MEAG POWER 2016 FINANCIAL REVIEW

Management's Discussion and Analysis of Financial Condition and Results of Operations (unaudited)

INTRODUCTION

The Municipal Electric Authority of Georgia (MEAG Power) is a public corporation and an instrumentality of the State of Georgia (the State), created by the State for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of the State which owned and operated electric distribution systems as of March 18, 1975, and which contracted with MEAG Power for the purchase of wholesale power. The statute under which it was created provides that MEAG Power will establish rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit, unless any such profit inures to the benefit of the public. Forty-eight cities and one county in the State (the Participants) have contracted with MEAG Power for bulk electric power supply needs.

MEAG Power's assets include ownership interests in 10 electric generating units, which all have been placed in service. In addition, MEAG Power may purchase from, sell to or exchange with other bulk electric suppliers additional capacity and energy in order to enhance the Participants' bulk power supply. MEAG Power's ownership interests in those 10 generating units represent 2,069 megawatts (MW) of nominally rated generating capacity, consisting of 808 MW of nuclear-fueled capacity, 750 MW of coal-fired capacity, 503 MW of combined cycle capacity and 8 MW of combustion turbine capacity. MEAG Power also has an ownership interest, through the Project Entities, as discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities," in two additional nuclear generating units under construction at Plant Vogtle, Unit Nos. 3 (Vogtle Unit 3) and 4 (Vogtle Unit 4) (collectively, Vogtle Units 3&4), which represent 500 MW of nominally rated generating capacity. MEAG Power also owns transmission facilities that, together with those of other utilities, form a statewide, integrated transmission system.

MEAG Power is comprised of the following reporting components, as discussed in the Notes to Consolidated Financial Statements (Notes) Note 1 (A), "The Organization — Reporting Entity":

- Project One;
- General Resolution Projects;
- Combined Cycle Project (CC Project);
- Vogtle Units 3&4 Projects and Project Entities;
- The Municipal Competitive Trust (Competitive Trust) and the Deferred Lease Financing Trust (see "Financial Condition Overview — 2016 Compared with 2015 — Assets and Deferred Outflows of Resources" and Note 1 (E), "The Organization — Trust Funds — Deferred Lease Financing Trust" for a discussion of a 2016 transaction that terminated a long-term lease transaction), herein collectively referred to as the Trust Funds; and
- Telecommunications Project (Telecom).

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

This discussion serves as an introduction to the basic consolidated financial statements of MEAG Power to provide the reader with an overview of MEAG Power's financial position and operations.

The Consolidated Balance Sheet summarizes information on all of MEAG Power's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources.

Revenue and expense information is presented in the Consolidated Statement of Net Revenues. Revenues represent billings for wholesale electricity sales to the Participants and sales of electricity to unrelated parties (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues"), as well as billings of Telecom. Expenses primarily include operating costs and debt service-related charges.

The Consolidated Statement of Cash Flows is presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing and financing activities.

The Notes are an integral part of MEAG Power's basic consolidated financial statements and provide additional information on certain components of these statements.

FINANCIAL CONDITION OVERVIEW

MEAG Power's Consolidated Balance Sheet as of December 31, 2016, 2015 and 2014 is summarized below (in thousands):

	2016	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Property, plant and equipment, net	**$5,255,928**	$4,913,961	$4,575,586
Other non-current assets	**2,682,344**	3,524,718	2,508,067
Current assets	**1,076,261**	904,048	795,608
Deferred outflows of resources	**101,462**	99,171	96,071
Total Assets and Deferred Outflows of Resources	**$9,115,995**	$9,441,898	$7,975,332
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Long-term debt	**$6,772,670**	$6,833,409	$5,534,638
Non-current liabilities	**855,906**	1,258,358	1,229,159
Current liabilities	**984,836**	985,544	1,009,299
Deferred inflows of resources	**502,583**	364,587	202,236
Total Liabilities and Deferred Inflows of Resources	**$9,115,995**	$9,441,898	$7,975,332

The primary changes in MEAG Power's consolidated financial condition as of December 31, 2016 and 2015 were as follows:

2016 Compared with 2015

Assets and Deferred Outflows of Resources

During 2016, total assets and deferred outflows of resources decreased $325.9 million due to a decrease in other non-current assets of $842.4 million, which was partially offset by increases of $342.0 million in property, plant and equipment (PP&E), $172.2 million in current assets and $2.3 million in deferred outflows of resources.

The main component pertaining to both other non-current assets and current assets was special funds, which had a $793.1 million decrease in other non-current assets and a $175.7 million increase in current assets. The primary factors related to special funds were outflows of: (i) $360.0 million pertaining to a March 31, 2016 agreement between MEAG Power and a third party that terminated a long-term lease transaction and other related agreements prior to their expiration dates (Termination Agreement) involving MEAG Power's undivided interest in Unit Nos. 1 and 2 of both Plant Scherer and Plant Wansley (see Note 1 (E), "The Organization — Trust Funds — Deferred Lease Financing Trust"); (ii) $438.4 million for bond refundings other than bonds redeemed in conjunction with the Termination Agreement; (iii) construction work in progress (CWIP) payments of $450.5 million, primarily related to construction at Vogtle Units 3&4; and (iv) transfers of $61.8 million applied to lower Participant billings in Project One (Competitive Trust Funding) (see Note 1 (E), "The Organization — Trust Funds — Municipal Competitive Trust"). These outflows were partially offset by bond proceeds of $458.9 million, net proceeds from lines of credit and other short-term debt of $120.5 million, voluntary Participant deposits and interest earnings into the flexible trust funds held for the Participants (Flexible Trust) of $18.0 million, as well as $18.3 million in voluntary Participant deposits for new generation projects (see "Liabilities and Deferred Inflows of Resources").

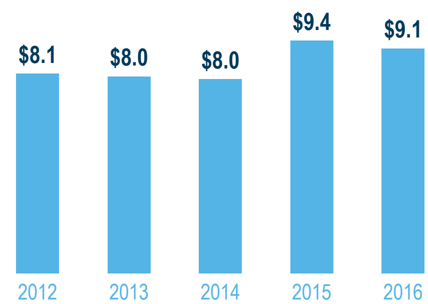
Also within other non-current assets, net costs to be recovered from Participants decreased $45.5 million due primarily to a $95.2 million decrease in the Trust Funds pertaining to the Termination Agreement. This factor was partially offset by a $49.7 million increase in the Vogtle Units 3&4 Projects and Project Entities due to net interest expense of $59.5 million (see "Results of Operations — 2016 Compared with 2015 — Net Interest Expense"), which was partially offset by $9.8 million in timing differences between amounts billed and expenses determined in accordance with accounting principles generally accepted in the United States (Timing Differences) (see Note 2 (A), "Summary of Significant Accounting Policies and Practices — Basis of Accounting"). A decrease of $3.5 million in unamortized bond issuance costs was due to ending amortization of bonds paid off in conjunction with the Termination Agreement, as well as normal amortization.

The increase in PP&E was primarily due to CWIP, which increased $301.0 million due mainly to additions at Vogtle Units 3&4, including manufacturing of major components such as the reactor vessels' internal parts and other related components, reactor coolant pumps, squib valves, core makeup tanks and passive residual heat removal heat exchangers, fabrication and assembly of structural and mechanical modules, and site construction in the nuclear islands and balance of plant areas at Vogtle Units 3&4 totaling $292.4 million. In-service additions increased $107.5 million due mainly to equipment upgrades and replacements at generating plants of $35.0 million, updated costs pertaining to retirement of long-lived assets of $32.8 million, as well as transmission and distribution additions of $30.4 million. These increases in PP&E were partially offset by accumulated depreciation increases totaling $62.3 million. Nuclear fuel net of amortization decreased $4.3 million due to amortization of fuel in the reactors exceeding expenditures related to fuel in process, which was partially offset by the cost of the initial core nuclear fuel for Vogtle Units 3&4.

In addition to the increase in current special funds, current assets also increased due to an increase of $4.7 million in receivables from Participants, due mainly to higher December 2016 billings for certain fuel costs. Fuel stocks decreased $7.2 million due mainly to lower inventory levels and lower average cost of coal.

The increase in deferred outflows of resources was primarily due to an increase of $13.4 million in unamortized loss on refunded debt related to bond issuances during 2016, which were partially offset by decreases in normal amortization. A decrease of $10.4 million in the accumulated decrease in fair market value of hedging derivatives was due to interest rate swap obligations and natural gas hedges, which increased in fair value by $5.7 million and $4.7 million, respectively.

TOTAL ASSETS & DEFERRED OUTFLOWS
(in billions of dollars)



Total assets and deferred outflows of resources decreased $326 million during 2016 due primarily to a $618 million decrease in special funds mainly related to CWIP payments, bond refundings and the termination of the Lease Financing Trust. PP&E increased $342 million due primarily to construction of Vogtle Units 3&4.

Liabilities and Deferred Inflows of Resources

A decrease of $397.2 million in total debt outstanding resulted from decreases of $60.7 million in long-term debt, $407.9 million in the lease finance obligation and $49.1 million in the current portion of long-term debt. These factors were partially offset by an increase in lines of credit and other short-term debt of $120.5 million.

Long-term debt and the current portion of long-term debt decreased due primarily to refundings of $756.1 million, principal payments of $253.4 million and a reduction in scheduled bond amortization of $49.1 million. These factors were partially offset by $491.4 million in debt issuances, and capitalized interest accretion of $32.3 million, as well as a net premium increase of $55.1 million.

A decrease of $402.5 million in non-current liabilities was primarily due to the decrease in the lease finance obligation, resulting from the Termination Agreement. Competitive Trust obligations also decreased $24.2 million due to $42.5 million in Competitive Trust Funding, which was partially offset by an increase of $18.3 million in Participant deposits to defray the future costs of new generation projects. A decrease of $27.3 million in other non-current liabilities was due to decreases of $20.1 million in accruals related to Vogtle Units 3&4 and $6.4 million in interest rate swap obligations. These factors were partially offset by an increase of $56.9 million in asset retirement obligations (ARO), of which $32.8 million pertained to updated ARO estimates for retirement of long-lived assets (see "Assets and Deferred Outflows of Resources") and $24.6 million was for normal accretion (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning").

2016 Compared with 2015 (Continued)

Current liabilities decreased $0.7 million during 2016. In addition to the decrease in the current portion of long-term debt, construction liabilities decreased $75.9 million due mainly to accruals for Vogtle Units 3&4. Competitive Trust obligations decreased $0.5 million due to a decrease of $18.5 million in the current portion of Competitive Trust Funding, which was partially offset by an increase of $18.0 million in the Flexible Trust (see "Assets and Deferred Outflows of Resources"). These factors were partially offset by the increase in lines of credit and other short-term debt, which was primarily due to $275.0 million of Series 2016A BANs (Series 2016A BANs) issued in March 2016 (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Credit Agreements and Other Short-Term Debt — Other Short-Term Debt") to refund a portion of the bonds paid off with the Termination Agreement. In June 2016, $124.0 million of the Series 2016A BANs were paid down with proceeds from the Series 2016A Bonds (see the "Subordinated Debt" section of Notes 5). Also during 2016, $6.1 million (net of payments) in other line of credit draws were made. The issuance of the Series 2016A BANs was partially offset by a pay down of $36.6 million on the CC Project line of credit using advances of $32.5 million from the Competitive Trust (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds"). Accrued interest increased $4.0 million due primarily to debt issued in the second half of 2015, as well as in June 2016. An increase of $1.4 million in accounts payable was primarily due to an $8.9 million increase in 2016 year-end settlement refunds due to the Participants (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Year-End Settlement") and a $2.8 million increase in ad valorem tax accruals mainly related to Vogtle Units 3&4, which were partially offset by normal, timing-related factors.

An increase of $138.0 million in deferred inflows of resources was primarily due to Timing Differences.

2015 Compared with 2014

Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased $1.5 billion during 2015 due to increases of $338.4 million in PP&E, $1.0 billion in other non-current assets, $108.4 million in current assets and $3.1 million in deferred outflows of resources.

PP&E increased due primarily to in-service additions of $79.5 million, including equipment upgrades and replacements at Plant Hatch and Plant Vogtle Unit Nos. 1 and 2 (Vogtle Units 1&2) of $45.7 million, as well as transmission additions of $26.4 million. An increase of $323.7 million in CWIP was mainly related to work at Vogtle Units 3&4 pertaining to manufacturing of major components such as the reactor vessels' internal parts and other related components, reactor coolant pumps and steam generators, fabrication and assembly of structural and mechanical modules, and site construction in the nuclear islands and balance of plant areas totaling $294.6 million, as well as transmission additions of $15.4 million. Nuclear fuel net of amortization increased by $6.6 million due to an increase in nuclear fuel reload costs at Plant Hatch and Vogtle Units 1&2 totaling $6.7 million, which was partially offset by an increase in amortization of $2.7 million. Another factor was the cost of the initial core nuclear fuel for Vogtle Units 3&4, which increased $2.6 million. These increases in PP&E were partially offset by an increase in accumulated depreciation of $71.4 million.

The increase in other non-current assets was due primarily to special funds, which increased $935.8 million mainly related to $1.3 billion in proceeds from the DOE Guaranteed Loans and certain other borrowings for Vogtle Units 3&4. Proceeds received from bond issuances in other projects totaled $178.6 million. An additional $23.1 million was received from the Participants for the Environmental Facilities Reserve Accounts (see Note 4, "Special Funds and Supplemental Power Account — Environmental Facilities Reserve Accounts"). These factors were partially offset by CWIP payments pertaining to the work at Vogtle Units 3&4 discussed above, net interest payments on Vogtle Units 3&4 Bonds of $264.0 million (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities"), certain other PP&E-related improvements also discussed above, as well as Competitive Trust Funding of $77.2 million. Net costs to be recovered from Participants increased $55.6 million due mainly to net interest expense in the Vogtle Units 3&4 Projects and Project Entities of $57.1 million. An increase of $26.1 million in unamortized bond issuance costs was primarily due to the DOE Guaranteed Loans.

Current assets increased also mainly due to special funds, which increased $116.9 million due primarily to $140.0 million in proceeds from the DOE Guaranteed Loans, as well as voluntary Participant deposits and interest earnings into the Flexible Trust (see "Liabilities and Deferred Inflows of Resources"). These factors were partially offset by CWIP payments for construction at Vogtle Units 3&4. Materials, supplies and other assets increased $11.8 million due primarily to inventory materials for plant maintenance and certain prepayments. Fuel stocks decreased $6.1 million due mainly to coal burn requirements exceeding deliveries. A $5.8 million decrease in securities lending collateral was due primarily to a decrease in lending activity.

The increase in deferred outflows of resources was due to a decrease of $5.6 million in the fair market value of interest rate swap obligations and natural gas hedges, as well as a $4.5 million increase pertaining to the adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27" in 2015. These factors were partially offset by a $7.0 million decrease in unamortized loss on refunded debt, due to normal amortization.

Liabilities and Deferred Inflows of Resources

Total debt outstanding increased $1.2 billion resulting from increases of $1.3 billion in long-term debt, $33.4 million in the current portion of long-term debt and $17.6 million in the lease finance obligation. These factors were partially offset by a decrease in lines of credit and other short-term debt of $146.6 million.

The increase in long-term debt was due mainly to advances totaling $1.1 billion from the DOE Guaranteed Loans, $267.7 million in other borrowings for Vogtle Units 3&4 and $169.9 million in other bond issuances. These factors were partially offset by principal payments.

