

**ADJACENT RELIABILITY COORDINATOR
COORDINATION AGREEMENT**

This Agreement, being an Adjacent Reliability Coordinator Coordination Agreement, is made this 23 day of MAY 2007 ("Agreement") by and between PJM Interconnection, L.L.C. ("PJM") and the member systems of VACAR South RC, those being Progress Energy Carolinas, Inc. ("PEC"); Duke Energy Carolinas, LLC ("Duke"); South Carolina Electric & Gas Company ("SCE&G"); South Carolina Public Service Authority ("SCPSA"); Southeastern Power Administration, a Federal power marketing administration within the U. S. Department of Energy, acting by and through its Administrator ("SEPA"); and the Yadkin Division of Alcoa Power Generating Inc., a subsidiary of Alcoa Inc. ("Yadkin"), hereinafter collectively referred to as the "Parties" and individually as a "Party," except as otherwise provided by this Agreement.

WITNESSETH:

WHEREAS, PJM serves as the Reliability Coordinator in a region (the "PJM Reliability Area") that includes the Balancing Authorities, Transmission Operators, electric utilities, and other entities set forth in its Reliability Plan; and

WHEREAS, VACAR South RC serves as the Reliability Coordinator in a region (the "VACAR South Reliability Area") that includes the Balancing Authorities, Transmission Operators, electric utilities, and other entities set forth in its Reliability Plan (collectively referred to as the "VACAR South Reliability Area Parties"); and

WHEREAS, electric systems in the PJM Reliability Area are interconnected with electric systems in the VACAR South Reliability Area; and

WHEREAS, the North American Electric Reliability Corporation ("NERC") Board of Trustees approved adoption of "Reliability Standards for the Bulk Electric Systems of North America" and conversion of the NERC Operating Manual to a subset of these standards on February 8, 2005, and certain of these standards address coordination agreements and data sharing for Reliability Coordinators; and

WHEREAS, VACAR South Reliability Area Parties have contracted with Duke as the VACAR South RC Agent to perform reliability tasks on behalf of VACAR South; and

WHEREAS, A requirement of these standards states that the "Reliability Coordinator shall have clear, comprehensive coordination agreements with adjacent Reliability Coordinators to ensure that System Operating Limit or Interconnection Reliability Operating Limit violation mitigation requiring actions in adjacent Reliability Coordinator Areas are coordinated"; and

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WHEREAS, A further requirement of these standards states that “Each Reliability Coordinator shall determine the data requirements to support its reliability coordination tasks and shall request such data from . . . adjacent Reliability Coordinators”; and

WHEREAS, A Further requirement of these standards states that “Each Reliability Coordinator – or its Transmission Operators and Balancing Authorities – shall provide, or arrange provisions for, data exchange to other Reliability Coordinators or Transmission Operators and Balancing Authorities”;

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, it is agreed as follows:

ARTICLE I **PURPOSE**

The purpose of this Agreement is to augment and further support the reliability of both Parties’ respective Reliability Areas. It provides for system coordination and the exchange of data and information over the Interregional Security Network (“ISN”) and the Reliability Coordinator Information System (“RCIS”) by and between the Parties so that each can coordinate its plans and operations in the interest of reliability. It also provides a means for exchanging information and system data, and for making necessary regional studies and recommendations designed to improve reliability of the interconnected bulk power systems.

ARTICLE II
TERM OF AGREEMENT

SECTION 2.1 Term. This Agreement shall become effective on the first day of the month following the month in which all Parties have executed this Agreement and shall continue in effect until terminated by any Party upon not less than thirty (30) days written notice to the other Parties. The right to terminate shall be within the sole discretion of any Party.

SECTION 2.2 NERC Standard Revisions. In the event that revisions to the NERC Reliability Standards referenced in this Agreement, are approved by the NERC Board, the Parties, or their designated representatives, shall meet (either in person or via conference call) within ninety (90) days of the approval to discuss whether such revisions affect the terms and conditions of this Agreement, the necessity for any mutually agreeable revisions to this Agreement, and/or whether the revisions affect the need for this Agreement.

ARTICLE III
ADMINISTRATION

The Parties, or their designated representatives, shall meet no less than once a year (either in person or via conference call) to review this Agreement and conduct matters provided hereunder. The Parties, or their respective designees, may meet at more frequent intervals should they deem it necessary.

ARTICLE IV
COORDINATION

For purposes of this Article, the term "Party" shall mean either PJM or the VACAR South RC Agent, and the term "Parties" shall collectively mean PJM and the VACAR South RC Agent.

