



## **Municipal Electric Authority of Georgia**

### **ANNUAL INFORMATION STATEMENT**

**For The Fiscal Year Ended December 31, 2009**

The following documents (collectively, the “Annual Information Statement”) set forth certain information concerning MEAG Power (including, among other things, MEAG Power’s outstanding debt, its Projects, certain of its Participants and its audited consolidated financial statements for its fiscal years 2009 and 2008). The information contained in the Annual Information Statement speaks only as of the date thereof, and MEAG Power assumes no duty to update any information contained in the Annual Information Statement.

In accordance with the provisions of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated by the United States Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended, MEAG Power has filed the Annual Information Statement with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access (“EMMA”) website currently located at <http://emma.msrb.org> pursuant to Rule 15c2-12 in satisfaction of MEAG Power’s obligations under certain continuing disclosure undertakings made by MEAG Power pursuant to Rule 15c2-12 with respect to certain issues of its bonds. Because of limitations inherent in the electronic transmission of documents, the appearance (but not the content) of the Annual Information Statement on this website may differ from the version thereof filed with the MSRB through the EMMA website.

In accordance with Rule 15c2-12, MEAG Power may, from time to time, include by specific reference in the official statements or other offering documents relating to its securities all or any portion of the information contained in the Annual Information Statement, to the extent specified in such official statements or other offering documents (and subject to any provision of any such official statement or other offering document modifying, supplementing or superseding any such included portion). The Annual Information Statement is provided on this website for informational purposes only and must not be considered to be an offer to sell or the solicitation of an offer to buy any securities of MEAG Power in any jurisdiction, which offer or solicitation may only be made by an official statement or other offering document.

Each viewer acknowledges that (a) MEAG Power is not, by the Annual Information Statement, offering to sell any securities, nor soliciting an offer to buy any securities, (b) the Annual Information Statement will not be construed by the viewer as any description of MEAG Power, any of its Participants or the other parties referred to therein or their respective affairs at any time subsequent to the date of the Annual Information Statement nor will the viewer assume from the availability of the Annual Information Statement on this website that the affairs of MEAG Power, any of its Participants or the other parties referred to therein have not changed since the date of the Annual Information Statement and (c) because the information contained in the Annual Information Statement may be out of date or incomplete, the Annual Information Statement must not be relied upon in connection with any decision to purchase or sell any securities of MEAG Power.

June 29, 2010



APPENDIX B

Members of MEAG Power  
1470 Riveredge Parkway, N.W.  
Atlanta, Georgia 30328

Members of the Board:

Subject: *Consulting Engineer's Letter – Projects One, Two, Three and Four*

Pursuant to your request, presented herewith is our Consulting Engineer's letter report (the "Report") relating to the operations of the Municipal Electric Authority of Georgia ("MEAG Power" or the "Authority") with respect to Project One, Project Two, Project Three and Project Four. Further information regarding MEAG Power is contained in MEAG Power's Annual Information Statement dated June 29, 2010 for the fiscal year ended December 31, 2009 (the "Annual Information Statement"), to which this Report is appended. Attachment B-1 provides a Table of Contents for this Report.

MEAG Power has ownership interests in facilities that are included in several separate projects, including Projects One, Two, Three and Four which are addressed in this Report. Project One has been financed pursuant to MEAG Power's Power Revenue Bond Resolution adopted by MEAG Power on August 30, 1976, as amended, restated and supplemented (the "Project One Resolution"), through the issuance of both senior lien bonds and subordinated lien bonds. Project Two, Project Three and Project Four (together, the "Existing General Resolution Projects") have been financed pursuant to MEAG Power's General Power Revenue Bond Resolution adopted by MEAG Power on March 22, 1978 and readopted on April 19, 1978, as amended, restated and supplemented (the "General Resolution Projects Resolution"), through the issuance of both senior lien bonds and subordinated lien bonds. For additional information, see Appendix F to the Annual Information Statement.

Project One consists of a 17.7% undivided ownership interest in Plant Hatch comprised of two nuclear-fueled generating units with a combined nominal capacity of 1,614 MW; a 17.7% undivided ownership interest in Plant Vogtle Units 1 and 2 comprised of the two existing nuclear-fueled units with a combined nominal capacity of 2,300 MW; a 10.0% undivided ownership interest in Plant Wansley comprised of two coal-fired units with a combined nominal capacity of 1,730 MW and a combustion turbine unit with a nominal rating of 50 MW; a 10.0% undivided ownership interest in Plant Scherer Units 1 and 2 comprised of two coal-fired units with a combined nominal capacity of 1,620 MW and a 5.0% interest in the common facilities at such plant; certain transmission system facilities in accordance with the terms of the integrated transmission system arrangement with other utilities, which currently include Georgia Power Company ("GPC"), Georgia Transmission Corporation ("GTC"), which is an affiliate of Oglethorpe Power Corporation ("OPC"), and the City of Dalton, Georgia ("Dalton"); and working capital.

Project Two consists of a 5.1% additional interest in Plant Wansley, a 5.1% additional interest in Plant Scherer Units 1 and 2 and a 2.55% additional interest in the common facilities at Plant Scherer, and working capital. Project Three consists of a 15.1% additional interest in Scherer Units 1 and 2 and a 7.55% additional interest in the common facilities of Plant Scherer, and working capital. Project Four consists of a 5.0% additional interest in Vogtle Units 1 and 2 and working capital.

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MEAG Power's ownership in Projects One, Two, Three and Four (the "Projects") and the estimated output to be sold to GPC are shown in the following table.

**MEAG Power's Capacity Ownership in Projects One, Two, Three and Four  
and Capacity Sales to GPC**

	Type of Fuel	Project One		Project Two		Project Three		Project Four		Total		
		%	MW	%	MW	%	MW	%	MW	%	MW	
Facilities in Service:												
Plant Hatch [1]	Nuclear	17.7	286	-	-	-	-	-	-	17.7	286	
Plant Wansley [2]	Coal	10.0	173	5.1	88	-	-	-	-	15.1	261	
Wansley CT [3]	Oil	10.0	5	5.1	3	-	-	-	-	15.1	8	
Scherer Units 1 and 2 [4]	Coal	10.0	162	5.1	83	15.1	244	-	-	30.2	489	
Vogle Units 1 and 2 [5]	Nuclear	17.7	407	-	-	-	-	5.0	115	22.7	522	
Total Ownership [6]			<u>1,033</u>		<u>174</u>		<u>244</u>		<u>115</u>		<u>1,566</u>	
Output Sold to GPC [7]:												
2010-2011			90	0	0	0	0	25	0	115		
2012			82	0	0	0	0	23	0	105		
2013			55	0	0	0	0	16	0	71		
2014			47	0	0	0	0	14	0	61		
2015-2047			20	0	0	0	0	6	0	26		
2048-2049			10	0	0	0	0	3	0	13		

- [1] Plant Hatch has a nominal rating of 1,614 MW in which GPC, OPC and Dalton own 50.1%, 30.0% and 2.2% undivided interests, respectively.
- [2] Plant Wansley has a nominal rating of 1,730 MW in which GPC, OPC and Dalton own 53.5%, 30.0% and 1.4% undivided interests, respectively.
- [3] MEAG Power also owns a 15.1% interest in a nominal 50 MW combustion turbine unit at Plant Wansley.
- [4] Plant Scherer is comprised of four units with a total nominal rating of 3,240 MW. Amounts shown are based on the total nominal rating for Scherer Units 1 and 2 of 1,620 MW, of which GPC, OPC, and Dalton own 8.4%, 60.0% and 1.4% undivided interests, respectively.
- [5] Plant Vogtle is comprised of two existing units, with two additional units in development. Amounts shown are based on the total nominal rating for Vogtle Units 1 and 2 of 2,300 MW, of which GPC, OPC and Dalton own 45.7%, 30.0% and 1.6% undivided interests, respectively.
- [6] Amounts shown represent the nominal ratings used for system reporting purposes. The actual maximum net ratings for the facilities can vary each year, and based on the 2010 Unit Ratings (as subsequently defined herein); such amounts in the aggregate are approximately 1.3% higher than the nominal ratings shown above.
- [7] Amounts shown reflect output from Vogtle Units 1 and 2 estimated to be sold to GPC.

Each of the Projects consists of the Initial Facilities thereof as described above and the Additional Facilities in the case of Project One and the Capital Improvements in the case of each Existing General Resolution Project. The Initial Facilities of each of MEAG Power's Projects are in service and the total financing to pay the cost of acquisition and construction of the Initial Facilities of Project One and the Existing General Resolution Projects has been completed. The Additional Facilities or Capital Improvements (both referred to herein as "Capital Improvements") for the applicable Project consist of (i) any major renewals, replacements, repairs, additions, betterments and improvements necessary to keep the applicable Project in good operating condition or to prevent a loss of revenues therefrom; (ii) any

major additions, improvements, repairs and modifications to the applicable Project, and any decommissionings or disposals of the applicable Project required by any governmental agency having jurisdiction or for which MEAG Power shall be responsible under the applicable Project ownership and operating agreements; (iii) reload fuel or additional fuel inventory for any generation facility of the applicable Project to the extent that sufficient funds are not available to pay the cost thereof; and (iv) in the case of Project One, additional transmission system facilities.

There are a total of 49 political subdivisions (the “Participants”) that have entered into Power Sales Contracts with MEAG Power. In addition to the initial 47 Participants (the “Initial Participants”), the City of Oxford, Georgia (“Oxford”) became the 48<sup>th</sup> Participant in 1986 and the City of Acworth, Georgia (“Acworth”) became the 49<sup>th</sup> Participant effective as of May 16, 2002. Forty-nine Participants have executed Project One Power Sales Contracts with MEAG Power for the output and services of Project One. Forty-eight of the 49 Participants (all except Acworth) have also executed Project Two Power Sales Contracts with MEAG Power for the output and services of Project Two, Project Three Power Sales Contracts for the output and services of Project Three, and Project Four Power Sales Contracts for the output and services of Project Four. The Project Two, Project Three and Project Four Power Sales Contracts are collectively referred to herein as the “Existing General Resolution Projects Power Sales Contracts”. See Appendix D to the Annual Information Statement for a summary of the Power Sales Contracts.

Pursuant to provisions contained in the Project One Resolution and General Resolution Projects Resolution, and pursuant to provisions contained in the Power Sales Contracts for Projects One, Two, Three, and Four, R. W. Beck, Inc., an SAIC Company, (“R. W. Beck”) has been retained by MEAG Power as Consulting Engineer. However, with regard to MEAG Power’s Telecommunications Project (the “Telecom Project”), Combined Cycle Project (the “CC Project”), and Vogtle Units 3 and 4 Projects (as defined herein), a report by a Consulting Engineer is not required and reporting on these projects is beyond the scope of our engagement. Therefore, there is limited discussion of these projects in this Report. The Combined Cycle Project is reflected as part of MEAG Power’s overall bulk power supply arrangement for the projected period 2010-2014 discussed herein. For information concerning MEAG Power’s Telecom Project, see the sections in the Annual Information Statement entitled “COMPETITION – Certain Responses of MEAG Power to Competition – *Telecommunications Project*”; and “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Financing Program – *Outstanding Indebtedness*” and “– *Telecommunications Project*”. For information concerning MEAG Power’s CC Project, see the sections in the Annual Information Statement entitled “MEAG POWER – Bulk Power Supply Operations – *General*” and “– *Supplemental Bulk Power Supply*”; “MEAG POWER – Bulk Power Supply Operations – *The Combined Cycle Project*”, and “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Financing Program – *Outstanding Indebtedness*” and “– *CC Project*”.

The information contained herein regarding the transmission and generating facilities included in Projects One, Two, Three and Four including transmission construction cost estimates, nuclear fuel cost estimates, cost estimates of capital additions, availability of fuel supply, and descriptions of such facilities, has been summarized by MEAG Power from certain estimates, data, reports and records furnished by GPC and its affiliates to MEAG Power. In addition, MEAG Power has furnished certain information with respect to the CC Project and the Vogtle Units 3 and 4 Projects. While we believe such sources to be reliable, we have not verified the accuracy of any of the information furnished by and obtained from such sources and offer no assurances with respect thereto. The summaries provided by MEAG Power and presented herein reflect the information obtained from such sources. This Report summarizes the results of our investigations and analyses up to the date of this Report. Changed conditions occurring or becoming known after such date could affect the material presented herein to the extent of such changes.

GPC has not approved this Report and has made no representation as to the adequacy, accuracy or manner of use for the purposes intended of the information referred to in the foregoing paragraph or that it will be able to maintain and operate the facilities in accordance with such information.

Nothing contained in this Report is intended to indicate conditions with respect to safety or to security or to conformance with agreements, codes, permits, rules or regulations of any party having jurisdiction with respect to the construction, operation, and maintenance of the properties, which matters are outside the scope and purposes of this Report.

As used in this Report, the capitalization of any word not normally capitalized indicates that such word is defined in the particular agreement or other document discussed, or is defined in the Annual Information Statement. References to and descriptions of such agreements or documents in this Report represent our understanding of certain general principles thereof, but do not purport to be complete and are qualified in their entirety by reference to such agreements or documents. For a more complete discussion, see the applicable section of, or appendix to, the Annual Information Statement for summaries of certain provisions of the agreements or documents referred to herein.

## MEAG POWER

### GENERAL

MEAG Power was created by an Act of the Georgia General Assembly at the 1975 regular session (the "Act"), as a body corporate and politic and an instrumentality of the State of Georgia, for the purpose of providing an adequate, dependable, and economical supply of bulk electric power and energy to political subdivisions of the State that owned and operated electric distribution systems. Under the Act, MEAG Power is granted the power necessary to carry out its functions as a bulk electric supplier, including the power to issue revenue bonds and notes or other evidences of indebtedness to finance electric generation and transmission facilities and the power to acquire, construct, own, operate and maintain such facilities, either solely or as a tenant-in-common with others. The Participants have executed the Power Sales Contracts, referred to below in the section entitled "Bulk Power Supply Resources", with MEAG Power for the provision of their bulk electric power and energy requirements.

Prior to February 1977, the Initial Participants were dependent upon GPC for their total electric power and energy requirements in excess of allotments of power from federally-owned facilities through the Southeastern Power Administration ("SEPA"), and in the case of Crisp County Power Commission ("Crisp County"), self-owned generation. Since February 1977, MEAG Power has furnished all of the Initial Participants' requirements formerly supplied by GPC, except for a portion of Crisp County's requirements and except for a portion of the requirements of the City of Calhoun, Georgia ("Calhoun") served by a 20 MW combustion turbine unit that was installed by Calhoun in 1999. MEAG Power has served all of the requirements of Oxford and Acworth since becoming Participants in 1986 and 2002, respectively, and had provided firm bulk power supply to Acworth through wholesale power contracts since 1995. The Participants, other than Crisp County, own only electric distribution systems and receive all power deliveries at voltages of 12 kV or less. For information concerning the MEAG Power Participants, see the sections in the Annual Information Statement entitled "INTRODUCTORY STATEMENT – The Participants" and "THE PARTICIPANTS – General". Also, see Appendix C to the Annual Information Statement entitled "Selected Historical Information on Certain Participants of MEAG Power".

HISTORICAL AND PROJECTED DEMAND AND ENERGY REQUIREMENTS

During the period 2000 to 2009, the annual non-coincident peak demand and the annual energy delivered to the Participants both increased by approximately 1%, as summarized in the following table. The reduction in the peak demand and annual energy requirements for 2008 and 2009 is primarily a result of the economic recession and mild weather experienced in 2008 and 2009.

Year	Peak Demand		Annual Energy	
	(MW)	(% Change)	(GWh) [2]	(% Change)
2000	1,881	--	10,125	--
2001	1,800	- 4.3%	10,395	2.7%
2002	1,904	5.8%	10,895	4.8%
2003	1,833	- 3.7%	10,248	- 5.9%
2004	1,936	5.6%	10,518	2.6%
2005	1,979	2.2%	10,479	- 0.4%
2006	1,992	0.7%	10,498	0.2%
2007	2,117	6.3%	10,771	2.6%
2008	2,024	- 4.4%	10,606	- 1.5%
2009	1,903	- 6.0%	10,226	- 3.6%
Compound Annual Growth Rate:		0.1%	0.1%	

[1] Amounts shown at the delivery point. Includes Acworth which has been served by MEAG Power as a wholesale customer since September 1995 and as the 49<sup>th</sup> Project One Participant since 2002.

[2] Total annual energy supplied by MEAG Power at the delivery point of all Participants, which excludes requirements of Crisp County and Calhoun supplied by sources other than MEAG Power.

The peak demand and annual energy requirements of the Participants for the period 2000 through 2009 both increased at a compound average annual growth rate of approximately 0.1%. The changes in the Participants' demand and energy requirements from year to year reflect the net effects of population growth/reductions and economic growth/downturns experienced by the Participants, incremental and decremental load impacts, and the relative effects of actual weather conditions that vary from typical or normal conditions.

The projections prepared by MEAG Power of the delivery point demand and annual energy requirements for the Participants over the period 2010 through 2014 are based on the assumptions included under item 1 of the section herein entitled "PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS" and are summarized in the following table.

Projected Demand and Energy Requirements  
of the Participants [1]

Year	Total Participant Requirements[1]			
	Peak Demand		Annual Energy	
	(MW)	(% Change)	(GWh)	(% Change)
2010 [2]	1,963	--	10,443	--
2011	1,988	1.3%	10,567	1.2%
2012	2,026	1.9%	10,755	1.8%
2013	2,066	2.0%	10,951	1.8%
2014	2,107	2.0%	11,153	1.8%
Compound Average Annual Growth Rate		1.8%		1.7%

[1] Projected demand and energy requirements at delivery point of the Participants, based on the load forecast prepared by MEAG Power in October 2009. Amounts shown do not include energy supplied by generating capacity owned by Crisp County or Calhoun or sales to other utilities. Amounts shown reflect that Calhoun will procure alternative sources of Supplemental Power throughout the forecast period.

[2] Budgeted amounts.

The foregoing projections are based on the load forecast prepared by MEAG Power in October 2009. The 2010 projections for peak demand and annual energy are 3.2% and 2.1% higher than actual 2009 peak demand and annual energy amounts, respectively, which reflect MEAG Power's assumptions of normal weather and economic recovery in Georgia beginning in 2010. Such projections result in compound average annual growth rates in peak demand and annual energy requirements for the Participants of approximately 1.8% and 1.7%, respectively, for the period 2010 through 2014. Potential changes in the electric industry could affect MEAG Power's forecast of its future demand and energy requirements. For further information, see the discussion below under "MEAG POWER – Competition".

