N04 161221 054

Tennessee Valley Authority, 1101 Market Street, Chattanooga, Tennessee 37402

December 21, 2016

Dear DPP Participant:

This letter shall serve as notice that TVA is in the process of implementing changes to the Dispersed Power Production (DPP) Guidelines, specifically to Dispersed Power Price Schedule CSPP found in Attachment A to the DPP Guidelines, effective January 1, 2017. A change in market prices and/or system conditions has resulted in the need to reevaluate TVA's projected avoided cost for the January 2017 time period. A copy of the revised portion of the DPP Guidelines is enclosed.

As stated in the DPP Guidelines, these prices increase or decrease from time to time to more accurately reflect TVA's projected avoided cost as TVA deems appropriate.

Unless otherwise notified, this change will be effective January 1, 2017, and will remain in effect through January 31, 2017. If you have specific questions concerning the proposed revisions, please contact Adia Boston Ogle, Power Origination, TVA, at (423) 751-6586 or asbostonogle@tva.gov.

Sincerely,

Christopher W. Hansen
General Manager
Power Origination

ABO:JKK
Enclosure
cc (Enclosure):
D. L. Best, CSM 1A-TPM
A. Boston Ogle, MR 2A-C
M. S. Calvert, WT 6A-K
L. J. Campbell, MK 1A-MET
M. D. Clement, CSC 1A-HNA
C. W. Hansen, MR 2A-C
G. H. Harris, OCP-6A-NST
M. Holman, CSC 1A-MFK
B. L. Powell, CSC 1A-MFK
EDMS, WT CA-K

ATTACHMENT A
TENNESSEE VALLEY AUTHORITY
DISPERSED POWER PRICE SCHEDULE CSPP

January 1, 2017
(Supersedes: December 1, 2016)

Availability

This schedule shall apply to purchases by TVA from cogeneration and small power production facilities that are qualified, operated, and maintained in accordance with TVA's Dispersed Power Production Guidelines ("Guidelines").

Character of Purchased Power

Alternating current, single, or three-phase, 60 hertz. Power will be purchased at the highest voltage available in the vicinity or other voltage agreed to by the purchasing electric system. Where there is an interconnection agreement between TVA, as the Connecting Electric System, and the Qualified Facility, the terms of said interconnection agreement shall control with respect to the required character of power purchased from the Qualified Facility.

Standard Prices
Part A

All kilowatthours per month at 3.125 cents per kWh.

Part B

1. Qualified Facilities less than or equal to 1000kW

   All kilowatthours per month at 3.263 cents per kWh.

2. Qualified Facilities greater than 1000 kW

Price for each kWh delivered during an hour up to a maximum of 100,000 kWh.

Super Peak kilowatthours per month at 3.972 cents per kWh.
On Peak kilowatthours per month at 3.218 cents per kWh.
Off Peak kilowatthours per month at 3.000 cents per kWh.
Super Off Peak kilowatthours per month at 2.672 cents per kWh.

Price for each kWh delivered during a given hour in excess of 100,000 kWh shall be determined by TVA by appropriate reference to the following Standard Purchase Price Schedule, taking into account the hour of delivery ("Super Peak," "On Peak," "Off Peak,"

and "Super Off Peak" hours) during which the energy is being delivered and the cumulative quantity of energy in excess of 100,000 kWh by all Qualified Producers that delivered in excess of 100,000 kWh in accordance with delivery schedules under Section D of these Guidelines during the same given hour.

Price Schedule for Hourly Deliveries of over 100,000 kWh
(All Prices in cents per kWh)

kWh	Super Off Peak	Off Peak	On Peak	Super Peak
100,001-200,000	2.645	2.970	3.185	3.914
200,001-300,000	2.618	2.941	3.153	3.857
300,001-400,000	2.591	2.912	3.120	3.799
400,001-500,000	2.564	2.883	3.087	3.742
500,001-600,000	2.537	2.854	3.054	3.685
600,001-700,000	2.510	2.825	3.021	3.627
700,001-800,000	2.483	2.796	2.989	3.570
800,001-900,000	2.456	2.767	2.956	3.512
900,001-1,000,000	2.429	2.738	2.923	3.455

Revisions

Some or all of the above prices are subject to revision by TVA at least annually, or at any other time to reflect, as TVA deems appropriate, changes in TVA's then-current projections of avoided energy costs and avoided capacity costs, if any.

Classification of Hours

Classification of Hours for January 2017:

- Super Peak hours shall be all weekdays, except Specified Holidays, from 0600 hours to 0800 hours and from 1700 hours to 2000 hours.
- On Peak hours shall be all weekdays, except Specified Holidays, from 0500 hours to 0600 hours, from 0800 hours to 1100 hours, from 1600 hours to 1700 hours and from 2000 hours to 2200 hours. Weekends and Holidays from 0500 hours to 1100 hours and 1600 hours to 2200 hours.
- Off Peak hours shall be all days from 1100 hours to 1600 hours.
- Super Off Peak hours shall be all days from 0000 hours to 0500 hours and from 2200 hours to 2400 hours.

"Specified Holidays" are the following Federal holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. The classification of hours under this price schedule is subject to change by

TVA at any time by providing written notice to those Qualified Producers supplying power to TVA hereunder prior to the effective date of such changed hours.

