 industrial customers to conserve energy. In fact, if retail customers on
22 LCEC's system reduce their energy requirements, both LCEC's purchases
23 from Seminole and LCEC's revenues will decrease, but a corresponding

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 reduction in the Production Fixed Energy Charge billed by Seminole to
2 LCEC will not be fully realized until 59 months down the road.
3 Therefore, SECI-7b makes it financially difficult for LCEC to encourage
4 retail customers to conserve electric energy. By “ratcheting” the
5 Production Fixed Energy Charge on the basis of 3-year historical usage,
6 the Production Fixed Energy Charge will be the same for the current
7 month regardless of whether LCEC’s retail customers increase or
8 decrease their kWh usage during the month. Seminole’s rate design thus
9 fails to promote the efficient use of resources.
10

11 **Q. Please explain the term “ratcheting”.**

12 **A.** A ratchet is a ratemaking mechanism that determines current charges on
13 the basis of past demand or energy purchases. The term “ratchet” is used
14 metaphorically to describe the process of establishing billing demand or
15 energy on the basis of a percentage of the demand or energy during a
16 prior period, which cannot be reduced by a customer lowering its demand
17 or energy requirements. The Production Fixed Energy Charge is a form of
18 a ratchet because this charge is allocated among members based on an
19 average kWh usage from 4 years ago, 3 years ago and 2 years ago.
20 Because the allocation of the Production Fixed Energy Charge is not
21 based on current kWh usage or current demand, a customer's reduction in
22 demand or usage will not be rewarded by a corresponding reduction in the
23 charge. With the most recent energy usage data that is used to determine

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 allocations of the Production Fixed Energy Charge being 2 years old, it is
2 clear that the Production Fixed Energy Charge is a form of a ratchet.

3

4 **Q. Are three-year ratchets common in the utility industry?**

5 A. No. In fact, there has been a trend to eliminate ratchets largely because
6 ratchets discourage conservation.

7

8 **Q. What has been the Commission's policy with respect to ratchets?**

9 A. The Commission has historically eliminated ratchets from electric utility
10 rate structures because they are a disincentive to conservation. See, In
11 re: Petition of Florida Power Corporation to increase its rates and
12 charges, Docket No. 820100-EU, Order No. 11628 (Feb. 17, 1983).

13

14 **Q. Does SECI-7b cause other conservation concerns?**

15 A. Yes. The design of SECI-7b discourages load management. Specifically,
16 SECI-7b will: reduce the value of LCEC's currently installed load
17 management equipment, provide a disincentive for LCEC to make
18 additional investments in load management equipment, reduce the
19 incentive for customers to participate in load management programs, and
20 allow Seminole to justify the installation of expensive new generation
21 facilities which could be avoided with load management programs.

22

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 **Q. Please explain how SECI-7b will reduce the value of LCEC's**
2 **currently installed load management equipment.**

3 **A. LCEC currently serves over 46,000 residential customers under its load**
4 **management program. This represents a significant investment in load**
5 **control equipment. Load control equipment is used to reduce a utility's**
6 **coincident peak demand, with the demand savings calculated as the**
7 **amount of coincident peak demand avoided through the use of the load**
8 **control equipment multiplied by the appropriate demand charge. Given**
9 **this method of calculating savings, for any given quantity of load control**
10 **equipment, the savings realized from load control equipment will decline**
11 **as the demand charge is reduced. In fact, there is a direct relationship**
12 **between the level of the demand charge and the value of the savings from**
13 **load control equipment. Recovering a portion of LCEC's fixed production**
14 **costs through the Production Fixed Energy Charge, which is determined**
15 **on the basis of unadjusted three-year kWh purchases, results in a lower**
16 **effective demand charge applied to demands determined at the time of**
17 **Seminole's peak.**

18 **One means of determining the market value of a piece of equipment is by**
19 **calculating the net present value of the revenue or savings stream that**
20 **the equipment produces. This is the approach used by many regulatory**
21 **commissions in determining a utility's stranded investment in a retail**
22 **choice environment. Thus, a lower demand charge results in a lower**

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 stream of savings and a lower underlying market value for the load
2 control equipment.

3
4 Based on Seminole's rate structure in place prior to SECI-7, LCEC has
5 made significant investment in load management equipment to reduce
6 its peak load and reduce the demand charges that it pays to Seminole.
7 Seminole's new rate, SECI-7b, shifts cost recovery to the energy charge
8 from the demand charge, which will significantly reduce the value of
9 these investments to LCEC. It is impossible for LCEC to have anticipated
10 Seminole abruptly departing from its previous rate structure by shifting
11 *fixed costs from the demand charge to the Production Fixed Energy*
12 *Charge*. This change, which renders LCEC's investment in load control
13 equipment less valuable, should not be allowed unless Seminole can
14 economically justify such a change.

15

16 **Q. Please explain how SECI-7b will provide a disincentive for LCEC**
17 **to make additional investments in load management equipment.**

18 A. SECI-7b's reduction in demand savings not only decreases the value of
19 existing investments in load control equipment, it also reduces the value
20 of additional future investments in load management programs. This, in
21 turn, reduces the incentive to make such investments. Thus, lowering the
22 demand charge creates a disincentive for making additional investments
23 in load control equipment.

DIRECT TESTIMONY OF MARTIN J. BLAKE

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This disincentive is exacerbated by the lack of cost justification for reducing the demand charge in SECI-7b. The arbitrary nature of the reduction in the demand charge in SECI-7b introduces an element of uncertainty that provides an additional disincentive for investment. Nobel laureate Harry Markowitz, who developed the theory of portfolio choice, outlined the relationship between risk and reward in his landmark essay "Portfolio Selection", Journal of Finance, 1952. Many writers since have expanded on this topic that investors must be compensated with higher levels of reward for bearing higher levels of risk. The arbitrary and unsupported shifting of fixed production cost recovery from the demand charge by Seminole increases uncertainty at the same time that it decreases the savings from load management equipment. While changes in rates that are based on cost can be anticipated and factored into the planning process, arbitrary changes cannot. The uncertainty introduced by the arbitrariness of the change is as harmful to future investment as the reduction in the present value of the savings stream.

Q. Please explain how SECI-7b will reduce the incentive for customers to participate in load management programs.

A. Because LCEC will realize a reduced stream of savings as a result of the reduction in the demand charge, it may have to reduce the load management credits that it provides to customers. There are simply less

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 savings for LCEC to share with its customers. Any such reduction in the
2 credit for participating in the load control program would likely result in
3 customers choosing to withdraw from LCEC's load management program
4 rather than enduring the inconveniences of participation. Although it is
5 clearly one of Seminole's goals to reduce load management in the
6 southern part of its service territory, we do not believe that such
7 measures are prudent.

8
9 Furthermore, shifting a substantial amount of fixed costs from the
10 demand charge to a charge allocated based on energy creates a
11 disincentive for customers to invest in demand reduction measures
12 themselves. A flat energy charge which bills the customer the same rate
13 at 2 A.M. as at 5 P.M. on the hottest afternoon of the year creates no
14 economic incentive for the customer to invest in demand-side measures.
15 Shifting fixed costs from the demand charge to a charge allocated based
16 on kWh usage tends to flatten out the rate that is reflected to customers.
17 A demand charge that accurately reflects the cost of incremental
18 generating capacity creates an incentive for customers to invest in
19 demand-side measures by charging a significantly higher rate for usage
20 that is coincident with the peak. The higher demand charge would tend to
21 significantly increase the price on peak and make the rate less flat.

DIRECT TESTIMONY OF MARTIN J. BLAKE

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Additionally, a reduction in Seminole's demand charge may also make it necessary to reduce the credit for interruptible service currently provided to commercial and industrial customers.

Q. Has the implementation of SECI-7b already had an impact on LCEC's load management program?

A. Yes. As a result of the implementation of SECI-7b, LCEC placed a moratorium on adding new customers to the load management program. The lower demand charge could no longer support the investment required to add new customers to the program.

Q. What impact will SECI-7 have on the value of on-site generation that customers currently own?

A. By artificially deflating its demand charge and artificially inflating the charge based on energy usage (i.e., the Production Fixed Energy Charge that is allocated on the basis of three-year historical kWh), Seminole will reduce the value of investments that customers have already made in on-site generation and discourage customers from pursuing additional self-generation alternatives in the future. On-site generation can be used to improve the reliability of electric service as well as to reduce peak demand by generating on peak. SECI-7b diminishes or eliminates on-site generation options that retail customers would have if Seminole's rates

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 actually reflected the cost of generating electric power to serve these
2 customers.

3

4 **Q. How will SECI-7b affect the installation of new generation**
5 **facilities by Seminole?**

6 A. SECI-7b will reduce the incentive for customers to participate in existing
7 load management programs, will reduce the incentive for LCEC to
8 increase its investment in load management equipment, and will reduce
9 the incentive for customers to construct on-site generation. As a result,
10 Seminole will need additional generation assets to meet the capacity
11 needs that will not be met by using these other resources. Thus, SECI-7b
12 encourages the installation of new generation facilities by Seminole which
13 could be avoided with load management programs and customer installed
14 on-site generation. While implementing SECI-7b, which discourages
15 demand-side initiatives, Seminole plans to go forward with the
16 installation of new generation capacity. Seminole currently plans to build
17 a combined cycle plant at its Hardee County generating site to replace a
18 contract to purchase power from Florida Power Corporation that will
19 expire in January 2002. SECI-7b has the effect of reinforcing Seminole's
20 need for generation capacity and eliminating viable alternatives to the
21 installation of generating facilities. Seminole's actions run contrary to the
22 Load Management Standard adopted by the Commission in Docket No.

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 780793-EU on August 3, 1981, as amended in Order No. 10437, dated
2 December 3, 1981, which states as follows:

3 Load Management Standard - Each electric utility
4 shall offer such load management tariffs as the state
5 regulatory authority has determined will be cost-
6 effective and will be likely to reduce the utility's
7 peak kilowatt demand.

8 In re: Consideration of PURPA Standards in the following dockets:

9 Peak Load Pricing Declining Block Rates Cost of Service Load

10 Management Decision Making, Docket Nos. 780793-EU, 790571-EU,

11 790593-EU, 790594-EU, 790859-EU, Order No. 10437 (Dec. 3, 1981)

12 (emphasis added). In adopting this language, the Commission

13 established a standard for pursuing demand-side initiatives as an

14 economic alternative to implementing supply-side programs that

15 require the construction of power plants. By implementing SECI-7b,

16 which discourages load management and other supply-side initiatives,

17 Seminole is attempting to turn back the clock to the days when the

18 only alternative the utility considered was to build large, centrally-

19 located power plants.
20

21 **CONTRACT BETWEEN SEMINOLE AND LCEC**

22
23 **Q: Is there a wholesale power contract between LCEC and**
24 **Seminole?**

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 A: Yes. A copy of the contract as amended is included as Exhibit ____ (MJB-
2 4).

3
4 **Q: Does the contract Between LCEC and Seminole eliminate the**
5 **need for the Commission to regulate Seminole's rate structure in**
6 **this proceeding?**

7 A: No. Contracts between electric utilities and their customers are common
8 in the industry. However, the execution of a contract between an electric
9 utility and a customer does not insulate the electric utility's rate structure
10 from regulation. If this were the case, contracts between electric utilities
11 and their customers would regularly be used to circumvent regulation.
12 Moreover, the contract between LCEC and Seminole does not prescribe a
13 rate structure. It merely establishes a framework for developing a rate
14 structure in accordance with generally accepted ratemaking standards.

15
16 **Q: What do you mean?**

17 A: Paragraph 4(a) of the contract states:

18 The Member shall pay the Seller for all electric
19 power and energy furnished hereunder at the rates
20 and on the terms and conditions set forth in
21 Schedule C attached hereto and made a part hereof.

22 Paragraph 4(b) goes on to state that:

23 The Board of Trustees of the Seller at intervals as it
24 shall deem appropriate, but in any event not less
25 frequently than once in each calendar year, shall

DIRECT TESTIMONY OF MARTIN J. BLAKE

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review said Schedule C including the related terms and conditions thereof for electric power and energy furnished hereunder and under uniform agreements with other Members and, if necessary, shall revise such Schedule C so that it shall produce revenues under appropriate terms and conditions, which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant(s), transmission system, and related facilities of the Seller, to meet the cost of purchased power and transmission services, to make payments on account of principal and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves.

Paragraph 2 of Amendment No. 1 to the contract dated June 26, 1984 states that:

Notwithstanding anything herein to the contrary, the parties agree that, as a material inducement for entering into this Amendment, the initial Schedule C and all subsequent amendments or revisions thereof shall recognize and provide for variations in

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 the cost of providing service at differing voltages,
2 load factors, and power factors, the specific
3 provisions therefore to be made in accordance with
4 generally accepted ratemaking standards.

5 (emphasis added). As I have described (and as is described in the
6 testimony of my colleague, Steve Seelye), Seminole's wholesale rate
7 schedule was not developed in accordance with generally accepted
8 ratemaking standards.

9

10 PUBLIC POLICY CONSIDERATIONS

11

12 **Q: Are there other public policy considerations that the Commission**
13 **should take into account in determining whether Seminole's**
14 **wholesale rate structure is fair, just and reasonable?**

15 A: Yes. SECI-7b is unfair, unjust and unreasonable because it places
16 Seminole's member Distribution Cooperatives at a disadvantage by
17 shifting the risk of competition to such members. SECI also adversely
18 impacts economic development.

19

20 **Q: How does SECI-7b shift the risk of competition to LCEC and**
21 **Seminole's other member cooperatives?**

22 A: SECI-7b uses an unadjusted three-year historical Kwh usage to allocate
23 the Production Fixed Energy Charge. This rate structure improves
24 Seminole's competitive position by transferring the risk of loss of a retail
25 customer from Seminole to its member systems. Prior to implementation

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 of SECI-7-- Seminole's first rate schedule with a Production Fixed Energy
2 Charge-- Seminole's rates were calculated using each member's monthly
3 coincident peak demand. This structure resulted in Seminole principally
4 bearing the financial risk of a member cooperative losing a retail
5 customers to another supplier. If the Seminole member were to lose a
6 retail customer, the member's demand and energy consumption would be
7 reduced, thereby resulting in reduced payments to Seminole by the
8 member cooperative. Under SECI-7b, if the retail customer of a Seminole
9 member decides to use another supplier, the member's payments to
10 Seminole would not be reduced accordingly.

11
12 **Q: Are there any other ways that SECI-7b would place LCEC and**
13 **other Seminole member cooperatives at a disadvantage in a**
14 **competitive marketplace?**

15 A. Yes. Seminole's use of three-year historical kWh usage to allocate the
16 Production Fixed Energy Charge allows it to recover a significant portion
17 of its fixed costs through an energy charge. This benefits low load factor
18 customers to the detriment of high load factor customers, and makes it
19 more difficult in a competitive business environment for LCEC to attract
20 and retain high load factor customers, such as high-tech industrial and
21 commercial customers. SECI-7b raises the effective delivered price per
22 kWh to high load factor customers relative to a rate that more accurately
23 reflects cost with a higher demand charge and a lower energy charge.
24 Because high load factor customers are likely to be targeted by
25 competitors in a retail choice environment, raising the effective delivered

DIRECT TESTIMONY OF MARTIN J. BLAKE

1 price to high load factor customers will harm LCEC's competitive position
2 with respect to these customers.

3
4 Additionally, SECI-7b will make it difficult for LCEC to continue to offer
5 the new, optional General Service Demand Rate ("Rate GSDO") that
6 LCEC filed with the Commission in 1998. This rate helps LCEC to retain
7 high load factor customers and attract these customers in a competitive
8 market. SECI-7b, which benefits low load factor customers to the
9 detriment of high load factor customers, will change one of the principal
10 input costs for LCEC that allowed it to offer Rate GSDO.

11
12 Thus, from a competitive standpoint, member systems are negatively
13 impacted twice by SECI-7b. The first negative impact is that SECI-7b
14 makes it more difficult for them to attract and retain customers by raising
15 the cost of serving high load factor customers, one of the principal targets
16 of alternative retail electric suppliers in a competitive market. The second
17 negative impact is that the financial risk of losing a customer is being
18 transferred to the member systems. These two negative impacts are both
19 unfair to the members and contrary to helping members to prepare for a
20 more competitive business environment.

21
22 **Q. Are there any other flaws with the design of SECI-7b?**

23 **A.** Yes. SECI-7b violates the generally accepted ratemaking standards that
24 a rate structure should be simple and stable.

DIRECT TESTIMONY OF MARTIN J. BLAKE

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Q: How does SECI-7b violate these standards?

A. Whether a rate schedule is simple or complicated depends on the sophistication level of the intended user. A complex rate structure might possibly be supported that: (1) is designed to produce a close correspondence between the utility's cost structure and the price signal being sent to the customer, and (2) is intended to be used and can be understood by a sophisticated customer. Since SECI-7b confuses the relationship between Seminole's rate structure and the cost of providing service, it is unjustifiably complicated, and thus fails to meet the first criteria for justifying a complex rate structure. SECI-7b also violates the standard of stability by radically departing from Seminole's historical traditional rate structure consisting of a demand charge that recovered fixed production and transmission costs and an energy charge that recovered variable operation and maintenance expenses.

Q: Does this conclude your testimony?

A: Yes, it does.