The projections reflect the decision by Calhoun to procure approximately 20 MW of its Supplemental Power from alternate sources, which Calhoun elected beginning in 1999. For more information, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – Provisions for Participants to Obtain Supplemental Power from Alternative Sources".

## BULK POWER SUPPLY RESOURCES

Under the terms and conditions of the Project One Power Sales Contracts and the Existing General Resolution Projects Power Sales Contracts (collectively referred to as the "Power Sales Contracts"), MEAG Power is obligated to provide all of the Bulk Power Supply requirements for the Participants. Bulk Power Supply is defined in the Power Sales Contracts as all of the electric power and energy required by the Participants in excess of (1) generation and transmission resources owned by such Participants on the contract date, (2) allotments of federal power from SEPA, and (3) alternate sources of bulk power supply that may be procured by any Participant upon specified notice to MEAG Power. The Power Sales Contracts obligate MEAG Power to provide two basic types of Bulk Power Supply to the Participants, Project Power and Supplemental Power. Project One Power and Supplemental Power are

provided under the Power Sales Contracts relating to Project One. Project Two Power, Project Three Power, and Project Four Power are provided under the applicable Existing General Resolution Projects Power Sales Contracts.

In addition, MEAG Power's resources include power from the CC Project, which achieved commercial operation on June 1, 2004. The CC Project is comprised of two combustion turbines and heat recovery steam generation equipment and is known as the Wansley Combined Cycle Facility. In 2003, MEAG Power and 32 Participants (the "CC Participants") entered into power sales contracts (the "CC Contracts") for the output and services of the CC Project. MEAG Power's current projections of its future resources reflect 503 MW of retained capacity from the Wansley Combined Cycle Facility. In 2007 and early 2008, three additional CC Participants were added through execution of power sales contracts similar to the CC Contracts. For further information, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *The Combined Cycle Project*".

In May 2005, MEAG Power and the other co-owners of Plant Vogtle entered into a joint agreement authorizing the possible expansion of up to two additional nuclear units at Plant Vogtle ("Vogtle Units 3 and 4"). During December 2005, MEAG Power notified the other co-owners of Vogtle Units 1 and 2 as to its initial election to participate in the potential expansion project at a 22.7% ownership interest (totaling approximately 500 MW). In April 2006, MEAG Power and the other co-owners of Vogtle Units 1 and 2 entered into ownership and operating agreements pertaining to the proposed Vogtle Units 3 and 4. MEAG Power completed the process of seeking binding contractual commitments from the Participants with respect to participation in the proposed expansion project at Plant Vogtle on June 15, 2008. With respect to its ownership interest in Vogtle Units 3 and 4, MEAG Power has established three separate projects, referred to collectively as the "Vogtle Units 3 and 4 Projects." In August 2009, the Nuclear Regulatory Commission ("NRC") issued an Early Site Permit and limited work authorization to Southern Nuclear Operating Company ("Southern Nuclear") for Vogtle Units 3 and 4. Commercial operation of Vogtle Units 3 and 4 is expected in 2016 and 2017, respectively. For more information see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *Vogtle Units 3&4 Projects*".

The bond resolutions for the Combined Cycle Project and Vogtle Units 3 and 4 Projects are separate from MEAG Power's Project One Resolution and the General Resolution and are not an obligation of Project One or the Existing General Resolution Projects. However, the payment obligations of each of the CC Project participants and Vogtle Units 3 and 4 Projects participants under their respective contracts are on parity with their obligations under their contractual arrangements with MEAG Power with respect to the other projects. For more information, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations".

#### *Projected Capacity Requirements and Resources*

As described below, under the Pseudo Scheduling and Services Agreement between MEAG Power and GPC (the "PSSA"), MEAG Power is responsible for procuring all of its bulk power supply requirements and for planning, operating and maintaining its system in accordance with prudent utility practice. MEAG Power has established a planning generating capacity reserve criteria that will result in it maintaining capacity at least 15% greater than its annual peak demand less firm capacity resources supplied by SEPA. This 15% reserve margin is comparable with that which other utilities maintain in the region and should, along with MEAG Power's interchange arrangements with other electric utilities, provide a reliable Bulk Power Supply to the Participants. The following table contains a summary of MEAG Power's projected capacity requirements and resources at the high voltage side of the generating plants ("Level B-1").

**Summary of MEAG Power's Projected Capacity Requirements and Resources [1]**  
**(Amounts in Megawatts)**

		Budget	Projected			
		2010	2011	2012	2013	2014
<u>Capacity Requirements (MW):</u>						
1	Peak Demand	2,029	2,055	2,095	2,136	2,177
2	Plus: Firm Sales	0	0	0	0	0
3	Less: Firm SEPA Capacity [2]	(431)	(431)	(431)	(431)	(431)
4	Unreserved Capacity Requirements	1,598	1,624	1,664	1,705	1,746
Reserve Capacity Requirements						
5	Target Percent	15%	15%	15%	15%	15%
6	Amount	240	244	250	256	262
7	Total Capacity Requirements	1,838	1,868	1,914	1,961	2,008
<u>Capacity Resources (MW):</u>						
Existing Resources: [3]						
8	Plant Hatch	311	311	311	311	311
9	Vogtle Units 1 and 2 [4]	407	407	407	451	451
10	Plant Wansley	256	259	259	259	259
11	Scherer Units 1 and 2	494	494	494	494	494
12	Wansley CT [5]	0	0	0	0	0
13	MEAG QF [6]	1	1	1	1	1
14	CC Project	502	502	502	502	502
15	Contracted Purchases [7]	174	174	174	174	174
16	Total Existing Resources	2,144	2,147	2,147	2,191	2,191
17	Surplus (Deficit) Capacity Resources [8]	306	279	233	230	183
18	Future Resources [9]	0	0	0	0	0
19	Total Existing and Future Resources	2,144	2,147	2,147	2,191	2,191
20	Surplus (Deficit) Capacity Resources [10]	306	279	233	230	183

[1] Amount shown reflects requirements of the Participants and reflects losses from the delivery point to Level B-1 of approximately 3.0%. Amounts shown reflect decision by Calhoun to procure supplemental bulk power supply from alternate sources.

[2] Reflects SEPA allotments at June 1 of each year.

[3] For resources on lines 8 through 11, the 2010 Budget reflects the 2010 Budget Ratings for all Plants and the 2011-2014 projections reflect 2010 Unit Ratings for all Plants.

[4] Amounts shown are net of sellback to GPC. Such sellback amounts decrease on December 1, 2012 and on November 1, 2014.

[5] Except under emergency conditions, the Wansley CT cannot operate during the months of May through September due to environmental constraints.

[6] Reflects purchase of output from an existing qualifying facility ("QF").

[7] Reflects 150 MW nominally rated purchase of peaking capacity and energy from an existing combustion turbine project in Georgia and a 24 MW purchase of base-load (7x24) energy from a contract with Morgan Stanley over the period 2010 through 2015. Amounts shown do not include a 39 MW purchase of capacity for spinning reserves and regulation services purchased from GPC under the terms of the PSSA. The decision of whether to purchase spinning reserves and regulation services or self-supply is made on a year-by-year basis.

- [8] Amounts shown equal line 16 minus line 7.  
[9] Based on MEAG Power's most recent load forecast, no future capacity resources are projected to be required through 2014.  
[10] Amounts shown equal line 19 minus line 7.

MEAG Power's total projected capacity requirements including 15% reserves are shown on line 7 of the table for the period 2010 through 2014. Lines 8 through 12 of the table show the capacity available from MEAG Power's existing resources including output from Projects One, Two, Three and Four. Line 13 represents the purchase of capacity from an existing low-head hydro facility located at Milstead, Georgia. Line 14 shows the estimated amount of capacity available from the CC Project. Existing contracted purchases, if any, are shown on line 15. Line 17 of the table compares MEAG Power's existing resources on Line 16 to total projected capacity requirements on Line 7 to show the amounts of surplus or deficit capacity resources over the years 2010 through 2014. Line 18 of the table (Future Resources) demonstrates that MEAG Power's owned and contracted capacity resources are projected to be sufficient to satisfy its capacity requirements for the period 2010 through 2014.

For information on MEAG Power's assumptions with regard to future capacity and energy resources, see the section of this Report entitled "PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS".

#### *Projects One, Two, Three, and Four*

Project One Power is electric power and energy provided from Project One. In addition to the output of the generating facilities of Project One, MEAG Power provides as part of Project One Power such generating capacity reserve service, transmission service, maintenance service, emergency service, economy interchange service, and other interchange service associated with Project One as is necessary for the reliable and economical supply of the output and services of Project One to the Participants. Each Initial Participant has an Entitlement Share of the output and services of the generation and transmission facilities comprising Project One, and is obligated to pay its Entitlement Share of MEAG Power's cost of Project One whether or not Project One, or any part thereof, is completed, operating or operable, and such payment is not subject to offset for any reason. Each of the Initial Participants has agreed to provide a portion of its Project One Entitlement Share to Oxford, and Sylvania has agreed to provide a portion of its Project One Entitlement Share to Acworth, but each Initial Participant remains obligated for the payment of all costs associated with the portion(s) of its Entitlement Share so provided. For further information regarding the Participants' obligations to pay the costs of Project One, see the sections in the Annual Information Statement entitled "INTRODUCTORY STATEMENT – The Participants", "MEAG POWER – Bulk Power Supply Operations" and "THE PARTICIPANTS."

Section 312 of the Project One Power Sales Contracts provides that, in the event all or any part of any Participant's Entitlement Share results in an excess to the Participant of electric power and energy from Project One, MEAG Power, when so requested by the Participant, may sell and transfer such excess to the other Participants who desire such power and energy and if any amount is not so disposed, MEAG Power may sell such amount to other utilities. Certain of the Participants currently have entitlements to the output of Project One that are in excess of their requirements.

Pursuant to the provisions of Section 312 of the Project One Power Sales Contracts, each Participant may declare a portion of its output and services from Project One to be in excess of its needs and direct MEAG Power to sell or transfer such declared excess to other Participants. These transactions are referred to as Inter-Participant Transfers or "IPTs". During 2009, 20 Participants transferred 31 MW (including Project One and CC Project capacity) through thirteen IPT contracts. MEAG Power expects that Participants will continue to utilize the foregoing provisions as a mechanism to allow the Participants to

improve their respective power supply resource mixes. However, the take-or-pay obligations of the selling Participants under their Project One Power Sales Contracts are not affected. For additional information, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *General*".

Under Section 311(b) of the Project One Power Sales Contracts, MEAG Power may utilize, sell, and exchange electric capacity and energy from the Participant's Entitlement Share of Project One whenever, in its discretion, any such transaction can reasonably be expected to result in a more reliable or economical overall Bulk Power Supply to the Participants.

For further information concerning the sales and exchanges of capacity and energy among the Participants, see Appendix D to the Annual Information Statement entitled "SUMMARY OF POWER SALES CONTRACTS – Sale or Exchange of Power and Energy".

Project Two Power, Project Three Power, and Project Four Power are electric power and energy from Projects Two, Three and Four, respectively. Under the terms of the Power Sales Contracts relating to such Projects, MEAG Power is obligated to provide to the Participants (except for Acworth), and such Participants are obligated to take from MEAG Power, the output and services from Projects Two, Three and Four, and related reserve, emergency and interchange service as may be available for the useful life of the applicable Project. Each of the Initial Participants has agreed to provide a portion of its Project Four Obligation Share to Oxford, but each Initial Participant remains obligated for the payment of all costs associated with the portion of its Obligation Share so provided. MEAG Power is required to establish rates and charges for the output and services of Project Two, Project Three and Project Four that will provide revenues sufficient, but only sufficient, to pay its costs attributable to each such Project.

For further information relating to MEAG Power's rates and charges and the Participants' obligations to pay, see the section in the Annual Information Statement entitled "MEAG POWER – Rates and Charges to Participants".

#### *Supplemental Power Supplied by MEAG Power*

Supplemental Power is supplied by MEAG Power to the Participants under the terms of the Project One Power Sales Contracts and is that portion of the Bulk Power Supply that is in excess of such Participants' entitlements to Project One Power, Project Two Power, Project Three Power, Project Four Power, and to the output and related services of any future projects. The CC Project has been developed to supply a portion of the power and energy requirements of the CC Participants that would otherwise be met with Supplemental Bulk Power Supply. Under the Project One Power Sales Contracts, MEAG Power is obligated to provide Supplemental Power to each Participant unless the Participant notifies MEAG Power that it intends to procure alternate sources of supplemental bulk power supply. Supplemental Power is supplied by MEAG Power through purchases from and exchanges with, including transmission and ancillary services, wholesale electric suppliers and marketers as well as through purchases of surplus power from other Participants.

In January 2008, MEAG Power entered into a 20-year power purchase agreement (effective May 1, 2009) with West Georgia Generating Company, LLC for the output and services of a combustion turbine nominally rated at 150 MW, the total of which has been subscribed for by 20 Participants.

In July 2009, The Energy Authority, Inc., acting on behalf of MEAG Power, entered into a six-year power purchase agreement with Morgan Stanley Capital Group, Inc. for seven Participants who subscribed in

total for the purchase of 24 MW of base-load (7x24) energy for the period 2010 through 2015. The effective date of such power purchase agreement is January 1, 2010.

In addition, MEAG Power has a contract to purchase the output of an existing low-head hydro facility located at Milstead, Georgia. This facility has a nominal rating of approximately 0.5 MW and is expected to produce a total of approximately 2,200 MWh of annual energy. MEAG Power currently considers the output of these facilities as part of Supplemental Power. The Participants are obligated to “take and pay” for Supplemental Power procured and provided by MEAG Power.

The Power Sales Contracts relating to MEAG Power’s Projects provide that each Participant may procure sources of supplemental bulk power supply other than that provided by MEAG Power only upon satisfaction of certain notice requirements. Prior to implementation of the Supplemental Power Supply Policy, which is described below, two Participants, the City of Calhoun, Georgia (“Calhoun”) and the City of LaGrange, Georgia (“LaGrange”), had given the required notice to procure Supplemental Power from Alternative Sources and such notices remain in effect. Pursuant to its notice and in accordance with the provisions of its Project One Power Sales Contract, Calhoun acquired a resource to serve a portion of its supplemental power needs, but otherwise continues to procure its Supplemental Power requirements from MEAG Power. LaGrange continues to receive all of its Supplemental Power needs from MEAG Power.

The Project One Power Sales Contracts provide for an interconnection agreement between MEAG Power and those Participants that desire to procure alternate sources of Supplemental Power. In May 1999, the MEAG Power Board approved a generic Participant Interconnection Agreement (“PIA”) that is to be used in connection with any Participant that elects to procure Supplemental Power from Alternative Sources. MEAG Power entered into a PIA with one Participant, Calhoun, which was effective as of June 1, 1999. The PIA is offered to Participants on a contract year basis (January 1 to December 31) and can be terminated with 12 months’ notification (the first termination cannot occur within the first two contract years). For further information regarding the PIA, see the section in the Annual Information Statement entitled “MEAG POWER – Bulk Power Supply Operations – *Participant Interconnection Agreement*”.

During 1999, the MEAG Power Board adopted a “Supplemental Power Supply Policy” with respect to its requirement to supply Supplemental Power to the Participants. Under this policy, the requirement for notice to acquire Supplemental Power from Alternative Sources contained in the Power Sales Contracts is waived for so long as the Supplemental Power Supply Policy is in effect. The Supplemental Power Supply Policy governs the Participants’ decisions with respect to supplemental power supply and offers options that the Participants can elect on an annual basis, provided that a Participant will remain obligated to any multi-year supplemental power supply arrangement that MEAG Power has entered into on the Participant’s behalf. For further information regarding the Supplemental Power Supply Policy, see the section in the Annual Information Statement entitled “MEAG POWER – Bulk Power Supply Operations – *Provisions for Participants to Obtain Supplemental Power from Alternative Sources*”.

#### *Pseudo Scheduling and Services Agreement*

The PSSA between MEAG Power and GPC became effective August 1, 1997. The PSSA provides for a power supply arrangement between MEAG Power and GPC under which MEAG Power:

- (a) “pseudo” schedules how and when generation from its ownership interests in Wansley Units 1 and 2, the Plant Wansley CT and Scherer Units 1 and 2 is committed and dispatched (that is, GPC delivers energy based upon such schedules as if it were generated at such plants, although the commitment of these units may actually be different from the “pseudo” schedule);

- (b) "pseudo" schedules generation from the Participants' entitlements to output from SEPA facilities;
- (c) utilizes the actual output from its ownership interests in Plants Hatch and Vogtle and the CC Project;
- (d) schedules its own off-system transactions; and
- (e) controls the other non-nuclear resources in the Southern Control Area to which MEAG Power has ownership rights, all to meet MEAG Power's requirements. The Southern Control Area refers to the control area of Southern Company ("Southern"), which is the parent company of GPC.

With respect to item (a), to the extent MEAG Power "pseudo" schedules output that is greater than MEAG Power's share of the actual output of a unit, MEAG Power purchases energy from GPC in the amount of the difference and priced at the energy cost of such unit. To the extent MEAG Power "pseudo" schedules output that is less than MEAG Power's share of the actual output of the unit, MEAG Power sells energy to GPC in the amount of the difference and priced at the energy cost of such unit.

Under the PSSA, GPC provides the required ancillary services for the scheduling and dispatch of MEAG Power's resources, back-up power supply to MEAG Power through an energy imbalance service and, to the extent not self-supplied by MEAG Power, ancillary services required for MEAG Power to operate its resources and to effectuate off-system sales and purchases. MEAG Power is responsible for, among other matters, procuring its future requirements for all bulk power supply, obtaining replacement power when its generating resources are unavailable, planning, operating and maintaining its system in accordance with prudent utility practice, and paying the costs of all ancillary services needed to ensure the delivery of MEAG Power's generation.

The PSSA requires MEAG Power to purchase or provide certain ancillary services that are referred to as Control Area Services. The term "MEAG Territorial Control Area Services" means those Control Area Services that are needed (i) to effectuate the delivery of power to MEAG's Territorial Load, as defined in the PSSA, and (ii) to maintain the integrity of the Georgia Integrated Transmission System (the "ITS") and the Southern Control Area during such transactions. The MEAG Territorial Control Area Services provided or offered under the PSSA include (1) Scheduling, System Control and Dispatch Service, (2) Reactive Supply and Voltage Control From Generation Sources Service, (3) Regulation and Frequency Response Service, (4) Operating Reserve - Spinning Reserve Service, and (5) Operating Reserve - Supplemental Reserve Service. MEAG Power's territorial load served by SEPA resources is excluded from the cost calculation for these services (while SEPA remains in Southern dispatch) because SEPA purchases these control area services from Southern under a separate contractual arrangement.