Contract Requirement

A Power Purchase Agreement ("PPA") is required for any purchase by TVA hereunder. For purchases under Part A and Part B above, the PPA shall extend for a term of not less than one year, provided however that they may be terminated as provided for in the PPA.

Payment

Representatives of TVA or Local Power Company shall, on a monthly basis, read the meters at the connection point, which shall be the point of delivery, and provide the Qualified Producer with a detailed accounting of the amount of power and energy supplied (including, as appropriate, metered amounts during Super Peak, On Peak, Off Peak, and Super Off Peak periods) as determined by TVA or Local Power Company. From these readings, calculations will be made to determine the amount to be paid for power and energy supplied by the Qualified Facility, and payment will be rendered promptly to the Qualified Producer in accordance with the terms of the PPA.

DISPERSED POWER PRODUCTION GUIDELINES

FOR THE TENNESSEE VALLEY AUTHORITY

These Dispersed Power Production Guidelines ("Guidelines") are intended to assist TVA and the distributors of TVA power in developing arrangements for the effective utilization of dispersed power production in the Tennessee Valley. TVA develops and administers these Guidelines which are applicable for purchases by TVA from dispersed power production facilities and for utilization of dispersed power production on the region's power system. The Guidelines may be modified by TVA from time-to-time as it deems appropriate.

Table of Contents

A. DEFINITIONS 1

1. "ALTERNATIVE PURCHASE PRICES" 1
2. "CPT" (CENTRAL PREVAILING TIME) 1
3. "CONNECTING ELECTRIC SYSTEM" 1
4. "FERC" 1
5. "LOCAL POWER COMPANY" 1
6. "OFFPEAK" HAS THE MEANING SPECIFIED IN ATTACHMENT A. 1
7. "ONPEAK" HAS THE MEANING SPECIFIED IN ATTACHMENT A. 1
8. "QUALIFIED FACILITY" 1
9. "QUALIFIED PRODUCER" 1
10. "STANDARD PURCHASE PRICE SCHEDULE" 1
11. "SUPER OFFPEAK" HAS THE MEANING SPECIFIED IN ATTACHMENT A. 2
12. "SUPER PEAK" HAS THE MEANING SPECIFIED IN ATTACHMENT A. 2
13. "TVA AREA" 2

B. GENERATION FROM QUALIFIED FACILITIES 2

1. DISPOSITION OF POWER FROM QUALIFIED FACILITIES 2
2. PURCHASE PRICE FOR POWER FROM QUALIFIED FACILITIES 2
3. SECURITY REQUIREMENTS FOR QUALIFIED FACILITIES 3
4. PURCHASE OF POWER BY TVA 3
5. AVAILABILITY OF POWER TO QUALIFIED FACILITY WITHIN THE TVA AREA 4
6. ADDITIONAL REQUIREMENTS 5

C. GENERAL PROVISIONS APPLICABLE FOR ARRANGEMENTS INVOLVING ANY QUALIFIED FACILITY 5

1. TEMPORARY CURTAILMENTS 5
2. RESPONSIBILITY FOR INTERCONNECTION, TRANSMISSION, AND METERING COSTS 5
3. PARALLEL OPERATION 6
4. COMPLIANCE WITH SAFETY, SYSTEM PROTECTION, AND SYSTEM OPERATING GUIDELINES 6
5. NOTICES 6

D. ADDITIONAL GENERAL PROVISIONS APPLICABLE FOR ARRANGEMENTS INVOLVING SCHEDULING AND PRICING FOR MORE THAN 100 MW DURING ANY GIVEN HOUR 7

1. SCHEDULING OF POWER TO TVA 7
2. NOTIFICATION OF ACCEPTANCE OF SCHEDULE BY TVA 8
3. CHANGES IN ENERGY AMOUNTS OR SCHEDULE 9
4. MONTHLY GENERATION SCHEDULE REPORTS 10

ATTACHMENT A A-1

TENNESSEE VALLEY AUTHORITY

DISPERSED POWER PRICE SCHEDULE CSPP

ATTACHMENT B B-1

TENNESSEE VALLEY AUTHORITY

STANDBY POWER RATE--SCHEDULE SP

A. DEFINITIONS

For purposes of these Guidelines, the following terms (whether in the singular or plural) shall have the following meanings:

1. "Alternative Purchase Prices" shall be any purchase prices agreed upon by TVA for purchases by TVA as alternative prices to those set forth in the Standard Purchase Price Schedule. In developing Alternative Purchase Prices, consideration will be given to such factors as TVA's current and projected avoided energy costs and any projected capacity costs, dispatchability, maintenance scheduling, administrative and billing requirements, variations in line losses, curtailment rights during periods when deliveries would increase operating costs on the TVA system, and reliability of output from the power production facility during TVA Super Peak and Onpeak periods. Alternative Purchase Prices may include prices (or components of prices) that are fixed for all or some portion of the contract term.

2. "CPT" (Central Prevailing Time) shall mean either Central Standard Time or Central Daylight Time, whichever is currently applicable.