SCHEDULE C
TO WHOLESALE POWER CONTRACTWholesale Service Rate to Members
Rate Schedule - SECT-7bI. AVAILABILITY

Available for electric service from the Seller to its Members.

II. APPLICABILITY

Wholesale service to Members for use, redistribution, and resale in accordance with the terms and conditions of the Wholesale Power Contract. This Rate Schedule shall apply to each Member. The Member's delivery points under this Rate Schedule are listed in Schedule B of the Wholesale Power Contract. The electric service at any such delivery point will be either the total requirements of the Member's electric system served from the delivery points under this Rate Schedule, or if applicable, partial requirements service which complements the Member's purchases of Interruptible Wholesale Service pursuant to the Seller's Rate Schedule INT under Schedule C of the Wholesale Power Contract and/or the Member's purchases from the Southeastern Power Administration.

III. CHARACTER OF SERVICE

The electric capacity and energy hereunder will be three-phase alternating current at a nominal frequency of sixty hertz.

IV. MONTHLY RATES AND CHARGES

The monthly charges to the Members shall be equal to the sum of the Base Charges, Power Factor Penalties and Transmission Facilities Use Charges.

(A) BASE CHARGES - Base Charges shall be equal to the sum of the Fixed Charges, the Non-fuel Energy Charge, and the Fuel Charge.

FIXED CHARGES - Fixed Charges shall be equal to the sum of Production Charges and Transmission Charges.

Production - Production Charges shall be equal to the sum of the Production Demand Charge and the Production Fixed Energy Charge.

(1) Production Demand Charge (Applicable only during the months of January, February, March, June, July, August, September, and December) - \$8.50 per kW

(2) Production Fixed Energy Charge shall be allocated to Members on an energy basis and calculated in accordance with the formula specified in Seller's Production Fixed Energy Charge Recovery Clause which is incorporated as part of this Rate Schedule as Appendix A.

Transmission - Transmission Charges which shall be applicable during all months, shall be equal to the sum of the Transmission Demand Charge and the Distribution Demand Surcharge.

(1) Transmission Demand Charge (applicable to all delivery points) - \$1.59 per kW

(2) Distribution Demand Surcharge (applicable to delivery points below 69 kV) - \$1.27 per kW

Ninth Revised Sheet No. 2
Cancels Eighth Revised Sheet No. 2

NON-FUEL ENERGY CHARGE - \$.00263 per kwh

FUEL CHARGE

The Fuel Charge shall be calculated in accordance with the formula specified in Seller's Fuel Charge Recovery Clause which is incorporated as a part of this Rate Schedule as Appendix B.

BILLING DETERMINANTS

(1) Monthly Billing Demand Determinants:

The Monthly Billing Demand Determinants is the Member's Aggregate Hourly Demand at the time of the Seller's peak demand during the calendar billing month, expressed in kW and rounded to the nearest kW. The Aggregate Hourly Demand for each clock hour of the calendar billing month is determined by the summation of the 60-minute kW demands, corresponding to each such clock hour, metered at each of the Member's delivery points. The Aggregate Hourly Demand for each clock hour shall, where applicable, be reduced by the amount of Southeastern Power Administration capacity, and/or the amount of interruptible Wholesale Service under the Seller's Rate Schedule INT delivered to certain specified delivery points in each such clock hour during the calendar billing month.

(2) Monthly Energy Determinants:

The Monthly Energy Determinants, expressed in kwh and rounded to the nearest kwh, is determined by the summation of the energy associated with each hour's Aggregate Hourly Demand for all hours during the calendar billing month.

(3) Estimated Billing Determinants:

To the extent that any of the metering information required to determine the Monthly Billing Demand and Monthly Energy supplied during the billing month is not available at the time of billing, bills will be rendered using estimates of said billing determinants with such estimates being based upon all known pertinent facts. Differences between billings based on actual and estimated billing determinants shall be subsequently trued up, with interest accrued at the Seller's short term investment or cost of funds rate, whichever is applicable.

(B) POWER FACTOR

Power factor penalties incurred by the Seller under its contracts with other utilities as a result of a Member delivery point's failing to maintain a power factor at or above the applicable contractually required level, shall be billed to the Member receiving service at the delivery point on a direct pass-through basis as part of the bill for electric service provided hereunder. Seller shall be obligated to keep the Members apprised of the applicable contractual requirements which could affect power factor billings hereunder.

(C) TRANSMISSION FACILITIES USE CHARGE

A Transmission Facilities Use Charge as provided for in Seller's Transmission Policy No. 303 and Seller's Rate Policy No. 304 shall, if applicable be billed to the Member each month. In accordance with the terms and conditions described in said policies the charge shall be calculated in the manner prescribed in Appendix C which is incorporated as part of this Rate Schedule.

Issued by: Richard J. Midulla
Executive Vice President
and General Manager

Effective: January 1, 2000

V. METERED READINGS AND BILLINGS(A) PAYMENT OF BILLS

Bills for electric power and energy and for transmission facilities use services furnished hereunder shall be paid for at the office of the Seller within fifteen (15) days after the bill therefore is mailed to the Member. Bills not paid within such fifteen-day period shall be deemed delinquent and shall accrue interest at the Seller's monthly line of credit rate. The Board of Trustees of the Seller may, from time to time, establish terms and conditions under which (1) either Seller or Member makes payments of amounts owed hereunder in advance of the performance date provided for herein or (2) Seller offers the Member a premium on any billing credits owed hereunder from the Seller to the Member in consideration of such credits being applied by the Seller to billings subsequent to those provided for above. Said terms and conditions shall be specified in writing and provided to each of the Members of the Seller.

(B) METER READING AND TESTING

The Seller shall read meters monthly, or cause meters to be read monthly. In cases whereby the meter installation is made at a voltage different from the delivery point voltage designated in Schedule B of the Wholesale Power Contract, compensating devices, which automatically adjust meter readings to account for losses, shall be installed. The Seller shall test and calibrate meters, or shall cause such meters to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make or cause to be made special meter tests at any time at the Member's request. The costs of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately, the Member shall reimburse the Seller for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the thirty (30) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period, the Member and the Seller shall agree as to the amount of power and energy furnished during such period and the Seller shall render a bill therefore.

VI. TERMS AND CONDITIONS

Service hereunder is subject to all of the provisions of the Wholesale Power Contract between Seller and its Members, including all schedules, amendments, and supplemental agreements thereto in effect from time to time.

VII. SPECIAL PROVISIONS

In the event that the Member purchases power from a cogenerator or a small power producer (Qualifying Facility), the Seller may reallocate to the Member any costs that have not been avoided as a result of the Member's purchases from the Qualifying Facility. The criteria that a small power producer or a cogenerator must meet to achieve the status of a Qualifying Facility is defined by Section 201 of the Public Utility Regulatory Policies Act of 1978 and regulations adopted thereunder.

SCHEDULE C
TO WHOLESALE POWER CONTRACTWholesale Service Rate to Members
Rate Schedule - SECI-7I. AVAILABILITY

Available for electric service from the Seller to its Members.

II. APPLICABILITY

Wholesale service to Members for use, redistribution, and resale in accordance with the terms and conditions of the Wholesale Power Contract. This Rate Schedule shall apply to each Member. The Member's delivery points under this Rate Schedule are listed in Schedule B of the Wholesale Power Contract. The electric service at any such delivery point will be either the total requirements of the Member's electric system served from the delivery points under this Rate Schedule, or if applicable, partial requirements service which complements the Member's purchases of interruptible Wholesale Service pursuant to the Seller's Rate Schedule INT under Schedule C of the Wholesale Power Contract and/or the Member's purchases from the Southeastern Power Administration.

III. CHARACTER OF SERVICE

The electric capacity and energy hereunder will be three-phase alternating current at a nominal frequency of sixty hertz.

IV. MONTHLY RATES AND CHARGES

The monthly charges to the Members shall be equal to the sum of the Base Charges, Power Factor Penalties and Transmission Facilities Use Charges.

- (A) BASE CHARGES - Base Charges shall be equal to the sum of the Fixed Charges, the Non-Fuel Energy Charge, and the Fuel Charge.

FIXED CHARGES - Fixed Charges shall be equal to the sum of Production Charges and Transmission Charges.

Production - Production Charges shall be equal to the sum of the Production Demand Charge and the Production Fixed Energy Charge.

- (1) Production Demand Charge (Applicable only during the months of January, February, March, June, July, August, September, and December):

1999 - \$8.50 per kW

2000 - \$7.50 per kW

2001 - \$6.50 per kW

- (2) Production Fixed Energy Charge shall be allocated to Members on an energy basis and calculated in accordance with the formula specified in Seller's Production Fixed Energy Charge Recovery Clause which is incorporated as part of this Rate Schedule as Appendix A.

Transmission - Transmission Charges which shall be applicable during all months, shall be equal to the sum of the Transmission Demand Charge and the Distribution Demand Surcharge.

- (1) Transmission Demand Charge (applicable to all delivery points) - \$1.83 per kW

- (2) Distribution Demand Surcharge (applicable to delivery points below 69 kv) - \$1.26 per kW

MEMALLOC

Portion of Production Fixed Energy Charge
Members' percentage share of
years ending with the year p
for the year 1999 each Member
shall be based upon the tot
1997.

Production Fixed Energy Charge the applicable calendar year
Appendix D, which is incorporated as part of this Rate Schedule
Charge in effect for the current calendar year.
The monthly Production Fixed Energy Charge shall be not
use of the following formula:

producer
not been
ta that a
cility is
gulations

PFE = ((PFC-PBR) X MEMALLOC) Less

where:

PFE - Member's monthly Production

PFC - Seller's production fixed charge
comprised of the following:

(i) Seller's total revenue

(ii) Seller's transmission

(iii) Seller's Fuel costs: less

(iv) Seller's Non-fuel Energy

PBR - Seller's Production Demand Charge
projected for the applicable

MEMALLOC - Portion of Production Fixed Energy
Members' percentage share of
years ending with the year p
for the year 1999 each Member

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Executive Vice President
and General Manager

Appendix D, which is incorporated as part of this Rate Schedule
Charge in effect for the current calendar year.

Less

RATE SCHEDULE under this Rate Schedule

APPENDIX

Production Fixed Energy

The monthly Production Fixed Energy Charge shall be not
use of the following formula:

PFE = ((PFC-PBR) X MEMALLOC) Less

where:

PFE - Member's monthly Production

PFC - Seller's production fixed charge
comprised of the following:

(i) Seller's total revenue

(ii) Seller's transmission

(iii) Seller's Fuel costs: less

(iv) Seller's Non-fuel Energy

PBR - Seller's Production Demand Charge
projected for the applicable

Issued by: Richard J. Midulla
Executive Vice President
and General Manager

Original Sheet No. 2a

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RATE SCHEDULE C

APPENDIX A

Production Fixed Energy Charge Recovery Clause

The monthly Production Fixed Energy Charge shall be rounded to the nearest whole dollar and determined by use of the following formula:

$$PFE = ((PFC - PBR) \times MEMALLOC) \div 12$$

where:

- PFE - Member's monthly Production Fixed Energy Charge
- PFC - Seller's production fixed costs projected for the applicable calendar year comprised of the following costs:
- (i) Seller's total revenue requirements: less
 - (ii) Seller's transmission revenue requirements: less
 - (iii) Seller's Fuel costs: less
 - (iv) Seller's Non-fuel Energy costs.
- PBR - Seller's Production Demand Charge revenues collected under this Rate Schedule projected for the applicable calendar year.
- MEMALLOC - Portion of Production Fixed Energy Charge allocated to each Member based upon the Members' percentage share of actual Energy Determinants for the three calendar years ending with the year prior to the preceding calendar year. For example, for the year 1999 each Member's share of the total Production Fixed Energy Charge shall be based upon the total Energy Determinants for the years 1995 through 1997.

Appendix D, which is incorporated as part of this Rate Schedule, shall specify the Production Fixed Energy Charge in effect for the current calendar year.

RATE SCHEDULE C

APPENDIX B

Fuel Charge Recovery Clause

The Fuel Charge shall be equal to the Fuel Rate applied to the Monthly Energy Determinants (kWh), plus the Monthly Trueup, if applicable.

FUEL RATE The Fuel Rate shall be determined by the use of the following formula:

$$FR = \frac{F_s}{S_s}$$

where:

- FR - Applicable Fuel Rate rounded to the nearest one thousandth of a cent.
- F_s - Shall be comprised of the following costs projected for the applicable calendar year.
- (i) Fossil and nuclear fuel consumed in Seller-owned plants and the Seller share of fossil and nuclear fuel consumed in jointly-owned or leased plants; plus
 - (ii) fossil and nuclear fuel costs associated with replacement power, reserve purchases and load following, exclusive of capacity or demand charges (irrespective of the designation assigned to such transactions); plus
 - (iii) the net energy cost of economy energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transactions); plus
 - (iv) allowable fuel and/or purchased economic power costs associated with Seller's purchases of full and partial requirements wholesale power; plus
 - (v) gains, losses, and associated costs related to fuel price hedging transactions; plus
 - (vi) the avoided energy payments to Qualifying Facilities; less
 - (vii) the cost of fossil and nuclear fuel recovered through inter-system sales.
- S_s - Sum of the Projected Energy Determinants for all Members for the applicable calendar year.

Appendix D, which is incorporated as part of this Rate Schedule, shall specify the projected Fuel Rate in effect for the current calendar year.

MONTHLY TRUEUP In addition, each Member shall be charged or credited a Monthly Fuel Trueup during the last four months of each subsequent six-month period by a dollar amount equal to the sum of the following:

- (A) The dollar amount equal to the difference between the Fuel Charges based on actual fuel costs during the preceding six-month period and the Fuel Charges collected based upon projected fuel costs during the same preceding six-month period.
- (B) Interest compounded monthly on the amount computed each month pursuant to Item A above, up to the end of such six-month period, at the Seller's short term investment or cost of funds rate, whichever is applicable, and

Fourth Revised Sheet No. 4
Cancels Third Revised Sheet No. 4

(C) Interest compounded monthly for the two months following such six-month period on the total amount included in Items A and B above at the Seller's short term investment or cost of funds rate, whichever is applicable, for the month succeeding the end of the six-month period.

The distribution of the dollar amounts as determined by the sum of paragraphs A, B and C above shall be billed or credited in equal amounts on billings for the last four months of each six-month period.

RATE SCHEDULE C

APPENDIX C

Components of
Transmission Facilities Use Charge

The Seller's Transmission Policy No. 303 and Rate Policy No. 304 specify that the costs for transmission facilities owned by the Seller and provided for the exclusive use and benefit of a single Member shall be borne by that Member. Costs of operation and maintenance are to be borne directly by the Member, whereas costs of ownership will be recovered by Seller from the benefiting Member through a Transmission Facilities Use Charge. Outlined below are those components of the Transmission Facilities Use Charge and how they are to be computed.

DEPRECIATION

For facilities constructed by Seller, depreciation will be calculated monthly based on original installed cost (including cost of capitalized renewals and replacements) of depreciable property relating to the transmission facilities used exclusively by a Member system and the depreciation rate prescribed in REA Bulletin 183-1, or revisions thereto. The date at which depreciation cost commences will be the date that the transmission facility is placed in service for its intended use by Seller for the benefiting Member, regardless of the date of closing of the construction work order.

For facilities purchased from a Member by Seller to be used exclusively by that Member, depreciation will commence as of the effective date of the transfer thereof and calculated according to the method previously described.

PROPERTY TAXES

For facilities constructed by Seller, for the exclusive use of a Member, property tax costs will be included in the Transmission Facilities Use Charge at such time that the facility qualifies as taxable property and becomes taxable to Seller. The cost will be based on the ratio of the net book value of taxable property comprising the transmission facility used exclusively by the benefiting Member to the total net book value of all taxable property owned by Seller in the county in which the facility is located, as of January 1 of each year. This ratio will be applied to the estimated tax bill for the county in which the facility is located as the basis for determining the estimated monthly charge. When the actual tax bill is received, appropriate adjustments will be made.

For facilities purchased from a Member by Seller for exclusive use by that Member, property taxes will be prorated as of the effective date of transfer. Taxes associated with the facility will be based on the ratio of the net book value of taxable property comprising the facility to the total net book value of taxable property owned by the Member in the county in which the facility is located. The taxes will be calculated by the method described for Seller-built facilities.

PROPERTY INSURANCE

Seller will carry property insurance for transmission facilities in accordance with its standard insurance purchasing practices. For built facilities, the cost will be based on the ratio of insured value of the facility to the total insured value of all property covered in the policy. This ratio will be applied to the total premium for the policy to determine the cost applicable to the facility; however, if the premium for the facility is specifically identified in the policy, this amount will be used in the Transmission Facilities Use Charge.

For facilities purchased by Seller from a Member system, Seller will obtain appropriate property insurance as of the effective date of the transfer thereof and include this amount in the Transmission Facilities Use Charge.

Second Revised Sheet No. 6
Cancels First Revised Sheet No. 6

COST OF MONEY

For facilities constructed by Seller, the cost of money component will be included in the Transmission Facilities Use Charge as of the date of in-service of the facility. This cost will be determined by applying the cost of permanent financing or interim financing, if permanent not in place, for the facility to the net book value of the facilities used exclusively by the Member at the end of each month.