The term of the PSSA is from year to year, with the right of either party to terminate the PSSA upon six months' notice to the other party. GPC has agreed to cooperate with MEAG Power to develop agreements to permit MEAG Power, upon the termination of the PSSA, to form or become part of another electrical control area for dispatching and scheduling its generating units to match its loads should MEAG Power elect to do so. See the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *Pseudo Scheduling and Services Agreement*".

### *Transmission Arrangement*

MEAG Power furnishes Bulk Power Supply to the Participants through the transmission system facilities acquired or to be acquired or constructed by MEAG Power pursuant to participation in an integrated transmission system agreement with other utilities. MEAG Power currently participates in the ITS with GPC, GTC, and Dalton. Each party to the ITS may use all of the transmission system facilities included

in the system, regardless of ownership, in serving its customers. MEAG Power's transmission system facilities are included in Project One.

#### *MEAG Power's Open Access Transmission Tariff*

In compliance with the Federal Energy Regulatory Commission's ("FERC") reciprocity rules discussed in the section in the Annual Information Statement entitled "COMPETITION – Certain Factors Affecting the Electric Utility Industry – *FERC Initiatives*", MEAG Power has adopted an open access transmission tariff ("OATT") under which MEAG Power can provide transmission service and ancillary services to other utilities and power marketers requesting such services. For additional information, see the section below entitled "FERC Initiatives – *OATT Reforms*".

#### *Mutual Aid Agreement*

MEAG Power has entered into a mutual aid agreement with seven Florida utilities for provision of replacement power during an extended outage of defined base-load generating units, including Scherer Units 1 or 2. This agreement expires in October 2012. For more information, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *Mutual Aid Agreement*".

#### *The Energy Authority*

In 1997, the Board approved MEAG Power's participation in a joint power marketing alliance through a nonprofit corporation, The Energy Authority, Inc. ("TEA"). TEA provides energy products and resource management services to members and non-members and allocates transaction savings and operating expenses to members pursuant to Settlement Procedures under the Operating Agreement. TEA has access to approximately 25,000 MW of its members' and non-members' generation resources. For more information on TEA, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *The Energy Authority*".

#### *Colectric Partners*

In 2001, MEAG Power, JEA (formerly known as the Jacksonville Electric Authority), the South Carolina Public Service Authority ("Santee Cooper") and the Nebraska Public Power District ("NPPD") formed Colectric Partners, Inc., a joint venture generation alliance to assist in developing, constructing and operating new generation. For more information on Colectric Partners, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *Colectric Partners, Inc.*".

#### **SEPA POWER**

Effective October 1, 1996, the Participants entered into 20-year contracts with SEPA under which they are entitled to receive energy averaging approximately 778,000 MWh annually during a normal water year. During low-water years, MEAG Power reports that such amounts could be as low as 424,000 MWh annually (the minimum contract amount). The amount of energy to be delivered by SEPA during 2010 is estimated by MEAG Power to be 602,500 MWh, based on improving near drought conditions. The estimated amount of energy to be delivered by SEPA during 2011 through 2014 is 778,000 MWh annually, based on normal water conditions. The amount of capacity currently received under these contracts is 431 MW.

Each Participant receives its allotment of electric power and energy and pays SEPA directly for such power and energy. However, any Participant may assign its allotment of SEPA power to MEAG Power for delivery by MEAG Power to such Participant. Effective June 1, 1989, MEAG Power assumed the responsibility for delivering the allotments of SEPA power through the ITS. MEAG Power charges the Participants for such transmission service under the Project One Power Sales Contracts based upon a rate provision set forth therein.

A SEPA rate increase of seven percent became effective October 1, 2007 and SEPA has filed for a rate increase effective October 1, 2010. This rate increase is under review and the final change in SEPA's rates has not been determined at this time. MEAG Power includes the cost of SEPA power on its monthly bills submitted to the Participants for informational purposes only. However, the Participants, not MEAG Power, are responsible for making payments to SEPA.

Since 1997, there have been efforts to establish interstate water compacts among Georgia, Florida and Alabama pertaining to certain river basins that provide drinking water to Georgia's population, supply water for irrigated agriculture, and provide water for hydroelectric generation that is supplied to customers, including MEAG Power Participants, through SEPA. However, these efforts have not been successful and there is continued uncertainty as to future water uses from the subject river basins. For a more complete discussion, see the section in the Annual Information Statement entitled "LITIGATION".

Several lawsuits are pending that may have an impact on water allocation and related issues at Lake Lanier, Georgia. The disposition of these cases, by trial or settlement, has the potential to change the priority of withdrawals from the lake for hydroelectric generation, municipal water supply and recreation, and the outcome cannot be predicted at this time. See the section in the Annual Information Statement entitled "LITIGATION".

Under the Project One Power Sales Contracts and MEAG Power's Supplemental Power Supply Policy (discussed in the section in this Report entitled "MEAG POWER – Bulk Power Supply Resources – *Supplemental Power Supplied by MEAG Power*"), MEAG Power, if requested by a Participant, would be required to supply the amount of power previously supplied by SEPA if the Participant's allotment of SEPA power is reduced in the future. This would include any Participant electing to discontinue purchasing power from SEPA because of the cost thereof or for any other reason.

For further information concerning SEPA, see the sections in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *Southeastern Power Administration (SEPA)*" and "LITIGATION".

## TRANSACTIONS WITH OTHER UTILITIES

### *Contract Sales to GPC*

The contractual arrangements between MEAG Power and GPC with respect to MEAG Power's participation in the generating units of Projects One, Two, Three, and Four, as set forth in the Project Agreements, require that for a specific period of time GPC will purchase from MEAG Power a portion of the output and services from MEAG Power's undivided ownership interest in each such generating unit. The sales from MEAG Power's interests in Plants Hatch, Wansley and Scherer have been completed.

The capacity and energy sales by MEAG Power to GPC from MEAG Power's Project One and Project Four interests in Plant Vogtle are divided into declining portions and long-term portions. All declining

sales were completed at the end of 1996. The long-term portion includes sales to GPC that will continue until 305 months following the first month of commercial operation, or November 2012 in the case of Vogtle Unit 1 and October 2014 in the case of Vogtle Unit 2. Also, the permanent portion of long-term sales to GPC will continue until retirement of each Plant Vogtle unit. Currently, MEAG Power is retaining approximately 78.0% of its total interests in Vogtle Unit 1 and Vogtle Unit 2. For further information regarding the provisions of the agreements relating to Plant Vogtle Units Nos. 1 and 2, see Appendix E to the Annual Information Statement entitled "SUMMARY OF PROJECT AGREEMENTS".

### *Other Sales*

MEAG Power has interchange agreements with several utilities and power providers, including utilities and power providers outside the Georgia territory, that provide for the exchange of capacity and energy. Commencing in August 1997, all short-term trading activities in the wholesale market have been coordinated through TEA. For further information, see the sections in the Annual Information Statement entitled "MEAG Power – Bulk Power Supply Operations – *The Energy Authority*" and "MEAG POWER – Transactions with Other Utilities".

MEAG Power has entered into Power Purchase Agreements with two buyers to sell up to approximately 66% of MEAG Power's maximum share of output from the Vogtle Units 3 and 4 Projects. For further information, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *Vogtle Units 3&4 Projects*".

### COMPETITION

For a discussion pertaining to competition in the electric utility industry, certain responses of MEAG Power to competition and certain factors affecting the electric utility industry, see the section in the Annual Information Statement entitled "COMPETITION".

### FERC INITIATIVES

The Energy Policy Act of 1992 and FERC's subsequent rulemaking activities were undertaken to bring about increased wholesale competition in the electric industry. In response to FERC's rulemakings issued during 1996, MEAG Power developed an open access transmission tariff ("OATT") in substantially the form of the pro forma OATT included in the 1996 rulemakings to satisfy the "reciprocity" requirements of the earlier rulemakings, allowing MEAG Power to obtain from and offer transmission service to public utilities. The FERC rulemakings issued in 1999 and 2000 (FERC Order No. 2000 and Order No. 2000-A) were issued to advance the formation of Regional Transmission Organizations ("RTOs") across the country. The establishment of RTOs was intended to address remaining transmission-related impediments to a competitive wholesale electricity market. To date, no RTO has been formed in the Southeast.

FERC has or is in the process of issuing rulemakings required to implement portions of the Energy Policy Act of 2005 (the "EPAct 2005"), the Energy Independence and Security Act of 2007 (as discussed further below), and other FERC initiatives. Such efforts to date have included, but are not limited to: "

- The certification of an Electric Reliability Organization ("ERO") and the establishment of mandatory reliability standards;
- Transmission pricing reforms and other reforms to the Order No. 888 pro forma OATT, including planning and cost allocation reforms;

- The development of policies and standards pertaining to smart grid;
- The consideration of market transaction reporting requirements for utilities, such as municipals that are typically beyond FERC's jurisdiction for other purposes; and
- The development of a National Action Plan on Demand Response (a "Demand Response Plan").

Certain of these rulemakings and the potential impact on MEAG Power are summarized in the sections below.

### *OATT Reforms*

In February 2007, FERC issued Order No. 890 amending the regulations and the pro forma OATT adopted in 1996 pursuant to Order Nos. 888 and 889. Order No. 890's reforms include: (i) greater consistency and transparency in available transmission capacity calculations; (ii) open, coordinated and transparent planning; (iii) reforms of energy imbalance penalties; (iv) reform of rollover rights policy; (v) clarification of tariff ambiguities; and (vi) increased transparency and customer access to information.

FERC reaffirmed many of the core elements of the Order No. 888 pro forma OATT in Order No. 890 including: (i) the comparability requirement wherein third party users of the transmission system must receive service in a manner comparable to the transmission owner's use of the system; (ii) the continuance of protections for native load customers' transmission service rights; and (iii) FERC's approach to reciprocity for non-jurisdictional transmission owners, which include MEAG Power. Under the pro forma OATT, a public utility may refuse to provide open access transmission service to a non-public utility if the non-public utility refuses to reciprocate. As discussed in the section in this Report entitled "MEAG POWER - Bulk Power Supply Resources - *MEAG Power's Open Access Transmission Tariff*", MEAG Power has adopted an OATT.

All public utilities, including RTOs and Independent System Operators ("ISO"), are required to file revisions to their OATT to conform to Order No. 890 pursuant to a compliance schedule established by FERC. Order No. 890 became effective May 14, 2007. Section 211A of the Federal Power Act, which was added by the 2005 Energy Policy Act, authorized, but did not require, FERC to order non-public utilities (or "unregulated transmitting utilities," which include MEAG Power) to provide transmission services. In Order No. 890, FERC did not propose a generic rule to implement Section 211A. Rather, FERC stated it would apply Section 211A provisions on a case-by-case basis. In addition, FERC issued Order Nos. 890-A, B and C clarifying and substantially reaffirming Order No. 890 with only minor changes. MEAG Power believes that its current OATT satisfies Order No. 890's "reciprocity" requirements. MEAG Power also has a native load service obligation that is afforded the protections included in its existing OATT. MEAG Power has participated in a joint transmission planning process for decades and plans to participate in the transmission planning processes called for in Order No. 890.

In October 2009, FERC issued a series of questions for public comment to assist in its determination as to whether additional reforms were needed to further enhance regional transmission planning processes and whether generic reform in the area of cost allocation for new transmission facilities was needed. On June 17, 2010, FERC issued a notice of proposed rulemaking regarding such reforms. The effect of this proposed rulemaking on MEAG Power cannot be determined at this time. As part of the questions posed in its October 2009 filing, FERC noted that due to funding opportunities provided under the American Recovery and Reinvestment Act (as discussed further in this section), interconnection-wide planning processes were in the initial stages of development by various stakeholder groups. One such group is the

Eastern Interconnection Planning Collaborative (“EIPC”). MEAG Power, GTC and Southern Company on behalf of GPC have signed the EIPC Planning Authority Agreement and are participating in the EIPC. MEAG Power is not seeking Department of Energy funding in connection with its participation in EIPC.

In January 2010, FERC issued a Notice of Inquiry seeking public comment on whether to reform any of its rules or procedures to ensure the efficient integration of an increasing amount of renewable resources that are variable in nature, such as wind, solar, and non-storage hydro generating plants, into the nation’s transmission grid (“Renewable Integration NOI”). Reforms under consideration in the Renewable Integration NOI include data and reporting requirements, such as accurate forecasting tools, scheduling flexibility, forward market structures, suitability of reserve products, balancing authority size and coordination, and redispatch and curtailment practices. Comments were due in April 2010. To date, FERC has not issued a final rule in this proceeding.

### *Mandatory Reliability Standards*

In March 2007, FERC issued Order No. 693 entitled “Mandatory Reliability Standards for the Bulk-Power System” (the “Reliability Standards Order”). Pursuant to the Reliability Standards Order, FERC approved the majority of the proposed reliability standards developed by the North American Electric Reliability Corporation (“NERC”), which FERC has certified as the ERO responsible for developing and enforcing these mandatory reliability standards. FERC also required that NERC submit improvements and that certain standards remain pending until further information was provided. FERC to date has also approved various new standards, including requirements to identify and safeguard critical cyber assets. FERC’s approval of NERC’s standards remains an ongoing process as of the date of this Report. FERC’s initial approved standards became enforceable beginning June 18, 2007. The Reliability Standards Order applies to all users, owners and operators of the bulk-power system within the United States (other than Alaska or Hawaii), including MEAG Power. NERC was also permitted to delegate certain enforcement authority to approved regional entities. The SERC Reliability Corporation (“SERC”) is the approved regional entity for most of the Southeast U.S. including MEAG Power. NERC is authorized to enforce its reliability standards, subject to FERC oversight, through the imposition of monetary and non-monetary penalties on NERC registered entities that are found to be in violation of the standards. The monetary penalties can reach up to \$1 million per day per violation. In March 2010, FERC issued a proposed rulemaking that included guidelines to increase fairness, consistency, and transparency with respect to its civil penalty determinations. FERC’s proposed guidelines included a set of uniform factors that are weighted similarly for similar types of violations and similar types of violators and also included credits for self-reporting of violations and for implementing robust compliance programs. Comments on FERC’s proposed penalty guidelines are due in June 2010 and FERC will finalize its rulemaking guidelines subsequent to that date.

In March 2010, FERC also issued a Notice of Proposed Rulemaking that directs NERC to include all electric transmission facilities of 100 kV or more in its definition of what constitutes the bulk transmission system and would therefore be subject to mandatory reliability standards under the EPCRA 2005 (“Bulk System NOPR”). This proposed definition is consistent with the definition used by many of the NERC regional entities, including SERC, but would eliminate discretion that is currently available to the regions to ask for approval of variations to the 100 kV standard. Comments on the Bulk System NOPR were due in May 2010. To date, FERC has not issued a final rulemaking in this proceeding.

In August 2006, SERC conducted an audit of MEAG Power’s level of compliance with certain NERC standards. Based in part on the 2006 audit results and notwithstanding a now-resolved minor violation, which MEAG Power self-reported to SERC in 2009, MEAG Power believes it generally is in compliance

with NERC's current reliability standards approved by FERC in its Reliability Standards Order and related subsequent orders. SERC has informed MEAG Power that it will conduct an audit of MEAG Power's compliance with NERC's reliability standards in late 2010.

#### *Transmission Provider Standards*

MEAG Power's ownership in TEA satisfies a standard of conduct requirement previously established by FERC pursuant to Order No. 889 and Order No. 2004, which has the effect of requiring MEAG Power to establish a wholesale marketing organization separate and apart from its operating group that controls operations of its generation and transmission facilities. In October 2008, FERC issued its Order No. 717 in connection with transmission provider standards of conduct. The final rule: (i) eliminates the application of the standards to energy affiliates and the corporate separation approach as between transmission providers and their marketing arms; (ii) incorporates the employee functional approach used in Order Nos. 497 and 889 which separates by function transmission personnel from marketing personnel; and (iii) clarifies and streamlines the standards to enhance compliance and enforcement. MEAG Power believes that its ownership in TEA and related procedures satisfies the reforms to the standards of conduct included in FERC's final rule without a material impact on MEAG Power's costs. For further information, see the section in the Annual Information Statement entitled "COMPETITION – Certain Factors Affecting the Electric Utility Industry – *FERC Initiatives*".

#### *Other Market Reforms*

In January 2010, FERC issued a Notice of Inquiry entitled Electricity Market Transparency Provisions of Section 220 of the Federal Power Act ("Section 220 NOI"). The Section 220 NOI seeks to determine whether FERC's oversight of power transactions should be broadened to include those utilities that are excluded from FERC's jurisdiction under Section 205 of the FPA, such as municipalities and cooperatives. FERC regulated utilities are required to file quarterly reports of transaction information that assist FERC in monitoring power sales for market power issues. Comments as to whether to extend the electric quarterly report filing requirements to non-jurisdictional utilities were due at the end of March, 2010. To date, FERC has not issued a final rule in this proceeding. MEAG will be monitoring this proceeding to ensure compliance with any new reporting requirements, if any.

#### **ENERGY POLICY ACT OF 2005**

On July 29, 2005, the Congress passed the EAct 2005 and it was signed by the President on August 8, 2005. This legislation addressed, among other things, energy efficiency, renewable energy, nuclear energy and electricity-related reforms. It also provides incentives for oil and gas production and encourages the deployment of clean coal technology.

MEAG Power reports that it has implemented the requirements addressed in Title VI of the EAct 2005 (nuclear energy and related issues) with regard to its existing nuclear power plant facilities and will continue to assess the potential impacts of EAct 2005 on any potential plans for the development of new nuclear power plant facilities and other generating resources. The EAct 2005 did not include a federal requirement that utilities purchase a certain percentage of electricity from renewable sources, or a national Renewable Portfolio Standard ("RPS"). Although federal legislation requiring a national RPS may be enacted in the future, renewable resource requirements are currently based on state-by-state considerations, which may include adoption of a statewide RPS. According to MEAG Power, various bills have been introduced in the General Assembly over the past several years, but the State of Georgia has not adopted an RPS.

EPAAct 2005 included a requirement under the Public Utility Regulatory Policies Act (“PURPA”) for utilities (both regulated, through the appropriate regulatory authority, and non-regulated utilities) to consider the adoption of standards pertaining to: (i) the implementation of net metering service; (ii) ensuring fuel diversity in generating resources; (iii) increased efficiency of fossil fueled generating resources; (iv) the installation of time-based metering and communications; and (v) interconnection of distributed generation. MEAG Power is exempt from these PURPA requirements as it sells power only at the wholesale level and does not sell power at the retail level. However, seven of MEAG Power's Participants are subject to these PURPA requirements. These Participants have indicated to MEAG Power that they intend to meet the fuel diversity and increased fossil fuel efficiency requirements through their participation in MEAG Power's existing and potential future generating resources that represent a diverse mix of fuel types and generation technologies.