3. "Connecting Electric System" is, as applicable, the TVA transmission system, the Local Power Company system, and/or any other electric system that is directly interconnected with the Qualified Facility and through which power generated by the Qualified Facility is ultimately delivered to TVA.

4. "FERC" means the Federal Energy Regulatory Commission.

5. "Local Power Company" shall be an electric cooperative or municipal electric system or department that purchases and distributes electric power and energy to consumers pursuant to a wholesale power contract with TVA.

6. "Offpeak" has the meaning specified in Attachment A.

7. "Onpeak" has the meaning specified in Attachment A.

8. "Qualified Facility" shall be either a cogeneration or small power production facility that meets the qualifications set forth in FERC rules (18 C.F.R. Part 292).

9. "Qualified Producer" shall be any entity that owns and operates a Qualified Facility and meets the qualifications set forth in FERC rules (18 C.F.R. Part 292) and has fully complied with the filing requirements set forth in 18 C.F.R. § 292.207, Procedures for Obtaining Qualifying Status, as applicable.

10. "Standard Purchase Price Schedule" shall be the attached Dispersed Power Price Schedule CSPP (Attachment A), as it may be adjusted, modified, changed, or replaced by TVA from time to time.

11. “Super Offpeak” has the meaning specified in Attachment A.

12. “Super Peak” has the meaning specified in Attachment A.

13. “TVA Area” shall be the area defined by the provisions of the TVA Act, as amended, as the area within which TVA or distributors of TVA power are a source of power supply.

B. GENERATION FROM QUALIFIED FACILITIES

1. Disposition of Power from Qualified Facilities

   a) A Qualified Producer may (1) use all of the output of its Qualified Facility to supply its own requirements, or (2) use a portion of said output to supply its own requirements and sell the surplus to TVA, or (3) sell the entire output of the Qualified Facility to TVA. (Consistent with the applicable provisions of the Energy Policy Act of 1992, power for consumption in the TVA Area generated by a Qualified Facility, wherever located, transmitted to the TVA power system either through direct interconnection between the Qualified Facility and the TVA power system or through a Connecting Electric System that is connected to the TVA power system, is to be purchased by TVA in accordance with these Guidelines.)

   b) In addition to purchasing the power of Qualified Facilities, consistent with the provisions of the Energy Policy Act of 1992 and other applicable law, at the request of the operator of a Qualified Facility, TVA’s Transmission Operations & Power Supply organization (“TOPS”), or any successor organization, and the Local Power Company, with appropriate compensation and subject to such terms and conditions that adequately protect the power system and meet the requirements of the TVA Transmission Service Guidelines, will develop the arrangements necessary to transmit the power from such a Qualified Facility over the TVA power system to the periphery of the system for purchase by a neighboring utility system or for further transmission to another such system outside the TVA Area. The Qualified Facility’s owners and operators are responsible for making the necessary arrangements with any neighboring utility that is located outside the TVA Area for the ultimate purchase of the output or for its further disposition to another utility system outside the TVA Area.

2. Purchase Price for Power from Qualified Facilities

   a) Qualified Producers with Qualified Facilities located within the TVA Area and those Qualified Producers with Qualified Facilities located outside the TVA Area that make arrangements with any Connecting Electric System located outside the TVA Area and, as applicable, any other intervening utility system (or are

otherwise able to deliver their output to the power system of TVA) may make arrangements to sell their output to TVA (i) for those hours when 100 MW or less is being delivered to TVA, in which case the price will be as listed for such amounts under the then-available Standard Purchase Price Schedule, (ii) for those hours when more than 100 MW is being delivered to TVA, in which case the price(s) will be as provided for under Section D.2.b and the then-available Standard Purchase Price Schedule on the basis of the amount of energy being delivered and the time of day of the delivery, or (iii) for those Qualified Producers with Qualified Facilities who contract to provide 500 kW or more of capacity from a production facility, under Alternative Purchase Prices.

b) The amounts payable under the Standard Purchase Price Schedule or under Alternative Purchase Prices may be modified, as appropriate, to reflect costs incurred by TVA in connection with the purchase, which costs may include, but are not limited to, administrative costs, metering costs, and the costs of transmission line losses.

3. Security Requirements for Qualified Facilities

In recognition that TVA system-wide avoided costs are utilized to determine the purchase price for the output from Qualified Facilities and that there is a risk of loss to the TVA power system if the Qualified Producer fails to deliver the power and energy provided for under contract, the contractual arrangements between the Qualified Producer and the applicable Connecting System and the power purchase contract between the Qualified Producer and TVA described in section 4(a) may include appropriate provisions to minimize such risks. Such provisions may include payment of damages, return by the Qualified Producer of a portion of the payment amounts it has received from TVA, setoffs against amounts to be paid to the Qualified Producer, and the establishment of security to be provided by the Qualified Producer. Such security may be a performance bond, a bank letter of credit, or other measures of security in such form, or combination of forms, and amount as deemed sufficient by TVA. In such situations, the contractual arrangements will also provide that the security will be for the benefit of TVA and that amounts to be repaid that reflect the electric system loss due to a Qualified Producer's deficiencies in delivering its output, as compared with contract terms and requirements, will be paid to TVA.