During 2015, non-current liabilities increased by $29.2 million due mainly to an increase in ARO of $39.7 million, primarily related to decommissioning estimates (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning"). The increase in the lease finance obligation was due to normal accretion. Other non-current liabilities increased $10.8 million due mainly to increases of $8.7 million in accruals related to Vogtle Units 3&4 and $4.4 million in interest rate swap obligations, which were partially offset by a decrease of $2.2 million in the net pension liability. These factors were partially offset by a decrease in Competitive Trust obligations of $39.0 million primarily related to Competitive Trust Funding of $60.2 million, which was partially offset by Participant funding of new generation projects of $21.2 million.

2015 Compared with 2014 (Continued)

A decrease of $23.8 million in current liabilities was primarily due to the decrease in lines of credit and other short-term debt, which was primarily attributable to pay downs, as well as a $5.8 million decrease in securities lending collateral, due to a decrease in lending activity. These factors were partially offset by an increase of $49.6 million in construction liabilities, related primarily to accruals for Vogtle Units 3&4, as well as the increase in the current portion of long-term debt. An increase of $26.7 million in Competitive Trust obligations was mainly due to an increase of $42.1 million in voluntary Participant deposits and interest earnings into the Flexible Trust, which was partially offset by a decrease of $15.4 million in the current portion of Competitive Trust Funding. Accounts payable increased $13.7 million due to a $10.8 million increase in 2015 year-end settlement refunds due to the Participants (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Year-End Settlement"), as well as normal, timing-related factors. An increase of $5.3 million in accrued interest was primarily related to the DOE Guaranteed Loans and other borrowings for Vogtle Units 3&4, which were partially offset by lower accruals in other projects due to less principal outstanding in 2015 compared with 2014.

Deferred inflows of resources increased $162.4 million due primarily to Timing Differences of $172.0 million, which were partially offset by ARO of $16.3 million.

RESULTS OF OPERATIONS

MEAG Power's Consolidated Statement of Net Revenues for each of the years ended December 31, 2016, 2015 and 2014 is summarized below (in thousands):

	2016	2015	2014
Revenues:			
Participant	**$ 544,127**	$ 523,710	$621,208
Other	**117,255**	119,243	127,363
Total revenues	**661,382**	642,953	748,571
Operating expenses	**628,218**	594,125	636,613
Net operating revenues	**33,164**	48,828	111,958
Interest expense, net	**143,665**	180,102	148,469
Change in net costs to be recovered from Participants or Competitive Trust obligations	**(110,501)**	(131,274)	(36,511)
Net Revenues	**$ —**	$ —	$ —

The primary changes in MEAG Power's results of operations for the years ended December 31, 2016 and 2015 were as follows:

2016 Compared with 2015

Revenues

Total revenues for 2016 were $661.4 million compared with $643.0 million for 2015. Participant revenues increased $20.4 million, while other revenues decreased $2.0 million. The increase in Participant revenues was due primarily to a decrease of $17.9 million in deferred inflows of resources due mainly to the Termination Agreement and ARO-related items, a planned reduction of $15.4 million in Competitive Trust Funding in Project One, as well as $3.8 million in revenue pertaining to debt principal collected for Project M of the Vogtle Units 3&4 Projects and Project Entities (see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, Financing and DOE Guaranteed Loans — Vogtle Units 3&4 Projects"). These items were partially offset by lower Participant billings for fuel and certain variable costs.

In comparison with 2015, other revenues decreased $6.6 million due to a damage award received in 2015 related to the permanent disposal of spent nuclear fuel (see "2015 Compared with 2014 — Revenues"). Other revenues were also reduced by a scheduled reduction in a long-term sales agreement with Georgia Power Company (GPC) related to the output of Vogtle Units 1&2, which decreased capacity and energy sales by $1.2 million, as well as a decrease of $0.8 million in off-system energy sales due to lower volume of the energy sold. These factors were partially offset by $6.0 million in revenue pertaining to debt principal collected for Project J and Project P of the Vogtle Units 3&4 Projects and Project Entities (see same section of Note 1 (D) as referenced in the prior paragraph).

2016 Compared with 2015 (Continued)

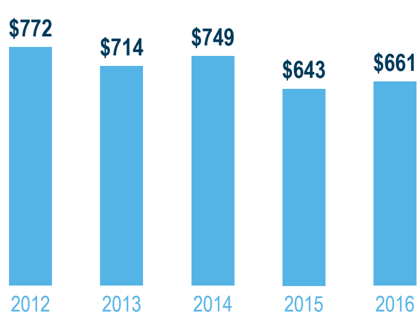
Operating Expenses

2016 operating expenses increased 5.7% to $628.2 million, compared with $594.1 million for 2015. An increase of $34.6 million in other generating and operating expense was primarily due to expenses totaling $42.3 million related to the Termination Agreement, which was partially offset by a decrease of $3.5 million in purchases under the Pseudo Scheduling and Services Agreement (PSSA) (see Note 2 (G) "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities — Pseudo Scheduling and Services Agreement").

Depreciation expense increased $4.7 million due primarily to accretion of ARO. An increase of $2.8 million in transmission expense was primarily due to a decrease in net receipts pertaining to joint-ownership of the integrated transmission system.

These factors were partially offset by a decrease of $7.9 million in purchased power expense due to the expiration of a power purchase agreement, which was partially offset by higher volume in off-system energy purchases. A net decrease of $0.1 million in total fuel expense was mainly due to a $9.7 million decrease in coal expense, which was partially offset by increases of $5.8 million and $4.1 million in nuclear fuel and natural gas, respectively. The decrease in coal expense was due to a 2% decrease in consumption and a 9% decrease in price. Nuclear fuel expense increased due to higher on-site storage costs and a 2% increase in generation, which were partially offset by a 2% decrease in amortization rates. The increase in natural gas expense was due to a 1% increase in generation from the CC Project and a reduction in margins on gas sales to third parties, which were partially offset by a 3% decrease in gas prices. Both the decrease in coal consumption and the increase in CC Project generation were related to lower natural gas prices, which resulted in economic dispatch of the Wansley Combined Cycle Facility (CC Facility) ahead of MEAG Power's coal resources.

TOTAL REVENUES
(in millions of dollars)



An increase of $18 million in total revenues during 2016 pertained to deferred inflows of resources, a planned reduction in Competitive Trust Funding, and higher debt service billings, including initial principal billings pertaining to certain Vogtle 3&4 bonds. These items were partially offset by lower Participant billings for fuel and certain variable costs and a $2 million decrease in other revenues.

Net Interest Expense

During 2016, net interest expense, which includes interest expense and other related components such as amortization of debt discount and expense, investment income, net change in the fair value of financial instruments, interest capitalized and subsidy on Build America Bonds (collectively, Net Interest Expense), totaled $143.7 million. This 20.2% decrease from the total of $180.1 million for 2015 was due primarily to changes in these components of Net Interest Expense:

- Amortization of debt discount and expense decreased $17.7 million due primarily to lower accretion as a result of the Termination Agreement, as well as recent bond issuances.
- An increase of $16.5 million in interest capitalized was due mainly to additional capital investment in the Vogtle Units 3&4 Project Entities.
- The fair value of financial instruments increased $13.2 million due primarily to an increase in equity fair market values and an increase in the market value of fixed-income holdings, which were partially offset by a reduction in certain investment balances related to sales of securities.
- Investment income increased $12.2 million due mainly to gains on sales of securities.

The above factors were partially offset by an increase of $23.4 million in interest expense due primarily to DOE Guaranteed Loans issued during 2015 and other debt issued in the second half of 2015, as well as in June 2016. The impact of these debt issuances was partially offset by a lower average debt balance on other bonds outstanding during the period due to scheduled principal payments and bond refundings.

Net Costs to Be Recovered or Competitive Trust Obligations

The change in net costs to be recovered from Participants or Competitive Trust obligations was $110.5 million and $131.3 million for the years ended December 31, 2016 and 2015, respectively. A decrease of $7.1 million in net costs to be recovered from Participants in the Vogtle Units 3&4 Projects and Project Entities pertained to Timing Differences of $9.7 million, which were partially offset by an increase of $2.4 million in Net Interest Expense in those projects. The change in Competitive Trust obligations decreased $13.6 million due primarily to the planned reduction in Competitive Trust Funding discussed in "Revenues."

2015 Compared with 2014

Revenues

2015 total revenues were $643.0 million compared with $748.6 million for 2014. Participant revenues decreased $97.5 million and other revenues decreased $8.1 million. The decrease in Participant revenues was due primarily to a $68.3 million increase in deferred inflows of resources pertaining to Timing Differences, mainly related to billings to the Participants for debt service that exceeded depreciation expense, as well as a reduction in major maintenance performed on the CC Facility (see "Operating Expenses"). Participant revenues were also impacted by a reduction in Participant billings for operating expenses and debt service. These factors were partially offset by increased revenue requirements due to a planned reduction of $16.4 million in Competitive Trust Funding in Project One, as well as a scheduled reduction in a sales agreement with GPC, as discussed below.

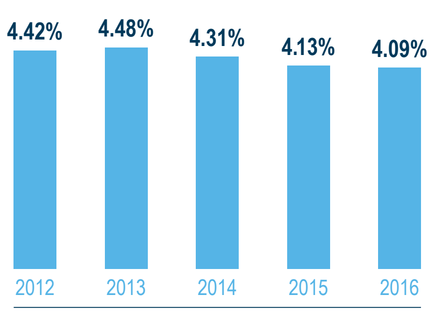
2015 Compared with 2014 (Continued)

Other revenues decreased due mainly to a scheduled reduction in a long-term sales agreement with GPC related to the output of Vogtle Units 1&2, which decreased capacity and energy sales by $18.9 million, as well as a decrease of $10.3 million in off-system energy sales due to pricing of the energy sold. These factors were partially offset by an increase of $14.2 million in contract energy sales under the PSSA. Also during 2015, MEAG Power received $6.6 million representing its share of a U.S. Court of Federal Claims award pertaining to a claim against the U.S. Government for damages related to the permanent disposal of spent nuclear fuel for the years 2005 through 2010 (see Note 2 (G), "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities — Nuclear Generating Facilities").

Operating Expenses

Operating expenses for 2015 decreased 6.7% to $594.1 million, compared with $636.6 million for 2014. A decrease of $30.8 million in other generating and operating expense was primarily due to a reduction in major maintenance performed on the CC Facility, as well as a decrease in planned nuclear refueling outages. Purchases under the PSSA decreased $11.9 million due to reduced coal unit utilization as a result of natural gas dispatch options being more favorable in 2015, as discussed below. Total fuel expense decreased $6.2 million due to a decrease of $19.1 million in coal expense, which was partially offset by increases of $11.7 million in natural gas expense and $1.3 million in nuclear fuel expense. The decrease in coal expense was due to a 13% decrease in consumption, related to lower coal unit utilization, and a 5% reduction in unit price. Natural gas expense increased due to a substantial increase in generation from the CC Facility and a reduction in margins on gas sales to third parties, which were partially offset by a significant decrease in gas prices. The increase in CC Facility generation was due to the lower gas prices, which resulted in economic dispatch of natural gas resources before MEAG Power's coal resources. Nuclear fuel expense increased due mainly to a 4% increase in generation. A decrease of $3.6 million in transmission expense was primarily due to net receipts pertaining to joint-ownership of the integrated transmission system. Purchased power expense decreased $3.3 million due to both price and volume.

ANNUAL WEIGHTED AVERAGE INTEREST COST
(in percent)



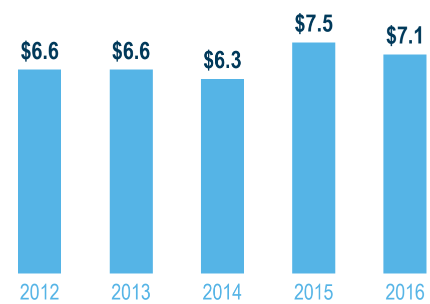
The weighted average interest rate of MEAG Power's debt for 2016 was 4.09%, compared with 4.13% for 2015, with the decrease primarily attributable to lower interest rates on debt issued in the second half of 2015 and June 2016.

Net Interest Expense

Net interest expense totaled $180.1 million for 2015, a 21.3% increase from the total of $148.5 million for 2014, due primarily to changes in these components of Net Interest Expense:

- The fair value of financial instruments decreased $28.5 million due primarily to both interest rate and equity market conditions.
- A decrease of $7.6 million in investment income was due mainly to a reduction in gains on sales of investment securities, as well as maturity of certain longer-term investments.
- Interest expense increased $6.1 million due primarily to an increase of $18.8 million pertaining to the DOE Guaranteed Loans and other 2015 borrowings for Vogtle Units 3&4, which was partially offset by a decrease of $12.4 million primarily due to lower principal outstanding from scheduled principal payments.
- An increase of $11.5 million in interest capitalized was due mainly to additional capital investment in the Vogtle Units 3&4 Project Entities.

TOTAL DEBT OUTSTANDING
(in billions of dollars)



During 2016, total debt outstanding decreased $397 million due mainly to the termination of the Lease Financing Trust.

Net Costs to Be Recovered or Competitive Trust Obligations

The change in net costs to be recovered from Participants or Competitive Trust obligations was $131.3 million and $36.5 million for the years ended December 31, 2015 and 2014, respectively. A decrease of $100.4 million in Project One was primarily due to the reclassification to deferred inflows of resources during 2014. The change in Competitive Trust obligations decreased $15.2 million due primarily to the planned reduction in Competitive Trust Funding discussed above. These factors were partially offset by an increase of $9.6 million in net costs to be recovered from Participants in the Vogtle Units 3&4 Projects and Project Entities, which pertained to an increase in Net Interest Expense in those projects.

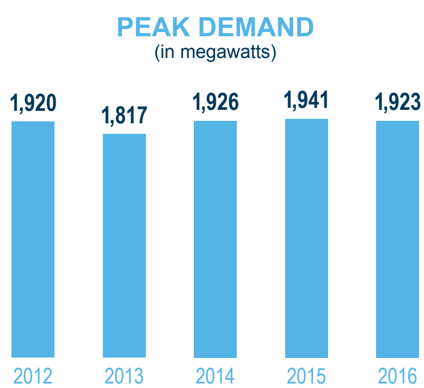
Management's Discussion and Analysis of Financial Condition and Results of Operations (unaudited)

VOGTLE UNITS 3&4 PROJECTS AND PROJECT ENTITIES

History

MEAG Power, GPC, Oglethorpe Power Corporation (OPC) and the City of Dalton, Georgia (Dalton) (collectively, the Original Vogtle Co-Owners) agreed to expand the facilities at Plant Vogtle located in Burke County, Georgia, by developing two additional nuclear generating units, Vogtle Units 3&4. Vogtle Units 3&4 will consist of two Westinghouse Electric Company LLC (Westinghouse) AP1000 reactors, each with a nominally rated generating capacity of 1,102 MW. MEAG Power's 22.7% interest in Vogtle Units 3&4, representing 500.3 MW of nominally rated generating capacity, is held by the Vogtle Units 3&4 Project Entities, which are special-purpose, limited-liability subsidiaries and wholly-owned by MEAG Power, as discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities."

Also discussed in that Note are loans guaranteed by the U.S. Department of Energy (DOE), in the aggregate principal amount including capitalized interest of up to $1.8 billion (DOE Guaranteed Loans). Additional information regarding the DOE Guaranteed Loans is included in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities."



In 2016, peak demand decreased slightly due to improved appliance energy efficiency.