For facilities purchased by Seller from a Member system for exclusive use by the Member system, the cost of money component will be determined by the cost of debt assumed or Seller's cost of permanent financing or interim financing, if permanent not in place, used to finance the purchase of the facility.

Rate Schedule C

Appendix D

Monthly Production Fixed Energy Charge and Projected Fuel Rate

MONTHLY PRODUCTION FIXED ENERGY CHARGE

Pursuant to Appendix A of this Rate Schedule, the amounts provided below represent the Monthly Production Fixed Energy Charge for each member to become effective January 1, 1999 through December 31, 1999.

<u>Member</u>	<u>Monthly Fixed Energy Charge</u>
Central Florida Electric Cooperative, Inc.	\$ 135,056
Clay Electric Cooperative, Inc.	\$ 881,634
Glades Electric Cooperative, Inc.	\$ 111,117
Lee County Electric Cooperative, Inc.	\$ 1,005,501
Peace River Electric Cooperative, Inc.	\$ 131,880
Sumter Electric Cooperative, Inc.	\$ 549,534
Suwannee Valley Electric Cooperative, Inc.	\$ 105,049
Talquin Electric Cooperative, Inc.	\$ 296,677
Tri-County Electric Cooperative, Inc.	\$ 65,950
Withlacoochee River Electric Cooperative, Inc.	\$ 1,025,231
Total	<u>\$ 4,307,629</u>

PROJECTED FUEL RATE

Pursuant to Appendix B of this Rate Schedule the projected Fuel Rate to become effective January 1, 1999 shall be \$0.02065 per kWh.

SCHEDULE C
TO WHOLESALE POWER CONTRACT

Wholesale Service Rate to Members'
Rate Schedule - SECI-6b

I. AVAILABILITY

Available for electric service from the Seller to its Members.

II. APPLICABILITY

Wholesale service to Members for use, redistribution, and resale in accordance with the terms and conditions of the Wholesale Power Contract. This schedule shall apply to each Member. The Member's delivery points under this schedule are listed in Schedule B of the Wholesale Power Contract.

III. CHARACTER OF SERVICE

The electric capacity and energy hereunder will be three-phase alternating current at a nominal frequency of sixty hertz.

IV. MONTHLY RATE

The rate to the Members shall be composed of the following charges:

(A) BASE RATE FOR SERVICE

	<u>230/240 kV</u>	<u>115/138 kV</u>	<u>69 kV</u>	<u>Below 69</u>
Station Charge (\$/Delivery Point)	\$400.00	\$400.00	\$400.00	\$400.00
Demand Charges				
For each kW of Monthly Billing Demand at Applicable Voltage Level	\$ 10.63	\$ 10.76	\$ 10.89	\$ 12.02
Energy Charge (\$/kWh)	.02919	.02919	.02919	.02919

FUEL ADJUSTMENT

The amount computed at the above monthly rate shall be adjusted in accordance with the formula specified in Seller's Fuel Adjustment Clause which is incorporated as a part of this rate as Appendix A.

MINIMUM MONTHLY CHARGE

The minimum monthly bill shall not be less than the sum of the station charge and the demand charge for the current effective Monthly Billing Demand.

BILLING DETERMINANTS

(1) Demand Determinants:

The Monthly Billing Demand shall be equal to the sum of the Members' Monthly Supplier Area Billing Demands, expressed in kW and rounded to the nearest kW. For Members' delivery points located in the Florida Power & Light (FPL) control area, the Monthly Supplier Area Billing Demand is the Aggregate Hourly Demand of such delivery points at the time of the aggregate peak load experienced during the FPL partial requirements billing cycle for those Member delivery points served through the partial requirements agreement between the Seller and FPL. For the remaining Members' delivery points, the Monthly Supplier Area Billing Demand is the Aggregate Hourly Demand for the remaining Member delivery points at the time of billing demand during the billing month under the partial requirements agreement between the Seller and Florida Power Corporation. The Aggregate Hourly Demand for each clock hour of the billing month is determined by the summation of the 60-minute kW demands, corresponding to each such clock hour, established at each of the Member's delivery points by Supplier Area. The Aggregate Hourly Demand for each clock hour shall, where applicable, be reduced by the amount of Southeastern

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Executive Vice President
and General Manager

Effective: September 1, 1994

Power Administration capacity delivered to certain specified delivery points in each such clock hour during the billing month.

(2) Energy Determinants:

The Monthly energy, expressed in kWh and rounded to the nearest kWh, is determined by the summation of the energy associated with each hour's Aggregate Hourly Demand for all hours during the calendar billing month.

(3) Estimated Billing Determinants:

To the extent that any of the metering information required to determine the Monthly Billing Demand and energy supplied during the billing month is not available at the time of billing, bills will be rendered using estimates of said billing determinants with such estimates being based upon all known pertinent facts. Differences between billings based on actual and estimated billing determinants shall be subsequently trued up, with interest accrued at the Seller's short term investment or cost of funds rate, whichever is applicable.

POWER FACTOR

Power factor penalties incurred by the Seller under its contracts with other utilities as a result of a member delivery point's failing to maintain a power factor at/or above the applicable contractually required level, shall be billed to the member receiving service at said delivery point on a direct pass-through basis as part of the bill for electric service provided hereunder. Seller shall be obligated to keep the members apprised of the applicable contractual requirements which could affect power factor billings hereunder.

(B) TRANSMISSION FACILITIES USE CHARGE

A "facilities use charge" as described in Seller's Transmission Policy No. 303 shall, if applicable be billed in addition to the foregoing Monthly Base Rate. In accordance with the terms and conditions described in said policy, the charge shall be calculated in the manner prescribed in Appendix B which is incorporated as part of this rate schedule.

V. METERED READINGS AND BILLINGS(A) PAYMENT OF BILLS

Bills for electric power and energy and for transmission facilities use services furnished hereunder shall be paid for at the office of the Seller within fifteen (15) days after the bill therefore is mailed to the Member. Bills not paid within such fifteen-day period shall be deemed delinquent and shall accrue interest at the Seller's monthly line of credit rate. The Board of Trustees of the Seller may, from time to time, establish terms and conditions under which (1) either Seller or Member makes payments of amounts owed hereunder in advance of the performance date provided for herein or (2) Seller offers the Member a premium on any billing credits owed hereunder from the Seller to the Member in consideration of such credits being applied by the Seller to billings subsequent to those provided for above. Said terms and conditions shall be specified in writing and provided to each of the Members of the Seller.

(B) METER READING AND TESTING

The Seller shall read meters monthly, or cause meters to be read monthly. In cases whereby the meter installation is made at a voltage different from the delivery point voltage designated in Schedule B of the Wholesale Power Contract, compensating devices, which automatically adjust meter readings to account for losses, shall be installed. The Seller shall test and calibrate meters, or shall cause such meters to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make or cause to be made special meter tests at any time at the Member's request. The costs of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately, the Member shall reimburse the Seller for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the thirty (30) days previous

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and General Manager

Effective: September 1, 1994

to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period, the Member and the Seller shall agree as to the amount of power and energy furnished during such period and the Seller shall render a bill therefore.

VI. TERMS AND CONDITIONS

Service hereunder is subject to all of the provisions of the Wholesale Power Contract between Seller and its Members, including all schedules, amendments, and supplemental agreements thereto in effect from time to time.

VII. SPECIAL PROVISIONS

In the event that the Member purchases power from a cogeneration or small power production Qualifying Facility, the Seller may reallocate to the Member any costs that have not been avoided as a result of the Member's purchases from the Qualifying Facility. The criteria that a small power producer or a cogenerator must meet to achieve the status of a Qualifying Facility is defined by Section 201 of the Public Utility Regulatory Policies Act of 1978 and regulations adopted thereunder.

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Executive Vice President
and General Manager

Effective: September 1, 1994

RATE SCHEDULE C
APPENDIX A
Fuel Adjustment Clause

APPLICABILITY

To the Monthly Rate of all Board approved rate schedules as indicated with reference to this Appendix A.

CALCULATION

The monthly bill computed under the Base Rate for Service shall be increased or decreased, per kWh delivered, by an amount (FAC below), to the nearest one thousandth of a cent, determined by use of the formula:

$$FAC = \frac{E_m}{S_m} - 2.443¢$$

where:

FAC = Applicable fuel adjustment to be applied to each kWh of energy delivered in the current billing month.

E_m = Shall be comprised of the following costs projected for a 12-month test period:

- (i) Fossil and nuclear fuel consumed in Seller-owned plants and the Seller share of fossil and nuclear fuel consumed in jointly-owned or leased plants; plus
- (ii) fossil and nuclear fuel costs associated with replacement power, reserve purchases and load following, exclusive of capacity or demand charges (irrespective of the designation assigned to such transactions); plus
- (iii) the net energy cost of economy energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transactions); plus
- (iv) allowable fuel and/or purchased economic power costs associated with Seller's purchases of full and partial requirements wholesale power; plus
- (v) the avoided energy payments to Qualifying Facilities; less
- (vi) the cost of fossil and nuclear fuel recovered through inter-system sales.

S_m = Projected kWh sales to the Members for the 12-month test period.

In addition, each Member shall be charged or credited during the last four months of each subsequent six-month period by a dollar amount equal to the sum of the following:

- (A) The dollar amount equal to the difference between the fuel adjustment charges based on actual fuel costs during the preceding six-month period and the fuel adjustment charges collected during the same preceding six-month period.
- (B) Interest compounded monthly on the amount computed each month pursuant to Item A above, up to the end of such six-month period, at the Seller's short term investment or cost of funds rate, whichever is applicable and

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Executive Vice President
and General Manager

Effective: September 1, 1994

- (C) Interest compounded monthly for the two months following such six-month period on the total amount included in Items A and B above at the Seller's short term investment or cost of funds rate, whichever is applicable, for the month succeeding the end of the six-month period.

The distribution of the dollar amounts as determined by the sum of paragraphs A, B and C above shall be billed or credited in equal amounts on billings for the last four months of each six-month period.

Modifications to the applicable FAC factor during any six-month period will be made in accordance with Seminole Rate Policy No. 304.

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Executive Vice President
and General Manager

Effective: September 1, 1994

First Revised Sheet No. 5
 Cancels Original Sheet No. 5

RATE SCHEDULE C

APPENDIX B

Components of
 Facilities Use Charge

Section 2 of the Transmission Policy No. 303 lists the costs that will be borne by a Member system that has exclusive use of facilities owned by Seller. Costs of operation and maintenance are to be borne directly by the Member, whereas costs of ownership will be recovered by Seller from the benefiting Member through a Facilities Use Charge. Outlined below are those components of the Facilities Use Charge and how they are to be computed.

DEPRECIATION

For facilities constructed by Seller, depreciation will be calculated monthly based on original installed cost (including cost of capitalized renewals and replacements) of depreciable property relating to the transmission facilities used exclusively by a Member system and the depreciation rate prescribed in REA Bulletin 183-1, or revisions thereto. The date at which depreciation cost commences will be the date that the transmission facility is placed in service for its intended use by Seller for the benefiting Member, regardless of the date of closing of the construction work order.

For facilities purchased from a Member by Seller to be used exclusively by that Member, depreciation will commence as of the effective date of the transfer thereof and calculated according to the method previously described.

PROPERTY TAXES

For facilities constructed by Seller, for the exclusive use of a Member, property tax costs will be included in the Facilities Use Charge at such time that the facility qualifies as taxable property and becomes taxable to Seller. The cost will be based on the ratio of the net book value of taxable property comprising the transmission facility used exclusively by the benefiting Member to the total net book value of all taxable property owned by Seller in the county in which the facility is located, as of January 1 of each year. This ratio will be applied to the estimated tax bill for the county in which the facility is located as the basis for determining the estimated monthly charge. When the actual tax bill is received, appropriate adjustments will be made.

For facilities purchased from a Member by Seller for exclusive use by that Member, property taxes will be prorated as of the effective date of transfer. Taxes associated with the facility will be based on the ratio of the net book value of taxable property comprising the facility to the total net book value of taxable property owned by the Member in the county in which the facility is located. The taxes will be calculated by the method described for Seller-built facilities.

PROPERTY INSURANCE

Seller will carry property insurance for transmission facilities in accordance with its standard insurance purchasing practices. For built facilities, the cost will be based on the ratio of insured value of the facility to the total insured value of all property covered in the policy. This ratio will be applied to the total premium for the policy to determine the cost applicable to the facility; however, if the premium for the facility is specifically identified in the policy, this amount will be used in the Facilities Use Charge.

For facilities purchased by Seller from a Member system, Seller will obtain appropriate property insurance as of the effective date of the transfer thereof and include this amount in the Facilities Use Charge.

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 Executive Vice President
 and General Manager

Effective: September 1, 1994

COST OF MONEY

For facilities constructed by Seller, the cost of money component will be included in the Facilities Use Charge as of the date of in-service of the facility. This cost will be determined by applying the cost of permanent financing or interim financing, if permanent not in place, for the facility to the net book value of the facilities used exclusively by the Member at the end of each month.

For facilities purchased from a Member system Seller for exclusive use by the Member system, the cost of money component will be determined by the cost of debt assumed or Seller's cost of permanent financing or interim financing, if permanent not in place, used to finance the purchase of the facility.

U.S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

REA BORROWER DESIGNATION

THE WITHIN

Seminole Electric Cooperative, Inc. (Florida 511 Seminole)

SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE
PURPOSES OF SUCH CONTRACT.



ADMINISTRATOR

DATED

JR 5 0 1975

WHOLESALE POWER CONTRACT

AGREEMENT made as of May 22, 1975 between SEMINOLE ELECTRIC COOPERATIVE, INC. (hereinafter called the "Seller"), a corporation organized under the laws of the State of Florida and LEE COUNTY ELECTRIC COOPERATIVE, INC. (hereinafter called the "Member"), a corporation organized and existing under the laws of the State of Florida.

WHEREAS, the Seller proposes to construct and/or acquire electric generating capacity and transmission facilities and may purchase or otherwise obtain transmission services and electric power and energy for the purpose, among others, of supplying electric power and energy to borrowers from the Rural Electrification Administration which are or may become members of the Seller; and

WHEREAS, the Seller has heretofore entered into or is about to enter into agreements for the sale of electric power and energy similar in form to this agreement with all the borrowers which are members of the Seller and may enter into similar contracts with other such borrowers who may become members, and

WHEREAS, the Member desires to purchase electric power and energy from the Seller on the terms and conditions herein set forth.

NOW THEREFORE, in consideration of the mutual undertakings herein contained the parties hereto agree as follows:

1. GENERAL. The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which the Member shall require for the operation of the Member's system within the State of Florida to the extent that the Seller shall have such power and energy and facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other than the Seller during the remainder of the term thereof. If the Member continues to purchase electric power and energy under a contract or contracts with a supplier or suppliers other than the Seller, then the power and energy purchased under such contract or contracts shall be paid for by Seller for the account of the Member, and the Member shall be billed by Seller for such power and energy in accordance with the terms and conditions of Section 4 hereof. The Member shall terminate, if the Seller shall, with the approval or at the direction of the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") so request, any such existing contract or contracts with a supplier other than the Seller at such times as it may legally do so, provided the Seller shall have sufficient electric power and energy facilities available for the Member.

2. ELECTRIC CHARACTERISTICS AND POINTS OF CONNECTION. Electric power and energy to be furnished hereunder shall be sixty Hertz alternating current.

As used in this Agreement "Points of Connection" shall be those points where the system of the Member is connected to the transmission system that Seller has from time to time ownership of or rights to deliver power and energy through.

The Member shall keep the Seller advised concerning anticipated loads at established Points of Connection and the need for additional Points of Connection by furnishing the Seller by November 1 of each year a revised "Schedule A" substantially in the form attached hereto.

The initial Point or Points of Connection and their initial delivery voltages shall be as set forth in "Schedule B" attached hereto and made a part hereof. Other Points of Connection and their initial delivery voltages may be established by mutual agreement of the Member and the Seller, and "Schedule B" shall be revised accordingly.

3. DELIVERY FACILITIES. The Seller shall be responsible for the facilities to deliver power and energy to the Point or Points of Connection. The Member shall be responsible for providing the facilities necessary to take and use the power and energy from the Point or Points of Connection. The parties shall provide and maintain, or cause to be provided and maintained, switching and protective equipment which may be reasonably necessary to protect the system of the other. Meters and metering equipment shall be furnished, maintained, and read, or caused to be furnished, maintained, and read, by the Seller.

4. RATE. The Member shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth below:

(a) The rate to the Member shall be composed of the Monthly Billing Cost plus or minus a Member Adjustment Factor:

(i) The Monthly Billing Cost shall be the computed cost to Member as if the Member's total monthly power and energy supply had been purchased directly from a supplier or suppliers other than the Seller under applicable wholesale rate schedules. The applicable wholesale rate schedule shall be the rate schedule of supplier serving the territory in which the Point of Connection of the Member is located.

(ii) The Member Adjustment Factor shall be obtained by multiplying the difference between the Seller's total costs and the sum of the Monthly Billing Costs for all members by the ratio of the Member's monthly energy requirements to the total monthly energy requirements of all members of Seller.