4. Purchase of Power by TVA

a) Arrangements for sale to TVA of any of the output of a Qualified Facility will be subject to the provisions of a purchase contract between the Qualified Producer and TVA and shall be subject to all applicable provisions of these Guidelines.

b) If a Qualified Facility is to be connected to a Connecting Electric System that is not owned by TVA and the Qualified Producer has elected to sell the output to TVA, it shall be the Qualified Producer's responsibility, at its own expense, to make all necessary and appropriate arrangements with the Connecting Electric

System or any other intervening utility system(s) for delivering such output to TVA. Additionally, the Qualified Producer will (1) request review of the impact that the output from Qualified Facility will have on the TVA system from TVA's TOPS and (2) will be responsible for the cost of any modifications deemed necessary by TVA to mitigate any adverse impacts on the TVA system. The Qualified Producer will notify TVA's TOPS organization in writing of the location of the point of connection, which will serve as the delivery point. If the Connecting Electric System is TVA, the Qualified Producer will make interconnection arrangements through TVA's TOPS in accordance with TVA's applicable generator interconnection procedures. Responsibilities for the facilities will be negotiated and set forth in executed interconnection arrangements.

c) For energy delivered from the Qualified Facility to TVA in accordance with a purchase by TVA under this Section B.4, TVA shall pay the Qualified Producer for that quantity of energy during any given hour at the applicable price set forth under the Standard Purchase Price Schedule.

5. Availability of Power to Qualified Facility Within the TVA Area

a) If requested by the Qualified Producer, contractual arrangements involving a Qualified Facility within the TVA Area shall include the availability to the Qualified Producer of maintenance and emergency standby power at the applicable standby power charges, which power is currently provided under the provisions of the Standby Power Rate—Schedule SP (Attachment B), as adjusted, modified, changed, or replaced from time to time by TVA as it deems appropriate to reflect changes in the costs of providing such power. The Qualified Producer will be required to bear the costs of any additional facilities necessary to provide such standby power. Standby power service is subject to any applicable Rules and Regulations of the Local Power Company and to the Guidelines. As used in Attachment B, the term "customer" is defined to mean "Qualified Producer".

b) Contractual arrangements involving a Qualified Facility within the TVA Area may also include the supply to the Qualified Producer of such of its power requirements as it may request under applicable terms and conditions, including power rates, as power is supplied to electric power customers in the area for the same customer classification as the Qualified Facility.

c) It shall be clearly understood (i) that it shall be the responsibility of the Qualified Producer to contract for its maximum expected power requirements through either TVA or the Local Power Company as appropriate, (ii) that neither TVA nor any of the Local Power Companies will be obligated to supply power in greater amounts than the amount contracted, and (iii) that neither TVA nor any of the Local Power Companies will contract or otherwise become obligated to sell power to any Qualified Producer not located within the TVA Area.

6. Additional Requirements

All Qualified Producers with Qualified Facilities must comply with the additional applicable requirements set out in Section C. Any Qualified Producer with a Qualified Facility having more than 100 MW of total capacity and wishing to schedule more than 100 MW in any given hour for delivery to TVA must also comply with the additional applicable requirements set out in Section D.

C. GENERAL PROVISIONS APPLICABLE FOR ARRANGEMENTS INVOLVING ANY QUALIFIED FACILITY

1. Temporary Curtailments

The Qualified Producer's right to sell power to TVA may be subject to temporary curtailments during system emergencies and when, as a result of operational circumstances, the delivery of such power will interfere with the safe operation of TVA's and/or Local Power Company's respective system.

2. Responsibility for Interconnection, Transmission, and Metering Costs

a) A Qualified Producer with a Qualified Facility will be required to make the appropriate interconnection arrangements for the Qualified Facility with the applicable Connecting Electric System. The Qualified Producer will also (1) request review of the impact that the output from Qualified Facility will have on the TVA system from TVA's TOPS and (2) will be responsible for the cost of any modifications deemed necessary by TVA to mitigate any adverse impacts on the TVA system.

b) Existing power customers of a Local Power Company or TVA that subsequently install Qualified Facilities will be responsible (i) for coordinating changes in any existing transmission or distribution facilities with the Local Power Company and TVA and (ii) for compensating the Local Power Company and/or TVA, as appropriate, for any associated costs.

c) The Qualified Producer, at its expense, shall be responsible for installing, owning, operating, and maintaining all electrical equipment associated with its facility and necessary for the protection of such equipment up to the point of connection with the Connecting Electric System to which the proposed facility's output will be delivered, including furnishing the equipment necessary to connect the facility to the electric system lines. The Connecting Electric System shall make the connection and the reimbursement for this cost shall be made by the Qualified Producer.

d) The arrangements for the necessary metering required for the Qualified Facility will be delineated in the contractual agreements between the Qualified Facility and the applicable Connecting Electric System. If the Connecting Electric System is not TVA, the Qualified Producer will be responsible for coordinating the arrangements for the metering requirements with TVA's TOPS to ensure compatibility with TVA's requirements for TVA's energy management and billing systems. The Qualified Producer will also be responsible for reimbursing TVA for any costs associated with the design, installation, operation, and maintenance of any metering facilities installed by TVA.