Technology, Construction and Licensing

In 2008, GPC, on behalf of itself and the other Original Vogtle Co-Owners, entered into an Engineering, Procurement and Construction Contract (EPC Contract) with a consortium consisting of Westinghouse and Stone & Webster, Inc., a subsidiary of The Shaw Group Inc. (Shaw), which was acquired by Chicago Bridge & Iron Company N.V. (CB&I) (Westinghouse and Stone & Webster, Inc. are referred to herein collectively as the Contractor). As a result of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Project Entities, the Project Entities have assumed MEAG Power's rights and obligations under the EPC Contract, in proportion to their respective undivided ownership interests in Vogtle Units 3&4. As a result of such assumption, the term Vogtle Co-Owners includes GPC, OPC, Dalton and the Project Entities, and does not include MEAG Power. Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test two AP1000 nuclear units (with electric generating capacity of approximately 1,100 MWs each) and related facilities at Plant Vogtle.

Under the terms of the EPC Contract, the Vogtle Co-Owners agreed to pay a purchase price that is subject to certain price escalations and adjustments, including fixed escalation amounts and certain index-based adjustments, as well as adjustments for change orders, and performance bonuses. The EPC Contract also provides for liquidated damages upon the Contractor's failure to fulfill the schedule and performance guarantees, subject to certain caps. In addition, the EPC Contract provides for limited cost sharing by the Vogtle Co-Owners for increases to Contractor costs under certain conditions. The maximum amount of additional capital costs under this provision attributable to the Project Entities (based on their respective ownership interests) is approximately $56.8 million. Each Vogtle Co-Owner is severally (and not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to the Contractor under the EPC Contract. The Project Entities' aggregate proportionate share is 22.7%. In the event of certain credit rating downgrades of any Vogtle Co-Owner, such Vogtle Co-Owner will be required to provide a letter of credit or other credit enhancement.

On December 31, 2015, Westinghouse acquired Stone & Webster, Inc. from CB&I and changed the name of Stone & Webster, Inc. to WECTEC Global Project Services Inc. (WECTEC). Certain obligations of Westinghouse and WECTEC under the EPC Contract were originally guaranteed by Toshiba Corporation (Toshiba), Westinghouse's parent company, and Shaw (which is now a subsidiary of CB&I), respectively. On March 9, 2016, in connection with Westinghouse's acquisition of WECTEC and pursuant to a settlement agreement entered into between Westinghouse and the Vogtle Co-Owners on December 31, 2015 to resolve certain disputes between the Vogtle Co-Owners and the Contractor under the EPC Contract, the guarantee of Shaw was terminated. The parent guarantee of Toshiba (the Toshiba Guarantee) remains in place. On April 11, 2017, Toshiba indicated there "are material events and conditions that raise substantial doubt about the company's ability to continue as a going concern."

On December 31, 2015, Westinghouse and the Vogtle Co-Owners entered into a definitive settlement agreement (the Contractor Settlement Agreement) to resolve disputes between the Vogtle Co-Owners and the Contractor under the EPC Contract, including certain litigation. Effective December 31, 2015, GPC, acting for itself and as agent for the other Vogtle Co-Owners, and the Contractor entered into an amendment to the EPC Contract to implement the Contractor Settlement Agreement.

On January 21, 2016, GPC submitted the Contractor Settlement Agreement and the related amendment to the EPC Contract to the Georgia Public Service Commission (GPSC) for its review. On December 20, 2016, the GPSC approved a settlement agreement (the Vogtle Cost Settlement Agreement) resolving the following prudence matters: (i) none of the costs incurred through December 31, 2015 and reflected in the fourteenth Vogtle Construction Monitoring report will be disallowed on the basis of imprudence; (ii) the Contractor Settlement Agreement is reasonable and prudent and none of the amounts paid or to be paid pursuant to the Contractor Settlement Agreement should be disallowed on the basis of imprudence; and (iii) various other matters specific to GPC.

Under the terms of the EPC Contract, the Contractor does not have the right to terminate the EPC Contract for convenience. The Contractor may terminate the EPC Contract under certain circumstances, including certain Vogtle Co-Owner suspension or delays of work, action by a governmental authority to stop work permanently, certain breaches of the EPC Contract by the Vogtle Co-Owners, Vogtle Co-Owner insolvency, and certain other events. In the event of an abandonment of work by the Contractor, the maximum liability of the Contractor under the EPC Contract for such abandonment is limited to 40% of the contract price (approximately $3.7 billion). The EPC Contract permits GPC, acting for itself and as agent for the Vogtle Co-Owners, to terminate the EPC Contract at any time for their convenience, provided that the Vogtle Co-Owners will be required to pay certain termination costs.

On March 29, 2017, Westinghouse and WECTEC each filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. GPC, for itself and as agent for the other Vogtle Co-Owners, has entered into an interim assessment agreement with the Contractor and WECTEC Staffing Services LLC, dated as of March 29, 2017 (the Interim Assessment Agreement), to provide for a continuation of work with respect to Vogtle Units 3&4. GPC's entry into the Interim Assessment Agreement was conditioned upon South Carolina Electric & Gas Company entering into a similar interim assessment agreement with the Contractor relating to V.C. Summer (the V.C. Summer Interim Assessment Agreement). On March 30, 2017 (the Effective Date), the bankruptcy court approved the Interim Assessment Agreement and the V.C. Summer Interim Assessment Agreement. As a result, the term of the Interim Assessment Agreement extends from the Effective Date through the earlier of (i) April 28, 2017, (ii) the termination of the V.C. Summer Interim Assessment Agreement, or (iii) termination of the Interim Assessment Agreement by any party upon five business days' notice (the Interim Assessment Period).

The Interim Assessment Agreement provides, among other items, that (1) GPC is obligated to pay, on behalf of the Vogtle Co-Owners, all costs accrued by the Contractor for subcontractors and vendors for services performed or goods provided during the Interim Assessment Period, with these amounts to be paid to the Contractor, except for amounts accrued for Fluor Corporation (Fluor), which will be paid directly to Fluor, (2) during the Interim Assessment Period, the Contractor shall provide certain engineering, procurement and management services for Vogtle Units 3&4, to the same extent as contemplated by the EPC Contract, and GPC, on behalf of the Vogtle Co-Owners, will make payments of $5.4 million per week for these services, (3) GPC has the right to make payments, on behalf of the Vogtle Co-Owners, directly to subcontractors and vendors who have accounts past due with the Contractor, (4) during the Interim Assessment Period, the Contractor will use its commercially reasonable efforts to provide information reasonably requested by GPC as is necessary to continue construction and investigate the completion status of Vogtle Units 3&4, (5) the Contractor will decide whether to reject or accept the EPC Contract by the later of (i) the termination of the Interim Assessment Agreement and (ii) April 28, 2017, and (6) during the Interim Assessment Period, GPC, on behalf of the Vogtle Co-Owners, will forbear from exercising any remedies against Toshiba under the Toshiba Guarantee. Under the Interim Assessment Agreement, all parties expressly reserve all rights and remedies under the EPC Contract, under all related security and collateral, and under applicable law.

While GPC, on behalf of the Vogtle Co-Owners, is working to provide for a transition that will allow work to continue on Vogtle Units 3&4, GPC, along with the other Vogtle Co-Owners, also is undertaking a full-scale schedule and cost-to-complete assessment to determine the impact the Contractor's bankruptcy filing will have on the construction of Vogtle Units 3&4. MEAG Power does not believe that the current scheduled in-service dates of June 30, 2019 for Vogtle Unit 3 and June 30, 2020 for Vogtle Unit 4 appear to be achievable. MEAG Power intends to work with GPC and the other Vogtle Co-Owners to determine future actions related to Vogtle Units 3&4. GPC has stated that it also will be working with the GPSC in regard to this same determination.

The Contractor's bankruptcy filing is expected to have a material impact on the construction of Vogtle Units 3&4 and could have a material impact on MEAG Power's financial condition and results of operation, although MEAG Power does not have sufficient information at this time to quantify the effect of such filing.

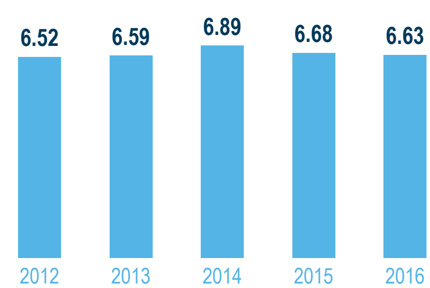
MEAG Power will continue to monitor and evaluate developments related to Vogtle Units 3&4 and will endeavor to undertake a course of action that MEAG Power believes will advance the long-term interest of MEAG Power, JEA, PowerSouth and the Vogtle Units 3&4 Participants. GPC has stated that it will continue to take every action available to it to hold Westinghouse and Toshiba accountable for their financial responsibilities under the EPC Contract and the Toshiba Guarantee.

Substantial risks remain that continued challenges with construction, as well as matters related to the bankruptcy filings by Westinghouse and WECTEC, may further impact the Vogtle Units 3&4 project schedule and cost.

The ultimate outcome of the matters discussed above cannot be determined at this time.

For additional information related to Vogtle Units 3&4, see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities."

COST TO PARTICIPANTS
(cents/kWh)



Total cents per kWh was 6.63 in 2016 compared with 6.68 in 2015. The decrease was primarily due to a 2.0% increase in energy delivered to the Participants.

FINANCING ACTIVITIES

During 2016, MEAG Power continued to implement strategies to further improve its competitive position and financial flexibility. These actions included: (1) promoting the benefits of deposits from the Participants into the New Generation and Capacity Funding account (see Note 1 (E), "The Organization — Trust Funds — Municipal Competitive Trust") to offset future costs of new generating projects, including Vogtle Units 3&4 and (2) undergoing a process to modernize the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution via a "springing lien" amendment, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Power Revenue Bonds and General Power Revenue Bonds."

MEAG Power issued the following long-term debt during 2016, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Subordinated Debt," "— Financing of Vogtle Units 3&4 Projects and Project Entities" and "Credit Agreements and Other Short-Term Debt — Credit Agreements" within that Note (in thousands):

2016 Month	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Telecom Project	Total Issued	Description
June	**$288,405**	**$ 74,900**	**$ —**	**$ —**	**$ —**	**$363,305**	Subordinated bonds to refund certain BANs, other subordinated bonds and commercial paper (CP), as well as finance certain capital improvements.
December	**16,945**	**41,185**	**—**	**—**	**—**	**58,130**	Draws on revolving credit agreements.
Various	**—**	**—**	**—**	**26,800**	**—**	**26,800**	Advances of DOE Guaranteed Loans from the FFB to pay capitalized interest on certain advances.
Various	**—**	**—**	**32,495**	**15,546**	**—**	**48,041**	Advances by the Competitive Trust to the CC Project and Project P, as an investment of funds on deposit in the Competitive Trust, to: (i) pay down the CC Project line of credit balance and (ii) finance a portion of the costs of acquisition and construction and financing costs of Project P. The Project P advances were offset by payments of $88.2 million from DOE Guaranteed Loans funds.
Total	**$305,350**	**$116,085**	**$32,495**	**$42,346**	**$ —**	**$496,276**	

Funds generated from operations are estimated to provide approximately 39% of construction expenditures in the years 2017 and 2018, and 49% during 2019 for Project One, the General Resolution Projects and the CC Project. The remaining expenditures will be met by issuing long-term bonds and utilizing MEAG Power's existing CP program and bank lines of credit. Funds generated from operations from the Vogtle Units 3&4 Projects and Project Entities are not anticipated to begin until Vogtle Units 3&4 are placed into service. To meet short-term cash needs and contingencies, $342.5 million of unused credit was available through the Project P Credit Agreement and arrangements with banks (collectively, the Credit Arrangements) as of December 31, 2016, as described in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities" and "— Credit Agreements and Other Short-Term Debt — Credit Agreements" within that Note.

The unenhanced ratings assigned to MEAG Power's senior lien and subordinated debt obligations as of December 31, 2016 were:

Project	Lien	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Project One	Senior	A+	A1	A+
	Subordinated	A+	A2	A
General Resolution Projects	Senior	A+	A1	A+
	Subordinated	A+	A2	A
Combined Cycle Project	Senior	A+	A1	A
Vogtle Units 3&4 Projects:				
Project M	Senior	A+	A2	A+
Project J	Senior	A+	A2	A+
Project P	Senior	A-	Baa2	A-

Fitch Ratings' outlook on all project bonds is negative except for Project P bonds, which is stable. Moody's Investors Service (Moody's) and Standard & Poor's (S&P) had a stable outlook on all project bonds at December 31, 2016. On March 21, 2017, Moody's affirmed its ratings on the Vogtle Units 3&4 Bonds (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities") and changed the rating outlook to negative from stable. On March 23, 2017, S&P affirmed its ratings on all project bonds and changed the rating outlook to negative from stable.

LIQUIDITY AND CAPITAL RESOURCES

MEAG Power has substantial cash flow from operating activities, access to the capital markets, bank facilities and special funds deposit balances.

At December 31, 2016, MEAG Power had $3.1 billion of special funds deposits, of which $2.2 billion was available to fund various operating, construction, debt service and contingency requirements. Within the Competitive Trust, $602.4 million was invested and may be used by Participants to mitigate future billings. Investments in the Decommissioning Trust funds (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning") totaled $439.8 million. Committed Credit Arrangements with banks at December 31, 2016 totaled $998.8 million, of which $241.9 million provided liquidity support to $233.2 million of outstanding variable-rate demand obligations, $114.3 million supported $107.3 million of outstanding CP balances, $216.9 million was drawn on the Credit Arrangements and $83.3 million supported obligations to the Competitive Trust, with the remaining $342.5 million available. The Credit Arrangements mature at various dates in 2017 through 2020, and management expects to renew or replace the facilities as needed prior to expiration. For additional information regarding available credit, see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities" and "— Credit Agreements and Other Short-Term Debt" within that Note.

Net cash used by MEAG Power during 2016 was $1.0 billion. This decrease in cash was due to net cash used in capital and related financing activities of $1.4 billion. This outflow of cash was partially offset by cash provided by operating activities of $346.8 million, as well as net cash provided by investing activities of $62.3 million.

The primary factors pertaining to capital and related financing activities were retirement of long-term debt, as well as net interest payments totaling $1.2 billion. Property additions pertaining to Vogtle Units 3&4, equipment upgrades and replacements at the generating plants, as well as purchases of nuclear fuel totaled $450.5 million. Certain payments pertaining to the Termination Agreement totaled $317.7 million. These outflows of cash were partially offset by proceeds from long- term debt issuances totaling $426.7 million, as well as net proceeds from lines of credit and other short-term debt of $120.5 million. Voluntary Participant deposits to defray the future costs of new generation projects totaled $18.3 million.

Within investing activities, purchases of investment securities, as well as sales and maturities totaled $3.7 billion. Other factors were contributions from the Participants to the Trust Funds of $28.9 million, investment income receipts of $27.3 million, as well as distribution from alliance of $5.9 million.

During 2017 through 2019, maturities of long-term debt and sinking fund redemptions are expected to total $580.1 million. These requirements will be included in the appropriate year's budgeted revenue requirements, as applicable, and collected from the Participants, as well as from JEA and PowerSouth, in the case of Project J and Project P, respectively.

When considering the risks associated with liquidity and capital, MEAG Power is susceptible to changes in the interest rate environment. In rising interest rate markets, MEAG Power may be impacted by increases in costs associated with variable-rate subordinated debt and new debt issuances. These increases would be somewhat offset by increases in interest income earned on MEAG Power's investment portfolio. Conversely, when rates decline, MEAG Power may experience decreases in both the cost of some debt and the interest earnings on some investments. To partially mitigate this risk, MEAG Power occasionally implements hedges that help to stabilize the impact of these interest rate fluctuations. In addition, MEAG Power maintains a relatively high credit rating and strong liquidity position, which provide access to competitive funding options.