(b) The Board of Trustees of the Seller shall ensure that revenues produced by the rate for electric power and energy furnished hereunder and under similar agreements with other members shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of the operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant(s),

transmission system, and related facilities of the Seller, to meet the cost of purchased power and transmission services, to make payments on account of principal and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. Without limiting the generality of the foregoing, the revenues produced by the rate shall be such as will enable the Seller to comply with all mortgage requirements as they may exist from time to time. The Seller shall cause a notice in writing to be given to the Member and other members of the Seller and the Administrator which shall set out all proposed revisions in the wholesale rate schedules used in determining the Monthly Billing Cost and any revisions affecting the maintenance of reasonable reserves with the effective date thereof, which shall be not less than thirty (30) nor more than forty five (45) days after the date of the notice, and shall set forth the basis upon which such revisions are proposed; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

5. METER READINGS AND PAYMENT OF BILLS. The Seller shall read meters monthly, or cause meters to be read monthly. Electric power and energy furnished hereunder shall be paid for at the office of the Seller within ten (10) days after the bill therefor is mailed to the Member. If the Member shall fail to pay any such bill within such ten-day period, the Seller may discontinue delivery of electric power and energy hereunder upon fifteen (15) days' written notice to the Member of its intention so to do.

6. METER TESTING AND BILLING ADJUSTMENT. The Seller shall test and calibrate meters, or shall cause such meters to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make, or cause to be made, special meter tests at any time at the Member's request. The costs of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately, the Member shall reimburse the Seller for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the thirty (30) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period the Member and the Seller shall agree as to the amount of power and energy furnished during such period and the Seller shall render a bill therefor.

7. NOTICE OF METER READING OR TEST. The Seller shall notify the Member in advance of the time of any meter reading or test so that the Member's representative may be present at such meter reading or test.

8. RIGHT OF ACCESS. Duly authorized representatives of either party hereto shall be permitted to enter the premises of the other party hereto at all reasonable times in order to carry out the provisions hereof.

9. CONTINUITY OF SERVICE. The Seller shall use reasonable diligence to

deliver a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective, through act of God or the public enemy, or because of accident, labor troubles, or any other cause beyond the control of the Seller, the Seller shall not be liable therefor or for damages caused thereby.

10. TERM. This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect for a term of forty-five (45) years and thereafter until terminated by either party's giving to the other not less than three year's written notice of its intention to terminate. Subject to the provisions of Article 1 hereof, service hereunder and the obligation of the Member to pay therefor shall commence upon Seller's making service available to Member hereunder.

EXECUTED THE day and year first above mentioned.

SEMINOLE ELECTRIC COOPERATIVE, INC.

By *[Signature]*
PRESIDENT

ATTEST:

[Signature]
SECRETARY

LEE COUNTY ELECTRIC COOPERATIVE, INC.

By *[Signature]*
PRESIDENT

ATTEST:

[Signature]
SECRETARY

SCHEDULE A
TO WHOLESALE POWER CONTRACT

EXISTING AND PROPOSED DELIVERY POINT LOAD REQUIREMENTS
AND DELIVERY VOLTAGES

NAME OF MEMBER: LEE COUNTY ELECTRIC COOPERATIVE, INC.

DATE: May 22, 1975

Existing Delivery Points

Voltage of
Delivery

Indicate Year of Estimated Peak Load From Above Date

<u>Name</u>	<u>Change and New Voltage if Any</u>	<u>1975 1Yr. Hence</u>	<u>1976 2Yrs. Hence</u>	<u>1977 3Yrs. Hence</u>	<u>1979 5Yrs. Hence</u>	<u>1984 10Yrs. Hence</u>
1. Lee	138 KV	96.1	110.6	126.9	164.8	304.2
2. Buckingham	138 KV	33.7	38.8	44.5	57.8	106.7
3. Belle Mead (Marco)	138 KV	14.1	16.3	18.7	24.3	44.8
4. Suncoast	69 KV	4.9	5.7	6.5	8.5	15.7
5. Bayshore	138 KV	7.9	9.1	10.5	13.6	25.1
6. North Fort Myers	69 KV	<u>20.3</u>	<u>23.5</u>	<u>26.9</u>	<u>34.9</u>	<u>64.5</u>
TOTALS		177 MW	204 MW	234 MW	304 MW	561 MW

SCHEDULE A
TO WHOLESALE POWER CONTRACT

EXISTING AND PROPOSED DELIVERY POINT LOAD REQUIREMENTS
AND DELIVERY VOLTAGES

Proposed Delivery Points (No New Proposed Delivery Points)

Name	Location	Voltage of Delivery	Date Required	Peak Load	<u>Estimated Peak Load From Above Date</u>				
					<u>1Yr. Hence</u>	<u>2Yrs. Hence</u>	<u>3Yrs. Hence</u>	<u>5Yrs. Hence</u>	<u>10Yrs. Hence</u>
1.									
2.									
3.		<u>(N O N E)</u>							
4.									
5.									
6.									
7.									
8.									
9.									
10.									

SCHEDULE B
TO WHOLESALE POWER CONTRACT

EXISTING DELIVERY POINTS

NAME OF MEMBER: LEE COUNTY ELECTRIC COOPERATIVE, INC.

DATE: MAY 22, 1975

	<u>Name</u>	<u>Voltage of Delivery</u>	<u>SEPA Allotment</u>	<u>Location</u>	<u>Date of Initiation of Service</u>
1.	Lee	138 KV	NONE		1973
2.	Buckingham	138 KV	NONE		1958
3.	Belle Mead (Marco)	138 KV	NONE		1967
4.	Suncoast	69 KV	NONE		1973
5.	Bayshore	138 KV	NONE		1971
6.	North Fort Myers	69 KV	NONE		1949

SUPPLEMENTAL AGREEMENT

AGREEMENT made as of May 22, 1975, between SEMINOLE ELECTRIC COOPERATIVE, INC. (hereinafter called the "Seller"), LEE COUNTY ELECTRIC COOPERATIVE, INC. (hereinafter called the "Member"), and the United States of America, acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator")

WHEREAS, the Seller and the Member have entered into a contract for the purchase and sale of electric power and energy, which contract is attached hereto and is hereinafter called the "Power Contract"; and

WHEREAS, the execution of the Power Contract between the Member and the Seller is subject to the approval of the Administrator under the terms of the loan contracts entered into with the Administrator by the Seller and the Member respectively;

NOW THEREFORE, in consideration of the mutual undertakings herein contained, and the approval by the Administrator of the Power Contract, the parties hereto agree as follows:

1. The Seller, the Member and the Administrator agree that if the Member, upon being requested to do so by the Seller with the approval or at the direction of the Administrator, shall fail to terminate any contract with a power supplier other than the Seller, as provided by Section 1 of the Power Contract, the Seller, or the Administrator if he shall so elect, shall have the right to enforce the obligations of the Member under the provisions of said Section 1 of the Contract by instituting all necessary actions at law or suits in equity, including, without limitation, suits for specific performance.

2. The Member will not renew, amend or extend any such contract or contracts or enter into any new contract without approval of Seller and Administrator.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above mentioned.

SEMINOLE ELECTRIC COOPERATIVE, INC.

By M. G. Gueland
PRESIDENT

ATTEST:

[Signature]
SECRETARY

LEE COUNTY ELECTRIC COOPERATIVE, INC.

By [Signature]

ATTEST:

[Signature]
SECRETARY

UNITED STATES OF AMERICA

By [Signature]
ADMINISTRATOR
OF
RURAL ELECTRIFICATION ADMINISTRATION

AMENDED
WHOLESALE POWER CONTRACT

AGREEMENT, made as of 1/22/50, between SEMINOLE ELECTRIC COOPERATIVE, INC., (hereinafter called the "Seller"), a corporation organized and existing under the laws of the State of Florida, and LAFC Inc (hereinafter called the "Member"), a corporation organized and existing under the laws of the State of Florida.

WHEREAS, the Seller proposes to construct and/or acquire electric generating capacity and transmission facilities and may purchase or otherwise obtain transmission services and electric power and energy for the purpose, among others, of supplying electric power and energy to borrowers from the Rural Electrification Administration who are or may become members of the Seller; and

WHEREAS, the parties have heretofore entered into agreements for the sale of electric power and energy and are desirous of amending said contracts as hereinafter set forth; and

WHEREAS, the Seller is entering into agreements for the sale of electric power and energy similar in form to this agreement with all the borrowers who are members of the Seller and may enter into similar contracts with other such borrowers who may become members; and

WHEREAS, the Member desires to purchase electric power and energy from the Seller on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, the parties hereto agree as follows:

1. GENERAL. The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric

(EXHIBIT III,)

power and energy, which the Member shall require for the operation of the Member's system within the State of Florida to the extent that the Seller shall have such power and energy facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other than the Seller during the remainder of the term thereof; and provided, further, that the Member shall have the right to continue to purchase electric power and energy under any contract or contracts now existing or hereafter entered into with the Southeastern Power Administration (SEPA). If the Member continues to purchase electric power and energy under a contract or contracts with a supplier or suppliers other than the Seller or the Southeastern Power Administration (SEPA), then the power and energy purchased under such contract or contracts, (other than contracts with the Southeastern Power Administration [SEPA]), shall be paid for by Seller for the account of the Member, and the Member shall be billed by Seller for such power and energy in accordance with the terms and conditions of Section 4 hereof. The Member shall terminate, if the Seller shall, with the approval or at the direction of the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") so request, any existing contract or contracts with a supplier other than the Seller or the Southeastern Power Administration (SEPA), at such time as it may legally do so, provided the Seller shall have sufficient electric power and energy facilities available for the Member.

Exhibit III, 12

2. ELECTRIC CHARACTERISTICS AND POINTS OF CONNECTION. Electric power and energy to be furnished hereunder shall be sixty Hertz alternating current.

As used in this Agreement, "Points of Connection" shall be those points where the system of the Member is connected to the transmission system that Seller has from time to time ownership of or rights to deliver power and energy through.

The Member shall keep the Seller advised concerning anticipated loads at established Points of Connection and the need for additional Points of Connection by furnishing the Seller, by November 1 of each year, a revised "Schedule A" substantially in the form attached hereto.

The initial Point or Points of Connection and their initial delivery voltages shall be as set forth in "Schedule B" attached hereto and made a part hereof. Other Points of Connection and their initial delivery voltages may be established by mutual agreement of the Member and the Seller, and "Schedule B" shall be revised accordingly.

3. DELIVERY FACILITIES. The Seller shall be responsible for the facilities to deliver power and energy to the Point or Points of Connection. The Member shall be responsible for providing the facilities necessary to take and use the power and energy from the Point or Points of Connection. The parties shall provide and maintain, or cause to be provided and maintained, switching and protective equipment which may be reasonably necessary to protect the system of the other. Meters and meter equipment shall be furnished, maintained and read, or caused to be furnished, maintained and read, by the Seller.

4. RATE. (a) The Member shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth in Rate Schedule C attached hereto and made a part hereof.

(b) The Board of Trustees of the Seller at intervals as it shall deem appropriate, but in any event not less frequently than once in each calendar year, shall review the rate(s) for electric power and energy furnished hereunder and under similar agreements with other Members and, if necessary, shall revise such rate(s) so that it shall produce revenues which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of the operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant(s), transmission system(s), and related facilities of the Seller, to meet the cost of purchased power and transmission services, to make payments on account of principal and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. Without limiting the generality of the foregoing, the revenues produced by the rate shall be such as will enable the Seller to comply with all mortgage or other financing requirements as they may exist from time to time. The Seller shall cause a notice in writing to be given to the Member and other members of the Seller and the Administrator which shall set out all proposed revisions of the rate(s) and any revisions affecting the maintenance of reasonable reserves with the effective date thereof, which shall be not less than thirty (30) nor more than forty-five (45) days after the

(EXHIBIT III, J)

date of the notice, and shall set forth the basis upon which such revisions are proposed. The Member agrees that the rate(s) from time to time established by the Board of Trustees of the Seller shall be deemed to be substituted for the rate(s) herein provided and agrees to pay for electric power and energy furnished by the Seller to it hereunder after the effective date of any such revisions at such revised rates; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

5. NOTICE OF METER READING OR TEST. The Seller shall notify the Member in advance of the time of any meter reading or test so that the Member's representative may be present at such meter reading or test.
6. RIGHT OF ACCESS. Duly authorized representatives of either party hereto shall be permitted to enter the premises of the other party hereto at all reasonable times in order to carry out the provisions hereof.
7. CONTINUITY OF SERVICE. The Seller shall use reasonable diligence to deliver a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective, through act of God or the public enemy, or because of accident, labor troubles, or any other cause beyond the control of the Seller, the Seller shall not be liable therefor or for damages caused thereby.

(Exhibit II, p.)

8. TERM. This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect for a term of forty-five (45) years and thereafter until terminated by either party's giving to the other not less than three (3) years' written notice of its intention to terminate; provided, however, this Agreement shall remain in force and effect so long as it is necessary for Seller's loan requirements.

9. ASSIGNMENT. Neither party shall have the right to assign this Agreement without the written consent of the other, except Seller may assign the same upon approval thereof by the Administrator.

10. SAVINGS CLAUSE. In the event any portion or provision of this Agreement is declared void or unenforceable, then the remainder of this Agreement shall not be affected thereby.

EXECUTED the day and year first above written.

SEMINOLE ELECTRIC COOPERATIVE, INC.

ATTEST: _____
Secretary

by: _____

(CORPORATE SEAL)

ATTEST: J. R. ...
Secretary

by: J. ...

(CORPORATE SEAL)

(EXHIBIT III, P. 12)

RATE SCHEDULE C
TO WHOLESALE POWER CONTRACT

I. AVAILABILITY.

Service hereunder shall be available to all members of Seller signatory to a wholesale power contract with Seller.

II. APPLICABILITY.

This rate schedule shall be applicable to electric service purchased from Seller by its members for use, redistribution, and resale in accordance with the terms of the wholesale power contract.

III. MONTHLY RATE.

The rate to the Members shall be composed of the following charges:

(A) BASE RATES FOR SERVICE

This amount shall be the computed cost to Member as if the Member's total monthly power and energy supply had been purchased directly from a supplier or suppliers other than the Seller under applicable wholesale rate schedules. The applicable wholesale rate schedule shall be the rate schedule of supplier serving the territory in which the Point of Connection of the Member is located.

(B) FACILITIES USE CHARGE

A "Facilities Use Charge" as described in Seminole's Transmission Policy and as approved by the Seminole Board of Trustees shall be added to the amount computed under the foregoing monthly Base Rate in accordance with

EXHIBIT I

the terms and conditions described in said policy. The charge shall be calculated in the manner prescribed in Appendix C which is incorporated as a part of this Schedule.

(C) MEMBER ADJUSTMENT FACTOR

The total amount computed under the monthly charges described above shall be adjusted minus or plus by a Member Adjustment Factor. The Member Adjustment Factor shall be obtained by multiplying the difference between the Seller's total costs and the sum of the monthly revenues received from the Base Rate and Facilities Use Charge components of this rate schedule by the ratio of the Member's total monthly energy requirements, including SEPA, to the total monthly energy requirements, including SEPA, of all members of the Seller.

IV. METER READINGS AND BILLINGS.

(A) PAYMENT OF BILLS

Electric power and energy furnished hereunder shall be paid for at the office of the Seller within ten (10) days after the bill therefor is mailed to the Member. Bills not paid within such ten-day period shall be deemed delinquent and shall accrue interest at the current annual rate provided for refunds under the Federal Power Act, by the Federal Energy Regulatory Commission or any successor agency.

EXHIBIT III, J

(B) METER READING AND TESTING

The Seller shall read meters monthly, or cause meters to be read monthly. The Seller shall test and calibrate meters, or shall cause such meters to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make, or cause to be made, special meter tests at any time at the Member's request. The costs of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately, the Member shall reimburse the Seller for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the thirty (30) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period the Member and the Seller shall agree as to the amount of power and energy furnished during such period and the Seller shall render a bill therefor.

V. TERMS AND CONDITIONS.

Service hereunder is subject to all of the provisions of the wholesale power contract between Seminole and its members, including all schedules, amendments, and supplemental agreements thereto in effect from time to time.

Exhibit III, F

RATE SCHEDULE CAPPENDIX-CImplementation Procedure
Facilities Use Charge

Section 2 of the Transmission Policy No. 15 lists the costs that will be borne by a member system that has exclusive use of facilities owned by Seminole. Costs of operation and maintenance are to be borne directly by the member, whereas cost of ownership will be recovered by Seminole from the benefiting member through a Facilities Use Charge. Outlined below are those components of the Facilities Use Charge and how they are to be computed.

DEPRECIATION - For facilities constructed by Seminole, depreciation will be calculated monthly based on original installed cost (including cost of capitalized renewals and replacements) of depreciable property relating to the transmission facilities used exclusively by a member system and the depreciation rate prescribed in REA Bulletin 183-1, currently 2.75% annually. The date at which depreciation cost commences will be the date that the transmission facility is placed in service for its intended use by Seminole for the benefiting member, regardless of the date of closing of the construction work order.

For facilities purchased from a member by Seminole to be used exclusively by that member, depreciation will commence as of the effective date of the transfer thereof and calculated according to the method previously described.

EXHIBIT I

PROPERTY TAXES - For facilities constructed by Seminole, for the exclusive use of a member, property tax costs will be included in the Facilities Use Charge at such time that the facility qualifies as taxable property and becomes taxable to Seminole. The cost will be based on the ratio of the net book value of taxable property comprising the transmission facility used exclusively by the benefiting member, to the total net book value of all taxable property owned by Seminole in the county in which the facility is located, as of January 1 of each year. This ratio will be applied to the estimated tax bill for the county in which the facility is located as the basis for determining the estimated monthly charge. When the actual tax bill is received appropriate adjustments will be made.

