



## Revenue and Cost Analysis

**Revenues:** Total revenues through September 30, 2009 were \$512.1 million compared to total revenues of \$581.0 million for the same period of 2008. This 11.9% decrease was due mainly to Participant revenues, which were down \$53.5 million due primarily to the funds from the Municipal Competitive Trust (Competitive Trust) applied to offset expenses in Project One and the General Resolution Projects and thereby lowering Participant billings. The first amendment to the terms of the Competitive Trust authorizes MEAG Power to apply funds from certain Competitive Trust accounts for the purpose of lowering the Participants' annual generation charges from MEAG Power during the period 2009 through 2018. For the nine months ended September 30, 2009, such credits applied to offset expenses totaled \$57.5 million. During this period, energy delivered to the Participants decreased 4.7% from the same period in 2008 due to the general economic slowdown and summer weather that was cooler than normal, which also contributed to the decrease in Participant revenues. Higher Participant billings for debt service partially offset the impact of these factors.

A decrease of \$15.4 million in other revenues was mainly due to a decline of \$27.8 million in off-system energy sales related to both volume and price, and lower demand resulting from the economic and weather conditions mentioned previously. This decrease was partially offset by an increase of \$9.5 million in contract energy sales.

**Operating Expenses:** Year-to-date operating expenses through September 30, 2009 decreased 4.2% to \$385.3 million, compared to \$402.3 million for the same period in 2008. Fuel expense decreased \$28.7 million primarily due to coal cost. A decrease of \$28.2 million in coal cost resulted from lower utilization of coal resources related to additional days of planned maintenance and increased utilization of the Wansley Combined Cycle Facility (CC Facility) due to favorable natural gas prices. Natural gas expense also decreased \$2.5 million due to price, while nuclear fuel expense increased \$2.0 million due to an increase in amortization rates. Other generating expenses decreased \$4.3 million due primarily to reduced planned major maintenance at the nuclear plants. The decreases in fuel and other generating expenses were partially offset by a \$12.5 million increase in purchased power due to new capacity and/or energy purchase agreements, as well as favorable wholesale power market prices resulting in additional off-system purchases and less generation from MEAG Power plants.

**Interest Expense, Net:** As of September 30, 2009, net interest expense, which includes stated interest expense and other related components such as amortization of debt discount and expense, interest income, net change in the fair value of financial instruments, and interest capitalized, totaled \$97.3 million. This 25.2% decrease from the total of \$130.0 million for the same period in 2008 was mainly due to a \$39.3 million increase in the fair value of financial instruments, primarily related to the value of decommissioning investments. An increase in capitalized interest of \$9.3 million on a portion of the bonds issued in 2009, related to nuclear fuel purchases and the Vogtle Expansion Projects, as well as a decrease of \$3.0 million in stated interest expense, due to lower interest rates on variable rate bonds, also decreased net interest expense. These factors were partially offset by a \$19.8 million decrease in interest income due primarily to lower interest rates in the market.

The weighted average interest rate of MEAG Power's debt was 3.67% and 4.78% for the nine months ended September 30, 2009 and 2008, respectively, with the decrease attributable to low interest rates on variable rate bonds and the 2009 short-term financing for the Vogtle Expansion Projects. Such rates exclude the impact of receipts and payments pertaining to interest rate swap agreements, as well as other related net interest expense components listed above.

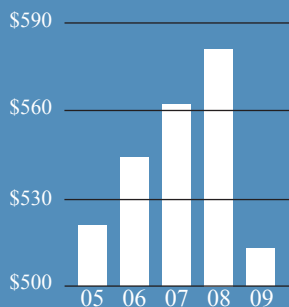
## Operations

Through September 30, 2009, energy delivered to MEAG Power Participants decreased 4.7% from the same period in 2008, due primarily to the economic slowdown and cooler summer weather mentioned above. Total power cost to the Participants, including energy purchased from the Southeastern Power Administration (SEPA), was 5.40 cents/kilowatt-hour (kWh) for the nine months ended September 30, 2009, compared to 5.60 cents/kWh for the same period in 2008. The improvement was due to the funds applied from the Competitive Trust to offset expenses in Project One and the General Resolution Projects, which lowered Participant billings as discussed above, as well as a decrease in SEPA costs. The impact of these factors was partially offset by decreases related to off-system energy sales revenues and energy delivered.