Estimated construction and financing expenditures for Project One, the General Resolution Projects and the CC Project in total are estimated to be $137.1 million, $176.3 million and $113.8 million for the years 2017, 2018 and 2019, respectively. These expenditures are related to capital improvements at existing generating plants and investment in transmission facilities. Also included in the estimates are the costs necessary to comply with certain environmental regulations, as described in Note 8, "Commitments and Contingencies — Environmental Regulation." Prior to the construction Contractor for Vogtle Units 3&4 filing for bankruptcy, MEAG Power's estimated construction expenditures for Vogtle Units 3&4, including various contingencies and financing amounts for the years 2017 through 2019 were $1.5 billion. Until the Vogtle Co-Owners complete an ongoing full-scale schedule and cost-to-complete assessment of the impact of the Contractor's bankruptcy filing on the construction of Vogtle Units 3&4, additional estimates for construction expenditures and financing amounts are not available. Actual construction costs may vary from the estimates because of factors such as changes in economic conditions; revised environmental regulations; changes to existing plants to meet regulatory requirements; updated load forecasts; and the cost of construction labor, equipment and materials. CWIP as of December 31, 2016 totaled $2.6 billion.

2016 Consolidated Balance Sheet

December 31, 2016	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
ASSETS (in thousands)								
Property, plant and equipment, at cost:								
In service	$ 3,282,911	$1,205,677	$ 331,484	$ —	$ —	$ 28,841	$ —	$ 4,848,913
Less accumulated depreciation	(1,728,908)	(578,442)	(120,375)	—	—	(23,015)	—	(2,450,740)
Property in service, net	1,554,003	627,235	211,109	—	—	5,826	—	2,398,173
Construction work in progress	127,152	30,254	126	2,420,859	—	—	—	2,578,391
Nuclear fuel, net of accumulated amortization	187,388	24,392	—	67,584	—	—	—	279,364
Total property, plant and equipment, net	1,868,543	681,881	211,235	2,488,443	—	5,826	—	5,255,928
Other non-current assets:								
Investment in Alliance	6,416	—	104	—	—	—	—	6,520
Special funds, including cash and cash equivalents	589,761	178,089	43,301	1,239,272	380,337	—	(163,155)	2,267,605
Other receivables	—	—	—	1,531,514	2,703	—	(1,531,514)	2,703
Net costs to be recovered from Participants	—	—	—	346,633	—	—	—	346,633
Unamortized bond issuance costs	7,970	1,828	858	48,227	—	—	—	58,883
Total other non-current assets	604,147	179,917	44,263	3,165,646	383,040	—	(1,694,669)	2,682,344
Current assets:								
Special funds, including cash and cash equivalents	383,247	133,697	24,328	91,172	222,065	920	—	855,429
Supplemental power account, including cash and cash equivalents	4,489	—	—	—	—	—	—	4,489
Securities lending collateral	1,151	134	—	—	—	—	—	1,285
Receivables from Participants	41,532	15,536	1,864	—	3,922	15	—	62,869
Other receivables	12,934	2,941	3,483	15,304	288	112	(11,526)	23,536
Fuel stocks, at average cost	10,937	11,429	—	—	—	—	—	22,366
Materials, supplies and other assets	79,834	15,480	10,753	220	—	—	—	106,287
Total current assets	534,124	179,217	40,428	106,696	226,275	1,047	(11,526)	1,076,261
Total assets	3,006,814	1,041,015	295,926	5,760,785	609,315	6,873	(1,706,195)	9,014,533
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivatives	57,458	—	526	—	—	—	—	57,984
Unamortized loss on refunded debt	30,050	4,307	5,383	—	—	—	—	39,740
Pensions	3,004	364	109	261	—	—	—	3,738
Total deferred outflows of resources	90,512	4,671	6,018	261	—	—	—	101,462
Total Assets and Deferred Outflow of Resources	$ 3,097,326	$1,045,686	$ 301,944	$5,761,046	$609,315	$ 6,873	$(1,706,195)	$ 9,115,995

The accompanying Notes are an integral part of these consolidated financial statements.

2016 Consolidated Balance Sheet

December 31, 2016	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
LIABILITIES (in thousands)								
Long-term debt:								
Power Revenue bonds	$ 290,525	$ —	$ —	$ —	$ —	$ —	$ —	$ 290,525
General Power Revenue bonds	—	119,000	—	—	—	—	—	119,000
Combined Cycle Project Revenue bonds	—	—	154,685	—	—	—	—	154,685
Vogtle Units 3&4 Projects' Revenue bonds	—	—	—	2,927,375	—	—	(18,075)	2,909,300
DOE Guaranteed Loans	—	—	—	1,170,786	—	—	—	1,170,786
Unamortized (discount) premium, net	14,842	1,029	7,523	11,700	—	—	—	35,094
Total Revenue bonds and DOE Guaranteed Loans	305,367	120,029	162,208	4,109,861	—	—	(18,075)	4,679,390
Subordinated debt	1,537,291	519,027	—	—	—	—	(79,840)	1,976,478
Unamortized (discount) premium, net	99,384	17,418	—	—	—	—	—	116,802
Total subordinated debt	1,636,675	536,445	—	—	—	—	(79,840)	2,093,280
Bond anticipation notes (unsecured)	28,075	4,670	32,495	—	—	—	(65,240)	—
Total long-term debt	1,970,117	661,144	194,703	4,109,861	—	—	(163,155)	6,772,670
Non-current liabilities:								
Lease finance obligation	—	—	—	—	—	—	—	—
Asset retirement obligations	467,103	76,667	—	—	—	—	—	543,770
Competitive Trust obligations	—	—	—	—	221,341	—	—	221,341
Other	59,129	1,306	(3)	1,561,780	97	—	(1,531,514)	90,795
Total non-current liabilities	526,232	77,973	(3)	1,561,780	221,438	—	(1,531,514)	855,906
Current liabilities:								
Accounts payable	62,819	20,929	11,658	11,835	5,150	597	(11,526)	101,462
Construction liabilities	1,472	2,309	—	5,956	—	—	—	9,737
Securities lending collateral	1,171	137	—	—	—	—	—	1,308
Current portion of long-term debt	134,165	52,685	14,835	13,000	—	—	—	214,685
Lines of credit and other short-term debt	152,000	6,756	—	—	—	—	—	158,756
Competitive Trust obligations	—	—	—	—	382,727	—	—	382,727
Accrued interest	43,598	12,658	1,374	58,531	—	—	—	116,161
Total current liabilities	395,225	95,474	27,867	89,322	387,877	597	(11,526)	984,836
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	2,891,574	834,591	222,567	5,760,963	609,315	597	(1,706,195)	8,613,412
Deferred inflows of resources	205,752	211,095	79,377	83	—	6,276	—	502,583
Total Liabilities and Deferred Inflows of Resources	$3,097,326	$1,045,686	$301,944	$5,761,046	$609,315	$6,873	$(1,706,195)	$9,115,995

The accompanying Notes are an integral part of these consolidated financial statements.

2016 Consolidated Statement of Net Revenues

For the Year Ended December 31, 2016 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Revenues:								
Participant	**$316,023**	**$143,210**	**$80,306**	**$ 3,750**	**$ —**	**$838**	**$ —**	**$ 544,127**
Other	**57,803**	**40,604**	**12,760**	**5,989**	**—**	**99**	**—**	**117,255**
Total revenues	**373,826**	**183,814**	**93,066**	**9,739**	**—**	**937**	**—**	**661,382**
Operating expenses:								
Fuel	**96,834**	**56,596**	**52,743**	**—**	**—**	**—**	**—**	**206,173**
Purchased power	**24,473**	**—**	**—**	**—**	**—**	**—**	**—**	**24,473**
Other generating and operating expense	**162,638**	**81,286**	**23,185**	**190**	**48**	**213**	**—**	**267,560**
Transmission	**17,566**	**—**	**—**	**—**	**—**	**—**	**—**	**17,566**
Depreciation and amortization	**78,166**	**24,496**	**9,058**	**—**	**—**	**726**	**—**	**112,446**
Competitive Trust funding	**(61,803)**	**—**	**—**	**—**	**61,803**	**—**	**—**	**—**
Total operating expenses	**317,874**	**162,378**	**84,986**	**190**	**61,851**	**939**	**—**	**628,218**
Net operating revenues (loss)	**55,952**	**21,436**	**8,080**	**9,549**	**(61,851)**	**(2)**	**—**	**33,164**
Interest expense (income), net:								
Interest expense	**101,325**	**29,371**	**10,579**	**221,061**	**—**	**—**	**(5,291)**	**357,045**
Amortization of debt discount and expense	**(12,384)**	**(1,185)**	**(2,190)**	**(170)**	**4,531**	**—**	**—**	**(11,398)**
Investment income	**(20,810)**	**(8,167)**	**(399)**	**(8,448)**	**(6,052)**	**(2)**	**5,291**	**(38,587)**
Net change in the fair value of financial instruments	**(5,867)**	**1,743**	**90**	**1,734**	**202**	**—**	**—**	**(2,098)**
Interest capitalized	**(6,312)**	**(326)**	**—**	**(97,372)**	**—**	**—**	**—**	**(104,010)**
U.S. Treasury cash subsidy on Build America Bonds	**—**	**—**	**—**	**(57,287)**	**—**	**—**	**—**	**(57,287)**
Total interest expense (income), net	**55,952**	**21,436**	**8,080**	**59,518**	**(1,319)**	**(2)**	**—**	**143,665**
Change in:								
Net costs to be recovered from Participants	**—**	**—**	**—**	**(49,969)**	**—**	**—**	**—**	**(49,969)**
Competitive Trust obligations	**—**	**—**	**—**	**—**	**(60,532)**	**—**	**—**	**(60,532)**
Total change in net costs to be recovered from Participants or Competitive Trust obligations	**—**	**—**	**—**	**(49,969)**	**(60,532)**	**—**	**—**	**(110,501)**
Net Revenues	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

The accompanying Notes are an integral part of these consolidated financial statements.

2016 Consolidated Statement of Cash Flows

For the Year Ended December 31, 2016 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	$ 417,284	$ 175,906	$ 90,886	$ 9,742	$ 23	$ 140	$ —	$ 693,981
Cash received from others	55,905	40,524	13,662	—	—	82	—	110,173
Cash paid for operating expenses	(254,161)	(127,398)	(76,293)	959	(218)	(202)	—	(457,313)
Competitive Trust funding	61,803	—	—	—	(61,803)	—	—	—
Net cash provided by (used in) operating activities	280,831	89,032	28,255	10,701	(61,998)	20	—	346,841
Cash flows from investing activities:								
Sales and maturities of investment securities	706,401	285,481	43,234	1,741,880	941,454	—	—	3,718,450
Purchase of investment securities	(749,499)	(226,784)	(61,692)	(2,062,141)	(618,283)	—	—	(3,718,399)
Investment income receipts	9,849	2,702	357	6,405	13,307	2	(5,291)	27,331
Distribution from Alliance	5,942	—	—	—	—	—	—	5,942
Contributions from Participants	—	—	—	—	28,930	—	—	28,930
Net cash provided by (used in) investing activities	(27,307)	61,399	(18,101)	(313,856)	365,408	2	(5,291)	62,254
Cash flows from capital and related financing activities:								
Property additions	(144,028)	(21,559)	(554)	(284,347)	—	—	—	(450,488)
Net proceeds from lines of credit and other short-term debt	152,000	5,105	(36,590)	—	—	—	—	120,515
Proceeds from issuance of long-term debt	314,849	85,594		26,275	—	—	—	426,718
Retirement of long-term debt	(611,133)	(246,678)	18,190	(72,696)	—	—	—	(912,317)
Interest payments	(104,294)	(27,677)	(9,296)	(218,209)	—	—	5,291	(354,185)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	57,303	—	—	—	57,303
Advance payments from Participants for New Generation and Capacity Funding	—	—	—	—	18,294	—	—	18,294
Payments related to lease termination	—	—	—	—	(317,691)	—	—	(317,691)
Net cash used in capital and related financing activities	(392,606)	(205,215)	(28,250)	(491,674)	(299,397)	—	5,291	(1,411,851)
(Decrease) increase in cash and cash equivalents	(139,082)	(54,784)	(18,096)	(794,829)	4,013	22	—	(1,002,756)
Cash and cash equivalents at beginning of year	557,706	255,276	53,024	1,474,545	187,839	898	—	2,529,288
Cash and cash equivalents at end of year	418,624	200,492	34,928	679,716	191,852	920	—	1,526,532
Other investment securities and accrued interest receivable at end of year	560,024	111,428	32,701	650,728	410,550	—	(163,155)	1,602,276
Special funds, Supplemental power account and Securities lending collateral at end of year	$ 978,648	$ 311,920	$ 67,629	$ 1,330,444	$ 602,402	$ 920	$(163,155)	$ 3,128,808
Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities:								
Net operating revenues (loss)	$ 55,952	$ 21,436	$ 8,080	$ 9,549	$ (61,851)	$ (2)	$ —	$ 33,164
Adjustments to reconcile net operating revenues (loss) to net cash from operating activities:								
Depreciation and amortization	132,059	32,662	9,058	—	—	726	—	174,505
Pensions	950	265	79	190			—	1,484
Deferred inflows of resources	94,831	28,675	14,465	—	—	(1,175)	—	136,796
Share of net revenues from Alliance	(5,310)	—	—	—	—	—	—	(5,310)
Change in current assets and liabilities:								
Accounts receivable	(515)	(1,166)	(267)	—	23	(15)	—	(1,940)
Fuel stocks	2,714	4,517	—	—	—	—	—	7,231
Materials, supplies and other assets	(4,936)	(379)	(174)	—	—	—	—	(5,489)
Accounts payable and other liabilities	5,086	3,022	(2,986)	962	(170)	486	—	6,400
Net cash provided by (used in) operating activities	$ 280,831	$ 89,032	$ 28,255	$ 10,701	$ (61,998)	$ 20	$ —	$ 346,841

The accompanying Notes are an integral part of these consolidated financial statements.

2015 Consolidated Balance Sheet

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
ASSETS (in thousands)								
Property, plant and equipment, at cost:								
In service	$ 3,197,046	$1,184,616	$ 330,918	$ —	$ —	$ 28,841	$ —	$ 4,741,421
Less accumulated depreciation	(1,692,008)	(562,825)	(111,317)	—	—	(22,288)	—	(2,388,438)
Property in service, net	1,505,038	621,791	219,601	—	—	6,553	—	2,352,983
Construction work in progress	121,385	27,410	139	2,128,424	—	—	—	2,277,358
Nuclear fuel, net of accumulated amortization	191,381	27,575	—	64,664	—	—	—	283,620
Total property, plant and equipment, net	1,817,804	676,776	219,740	2,193,088	—	6,553	—	4,913,961
Other non-current assets:								
Investment in Alliance	7,049	—	104	—	—	—	—	7,153
Special funds, including cash and cash equivalents	791,624	296,805	41,430	1,700,339	777,367	—	(546,839)	3,060,726
Other receivables	—	—	—	1,179,499	2,356	—	(1,179,499)	2,356
Net costs to be recovered from Participants	—	—	—	296,918	95,177	—	—	392,095
Unamortized bond issuance costs	9,602	3,230	1,047	48,509	—	—	—	62,388
Total other non-current assets	808,275	300,035	42,581	3,225,265	874,900	—	(1,726,338)	3,524,718
Current assets:								
Special funds, including cash and cash equivalents	260,619	125,465	25,885	104,363	162,512	898	—	679,742
Supplemental power account, including cash and cash equivalents	4,411	—	—	—	—	—	—	4,411
Securities lending collateral	2,087	244	—	—	—	—	—	2,331
Receivables from Participants	37,605	14,450	1,061	—	5,070	15	—	58,201
Other receivables	16,345	2,860	3,651	15,303	659	96	(14,687)	24,227
Fuel stocks, at average cost	13,650	15,946	—	—	—	—	—	29,596
Materials, supplies and other assets	83,779	15,717	5,888	156	—	—	—	105,540
Total current assets	418,496	174,682	36,485	119,822	168,241	1,009	(14,687)	904,048
Total assets	3,044,575	1,151,493	298,806	5,538,175	1,043,141	7,562	(1,741,025)	9,342,727
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivatives	63,147	—	5,216	—	—	—	—	68,363
Unamortized loss on refunded debt	13,886	5,652	6,772	—	—	—	—	26,310
Pensions	4,498	—	—	—	—	—	—	4,498
Total deferred outflows of resources	81,531	5,652	11,988	—	—	—	—	99,171
Total Assets and Deferred Outflows of Resources	$ 3,126,106	$1,157,145	$ 310,794	$5,538,175	$1,043,141	$ 7,562	$(1,741,025)	$ 9,441,898

The accompanying Notes are an integral part of these consolidated financial statements.