3. Parallel Operation

All Qualified Producers that desire to operate their production facilities in parallel with, and directly connected to, the TVA transmission system will be required to execute contractual agreements with TVA (through TVA's TOPS) for such parallel operation. All Qualified Producers that desire to operate their production facilities in parallel with the TVA transmission system, and directly connected to a Local Power Company system (or another electric system in the TVA Area), will be required to execute contractual agreements with TVA (through TVA's TOPS) and such Local Power Company system (or other electric system) for such parallel operation.

4. Compliance with Safety, System Protection, and System Operating Guidelines

All Qualified Producers will be required to comply with the applicable safety, system protection, and system operating guidelines as set forth in the separate interconnection arrangements described in B.4.b of these Guidelines.

5. Notices

Any party seeking to qualify as a Qualified Producer under the provisions of these Guidelines shall, as applicable to said party, provide to TVA a copy of either (i) any original self-certification that said party has filed with FERC under 18 C.F.R. § 292.207(a) or (ii) any application submitted to FERC under 18 C.F.R. § 292.207(b) for certification, as well as copies of any and all notices, orders, or other responses provided by FERC to said party and any and all responses to FERC by said party. Under 18 CFR § 292.203(d), a facility with a net power production capacity of 1 MW or less is exempt from the FERC filing requirements and, therefore, this notice requirement. Once the facility is deemed a Qualified Facility by FERC, as applicable, the Qualified Producer will thereafter provide TVA with an advance copy of any and all filings or requests submitted to FERC for waivers or any other matters that pertain to the status of the generating facility as a Qualifying Facility, and, with respect to any and all notices, orders, or other responses received by the Qualified Producer from FERC with respect to such filings or requests, Qualified Producer shall provide TVA with copies of those documents as soon as practicable after receipt.

D. ADDITIONAL GENERAL PROVISIONS APPLICABLE FOR ARRANGEMENTS INVOLVING SCHEDULING AND PRICING FOR MORE THAN 100 MW DURING ANY GIVEN HOUR

Any Qualified Producer whose Qualified Facility has more than 100 MW of total capacity will be subject to the following additional provisions whenever the Qualified Producer desires to deliver to TVA more than 100 MW of energy for any given hour as provided for under these Guidelines:

1. Scheduling of Power to TVA

   a) The Qualified Producer will notify TVA's TOPS electronically, in a manner directed by TOPS, as to the proposed energy amounts and schedule of any delivery of power from the Qualified Facility to TVA under these Guidelines by no later than 0800 hours CPT on the calendar day immediately preceding the day of proposed delivery. The Qualified Producer shall submit a single schedule under this Section D.1.a for all energy to be delivered from the Qualified Facility on the day of proposed delivery. A Qualified Producer submitting a schedule under this Section D.1 needs to take into account the possibility that other Qualified Producers may similarly be submitting schedules under which those Qualified Producers also desire to deliver to TVA more than 100 MW of energy during the same hour(s) and that, in such a case, the cumulative amount of delivered energy from all said Qualified Producers will, in most cases, result in payments at lower prices by TVA to said Qualified Producers under these Guidelines to reflect the cumulative impact of said delivered energy on TVA's avoided costs for the hour(s) in question.

   b) For each hour during a schedule submitted by the Qualified Producer to TOPS under Section D.1.a. in which the Qualified Producer proposes to deliver in excess of 100 MW of energy, the energy that is to be delivered during that hour will be delivered on an "as available" basis within the discretion of the Qualified Producer.

   c) Not later than thirty (30) calendar days after the end, as applicable, of either the first 12-month period beginning with the date that a Qualified Facility first produces electric energy or each calendar year following the calendar year in which that Qualified Facility first produced electric energy, the Qualified Producer shall provide a statement to TVA declaring its compliance, if applicable, with the operating and efficiency standards specified in 18 C.F.R. § 292.205. The Qualified Producer shall keep for three (3) years records and books to support any statement made to TVA regarding the Qualified Producer's compliance with the operating and efficiency standards. Upon reasonable notice, TVA or its agents, including the TVA Office of the Inspector General, shall have the right to audit without restrictions, at any time during

normal working hours, all of the Qualified Producer's books, records, documents, and other evidence relating to compliance with the operating and efficiency standards.

2. Notification of Acceptance of Schedule by TVA

   a) TOPS will review the requested energy amounts and schedule requested by the Qualified Producer and will notify the Qualified Producer electronically by no later than 1100 hours CPT on the calendar day immediately preceding the day of proposed delivery (i) whether the TVA system is capable of accepting such energy amounts in accordance with the schedule submitted by the Qualified Producer in accordance with the contractual arrangements between the Qualified Producer and the applicable Connecting Electric System and (ii) whether the TVA system will accept such energy amounts in accordance with the provisions of section 292.304(f) of Title 18 of the Code of Federal Regulations (18 C.F.R. § 292.304(f)). The provisions of the contractual arrangements between the Qualified Producer and the applicable Connecting Electric System shall govern whether the TVA system is capable of accepting energy proposed to be supplied by a Qualified Producer in accordance with a schedule submitted under this Section D.2. In accordance with the provisions of 18 C.F.R. § 292.304(f), TVA is not required to purchase electric energy or capacity delivered from a Qualified Facility during any period during which, due to operational circumstances, purchases of electric energy or capacity delivered from the Qualified Facility would result in costs greater than those which TVA would incur if it did not make such purchases, but instead generated an equivalent amount of energy itself. A notice to the Qualified Producer by TOPS under this Section D.2.a. that TVA will not accept the energy amounts specified in a schedule submitted by the Qualified Producer shall be the notice required in a circumstance where the provisions of 18 C.F.R. § 292.304(f)(1) and (2) apply. Each Qualified Producer needs to take into account the possibility that other Qualified Producers may have similarly submitted schedules under which those Qualified Producers also desire to deliver to TVA more than 100 MW of energy during the same hour(s) and that, in such a case, the cumulative impact of all such delivered energy from all said Qualified Producers on the TVA system would affect decisions made by TOPS under this Section D.2.a.