SECTION 4.1 Process for Coordinating Assistance

SECTION 4.1.1 Process for Coordinating Energy Emergency Assistance. In the event either Party needs to request energy emergency assistance from the other Party, the requesting Party shall, consistent with NERC Reliability Standards, issue an Energy Emergency Alert ("EEA") and, notify the other Party, via the RCIS of the EEA and request from that Party the assistance that the requesting Party believes is needed to alleviate the problems causing the EEA. The other Party shall provide the appropriate emergency assistance consistent with NERC Reliability Standards. The requesting Party must notify the other Party, via the RCIS, when the EEA has ended.

SECTION 4.1.2 Process for Coordinating Operating Limit Violations Assistance. In the event either Party needs to request assistance from the other Party, the requesting

Party shall, consistent with NERC Reliability Standards, notify the other Party, and request from that Party the assistance that the requesting Party believes is needed to alleviate the operating limit violations. The other Party shall provide the appropriate assistance to alleviate the operating limit violations consistent with NERC Reliability Standards.

SECTION 4.2 Reliability Problem Identification. In the event a Party makes an identification of a potential reliability problem in the other Party's Reliability Area, it will make reasonable efforts to provide written notice to the other Party as soon as possible. In the event such notification is made, the Parties agree that the notifying Party is not providing any warranty or guaranty that the potential problem actually exists. This provision shall also include the identification of any Interconnection frequency error causing a potential reliability problem. When any one Party identifies an overload/emergency, a parallel path flow having significant impact, or other potential reliability situation that may impact another Party's system and the affected Party's results/systems do not observe a similar situation, the Parties will operate to the most conservative result until the Parties can identify the reasons for these difference(s).

SECTION 4.3 Data Exchange. The Parties shall exchange the data that they require from each other to support their respective reliability coordination tasks and duties, as set forth in Exhibit B to this Agreement. The Party requesting that additional data be included in Exhibit B for exchange purposes must provide the other Party with a reliability-based justification for needing such data. In exchanging data, the Parties shall utilize the ISN or another agreed upon data exchange medium. The Party receiving a request to provide data has the right to accept or reject the other Party's justification. In the event a dispute arises regarding the need for such data to be exchanged, it shall be resolved in consultation with the appropriate regional council.

SECTION 4.4 Outage Coordination

The Parties agree to develop a mutually acceptable process for outage coordination.

SECTION 4.4.1 Planned Outages

Each Party shall post transmission and generation outages to NERC SDX System or succeeding NERC required system. Each Party shall communicate to the other Party potential impacts of proposed Scheduled Outages. Communication of outage schedules shall occur on a regular basis as determined jointly by the Parties or any future applicable Southeastern Electric Reliability Council, Inc., or NERC requirements.

SECTION 4.4.2 Forced Outages

A Party experiencing any forced generation and transmission outages shall inform the other Party as soon as practicable within 30 minutes after the event.

ARTICLE V
FACILITY EVACUATION

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For purposes of this Article, the term “Party” shall mean either PJM or the VACAR South RC Agent, and the term “Parties” shall collectively mean PJM and the VACAR South RC Agent.

If either Party is required to evacuate its operational work area, it shall notify the other Party of such evacuation as soon as feasible by any practical means of communications. The contact information for the back-up control centers shall be reviewed on an annual basis and updated as necessary.

ARTICLE VI **LIMITATION ON OBLIGATION**

SECTION 6.1 This Agreement is not intended to affect the control that PJM and VACAR South RC Parties, respectively, have over their own facilities and the use thereof.

SECTION 6.2 Nothing in this Agreement shall require a Party or a Member System to construct facilities primarily to the benefit of another Party or a Member System.

SECTION 6.3 Nothing in this Agreement shall entitle a Party or a Member System to interfere with another Party’s or a Member System’s right to proceed with system additions or alterations, which, in its sole opinion, are required to provide adequate and reliable service to its customers;

SECTION 6.4 Nothing in this Agreement shall require a Party or a Member System to take any action requested by another Party, including without limitation the supply of emergency energy, load shedding, the expenditure of funds, or acquisition of equipment, if: (i) such actions would, in its sole judgment, cause it to violate safety, equipment, or regulatory or statutory requirements, or (ii) unless such actions are needed to prevent instability, separation or a cascading event (i.e., IROL violation), or (iii) if such actions in the sole judgment of the Party or Member System undermine the reliability of the Interconnection, or (iv) if another Party or a Member System have not implemented measures comparable to those requested, consistent with NERC Reliability Standards. In the event a Member System or a VACAR South RC Party declines to take such requested actions, it must immediately inform its own Reliability Coordinator so that such information can be immediately relayed to the Party requesting such action.