2015 Consolidated Balance Sheet

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
LIABILITIES (in thousands)								
Long-term debt:								
Power Revenue bonds	$ 339,505	$ —	$ —	$ —	$ —	$ —	$ —	$ 339,505
General Power Revenue bonds	—	161,085	—	—	—	—	—	161,085
Combined Cycle Project Revenue bonds	—	—	169,520	—	—	—	—	169,520
Vogtle Units 3&4 Projects' Revenue bonds	—	—	—	3,013,071	—	—	(90,771)	2,922,300
DOE Guaranteed Loans	—	—	—	1,143,987	—	—	—	1,143,987
Unamortized (discount) premium, net	17,112	2,617	9,903	12,676	—	—	—	42,308
Total Revenue bonds and DOE Guaranteed Loans	356,617	163,702	179,423	4,169,734	—	—	(90,771)	4,778,705
Subordinated debt	1,773,978	649,597	—	—	—	—	(423,323)	2,000,252
Unamortized (discount) premium, net	51,470	2,982	—	—	—	—	—	54,452
Total subordinated debt	1,825,448	652,579	—	—	—	—	(423,323)	2,054,704
Bond anticipation notes (unsecured)	28,075	4,670	—	—	—	—	(32,745)	—
Total long-term debt	2,210,140	820,951	179,423	4,169,734	—	—	(546,839)	6,833,409
Non-current liabilities:								
Lease finance obligation	—	—	—	—	407,866	—	—	407,866
Asset retirement obligations	426,098	60,781	—	—	—	—	—	486,879
Competitive Trust obligations	—	—	—	—	245,550	—	—	245,550
Other	65,595	2,042	—	1,229,828	97	—	(1,179,499)	118,063
Total non-current liabilities	491,693	62,823	—	1,229,828	653,513	—	(1,179,499)	1,258,358
Current liabilities:								
Accounts payable	66,769	18,391	14,226	8,849	6,430	110	(14,687)	100,088
Construction liabilities	9,282	2,312	—	74,085	—	—	—	85,679
Securities lending collateral	2,112	247	—	—	—	—	—	2,359
Current portion of long-term debt	192,547	56,953	14,305	—	—	—	—	263,805
Lines of credit and other short-term debt	—	1,651	36,590	—	—	—	—	38,241
Competitive Trust obligations	—	—	—	—	383,198	—	—	383,198
Accrued interest	42,957	12,059	1,479	55,679	—	—	—	112,174
Total current liabilities	313,667	91,613	66,600	138,613	389,628	110	(14,687)	985,544
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	3,015,500	975,387	246,023	5,538,175	1,043,141	110	(1,741,025)	9,077,311
Deferred inflows of resources	110,606	181,758	64,771	—	—	7,452	—	364,587
Total Liabilities and Deferred Inflows of Resources	$3,126,106	$1,157,145	$310,794	$5,538,175	$1,043,141	$7,562	$(1,741,025)	$9,441,898

The accompanying Notes are an integral part of these consolidated financial statements.

2015 Consolidated Statement of Net Revenues

For the Year Ended December 31, 2015 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Revenues:								
Participant	$314,778	$133,965	$74,046	$ —	$ —	$ 921	$ —	$ 523,710
Other	63,227	40,244	15,667	—	—	105	—	119,243
Total revenues	378,005	174,209	89,713	—	—	1,026	—	642,953
Operating expenses:								
Fuel	97,028	60,620	48,640	—	—	—	—	206,288
Purchased power	32,353	—	—	—	—	—	—	32,353
Other generating and operating expense	153,069	56,842	22,771	—	68	213	—	232,963
Transmission	14,733	—	—	—	—	—	—	14,733
Depreciation and amortization	73,345	23,923	9,794	—	—	726	—	107,788
Competitive Trust funding	(77,159)	—	—	—	77,159	—	—	—
Total operating expenses	293,369	141,385	81,205	—	77,227	939	—	594,125
Net operating revenues (loss)	84,636	32,824	8,508	—	(77,227)	87	—	48,828
Interest expense (income), net:								
Interest expense	106,657	37,706	11,263	198,042	—	78	(20,057)	333,689
Amortization of debt discount and expense	(7,836)	(950)	(2,482)	(61)	17,633	10	—	6,314
Investment income	(12,553)	(4,961)	(378)	(7,563)	(21,025)	(1)	20,057	(26,424)
Net change in the fair value of financial instruments	5,455	1,369	105	3,819	335	—	—	11,083
Interest capitalized	(7,087)	(340)	—	(80,076)	—	—	—	(87,503)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	(57,057)	—	—	—	(57,057)
Total interest expense (income), net	84,636	32,824	8,508	57,104	(3,057)	87	—	180,102
Change in:								
Net costs to be recovered from Participants	—	—	—	(57,104)	—	—	—	(57,104)
Competitive Trust obligations	—	—	—	—	(74,170)	—	—	(74,170)
Total change in net costs to be recovered from Participants or Competitive Trust obligations	—	—	—	(57,104)	(74,170)	—	—	(131,274)
Net Revenues	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

The accompanying Notes are an integral part of these consolidated financial statements.

2015 Consolidated Statement of Cash Flows

For the Year Ended December 31, 2015 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	$ 413,527	$ 191,379	$ 88,258	$ —	$ (573)	$ 1,705	$ —	$ 694,296
Cash received from others	53,594	41,575	14,321	—	—	121	—	109,611
Cash paid for operating expenses	(244,629)	(109,127)	(70,412)	—	(233)	(221)	—	(424,622)
Competitive Trust funding	77,159	—	—	—	(77,159)	—	—	—
Net cash provided by (used in) operating activities	299,651	123,827	32,167	—	(77,965)	1,605	—	379,285
Cash flows from investing activities:								
Sales and maturities of investment securities	121,050	36,434	5,248	27,362	103,327	—	—	293,421
Purchase of investment securities	(454,691)	(142,754)	(9,202)	(258,890)	(11,869)	—	—	(877,406)
Investment income receipts	12,436	4,943	410	9,187	7,614		(20,057)	14,533
Distribution from Alliance	14,661	—	—	—	—	—	—	14,661
Contributions from Participants	—	—	—	—	52,978	—	—	52,978
Net cash (used in) provided by investing activities	(306,544)	(101,377)	(3,544)	(222,341)	152,050	—	(20,057)	(501,813)
Cash flows from capital and related financing activities:								
Property additions	(133,939)	(25,207)	(242)	(167,912)	—	—	—	(327,300)
Proceeds from issuance of long-term debt	182,222	4,243	—	1,381,253	—	—	—	1,567,718
Retirement of long-term debt	(160,916)	(84,628)	(13,950)	—	—	(2,675)	—	(262,169)
Interest payments	(98,726)	(26,786)	(9,811)	(186,914)	—	(78)	20,057	(302,258)
Net payments on lines of credit and other short-term debt	—	300	(3,920)	(129,724)	—	—	—	(133,344)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	56,995	—	—	—	56,995
Advance payments from Participants for New Generation and Capacity Funding	—	—	—	—	21,209	—	—	21,209
Net cash provided by (used in) capital and related financing activities	(211,359)	(132,078)	(27,923)	953,698	21,209	(2,753)	20,057	620,851
Increase (decrease) in cash and cash equivalents	(218,252)	(109,628)	700	731,357	95,294	(1,148)	—	498,323
Cash and cash equivalents at beginning of year	775,958	364,904	52,324	743,188	92,545	2,046	—	2,030,965
Cash and cash equivalents at end of year	557,706	255,276	53,024	1,474,545	187,839	898	—	2,529,288
Other investment securities and accrued interest receivable at end of year	501,035	167,238	14,291	330,157	752,040	—	(546,839)	1,217,922
Special funds, Supplemental power account and Securities lending collateral at end of year	$1,058,741	$ 422,514	$ 67,315	$1,804,702	$939,879	$ 898	$(546,839)	$3,747,210
Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities:								
Net operating revenues (loss)	$ 84,636	$ 32,824	$ 8,508	$ —	$ (77,227)	$ 87	$ —	$ 48,828
Adjustments to reconcile net operating revenues (loss) to net cash from operating activities:								
Depreciation and amortization	127,501	31,999	9,794	—	—	726	—	170,020
Deferred inflows of resources	90,542	54,108	9,452	—	—	634	—	154,736
Share of net revenues from Alliance	(13,417)	—	—	—	—	—	—	(13,417)
Change in current assets and liabilities:								
Accounts receivable	2,115	3,078	1,845	—	(573)	141	—	6,606
Fuel stocks	4,181	1,963	—	—	—	—	—	6,144
Materials, supplies and other assets	(10,224)	(2,107)	2,323	—	—	—	—	(10,008)
Accounts payable and other liabilities	14,317	1,962	245	—	(165)	17	—	16,376
Net cash provided by (used in) operating activities	$ 299,651	$ 123,827	$ 32,167	$ —	$ (77,965)	$ 1,605	$ —	$ 379,285

The accompanying Notes are an integral part of these consolidated financial statements.

1. THE ORGANIZATION

(A) Reporting Entity

The Municipal Electric Authority of Georgia (MEAG Power) is a public corporation and an instrumentality of the State of Georgia (the State or Georgia), created by the State for the purpose of owning and operating electric generation and transmission facilities to supply bulk electric power to political subdivisions of the State which owned and operated electric distribution systems as of March 18, 1975, and which contracted with MEAG Power for the purchase of wholesale power. The statute under which it was created provides that MEAG Power will establish rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit, unless any such profit inures to the benefit of the public. Forty-eight cities and one county in the State (the Participants) have contracted with MEAG Power for bulk electric power supply needs.

MEAG Power's assets include ownership interests in 10 electric generating units, which all have been placed in service. In addition, MEAG Power may purchase from, sell to or exchange with other bulk electric suppliers additional capacity and energy in order to enhance the Participants' bulk power supply. MEAG Power's ownership interests in those 10 generating units represent 2,069 megawatts (MW) of nominally rated generating capacity, consisting of 808 MW of nuclear-fueled capacity, 750 MW of coal-fired capacity, 503 MW of combined cycle capacity and 8 MW of combustion turbine capacity. MEAG Power also has an ownership interest, through the Project Entities, as discussed herein, in two additional nuclear generating units under construction at Plant Vogtle, Unit Nos. 3 (Vogtle Unit 3) and 4 (Vogtle Unit 4) (collectively, Vogtle Units 3&4), which represent 500 MW of nominally rated generating capacity. MEAG Power also owns transmission facilities that, together with those of other utilities, form a statewide, integrated transmission system (ITS).

MEAG Power is comprised of the following reporting components, all defined herein:

- Project One;
- General Resolution Projects;
- Combined Cycle Project;
- Vogtle Units 3&4 Projects and Project Entities;
- Trust Funds; and
- Telecom Project.

(B) Project One and the General Resolution Projects

Project One, established and financed under the Power Revenue Bond Resolution, consists of undivided ownership interests in nine generating units, separately owned transmission facilities and working capital. Projects Two, Three and Four (the General Resolution Projects), established and financed under the General Power Revenue Bond Resolution, consist of additional undivided ownership interests in seven generating units.

The resolutions require that payments by the Participants for electric power be deposited in special funds and be used only for operating costs, debt service and other stipulated purposes. The resolutions also establish specific funds to hold assets for payment of acquisition costs. Other funds are used to hold assets not subject to the restrictions of the resolutions but designated for specific purposes. Power Sales Contracts between MEAG Power and each of the Participants (Power Sales Contracts) require MEAG Power to provide, and the Participants to purchase from MEAG Power, bulk power supply as defined in the contracts. Each Participant is obligated to pay its share of the operating and debt service costs.

During 2004, MEAG Power and each Participant executed an amendment to their Power Sales Contracts (the Amendments) for Project One and the General Resolution Projects which, in part, extended the terms of such contracts until June 2054. The Amendments also revised the method used to allocate the output, services and costs of the General Resolution Projects after the initial term of the related Power Sales Contracts. In addition, the Amendments provided that MEAG Power not extend the term of any existing generation debt outstanding as of November 3, 2004, exclusive of certain working capital debt components, beyond March 1, 2026 for Project One and dates ranging from February 1, 2028 through November 16, 2033 for the General Resolution Projects.

Supplemental bulk power supply is that portion of the Participants' bulk power supply in excess of their entitlement to the output and related services of Project One and the General Resolution Projects. Payments received from the Participants for supplemental bulk power supply are not pledged under either resolution. Supplemental bulk power supply revenue and costs are included in the financial statements of Project One.

Inter-Participant agreements (IP agreements) are utilized by the Participants to improve their respective power supply resource mix. Four Participants have entered into long-term, life-of-the-facility IP agreements to sell the rights to a portion of their Project One output (Selling Participants) to three other Participants. The obligation of the Selling Participants to pay their share of the operating and debt service costs under their Project One Power Sales Contract is not affected.

(C) Combined Cycle Project

The Combined Cycle Project (CC Project) is wholly owned by MEAG Power and consists of a gas-fired and steam-driven combined cycle power plant that has a nominal summer capacity of 503 MW. It is also known as the Wansley Combined Cycle Facility (CC Facility). The 37 Participants in the CC Project (CC Participants) include the initial 32 Participants (the Initial CC Participants) that entered into a CC Project Power Sales Contract (CC Project Power Sales Contract) in 2003, as well as five additional Participants that became CC Participants between 2007 and 2012 through the execution of additional CC Project Power Sales Contracts and assignment agreements with certain of the Initial CC Participants with respect to portions of such Initial CC Participants' interests in the output of the CC Project. MEAG Power and each of the CC Participants have amended their applicable CC Project Power Sales Contract, which allows MEAG Power to utilize a credit facility for the purpose of funding, on an interim basis, certain CC Project costs, including fuel costs, capital costs and working capital requirements.

(D) Vogtle Units 3&4 Projects and Project Entities

General

As described below, MEAG Power acquired a 22.7% undivided ownership interest in Vogtle Units 3&4, representing 500.3 MW of nominally rated generating capacity, for the purpose of serving the future loads of the Participants. MEAG Power determined that Vogtle Units 3&4 will enable it to serve a significant portion of the projected baseload needs of the Participants and potentially offset the retirement of some of MEAG Power's other generating resources. All of the capacity of MEAG Power's ownership interest in Vogtle Units 3&4 was not expected to be needed by the Participants initially. In order to facilitate the temporary sale to other utilities of the output of MEAG Power's ownership interest, MEAG Power structured its ownership interest in Vogtle Units 3&4 into three separate projects, as described in the "Structure, Financing and DOE Guaranteed Loans" section in these Notes to Consolidated Financial Statements (Notes). On June 24, 2015, in order to permit the Vogtle Units 3&4 Project Entities to obtain DOE Guaranteed Loans (also described and defined in the "Structure, Financing and DOE Guaranteed Loans" section of this Note), MEAG Power divided its undivided ownership interest in Vogtle Units 3&4 into three separate undivided interests and transferred such interests to the Vogtle Units 3&4 Project Entities.