For more information, see the section in the Annual Information Statement entitled “COMPETITION – Certain Factors Affecting the Electric Utility Industry – *Energy Policy Act of 2005*”.

### ENERGY INDEPENDENCE AND SECURITY ACT OF 2007

On December 18, 2007, Congress passed the Energy Independence and Security Act of 2007 (“EISA”), and it was signed into law by the President a day later. The legislation generally included the following key provisions:

- Increases corporate average fuel economy standards to 35 miles per gallon in 2020, a 40 percent increase from the current standard;
- Establishes a renewable fuels standard, requiring automobile fuel producers to use 9 billion gallons of renewable fuels in 2008 with progressive increases to a 36 billion gallon requirement by 2022; and
- Revises existing efficiency standards and prescribes new standards for heating and cooling products, residential boilers, electric motors, and certain other home appliances.

The bill also includes various other provisions to improve energy efficiency of federal buildings, encourage the development of advanced technology vehicles, promote the development of smart grid standards, and fund research in: (i) biofuels; (ii) various renewable energy technologies such as solar, geothermal, marine, and hydrokinetic; (iii) energy storage for transportation and electric power; and (iv) carbon dioxide (“CO<sub>2</sub>”) capture and sequestration. The bill also provides assistance to promote clean and efficient energy technologies in foreign countries and to train workers in this country for new jobs in emerging energy technologies fields.

#### *Smart Grid Standards*

Pursuant to EISA, the National Institute of Standards and Technology (“NIST”) is required to coordinate the development of a framework for information management standards to ensure smart grid device functionality with systems. Upon completion of the framework (NIST issued a draft framework in January 2010 and indicated that further technical evaluations were needed to complete the development of individual standards), EISA requires FERC to conduct a rulemaking proceeding to adopt standards and protocols necessary to ensure smart grid functionality and interoperability with respect to the electric transmission grid and wholesale electric markets. In anticipation of its rulemaking requirement, in July 2009 FERC issued a policy statement that set priorities for NIST's development of smart grid standards

("Smart Grid Policy Statement"). The Smart Grid Policy Statement priorities included ensuring the cyber security and reliable operation of the transmission grid, providing two-way communications among operators, utilities, service providers and consumers, and coordinating the integration of emerging technologies, such as renewables, demand response, electric storage and transportation systems. The Smart Grid Policy Statement also provided for the recovery of smart grid costs if it could be demonstrated that those costs serve to protect cyber security and reliability and that the smart grid devices have the ability to be upgraded. The Smart Grid Policy Statement indicated that FERC's adoption of smart grid standards would not interfere with any state's ability to adopt advanced metering or demand response programs and that EISA does not make smart grid standards mandatory and does not give FERC any new authority to enforce such standards.

### *National Demand Response Plan*

EISA directed FERC to develop a Demand Response Plan. In March 2010, FERC issued a draft of its Demand Response Plan for comment by interested stakeholders by April 8, 2010. To date, FERC has not finalized its draft Demand Response Plan. The intent of the Demand Response Plan is to facilitate on a national basis the development of the maximum amount of cost-effective demand response resources. The Demand Response Plan focuses on the technical assistance, communication strategies and tools needed to achieve the deployment of: (i) the maximum amount of price-responsive demand response resources; and (ii) emerging smart grid technologies and resources that would enable customers to respond to price or other signals.

### **AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009**

The 111<sup>th</sup> Congress passed the American Recovery and Reinvestment Act (the "ARRA") and this act was signed into law on February 17, 2009 by the President. The legislation is intended to provide economic stimulus to the U.S. economy and includes, among other things, funding for investments in areas needed for the development of clean and efficient energy, including modernization of energy transmission, research and development of renewable energy technologies, and modernizing and upgrading government buildings and vehicles. The ARRA also created three types of interest rate tax credit bonds that must be issued prior to January 1, 2011 that include: (i) Build America Bonds ("BABs") where the interest on the BABs are taxable, but a taxpayer holding a BAB on an interest payment date is allowed a credit against income tax equal to 35% of the amount of interest payable; (ii) Qualified BABs or "QBABs" where the issuer receives a payment from the federal government equal to 35% of the interest paid on the bonds; and (iii) Recovery Zone Economic Development Bonds where the issuer receives a payment from the federal government equal to 45% of the interest paid on the bonds.

In April 2010, MEAG Power received a grant for ARRA funds for its "Transmission Smart Grid" project that includes improvements to approximately 128 substations in 46 Participant communities. For more information see the section herein entitled "FACILITIES INCLUDED IN PROJECTS ONE, TWO, THREE AND FOUR – TRANSMISSION FACILITIES".

### **STATE REGULATION AND LEGISLATION**

Several states have deregulated their electric utility industries in recent years to provide for retail choice and to separate the ownership of generation and transmission assets. Certain of these states are currently reconsidering the merits of deregulation and whether reestablishing a regulated electric utility industry may be advisable. No initiative for electric industry restructuring in Georgia has been introduced in the

Georgia General Assembly, and there are no restructuring studies currently underway at the Georgia Public Service Commission (“GPSC”), nor are any such efforts anticipated in the near term.

#### CLIMATE CHANGE LEGISLATION OR REGULATION

Various bills were considered in the U.S. Senate and House of Representatives during 2009 that would mandate reductions in greenhouse gas (“GHG”) emissions and set renewable electricity standards. In June 2009, the American Clean Energy and Security Act of 2009 (“ACES”) was passed by the House of Representatives. ACES would require reductions in GHG emissions and would set renewable electricity standards to be achieved by specific future dates. Also in 2009, separate Senate committees reported bills to reduce GHG emissions and to set renewable electricity standards. There can be no assurance that these bills or any other legislation relating to GHG emissions and renewable electricity standards will be enacted in this session of Congress and, if enacted, what effect such legislation would have on MEAG Power and its Participants.

In 2009 and to date in 2010, the United States Environmental Protection Agency (the “EPA”) has issued several regulations in a process towards regulating GHG emissions from stationary emissions sources such as fossil-fueled power plants. In December 2009, the EPA issued a final regulation finding that six GHGs taken in combination endanger public health and welfare, and also finding that the combined emissions of the six GHGs from new motor vehicles contribute to GHG air pollution that endangers public health and welfare.

In April 2010, the EPA issued, as a final action, an interpretation of when stationary sources become “subject to regulation” under the federal Clean Air Act’s (“CAA’s”) existing requirements for Prevention of Significant Deterioration (“PSD”) construction and the Title V operating permit programs, both of which pertain to power plants. The likely result of these final regulations and actions is that stationary sources will become subject to PSD construction permit regulations and Title V operating permit regulations, based on their GHG emissions, but not until at least January 2, 2011. In May 2010, the EPA issued a final regulation setting temporary higher GHG emission applicability thresholds to phase in the PSD and Title V permitting requirements.

However, several bills have been introduced in Congress to delay the EPA GHG regulation of stationary sources by two years.

MEAG Power reports that until the EPA finalizes all relevant regulations and implementation guidelines, until anticipated legal challenges to the EPA’s regulations and guidelines are resolved, and until actions on the introduced Congressional bills on delaying the EPA regulation are completed, it is not possible to determine the financial and operational impacts on MEAG Power and its Participants of the EPA actions to regulate GHG emissions from stationary sources.

Georgia has not undertaken actions to regulate GHG emissions or to set renewable electricity standards.

Public input has been sought on the legislative and regulatory proposals related to GHG emissions and renewable electricity standards through hearings, written comments, and other outreach efforts. MEAG Power has provided input to the legislative and regulatory process through its participation in the Climate Policy Group, the American Public Power Association, and the Large Public Power Council. For more information about the endangerment finding and other regulatory steps the EPA has taken towards monitoring, reporting and controlling GHG emissions, see the section included herein entitled “FACILITIES INCLUDED IN PROJECTS ONE, TWO, THREE AND FOUR – OTHER MATTERS RELATED TO FACILITIES – *Environmental Issues*”.

FACILITIES INCLUDED IN PROJECTS ONE, TWO, THREE AND FOUR

GENERATION FACILITIES

MEAG Power's undivided ownership interests in the generating units included in Projects One, Two, Three and Four are at four plant sites. All units of Projects One, Two, Three and Four are in commercial operation. As part of Project One, MEAG Power owns a total of 693 MW of nominally rated nuclear-fueled capacity, 335 MW of nominally rated coal-fired capacity, and 5 MW of combustion turbine capacity. The Project One capacity, when combined with that of Projects Two, Three and Four, results in a total ownership by MEAG Power of 1,566 MW of nominally rated capacity, of which 808 MW is nuclear-fueled, 750 MW is coal-fired, and 8 MW is combustion turbine capacity.

MEAG Power is a co-owner in each of the generating plants included in Projects One, Two, Three and Four with GPC, Dalton and OPC. As described in the section of this Report entitled "MEAG POWER – Transactions with Other Utilities – *Contract Sales to GPC*", MEAG Power has agreed to sell to GPC portions of the output of the respective units in which it has an interest.

The generating capacity amounts based on the nominal ratings for Plant Hatch, Plant Wansley, Scherer Units 1 and 2, and Vogtle Units 1 and 2 are contained in the ownership agreements used each year by MEAG Power as the basis for reporting its owned generating capacity amount of 1,566 MW. For system planning purposes, and as reported elsewhere in this Report, the net capacity ratings provided by MEAG Power (the "Unit Ratings"), which may vary from year to year, are used. The following table provides a summary of the nominal ratings, 2010 Budget Ratings and 2010 Unit Ratings for each generating facility in total and for the MEAG Power share.

Comparison of Nominal and Unit Ratings for Each Facility  
 In Projects One, Two, Three and Four

	Nominal Rating (MW)		2010 Budget Ratings (MW) [1]		2010 Unit Ratings (MW) [1]	
	Facility Total	MEAG Ownership Share	Facility Total	MEAG Ownership Share	Facility Total	MEAG Ownership Share
Plant Hatch	1,614	286	1,759	311	1,759	311
Plant Wansley	1,730	261	1,698	256	1,716	258
Wansley CT	50	8	0 <sup>[2]</sup>	0 <sup>[2]</sup>	0 <sup>[2]</sup>	0 <sup>[2]</sup>
Scherer Units 1 and 2	1,620	489	1,640	495	1,640	495
Vogtle Units 1 and 2	2,300	522	2,302	523	2,302	523
Total	7,314	1,566	7,399	1,585	7,417	1,587

[1] Amounts shown are as measured at the bus bar level. Unit Ratings are at the time of the peak month.

[2] Due to environmental restrictions, the Wansley CT is currently prohibited from operating, other than during an emergency, during the Ozone Season (May-September).

*Alvin W. Vogtle Nuclear Plant – Units 1 and 2*

MEAG Power has a 22.7% total ownership interest in Units 1 and 2 at Plant Vogtle. The Plant Vogtle site is in Burke County, Georgia, about 15 air miles east-northeast of Waynesboro, Georgia, on the west bank of the Savannah River. Vogtle Units 1 and 2 employ Westinghouse Electric Corporation (“Westinghouse”) pressurized water nuclear steam supply systems and General Electric Corporation (“GE”) turbine generators, each of which has a nominal capacity of 1,150 MW.

The system peak hour capabilities for 2009 (the “2009 Unit Ratings”) were 1,150 MW for Vogtle Unit 1 and 1,152 MW for Vogtle Unit 2 and are projected to remain the same in 2010 (the “2010 Unit Ratings”).

The NRC issued operating licenses for both Vogtle Unit 1 and Vogtle Unit 2, and the units were placed in commercial operation on June 1, 1987 and May 20, 1989, respectively. The original operating licenses for Vogtle Unit 1 expired in 2027 and 2029 for Vogtle Unit 2. In June 2009, the NRC approved a 20-year license extension and the operating licenses now expire in 2047 for Vogtle Unit 1 and 2049 for Vogtle Unit 2.

The fifteenth refueling outage for Vogtle Unit 1 began on September 20, 2009 and ended on October 23, 2009, a duration of 33 days. Major efforts during this outage included the replacement of a reactor coolant pump motor and eddy current testing of the steam generators.

The fourteenth refueling outage for Vogtle Unit 2 began on March 7, 2010 and ended on April 3, 2010, a duration of 28 days. Major efforts completed during this outage were a containment leak test and replacement of leaking fuel assembly and reactor coolant pump seals.

On December 7, 2009, Vogtle Unit 1 was forced off-line for four days when a breaker tripped off causing loss of a condenser vacuum. On December 23, 2009, Vogtle Unit 2 was manually tripped off-line when an operator’s actions inadvertently resulted in an instrument problem. Vogtle Unit 2 returned to service on December 24, 2009. There were no other unplanned outages for Vogtle Units 1 and 2 in 2009.

The next Vogtle Unit 1 and Vogtle Unit 2 refueling outages are scheduled for March 2011 and September 2011, respectively.

As of the date of this Report, both Vogtle Units 1 and 2 are operating in routine service. Based on the 2009 Unit Ratings, the actual capacity factor for 2009 was 90.7% for Vogtle Unit 1 and 100.6% for Vogtle Unit 2. The most recent five-year average capacity factors for Vogtle Units 1 and 2 were 90.9% and 89.8%, respectively.

The current capital budget for Vogtle Units 1 and 2 was provided to MEAG Power by Southern Nuclear, which operates all nuclear plants on the Southern System. Southern Nuclear’s current capital budget for Vogtle Units 1 and 2 includes modifications, additions, and reviews that are currently expected to be required during the next five years to meet new or modified regulatory requirements, and to improve plant reliability and efficiency. Estimated costs for currently anticipated items have been considered and included in the current cost estimates of future Vogtle Units 1 and 2 capital additions. However, the actual costs and effects of these modifications or of any other future modifications on the operation and cost of Vogtle Units 1 and 2 cannot be determined at this time.

In connection with the potential addition of two new nuclear units at Plant Vogtle, MEAG Power and the other co-owners of the existing two units at Plant Vogtle entered into an agreement in May 2005 that grants the rights to use the existing common facilities, land, and support systems for Vogtle Units 3 and 4.

For a discussion regarding nuclear spent fuel storage and disposal, see the sections in this Report entitled "FACILITIES INCLUDED IN PROJECTS ONE, TWO, THREE AND FOUR – Other Matters Related to Facilities – Nuclear Fuel Matters".

### *Edwin I. Hatch Nuclear Plant*

MEAG Power has a 17.7% ownership interest in Plant Hatch. Plant Hatch is located near the south bank of the Altamaha River in Appling County, Georgia, about 75 miles west of Savannah. Plant Hatch contains two units with nominal ratings of approximately 807 MW each. The 2009 Unit Ratings for Units 1 and 2 were 876 MW and 883 MW, respectively. The 2010 Unit Ratings are projected to remain the same as the 2009 Unit Ratings. Each of the units has a direct cycle boiling water reactor and turbine generator designed and supplied by GE. The Plant Hatch units incorporate a containment design developed by GE known as the "Mark I" type.

The NRC issued operating licenses for both Hatch Units 1 and 2, and the units were placed in commercial operation on December 31, 1975 and September 5, 1979, respectively. The NRC has approved a 20-year license extension for both Hatch Units. The new operating license expiration dates are August 6, 2034 for Hatch Unit 1 and June 13, 2038 for Hatch Unit 2.

The twentieth refueling outage for Hatch Unit 2 began February 9, 2009. Major efforts completed in this outage were installation of a solid-state device control system for the reactor recirculating pumps, replacement of the reactor vessel tie rods, and inspection of one of the low-pressure turbines. Cracks were found in the low-pressure turbine blade attachment area of the turbine wheels necessitating an extension of the outage to complete repairs. Hatch Unit 2 returned to service on May 26, 2009.

Hatch Unit 1 was taken out of service for a maintenance outage from May 4, 2009 to May 23, 2009 to replace safety relief valves. Set point drift and seat leakage with these valves have been a source of ongoing problems for both Hatch units, and the interim solutions installed recently on both units are not expected to be a permanent solution. According to MEAG Power, Southern Nuclear performed a planned outage of Hatch Unit 2 from April 4, 2010 to April 17, 2010 to remove a leaking fuel assembly and to repair two leaking safety relief valves. Southern Nuclear plans to replace the safety relief valves on Hatch Unit 2 in 2011 and on Hatch Unit 1 in 2012 with valves that incorporate different design features that are expected to resolve the valve problems.

Hatch Unit 1 was derated to 55% of its total capability for the six day period October 2 through October 7, 2009 to correct a problem with a reactor feed pump turbine that was discovered during routine testing. Hatch Unit 1 was later derated to 50% for two days in December 2009 to repair a circulating water pump problem.

Hatch Unit 2 came off-line on June 13, 2009 for six days, due to a stator cooling water valve problem and a reactor water level control problem during the return to service. Hatch Unit 2 was derated to about 60% on three separate occasions during 2009 totaling 15 days to address various equipment problems, including a seven day period in November 2009 to locate and isolate a leaking fuel assembly.

The twenty-fourth refueling outage for Hatch Unit 1 began on February 8, 2010 and ended on March 21, 2010, a duration of 42 days. According to MEAG Power, efforts during this Hatch Unit 1 outage included installation of adjustable speed drives on the motor generator sets of the recirculation system, inspection of the high pressure turbine rotors, replacement of reactor core shroud tie rods, and replacement of the feed pump turbine rotor. The efforts also included replacement of two low pressure turbine rotors using spare rotors of an older design. MEAG Power reports that Southern Nuclear plans to order new rotors for installation in the 2012-2013 timeframe.

The next Hatch Unit 1 and Hatch Unit 2 refueling outages are scheduled to begin during February 2012 and March 2011, respectively.

As of the date of this Report, Hatch Units 1 and 2 are operating in routine service. Based on the 2009 Unit Ratings, the capacity factor for 2009 was 93.7% for Hatch Unit 1 and 67.3% for Hatch Unit 2. The most recent five-year average capacity factors for Hatch Units 1 and 2 were 90.0% and 87.4%, respectively.

Hatch Unit 1 currently has weld overlay repairs on its recirculation piping. According to Southern Nuclear, the NRC has given Southern Nuclear approval to operate the unit with the weld overlay repairs.

MEAG Power reports that the Hatch Interim Spent Fuel Storage Installation (“ISFSI”) for dry storage of spent nuclear fuel is projected to provide continued storage of spent fuel on-site throughout the projected operating life of Plant Hatch. Three dry storage containers were loaded during the fall of 2009 for a total of forty-one loaded containers now stored at the ISFSI. For more information concerning nuclear spent fuel storage and disposal, see the sections in this Report entitled “FACILITIES INCLUDED IN PROJECTS ONE, TWO, THREE AND FOUR – Other Matters Related to Facilities – *Nuclear Fuel Matters*”.