The 2009 year-to-date capacity factor of the nuclear units was 87.2%, comparable to the factor through September 30, 2008. The coal units' capacity factor decreased to 62.9% from 85.7% due to the additional days of planned maintenance and switching to higher use of the CC Facility, as mentioned above. The CC Facility's equivalent availability factor through September 30, 2009 was 94.2% and its starting reliability was 97.6%, comparable to September 30, 2008 factors.

## TOTAL REVENUES

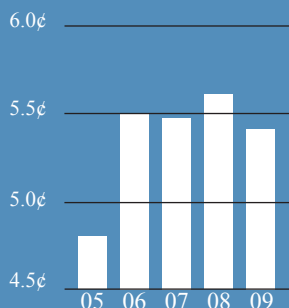
(in millions of dollars)



Total revenues through September 30 decreased 11.9% from 2008 to 2009 due primarily to funds from the Competitive Trust applied to offset expenses, which lowered Participant billings. The general economic slowdown and cooler summer weather also reduced revenues.

## COST TO PARTICIPANTS

(Cents per kWh)



Cents per kWh improved to 5.40 through September 30, 2009, compared to 5.60 for the same period in 2008, primarily due to the reduction in Participant billings related to the Competitive Trust funding, partially offset by the impact of decreases related to off-system energy sales revenue and energy delivered.

## CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

(In thousands)	September 30, 2009								Sept. 30, 2008
	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Expansion Projects	Trust Funds	Telecom Project <sup>(1)</sup>	Eliminations	Total	Total
<b>ASSETS</b>									
Property, plant and equipment – net	\$1,504,976	\$518,052	\$278,337	\$239,545	\$ –	\$11,381	\$ –	<b>\$2,552,291</b>	\$2,220,017
Other non-current assets	527,841	181,113	42,616	264,784	823,840	1,189	(219,318)	<b>1,622,065</b>	1,390,238
Current assets	367,367	123,351	56,972	161,960	184,476	2,186	(230,582)	<b>665,730</b>	734,848
Deferred debits	601,149	140,732	4,432	3,363	(491,417)	(5,249)	–	<b>253,010</b>	293,802
<b>TOTAL ASSETS</b>	<b>\$3,001,333</b>	<b>\$963,248</b>	<b>\$382,357</b>	<b>\$669,652</b>	<b>\$ 516,899</b>	<b>\$9,507</b>	<b>\$(449,900)</b>	<b>\$5,093,096</b>	<b>\$4,638,905</b>
<b>LIABILITIES</b>									
Long-term debt	\$2,385,697	\$838,001	\$348,991	\$495,974	\$ –	\$7,445	\$(218,388)	<b>\$3,857,720</b>	\$3,392,255
Lease finance obligation	–	–	–	–	309,390	–	–	<b>309,390</b>	296,015
Other non-current liabilities	337,999	56,396	–	–	16,751	515	–	<b>411,661</b>	358,857
Current portion of long-term debt	113,043	46,483	13,735	–	–	1,050	(930)	<b>173,381</b>	194,298
Flexible trust funds held for Participants	–	–	–	–	167,601	–	–	<b>167,601</b>	137,422
Other current liabilities	164,594	22,368	19,631	173,678	23,157	497	(230,582)	<b>173,343</b>	260,058
<b>TOTAL LIABILITIES</b>	<b>\$3,001,333</b>	<b>\$963,248</b>	<b>\$382,357</b>	<b>\$669,652</b>	<b>\$ 516,899</b>	<b>\$9,507</b>	<b>\$(449,900)</b>	<b>\$5,093,096</b>	<b>\$4,638,905</b>