History

As discussed below, MEAG Power, Georgia Power Company (GPC), Oglethorpe Power Corporation (OPC) and the City of Dalton, Georgia (Dalton) (collectively, the Original Vogtle Co-Owners) agreed to expand the facilities at Plant Vogtle located in Burke County, Georgia, by developing two additional nuclear generating units, Vogtle Units 3&4. Vogtle Units 3&4 will consist of two Westinghouse Electric Company LLC (Westinghouse) AP1000 reactors, each with a nominally rated generating capacity of 1,102 MW. MEAG Power's interest in Vogtle Units 3&4 is held by the Vogtle Units 3&4 Project Entities, which are special-purpose, limited-liability subsidiaries and wholly-owned by MEAG Power.

In 2005, the Original Vogtle Co-Owners entered into a joint agreement authorizing the potential expansion of up to two additional nuclear units at Plant Vogtle (the Vogtle Units 3&4 Development Agreement), and in 2006, the Original Vogtle Co-Owners entered into ownership, operating and administrative agreements (the Vogtle Units 3&4 Ownership Agreement, the Vogtle Operating Agreement and the Nuclear Managing Board Agreement, respectively) pertaining to Vogtle Units 3&4. GPC was designated as the agent of the Original Vogtle Co-Owners and authorized to develop, license, engineer, contract, operate and maintain Vogtle Units 3&4 on behalf of the Original Vogtle Co-Owners.

In 2009, the Nuclear Regulatory Commission (NRC) issued an Early Site Permit and Limited Work Authorization, which allowed limited work to begin on Vogtle Units 3&4. The NRC certified the Westinghouse Design Control Document, as amended (DCD), for the AP1000 nuclear reactor design in late 2011, and issued Combined Construction and Operating Licenses (COLs) for Vogtle Units 3&4 in early 2012. Receipt of the COLs allowed full construction to begin. There have been technical and procedural challenges to the construction and licensing of Vogtle Units 3&4, at the federal and state level, and additional challenges may arise as construction proceeds. Legal challenges filed immediately after COL issuance were dismissed by court order for lack of merit.

Structure, Financing and DOE Guaranteed Loans

Vogtle Units 3&4 Projects

Since a portion of the output and services of MEAG Power's interest in Vogtle Units 3&4 initially was expected to be surplus to the Participants' needs, for the initial 20 years of commercial operation of each of Vogtle Units 3&4, MEAG Power sold 66.1% of the output and services associated with its Vogtle Units 3&4 interest through take-or-pay power purchase agreements (PPA) to two buyers, as discussed below. MEAG Power initially structured its ownership interest in Vogtle Units 3&4 as three separate projects, Project M, Project J and Project P, collectively referred to herein as the Vogtle Units 3&4 Projects and summarized as follows:

Vogtle Units 3&4 Projects	PPA Buyer	Percentage of MEAG Power's Total Ownership	MW	Output and Services
Project M	Not Applicable	33.9%	169.5	(1)
Project J	JEA	41.2%	206.0	(2)
Project P	PowerSouth	24.9%	124.8	(2)

(1) The output and services of Project M will be provided to the 29 Participants who have executed take-or-pay Project M Power Sales Contracts (Project M Participants) commencing as of the commercial operation date of each of Vogtle Units 3&4. The Project M Participants shall be responsible for payment of their respective shares of all of MEAG Power's costs relating to Project M. The payment obligations of each of the Project M Participants are general obligations to which its full faith and credit are pledged. Principal billings for the Project M Series 2010B Bonds began in 2016 (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Participant"). Each Project M Power Sales Contract, as amended and discussed below, will continue in full force and effect for a term not to exceed 50 years from December 31, 2014.

(2) The output and services of Project J will be provided to JEA, a publicly owned electric, water and wastewater (sewer) utility and an independent agency of the City of Jacksonville, Florida, and the Project J Participants, and the output and services of Project P will be provided to PowerSouth Energy Cooperative (PowerSouth), a rural electric generation and transmission cooperative located in Andalusia, Alabama, and the Project P Participants. The Project J and Project P Participants are defined below. The Project J PPA and the Project P PPA require: (a) MEAG Power to sell to JEA and PowerSouth all of the capacity, energy and related services of Project J and Project P, respectively, for the first 20 years of commercial operation of each of Vogtle Units 3&4 and (b) JEA and PowerSouth to pay to MEAG Power the following related to its purchased share of output: (i) 100% of the interest and principal (Project J and Project P Debt Service) on Project J Bonds or Project P Bonds, as applicable (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities"), and on the respective Project Entity's DOE Guaranteed Loan, for the first 20 years from the respective dates that MEAG Power commences the billing of principal of and interest on each series of bonds and on each advance under the respective Project Entity's DOE Guaranteed Loan and (ii)100% of Project J and Project P total costs in a given year, other than Project J and Project P Debt Service, for the first 20 years following the commercial operation date of each unit. Principal billings for the Project J and Project P Series 2010B Bonds began in 2016 (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Other Revenues"). In the event that MEAG Power issues Project J or Project P bonds for either or both of Vogtle Units 3&4 after their respective commercial operation dates, or issues refunding bonds for Project J or Project P, the time periods during which JEA or PowerSouth, respectively, is obligated under the applicable PPA regarding Project J and Project P Debt Service on such bonds may differ from the 20-year time periods described above.

The Project J Participants and the Project P Participants are required to pay the principal of and interest on each series of Project J or Project P Bonds, as applicable, and on each advance under the respective Project Entity's DOE Guaranteed Loan, commencing with the month following the last month for which JEA or PowerSouth, as applicable, is obligated to pay such principal or interest. Following the twentieth anniversary of the commercial operation date of each of Vogtle Units 3&4, the output and services of Project J and Project P derived from such units shall be provided to the 39 Participants who have executed take-or-pay Power Sales Contracts for Project J and Project P (the Project J and Project P Participants, respectively, and, together with the Project M Participants, hereinafter referred to as the Vogtle Units 3&4 Participants). At such time, the Project J and Project P Participants become responsible for payment of their respective shares of all of MEAG Power's costs relating to Project J and Project P, other than Project J and Project P Debt Service (which is payable as described above). The payment obligations of each of the Project J and Project P Participants are general obligations to which its full faith and credit are pledged. Each Project J Power Sales Contract and Project P Power Sales Contract, as amended and discussed below, will continue in full force and effect for a term not to exceed 50 years from December 31, 2014.

Financing and DOE Loan Guarantee Program

In 2010, MEAG Power issued long-term financing for the Vogtle Units 3&4 Projects totaling $2.7 billion to finance a portion of the acquisition and construction costs of Vogtle Units 3&4 and to redeem certain Vogtle Units 3&4 Projects' bond anticipation notes (BANs). Also in 2010, MEAG Power entered into a credit agreement to finance a portion of the costs of acquisition and construction and financing costs of Project P (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities").

In order to provide a potential source of financing for its interest in Vogtle Units 3&4 and augment its financing alternatives, in 2008 MEAG Power submitted an application to the U.S. Department of Energy (DOE) for loans guaranteed by DOE pursuant to the Federal loan guarantee solicitation for nuclear projects employing new or significantly improved technology issued under Title XVII of the Energy Policy Act of 2005. DOE selected Vogtle Units 3&4 as such a nuclear project and issued a conditional commitment to guarantee loans to be made by the Federal Financing Bank (FFB) to three wholly-owned, special-purpose, limited-liability subsidiaries to be formed by MEAG Power in the aggregate principal amount including capitalized interest of up to $1.8 billion (DOE Guaranteed Loans).

Vogtle Units 3&4 Project Entities

On June 24, 2015, in order to permit each Vogtle Units 3&4 Project Entity to secure its DOE Guaranteed Loan by a first-priority perfected security interest in, among other things, such Project Entity's undivided ownership interest in Vogtle Units 3&4, and thereby permit the Vogtle Units 3&4 Project Entities to obtain $1.1 billion in initial advances of DOE Guaranteed Loans from the FFB (see Note 5 "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities"), MEAG Power divided its undivided ownership interest in Vogtle Units 3&4, as specified above in the "Vogtle Units 3&4 Projects" section of this Note, into three separate undivided interests and transferred such interests and nominally rated generating capacity to the following limited liability companies (LLCs), organized and existing under the laws of the State, of which MEAG Power is the sole member:

- transferred approximately 33.9% of its ownership interest, representing 169.5 MW attributable to Project M, to MEAG Power SPVM, LLC (the Project M Entity or SPVM);
- transferred approximately 41.2% of its ownership interest, representing 206.0 MW attributable to Project J, to MEAG Power SPVJ, LLC (the Project J Entity or SPVJ); and
- transferred approximately 24.9% of its ownership interest, representing 124.8 MW attributable to Project P, to MEAG Power SPVP, LLC (the Project P Entity or SPVP) and, together with the Project M Entity and the Project J Entity, referred to as the Vogtle Units 3&4 Project Entities (Project Entities).

In contemplation of the transfers described above, MEAG Power and each of the Project Entities entered into a Wholesale Power Sales Agreement, pursuant to which (a) MEAG Power is entitled to all of the capacity and output of such Project Entity's ownership interest in Vogtle Units 3&4 and (b) MEAG Power is obligated to pay such Project Entity all of its costs and expenses (including debt service on such Project Entity's DOE Guaranteed Loan, except for certain situations pertaining to Project J and Project P) in connection with the ownership and operation of such Project Entity's ownership interest in Vogtle Units 3&4. As a result, each of the Vogtle Units 3&4 Projects now includes all of MEAG Power's right, title and interest in and to the capacity and output of the related Project Entity's ownership interest in Vogtle Units 3&4, but does not include such ownership interest.

Also in contemplation of those transfers, (a) MEAG Power and the Vogtle Units 3&4 Participants entered into amended and restated power sales contracts, (b) MEAG Power and JEA entered into an amended and restated PPA and (c) MEAG Power and PowerSouth entered into an amended and restated PPA, in each such case, effective as of the date of such transfer, in order to, among other things, (i) extend the term of each such contract and agreement, so that each such contract and agreement shall remain in effect for not to exceed 50 years from December 31, 2014, (ii) reflect such transfers of MEAG Power's ownership interest in Vogtle Units 3&4 and (iii) provide that the payment obligations of the Vogtle Units 3&4 Participants, JEA and PowerSouth, respectively, shall include all costs and expenses of the applicable Project Entity (including scheduled debt service on such Project Entity's DOE Guaranteed Loan) resulting from the ownership, operation and maintenance of, and renewals and replacements to, the applicable Project Entity's ownership interest.

In contemplation of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Project Entities, in February 2014, the Original Vogtle Co-Owners amended the Vogtle Units 3&4 Development Agreement, the Vogtle Units 3&4 Ownership Agreement, the Vogtle Operating Agreement and the Nuclear Managing Board Agreement in order to, among other things, permit MEAG Power to assign to the Project Entities, and permit the Project Entities to assume, MEAG Power's rights and obligations thereunder with respect to Vogtle Units 3&4. As a result of such assignment and assumption, the term Vogtle Co-Owners includes GPC, OPC, Dalton and the Project Entities, and does not include MEAG Power.

Additional information regarding the DOE Guaranteed Loans is included in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities."

Technology, Construction and Licensing

In 2008, GPC, on behalf of itself and the other Original Vogtle Co-Owners, entered into an Engineering, Procurement and Construction Contract (EPC Contract) with a consortium consisting of Westinghouse and Stone & Webster, Inc., a subsidiary of The Shaw Group Inc. (Shaw), which was acquired by Chicago Bridge & Iron Company N.V. (CB&I) (Westinghouse and Stone & Webster, Inc. are referred to herein collectively as the Contractor). As a result of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Project Entities as described in the "Structure, Financing and DOE Guaranteed Loans" section of this Note, the Project Entities have assumed MEAG Power's rights and obligations under the EPC Contract, in proportion to their respective undivided ownership interests in Vogtle Units 3&4. Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test two AP1000 nuclear units (with electric generating capacity of approximately 1,100 MWs each) and related facilities at Plant Vogtle.

Under the terms of the EPC Contract, the Vogtle Co-Owners agreed to pay a purchase price that is subject to certain price escalations and adjustments, including fixed escalation amounts and certain index-based adjustments, as well as adjustments for change orders, and performance bonuses. The EPC Contract also provides for liquidated damages upon the Contractor's failure to fulfill the schedule and performance guarantees, subject to certain caps. In addition, the EPC Contract provides for limited cost sharing by the Vogtle Co-Owners for increases to Contractor costs under certain conditions. The maximum amount of additional capital costs under this provision attributable to the Project Entities (based on their respective ownership interests) is approximately $56.8 million. Each Vogtle Co-Owner is severally (and not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to the Contractor under the EPC Contract. The Project Entities' aggregate proportionate share is 22.7%. In the event of certain credit rating downgrades of any Vogtle Co-Owner, such Vogtle Co-Owner will be required to provide a letter of credit or other credit enhancement.

On December 31, 2015, Westinghouse acquired Stone & Webster, Inc. from CB&I and changed the name of Stone & Webster, Inc. to WECTEC Global Project Services Inc. (WECTEC). Certain obligations of Westinghouse and WECTEC under the EPC Contract were originally guaranteed by Toshiba Corporation (Toshiba), Westinghouse's parent company, and Shaw (which is now a subsidiary of CB&I), respectively. On March 9, 2016, in connection with Westinghouse's acquisition of WECTEC and pursuant to a settlement agreement entered into between Westinghouse and the Vogtle Co-Owners on December 31, 2015 to resolve certain disputes between the Vogtle Co-Owners and the Contractor under the EPC Contract, the guarantee of Shaw was terminated. The parent guarantee of Toshiba (the Toshiba Guarantee) remains in place. On April 11, 2017, Toshiba indicated there "are material events and conditions that raise substantial doubt about the company's ability to continue as a going concern."

On December 31, 2015, Westinghouse and the Vogtle Co-Owners entered into a definitive settlement agreement (the Contractor Settlement Agreement) to resolve disputes between the Vogtle Co-Owners and the Contractor under the EPC Contract, including certain litigation. Effective December 31, 2015, GPC, acting for itself and as agent for the other Vogtle Co-Owners, and the Contractor entered into an amendment to the EPC Contract to implement the Contractor Settlement Agreement.

On January 21, 2016, GPC submitted the Contractor Settlement Agreement and the related amendment to the EPC Contract to the Georgia Public Service Commission (GPSC) for its review. On December 20, 2016, the GPSC approved a settlement agreement (the Vogtle Cost Settlement Agreement) resolving the following prudence matters: (i) none of the costs incurred through December 31, 2015 and reflected in the fourteenth Vogtle Construction Monitoring report will be disallowed on the basis of imprudence; (ii) the Contractor Settlement Agreement is reasonable and prudent and none of the amounts paid or to be paid pursuant to the Contractor Settlement Agreement should be disallowed on the basis of imprudence; and (iii) various other matters specific to GPC.

Under the terms of the EPC Contract, the Contractor does not have the right to terminate the EPC Contract for convenience. The Contractor may terminate the EPC Contract under certain circumstances, including certain Vogtle Co-Owner suspension or delays of work, action by a governmental authority to stop work permanently, certain breaches of the EPC Contract by the Vogtle Co-Owners, Vogtle Co-Owner insolvency, and certain other events. In the event of an abandonment of work by the Contractor, the maximum liability of the Contractor under the EPC Contract for such abandonment is limited to 40% of the contract price (approximately $3.7 billion). The EPC Contract permits GPC, acting for itself and as agent for the Vogtle Co-Owners, to terminate the EPC Contract at any time for their convenience, provided that the Vogtle Co-Owners will be required to pay certain termination costs.