ARTICLE VII **LIABILITY**

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SECTION 7.1 No Liability. In no event shall any Party (including its officers, directors, employees, and agents) be liable to another Party, or a Member System, or any other person or entity, for losses or damages (whether direct, indirect, incidental, or consequential) arising out of or related to any performance, non-performance or delay in performance of an obligation or action under this Agreement, whether based on contract, tort, strict liability, warranty, or otherwise, including without limitation, any action or failure to act by any Party related to any request, recommendation, or requirement of either, or another, Reliability Coordinator.

SECTION 7.2 Indemnification. Each Party shall at all times indemnify, defend, and save harmless the other Parties, their affiliates, and the officers, employee, and agents of each of them (collectively, the “Indemnified Parties”), from any and all damages, losses, claims, including, without limitation, claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorneys’ fees, and all other obligations by or to third parties arising out of or resulting from its own performance or non-performance of its various reliability obligations, except in the event of recklessness, gross negligence, intentional wrongdoing, or willful misconduct by such other Indemnified Parties.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

SECTION 8.1 Termination Notice. Any termination notices required by this Agreement shall be in writing and may be given by hand or sent by first class U.S. Mail, or express mail delivery to the applicable address as provided below:

If to PJM:

PJM Interconnection
Mike Kormos
Executive Vice President Reliability Services
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403

If to PEC:

Progress Energy
Ms. Caren B. Anders, Vice President
Transmission Operations & Planning
100 E. Davie Street, MC TPP18A5
Raleigh, NC 27601

If to Duke:

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Duke Energy Corporation
Mr. R. Scott Henry
Vice President, Electric System Operations
526 South Church Street, MC EC3ZJ
Charlotte, NC 28202

If to SCE&G:

South Carolina Electric & Gas Company
Mr. Charles A. White
Vice President of Electric Transmission
1426 Main Street, MC 032
Columbia, SC 29201

If to SCPSA:

South Carolina Public Service Authority
Terry L. Blackwell
Sr. Vice President, Power Delivery
One Riverwood Drive - M405
Moncks Corner, SC 29461-6101

If to SEPA:

Southeastern Power Administration
Kenneth Legg
Assistant Administrator, Power Resources
1166 Athens Tech Road
Elberton, GA 30635

If to Yadkin:

Alcoa Power Generating, Inc.
Ms. Marion Lucas
APGI Compliance Manager
300 North Hall Road
Alcoa, TN 37701

SECTION 8.2 Waiver. Any waiver at any time by any Party of its rights under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be considered a waiver with respect to any subsequent default or matter.

SECTION 8.3 Assignment. No Party shall sell, assign, or otherwise transfer any or all of this Agreement or any or all of its respective rights, or delegate any or all of its

respective obligations under this Agreement without the prior written consent of the other Parties.

SECTION 8.4 Merger Clause. This Agreement and the Exhibits comprise the full and complete statement of the agreement between the Parties and supersedes and cancels all prior communications, understandings and agreements between the Parties, whether written or oral, expressed or implied relating to the subject matter of this Agreement. No amendments, changes or modifications to this Agreement are valid, unless made in writing and signed by a duly authorized representative of each of the Parties.

SECTION 8.5 Responsibility for Costs. No fees, or other amounts are payable as a result of application of this Agreement. Each Party shall be solely and independently responsible for its conduct and any expenses or costs incurred under this Agreement.

SECTION 8.6 Nature of Relationship. The Parties hereto agree that no employment, agency, joint venture, teaming, partnership, business arrangement or fiduciary relationship shall be deemed to exist or arise between them with respect to this Agreement.

SECTION 8.7 Governing Law. This Agreement, and the rights and obligations of the Parties arising out of this Agreement, shall be governed by and shall be construed, enforced, and performed in accordance with the Federal laws of the United States of America. To the extent that there is no applicable Federal law, this Agreement, and the rights and obligations of the Parties arising out of this Agreement, shall be governed by and shall be construed, enforced, and performed in accordance with the laws of the State of New York, without regard to the principles of conflicts of laws.

SECTION 8.8 Headings. The descriptive headings in the various Articles and Sections of this Agreement have been inserted for convenience of reference only, and shall in no way modify or restrict any of the terms and provisions hereof.

SECTION 8.9 Exhibits. The Exhibits to this Agreement are attached hereto and incorporated by reference. The Exhibits may be amended from time to time as specifically set forth in the respective Exhibits.