## CONDENSED CONSOLIDATED STATEMENT OF NET REVENUES (Unaudited)

(In thousands)	Nine months ended September 30, 2009								Nine months ended Sept. 30, 2008 <sup>(4)</sup>
	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Expansion Projects	Trust Funds	Telecom and Business Units <sup>(1)</sup>	Eliminations	Total	Total
<b>Revenues:</b>									
Participant <sup>(2)</sup>	\$223,123	\$118,264	\$54,060	\$ –	\$ –	\$4,109	\$ –	<b>\$399,556</b>	\$453,057
Other	66,247	25,575	20,751	–	–	79	(84)	<b>112,568</b>	127,983
<b>Total revenues</b>	<b>289,370</b>	<b>143,839</b>	<b>74,811</b>	<b>–</b>	<b>–</b>	<b>4,188</b>	<b>(84)</b>	<b>512,124</b>	<b>581,040</b>
<b>Operating expenses<sup>(3)</sup></b>	<b>175,358</b>	<b>94,405</b>	<b>54,868</b>	<b>–</b>	<b>57,739</b>	<b>2,986</b>	<b>(84)</b>	<b>385,272</b>	<b>402,331</b>
<b>Net operating revenues (loss)</b>	<b>114,012</b>	<b>49,434</b>	<b>19,943</b>	<b>–</b>	<b>(57,739)</b>	<b>1,202</b>	<b>–</b>	<b>126,852</b>	<b>178,709</b>
<b>Net interest expense (income)</b>	<b>59,667</b>	<b>32,590</b>	<b>11,718</b>	<b>–</b>	<b>(7,027)</b>	<b>316</b>	<b>–</b>	<b>97,264</b>	<b>130,023</b>
<b>Decrease (increase) in net costs to be recovered from Participants</b>	<b>54,345</b>	<b>16,844</b>	<b>8,225</b>	<b>–</b>	<b>(50,712)</b>	<b>886</b>	<b>–</b>	<b>29,588</b>	<b>48,686</b>
<b>NET REVENUES</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ –</b>

(1) In order to expand the type of services previously provided to the Participants by the Business Units, the Participants contracted with another organization to provide such services and MEAG Power terminated its Business Units contracts, effective July 1, 2009. Business Units' revenue and expense totals through June 30, 2009 are included in the Condensed Consolidated Statement of Net Revenues.

(2) Net of over-recovery of \$24.4 million and \$19.1 million for the nine months ended September 30, 2009 and 2008, respectively. These amounts are included in other current liabilities and may not be indicative of future results. The final 2008 over-recovery has been distributed to the Participants.

(3) Includes \$57.5 million of funding during 2009 from the Competitive Trust to offset expenses in Project One and the General Resolution Projects.

(4) Certain amounts have been adjusted to reflect MEAG Power's early adoption of Governmental Accounting Standards Board Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments."

These condensed consolidated financial statements, which include the accounts of the Power Revenue Bond Resolution (Project One), the General Power Revenue Bond Resolution (General Resolution Projects), the Combined Cycle Project Bond Resolution (Combined Cycle Project), the Vogtle Expansion Projects, the Municipal Competitive Trust and the Deferred Lease Financing Trust (Trust Funds), the Telecommunications Project (Telecom), as well as the Distribution Services and the Marketing Services Business Units (Business Units), should be read in conjunction with MEAG Power's 2008 audited financial statements.

## BUSINESS DESCRIPTION

The Municipal Electric Authority of Georgia (MEAG Power) exists for one primary reason: to generate and transmit reliable and economical wholesale electric power to our 49 Participants. We have addressed this requirement successfully in our more than three decades of service since being chartered by the Georgia General Assembly as a public corporation. We provide power through our co-ownership of two nuclear and two coal-fired generating plants, sole ownership of a combined cycle facility, as well as ownership of over 1,300 miles of high-voltage transmission lines and nearly 200 substations. MEAG Power also monitors and advocates on wholesale energy issues at the state and federal levels on behalf of our Participants. MEAG Power is among the country's leading joint action agencies, with one of the most diversified fuel portfolios in the Southeast. We were also one of the first public power organizations to extend the initial term of our power sales contracts, thus providing for the continued operation and financing of our generation and transmission assets in the most efficient manner. As a public power enterprise, MEAG Power was created to serve our Participants. It is for their benefit, not shareholders', that we exist; it is their decisions at the local level that drive our long-term operations; and it is by combining their voices into one that we help protect their interests as energy policies and legislation are discussed and enacted.