On March 29, 2017, Westinghouse and WECTEC each filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. GPC, for itself and as agent for the other Vogtle Co-Owners, has entered into an interim assessment agreement with the Contractor and WECTEC Staffing Services LLC, dated as of March 29, 2017 (the Interim Assessment Agreement), to provide for a continuation of work with respect to Vogtle Units 3&4. GPC's entry into the Interim Assessment Agreement was conditioned upon South Carolina Electric & Gas Company entering into a similar interim assessment agreement with the Contractor relating to V.C. Summer (the V.C. Summer Interim Assessment Agreement). On March 30, 2017 (the Effective Date), the bankruptcy court approved the Interim Assessment Agreement and the V.C. Summer Interim Assessment Agreement. As a result, the term of the Interim Assessment Agreement extends from the Effective Date through the earlier of (i) April 28, 2017, (ii) the termination of the V.C. Summer Interim Assessment Agreement, or (iii) termination of the Interim Assessment Agreement by any party upon five business days' notice (the Interim Assessment Period).

The Interim Assessment Agreement provides, among other items, that (1) GPC is obligated to pay, on behalf of the Vogtle Co-Owners, all costs accrued by the Contractor for subcontractors and vendors for services performed or goods provided during the Interim Assessment Period, with these amounts to be paid to the Contractor, except for amounts accrued for Fluor Corporation (Fluor), which will be paid directly to Fluor, (2) during the Interim Assessment Period, the Contractor shall provide certain engineering, procurement and management services for Vogtle Units 3&4, to the same extent as contemplated by the EPC Contract, and GPC, on behalf of the Vogtle Co-Owners, will make payments of $5.4 million per week for these services, (3) GPC has the right to make payments, on behalf of the Vogtle Co-Owners, directly to subcontractors and vendors who have accounts past due with the Contractor, (4) during the Interim Assessment Period, the Contractor will use its commercially reasonable efforts to provide information reasonably requested by GPC as is necessary to continue construction and investigate the completion status of Vogtle Units 3&4, (5) the Contractor will decide whether to reject or accept the EPC Contract by the later of (i) the termination of the Interim Assessment Agreement and (ii) April 28, 2017, and (6) during the Interim Assessment Period, GPC, on behalf of the Vogtle Co-Owners, will forbear from exercising any remedies against Toshiba under the Toshiba Guarantee. Under the Interim Assessment Agreement, all parties expressly reserve all rights and remedies under the EPC Contract, under all related security and collateral, and under applicable law.

While GPC, on behalf of the Vogtle Co-Owners, is working to provide for a transition that will allow work to continue on Vogtle Units 3&4, GPC, along with the other Vogtle Co-Owners, also is undertaking a full-scale schedule and cost-to-complete assessment to determine the impact the Contractor's bankruptcy filing will have on the construction of Vogtle Units 3&4. MEAG Power does not believe that the current scheduled in-service dates of June 30, 2019 for Vogtle Unit 3 and June 30, 2020 for Vogtle Unit 4 appear to be achievable. MEAG Power intends to work with GPC and the other Vogtle Co-Owners to determine future actions related to Vogtle Units 3&4. GPC has stated that it also will be working with the GPSC in regard to this same determination.

The Contractor's bankruptcy filing is expected to have a material impact on the construction of Vogtle Units 3&4 and could have a material impact on MEAG Power's financial condition and results of operation, although MEAG Power does not have sufficient information at this time to quantify the effect of such filing.

MEAG Power will continue to monitor and evaluate developments related to Vogtle Units 3&4 and will endeavor to undertake a course of action that MEAG Power believes will advance the long-term interest of MEAG Power, JEA, PowerSouth and the Vogtle Units 3&4 Participants. GPC has stated that it will continue to take every action available to it to hold Westinghouse and Toshiba accountable for their financial responsibilities under the EPC Contract and the Toshiba Guarantee.

GPC reports that there are processes in place that are designed to assure compliance with the requirements specified in the DCD and the COLs, including inspections by Southern Nuclear Operating Company, Inc. (an affiliate of GPC and the operating agent for Vogtle Units 3&4) and the NRC that occur throughout construction. As a result of such compliance processes, certain license amendment requests have been filed and approved or are pending before the NRC. Various design and other licensing-based compliance issues may arise as construction proceeds, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

Substantial risks remain that continued challenges with construction, as well as matters related to the bankruptcy filings by Westinghouse and WECTEC, may further impact the Vogtle Units 3&4 project schedule and cost.

The ultimate outcome of the matters discussed above cannot be determined at this time.

The Project Entities' investment in property, plant and equipment (PP&E), including nuclear fuel, for Vogtle Units 3&4 as of December 31, 2016 totaled $2.5 billion.

See Note 2 (G), "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities — Nuclear Generating Facilities" for a discussion of other nuclear generating and NRC matters.

(E) Trust Funds

The financial statements include account balances of the Municipal Competitive Trust (Competitive Trust) and the Deferred Lease Financing Trust (Lease Financing Trust). As discussed below in the "Deferred Lease Financing Trust" section of this Note, the Lease (also discussed in that section) was terminated on March 31, 2016. Collectively, the Competitive Trust and the Lease Financing Trust are referred to as the Trust Funds. The Trust Funds are not fiduciary in nature and are not considered trust funds in the context of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments" (Statement 34). The Reserve Funded Debt and Credit Support Operating accounts (discussed below) of the Competitive Trust are held for the benefit of Project One and the General Resolution Projects. The New Generation and Capacity Funding account of the Competitive Trust, among its other uses as discussed below, provides various funding options for certain Participants joining any future MEAG Power generation project (including the Vogtle Units 3&4 Projects and Project Entities).

Municipal Competitive Trust

The Competitive Trust was established in 1999 to accumulate and grow, through common investment, a substantial fund to be utilized by the Participants to mitigate the high fixed cost related to Plant Vogtle Unit No. 1 (Vogtle Unit 1) and Plant Vogtle Unit No. 2 (Vogtle Unit 2) (collectively, Vogtle Units 1&2) and the impacts that may result from the deregulation of the electric industry in Georgia. It was initially funded with certain rate stabilization and debt service reserve funds totaling approximately $441 million and was comprised of the Reserve Funded Debt, Credit Support Operating and Flexible Operating accounts. Participants currently contribute funds into the Flexible Operating, as well as the New Generation and Capacity Funding, accounts on an elective basis. With the exception of the Flexible Operating account and the New Generation and Capacity Funding account, the funds in the Competitive Trust have been retained and invested in securities typically held to maturity. Investments of the Competitive Trust totaled $602.4 million at December 31, 2016. Changes impacting the balance in the Competitive Trust result from investment earnings and additional Participants' contributions, which are offset by scheduled distributions to the Participants.

During 2008 and 2009, several amendments to the terms of the Competitive Trust authorized MEAG Power, on behalf of the Participants executing such amendments, to, among other things:

- apply funds from certain Competitive Trust accounts for the purpose of lowering the Participants' annual generation billings from MEAG Power during the period 2009 through 2018 (Competitive Trust Funding); and
- establish the New Generation and Capacity Funding account to permit the Participants to fund their share of the acquisition and construction costs of any future MEAG Power generation project joined by such Participants (including the Vogtle Units 3&4 Projects and Project Entities), as well as funding of capacity purchases proposed by MEAG Power, purchase of additional entitlement shares or obligation shares of existing MEAG Power projects, and for mitigation of certain bulk power supply cost increases.

If not otherwise expended, monies in the Credit Support Operating account and Reserve Funded Debt account may be withdrawn on or after December 31, 2018 and 2025, respectively, and monies in the New Generation and Capacity Funding account may be withdrawn after January 1, 2037. An external trustee holds the funds in the Competitive Trust and maintains balances on an individual Participant basis. All of the Participants participate in the Competitive Trust. Competitive Trust Funding totaled $61.8 million and $77.2 million for the years ended December 31, 2016 and 2015, respectively.

Deferred Lease Financing Trust

In 2000, MEAG Power completed a long-term lease transaction (Lease) with a third party (Lessor) with respect to MEAG Power's total 30.2% undivided interest in Unit Nos. 1 and 2 of Plant Scherer (Scherer Units 1&2) and its total 15.1% undivided interest in Unit Nos. 1 and 2 of Plant Wansley (Wansley Units 1&2) and related common facilities at each plant (together, the Undivided Interest or the Coal Units). Under the Lease, MEAG Power leased the Undivided Interest for a term of approximately 50 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.

The Lessor subleased the Undivided Interest back to MEAG Power under a sublease for a term of approximately 30 years. Under the sublease, MEAG Power was required to pay the entire balance of the rent due thereunder six months after the commencement of the sublease.

On March 31, 2016, MEAG Power and the Lessor finalized an agreement that terminated the Lease and other related agreements prior to their expiration dates (Termination Agreement). Pursuant to the Termination Agreement, MEAG Power paid the Lessor a net early termination amount of $360 million. MEAG Power believes that the termination on the terms contained in the Termination Agreement was in MEAG Power's best interest.

As a result of such termination, the Lease and all of the other related agreements, with the exception of certain provisions that MEAG Power does not believe will have any material adverse effect on MEAG Power, automatically and irrevocably terminated and were discharged, and neither MEAG Power nor the Lessor has any further right, liability or obligation to the other with respect to the Lease and such other related agreements, except with respect to the provisions referenced above.

The termination of the Lease is expected to reduce MEAG Power's revenue requirements for the period through December 15, 2030.

(F) Telecommunications Project

MEAG Power offers specialized services to the Participants through the Telecommunications Project (Telecom or Telecom Project) by separate contracts between MEAG Power and the participating communities. As of December 31, 2016 and 2015, 32 of the Participants (the Telecom participants) had such contracts. Telecom commenced operations in 1997 to: (1) provide advanced internal telecommunications services to MEAG Power, (2) enhance the education proficiencies of the Telecom participants through the deployment of state-of-the-art telecommunications and (3) foster economic growth and development of the Telecom participants throughout Georgia by providing competitive access services in conjunction with local municipal fiber-optic networks.

MEAG Power has a Master Agreement with Georgia Public Web (GPW) under which all operational control of Telecom's fixed assets was transferred to GPW, a Georgia nonprofit corporation formed by the Telecom participants. The Master Agreement also entitles GPW to derive revenue from the Telecom assets. In exchange for control of these assets, GPW assumed certain ongoing obligations of Telecom for the operation and maintenance of the Telecom assets. In addition, GPW pays Project One a monthly payment for use of rights-of-way.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(A) Basis of Accounting

The electric utility accounts of MEAG Power are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as provided by the Power Sales Contracts with the Participants. Telecom accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Communications Commission. All such accounts are in conformity with accounting principles generally accepted in the United States (GAAP). MEAG Power's financial statements are prepared in accordance with GAAP as prescribed by the GASB and the Accounting Standards Codification (ASC) of the Financial Accounting Standards Board (FASB), where such FASB pronouncements do not conflict with or contradict GASB pronouncements.

MEAG Power's Board (the Board) has authority for establishing rates billed to the Participants each year as part of the Annual System Budget approval process. Accounting guidance under GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in its billings. As discussed in "Net Costs to be Recovered and Deferred Inflows of Resources," section (D) of this Note, differences between amounts billed and expenses determined in accordance with GAAP (Timing Differences) are charged or credited to net costs to be recovered from Participants or deferred inflows of resources.

The following balances have been eliminated from MEAG Power's consolidated financial statements:

- certain investment, long-term debt, investment income and interest expense balances, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds"; and
- interproject receivables and payables, including certain transfers related to the Project Entities and DOE Guaranteed Loans, as discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, Financing and DOE Guaranteed Loans."

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the consolidated financial statements and the related disclosures in these Notes. Actual results could differ from those estimates. Certain prior years' data has been revised to conform to the current year's presentation with no impact on net revenues.

(B) Statement of Cash Flows

In accordance with Statement 34, the Consolidated Statement of Cash Flows (Statement of Cash Flows) is presented using the direct method. For reporting cash flows, highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents except for securities lending investments, as discussed in Note 4, "Special Funds and Supplemental Power Account — Securities Lending." For the years ended December 31, 2016 and 2015, cash and cash equivalents totaled $1.5 billion and $2.5 billion, respectively. Amounts presented in the Statement of Cash Flows for property additions are net of changes in the related liability accounts payable. For the years ended December 31, 2016 and 2015, such changes were $(75.9) million and $49.6 million, respectively.

(C) Revenues

Participant

Wholesale electric sales to the Participants are recorded as Participant revenues on an accrual basis. Billings to the Participants for delivered energy are designed to recover certain costs, as defined by the bond resolutions and Power Sales Contracts, and principally include current operating costs, scheduled debt principal and interest payments, and deposits in certain funds. Beginning in 2016, Participant revenues also include billings to Project M Participants (see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, Financing and DOE Guaranteed Loans — Vogtle Units 3&4 Projects") for scheduled debt principal payments. Such billings totaled $3.8 million for the year ended December 31, 2016. Billings to Participants of Project One, the General Resolution Projects, the CC Project, as well as Project M, accounted for 82.1% of total revenues for the year ended December 31, 2016. Billings to Participants of Project One, the General Resolution Projects, and the CC Project accounted for 81.3% of total revenues for the year ended December 31, 2015. Three Participants collectively accounted for approximately 26% of Participant revenues in both 2016 and 2015, with one Participant accounting for 12.0% of these revenues in 2016 and 11.6% in 2015.

Telecom

Telecom's revenues are derived from contractual cost-recovery billings to Telecom participants, primarily related to certain operating costs not assumed by GPW, as defined by the Telecom contracts. Revenues are recorded on an accrual basis and are recognized as corresponding costs are incurred.

Year-End Settlement

In accordance with the Power Sales Contracts and Telecom contracts, MEAG Power performs a year-end settlement process to determine if the aggregate amount of revenues received from the Participants and Telecom participants to provide recovery of costs incurred were in the proper amount. Any excess or deficit amounts resulting in adjustment of billings are refunded to or collected from the Participants and Telecom participants in the following year. For the years ended December 31, 2016 and 2015, the excess revenues received and included in accounts payable on MEAG Power's Consolidated Balance Sheet (Balance Sheet) were as follows (in thousands):

Year-end Settlement	**2016**	2015
Project One	**$31,707**	$26,719
General Resolution Projects	**15,743**	9,864
CC Project	**(583)**	1,875
Project M	**3**	—
Telecom	**528**	78
Total	**$47,398**	$38,536

Refunds for 2016 excess revenues will be processed beginning in the first quarter of 2017.

Other Revenues

Sales to other utilities and power marketers, which are also recorded on an accrual basis, comprise other revenues. Such sales are primarily to The Energy Authority, as discussed in Note 6, "Investment in Alliance," and GPC, as discussed in "Generation and Transmission Facilities — Jointly Owned Generation Facilities," as well as "— Pseudo Scheduling and Services Agreement," section (G) of this Note. Beginning in 2016, other revenues also include billings to JEA and PowerSouth pertaining to scheduled debt principal payments for Project J and Project P (see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, Financing and DOE Guaranteed Loans — Vogtle Units 3&4 Projects"), which totaled $4.6 million and $1.4 million, respectively, for the year ended December 31, 2016.

(D) Net Costs to be Recovered and Deferred Inflows of Resources

Timing Differences are charged or credited to net costs to be recovered from Participants in other non-current assets or deferred inflows of resources on the Balance Sheet. Depreciation and certain debt service billings are examples of such Timing Differences. All costs are billed to the Participants and Telecom participants over the period of the applicable contracts. Certain investment income represents earnings on funds not subject to year-end adjustment of billings.