SECTION 8.10 Execution. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. It shall not be necessary that any single counterpart hereof be executed by all Parties so long as at least one counterpart is executed by each Party. A facsimile or photocopy of any signature shall have the same force and effect as an original.

SECTION 8.11 Other Entities. Nothing in this Agreement is intended to confer benefits upon any person or entities not a Party. Nothing in this Agreement shall be construed as a stipulation for the benefit of others, and no third party, shall be entitled to enforce this Agreement against any Party.

SECTION 8.12 No Representation or Warranty. No Party shall be deemed to make any representation or warranty, express or implied, as to the truth, accuracy or completeness of any information or data exchanged or provided (or not exchanged or provided) to the other Parties pursuant to this Agreement. The receiving Party, and all persons receiving such data and information, shall be solely responsible for any reliance thereon, and all investigation thereof, and expressly waive any and all rights of recourse against the Party providing the information.

SECTION 8.13 Confidentiality The Parties agree that their confidentiality obligations under this Agreement shall be consistent with and subject to the requirements of the NERC Reliability Coordinator Standards of Conduct.

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IN WITNESS WHEREOF, the signatories hereto have caused this Agreement to be executed by their duly authorized officers.

PJM Interconnection:

By: Mike Kornos /SSD


Date: May 24, 2007

Mike Kornos
Executive Vice President
Reliability Services

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VACAR South RC:

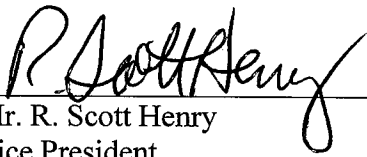
PEC:

By: 
Caren B. Anders
Vice President
Transmission Operations & Planning

Date: 5/23/07

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DUKE:

By: 
Mr. R. Scott Henry
Vice President
Electric System Operations

Date: 5/23/07

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SCE&G:

By: *C. White*

Date: 5/23/07

Mr. Charles A. White
Vice President of Electric Transmission
South Carolina Electric & Gas

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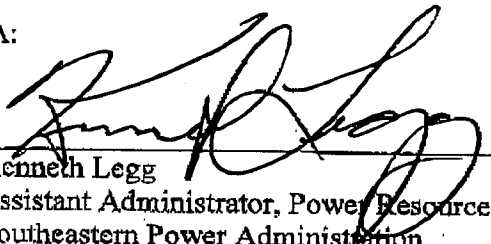
SCPSA:

By: Terry L. Blackwell Date: 5/23/07
Terry L. Blackwell
Sr. Vice President, Power Delivery
South Carolina Public Service Authority

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SEPA:

By:

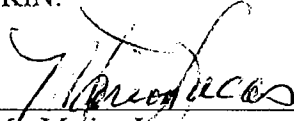

Kenneth Legg
Assistant Administrator, Power Resources
Southeastern Power Administration

Date:

5/23/07

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YADKIN:

By: 
Ms. Marion Lucas
Compliance Manager
Alcoa Power Generating, Inc.

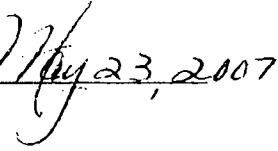
Date: 

EXHIBIT A

VACAR South Reliability Area Member Systems

Progress Energy Carolinas, Inc. (CPLE, CPLW)

Duke Power, a division of Duke Energy Corporation (DUK)

South Carolina Electric & Gas Company (SCEG)

South Carolina Public Service Authority (SC)

Southeastern Power Administration (SEHA, SERU, SETH)

Yadkin Division of Alcoa Power Generating Inc. (YAD)

This Exhibit B may be amended by VACAR South RC as necessary by the provision of notice to the other Parties in accordance with Section 8.9 entitled “Exhibits.”

EXHIBIT B

List of Data Exchanged Pursuant to Section 4.3

(The NERC Reliability Standards also include data that may be included in this Exhibit)

The Parties will exchange the following types of real-time and projected operating data as needed to coordinate reliable operations:

- (i) Generation status of the units in each Party's Reliability Area;
- (ii) Transmission line status;
- (iii) Real-time loads; and
- (iv) Real-time constraints.

This Exhibit B shall be amended only upon the written agreement of all Parties that must include the Party requesting data or information to be included in this Exhibit B providing a written, reliability-based justification to the other Parties for needing such additional data or information. The Party receiving a request to provide data has the right to accept or reject the other Party's justification. In the event a dispute arises regarding the need for such data to be exchanged, it shall be resolved in consultation with the appropriate regional council(s).