For facilities purchased from a member by Seminole for exclusive use by that member, property taxes will be prorated as of the date of the Bill of Sale. Taxes associated with the facility be based on the ratio of the net book value of taxable property comprising the facility to the total net book value of taxable property owned by the member in the county in which the facility is located. The taxes will be calculated by the method described for Seminole-built facilities.

PROPERTY INSURANCE - Seminole will carry property insurance for transmission facilities in accordance with its standard insurance purchasing practices. For Seminole-built facilities the cost will be based on the ratio of insured value of the facility to the total insured value of all property covered in the policy. This ratio will be applied to the total premium for the policy to determine

Exhibit III, Pg 10

the cost applicable to the facility; however, if the premium for the facility is specifically identified in the policy, this amount will be used in the Facilities Use Charge.

For facilities purchased by Seminole from a member system, Seminole will obtain appropriate property insurance as of the effective date of the transfer thereof and include this amount in the Facilities Use Charge.

COST OF MONEY - For facilities constructed by Seminole, the cost of money component will be included in the Facilities Use Charge as of the date of in-service of the facility. This cost will be determined by applying the cost of permanent financing for the facility (currently 5%/year) to the net book value of the facilities used exclusively by the member at the end of each month.

For facilities purchased from a member system by Seminole for exclusive use by that member system, the cost of money component will be determined by the cost of debt assumed or Seminole's cost of permanent financing used to finance the purchase of the facility.

COPY

EXHIBIT III, pg

AMENDED
SUPPLEMENTAL AGREEMENT

AGREEMENT made as of Jan. 2-2, 1980, between SEMINOLE ELECTRIC COOPERATIVE, INC., (hereinafter called the "Seller"), Lee Co. Mem. Co-op. Fr. (hereinafter called the "Member"), and the United States of America, acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator")

WHEREAS, the Seller and the Member have entered into a contract for the purchase and sale of electric power and energy, which contract is attached hereto and is hereinafter called the "Power Contract"; and

WHEREAS, the execution of the Power Contract between the Member and the Seller is subject to the approval of the Administrator under the terms of the loan contracts entered into with the Administrator by the Seller and the Member respectively;

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, and the approval by the Administrator of the Power Contract, the parties hereto agree as follows:

1. The Seller, the Member and the Administrator agree that if the Member, upon being requested to do so by the Seller with the approval or at the direction of the Administrator, shall fail to terminate any contract with a power supplier other than the Seller or the Southeastern Power Administration (SEPA), as provided by Section 1 of the Power Contract, the Seller, or the Administrator if he shall so elect, shall have the right to

Exhibit III, pg

enforce the obligations of the Member under the provisions of said Section 1 of the Contract including but not limited to the institution of suits for specific performance or any other suits or actions deemed necessary to enforce said obligations.

- 2. The Member will not renew, amend or extend any such contract or contracts excluding contracts with the Southeastern Power Administration (SEPA). Any new contract, including contracts with the Southeastern Power Administration which increase the power allotment to the Member, shall not be entered into by the member without the approval of the SETTER and the Administrator.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed as of the day and year first above mentioned.

SEMINOLE ELECTRIC COOPERATIVE, INC.

ATTEST: _____
Secretary

by: _____
President

ATTEST: I. R. Simpson
Secretary

by: James T. Bryant
President

UNITED STATES OF AMERICA

ATTEST: _____

by: _____

Administrator
of
RURAL ELECTRIFICATION ADMINISTRATION

U. S. DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION

REA BORROWER DESIGNATION

Florida 25 Lee

Amendment No. 1 to the 1975 Wholesale Power Contract
THE WITHIN
between Lee County Electric Cooperative, Inc. and Seminole

Electric Cooperative, Inc., dated June 26, 1984

SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE
PURPOSES OF SUCH CONTRACT.

[Signature]
FOR THE ADMINISTRATOR
Director, Southeast Area - Electric

DATED

8/24/84

AMENDMENT NO. 1

WHOLESALE POWER CONTRACT

This Amendment made this 26 day of June, 1984, by and between Seminole Electric Cooperative, Inc. (called Seller) and Lee County Electric Cooperative, Inc. (called Member).

WHEREAS, in 1975, Seller and Member entered into a Wholesale Power Contract (Power Contract) and a Supplemental Agreement (Supplement); and

WHEREAS, the Power Contract contained a specific purchased power cost flow-through pricing mechanism for power sales to Members; and

WHEREAS, it is desirable that the Power Contract be amended to clearly provide for a rate structure responsive to Seller's ownership and operation of generation and transmission facilities; and

WHEREAS, Seller is entering into uniform amendments with all of its Members.

NOW, THEREFORE, in consideration of these mutual undertakings in said Power Contract it is herein agreed by the parties as follows:

1. Sections 1, 4, and 5 of the Power Contract between Seller and Member are hereby amended to read in their entirety as follows:

"1. GENERAL. The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which the Member shall require for the operation of the Member's system within the State of Florida to the extent that the Seller shall have such power and energy and facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other than the Seller during the remainder of the term thereof. The Member shall terminate, if the Seller shall, with the approval or at the direction of

the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") so request, any such existing contract or contracts with a supplier other than the Seller at such times as it may legally do so, provided the Seller shall have sufficient electric power and energy facilities available for the Member."

"4. RATE. (a) The Member shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth in Schedule C attached hereto (designated as Rate Schedule SECI-2 adopted by the Board of Trustees of Seller on April 14, 1983, and effective on February 1, 1984) and made a part hereof.

(b) The Board of Trustees of the Seller at intervals as it shall deem appropriate, but in any event not less frequently than once in each calendar year, shall review said Schedule C including the related terms and conditions thereof for electric power and energy furnished hereunder and under uniform agreements with other Members and, if necessary, shall revise such Schedule C so that it shall produce revenues under appropriate terms and conditions which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant(s), transmission system, and related facilities of the Seller, to meet the cost of purchased power and transmission services, to make payments on account of principal and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. Without limiting the generality of the foregoing, the revenues produced by the rate shall be such as will enable the Seller to comply with all mortgage requirements as they may exist from time to time. After the Board of Trustees of Seller has reviewed said Schedule C and any revisions are proposed, the Seller shall cause a notice in writing to be given to the Member and other Members of the Seller and the Administrator which shall set out all proposed revisions in Schedule C with the effective date thereof, which shall be not less than thirty (30) nor more than ninety (90) days after the date of the notice, and shall set forth the basis upon which such revisions are proposed. The Member agrees that the rates and terms and conditions from time to time established by the Board of Trustees of the Seller shall be deemed to be substituted for the rates, terms, and conditions herein provided and agrees to pay for electric power and energy furnished by the Seller to it hereunder after the effective date of any such revision at such revised rates, terms, and conditions; provided, however, that no such revision shall be effective unless approved in writing by the Administrator."

"5. METER READINGS AND PAYMENT OF BILLS. The Seller shall read meters monthly, or cause meters to be read monthly. Electric power and energy furnished hereunder shall be paid for in accordance with the terms and conditions of Schedule C and as such terms and conditions may be modified from time to time by the Board of Trustees of the Seller as provided in Section 4 above."

2. Notwithstanding anything herein to the contrary, the parties agree that, as a material inducement for entering into this Amendment, the initial Schedule C and all subsequent amendments or revisions thereof shall recognize and provide for variations in the cost of providing service at differing delivery voltages, load factors, and power factors, the specific provisions therefore to be made in accordance with generally accepted ratemaking standards.
3. In all other respects said 1975 Contract is affirmed.
4. This Amendment shall become effective upon execution of a uniform amendment with all other Members of Seller, and upon approval in writing by the Administrator of the Rural Electrification Administration.

Executed the day and year first above written.

SEMINOLE ELECTRIC COOPERATIVE, INC.

BY Wm. Chalkridge

ATTEST:

Janette M. Hyman

Lee County Electric Cooperative, Inc

BY Fred X. [Signature]

ATTEST:

[Signature]

IVC
Exh. B.1

THIS AGREEMENT, made as of September 22, 1987, among Lee County Electric Cooperative, Inc. (hereinafter called the "Company"), Seminole Electric Cooperative, Inc. (hereinafter called the "Power Supplier") and the United States of America (hereinafter called the "Government"), acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator"),

WITNESSETH:

WHEREAS, the Company has heretofore borrowed funds from the Government, acting through the Administrator, and in evidence thereof has heretofore duly authorized and executed, and has delivered to the Government, or has assumed the payment of, notes (hereinafter collectively called the "Notes") all payable to the order of the Government, of which the certain Notes more specifically identified in Appendix A attached hereto are outstanding on the date hereof (such Notes being hereinafter collectively called the "Outstanding Company Notes"); and

WHEREAS, the Company and the Power Supplier have heretofore entered into a certain contract for the purchase and sale of electric power and energy, which contract, together with the amendments and supplements thereto which have heretofore been entered into by the Company and the Power Supplier, is attached to this Agreement as Appendix B hereto (such contract, as it has heretofore been amended and supplemented and as it may hereafter be amended or supplemented from time to time, being hereinafter called the "Wholesale Power Contract"); and

WHEREAS, in reliance, in part, upon the Company's obligations to the Power Supplier under the Wholesale Power Contract, the Government, acting through the Administrator, has heretofore made and guaranteed certain loans to the Power Supplier, or has permitted the Power Supplier to assume certain indebtedness of a third party or parties to the Government created by a loan or loans theretofore made by the Government, acting through the Administrator, to such third party or parties, to finance the acquisition or construction or installation of electric generating plants or transmission systems, or both, to meet the Company's requirements for electric power and energy; and

WHEREAS, the indebtedness of the Power Supplier created by loans heretofore made or guaranteed by the Government is evidenced by certain outstanding notes and any indebtedness of the Power Supplier created by any loans which may hereafter be made or guaranteed by the Government shall be evidenced by additional notes (such outstanding notes of the Power Supplier and additional notes of the Power Supplier being hereinafter collectively called the "Power Supplier Notes"); and

WHEREAS, the Company desires now to prepay the Outstanding Company Notes pursuant to Public Law No. 99-509; and

IVC
Exh. B.1

WHEREAS, the Government has determined to permit the Company to prepay the Outstanding Company Notes on the terms and conditions contained in a certain agreement between the Government, acting through the Administrator, and the Company, which agreement is attached to this Agreement as Appendix C hereto (such agreement being hereinafter called the "Prepayment Agreement"); and

WHEREAS, one of the conditions to the Government's permission to the Company to prepay the Outstanding Company Notes, as set forth in the Prepayment Agreement, is that the Company shall provide the Government with satisfactory assurances that the Company will continue to meet its obligations to the Power Supplier under the Wholesale Power Contract during the term of the Wholesale Power Contract, as such term may be amended and extended from time to time.

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Power Supplier and the Government agree as follows:

SECTION 1. Limitations on Transfers of the Company's Assets.

The Company agrees that, for so long as the Wholesale Power Contract shall be in effect between the Company and the Power Supplier, the Company will not, without the approval in writing of the Power Supplier and the Administrator, take or suffer to be taken any steps for reorganization or to consolidate with or merge into any corporation, or to sell, lease or transfer (or make any agreement therefor) all or a substantial portion of its assets, whether now owned or hereafter acquired. ~~Notwithstanding the foregoing, the Company may take or suffer to be taken any steps for reorganization or to consolidate with or merge into any corporation, or to sell, lease or transfer (or make any agreement therefor) all or a substantial portion of its assets, whether now owned or hereafter acquired, so long as the Company shall pay such portion of the outstanding indebtedness evidenced by the Power Supplier Notes at the time outstanding, as well as other obligations and commitments of the Power Supplier at the time existing, as shall be determined by the Power Supplier with the prior written consent of the Administrator and shall otherwise comply with such reasonable terms and conditions as the Administrator and the Power Supplier may require.~~

SECTION 2. Specific Performance Available.

The Company agrees that the failure or threatened failure of the Company to comply with the terms of Section 1 of this Agreement will cause irreparable injury to the Power Supplier and the Government which cannot properly or adequately be compensated by the mere payment of money. Therefore, the Company agrees that, in the event of a breach or threatened breach of the terms of Section 1 of this Agreement by the Company, either the Power

IVC
Exh. B.1

Supplier or the Government, or both of them, shall have the right, in addition to any other remedies that may be available to either of them judicially, to obtain from any competent court a decree enjoining such breach or threatened breach of the terms of Section 1 of this Agreement or a decree providing that the terms of Section 1 of this Agreement be specifically enforced.

SECTION 3. Survival of Agreement.

This Agreement shall survive the Power Supplier's payment in full of the Power Supplier Notes; provided, however, that in the event that the Power Supplier shall pay in full the Power Supplier Notes, the Government shall be deemed no longer to be a party to this Agreement and neither the Government nor the Administrator shall have any rights hereunder.

IN WITNESS WHEREOF, the Company, the Power Supplier and the Government, acting through the Administrator, have caused this Agreement to be duly executed as of the day and year first above mentioned.

(SEAL)

LEE COUNTY ELECTRIC COOPERATIVE, INC.
Company

Attest: *How Straker*

By: *Ernest H. Smith*
President

(SEAL)

SEMINOLE ELECTRIC COOPERATIVE, INC.
Power Company

Attest: *T. H. Wilkins*
Assistant Secretary

By: *Wm C. Williams* #
Executive Vice President & General Manager

UNITED STATES OF AMERICA

By: *Jack Van Hook*
Acting Administrator
of
Rural Electrification Administration

FLORIDA 25 LEE

APPENDIX A

OUTSTANDING COMPANY NOTES

	<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>
1.	H	February 11, 1949	\$ 150,000
2.	N	September 22, 1953	\$ 793,000
3.	P	October 14, 1955	\$ 600,000
4.	R	March 22, 1957	\$ 1,000,000
5.	S	March 25, 1959	\$ 1,000,000
6.	T	June 21, 1960	\$ 2,098,000
7.	U	June 25, 1963	\$ 2,000,000
8.	V	February 15, 1966	\$ 3,041,000
9.	W	October 31, 1967	\$ 4,370,000
10.	X	September 10, 1970	\$ 2,800,000
11.	Y2	July 25, 1972	\$ 1,218,000
12.	Z2	November 28, 1972	\$ 3,096,000
13.	AA6	January 22, 1974	\$ 2,706,000
14.	AB6	March 25, 1975	\$ 3,426,000
15.	AC6	July 26, 1977	\$ 6,824,000
16.	AD6	August 28, 1979	\$ 5,109,000
17.	AE6	May 27, 1980	\$10,708,000
18.	AF6	May 11, 1982	\$10,384,000

	<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>
19.	AG6	September 27, 1982	\$ 3,945,000
20.	AH6	January 25, 1983	\$ 3,050,000
21.	AK6	June 26, 1984	\$14,352,000
22.	AL6	November 25, 1986	\$23,819,000

FLORIDA 25 LEE

APPENDIX B

WHOLESALE POWER CONTRACT

[ATTACH COPY OF WHOLESALE POWER CONTRACT AND
ALL AMENDMENTS AND SUPPLEMENTS THERETO]

WHOLESALE POWER CONTRACT

AGREEMENT made as of May 22, 1975 between SEMINOLE ELECTRIC COOPERATIVE, INC. (hereinafter called the "Seller"), a corporation organized under the laws of the State of Florida and LEE COUNTY ELECTRIC COOPERATIVE, INC. (hereinafter called the "Member"), a corporation organized and existing under the laws of the State of Florida.

WHEREAS, the Seller proposes to construct and/or acquire electric generating capacity and transmission facilities and may purchase or otherwise obtain transmission services and electric power and energy for the purpose, among others, of supplying electric power and energy to borrowers from the Rural Electrification Administration which are or may become members of the Seller; and

WHEREAS, the Seller has heretofore entered into or is about to enter into agreements for the sale of electric power and energy similar in form to this agreement with all the borrowers which are members of the Seller and may enter into similar contracts with other such borrowers who may become members, and

WHEREAS, the Member desires to purchase electric power and energy from the Seller on the terms and conditions herein set forth.

NOW THEREFORE, in consideration of the mutual undertakings herein contained the parties hereto agree as follows:

SEP 13 1975

1. GENERAL. The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which the Member shall require for the operation of the Member's system within the State of Florida to the extent that the Seller shall have such power and energy and facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other than the Seller during the remainder of the term thereof. If the Member continues to purchase electric power and energy under a contract or contracts with a supplier or suppliers other than the Seller, then the power and energy purchased under such contract or contracts shall be paid for by Seller for the account of the Member, and the Member shall be billed by Seller for such power and energy in accordance with the terms and conditions of Section 4 hereof. The Member shall terminate, if the Seller shall, with the approval or at the direction of the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") so request, any such existing contract or contracts with a supplier other than the Seller at such times as it may legally do so, provided the Seller shall have sufficient electric power and energy facilities available for the Member.

2. ELECTRIC CHARACTERISTICS AND POINTS OF CONNECTION. Electric power and energy to be furnished hereunder shall be sixty Hertz alternating current.

As used in this Agreement "Points of Connection" shall be those points where the system of the Member is connected to the transmission system that Seller has from time to time ownership of or rights to deliver power and energy through.