Southern Nuclear’s current capital budget for Plant Hatch includes modifications and additions that are currently expected to be required during the next five years to meet new or modified regulatory requirements or to improve plant reliability and efficiency. Currently estimated costs for certain modifications and additions have been considered and included in the current cost estimates of future Plant Hatch capital additions. However, the actual costs and effects of these modifications and additions or of any other future modifications on the operation and cost of Plant Hatch cannot be determined at this time.

### *Hal B. Wansley Coal Plant*

MEAG Power has a 15.1% total ownership interest in Plant Wansley. Plant Wansley is located on a 5,200-acre site adjacent to the Chattahoochee River, twelve miles south of Carrollton, Georgia, and fourteen miles northwest of Newnan, Georgia. Plant Wansley is a steam electric generating plant comprised of two 865 MW nominally rated supercritical coal-fired units and a 50 MW nominally rated combustion turbine. The 2009 Unit Ratings for Wansley Units 1 and 2 were 849 MW and 875 MW, respectively. The 2010 Unit Ratings for Wansley Units 1 and 2 are projected to be 858 MW each and are less than the nominal ratings because of the installation and operation of a new scrubber system at each unit. Plant Wansley Units 1 and 2 were placed in commercial operation on December 24, 1976 and April 25, 1978, respectively.

According to MEAG Power, GPC currently has all of the permits and licenses necessary for the operation of Plant Wansley and the units are presently in compliance with all regulations, permits and licenses now in effect.

During the fall of 2001, in response to certain problems from a 1996 generator stator rewinding, GE at its expense partially remediated some warranty issues on the Wansley Unit 1 generator by injecting epoxy into the stator cooling bars. The Wansley Unit 1 generator is under extended warranty on the epoxy injection until 2010. MEAG Power reports that the Wansley Unit 2 generator has experienced issues related to its stator bars since 2004. The generator stator was completely rewound during the 2008 spring outage. According to MEAG Power, the rewind passed all inspections and tests and there have been no leaks since the completion of the rewind.

Selective catalytic reduction ("SCR") control equipment was installed at Wansley Unit 1 in 2002 and at Wansley Unit 2 in 2003. The SCR control equipment was installed to comply with NO<sub>x</sub> reduction requirements of the Atlanta area ozone State Implementation Plan ("SIP"). Both units operated well within the design criteria and permit requirements in subsequent years during the months of May through September (the "Ozone Season"). Beginning January 1, 2009, the SCRs will stay in service year round as a step toward complying with the Clean Air Interstate Rule ("CAIR") NO<sub>x</sub> Annual Trading Program regulation. Outside of the summer peak season, the ability to operate the plant at minimum load levels is an important consideration. The addition of the SCRs had reduced the ability of the plant to operate at minimum loads during the off-peak periods. To facilitate better year round operation, and to re-establish the plant's low load limit of 450 MW while maintaining the proper catalyst temperature, economizer recirculation systems were installed on Wansley Unit 2 in the spring of 2008 and Wansley Unit 1 in the spring of 2009. The recirculation systems are operating in routine service.

According to MEAG Power, GPC completed the scrubber installations on Wansley Unit 1 and Wansley Unit 2 in December 2008 and May 2009, respectively. The main purpose of the scrubbers is to remove SO<sub>2</sub> from the stack gas.

Because of SIP limits related to NO<sub>x</sub> emissions, the Wansley 50 MW combustion turbine is prohibited from operating, other than during an emergency, during the Ozone Season (May-September). The Environmental Protection Division ("EPD") has approved an air regulation change that enables the combustion turbine to operate for three hours per month for testing and to provide black start capability if necessary during the Ozone Season.

Wansley Unit 1 was out of service from January 3 to February 11, 2009 for planned maintenance. Wansley Unit 1 experienced a 2-day forced outage beginning on May 13, 2009 due to a boiler tube leak. Wansley Unit 1 was taken out of the service from October 16, 2009 to October 23, 2009 for a maintenance outage to perform repairs on a boiler water recirculation pump.

Wansley Unit 2 was taken out of service from February 26, 2009 to March 6, 2009 for a maintenance outage to replace a boiler water recirculation pump. Wansley Unit 2 was forced out of service during 2009 for a total of seven days on three separate occasions due to a water-wall tube leak, a station service transformer switch, and a turbine control valve problem.

Generation from Wansley Units 1 and 2 during 2009 was below historical average levels primarily due to (i) the reduced MEAG Power system demand requirements in 2009 and (ii) a significant reduction in the price of natural gas, which resulted in gas-fired generating units being economically dispatched before Wansley Units 1 and 2.

As of the date of this Report, Wansley Units 1 and 2 are operating in routine service. Based on 2009 Unit Ratings, the capacity factor for 2009 was 46.5% for Wansley Unit 1 and 44.8% for Wansley Unit 2. The most recent five-year average capacity factors for Wansley Units 1 and 2 were 75.5% and 74.7%,

respectively.

*Robert W. Scherer Coal Plant – Units 1 and 2*

MEAG Power has a total ownership interest of 30.2% in Plant Scherer Units 1 and 2 and a 15.1% interest in the Plant Scherer common facilities. Plant Scherer is located near the Ocmulgee River approximately three miles east of Forsyth, Georgia, on a 12,000-acre site. The Plant Scherer site has four coal-fired steam units with nominal ratings of 810 MW each. The 2009 Unit Ratings for Scherer Units 1 and 2 were 820 MW each. The 2010 Unit Ratings are projected to remain the same as the 2009 Unit Ratings. Scherer Unit 1 and a portion of the common facilities at Plant Scherer were placed in commercial operation on March 19, 1982, and Scherer Unit 2 was placed in commercial operation on February 1, 1984. Scherer Units 3 and 4, in which MEAG Power does not have ownership interests, were placed in commercial operation on January 1, 1987 and February 28, 1989, respectively.

According to MEAG Power, GPC currently has all licenses and permits necessary for operation of Scherer Units 1 and 2 and that the units are currently in compliance with all regulations, licenses and permits now in effect.

In order to comply with the NO<sub>x</sub> reductions required by the Atlanta area ozone SIP, separated over fired air systems (“SOFA”) were installed on Scherer Unit 1 in 2001 and on Scherer Unit 2 in 2002. In anticipation of the Regional NO<sub>x</sub> SIP Call requirements, modifications to both units were made in 2003, including conversion of the hot side precipitators to cold side precipitators, to enable the units to burn Powder River Basin (“PRB”) coal. According to MEAG Power, both units began burning PRB coal in January 2004.

In 2005, GPC began to replace all of the service water piping at the Plant. The previous piping was susceptible to micro-biological induced corrosion. The old carbon steel piping is being replaced with stainless steel piping above ground and high density polyethylene plastic piping below ground. The project is essentially complete. MEAG Power reports that its share of the costs was approximately \$3.5 million.

In order to comply with Georgia’s Multi-pollutant Control for Electric Utility Steam Generating Units regulation, GPC completed the construction of sorbent injection systems and baghouses for Scherer Units 1 and 2. The multi-pollutant control regulation required the sorbent injection systems and baghouses to be installed and operated by June 1, 2009 for Scherer Unit 2 and by December 31, 2009 for Scherer Unit 1. According to MEAG Power, as of the date of this Report, the baghouses for both Scherer Units 1 and 2 are in service and the environmental requirements have been met.

Starting with the 2007 spring outage for Scherer Unit 2, the schedule for planned outages changed from an 18-month outage interval to a 24-month outage interval. For Scherer Unit 1, the transition from an 18-month to 24-month outage interval began during the fall 2007 outage. GPC estimates that over a six-year cycle, the necessity and cost of one outage will be eliminated for each unit.

In the fall of 2007, the generator rotor and stator at Scherer Unit 1 were rewound. The rotor was rewound by Alstom and the stator was rewound by GE using its latest stator bar design. These rewinds passed all inspections and tests.

In 2008, Scherer Unit 2 had indications that there were shorted turns on the generator rotor. This rotor had previously been rewound by Alstom in the spring of 2004. In 2009, the rotor was rewound again by Alstom, which was responsible for the majority of the cost of this repair.

Scherer Unit 1 was out of service for an extended planned outage from September 25 to December 2, 2009. This was a major outage to, among other things, complete the installation of the baghouse (described above) and modify the boiler to accommodate the installation of the SCRs that are required by the Georgia multi-pollutant rule. Scherer Unit 1 was forced off-line on three separate occasions during 2009 totaling nine days. Two of those forced outages were due to tube leaks and the third was due to a primary air fan duct leak.

Scherer Unit 2 was in an extended planned outage from February 13 to April 23, 2009 to complete the baghouse and boiler modifications required by the Georgia multi-pollutant rule. Scherer Unit 2 was forced off-line for three days in January 2009 due to a boiler tube leak. Also, in 2009 Scherer Unit 2 experienced several minor deratings due to other equipment issues.

As of the date of this Report, Scherer Units 1 and 2 are operating in routine service. Based on 2009 Unit Ratings, the capacity factor for 2009 was 69.6% for Scherer Unit 1 and 71.9% for Scherer Unit 2. The most recent five-year average capacity factors for Scherer Units 1 and 2 were 81.5% and 82.9%, respectively.

## TRANSMISSION FACILITIES

As part of the ITS arrangement among MEAG Power, GPC, GTC and Dalton, MEAG Power has acquired and will continue to acquire whole interests in certain of the transmission system facilities within Georgia. MEAG Power's rights and obligations for participation in such transmission arrangement are contained in the Integrated Transmission System Agreement (the "ITS Agreement") and the Integrated Transmission System Operation and Maintenance Agreement. The ITS Agreement between GPC and MEAG Power is a two-party agreement and has basically the same terms and conditions as similar two-party agreements between GPC and GTC and between GPC and Dalton. A revised and restated ITS Agreement, which contains substantially the same basic rights and obligations of the parties embodied in the prior ITS Agreement, was executed by MEAG Power and GPC in December 1990. The revised and restated ITS Agreement, among other things, assigns investment responsibility for "off-system" transactions and formalizes certain accounting practices actually being performed under the administration of the agreement.

Pursuant to notice given by MEAG Power, the Integrated Transmission System Operation and Maintenance Agreement was terminated on December 31, 1999, and was replaced by three agreements: (i) the Integrated Transmission System Operation Agreement, (ii) the Integrated Transmission System Maintenance Agreement, and (iii) the Integrated Transmission System Inventory of Substation Spare Parts, Spare Substation Capital Equipment and Spare Transmission Line Equipment Agreement. These three agreements became effective January 1, 2000.

MEAG Power and GPC entered into a Revised and Restated Integrated Transmission System Operation Agreement (the "Operation Agreement"), effective as of January 1, 2009. Through the Operation Agreement, MEAG Power has appointed GPC as its agent for the management and operation of MEAG Power's transmission system facilities. The revisions to the Operation Agreement include: an extension of the term until December 31, 2011, with automatic two-year renewals thereafter; an increase in the advance notice of cancellation requirement; and certain other aspects pertaining to mandatory federal

reliability standards. Certain of the Operation Agreement revisions enabled MEAG Power, with GPC's agreement and consent, to request that SERC Reliability Corporation ("SERC") relieve MEAG Power of a number of obligations in certain mandatory federal reliability standards pertaining to transmission systems. MEAG Power's request for relief is now posted on the NERC website with an effective date of November 10, 2009.

The term of the Integrated Transmission System Maintenance Agreement, effective as of January 1, 2000, pursuant to which GPC maintains certain of MEAG Power's transmission system facilities, requires a minimum of twelve months' notice of cancellation and has renewed annually since 2002, with the current renewal term extending through December 31, 2010.

The effect of these agreements is that MEAG Power will maintain annually an investment in transmission system facilities serving the major portion of the State of Georgia that will be in parity with the investments of other parties to the ITS arrangement (GPC, GTC, and Dalton). The parity formula for each party to the arrangement is generally determined each year by the ratio that such party's historical five-year rolling average of annual peak demands bear to the sum of the historical five-year rolling average of annual peak demands of each of the parties to the arrangement, multiplied by the total ITS parity investment in transmission system facilities of all parties during such year (as adjusted for any off-system transactions). Each such party may use all transmission facilities included in the system, regardless of ownership, in serving its customers. Currently, MEAG Power is over-parity with regard to its investment in transmission facilities under the ITS Agreement and receives parity payments from GPC to adjust for the current over investment in ITS parity facilities.

The transmission facilities that may have investment recognition under the ITS Agreement between MEAG Power and GPC are those facilities typically within the State of Georgia, other than in Chatham, Effingham, Fannin, Towns and Union Counties, that are used or usable to (1) transmit power, the operating voltage of which is 40 kV or more (all 46 kV, 115 kV, 230 kV and 500 kV transmission lines), and (2) transform power, the high voltage of which is 40 kV or more and the capacity of which is 500 kVA or more (all 500 kV, 230 kV and 115 kV transmission substations and switching stations, and all 40 kV or greater step-down and delivery point substations having a rating of 500 kVA or more) excluding step-up substations at generating plants and certain non-joint use distribution service facilities. Only those specific transmission facilities that are used or useable and that have been approved by the parties to the ITS Agreements receive investment recognition in the parity formula. In 2006, the ITS owners agreed that most post-2006 capital expenditures for distribution substation facilities should be the sole responsibility of the party (or parties) served by such facilities.

The ITS Agreements do not limit the right of MEAG Power, or other parties, to design, construct, acquire or own any facilities deemed desirable. For information on litigation related to MEAG Power's ownership in transmission facilities with regard to easement rights, see the section in the Annual Information Statement entitled "LITIGATION".

As of December 31, 2009, MEAG Power's ITS facilities and other transmission facilities consisted of approximately 1,320 miles of transmission lines, 18 transmission substations, and 171 distribution substations and certain distribution substation investments at approximately ten substations owned by GPC and GTC. MEAG Power's aggregate investment in such facilities at year-end 2009 totaled approximately \$567 million. The future financing for transmission-related construction activities that MEAG Power plans to undertake are discussed in this Report under "ESTIMATED FUTURE FINANCING REQUIREMENTS".

Effective May 31, 1989 and pursuant to the Seventh Amendment to the Project One Power Sales Contracts, MEAG Power is authorized to acquire, construct, and finance transmission system facilities subsequent to commercial operation of the last of the generating facilities of Project One in conjunction with participation in an integrated transmission system with other utilities. The Seventh Amendment to the Project One Power Sales Contracts also provides for, among other things, the transmission of SEPA power by MEAG Power to its Participants and sets forth the calculation of charges for SEPA transmission service in accordance with an agreement with SEPA to deliver SEPA power to the Participants beginning June 1989.

In December 2006, each owner of the ITS agreed to waive and not to exercise its right under its respective ITS Agreement to terminate the agreement on any date prior to December 31, 2027. In accordance with the 5-year notice requirement of the ITS Agreements, an owner may provide written notice on or before December 31, 2022, terminating its respective ITS Agreement no earlier than December 31, 2027.

In April 2010, the U.S. Department of Energy (“DOE”) and MEAG Power signed an award agreement in connection with MEAG Power’s application for a Smart Grid Investment Grant (“SGIG”) submitted under the ARRA. The potential \$12.3 million SGIG will be matched by MEAG Power for a total investment amount of approximately \$24.5 million. MEAG Power’s “Transmission Smart Grid” project includes improvements to approximately 128 substations in 46 Participant communities.

#### OTHER MATTERS RELATED TO FACILITIES

##### *Lease Arrangement for Plants Wansley and Scherer*

In June 2000, MEAG Power completed a long-term lease transaction (the “Lease Transaction”) with an affiliate of a large investor-owned utility (the “Lessor”) with respect to MEAG Power’s total 30.2% undivided interest in Units 1 and 2 of Plant Scherer and its total 15.1% undivided interest in Units 1 and 2 of Plant Wansley and related common facilities at each plant (together, the “Undivided Interest”). Under the Lease Transaction, MEAG Power has leased (the “Lease”) the Undivided Interest to the Lessor for a term of approximately 50 years. The Lessor has subleased the Undivided Interest back to MEAG Power under a sublease for a term of approximately 30 years. All rent under the Lease was paid by the Lessor at the commencement of the Lease. The Undivided Interest did not include the coal stockpile, inventories, intangibles, and unit trains owned by MEAG Power at the sites.

For information regarding the Lease Transaction, see the section in the Annual Information Statement entitled “COMPETITION – Certain Responses of MEAG Power to Competition – *Lease Financing Arrangement*”.

##### *Nuclear Plant Performance*

The NRC’s reactor oversight process (“ROP”) monitors licensee performance of nuclear plants in three broad areas (called strategic performance areas): reactor safety (avoiding accidents and reducing the consequences of accidents if they occur), radiation safety (protecting plant employees and the public during routine operations), and safeguards (protecting the plant against sabotage or other security threats).

To monitor these areas, the NRC uses (i) inspection findings and (ii) performance indicators. According to the NRC, inspection findings are evaluated according to their potential significance for safety, while performance indicator data are compared to established criteria for measuring licensee performance in terms of potential safety. According to the NRC, both inspection findings and performance indicators are

assigned colors of Green, White, Yellow or Red, with the colors indicating increasing levels of safety significance.

On August 11, 2009, the NRC staff completed its end-of-cycle plant performance assessments of both Plant Hatch and Vogtle Units 1 and 2, which involved evaluation of performance indicators and inspection results for the period of July 1, 2008 through June 30, 2009. The results of these assessments were provided to Southern Nuclear in letters dated September 1, 2009. The mid-year 2009 inspection findings and performance indicators were unchanged from those resulting from the calendar year 2008 assessments for both Plant Hatch and Vogtle Units 1 and 2, except for one finding for Hatch Unit 2. This finding for Hatch Unit 2, involving the Mitigating Systems Cornerstone, was classified as White. According to the NRC, such White classification indicates an issue of low to moderate safety significance and a minimal reduction in safety margin. The NRC completed a supplemental inspection on this issue on November 18, 2009 and, in a report dated December 18, 2009, concluded that the licensee's performance in addressing this issue was acceptable with no findings of any significance from the inspection.