   b) The Standard Purchase Price Schedule sets forth the prices that TVA will pay for the first 100 MW of energy which a Qualified Producer delivers to TVA from a Qualifying Facility during any given hour in accordance with a schedule that is subject to this Section D. Those prices are based upon the estimated average of the costs incurred by TVA in supplying the last 100 MW of TVA's native load during all "Super Peak," "Onpeak," "Offpeak," and "Super Offpeak" hours as defined in Attachment A; provided that, as provided under Section B.2.b of these Guidelines, TVA may from time to time modify any or all prices set forth in the Standard Purchase Price Schedule as it deems appropriate to reflect changes in its estimated costs. The prices set forth in the Standard Purchase

Price Schedule for the first 100 MW during any given hour do not reflect TVA's avoided costs during those same hours when a Qualified Producer proposes to schedule in excess of 100 MW of energy for delivery to TVA in accordance with the provisions of these Guidelines. As a consequence, for amounts of energy in excess of 100 MW to be purchased by TVA under these Guidelines, the Standard Purchase Price Schedule sets forth price schedules that reflect TVA's estimated avoided costs, taking into account those elements and considerations appropriate to estimating TVA's avoided costs related to the cumulative quantity of energy proposed to be sold to TVA by all Qualified Producers under these Guidelines during a given hour and the time of day ("Super Peak," "Onpeak," "Offpeak," or "Super Offpeak" hours). Quantity blocks in those price schedules that apply to hours in which the Qualified Producer desires to deliver in excess of 100 MW to TVA reflect the price that TVA would pay for the cumulative amount of energy (above and beyond the first 100 MW delivered by each Qualified Producer) delivered by all those Qualified Producers that delivered in excess of 100 MW to TVA during a given hour in accordance with these Guidelines. Consequently: (i) for the first 100 MW of energy that is delivered to TVA in any hour in accordance with a schedule submitted under Section D.1, TVA will pay the Qualified Producer the applicable price for the first 100 MW as specified in the then-current Standard Purchase Price Schedule Part B; and (ii) to the extent applicable, when in excess of 100 MW of energy has been scheduled for delivery to TVA during a given hour by one or more Qualified Producers under Section D.1, the price that will be paid by TVA for amounts of energy delivered in excess of 100 MW during any given hour shall be the price specified in the then-current Standard Purchase Price Schedule on the basis of: (x) the hour of delivery ("Super Peak," "Onpeak," "Offpeak," or "Super Offpeak" hours); and (y) the cumulative amount in excess of 100 MW delivered to TVA by each and all Qualified Producers delivering in excess of 100 MW each to TVA during the same hour up to, but not exceeding, the amount of energy specified for delivery to TVA during said hour in each such Qualified Producer's schedule subject to this Section D; provided, that in determining the price that TVA will pay for amounts of energy delivered to TVA under these Guidelines by a Qualified Producer in excess of 100 MW during any hour during which more than one Qualified Producer delivered in excess of 100 MW to TVA in accordance with the requirements of these Guidelines, the cumulative total amount of energy from all Qualified Producers will determine the applicable quantity block price that TVA will pay to each such Qualified Producer delivering energy to TVA during said hour; provided further, that TVA will not pay the Qualified Producer under these Guidelines for energy delivered in excess of the amount specified in such Qualified Producer's schedule subject to this Section D.

3. Changes in Energy Amounts or Schedule

   a) Once the calendar day-ahead energy amounts and schedule have been agreed upon by the Qualified Producer and TOPS in accordance with this Section D,

the schedule submitted by the Qualified Producer may be varied from or revised as provided under the terms of the contractual arrangements between the Qualified Producer and the Connecting Electric System.

b) For any hour during which the actual amount of energy delivered by the Qualified Producer is less than the amount of energy specified in a schedule subject to this Section D, the cumulative amount of energy actually delivered during an hour by all Qualified Producers delivering energy to TVA in accordance with delivery schedules subject to this Section D will be used to determine the price in the Standard Purchase Price Schedule to be paid by TVA to the Qualified Producer.

4. Monthly Generation Schedule Reports

The Qualified Producer shall provide the Qualified Facility's estimated non-binding generation schedule for the following twelve (12) months. This schedule shall be sent electronically to TOPS, in a manner directed by TOPS, no later than twenty (20) calendar days prior to the start of each month commencing with the initial month of delivery.