The Member shall keep the Seller advised concerning anticipated loads at established Points of Connection and the need for additional Points of Connection by furnishing the Seller by November 1 of each year a revised "Schedule A" substantially in the form attached hereto.

The initial Point or Points of Connection and their initial delivery voltages shall be as set forth in "Schedule B" attached hereto and made a part hereof. Other Points of Connection and their initial delivery voltages may be established by mutual agreement of the Member and the Seller, and "Schedule B" shall be revised accordingly..

3. DELIVERY FACILITIES. The Seller shall be responsible for the facilities to deliver power and energy to the Point or Points of Connection. The Member shall be responsible for providing the facilities necessary to take and use the power and energy from the Point or Points of Connection. The parties shall provide and maintain, or cause to be provided and maintained switching and protective equipment which may be reasonably necessary to protect the system of the other. Meters and metering equipment shall be furnished, maintained, and read, or caused to be furnished, maintained, and read, by the Seller.

4. RATE. The Member shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth below:

(a) The rate to the Member shall be composed of the Monthly Billing Cost plus or minus a Member Adjustment Factor:

(i) The Monthly Billing Cost shall be the computed cost to Member as if the Member's total monthly power and energy supply had been purchased directly from a supplier or suppliers other than the Seller under applicable wholesale rate schedules. The applicable wholesale rate schedule shall be the rate schedule of supplier serving the territory in which the Point of Connection of the Member is located.

(ii) The Member Adjustment Factor shall be obtained by multiplying the difference between the Seller's total costs and the sum of the Monthly Billing Costs for all members by the ratio of the Member's monthly energy requirements to the total monthly energy requirements of all members of Seller.

(b) The Board of Trustees of the Seller shall ensure that revenues produced by the rate for electric power and energy furnished hereunder and under similar agreements with other members shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of the operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant(s).

transmission system, and related facilities of the Seller, to meet the cost of purchased power and transmission services, to make payments on account of principal and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. Without limiting the generality of the foregoing, the revenues produced by the rate shall be such as will enable the Seller to comply with all mortgage requirements as they may exist from time to time. The Seller shall cause a notice in writing to be given to the Member and other members of the Seller and the Administrator which shall set out all proposed revisions in the wholesale rate schedules used in determining the Monthly Billing Cost and any revisions affecting the maintenance of reasonable reserves with the effective date thereof, which shall be not less than thirty (30) nor more than forty five (45) days after the date of the notice, and shall set forth the basis upon which such revisions are proposed; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

5. METER READINGS AND PAYMENT OF BILLS. The Seller shall read meters monthly, or cause meters to be read monthly. Electric power and energy furnished hereunder shall be paid for at the office of the Seller within ten (10) days after the bill therefor is mailed to the Member. If the Member shall fail to pay any such bill within such ten-day period, the Seller may discontinue delivery of electric power and energy hereunder upon fifteen (15) days' written notice to the Member of its intention so to do.

6. METER TESTING AND BILLING ADJUSTMENT. The Seller shall test and calibrate meters, or shall cause such meters to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make, or cause to be made, special meter tests at any time at the Member's request. The costs of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately the Member shall reimburse the Seller for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the thirty (30) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period the Member and the Seller shall agree as to the amount of power and energy furnished during such period and the Seller shall render a bill therefor.

7. NOTICE OF METER READING OR TEST. The Seller shall notify the Member in advance of the time of any meter reading or test so that the Member's representative may be present at such meter reading or test.

8. RIGHT OF ACCESS. Duly authorized representatives of either party hereto shall be permitted to enter the premises of the other party hereto at all reasonable times in order to carry out the provisions hereof.

9. CONTINUITY OF SERVICE. The Seller shall use reasonable diligence to

deliver a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective, through act of God or the public enemy, or because of accident, labor troubles, or any other cause beyond the control of the Seller, the Seller shall not be liable therefor or for damages caused thereby.

10. TERM. This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect for a term of forty-five (45) years and thereafter until terminated by either party's giving to the other not less than three year's written notice of its intention to terminate. Subject to the provisions of Article 1 hereof, service hereunder and the obligation of the Member to pay therefor shall commence upon Seller's making service available to Member hereunder.

EXECUTED THE day and year first above mentioned.

SEMINOLE ELECTRIC COOPERATIVE, INC.

By _____
PRESIDENT

ATTEST:

SECRETARY

LEE COUNTY ELECTRIC COOPERATIVE, INC.

By James J. Stewart
PRESIDENT

ATTEST:

[Signature]
SECRETARY

SUPPLEMENTAL AGREEMENT

AGREEMENT made as of May 22, 1975, between SEMINOLE ELECTRIC COOPERATIVE, INC. (hereinafter called the "Seller"), LEE COUNTY ELECTRIC COOPERATIVE, INC. (hereinafter called the "Member"), and the United States of America, acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator")

WHEREAS, the Seller and the Member have entered into a contract for the purchase and sale of electric power and energy, which contract is attached hereto and is hereinafter called the "Power Contract"; and

WHEREAS, the execution of the Power Contract between the Member and the Seller is subject to the approval of the Administrator under the terms of the loan contracts entered into with the Administrator by the Seller and the Member respectively;

NOW THEREFORE, in consideration of the mutual undertakings herein contained, and the approval by the Administrator of the Power Contract, the parties hereto agree as follows:

1. The Seller, the Member and the Administrator agree that if the Member, upon being requested to do so by the Seller with the approval or at the direction of the Administrator, shall fail to terminate any contract with a power supplier other than the Seller, as provided by Section 1 of the Power Contract, the Seller, or the Administrator if he shall so elect, shall have the right to enforce the obligations of the Member under the provisions of said Section 1 of the Contract by instituting all necessary actions at law or suits in equity, including, without limitation, suits for specific performance.

2. The Member will not renew, amend or extend any such contract or contracts or enter into any new contract without approval of Seller and Administrator.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above mentioned.

SEMINOLE ELECTRIC COOPERATIVE, INC.

By _____
PRESIDENT

ATTEST:

SECRETARY

LEE COUNTY ELECTRIC COOPERATIVE, INC

By James T. Stewart

ATTEST:

[Signature]
SECRETARY

UNITED STATES OF AMERICA

By _____
ADMINISTRATOR
OF
RURAL ELECTRIFICATION ADMINISTRATION

SCHEDULE A
TO WHOLESALE POWER CONTRACT

EXISTING AND PROPOSED DELIVERY POINT LOAD REQUIREMENTS
AND DELIVERY VOLTAGES

NAME OF MEMBER: LEE COUNTY ELECTRIC COOPERATIVE, INC.

DATE: May 22, 1975

Existing Delivery Points

Voltage of
Delivery

Indicate Year of Estimated Peak Load From Above Date

Name	Change and New Voltage if Any	Estimated Peak Load From Above Date				
		1975 1Yr. Hence	1976 2Yrs. Hence	1977 3Yrs. Hence	1979 5Yrs. Hence	1984 10Yrs. Hence
1. Lee	138 KV	96.1	110.6	126.9	164.8	304.2
2. Buckingham	138 KV	33.7	38.8	44.5	57.8	106.7
3. Belle Mead (Marco)	138 KV	14.1	16.3	18.7	24.3	44.8
4. Suncoast	69 KV	4.9	5.7	6.5	8.5	15.7
5. Bayshore	138 KV	7.9	9.1	10.5	13.6	25.1
6. North Fort Myers	69 KV	20.3	23.5	26.9	34.9	64.5
TOTALS		177 MW	204 MW	234 MW	304 MW	561 MW

SCHEDULE A
TO WHOLESALE POWER CONTRACT

EXISTING AND PROPOSED DELIVERY POINT LOAD REQUIREMENTS
AND DELIVERY VOLTAGES

Proposed Delivery Points (No New Proposed Delivery Points)

1.	<u>Name</u>	<u>Location</u>	Voltage of <u>Delivery</u>	Date <u>Required</u>	Peak <u>Load</u>	<u>Estimated Peak Load From Above Date</u>				
						<u>1Yr.</u>	<u>2Yrs.</u>	<u>3Yrs.</u>	<u>5Yrs.</u>	<u>10Yrs.</u>
2.						<u>Hence</u>	<u>Hence</u>	<u>Hence</u>	<u>Hence</u>	<u>Hence</u>
3.			<u>(N O N E)</u>							
4.										
5.										
6.										
7.										
8.										
9.										
10.										

SCHEDULE B
TO WHOLESALE POWER CONTRACT

EXISTING DELIVERY POINTS

NAME OF MEMBER: LEE COUNTY ELECTRIC COOPERATIVE, INC.

DATE: MAY 22, 1975

	<u>Name</u>	<u>Voltage of Delivery</u>	<u>SEPA Allotment</u>	<u>Location</u>	<u>Date of Initiation of Service</u>
1.	Lee	138 KV	NONE		1973
2.	Buckingham	138 KV	NONE		1958
3.	Belle Mead (Marco)	138 KV	NONE		1967
4.	Suncoast	69 KV	NONE		1973
5.	Bayshore	138 KV	NONE		1971
6.	North Fort Myers	69 KV	NONE		1949

AMENDMENT NO. 1

WHOLESALE POWER CONTRACT

This Amendment made this 25 day of June, 1964, by and between Seminole Electric Cooperative, Inc. (called Seller) and Lee County Electric Cooperative, Inc. (called Member).

WHEREAS, in 1975, Seller and Member entered into a Wholesale Power Contract (Power Contract) and a Supplemental Agreement (Supplement); and

WHEREAS, the Power Contract contained a specific purchased power cost flow-through pricing mechanism for power sales to Members; and

WHEREAS, it is desirable that the Power Contract be amended to clearly provide for a rate structure responsive to Seller's ownership and operation of generation and transmission facilities; and

WHEREAS, Seller is entering into uniform amendments with all of its Members.

NOW, THEREFORE, in consideration of these mutual undertakings in said Power Contract it is herein agreed by the parties as follows:

1. Sections 1, 4, and 5 of the Power Contract between Seller and Member are hereby amended to read in their entirety as follows:

- "1. GENERAL. The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric power and energy which the Member shall require for the operation of the Member's system within the State of Florida to the extent that the Seller shall have such power and energy and facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other than the Seller during the remainder of the term thereof. The Member shall terminate, if the Seller shall, with the approval or at the direction of

the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") so request, any such existing contract or contracts with a supplier other than the Seller at such times as it may legally do so, provided the Seller shall have sufficient electric power and energy facilities available for the Member."

- "4. RATE. (a) The Member shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth in Schedule C attached hereto (designated as Rate Schedule SECI-2 adopted by the Board of Trustees of Seller on April 14, 1983, and effective on February 1, 1984) and made a part hereof.

(b) The Board of Trustees of the Seller at intervals as it shall deem appropriate, but in any event not less frequently than once in each calendar year, shall review said Schedule C including the related terms and conditions thereof for electric power and energy furnished hereunder and under uniform agreements with other Members and, if necessary, shall revise such Schedule C so that it shall produce revenues under appropriate terms and conditions which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant(s), transmission system, and related facilities of the Seller, to meet the cost of purchased power and transmission services, to make payments on account of principal and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. Without limiting the generality of the foregoing, the revenues produced by the rate shall be such as will enable the Seller to comply with all mortgage requirements as they may exist from time to time. After the Board of Trustees of Seller has reviewed said Schedule C and any revisions are proposed, the Seller shall cause a notice in writing to be given to the Member and other Members of the Seller and the Administrator which shall set out all proposed revisions in Schedule C with the effective date thereof, which shall be not less than thirty (30) nor more than ninety (90) days after the date of the notice, and shall set forth the basis upon which such revisions are proposed. The Member agrees that the rates and terms and conditions from time to time established by the Board of Trustees of the Seller shall be deemed to be substituted for the rates, terms, and conditions herein provided and agrees to pay for electric power and energy furnished by the Seller to it hereunder after the effective date of any such revision at such revised rates, terms, and conditions; provided, however, that no such revision shall be effective unless approved in writing by the Administrator."

"5. METER READINGS AND PAYMENT OF BILLS. The Seller shall read meters monthly, or cause meters to be read monthly. Electric power and energy furnished hereunder shall be paid for in accordance with the terms and conditions of Schedule C and as such terms and conditions may be modified from time to time by the Board of Trustees of the Seller as provided in Section 4 above."

2. Notwithstanding anything herein to the contrary, the parties agree that, as a material inducement for entering into this Amendment, the initial Schedule C and all subsequent amendments or revisions thereof shall recognize and provide for variations in the cost of providing service at differing delivery voltages, load factors, and power factors, the specific provisions therefore to be made in accordance with generally accepted ratemaking standards.
3. In all other respects said 1975 Contract is affirmed.
4. This Amendment shall become effective upon execution of a uniform amendment with all other Members of Seller, and upon approval in writing by the Administrator of the Rural Electrification Administration.

Executed the day and year first above written.

SEMINOLE ELECTRIC COOPERATIVE, INC.

BY Wm. O. Hodge

ATTEST:

Janette M. Herman

Lee County Electric Cooperative,

BY Armed J. [Signature]

ATTEST:

[Signature]

COPY

EXHIBIT III, pg

AMENDED
SUPPLEMENTAL AGREEMENT

AGREEMENT made as of Jan. 22, 1980, between SEMINOLE ELECTRIC COOPERATIVE, INC., (hereinafter called the "Seller"), Lee Co. Elec. Coop. Inc. (hereinafter called the "Member"), and the United States of America, acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator")

WHEREAS, the Seller and the Member have entered into a contract for the purchase and sale of electric power and energy, which contract is attached hereto and is hereinafter called the "Power Contract"; and

WHEREAS, the execution of the Power Contract between the Member and the Seller is subject to the approval of the Administrator under the terms of the loan contracts entered into with the Administrator by the Seller and the Member respectively;

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, and the approval by the Administrator of the Power Contract, the parties hereto agree as follows:

1. The Seller, the Member and the Administrator agree that if the Member, upon being requested to do so by the Seller with the approval or at the direction of the Administrator, shall fail to terminate any contract with a power supplier other than the Seller or the Southeastern Power Administration (SEPA), as provided by Section 1 of the Power Contract, the Seller, or the Administrator if he shall so elect, shall have the right to

Exhibit III, pg.

enforce the obligations of the Member under the provisions of said Section 1 of the Contract including but not limited to the institution of suits for specific performance or any other suits or actions deemed necessary to enforce said obligations.

- 2. The Member will not renew, amend or extend any such contract or contracts excluding contracts with the Southeastern Power Administration (SEPA). Any new contract, including contracts with the Southeastern Power Administration which increase the power allotment to the Member, shall not be entered into by the Member without the approval of the Seller and the Administrator.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be duly executed as of the day and year first above mentioned.

SEMINOLE ELECTRIC COOPERATIVE, INC.

ATTEST: _____
Secretary

by: _____
President

ATTEST: T. R. [Signature]
Secretary

by: James T. [Signature]
President

UNITED STATES OF AMERICA

ATTEST: _____

by: _____
Administrator
of
RURAL ELECTRIFICATION ADMINISTRATION

(Ex)hibit III, 1

AMENDED
WHOLESALE POWER CONTRACT

AGREEMENT, made as of 1/22/80, between SEMINOLE ELECTRIC COOPERATIVE, INC., (hereinafter called the "Seller"), a corporation organized and existing under the laws of the State of Florida, and L. J. C. Inc. (hereinafter called the "Member"), a corporation organized and existing under the laws of the State of Florida.

WHEREAS, the Seller proposes to construct and/or acquire electric generating capacity and transmission facilities and may purchase or otherwise obtain transmission services and electric power and energy for the purpose, among others, of supplying electric power and energy to borrowers from the Rural Electrification Administration who are or may become members of the Seller; and

WHEREAS, the parties have heretofore entered into agreements for the sale of electric power and energy and are desirous of amending said contracts as hereinafter set forth; and

WHEREAS, the Seller is entering into agreements for the sale of electric power and energy similar in form to this agreement with all the borrowers who are members of the Seller and may enter into similar contracts with other such borrowers who may become members; and

WHEREAS, the Member desires to purchase electric power and energy from the Seller on the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the mutual undertakings herein contained, the parties hereto agree as follows:

1. GENERAL. The Seller shall sell and deliver to the Member and the Member shall purchase and receive from the Seller all electric

(EXHIBIT III, (

power and energy, which the Member shall require for the operation of the Member's system within the State of Florida to the extent that the Seller shall have such power and energy facilities available; provided, however, that the Member shall have the right to continue to purchase electric power and energy under any existing contract or contracts with a supplier other than the Seller during the remainder of the term thereof; and provided, further, that the Member shall have the right to continue to purchase electric power and energy under any contract or contracts now existing or hereafter entered into with the Southeastern Power Administration (SEPA). If the Member continues to purchase electric power and energy under a contract or contracts with a supplier or suppliers other than the Seller or the Southeastern Power Administration (SEPA), then the power and energy purchased under such contract or contracts, (other than contracts with the Southeastern Power Administration [SEPA]), shall be paid for by Seller for the account of the Member, and the Member shall be billed by Seller for such power and energy in accordance with the terms and conditions of Section 4 hereof. The Member shall terminate, if the Seller shall, with the approval or at the direction of the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") so request, any such existing contract or contracts with a supplier other than the Seller or the Southeastern Power Administration (SEPA), at such time as it may legally do so, provided the Seller shall have sufficient electric power and energy facilities available for the Member.