On February 10, 2010, the NRC staff completed its end-of-cycle plant performance assessments of Plant Hatch and Vogtle Units 1 and 2, which involved evaluation of performance indicators and inspection results for the period of January 1, 2009 through December 31, 2009. The results of these assessments were provided to Southern Nuclear in letters dated March 3, 2010. The assessment for Plant Hatch Units 1 and 2 indicated (i) operation in a manner that preserved public health and safety; (ii) plant performance classified as within the Regulatory Response Column of the NRC's action matrix based on a White inspection finding discussed above in the mid-cycle assessment; (iii) the significance of the White inspection finding was still under review and the outcome of that review could change the performance assessment; (iv) a plan by the NRC to conduct ROP baseline inspections, as well as several more infrequently performed inspections, such as a triennial Fire Protection inspection, a triennial Heat Sink inspection, temporary instruction involving an industry ground water protection initiative, and operator licensing examinations.

The assessment for Vogtle Units 1 and 2 indicated (i) all inspection findings classified as having very low safety significance (Green); (ii) all performance indicators indicated performance at a level requiring no additional NRC oversight (Green); (iii) a plan by the NRC to conduct only ROP baseline inspections, as well as several more infrequently performed inspections, such as a triennial Fire Protection inspection, a triennial Heat Sink inspection, a temporary inspection involving reactor coolant system dissimilar butt welds, and operator licensing requalification inspections.

### *Security Issues*

Following the terrorist attacks on September 11, 2001, the NRC issued safeguard advisories recommending that nuclear power plant licensees go to the highest level of security. The NRC reports all promptly did so. With continued uncertainty about the possibility of additional terrorist activities, the nation's nuclear power plants, including Vogtle Units 1 and 2 and Plant Hatch, reportedly remain at a high level of security. Since that time, the NRC issued security orders to the nuclear power plant licensees requiring additional measures be taken in the current generalized high-level threat environment.

The NRC indicates these requirements will remain in effect pending notification from the NRC that a significant change in the threat environment has occurred, or until the NRC determines that other changes are needed following a comprehensive re-evaluation of current safeguards and security programs.

According to MEAG Power, based on information provided by Southern Nuclear, the implementation of all security enhancement orders have been completed for Plant Hatch and Vogtle Units 1 and 2. The NRC reports it has monitored Southern Nuclear's actions through a series of audits. In addition to the NRC's planned inspections as part of the plant performance assessment, the NRC reports it will evaluate the compliance of nuclear power plants, including Vogtle Units 1 and 2 and Plant Hatch, with these security requirements.

Evaluation pertaining to security of MEAG Power's generation and transmission facilities, or of facilities of other entities with which MEAG Power has operational or business relations, such as GPC, Southern, Southern Nuclear, and the Participants, is beyond the scope of this Report. We have not been engaged to conduct, and in fact have not conducted, any evaluation of measures that have been undertaken to address security. To the extent that security measures cannot prevent a terrorist act or event that affects MEAG Power or other related entities, such acts or events could have an adverse impact on MEAG Power.

### *Nuclear Fuel Matters*

Southern Nuclear, as operating agent, acquires and manages fuel materials and services for Vogtle Units 1 and 2 and Plant Hatch. Nuclear fuel contracts vary in length from short-term contracts (typically less than three years) to long-term contracts (typically longer than five years). Additional nuclear fuel contracts will be required for the long-term supply of nuclear fuel to Vogtle Units 1 and 2 and Plant Hatch. Southern Nuclear has indicated that the projected cost of nuclear fuel obtained under future contracts currently reflects increased costs for uranium and fuel cycle services.

Pursuant to the Nuclear Waste Policy Act of 1982, nuclear utilities have been required to make payments into a federal nuclear waste fund. Under this act, the DOE was to provide for a disposal facility or repository and accept high-level nuclear waste from nuclear utilities no later than January 31, 1998. Under the contracts GPC has with the DOE, permanent disposal of spent nuclear fuel was to begin in 1998. This has not occurred and GPC is pursuing legal remedies against the U.S. Government for breach of contract.

In July 2007, the U.S. Court of Federal Claims awarded Southern Company damages, representing all of the direct costs of the spent nuclear fuel storage facilities from 1998 through 2004. MEAG Power estimates that its share of the award is \$10.7 million. On April 1, 2008, the court granted the government's motion to stay the appeal. On October 31, 2008, the court denied a request by the government related to a second claim filed for damages incurred after 2004. No amounts have been recognized in MEAG Power's financial statements as of December 31, 2009 for either claim. The final outcome of this matter cannot be determined at this time.

In 2002, the U.S. Congress and President Bush approved the Yucca Mountain, Nevada site as the national site for a permanent spent nuclear fuel and high-level radioactive waste repository. On June 3, 2008, the DOE submitted a license application to the NRC for authorization to construct a high-level waste geologic repository at Yucca Mountain. The NRC has not yet authorized such license request. President Obama's Administration has announced its decision not to proceed with the Yucca Mountain nuclear waste repository. On January 29, 2010, at President Obama's direction, the U.S. Secretary of Energy established a Blue Ribbon Commission on America's Nuclear Future to review policies and alternatives for the storage, processing, and disposal of civilian and defense nuclear fuel and nuclear waste. The ultimate outcome cannot be determined at this time. On March 3, 2010, the DOE filed a motion with the NRC to withdraw the license application to construct the national repository at Yucca Mountain.

Southern Company reports that sufficient pool storage capacity for spent fuel is available at Plant Vogtle to maintain full-core discharge capability for Vogtle Units 1 and 2 into 2014. Southern Company expects expanded wet storage capacity and construction of an on-site dry storage facility at Plant Vogtle to begin in sufficient time to maintain pool full-core discharge capability. According to Southern Company, the Plant Hatch on-site dry storage facility is operational and can be expanded to accommodate spent fuel through the expected life of the plant.

Southern Nuclear is a member of Private Fuel Storage, LLC, a joint utility effort to develop a private spent fuel storage facility for temporary storage of spent nuclear fuel. According to Southern Nuclear, the facility is licensed but it is unclear when it will be able to accept fuel, and construction of the facility has not taken place.

#### *Nuclear Insurance*

For a discussion of insurance on MEAG Power's nuclear facilities, see the section in the Annual Information Statement entitled "MEAG POWER – Regulation – *Nuclear Facilities*".

#### *Coal Purchases*

MEAG Power purchases coal for its interests in Plants Wansley and Scherer Units 1 and 2 through a combination of long-term contracts and spot market purchases. With respect to its long-term contracts, MEAG Power has implemented a coal procurement strategy of rolling contract expirations and procurements, which is intended to provide coal price stability. As provided for in the Plant Operating Agreements, MEAG Power manages its own coal stockpile inventory including selection of fuel sources, contract arrangements, and coal inventory levels. GPC, as the coal agent for MEAG Power as well as the other plant co-owners, has contracted Southern Company Fuel Services ("SCFS") to act as coal procurement agent and SCFS is responsible for issuance of requests for proposals for coal supply, contract negotiations, and scheduling coal delivery.

Plant Wansley burns low sulfur coal from coal mines in the Central Appalachian region, where coal prices have varied significantly in recent years. As reported by the Energy Information Administration, the monthly average spot price for Central Appalachian coal has ranged from a low of \$40 per ton in January 2007 to a high of \$140 per ton in August 2008. Subsequent to August 2008, the monthly average spot price declined to \$47 per ton in June 2009. Since June 2009, the monthly average spot price has generally increased, reaching \$64 per ton in May 2010.

MEAG Power reports that multi-year contract commitments and spot market purchases will supply all of the requirements at Plant Wansley through 2010. As of April 30, 2010, the coal stockpile at Plant Wansley contained an 87-day supply based on nominal full-load capacity.

Scherer Units 1 and 2 currently burn coal from sub-bituminous mines in the PRB region. PRB coal spot prices have also varied considerably, with monthly average spot prices ranging from about \$6 per ton in January 2005 to approximately \$20 per ton in January 2006. During 2007-2009, the monthly average spot price ranged from \$9 to \$15 per ton. Over the first five months of 2010, the monthly average spot prices have increased from \$9 to \$12 per ton. MEAG Power procures PRB coal for Scherer Units 1 and 2 through a combination of multi-year contract purchases and short-term spot purchases. MEAG Power estimates that its contract commitments and spot market purchases will provide for all of the plant requirements through 2010. As of April 30, 2010, the coal stockpile at Plant Scherer contained a 54-day supply for Units 1 and 2 based on nominal full-load capacity.

All coal for Plant Wansley and Plant Scherer is delivered in private rail cars, and each of the co-owners has provided cars that comprise a pool of cars used for these private rail car deliveries. To date, MEAG Power has contributed a total of 628 cars to the combined pool of cars for Plants Wansley and Scherer Units 1 and 2. According to MEAG Power, GPC has leased additional train sets under short-term (3-5 years) leases. The costs for these leased sets are allocated to each of the co-owners based upon their respective fuel consumption.

Starting in the latter half of 2008 and continuing through 2009, the combined effect of lower energy consumption due to the economic recession and declining prices of competitive fuels have considerably reduced the demand for eastern coal at Plant Wansley. MEAG is participating with GPC to cost-effectively balance supply and demand and keep inventory levels below the plant storage capacity limits.

### *Nuclear Fuel Purchases*

The production of nuclear fuel, which normally occurs over a period of approximately three years, is a multistep process involving the mining and conversion of natural uranium (“U<sub>3</sub>O<sub>8</sub>”), enrichment of the fuel, fuel fabrication, and fuel assembly (referred to as fuel in process or the construction period). Southern Nuclear, which operates all nuclear plants on the Southern System, procures the nuclear fuel and all associated design and processing services on behalf of MEAG Power and the other co-owners of Plant Hatch and Vogtle Units 1 and 2. Each year Southern Nuclear prepares a 10-year nuclear fuel plan which includes a projection of nuclear fuel purchases and projected fuel-operating information for the next ten year period.

The nuclear industry has seen considerable volatility in the price of natural uranium over the last few years. While spot and long term uranium prices had been relatively stable over the previous twenty years, typically below \$15/lb U<sub>3</sub>O<sub>8</sub>, by 2004 natural uranium prices had begun to increase. During 2007, the spot price for natural uranium peaked at \$136/lb U<sub>3</sub>O<sub>8</sub> and the long term price peaked at \$95/lb U<sub>3</sub>O<sub>8</sub>. Uranium ore concentrate spot and long-term prices have since declined and were approximately \$42 per lb U<sub>3</sub>O<sub>8</sub> and \$60 per lb U<sub>3</sub>O<sub>8</sub> as of May 2010, respectively. Although the total cost of nuclear fuel includes the other processing costs described above, the increase in uranium price has put upward pressures on the overall cost of nuclear fuel. According to MEAG Power, its average annual nuclear fuel costs, which are based on the most recent 10-year nuclear fuel plan, are projected to increase by an annual average rate of approximately 14% for Plant Hatch and 13% for Vogtle Units 1 and 2 over the period 2010 through 2015.

MEAG Power has an established nuclear fuel funding program that provides for the financing of nuclear fuel purchases.

### *Environmental Issues*

Plants Hatch, Vogtle, Wansley and Scherer are subject to federal, state, and local air and water quality requirements and other environmental laws, rules, and regulations. The United States EPA and the Georgia EPD have primary responsibility for developing and enforcing the requirements pursuant to statutes such as the federal CAA and Clean Water Act.

### *Air*

Under Title IV “Acid Deposition Control” of the Clean Air Act Amendments of 1990 (“CAAA”), specific reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions from fossil fuel-fired generating plants were required in two phases

(“Phase I” and “Phase II”). Phase I SO<sub>2</sub> and NO<sub>x</sub> compliance plans were implemented January 1, 1995 and January 1, 1996, respectively. Phase II compliance plans were implemented January 1, 2000. These programs limit SO<sub>2</sub> and NO<sub>x</sub> emissions from electric utility power plants and affect Plant Wansley and Plant Scherer.

The EPA established a cap-and-trade program whereby SO<sub>2</sub> emission allowances were allocated to existing units. Each unit must possess SO<sub>2</sub> emission allowances equal in number to its actual annual SO<sub>2</sub> emissions. An emission allowance is the authority to emit one ton of SO<sub>2</sub>, without penalty, during a calendar year. Plant Scherer and Plant Wansley are subject to Phase II SO<sub>2</sub> emission limitations and only Plant Wansley was subject to Phase I emission limitations. The method for allocating allowances is based on the fossil fuel consumed from 1985 through 1987 for each affected generating unit. Phase II allocations were more stringent than Phase I allocations. Emission allowances are transferable and can be bought, sold, or banked and used in the future.

The Clean Air Act also provides the EPA with the authority to establish National Ambient Air Quality Standards (“NAAQS”) for ambient air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan (“SIP”) to reduce or control the emissions that cause or contribute to the ambient air pollutant level in order to meet the standard and become an “attainment area.” The EPA periodically reviews and may revise the NAAQS for ambient air pollutants such as nitrogen dioxide, SO<sub>2</sub>, ozone, and particulate matter.

In October 1999, the Georgia EPD issued regulations to implement the SIP for attainment of the one-hour national ambient air quality ozone standard in Atlanta. This plan included new rules for emission requirements for the 13 county non-attainment area along with the surrounding 32 counties that were considered the area of influence. These regulations were issued to reduce ozone during the ozone season (May through September). Because NO<sub>x</sub> emissions are a precursor to the formation of ozone, the regulations require NO<sub>x</sub> emission reduction from power plants. The 1999 Atlanta area SIP emissions requirements became effective May 1, 2003. The regulations included target limits for individual units along with multi-plant averages.

The target NO<sub>x</sub> limit for Units 1 and 2 at Plant Wansley was set at 0.07 lb/mmBtu. The target NO<sub>x</sub> limit for Units 1 and 2 at Plant Scherer was set at 0.30 lb/mmBtu. To meet the new requirements, SCR systems for controlling NO<sub>x</sub> emissions were installed on the coal units at Plant Wansley. At Plant Scherer, SOFA systems were installed on Units 1 and 2. As a step towards maintaining attainment of the 8-hour ozone ambient air quality standard in the Macon area, the Georgia EPD has reduced the target NO<sub>x</sub> limits for Units 1 and 2 at Plant Scherer to 0.20 and 0.17 lb/mmBtu, respectively. These lower target levels, which became effective May 1, 2007, are consistent with the NO<sub>x</sub> emission levels the units were already achieving with the currently installed NO<sub>x</sub> control technology.

During 2005, the EPA issued three final rules affecting power plants:

- In March 2005, the EPA published final regulations for the Clean Air Interstate Rule (“CAIR”) which would have imposed a cap-and-trade program for both NO<sub>x</sub> and SO<sub>2</sub>. However, the U.S. Court of Appeals for the District of Columbia Circuit decided on July 11, 2008, to vacate CAIR in response to petitions for review challenging various aspects of the rule. At that time, the Court vacated CAIR and its associated Federal Implementation Plan in its entirety and remanded both to the EPA to promulgate a rule that is consistent with the Court’s opinion. On December 23, 2008, the Court issued an opinion in response to a petition for rehearing by the EPA. The Court held that CAIR shall

remain in effect until the EPA promulgates a new regulation that addresses the flaws that lead to the Court's decision to strike down CAIR. The specific changes to the rule to be made by the EPA and associated schedule for such changes are not known at the present time. Thus, CAIR became effective in 2009 for NO<sub>x</sub> and will become effective in 2010 for SO<sub>2</sub> with further reductions in emissions in 2015 for both NO<sub>x</sub> and SO<sub>2</sub>. Georgia adopted revisions to its SIP in 2007 for CAIR. CAIR affects 28 states, including Georgia, and the District of Columbia whose emissions affect attainment and maintenance of ambient air quality standards for ozone and fine particulate matter in downwind states. The EPA has identified budgets or caps that limit SO<sub>2</sub> and NO<sub>x</sub> emissions for each state subject to CAIR. The CAIR 2008 court rulings are not expected to disturb Georgia's Multipollutant Control for Electric Utility Steam Generating Units regulation. Specific SO<sub>2</sub> and NO<sub>x</sub> emissions control technologies have been or will be installed at the coal units in which MEAG Power has ownership interests, as required under the Georgia's multipollutant regulation (discussed below). The financial, operational and other impacts on MEAG Power of future requirements of a revised CAIR, including any requirements beyond those of Georgia's multipollutant regulation, cannot be determined at this time.

- The Clean Air Mercury Rule ("CAMR") would have required annual mercury emissions reductions by coal-fired units in all states in two phases (beginning in 2010 and 2018). The CAMR was intended to reduce annual mercury emissions nationwide to 38 tons beginning in 2010 and to 15 tons annually by 2018. In February 2008, the U.S. Court of Appeals, D.C. Circuit held that the EPA unlawfully delisted electric generating units from regulation under Section 112 of the Clean Air Act, and invalidated CAMR as a result. In March 2008, the EPA petitioned the D.C. Circuit for a rehearing *en banc* (by the entire judicial panel); the D.C. Circuit denied the petition in May 2008. In January 2009, the EPA requested that the U.S. Department of Justice withdraw its Petition for Writ of Certiorari filed with the U.S. Supreme Court, effectively ending the EPA's appeal of the February 2008 U.S. Court of Appeals decision. The CAMR 2008 court rulings, that effectively invalidated a Georgia mercury trading rule for implementing CAMR within Georgia, are not expected to disturb Georgia's Multipollutant Control for Electric Utility Steam Generating Units regulation. Specific control technologies that reduce mercury emissions have been or will be installed at the coal units in which MEAG Power has ownership interests, as required under Georgia's multipollutant regulation. The financial, operational and other impacts on MEAG Power of future requirements of a revised federal regulation, requiring control of mercury and other toxic air emissions, including any requirements beyond those of Georgia's multipollutant regulation, cannot be determined at this time.
- Best Available Retrofit Technology ("BART") rules address regional haze requirements under the federal CAA. These rules require certain large stationary emissions sources, including Plants Scherer and Wansley, to install BART as a component of a longer-term requirement to reduce haze in national parks and wilderness areas. However, Plants Scherer and Wansley participate in CAIR, which operates as a substitute for BART for SO<sub>2</sub> and NO<sub>x</sub> emissions. In June 2009, the State proposed a regional haze SIP to implement federal regional haze requirements including the BART rule, but no further action would likely be required by Plants Scherer or Wansley under the SIP.

The Georgia Multipollutant Control for Electric Utility Steam Generating Units regulation, finalized in 2007, specifies schedules for implementing controls towards achieving regional haze, ozone, and fine particulate matter requirements as they relate to MEAG Power's coal capacity. The Georgia Multipollutant Control for Electric Utility Steam Generating Units regulation requires the installation and operation of new emissions controls as follows:

- By December 31, 2008, install and operate a scrubber at Wansley Unit 1. [Completed on schedule.]
- By December 31, 2008, operate the existing SCR equipment at Wansley Unit 1 year-round. [Completed on schedule.]
- By June 1, 2009, install and operate a sorbent injection system and a baghouse at Scherer Unit 2. [Completed on schedule.]
- By December 31, 2009, install and operate a scrubber at Wansley Unit 2. [Completed on schedule.]
- By December 31, 2009, operate the existing SCR equipment at Wansley Unit 2 year-round. [Completed on schedule.]
- By December 31, 2009, install and operate a sorbent injection system and a baghouse at Scherer Unit 1. [Completed on schedule.]
- By December 31, 2013, install a scrubber and an SCR at Scherer Unit 2; and operate the scrubber year round and operate the SCR during Ozone Season.
- By December 31, 2014, install a scrubber and an SCR at Scherer Unit 1; and operate the scrubber year round and operate the SCR during Ozone Season.