ATTACHMENT A
TENNESSEE VALLEY AUTHORITY
DISPERSED POWER PRICE SCHEDULE CSPP

January 1, 2017
(Supersedes: December 1, 2016)

Availability

This schedule shall apply to purchases by TVA from cogeneration and small power production facilities that are qualified, operated, and maintained in accordance with TVA's Dispersed Power Production Guidelines ("Guidelines").

Character of Purchased Power

Alternating current, single, or three-phase, 60 hertz. Power will be purchased at the highest voltage available in the vicinity or other voltage agreed to by the purchasing electric system. Where there is an interconnection agreement between TVA, as the Connecting Electric System, and the Qualified Facility, the terms of said interconnection agreement shall control with respect to the required character of power purchased from the Qualified Facility.

Standard Prices
Part A

All kilowatthours per month at 3.125 cents per kWh.

Part B

1. Qualified Facilities less than or equal to 1000kW

   All kilowatthours per month at 3.263 cents per kWh.

2. Qualified Facilities greater than 1000 kW

Price for each kWh delivered during an hour up to a maximum of 100,000 kWh.

Super Peak kilowatthours per month at 3.972 cents per kWh.
On Peak kilowatthours per month at 3.218 cents per kWh.
Off Peak kilowatthours per month at 3.000 cents per kWh.
Super Off Peak kilowatthours per month at 2.672 cents per kWh.

Price for each kWh delivered during a given hour in excess of 100,000 kWh shall be determined by TVA by appropriate reference to the following Standard Purchase Price Schedule, taking into account the hour of delivery ("Super Peak," "On Peak," "Off Peak," and "Super Off Peak" hours) during which the energy is being delivered and the cumulative

quantity of energy in excess of 100,000 kWh by all Qualified Producers that delivered in excess of 100,000 kWh in accordance with delivery schedules under Section D of these Guidelines during the same given hour.

Price Schedule for Hourly Deliveries of over 100,000 kWh
(All Prices in cents per kWh)

kWh	Super Off Peak	Off Peak	On Peak	Super Peak
100,001-200,000	2.645	2.970	3.185	3.914
200,001-300,000	2.618	2.941	3.153	3.857
300,001-400,000	2.591	2.912	3.120	3.799
400,001-500,000	2.564	2.883	3.087	3.742
500,001-600,000	2.537	2.854	3.054	3.685
600,001-700,000	2.510	2.825	3.021	3.627
700,001-800,000	2.483	2.796	2.989	3.570
800,001-900,000	2.456	2.767	2.956	3.512
900,001-1,000,000	2.429	2.738	2.923	3.455

Revisions

Some or all of the above prices are subject to revision by TVA at least annually, or at any other time to reflect, as TVA deems appropriate, changes in TVA's then-current projections of avoided energy costs and avoided capacity costs, if any.

Classification of Hours

Classification of Hours for January 2017:

- Super Peak hours shall be all weekdays, except Specified Holidays, from 0600 hours to 0800 hours and from 1700 hours to 2000 hours.
- On Peak hours shall be all weekdays, except Specified Holidays, from 0500 hours to 0600 hours, from 0800 hours to 1100 hours, from 1600 hours to 1700 hours and from 2000 hours to 2200 hours. Weekends and Holidays from 0500 hours to 1100 hours and 1600 hours to 2200 hours.
- Off Peak hours shall be all days from 1100 hours to 1600 hours.
- Super Off Peak hours shall be all days from 0000 hours to 0500 hours and from 2200 hours to 2400 hours.

"Specified Holidays" are the following Federal holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Such times shall be Central Standard Time or Central Daylight Time, whichever is then in effect. The classification of hours under this price schedule is subject to change by TVA at any time by providing written notice to those Qualified Producers supplying power to TVA hereunder prior to the effective date of such changed hours.

Contract Requirement

A Power Purchase Agreement ("PPA") is required for any purchase by TVA hereunder. For purchases under Part A and Part B above, the PPA shall extend for a term of not less than one year, provided however that they may be terminated as provided for in the PPA.

Payment

Representatives of TVA or Local Power Company shall, on a monthly basis, read the meters at the connection point, which shall be the point of delivery, and provide the Qualified Producer with a detailed accounting of the amount of power and energy supplied (including, as appropriate, metered amounts during Super Peak, On Peak, Off Peak, and Super Off Peak periods) as determined by TVA or Local Power Company. From these readings, calculations will be made to determine the amount to be paid for power and energy supplied by the Qualified Facility, and payment will be rendered promptly to the Qualified Producer in accordance with the terms of the PPA.

ATTACHMENT B
TENNESSEE VALLEY AUTHORITY
STANDBY POWER RATE--SCHEDULE SP

Effective Date: October 1, 2015
(Supersedes: January 1, 2002)

Availability

Available for small power producers and cogenerators within the TVA area that qualify under TVA's Dispersed Power Production Program and that elect to purchase standby service for scheduled maintenance and emergency standby power supply. Service is subject to notice and scheduling requirements set out in the contract.

For all customers transitioning from seasonal demand and energy service under an existing power contract, the onpeak contract demand and offpeak contract demand will be the standby contract demand provided under their current power contract.