2. ELECTRIC CHARACTERISTICS AND POINTS OF CONNECTION. Electric power and energy to be furnished hereunder shall be sixty Hertz alternating current.

As used in this Agreement, "Points of Connection" shall be those points where the system of the Member is connected to the transmission system that Seller has from time to time ownership of or rights to deliver power and energy through.

The Member shall keep the Seller advised concerning anticipated loads at established Points of Connection and the need for additional Points of Connection by furnishing the Seller, by November 1 of each year, a revised "Schedule A" substantially in the form attached hereto.

The initial Point or Points of Connection and their initial delivery voltages shall be as set forth in "Schedule B" attached hereto and made a part hereof. Other Points of Connection and their initial delivery voltages may be established by mutual agreement of the Member and the Seller, and "Schedule B" shall be revised accordingly.

3. DELIVERY FACILITIES. The Seller shall be responsible for the facilities to deliver power and energy to the Point or Points of Connection. The Member shall be responsible for providing the facilities necessary to take and use the power and energy from the Point or Points of Connection. The parties shall provide and maintain, or cause to be provided and maintained, switching and protective equipment which may be reasonably necessary to protect the system of the other. Meters and metering equipment shall be furnished, maintained and read, or caused to be furnished, maintained and read, by the Seller.

4. RATE. (a) The Member shall pay the Seller for all electric power and energy furnished hereunder at the rates and on the terms and conditions set forth in Rate Schedule C attached hereto and made a part hereof.

(b) The Board of Trustees of the Seller at intervals as it shall deem appropriate, but in any event not less frequently than once in each calendar year, shall review the rate(s) for electric power and energy furnished hereunder and under similar agreements with other Members and, if necessary, shall revise such rate(s) so that it shall produce revenues which shall be sufficient, but only sufficient, with the revenues of the Seller from all other sources, to meet the cost of the operation and maintenance (including without limitation, replacements, insurance, taxes and administrative and general overhead expenses) of the generating plant(s), transmission system(s), and related facilities of the Seller, to meet the cost of purchased power and transmission services, to make payments on account of principal and interest on all indebtedness of the Seller, and to provide for the establishment and maintenance of reasonable reserves. Without limiting the generality of the foregoing, the revenues produced by the rate shall be such as will enable the Seller to comply with all mortgage or other financing requirements as they may exist from time to time. The Seller shall cause a notice in writing to be given to the Member and other members of the Seller and the Administrator which shall set out all proposed revisions of the rate(s) and any revisions affecting the maintenance of reasonable reserves with the effective date thereof, which shall not less than thirty (30) nor more than forty-five (45) days after the

(EXHIBIT III, J)

date of the notice, and shall set forth the basis upon which such revisions are proposed. The Member agrees that the rate(s) from time to time established by the Board of Trustees of the Seller shall be deemed to be substituted for the rate(s) herein provided and agrees to pay for electric power and energy furnished by the Seller to it hereunder after the effective date of any such revisions at such revised rates; provided, however, that no such revision shall be effective unless approved in writing by the Administrator.

5. NOTICE OF METER READING OR TEST. The Seller shall notify the Member in advance of the time of any meter reading or test so that the Member's representative may be present at such meter reading or test.

6. RIGHT OF ACCESS. Duly authorized representatives of either party hereto shall be permitted to enter the premises of the other party hereto at all reasonable times in order to carry out the provisions hereof.

7. CONTINUITY OF SERVICE. The Seller shall use reasonable diligence to deliver a constant and uninterrupted supply of electric power and energy hereunder. If the supply of electric power and energy shall fail or be interrupted, or become defective, through act of God or the public enemy, or because of accident, labor troubles, or any other cause beyond the control of the Seller, the Seller shall not be liable therefor or for damages caused thereby.

(EXHIBIT II, p)

8. TERM. This Agreement shall become effective only upon approval in writing by the Administrator and shall remain in effect for a term of forty-five (45) years and thereafter until terminated by either party's giving to the other not less than three (3) years' written notice of its intention to terminate; provided, however, this Agreement shall remain in force and effect so long as it is necessary for Seller's loan requirements.

9. ASSIGNMENT. Neither party shall have the right to assign this Agreement without the written consent of the other, except Seller may assign the same upon approval thereof by the Administrator.

10. SAVINGS CLAUSE. In the event any portion or provision of this Agreement is declared void or unenforceable, then the remainder of this Agreement shall not be affected thereby.

EXECUTED the day and year first above written.

SEMINOLE ELECTRIC COOPERATIVE, INC.

ATTEST: _____
Secretary

by: _____

(CORPORATE SEAL)

ATTEST: J. R. Williams
Secretary

by: James E. Grant

(CORPORATE SEAL)

RATE SCHEDULE C
TO WHOLESALE POWER CONTRACT

I. AVAILABILITY.

Service hereunder shall be available to all members of Seller signatory to a wholesale power contract with Seller.

II. APPLICABILITY.

This rate schedule shall be applicable to electric service purchased from Seller by its members for use, redistribution, and resale in accordance with the terms of the wholesale power contract.

III. MONTHLY RATE.

The rate to the Members shall be composed of the following charges:

(A) BASE RATES FOR SERVICE

This amount shall be the computed cost to Member as if the Member's total monthly power and energy supply had been purchased directly from a supplier or suppliers other than the Seller under applicable wholesale rate schedules. The applicable wholesale rate schedule shall be the rate schedule of supplier serving the territory in which the Point of Connection of the Member is located.

(B) FACILITIES USE CHARGE

A "Facilities Use Charge" as described in Seminole's Transmission Policy and as approved by the Semi. Board of Trustees shall be added to the amount computed under the foregoing monthly Base Rate in accordance with

the terms and conditions described in said policy. The charge shall be calculated in the manner prescribed in Appendix C which is incorporated as a part of this Schedule.

(C) MEMBER ADJUSTMENT FACTOR

The total amount computed under the monthly charges described above shall be adjusted minus or plus by a Member Adjustment Factor. The Member Adjustment Factor shall be obtained by multiplying the difference between the Seller's total costs and the sum of the monthly revenues received from the Base Rate and Facilities Use Charge components of this rate schedule by the ratio of the Member's total monthly energy requirements, including SEPA, to the total monthly energy requirements, including SEPA, of all members of the Seller.

IV. METER READINGS AND BILLINGS.

(A) PAYMENT OF BILLS

Electric power and energy furnished hereunder shall be paid for at the office of the Seller within ten (10) days after the bill therefor is mailed to the Member. Bills not paid within such ten-day period shall be deemed delinquent and shall accrue interest at the current annual rate provided for refunds under the Federal Power Act by the Federal Energy Regulatory Commission or any successor agency.

(B) METER READING AND TESTING

The Seller shall read meters monthly, or cause meters to be read monthly. The Seller shall test and calibrate meters, or shall cause such meters to be tested and calibrated, by comparison with accurate standards at intervals of twelve (12) months. The Seller shall also make, or cause to be made, special meter tests at any time at the Member's request. The costs of all tests shall be borne by the Seller; provided, however, that if any special meter test made at the Member's request shall disclose that the meters are recording accurately, the Member shall reimburse the Seller for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by test to be inaccurate shall be corrected for the thrity (30) days previous to such test in accordance with the percentage of inaccuracy found by such test. If any meter shall fail to register for any period the Member and the Seller shall agree as to the amount of power and energy furnished during such period and the Seller shall render a bill therefor.

V. TERMS AND CONDITIONS.

Service hereunder is subject to all of the provisions of the wholesale power contract between Seminole and its members, including all schedules, amendments, and supplemental agreement thereto in effect from time to time.

RATE SCHEDULE C

APPENDIX-C

Implementation Procedure
Facilities Use Charge

Section 2 of the Transmission Policy No. 15 lists the costs that will be borne by a member system that has exclusive use of facilities owned by Seminole. Costs of operation and maintenance are to be borne directly by the member, whereas cost of ownership will be recovered by Seminole from the benefiting member through a Facilities Use Charge. Outlined below are those components of the Facilities Use Charge and how they are to be computed.

DEPRECIATION - For facilities constructed by Seminole, depreciation will be calculated monthly based on original installed cost (including cost of capitalized renewals and replacements) of depreciable property relating to the transmission facilities used exclusively by a member system and the depreciation rate prescribed in REA Bulletin 183-1, currently 2.75% annually. The date at which depreciation cost commences will be the date that the transmission facility is placed in service for its intended use by Seminole for the benefiting member, regardless of the date of closing of the construction work order.

For facilities purchased from a member by Seminole to be use exclusively by that member, depreciation will commence as of the effective date of the transfer thereof and calculated according to the method previously described.

(PROPERTY TAXES - For facilities constructed by Seminole, for the exclusive use of a member, property tax costs will be included in the Facilities Use Charge at such time that the facility qualifies as taxable property and becomes taxable to Seminole. The cost will be based on the ratio of the net book value of taxable property comprising the transmission facility used exclusively by the benefiting member, to the total net book value of all taxable property owned by Seminole in the county in which the facility is located, as of January 1 of each year. This ratio will be applied to the estimated tax bill for the county in which the facility is located as the basis for determining the estimated monthly charge. When the actual tax bill is received appropriate adjustments will be made.

(For facilities purchased from a member by Seminole for exclusive use by that member, property taxes will be prorated as of the date of the Bill of Sale. Taxes associated with the facility will be based on the ratio of the net book value of taxable property comprising the facility to the total net book value of taxable property owned by the member in the county in which the facility is located. The taxes will be calculated by the method described for Seminole-built facilities.

(PROPERTY INSURANCE - Seminole will carry property insurance for transmission facilities in accordance with its standard insurance purchasing practices. For Seminole-built facilities the cost will be based on the ratio of insured value of the facility to the total insured value of all property covered in the policy. This ratio will be applied to the total premium for the policy to determine

EXHIBIT 111, Pg 14

the cost applicable to the facility; however, if the premium for the facility is specifically identified in the policy, this amount will be used in the Facilities Use Charge.

For facilities purchased by Seminole from a member system, Seminole will obtain appropriate property insurance as of the effective date of the transfer thereof and include this amount in the Facilities Use Charge.

COST OF MONEY - For facilities constructed by Seminole, the cost of money component will be included in the Facilities Use Charge as of the date of in-service of the facility. This cost will be determined by applying the cost of permanent financing for the facility (currently 5%/year) to the net book value of the facilities used exclusively by the member at the end of each month.

For facilities purchased from a member system by Seminole for exclusive use by that member system, the cost of money component will be determined by the cost of debt assumed or Seminole's cost of permanent financing used to finance the purchase of the faci

FLORIDA 25 LEE

APPENDIX C

PREPAYMENT AGREEMENT

[ATTACH COPY OF PREPAYMENT AGREEMENT]

FLORIDA 25 LEE

PREPAYMENT AGREEMENT

dated as of

August 26, 1987

between

UNITED STATES OF AMERICA

and

LEE COUNTY ELECTRIC COOPERATIVE, INC.

THIS AGREEMENT, made as of the date identified in Schedule I hereto under the heading "Agreement Date", between the United States of America (hereinafter called the "Government"), acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator") and the company identified in Schedule I hereto under the heading "Company" (hereinafter called the "Company"), a corporation organized and existing under the laws of the state identified in Schedule I hereto under the heading "Incorporation State" (hereinafter called the "Incorporation State"),

WITNESSETH:

WHEREAS, the Company has heretofore borrowed funds from the Government, acting through the Administrator, pursuant to the Loan Contract (as hereinafter defined); and

WHEREAS, pursuant to the Loan Contract, the Company, for value received, has heretofore duly authorized and executed, and has delivered to the Government, or has assumed the payment of, the Outstanding Notes (as hereinafter defined); and

WHEREAS, the Outstanding Notes are secured by the Mortgage (as hereinafter defined); and

WHEREAS, the Company desires now to prepay the Outstanding Notes as hereinafter set forth; and

WHEREAS, the Government has determined, pursuant to Public Law No. 99-509, to permit the Company to prepay the Outstanding Notes as hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Government and the Company agree as follows:

ARTICLE I

DEFINITIONS

In addition to the terms elsewhere defined in this Agreement, the terms defined in this Article I shall have the meanings herein specified, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Act shall mean the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq.).

Closing shall mean the closing of the prepayment of the Outstanding Notes contemplated by Section 2.01 of this Agreement.

Closing Date shall mean any business day on or prior to September 30, 1987, identified as such by the Government in its notice delivered to the Company pursuant to Paragraph 2.01(b) of this Agreement.

Loan Contract shall mean the loan contract identified in Schedule I hereto under the heading "Loan Contract", heretofore executed by and between the Government and the Company, as it has heretofore been amended or supplemented.

Mortgage shall mean, collectively, the mortgages and security agreements identified in Schedule I hereto under the heading "Mortgage", each heretofore made by the Company in favor of the Government or the Government and the Supplemental Lender, if any.

Outstanding Notes shall mean the notes identified in Schedule I hereto under the heading "Outstanding Notes".

Power Supplier shall mean the entity identified in Schedule I hereto under the heading "Power Supplier".

Prepayment Amount shall mean the "Discounted Present Value" of the Outstanding Notes as of the Closing Date calculated by the Government in accordance with 7 CFR 1784 five business days prior to the Closing Date and identified as such by the Government in its notice delivered to the Company pursuant to Paragraph 2.01(d) of this Agreement.

Release of REA Lien shall mean a release of lien prepared by the Company substantially in the form of Exhibit A hereto.

Supplemental Agreement shall mean an agreement among the Company, the Power Supplier and the Government substantially in the form of Exhibit B hereto.

Supplemental Lender shall mean, collectively, the entity or entities identified in Schedule I hereto under the heading "Supplemental Lender".

The words "herein", "hereof", "hereby", "hereunder" and words of similar import refer to this Agreement as a whole.

ARTICLE II

PREPAYMENT OF OUTSTANDING NOTES

SECTION 2.01. Closing.

(a) In reliance upon the agreements, representations and warranties herein contained and subject to the terms and conditions hereinafter set forth, the Government agrees to accept at the Closing a payment of the Prepayment Amount made on the Closing Date and in the manner herein provided as satisfaction of the indebtedness evidenced by the Outstanding Notes.

(b) Not less than ten business days prior to the date which the Government, after consultation with the Company, selects to be the Closing Date, the Government will deliver to the Company a written notice which will state that the Closing Date will be the date identified in such notice.

(c) Not less than five business days prior to the Closing Date, the Company will submit to the Government: (i) as many counterparts of the Release of REA Lien as the Company may request at such time to be executed by the Administrator on behalf of the Government and delivered by the Government to the Company at the Closing, each counterpart having been prepared by the Company substantially in the form of Exhibit A hereto; and (ii) three counterparts of the Supplemental Agreement, each counterpart having been prepared by the Company substantially in the form of Exhibit B hereto and executed by the Company and the Power Supplier.

(d) Not less than three business days prior to the Closing Date, the Government will deliver to the Company telephonic notice of the Prepayment Amount, and will confirm such notice in writing immediately thereafter.

(e) Subject to Section 2.02 of this Agreement, the Closing will be held on the Closing Date in the offices of the Rural Electrification Administration, United States Department of Agriculture, Washington, D.C.

(f) At the Closing, the Company will pay to the Government the Prepayment Amount in immediately available funds by electronic funds transfer using the Treasury Communications System/Federal Reserve Communications System through the United States Department of the Treasury account (021030004) at the Federal Reserve Bank of New York.

(g) At the Closing, upon receipt of payment of the Prepayment Amount in the manner described in Paragraph 2.01(f) of this Agreement, the Government will deliver to the Company the Outstanding Notes marked "Cancelled".

(h) At the Closing, upon receipt of payment of the Prepayment Amount in the manner described in Paragraph 2.01(f) of this Agreement, the Government will deliver to the Company as many counterparts of the Release of REA Lien as shall have been submitted by the Company to the Government in accordance with Paragraph 2.01(c) of this Agreement, each counterpart having been dated on or prior to the Closing Date and executed by the Administrator on behalf of the Government. The Release of REA Lien will be made by the Government and accepted by the Company without covenant or warranty, express or implied, at law or in equity, and without recourse to the Government, in any event or in any contingency.

(i) At the Closing, upon receipt of payment of the Prepayment Amount in the manner described in Paragraph 2.01(f) of this Agreement, the Government will deliver to the Company one of the counterparts of the Supplemental Agreement which had been submitted by the Company to the Government in accordance with Paragraph 2.01(c) of this Agreement, such counterpart having been dated on or prior to the Closing Date and executed by the Administrator on behalf of the Government. Another counterpart of the Supplemental Agreement, also executed by the Administrator on behalf of the Government, will thereafter be delivered to the Power Supplier.

SECTION 2.02. Conditions Precedent.

The obligation of the Government to accept a payment of the Prepayment Amount on the Closing Date as satisfaction of the indebtedness evidenced by the Outstanding Notes is subject to the fulfillment on or prior to the Closing Date of the following conditions precedent:

(a) The Government shall have received a copy of this Agreement executed by the Company, together with such evidence pertaining to the due authorization, execution and delivery of this Agreement as the Government shall request.

(b) The Government shall have received a copy of the Supplemental Agreement substantially in the form of Exhibit B hereto, executed by the Company and the Power Supplier and dated on or prior to the Closing Date, together with such evidence pertaining to the due authorization, execution and delivery of the Supplemental Agreement as the Government shall request.