To achieve compliance with all of the aforementioned air regulatory requirements, MEAG Power has invested approximately \$246.4 million from 2000 through 2009 in plant environmental enhancements. The environmental enhancements include a switch to lower sulfur and lower NO<sub>x</sub>-emitting fuel at Plant Scherer, the installation of Selective Catalytic Reduction technology to reduce NO<sub>x</sub> emissions at Plant Wansley, the installation of scrubbers at Plant Wansley to reduce SO<sub>2</sub> emissions, and the installation of baghouses and sorbent injection systems at Plant Scherer to reduce mercury emissions. MEAG Power reports installation of additional emissions control technologies to reduce SO<sub>2</sub> and NO<sub>x</sub> at Scherer Units 1 and 2 is currently in progress. To control overall compliance costs, MEAG Power participates in emissions-averaging and allowance trading programs where permitted by the applicable regulations.

Compliance going forward will require significant additional capital investment. MEAG Power estimates that the total capital cost for its ownership share for environmental compliance at Plants Wansley and Scherer to be expended over the period 2010-2014 will be approximately \$330.0 million.

In January 2010, the EPA published a proposed rule for a stricter NAAQS for ground-level ozone and released a final rule establishing a new primary one-hour NAAQS for nitrogen dioxide. In June 2010, the EPA released a final rule establishing a new one-hour NAAQS for SO<sub>2</sub>. The impact of these revised standards under the NAAQS SIP program will depend on the final federal regulations, the EPA implementation guidance, and resulting revisions to Georgia's SIP, and cannot be determined at this time.

In April 2007, the U.S. Supreme Court held that the EPA has the statutory authority under the CAA to regulate emissions of GHGs from new motor vehicles. In the decision, the Supreme Court stated that GHGs fit well within the CAA's broad definition of "air pollutant". The Supreme Court further stated that the EPA did not offer reasoned explanation for its refusal to decide whether GHGs cause or contribute to climate change, and that this lack of reasoned explanation was therefore "arbitrary, capricious, ... or otherwise not in accordance with law."

In response, the EPA issued in July 2008 an Advance Notice of Proposed Rulemaking ("ANPR") for "Regulating Greenhouse Gas Emissions Under the Clean Air Act" to present information relevant to, and to solicit public comments on dozens of issues relating to the Supreme Court's finding and on the types of regulations that could be proposed in response to such finding. The ANPR also sought comments on the framework and direction of the EPA's actions to regulate GHG emissions.

In December 2009, the EPA issued, as a final rule, "Endangerment and Cause or Contribute Findings for Greenhouse Gases Under Section 202(a) of the Clean Air Act." The EPA found that six GHGs taken in combination endanger public health and welfare. The EPA also found that the combined emissions of these GHGs from new motor vehicles and new motor vehicle engines contribute to the GHG air pollution that endangers public health and welfare under Section 202(a) of the CAA. The EPA defined "air pollution" referred to in Section 202(a) to be the mix of six long-lived and directly emitted GHGs (carbon dioxide, methane, nitrous oxide, hydro fluorocarbons, per fluorocarbons, and sulfur hexafluoride). In announcing the final endangerment rule, the EPA stated that its findings did not themselves impose any requirements on industry or other entities, but did act as a prerequisite to finalizing its proposed GHG emissions standards for light-duty vehicles. The December 2009 EPA final endangerment rule did not propose or take action under any other provisions of the CAA including provisions regulating fossil-fueled electricity generating plants.

In April 2010 and May 2010, respectively, the EPA issued two final rules related to regulation of GHGs. The first rule, "Reconsideration of Interpretation of Regulations That Determine Pollutants Covered by the Clean Air Act Permitting Programs," refined the EPA's interpretation of the regulatory phrase "subject to regulation" in the PSD program. The EPA stated that its PSD permitting requirements will not apply to a newly regulated pollutant (e.g., GHGs) until a regulatory requirement to control emissions of that pollutant "takes effect." The EPA further stated that its conclusions result in a determination that PSD and Title V permitting requirements will not apply to GHGs until at least January 2, 2011. That is the date when model 2012 vehicles subject to the EPA's GHG requirements for light-duty vehicles can first be manufactured. The second rule, "Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule," begins to phase-in the major source applicability thresholds for GHGs under the federal PSD pre-construction permitting program and the Title V operating permit program. The rule sets temporary levels for the PSD applicability thresholds or significant increase thresholds at 75,000 or 100,000 tons per year on a "carbon dioxide equivalent" basis. The rule also commits to proposing, finalizing, and making effective lower thresholds by July 2013. Similarly, the rule sets a temporary level for Title V applicability at 100,000 tons per year, and commits to proposing, finalizing, and making effective lower thresholds by July 2013 and by July 2016.

Under these rules GHG emissions from existing and future MEAG Power fossil fuel generating facilities will become subject to the same rules as other PSD pollutants such as SO<sub>2</sub> and NO<sub>x</sub>, commencing by no sooner than January 2, 2011.

Also in October 2009, the EPA issued final rules that require mandatory reporting of GHG emissions from all sectors of the economy. The rules respond to a requirement in the 2008 Consolidated Appropriations Act, enacted December 26, 2007, Public Law No. 110-161, that the EPA use its authority under the federal Clean Air Act to establish a mandatory GHG emissions reporting system by June 26, 2009. The rules require reporting by fossil-fuel suppliers and industrial-gas suppliers, direct GHG emitters and manufacturers of heavy-duty and off-road vehicles and engines.

According to the EPA, electricity-generating units subject to the CAA's Acid Rain Program (the "Acid Rain Program") would continue to measure CO<sub>2</sub> emissions and heat input as presently performed and report GHG emissions under the mandatory GHG reporting rules based on those measurements.

Control of GHGs such as CO<sub>2</sub> is receiving a great deal of attention within the United States Congress and many state legislatures. Various bills have been introduced in the U.S. Senate and House to address concerns regarding global climate change. Some of these bills would directly or indirectly regulate CO<sub>2</sub> and other GHG emissions from power plants and other emissions sources. One method of regulation

being considered is a cap-and-trade system with CO<sub>2</sub> emission allowances comparable to what presently exists for SO<sub>2</sub> and NO<sub>x</sub> emissions. Because no such bill or regulation has been enacted to date, the cost impact of global climate legislation, or regulation, on MEAG Power is uncertain. For further information, see the section in this Report entitled “MEAG POWER – CLIMATE CHANGE LEGISLATION OR REGULATIONS”.

### *Water*

On February 16, 2004, the EPA promulgated a new rule for Section 316(b) of the Clean Water Act. This rule establishes location, design, construction and capacity standards for cooling water intake structures at existing power plants that use large amounts of cooling water (greater than 50 million gallons per day). Existing facilities, particularly those with once-through cooling, may be subject to additional mitigation requirements and/or monitoring requirements as part of National Pollutant Discharge Elimination System reviews and/or renewals. On April 1, 2009, the U.S. Supreme Court held in an opinion on the case challenging the EPA’s Section 316(b) rule that it is permissible for utility companies and regulators to apply cost-benefit analysis when permitting cooling water intake structures under the Clean Water Act. The EPA is in the process of developing a rule consistent with the Court’s opinion. According to MEAG Power, because MEAG Power’s power plants do not have once-through cooling, it is not expected that the rule, when final, will significantly affect these plants.

In response to a 2004 Georgia statute, the Georgia EPD prepared in 2007 and the Georgia Water Council approved in 2008 a “Georgia Comprehensive State-wide Water Management Plan” (“2008 Water Plan”). By a 2008 Resolution, the Georgia General Assembly ratified the 2008 Water Plan. The 2008 Water Plan is a blueprint intended to guide future decisions about water management in Georgia. The 2008 Water Plan recognizes that, in order to support Georgia’s economy, to protect public health and natural systems, and to enhance quality of life, Georgia must protect the ability of the state’s water resources to meet all reasonable current and future water needs of the state. The 2008 Water Plan is to be implemented in conjunction with Georgia’s existing Drought Management Plan and other statutes and regulations that guide responses to droughts and other emergency circumstances. The 2008 Water Plan calls for development of regional water plans during the 2009-2011 period based on regional water forecasts that employ management practices following state policies and guidelines. The financial and operational impact of the 2008 Water Plan on MEAG Power cannot be determined at this time.

On March 9, 2009, the EPA issued information request letters (“Information Request Letters”) to electric utilities that have surface impoundments or similar units that contain coal combustion residuals (“Cars”) such as fly ash and flue gas desulfurization byproducts. The EPA request followed a December 22, 2008 release of coal ash at the Tennessee Valley Authority’s Kingston, Tennessee facility that, according to the EPA, flooded more than 300 acres of land, damaged homes and property, and filled large areas of adjoining rivers resulting in fish kills. The EPA stated that it would review the responses to the Information Request Letters to identify impoundments or similar units that need priority attention. GPC received Information Request Letters for Plant Scherer and Plant Wansley and responded to the EPA on March 25, 2009. Subsequently, the EPA listed 49 CAR management units at 30 facilities that have a “high hazard potential” rating; neither Plant Scherer nor Plant Wansley was on this list.

In May 2010, the EPA announced proposed regulations for regulating Car’s under the Federal Resource Conservation and Recovery Act. The financial and operational impacts to MEAG Power of these proposed regulations cannot be determined at this time.

The EPA has also completed a multi-year study of the steam electric power generating industry, and based on the results, has determined that revising the current effluent guidelines for the industry is warranted. The EPA has stated that its decision to revise the current effluent guidelines is largely driven by the high level of toxic-weighted pollutant discharges from coal-fired power plants and the expectation that these discharges will increase significantly in the next few years as new air pollution controls are installed. Additional information about data collected and findings of the EPA's study were presented in a final report that the EPA released in October 2009. After such guidelines are finalized, the EPA and state agencies would incorporate new standards into wastewater discharge permits. Plant Scherer and Plant Wansley currently hold wastewater discharge permits that could be affected by the new standards. The financial and operational impact to MEAG Power of the effluent guidelines and standards under development by the EPA cannot be determined at this time.

### ESTIMATED FUTURE FINANCING REQUIREMENTS

The costs of Capital Improvements for Project One will be financed under the Project One Resolution. All senior lien bonds and subordinated lien bonds heretofore or hereafter issued under the Project One Resolution are herein referred to as "Project One Senior Bonds" and "Project One Subordinated Bonds", respectively. Such Project One Subordinated Bonds have been issued pursuant to MEAG Power's Project One Subordinated Bond Resolution adopted by MEAG Power on October 20, 1982, as amended and supplemented (the "Project One Subordinated Resolution"), which is supplemental to the Project One Resolution.

The costs of Capital Improvements for the Existing General Resolution Projects will be financed under the General Resolution Projects Resolution. All senior lien bonds and subordinated lien bonds heretofore or hereafter issued under the General Resolution Projects Resolution are herein referred to as "General Resolution Projects Senior Bonds" and "General Resolution Projects Subordinated Bonds", respectively. Such General Resolution Projects Subordinated Bonds have been issued pursuant to MEAG Power's General Resolution Projects Subordinated Bond Resolution adopted by MEAG Power on November 2, 1985, as amended and supplemented (the "General Resolution Projects Subordinated Resolution"), which is supplemental to the General Resolution Projects Resolution.

### NEW MONEY REQUIREMENTS OF PROJECTS ONE, TWO, THREE AND FOUR

MEAG Power plans to finance the estimated future costs of Capital Improvements relating to generating and transmission facilities of its Projects One, Two, Three and Four through a combination of Subordinated Bonds and Revenues. MEAG Power currently anticipates that Subordinated Bonds issued to fund a portion of Capital Improvements will be in the form of taxable and/or tax-exempt commercial paper notes ("CP Notes"). Other projected costs for Capital Improvements, excluding reload nuclear fuel, are assumed to be funded from Revenues through the Renewal and Replacement Account in the Reserve and Contingency Fund and from proceeds of prior issues of subordinated debt that were deposited into construction fund accounts. For additional information, see the section in the Annual Information Statement entitled "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS".

Estimates of MEAG Power's costs for the Capital Improvements of Project One and Project Four related to nuclear fuel reflect implementation of a program by MEAG Power to pay for the costs of such fuel partly from Revenues and partly from the issuance of Subordinated Bonds for the applicable Project. Pursuant to MEAG Power's program to pay for the costs of nuclear fuel from the issuance of Subordinated Bonds and Revenues derived from billing Participants for the amortization of nuclear fuel

costs, it is projected that it will be necessary for MEAG Power to issue additional Subordinated Bonds during 2011 to finance additional nuclear fuel in an approximate principal amount of \$35 million for Project One. For Project Four, it is projected that additional financing of nuclear fuel will not be required before 2014.

MEAG Power developed its projected costs of direct construction for the Capital Improvements to Plant Hatch, Vogtle Units 1 and 2, Plant Wansley and Plant Scherer over the projected period 2010 through 2014 based on information set forth in GPC's September 2009 construction budget and other expenditures for Capital Improvements as estimated by MEAG Power in October 2009. The nuclear fuel costs for 2010 through 2014 are based upon MEAG Power's Corporate Budgeting projections prepared in October 2009. The cost estimates reflected herein for additional transmission facilities during the period 2010 through 2014 are based on budgeted information prepared by MEAG Power in August 2009.

MEAG Power's projected costs of Capital Improvements, which are assumed to be funded from a combination of Subordinated Bonds and Revenues, are summarized in the following table for Project One and the Existing General Resolution Projects for the period 2010 through 2014.

Year	Project One			Existing General Resolution Projects		
	Bond Funded	Revenue Funded	Total	Bond Funded	Revenue Funded	Total
2010	\$76,850 [1]	1,314	78,164	\$34,564 [2]	385	34,949
2011	116,535	1,347	117,882	67,561	395	67,956
2012	107,788	1,381	109,169	79,237	405	79,642
2013	67,517	1,415	68,932	46,986	415	47,401
2014	<u>60,472</u>	<u>1,451</u>	<u>61,923</u>	<u>14,072</u>	<u>425</u>	<u>14,497</u>
Total	\$429,162	\$6,908	\$436,070	\$242,420	\$2,025	\$244,445

[1] Of such amount, \$58,078,000 was funded through the issuance of Project One Subordinated Bonds, Series 2009B (the "Project One 2009B Bonds") in January 2010.

[2] Of such amount, \$3,120,000 was funded through the issuance of General Resolution Projects Subordinated Bonds, Series 2009B (the "General Resolution Projects 2009B Bonds", and together with the Project One 2009B Bonds, the "Series 2009B Bonds") in January 2010.

MEAG Power continually reviews its construction budget and, when necessary, makes revisions thereto to reflect changes in assumptions with respect to construction cost estimates, construction expenditure schedules, interest rates, and other factors. Based on the financing-related assumptions set forth herein under "PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS", MEAG Power has projected that additional financing in the total amount of approximately \$371 million (after giving effect to amounts funded in January 2010 through the issuance of the Project One 2009B Bonds) will be required from 2010 through 2014 to fund the estimated costs of Project One Capital Improvements, including additional transmission facilities, nuclear fuel and environmental compliance costs, through December 2014.

For the Existing General Resolution Projects, MEAG Power has projected that additional financing in the total amount of approximately \$239 million (after giving effect to amounts funded in January 2010 through the issuance of the General Resolution Projects 2009B Bonds) will be required to provide for the Capital Improvements of Projects Two, Three and Four during the period 2010 through 2014, including environmental compliance costs, through December 2014. For additional information, see the section in

the Annual Information Statement entitled "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Financing Program – *Future Financing*".

The following table shows the aggregate principal amount of Project One Senior Bonds, Project One Subordinated Bonds, General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds previously issued to finance the Initial Facilities and Capital Improvements of Project One and to finance the Initial Facilities and Capital Improvements of the Existing General Resolution Projects. The table also includes the bond amounts projected to be required to fund Capital Improvements through year-end 2014. Such bond amounts, as adjusted to reflect the issuance of the Project One 2009B Bonds and the General Resolution Projects 2009B Bonds, were developed for purposes of preparing MEAG Power's projected net power costs through the year 2014 and are assumed to be issued annually to fund certain Capital Improvements for Project One and the Existing General Resolution Projects. For further information on bonds issued and proposed to be issued by MEAG Power, see the section in the Annual Information Statement entitled "CAPITAL IMPROVEMENTS AND FINANCING PROGRAM – Financing Program".

Previously Issued and Projected Senior Bonds and Subordinated Bonds  
\$(000)

Year of Issue	Project One			Existing General Resolution Projects		
	Senior Bonds	Subordinated Bonds	Total	Senior Bonds	Subordinated Bonds	Total
Previously Issued as of						
12/31/2009	\$ 1,626,496 [1]	\$ 2,121,913 [2]	\$ 3,748,409	\$ 693,851 [3]	\$ 719,187 [4]	\$ 1,413,038
1/1/2010-5/31/2010	-	41,576 [5]	41,576	-	2,700 [6]	2,700
6/1/2010-12/31/2010	-	18,772 [7]	18,772	-	31,444 [8]	31,444
2011	-	116,535 [9]	116,535	-	67,561 [10]	67,561
2012	-	107,788 [9]	107,788	-	79,237 [10]	79,237
2013	-	67,517 [9]	67,517	-	46,986 [10]	46,986
2014	-	60,472 [9]	60,472	-	14,072 [10]	14,072
Total	\$ 1,626,496	\$ 2,534,573	\$ 4,161,069	\$ 693,851	\$ 961,187	\$1,655,038

[1] Amounts shown do not reflect accretion on Senior Bonds issued as Capital Appreciation Bonds and are net of previously refunded Project One Senior Bonds, which total approximately \$3.851 billion.

[2] Of such amount, the net amount of Subordinated Bonds excluding CP Notes is approximately \$1.823 billion (which reflects previously refunded amounts totaling \$1.614 billion) and the net amount of CP Notes is approximately \$299 million (which reflects previously refunded amounts of \$480 million). Amounts shown do not reflect accretion on Subordinated Bonds issued as Capital Appreciation Bonds.