Character of Standby Service.

Alternating current, single or three-phase, 60 hertz. Power supplied shall be delivered at the highest voltage available in the vicinity, unless at the customer's request a lower standard voltage is agreed upon.

Standby Power Charges

Customer Charge:

A customer charge equal to the customer charge provided for in the rate schedule which would be applicable for the sale of firm power to a load with firm power requirements equal to the customer's currently effective contract demand.

Reservation Charges:

Subject to any adjustment applicable under "Distributor Distribution Cost Charges" below:

1. If the customer's currently effective contract demand is not more than 1,000 kW, a reservation charge of $6.37 per kW of that contract demand shall apply.
2. If the customer's currently effective contract demand is greater than 1,000 kW but not more than 5,000 kW, a reservation charge of $6.10 per kW of that contract demand shall apply.
3. If the customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW, a reservation charge of $5.24 per

kW of that contract demand shall apply.

4. If the customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW, a reservation charge of $5.24 per kW of that contract demand shall apply.
5. If the customer's currently effective contract demand is greater than 25,000 kW, a reservation charge of $5.24 per kW of that contract demand shall apply.

Distributor Distribution Cost Adjustment:

The above reservation charges include components for distribution cost coverage equal to the distribution cost components included in TVA's Direct Service Power Rates. Where service under this schedule is provided by a distributor of TVA power (Distributor), the reservation charges to be applicable under items 1, 2, 3, and 4 above shall each be adjusted by an amount designated by TVA to provide for distribution cost coverage components consistent with the components included in the Distributor's General Power Rate Schedules GSA (for items 1 and 2), GSB (for item 3), GSC (for item 4), and GSD (for item 5).

Demand Use Charges:

$2.49 per week per kilowatt of maintenance standby power prescheduled by customer,
plus

$4.99 per week per kilowatt of emergency standby power used by customer.

Standby demand use charges will be prorated on a daily basis for periods of less than one week.

(For customers for whom firm power is also being made available, the amounts of standby power scheduled or taken will be excluded from the customer’s measured demand during such periods for purposes of determining the customer’s billing demand for firm power.)

Energy Charges:

The hourly charge applicable to each kWh of standby energy scheduled or taken in each hour shall be the sum of the following components:

Component 1 - TVA's then-projected cost per kWh for supplying the last 100 MW of the total amount of the entire load that TVA then projects it will be serving in that hour (including both native system load and off-system load to be supplied by TVA under exchange arrangements);

Component 2 - A markup amount equal to $0.004 per kWh;

Component 3 - A losses markup amount equal to (a) the sum of Components 1, and 2, multiplied by (b) 3.0 percent; and

Component 4 - A payments-in-lieu-of-taxes markup amount equal to (a) the sum of Components 1, 2, and 3, multiplied by (b) 5.3 percent.

The summation of all such hourly energy charges will be the monthly charge for standby energy.

Administrative Fee:

A monthly administrative costs fee of $750.

The above reservation charges, demand use charges, energy charges, and administrative fee may be increased or decreased by TVA to reflect changes in the cost of standby service. Further, adjustments to the reservation charges shall be increased or decreased by TVA to reflect any changes in the distribution cost coverage components included in Distributor's General Power Rate Schedules GSA (for items 1 and 2), GSB (for item 3), GSC (for item 4), and GSD (for item 5).

Facilities Rental

There shall be no facilities rental charge under this rate schedule for delivery at bulk transmission voltage levels of 161 kV or higher. For delivery at less than 161 kV, there shall be added to the customer's bill a facilities rental charge. This charge shall be 36 cents per kW per month except for delivery at voltages below 46 kV, in which case the charge shall be 93 cents per kW per month for the first 10,000 kW and 73 cents per kW per month for the excess over 10,000 kW. Such charge shall be applied to the customer's then-effective standby contract demand except that, for a customer for whom firm power is also being made available and whose firm power takings are also subject to facilities rental charges under the provisions of the standard general power rate schedule, calculations for determining the facilities rental charges for firm power and for standby power shall be made as follows. The standby contract demand will be added to the higher of (1) the highest billing demand for firm power established during the latest 12-consecutive-month period or (2) the customer's then-effective firm contract demand and the amounts in cents per kW set out above shall be applied to the total. The facilities rental charge shall be in addition to all other charges under this rate schedule. Such amounts in cents per kW may be increased or decreased by TVA, effective with the effective date of any Adjustment Addendum published by TVA or any rate change, to reflect changes in the costs of providing for delivery at voltage levels below 161 kV.

Contract Requirement

Customers to whom this rate schedule is applicable shall be required to execute contracts, and such contracts shall be for a term not to exceed 10 years.

Payment

Bills under this rate schedule will be rendered monthly. Any amount of bill unpaid after due date specified on bill may be subject to additional charges under Distributor's standard policy (for Distributor-served customers), and under the Terms and Conditions of TVA's power contract (for TVA-served customers).

Single-Point Delivery

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

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

Service

Service is subject to Rules and Regulations of the Distributor (for Distributor-served customers), to TVA's power contract Terms and Conditions (for TVA-served customers), and to guidelines applicable under TVA's Dispersed Power Production Program.