(c) The Government shall have received an opinion of counsel for the Company substantially in the form of Exhibit C hereto and dated as of the Closing Date.

(d) The representations and warranties contained in Article III of this Agreement shall be true and correct on and as of the Closing Date with the same effect as though made on and as of the Closing Date (except that references therein to the date hereof shall be deemed to be, for

purposes of this paragraph, references to the Closing Date), and the Government shall have received a certificate of a duly authorized officer or representative of the Company to such effect substantially in the form of Exhibit D hereto and dated as of the Closing Date.

(e) On and as of the Closing Date, the Company shall not be in default with respect to any indebtedness owed by the Company to the Government or to the Rural Telephone Bank on account of any loans or loan guarantees heretofore made by the Government, acting through the Administrator, or by the Rural Telephone Bank, as the case may be, under Titles I, II, III or IV of the Act (7 U.S.C. 901-916, 921-924, 931-940(a), 941-950(b)), or with respect to any other payment obligation owed by the Company to the Government under the Loan Contract or the Mortgage.

(f) On and as of the Closing Date, no application or other request for a loan or loan guarantee under Titles I, II or III of the Act (7 U.S.C. 901-916, 921-924, 931-940(a)) shall have been submitted by the Company to the Rural Electrification Administration which shall be pending.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Due Organization.

The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the Incorporation State.

SECTION 3.02. Corporate Authority.

The Company has the corporate power and authority to enter into this Agreement and the Supplemental Agreement, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder.

SECTION 3.03. Due Authorization.

The execution and delivery of this Agreement and the Supplemental Agreement by the Company, the consummation of the transactions contemplated hereby and thereby, and the performance by the Company of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action on behalf of the Company.

SECTION 3.04. Governmental Approvals.

No approval, consent, authorization, permit, order, waiver, exemption, variance, filing, registration, notification or other action is now, or under existing law in the future will be, required to be obtained,

given or taken, as the case may be, by or from any Federal, state or other governmental authority or agency to authorize the Company's execution and delivery of this Agreement or the Supplemental Agreement, the consummation of the transactions contemplated hereby or thereby, or the performance by the Company of its obligations hereunder or thereunder, or for the legality, validity, binding effect or enforceability hereof or thereof, except such approvals, consents, authorizations, permits, orders, waivers, exemptions, variances, filings and other actions as will have been obtained, given or taken, as the case may be, on or prior to the Closing Date, and as will be in full force and effect on the Closing Date.

SECTION 3.05. Other Approvals.

The execution and delivery of this Agreement and the Supplemental Agreement, the consummation of the transactions contemplated hereby and thereby, and the performance by the Company of its obligations hereunder and thereunder do not require any approval by the members of the Company.

SECTION 3.06. No Conflict.

The execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and thereby, and the performance by the Company of its obligations hereunder and thereunder will not conflict with, result in any breach or violation of, or constitute a default under the articles of incorporation or bylaws of the Company, or any law, statute, rule or regulation, or any judgment, order or decree, in effect on the date hereof to which the Company or any of its properties is subject.

SECTION 3.07. Enforceable Obligation.

This Agreement and the Supplemental Agreement are the valid, legal and binding obligations of the Company enforceable against the Company in accordance with their respective terms.

SECTION 3.08. Litigation.

On and as of the date hereof to the best knowledge of the Company, no action, proceeding or investigation before any court or governmental authority or agency has been instituted and no such action, proceeding or investigation is threatened, and no order, judgment or decree has been issued or is proposed to be issued by any court or any governmental authority or agency seeking to invalidate this Agreement or the Supplemental Agreement, or to set aside, restrain, enjoin or prevent the consummation of the transactions contemplated hereby or thereby or the performance by the Company of its obligations hereunder or thereunder, except as disclosed in writing by the Company to the Administrator.

SECTION 3.09. Compliance with Loan Purposes.

On and as of the date hereof, the Company has expended all funds advanced to it by the Government on account of the loan or loans evidenced by

the Outstanding Notes only for such of the purposes specified in the statement of purposes accompanying the requisition for each advance of such funds as shall have been approved by the Administrator.

ARTICLE IV

AGREEMENTS

SECTION 4.01. No Additional Borrowings on Existing REA Loans.

The Company agrees that, from and after the Closing Date, any and all obligation on the part of the Government under the Loan Contract to advance to the Company the funds, if any, provided for in the Loan Contract on account of loans heretofore made by the Government, acting through the Administrator, pursuant to Titles I or II or Section 305 of the Act (7 U.S.C. 901-916, 921-924, 935) which have not been advanced to the Company prior to the Closing Date, will be terminated.

SECTION 4.02. No New REA Borrowings.

The Company agrees that, as a condition to obtaining any funds on account of any loan or loan guarantee which may hereafter be made by the Government, acting through the Administrator, pursuant to Titles I, II or III of the Act (7 U.S.C. 901-916, 921-924, 931-940(a)), to the Company, the Company will pay to the Government, no later than the time at which the Company obtains the first of such funds, the sum of the following amounts with respect to each of the Outstanding Notes: (i) an amount equal to the difference between the outstanding principal amount of each of the Outstanding Notes as of the Closing Date and the portion of the Prepayment Amount attributable to the principal amount of the respective Outstanding Note, and (ii) an amount representing interest on each of the above-described differences calculated at a rate equal to the contract interest rate of the respective Outstanding Note compounded quarterly from the Closing Date to the date of the payment provided for herein.

SECTION 4.03. Construction Fund Audit.

The Company agrees that the Government, through its representatives, shall, within six months after the Closing Date and during reasonable business hours, have access to, and the right to inspect, audit and make copies of, any and all books, records and accounts, and any and all invoices, contracts, leases, payrolls, cancelled checks, statements and other documents and papers of every kind belonging to or in the possession of the Company which pertain to transactions involving funds which had been deposited in the "Special Construction Account" established by the Company pursuant to Article II, Section 4, of the Loan Contract. If, as a result of such inspection and audit, the Government shall determine that the Company withdrew from such Special Construction Account any funds on account of a loan or loans evidenced by any of the Outstanding Notes which were not used for purposes prescribed by the Loan

Contract, the Company agrees that it will promptly pay to the Government, in a manner consistent with the manner described in Paragraph 2.01(F) of this Agreement, the difference between the following amounts: (i) the amount which, under terms of the Loan Contract, as implemented by 7 C.F.R. 1711.1(c), the Company would be required to return to the Government on account of such withdrawal or withdrawals had there been no prepayment of the Outstanding Notes under the terms of this Agreement; and (ii) the portion of the Prepayment Amount received by the Government attributable to the indebtedness incurred by the Company on account of such withdrawal or withdrawals.

ARTICLE V

TERMINATION, SURVIVAL, BINDING EFFECT, AMENDMENT AND WAIVER

SECTION 5.01. Termination.

This Agreement will be terminated if the Closing shall not have occurred on or prior to September 30, 1987.

SECTION 5.02. Survival.

The representations, warranties and agreements of the Company contained in this Agreement and the Company's obligations under any thereof will survive the execution and delivery of this Agreement and the Closing and will be and continue in effect notwithstanding payment of the Prepayment Amount.

SECTION 5.03. Binding Effect.

The representations, warranties and agreements of the Company contained in this Agreement, including without limitation Section 4.02 of this Agreement, shall bind the Company and its successors and assigns and shall inure to the benefit of the Government.

SECTION 5.04. Amendment and Waiver.

This Agreement may not be amended, supplemented or modified, and no provision of this Agreement may be waived or discharged by either party hereto, orally, but rather only by a written instrument signed by the party against which enforcement of such change is sought. No amendment, supplement, modification, waiver or discharge made in violation of this Section 5.04 will be valid as against any party to this Agreement.

ARTICLE VI

MISCELLANEOUS

SECTION 6.01. Schedule I.

Schedule I hereto forms an integral part hereof. Any amendment, change or modification of any of the provisions hereof set forth therein will be deemed to be an amendment of the provisions hereof as if set forth herein. To the extent any provision set forth herein conflicts with any provision set forth in Schedule I hereto, the provision set forth in Schedule I hereto will govern.

SECTION 6.02. Entire Agreement.

This Agreement, including Schedule I and Exhibits A, B, C and D hereto, constitutes the entire agreement among the parties hereto concerning the matters contained herein and supersedes all prior oral and written agreements and understandings between the parties.

SECTION 6.03. Headings.

The descriptive headings of the sections of this Agreement were formulated and inserted for convenience only and will not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 6.04. Severability.

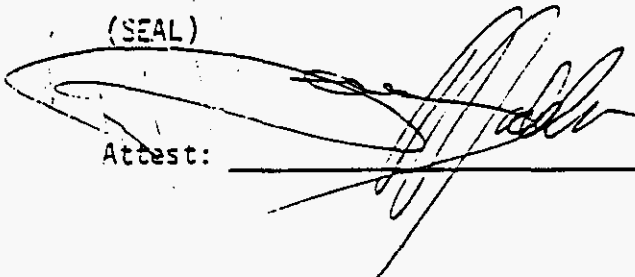
The invalidity of any one or more phrases, clauses, sentences, provisions, sections or articles of this Agreement will not affect the remaining portions hereof.

SECTION 6.05. Counterpart Execution.

This Agreement may be executed in several counterparts, and all said counterparts executed and delivered, each as an original, will constitute but one and the same instrument.

IN WITNESS WHEREOF, the Company and the Government have caused this Agreement to be duly executed as of the day and year first above mentioned.


(SEAL)



Attest: _____

LEE COUNTY ELECTRIC COOPERATIVE, INC.
Company

By: _____


President

UNITED STATES OF AMERICA

By: _____

Administrator
of
Rural Electrification Administration

FLORIDA 25 LEE

SCHEDULE I

As used in this Agreement, the following terms have the following meanings:

"Agreement Date": August 25, 1987

"Company": Lee County Electric Cooperative, Inc.

"Incorporation State": Florida

"Loan Contract": Amending Loan Contract dated as of September 21, 1953

"Mortgage":

<u>Instrument</u>	<u>Dated as of</u>	<u>Mortgagee</u>
1. Indenture of Deed of Trust	September 5, 1940	Government as Mortgagee, The First National Bank at Orlando as Trustee
2. Supplemental Indenture	November 20, 1945	Government as Mortgagee, The First National Bank at Orlando as Trustee
3. Mortgage	September 22, 1953	Government
4. Supplemental Mortgage	March 22, 1957	Government
5. Supplemental Mortgage	June 21, 1960	Government
6. Supplemental Mortgage	February 15, 1966	Government
7. Supplemental Mortgage	October 31, 1967	Government
8. Supplemental Mortgage and Security Agreement	July 25, 1972	Government, National Rural Utilities Cooperative Finance Corporation
9. Supplement to Supplemental Mortgage and Security Agreement	January 22, 1974	Government, National Rural Utilities Cooperative Finance Corporation

<u>Instrument</u>	<u>Dated as of</u>	<u>Mortgagee</u>
10. Supplement to Supplemental Mortgage and Security Agreement	August 28, 1979	Government, National Rural Utilities Cooperative Finance Corporation
11. Supplement to Supplemental Mortgage and Security Agreement	June 26, 1984	Government, National Rural Utilities Cooperative Finance Corporation
12. Supplemental Mortgage and Security Agreement	November 25, 1986	Government, National Rural Utilities Cooperative Finance Corporation

"Outstanding Notes":

	<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>
1.	H	February 11, 1949	\$ 150,000
2.	N	September 22, 1953	\$ 793,000
3.	P	October 14, 1955	\$ 500,000
4.	R	March 22, 1957	\$ 1,000,000
5.	S	March 25, 1959	\$ 1,000,000
6.	T	June 21, 1960	\$ 2,098,000
7.	U	June 26, 1963	\$ 2,000,000
8.	V	February 15, 1966	\$ 3,041,000
9.	W	October 31, 1967	\$ 4,370,000
10.	X	September 10, 1970	\$ 2,800,000
11.	Y2	July 25, 1972	\$ 1,218,000
12.	Z2	November 28, 1972	\$ 3,096,000
13.	AA6	January 22, 1974	\$ 2,706,000

	<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>
14.	AB6	March 25, 1975	\$ 3,426,000
15.	AC6	July 26, 1977	\$ 6,824,000
16.	AD6	August 28, 1979	\$ 5,109,000
17.	AE6	May 27, 1980	\$10,708,000
18.	AF6	May 11, 1982	\$10,384,000
19.	AG6	September 27, 1982	\$ 3,945,000
20.	AH6	January 25, 1983	\$ 3,050,000
21.	AK6	June 25, 1984	\$14,352,000
22.	AL5	November 25, 1986	\$23,819,000

"Power Supplier": Seminole Electric Cooperative, Inc.

"Supplemental Lender": National Rural Utilities Cooperative
Finance Corporation

**U.S. DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE**

Florida 25 Lee
RUS BORROWER DESIGNATION Florida 41 Seminole

THE WITHIN Supplemental Agreement to the Wholesale Power Contract (9/29/95)
between Seminole Electric Cooperative, Inc. and Lee County Electric
Cooperative, Inc.

**SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE
PURPOSES OF SUCH CONTRACT.**


FOR THE ADMINISTRATOR

DATED
2/22/96

SUPPLEMENTAL AGREEMENT

This SUPPLEMENTAL AGREEMENT is made as of September 29, 1995, between SEMINOLE ELECTRIC COOPERATIVE, INC., (hereinafter called the "Seller"), a cooperative corporation organized and existing under the laws of the State of Florida, its successors and assigns; LEE COUNTY ELECTRIC COOPERATIVE, INC., (hereinafter called the "Member"), a cooperative corporation organized and existing under the laws of the State of Florida, its successors and assigns; and the UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Utilities Service, formerly the Rural Electrification Administration, (hereinafter called the "Administrator").

WHEREAS, the Seller and the Member entered into a Wholesale Power Contract, dated May 22, 1975, as supplemented and amended by Supplemental Agreement, dated May 22, 1975, Amendment No. 1 to Wholesale Power Contract, dated June 26, 1984, and Supplemental Agreement, dated September 22, 1987, which by this reference are incorporated herein and are hereinafter collectively called the "Power Contract"; and

WHEREAS, the Seller has constructed and/or acquired in the past and intends to construct and/or acquire in the future, electric generating capacity, transmission facilities, transmission services and electric power and energy for the purpose among others, of supplying electric power and energy to its members; and

WHEREAS, the Seller has financed and may, in the future, finance such construction in whole or part through loans made or guaranteed by the Government; and

WHEREAS, the indebtedness created by such loans and loan guarantees made by the Government is evidenced, and with respect to future indebtedness, shall be evidenced, by certain notes (hereinafter collectively called "Notes") secured by the Supplemental Mortgage and Security Agreement and Financing Statement made by and among the Seller, the Government and the National Rural Utilities Cooperative Finance Corporation, (said Supplemental Mortgage and Security Agreement and Financing Statement as it may have been heretofore or may be hereafter amended, supplemented and/or restated from time to time being hereinafter called the "Mortgage"); and

WHEREAS, the Government has agreed to make the loans and loan guarantees to the Seller, evidenced by the Notes, on the condition that the Seller and the Member enter into this Supplemental Agreement; and

WHEREAS, the Government is relying on said Power Contract and similar contracts between the Seller and other borrowers from the Rural Utilities Service to assure that the Notes are repaid and the purposes of the Rural Electrification Act of 1936, as amended, are carried out and the Seller and Member by executing this Supplemental Agreement, acknowledge this reliance:

NOW THEREFORE, in consideration of the mutual undertakings herein contained and in consideration of the Government's loans and loan guarantees made to or on behalf of the Seller the parties agree as follows:

1. The Seller, the Member and the Administrator agree that if the Member shall fail to comply with any provision of the Power Contract, the Seller, or the Administrator, if the Administrator so elects, shall have the right to enforce the obligations of the Member under the provisions of the Power Contract by instituting all necessary actions at law or suits in equity, including, without limitation, suits for specific performance. Such rights of the Administrator to enforce the provisions of the Power Contract are in addition to and shall not limit the rights which the Administrator shall otherwise have as third-party beneficiary of the Power Contract or pursuant to the assignment and pledge of such Power Contract and the payments required to be made thereunder as provided in the Mortgage. The Government shall not, under any circumstances assume or be bound by the obligations of the Seller under the Power Contract except to the extent the Government shall agree in writing to accept and be bound by such obligations.

2. In the event the Seller shall pay the Notes in full, the Government shall no longer be deemed to be a party to this Supplemental Agreement and neither the Government nor the Administrator shall have any rights hereunder.

3. This Supplemental Agreement may be simultaneously executed and delivered in two or more counterparts, each of which so executed and delivered shall be deemed to be an original, and all shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be duly executed as of the day and year first above written.

SEMINOLE ELECTRIC COOPERATIVE, INC.

By: George Stephens
George Stephens

Title: President

ATTEST:

Bernice R. ...
Secretary

LEE COUNTY ELECTRIC COOPERATIVE, INC.

By: Thomas G. Drake
Thomas G. Drake

Title: President

ATTEST:

John A. Nolan
John A. Nolan
Assistant Secretary

(corporate seal)

UNITED STATES OF AMERICA

ATTEST:

Secretary

By: _____
Administrator Rural Utilities Service