[3] Includes approximately \$37 million principal amount of Project Two Senior Bonds, \$68 million principal amount of Project Three Senior Bonds and \$589 million principal amount of Project Four Senior Bonds. Amount shown does not reflect accretion on Senior Bonds issued as Capital Appreciation Bonds and is net of approximately \$1.583 billion principal amount of General Resolution Projects Senior Bonds previously refunded.

[4] Of such amount, the net amount of Subordinated Bonds excluding CP Notes is approximately \$602 million (which reflects previously refunded amounts totaling \$150 million) and the net amount of CP Notes is approximately \$118 million (which reflects previously refunded amounts totaling \$94 million). Amounts shown do not reflect accretion on Subordinated Bonds issued as Capital Appreciation Bonds.

[5] Amount shown reflects the issuance of \$263,685,000 principal amount of the Project One 2009B Bonds on January 7, 2010, which together with other available funds, provided for the refunding of \$222,109,000 aggregate principal amount of Project One Subordinated Bonds and Project One CP Notes between January 7, 2010 and February 8, 2010 and the financing of certain Capital Improvements for Project One.

[6] Amount shown reflects the issuance of \$10,710,000 principal amount of the General Resolution Projects 2009B Bonds on January 7, 2010, which together with other available funds provided for the refunding of \$8,010,000 aggregate principal amount of General

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Resolution Projects Subordinated Bonds and CP Notes between January 7, 2010 and January 11, 2010 and the financing of certain Capital Improvements for the Existing General Resolution Projects.

- [7] Amount shown reflects the principal amount of Project One CP Notes assumed to be issued between June 1, 2010 and December 31, 2010 to fund certain Capital Improvements for Project One through December 31, 2010. MEAG Power's total projected financing requirements for 2010 to fund Capital Improvements for Project One are \$76,850,000, including \$58,078,000 funded through the issuance of the Project One 2009B Bonds.
- [8] Amount shown reflects the principal amount of General Resolution Projects CP Notes assumed to be issued between June 1, 2010 and December 31, 2010 to fund certain Capital Improvements for the Existing General Resolution Projects through December 31, 2010. MEAG Power's total projected financing requirements for 2010 to fund Capital Improvements for the Existing General Resolution Projects are \$34,564,000, including \$3,120,000 funded through the issuance of the General Resolution Projects 2009B Bonds.
- [9] Amounts are assumed to be issued in January to fund certain Capital Improvements for Project One through December of the respective year. Amount shown in 2011 includes \$35 million assumed to be issued to finance additional nuclear fuel.
- [10] Amounts are assumed to be issued in January to fund certain Capital Improvements for the Existing General Resolution Projects through December of the respective year.

The total financing to pay the cost of acquisition and construction of the Initial Facilities of Project One has been completed. The total financing amount that was required to pay the cost of acquisition and construction of the Initial Facilities and Capital Improvements of Project One as of December 31, 2009 was approximately \$3.748 billion, of which approximately \$1.626 billion were Project One Senior Bonds and \$2.122 billion were Project One Subordinated Bonds. After issuance of the Project One 2009B Bonds in January 2010, the net issuance of Project One Subordinated Bonds was approximately \$2.163 billion. The presently estimated additional indebtedness required from 2010 through the year 2014 to finance future Project One Capital Improvements through December 2014 is approximately \$371 million (including nuclear fuel and after giving effect to amounts previously funded through the issuance of the Project One 2009B Bonds).

The total financing to pay the cost of acquisition and construction of the Initial Facilities of the Existing General Resolution Projects has been completed. The total financing amount that was required to pay the cost of acquisition and construction of the Initial Facilities and Capital Improvements of the Existing General Resolution Projects as of December 31, 2009 was approximately \$1.413 billion, of which approximately \$694 million were General Resolution Projects Senior Bonds and \$719 million were General Resolution Projects Subordinated Bonds. After issuance of the General Resolution Projects 2009B Bonds in January 2010, the net issuance of General Resolution Projects Bonds was approximately \$722 million. The presently estimated additional indebtedness required from 2010 through the year 2014 to finance future Existing General Resolution Projects Capital Improvements through December 2014 is approximately \$239 million (after giving effect to amounts previously funded through the issuance of the General Resolution Projects 2009B Bonds).

## PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

We have reviewed the estimates and projections of the projected operating results prepared by MEAG Power for Project One and the Existing General Resolution Projects and have found them consistent with our understanding of the Power Sales Contracts relating to each Project; the PSSA with GPC; the Project One Resolution, the Project One Subordinated Resolution, the General Resolution Projects Resolution, and the General Resolution Projects Subordinated Resolution; and the various generation and transmission ownership and operating agreements relating to the Projects (the "Project Agreements"). For additional information on the Project Agreements, see Appendix E to the Annual Information Statement.

In the preparation of its projected operating results, MEAG Power has made certain assumptions with respect to conditions that may occur in the future. While we believe these assumptions are reasonable for

the purpose of this Report, they are dependent upon future events and actual conditions may differ from those assumed. In addition, MEAG Power has used and relied upon certain information and assumptions provided to MEAG Power by others. While MEAG Power believes the sources to be reliable, it has not independently verified the information and offers no assurances with respect thereto. To the extent that actual future conditions differ from those assumed herein or provided to MEAG Power by others, the actual results will vary from those forecast. The principal considerations and assumptions made by MEAG Power in preparing its projected operating results over the period 2010 through 2014 are summarized below.

1. MEAG Power's projections of demand and energy requirements for the period 2010 through 2014 contained herein are based on the load forecast prepared by MEAG Power in October 2009. (See the section of this Report entitled "MEAG POWER – Historical and Projected Demand and Energy Requirements"). The load forecast is based on an econometric model prepared by MEAG Power and reflects the following major assumptions:
  - (a) MEAG Power will provide all Supplemental Power requirements to 48 of the 49 Participants. The projections reflect that Calhoun's procurement of its Supplemental Bulk Power Supply from alternate sources will continue through the projected period. See the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – Provisions for Participants to Obtain Supplemental Power from Alternative Sources";
  - (b) Economic growth in the state of Georgia is represented by total real personal income. Based on projections provided by a forecasting service retained by MEAG Power, the effects of slower economic growth experienced during 2008 and 2009 are projected to recover beginning in 2010 at an average growth rate through 2014 that is comparable to recent historical economic growth in Georgia prior to the 2008 and 2009 economic downturn;
  - (c) Normal weather conditions will prevail over the forecast period, except with regard to the near-drought conditions in 2010 (as drought conditions are assumed to improve), resulting in a lower than average forecasted amount of SEPA energy in 2010;
  - (d) A large interruptible manufacturing facility served by one of the MEAG Power Participants will load manage or interrupt its operations to reduce its load of approximately 25 MW to 1 MW during the hours of MEAG Power's system peak demand;
  - (e) Certain adjustments for known incremental or decremental Participant load changes are reflected in the forecast; and
  - (f) Any changes in the current regulatory and competitive environment will not affect the forecast of demand and energy requirements through 2014.
2. MEAG Power has assumed that all of the generating units in each Project and the CC Project will continue to operate during each year until the end of the respective estimated useful lives, which are set forth below.

Generating Facility	Fuel Type	Total Capacity [1] (MW)	MEAG Power's Ownership Interest [2]			Facility In-Service Date	Estimated Year of Retirement
			Project One (%)	General Resolution (%)	All Projects (%)		
Hatch Unit 1	Nuclear	155	17.7	0.0	17.7	12/31/75	2034
Hatch Unit 2	Nuclear	156	17.7	0.0	17.7	09/05/79	2038
Vogtle Unit 1	Nuclear	261 [3]	17.7	5.0	22.7	06/01/87	2047
Vogtle Unit 2	Nuclear	261 [3]	17.7	5.0	22.7	05/20/89	2049
Wansley Unit 1	Coal	128 [4]	10.0	5.1	15.1	12/24/76	2030
Wansley Unit 2	Coal	128 [4]	10.0	5.1	15.1	04/25/78	2031
Wansley CT	Oil	9 [5]	10.0	5.1	15.1	11/01/80	2022
Wansley CC	Gas	502	0.0	0.0	100.0	06/01/04	2039
Scherer Unit 1	Coal	247	10.0	20.2	30.2	03/19/82	2035
Scherer Unit 2	Coal	247	10.0	20.2	30.2	02/01/84	2036
Total		<u>2,094</u>					

- [1] MEAG Power's total ownership generating capacity reported at the production level (Level B-1) is based on the 2010 Unit Ratings except as noted below.
- [2] Amounts shown are MEAG Power's ownership percentages of each generating facility in Projects One, Two, Three and Four and the Wansley Combined Cycle Project.
- [3] Pursuant to the Project Agreements between MEAG Power and GPC, capacity sales to GPC from the Vogtle Units 1 and 2 are approximately 115 MW in the 2010 Budget and 115 MW for the period 2011 through November 30, 2012, 71 MW for the period December 1, 2012 through October 31, 2014, and 26 MW for the period November 1, 2014 through December 31, 2014.
- [4] Reflects the 2010 Budget Ratings used in 2010. Amounts projected to be 129 MW based on the 2010 Unit Ratings in 2011 through 2014.
- [5] Absent emergency conditions, the Wansley CT cannot operate in the summer because of environmental restrictions.

3. MEAG Power's projections of costs and power supply resources set forth herein reflect the sales of capacity and energy to GPC from MEAG Power's ownership interests in Vogtle Units 1 and 2 for Project One and Project Four. See the section in this Report entitled "MEAG POWER – Transactions with Other Utilities – *Contract Sales to GPC*".
4. MEAG Power's projections of its future capacity and energy resources for the period 2010 through 2014 reflect the following:
  - (a) As a result of the power supply arrangement with GPC under the PSSA that became effective August 1, 1997, MEAG Power supplies the majority of the Participants' Supplemental Bulk Power Supply requirements from sources other than GPC, rather than through purchases of partial requirements power from GPC. It has been assumed that the PSSA between GPC and MEAG Power will be renewed each year and remain in effect through 2014.
  - (b) It was assumed that MEAG Power would continue to purchase output from a small qualifying facility ("QF") located on the MEAG Power system. The annual capacity and energy associated with the QF is projected to be 0.5 MW and 2.2 GWh, respectively, as measured at level B-1.
  - (c) MEAG Power will supply a portion of Supplemental Power through a 20-year contract to purchase capacity and energy from an existing 150 MW (nominal rating) combustion turbine facility that began in May 2009.

- (d) MEAG Power will supply a portion of Supplemental Power through a recently executed 24 MW purchase of base-load (7x24) energy from a financially firm contract with Morgan Stanley Capital Group Inc. over the period 2010 through 2014.
  - (e) Based on a 15% reserve level, MEAG Power estimates that it will have adequate capacity and energy to serve its load and reserve requirements during 2010 through 2014.
  - (f) The projected output of each of MEAG Power's generating facilities is based on a computer simulation of the future operations of generating units prepared by MEAG Power. Under the terms of the PSSA, MEAG Power has assumed that it will fully dispatch and utilize its own resources (including SEPA and MEAG Power's ownership shares of Plant Wansley, the Wansley combustion turbine, Scherer Units 1 and 2, and the Wansley Combined Cycle Facility) and purchases from the wholesale power market to serve the Participants' load requirements and to provide for firm and non-firm sales to other utilities. The average annual capacity factors resulting from such simulations over the period 2010 through 2014 are approximately 90% for the Vogtle Units 1 and 2, 90% for the Plant Hatch units, 62% for the Plant Wansley units, 88% for Scherer Units 1 and 2 and 22% for the Wansley Combined Cycle Facility.
  - (g) MEAG Power has assumed that it will make energy sales to and purchases from the wholesale power market at market prices that are based on the marginal energy costs in the MEAG Power market area and scheduling of MEAG Power's off-system transactions through TEA. The modeling techniques for this market transaction analysis involve utilization of energy "clearing prices" in each interconnected market. These clearing prices, developed internally by MEAG Power's Power Supply Department, include provisions for recovery of transmission system losses and a base level margin of profit for each transaction between MEAG Power (through TEA) and the markets. An estimate of MEAG Power's share of TEA's operating expenses is included in MEAG Power's projection of other fixed costs. Off-system sales revenues are reduced by the variable portions of TEA operating costs and Transmission Reservation Fees, and applicable SO<sub>2</sub> and NO<sub>x</sub> allowance purchases.
5. For the period 2010 through 2014, MEAG Power's estimated costs of future Capital Improvements to its existing generating plants were based on GPC's September 2009 construction budget submittal for Plants Hatch, Vogtle Units 1 and 2, Wansley, and Scherer. MEAG Power has assumed that it will fund the costs for future Capital Improvements to the existing generating facilities from revenues, proceeds of prior debt issues that are remaining in the construction funds, and proceeds of future subordinated debt issues.
6. The projections of MEAG Power's investment responsibility in the ITS are based upon updated estimates prepared in August 2009 by GPC, MEAG Power, and the other parties to the revised and restated ITS Agreement. Projections of additions to MEAG Power's investment in the ITS for the period 2010 through 2014 are based on MEAG Power's 2010 ITS budget, and its construction budget for 2011 through 2014. MEAG Power has assumed that it will fund all of the costs of additional transmission facilities from future issues of Project One subordinated debt. Based on projections of MEAG Power's transmission investment and its investment responsibility for the period 2010 through 2014, MEAG Power has projected that it will receive parity payments in 2011 through 2014. See, however, the section in the Annual Information Statement entitled "COMPETITION – Certain Factors Affecting the Electric Utility Industry – *FERC Initiatives*".

7. The Senior Bonds and Subordinated Bonds projected to be issued for MEAG Power's Project One and Existing General Resolution Projects are based upon the assumptions that:

(a) The size and timing of projected subordinated debt will occur according to the schedule set forth below:

Projected Bonds Required for Capital Improvements \$(000)		
Year	Project One	Existing General Resolution Projects
2010	\$ 76,850 [1]	\$ 34,564 [2]
2011	116,535 [3]	67,561
2012	107,788	79,237
2013	67,517	46,986
2014	<u>60,472</u>	<u>14,072</u>
Total	\$ 429,162	\$ 242,420

[1] Of such amount, \$58,078,000 was funded through the issuance of the Project One 2009B Bonds.

[2] Of such amount, \$3,120,000 was funded through the issuance of the General Resolution Projects 2009B Bonds.

[3] Includes \$35 million for nuclear fuel.

(b) For Project One and the Existing General Resolution Projects, subordinated debt estimated to be issued in the future for Capital Improvements, the costs of discount and debt issuance expense, legal, fiscal, engineering, and other expenses are assumed to be paid from certain available monies of MEAG Power, not from proceeds of the future subordinated debt.

(c) The programs to pay for the costs of nuclear fuel of Projects One and Four through the issuance of Subordinated Bonds will remain in effect at least through the year 2014. It is estimated that it will be necessary for MEAG Power to issue additional Subordinated Bonds during 2011 to finance additional nuclear fuel in an approximate principal amount of \$35 million for Project One. For Project Four, it is projected that additional financing of nuclear fuel will not be required before 2014.

8. MEAG Power has assumed that SEPA will continue to supply capacity and energy to the Participants under the contracts effective October 1, 1996 at least through 2014. The projections assume that the current amounts of SEPA capacity received by the Participants will continue to be supplied by SEPA through 2014. For information relating to events that could affect the capacity and energy amounts supplied by SEPA, see the section in the Annual Information Statement entitled "MEAG POWER – Bulk Power Supply Operations – *Southeastern Power Administration (SEPA)*".

This Report has been prepared on the assumption that all contracts, agreements, statutes, rules and regulations (hereinafter described as "contractual and legal requirements") that have been relied upon by us in preparing this Report will be fully enforceable in accordance with their terms and conditions. We make no representations or warranties, and provide no opinion, concerning the enforceability or legal interpretation of such contractual and legal requirements. This Report summarizes our work up to the date of the Report.

The projections of electric power and energy requirements for MEAG Power are based on the assumptions that, after the slower economic growth experienced in 2008 and 2009, the State of Georgia will continue to experience economic conditions comparable to those of the historical period 2000 through 2007 and that changes occurring in the electric utility industry will not have a significant impact on MEAG Power through the year 2014. It has also been assumed that the Georgia Territorial Act that regulates the service rights of all retail electric suppliers in Georgia will remain unchanged and in effect. Due to uncertainties caused by variable factors, such as changes affecting fuel supply and delivery, environmental compliance, and other factors affecting MEAG Power's costs, and changes in technology, legislation and regulation, the considerations and assumptions and projections set forth herein could be impacted. For discussions of regulation, certain factors affecting the electric utility industry, service area, and competition, see the sections in the Annual Information Statement entitled "MEAG POWER – Regulation" and "COMPETITION".

## CONCLUSIONS

Based upon the foregoing assumptions and upon the analyses and studies as summarized in this Report, which Report should be read in its entirety in conjunction with the following, we are of the opinion that:

1. The total financing to pay the cost of acquisition and construction of the Initial Facilities of Project One and the Existing General Resolution Projects is complete. Based on the current cost estimates and the assumptions described herein, and after giving effect to the issuance of the Series 2009B Bonds, it is presently estimated that (i) additional Project One bonds in a total principal amount of approximately \$371 million will be required to be issued over the period 2010 through 2014 to finance a portion of future Capital Improvements of Project One, including additional transmission facilities, nuclear fuel and certain environmental compliance costs, through December 2014; and (ii) additional Existing General Resolution Projects bonds in a total principal amount of approximately \$239 million will be required to be issued over the period 2010 through 2014 to finance a portion of future Capital Improvements for Projects Two, Three, and Four, including certain environmental compliance costs, through December 2014.
2. The amounts of capacity and energy retained by MEAG Power from each of the generating units included in Projects One, Two, Three and Four, after giving effect to the output and services available from SEPA, and the sale to GPC of a portion of the output and services of Projects One and Four, can be beneficially utilized by MEAG Power in serving the long-range power and energy requirements of the Participants.
3. Based upon the current projections of demand and annual energy requirements of the MEAG Power system, MEAG Power should have sufficient retained output from Project One, Project Two, Project Three, and Project Four to meet its base and intermediate load requirements through 2014. Giving effect to the assumed continuation of purchases by the Participants of power from SEPA, and giving effect to MEAG Power's capacity and energy from the CC Project, capacity

and energy from existing contractual purchases and assuming that MEAG Power will acquire additional capacity and energy as planned, there should be adequate Bulk Power Supply resources available to MEAG Power to meet all of its requirements through 2014.

We have reviewed the Annual Information Statement to which this Report is appended and, in our opinion, the information presented therein which is taken from our Report or which otherwise is attributed to us is accurately presented.

Respectfully submitted,

**/s/ R. W. BECK, INC.**



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