At December 31, 2016 and 2015, net costs to be recovered from Participants and deferred in flows of resources consisted of the following (in thousands):

Net Costs to Be Recovered from Participants

December 31, 2016	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
Timing Differences	**$ —**	**$ —**	**$ —**	**$ (9,750)**	**$ —**	**$ —**	**$ (9,750)**
Certain investment income	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Vogtle Units 3&4 Projects' and Project Entities' net interest expense	**—**	**—**	**—**	**356,447**	**—**	**—**	**356,447**
Other, net	**—**	**—**	**—**	**(64)**	**—**	**—**	**(64)**
Total net costs to be recovered from Participants	**$ —**	**$ —**	**$ —**	**$346,633**	**$ —**	**$ —**	**$ 346,633**

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
Timing Differences	$ —	$ —	$ —	$ —	$ 284,724	$ —	$ 284,724
Certain investment income	—	—	—	—	(193,116)	—	(193,116)
Vogtle Units 3&4 Projects' and Project Entities' net interest expense	—	—	—	296,918	—	—	296,918
Other, net	—	—	—	—	3,569	—	3,569
Total net costs to be recovered from Participants	$ —	$ —	$ —	$296,918	$ 95,177	$ —	$ 392,095

Deferred Inflows of Resources

December 31, 2016	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
Timing Differences	**$(148,217)**	**$159,003**	**$56,150**	**$ —**	**$ —**	**$6,237**	**$ 73,173**
Certain investment income	**355,145**	**60,601**	**15,030**	**—**	**—**	**179**	**430,955**
Asset retirement obligations	**12,529**	**(8,699)**	**—**	**—**	**—**		**3,830**
Other, net	**(13,705)**	**190**	**8,197**	**83**	**—**	**(140)**	**(5,375)**
Total deferred inflows of resources	**$ 205,752**	**$211,095**	**$79,377**	**$ 83**	**$ —**	**$6,276**	**$ 502,583**

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
Timing Differences	$(246,471)	$131,303	$45,037	$ —	$ —	$7,414	$ (62,717)
Certain investment income	354,884	59,776	14,802	—	—	178	429,640
Asset retirement obligations	10,344	(8,190)	—	—	—	—	2,154
Other, net	(8,151)	(1,131)	4,932	—	—	(140)	(4,490)
Total deferred inflows of resources	$ 110,606	$181,758	$64,771	$ —	$ —	$7,452	$ 364,587

(E) Property, Plant and Equipment

The cost of PP&E includes both direct and overhead costs, capitalized interest and the cost of major property replacements. Costs are recorded in construction work in progress (CWIP) and capitalized as the plant asset is placed in service; hence, most of the plant additions are transfers from CWIP. Repairs and replacement of minor items of property are charged to maintenance expense. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost, together with the cost of removal less salvage, is charged to accumulated depreciation, with no gain or loss recorded. Note 3, "Property, Plant and Equipment," includes additional PP&E information.

Interest on amounts borrowed to finance construction of MEAG Power's projects is capitalized and included in CWIP and also recorded as a reduction to net interest expense. Included in MEAG Power's Consolidated Statement of Net Revenues (Statement of Net Revenues) for the years ended December 31, 2016 and 2015, respectively, was total interest expense of $357.0 million and $333.7 million, of which $104.0 million and $87.5 million was capitalized.

(F) Depreciation

Depreciation of plant in service is computed using the straight-line composite method over the expected life of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable property, are shown below as of both December 31, 2016 and 2015 as applicable for Project One, the General Resolution Projects and the CC Project. The composite electric utility depreciation rates for generation, transmission and distribution plant are based on engineering studies updated periodically, the most recent study being available for use by MEAG Power beginning in 2014. Depreciation expense for the PP&E components shown below totaled $84.9 million and $82.7 million for the years ended December 31, 2016 and 2015, respectively, and is included in depreciation and amortization in the Statement of Net Revenues. Accumulated depreciation information is included in Note 3, "Property, Plant and Equipment."

Generation Plant	Fuel	Rate
Hatch	Nuclear	2.1%
Scherer	Coal	2.0%
Vogtle Unit 1	Nuclear	1.1%
Vogtle Unit 2	Nuclear	1.6%
Wansley	Coal	2.9%
CC Facility	Natural gas	2.9%

Other Property, Plant and Equipment	Rate
Transmission Plant	2.0%
Distribution Plant	2.5%
General/Other Plant	2.5%–33.0%

Depreciation of telecommunications plant in service, which consists mainly of fiber-optic cable and network systems, totaled $0.7 million for each of the years ended December 31, 2016 and 2015. Depreciation expense is computed using the straight-line method over the expected life of the plant. The composite depreciation rates for both 2016 and 2015 were as follows:

Fiber-optic cable	4.0%
Electronic systems	20.0%
Other	4.0%–33.3%

(G) Generation and Transmission Facilities

Jointly Owned Generation Facilities

At December 31, 2016, MEAG Power's ownership percentages in jointly owned generation facilities in service were as follows:

	Ownership Percent		
Facility	Project One	General Resolution Projects	Total Ownership
Hatch Units 1&2	17.7%	—	17.7%
Scherer Units 1&2	10.0%	20.2%	30.2%
Vogtle Units 1&2	17.7%	5.0%	22.7%
Wansley Units 1&2	10.0%	5.1%	15.1%

MEAG Power, GPC, OPC and Dalton (collectively, the joint-owners) jointly own the facilities. GPC has contracted to operate and maintain the jointly owned facilities as agent for the respective joint-owners. MEAG Power's proportionate share of plant operating expenses is included in the corresponding operating expense items in the accompanying Statement of Net Revenues. MEAG Power also has a 22.7% ownership interest in Vogtle Units 3&4 through the Project Entities, currently under construction (see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities").

MEAG Power and GPC are parties to agreements governing the ownership and operation of electric generating and transmission facilities. GPC is agent for the operation of the generating and transmission facilities. In addition, there is a long-term agreement that provides for the sale by MEAG Power to GPC of a portion of the output of Vogtle Units 1&2. Sales to GPC pursuant to this agreement, included in other revenues, were $11.8 million in 2016 and $12.6 million in 2015 for Project One, and $3.3 million in 2016 and $3.6 million in 2015 for the General Resolution Projects.

Nuclear Generating Facilities

MEAG Power's current nuclear generating facilities consist of its 17.7% ownership in Plant Hatch Unit Nos. 1 and 2 (Hatch Units 1&2) and its 22.7% ownership in Vogtle Units 1&2 (collectively, the existing Nuclear Units). As discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities," MEAG Power, through the Project Entities, is a co-owner in two additional nuclear generating units under construction at Plant Vogtle.

Per contracts GPC has with the DOE, permanent disposal of spent nuclear fuel was to begin in 1998. This has not occurred, and GPC has pursued, and continues to pursue, legal remedies against the U.S. Government for its partial breach of contract. In 2014, the U.S. Court of Federal Claims (the Federal Claims Court) awarded GPC damages, representing the vast majority of the direct costs of the spent nuclear fuel storage facilities for the years 2005 through 2010. MEAG Power's share of those damages was $6.6 million and was recorded in December 2015 in other revenues on the Statement of Net Revenues. MEAG Power had previously received its share of an award by the Federal Claims Court for spent nuclear fuel damages for the years 1998 through 2004.

On March 4, 2014, GPC filed additional lawsuits against the U.S. Government for the costs of continuing to store spent nuclear fuel at the existing Nuclear Units for the years 2011 through 2013. The damage period was subsequently extended to December 31, 2014. Damages will continue to accrue until the issue is resolved or storage is provided. The final outcome of this matter cannot be determined at this time. No amounts have been recognized in MEAG Power's financial statements as of December 31, 2016.

Interim storage of spent fuel in an on-site dry storage facility began in 2013 at Vogtle Units 1&2. Such a facility became operational at Plant Hatch in 2000. These facilities can be expanded to accommodate spent fuel throughout the life of the plants.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance with NRC licensing and safety-related requirements, the NRC has the authority to impose fines and/or shut down any unit, depending upon its assessment of the severity of the situation, until compliance is achieved. NRC orders or regulations related to increased security measures and any future safety requirements promulgated by the NRC could require MEAG Power to make substantial operating and capital expenditures at the existing Nuclear Units. In addition, although GPC has no reason to anticipate a serious nuclear incident at the existing Nuclear Units, if an incident did occur, it could result in substantial costs to MEAG Power. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit that could result in substantial costs. Moreover, a major incident at any nuclear facility in the United States could require MEAG Power to make material contributory payments.

In addition, potential terrorist threats and increased public scrutiny of utilities could result in increased nuclear licensing or compliance costs that are difficult to predict.

For information regarding nuclear insurance and MEAG Power's long-term nuclear fuel commitments, see Note 8, "Commitments and Contingencies — Nuclear Insurance," as well as "Fuel" within that Note.

Coal Generating Facilities

MEAG Power's coal generating facilities consist of its 30.2% ownership in Scherer Units 1&2 and its 15.1% ownership in Wansley Units 1&2 and related common facilities at each plant. For information regarding MEAG Power's long-term coal commitments, see Note 8, "Commitments and Contingencies — Fuel."

Natural Gas Generating Facilities

As discussed in Note 1 (C), "The Organization — Combined Cycle Project," MEAG Power wholly owns the gas-fired and steam-driven CC Facility within the CC Project. In October 2013, MEAG Power contracted with North American Energy Services Corporation to perform the operation and maintenance of the CC Project. The agreement is for a term of five years and provides a three-year renewal option thereafter. In March 2015, MEAG Power contracted with PW Power Systems for long-term parts and outage services for the CC Facility. The term of the contract is based on the operations of the unit and estimated to be in place through 2030.

Transmission Facilities

MEAG Power; GPC; Georgia Transmission Corporation, an Electric Membership Corporation; and Dalton each own transmission system facilities, which together comprise a statewide ITS. MEAG Power and each other entity may use all transmission system facilities included in the ITS, regardless of ownership, in serving its customers. Bulk power supply is furnished by MEAG Power to the Participants through the ITS. MEAG Power's ITS facilities are included in Project One.

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 included: initial term extended through December 31, 2011, with automatic two-year renewals thereafter, with the current renewal term extending through December 31, 2017; an increase in the advance notice of cancellation requirement; and certain other aspects pertaining to mandatory federal reliability standards. Neither party has given the required 24 months' prior notice of cancellation. Certain of the Operation Agreement revisions enabled MEAG Power, with GPC's agreement and consent, to request that SERC Reliability Corporation relieve MEAG Power of a number of obligations in certain mandatory federal reliability standards pertaining to transmission systems, which relief is now effective in accordance with the North American Electric Reliability Corporation's (NERC) compliance registry (www.nerc.com).

The term of the maintenance agreement, pursuant to which GPC maintains certain of MEAG Power's transmission system facilities, has renewed annually since 2002, with the current renewal term extending through December 31, 2017. Neither party has given the required 12 months' prior notice of cancellation.

In 2006, the owners of the ITS exchanged written commitments whereby each owner agreed to waive and not to exercise its right under its respective ITS Agreement (Agreement) to terminate the Agreement on any date prior to December 31, 2027. In accordance with the five-year notice requirement in the Agreement, an owner may provide written notice on or before December 31, 2022, terminating its respective Agreement no earlier than December 31, 2027. These written commitments do not have the effect of modifying, superseding or terminating any Agreement.

Pseudo Scheduling and Services Agreement

MEAG Power and GPC are parties to a Pseudo Scheduling and Services Agreement (PSSA) that addresses unit scheduling and dispatch and system services required for MEAG Power to manage its resources and effectuate off-system sales and purchases within the Southern Company (parent company of GPC) system. Under this agreement, MEAG Power's schedule for the output from the Coal Units may differ from the actual output of its ownership share and will result in sales to or purchases from GPC to reconcile the difference. During the years ended December 31, 2016 and 2015, sales and purchases with GPC under this agreement were (in thousands):

PSSA	**2016**	2015
Sales	**$51,302**	$51,450
Purchases	**$ 6,330**	$ 9,822

(H) Asset Retirement Obligations and Decommissioning

Asset retirement obligations (ARO) are calculated at the present value of a long-lived asset's applicable disposal costs and are recorded in the period in which the liability is incurred. This liability is accreted during the remaining life of the associated assets and adjusted periodically based upon updated estimates to reflect current assumptions regarding the retirement of the applicable PP&E. The costs associated with the corresponding assets have been increased and are being depreciated throughout the remaining lives of the assets.

The recognition of ARO is driven primarily by decommissioning costs associated with the existing Nuclear Units, as well as costs associated with potential closure of ash ponds related to the Coal Units in response to the final coal combustion residual (CCR) and effluent limitation guidelines (ELG) regulations (see Note 8, "Commitments and Contingencies — Environmental Regulation"). The most recent estimates pertaining to decommissioning costs were completed in 2015. Additional updates pertaining to coal ash ponds were received in 2016.

Future costs of decommissioning are recognized through the accretion of ARO as part of depreciation expense. As discussed in "Generation and Transmission Facilities — Jointly Owned Generation Facilities," section (G) of this Note, GPC is the operator of the existing Nuclear Units. During 2015, decommissioning cost studies updated by GPC pertaining to the existing Nuclear Units resulted in an adjustment to increase the estimated cost to decommission these units.

Details of the ARO included in non-current liabilities on the Balance Sheet as of December 31, 2016 and 2015 are (in thousands):

Asset Retirement Obligations	**2016**	2015
Balance January 1	**$486,879**	$447,190
Liabilities settled	**(518)**	(195)
Accretion	**24,572**	20,878
ARO adjustments	**32,837**	19,006
Balance December 31	**$543,770**	$486,879

Pursuant to NRC guidelines, funds are maintained to hold assets that will be used to pay the future costs to decommission the existing Nuclear Units. The Decommissioning Trust funds (Decommissioning Trust), which are held by a trustee, were established to comply with NRC regulations, which require licensees of nuclear power plants to provide certain financial assurances that funds will be available when needed for required decommissioning activities.

Under current plans, the existing Nuclear Units will be decommissioned over extended periods at estimated costs (Project One and the General Resolution Projects' portion) as of the year of site-specific studies as follows (dollars in thousands):

	Hatch Units 1&2	Vogtle Units 1&2
Decommissioning period	2034–2075	2047–2079
Estimated future costs (2015 dollars)	$318,653	$399,525
Amount expensed in 2016	$ 11,847	$ 11,421
Accumulated provision in external funds	$220,813	$218,956

In 2009, the NRC extended the operating licenses for Vogtle Units 1&2 for an additional 20 years until 2047 and 2049, respectively. The NRC had previously extended the operating licenses for Hatch Units 1&2 until 2034 and 2038, respectively. These extensions are factored into the above estimates.

Actual decommissioning costs may vary due to changes in the assumed dates of decommissioning, NRC funding requirements, regulatory requirements, costs of labor and equipment, or other assumptions used in determining the estimates. Earnings and inflation assumptions of 4.9% and 2.9%, respectively, were used to determine decommissioning-related billings to the Participants for 2017 budget purposes, based on the most recent estimates pertaining to decommissioning costs.

(I) Fuel Costs

Fuel stocks, which are stated at average cost, are recorded as inventory when purchased and expensed as burned. Emission allowances are expensed as used on an expected-average-cost basis. Emission allowances granted by the U.S. Environmental Protection Agency (EPA) are included in inventory at zero cost. MEAG Power did not purchase any emission allowances during 2016 or 2015, and expensed immaterial amounts in both years. Amortization of nuclear fuel is calculated on a units-of-production basis.

Natural gas expense for the CC Project totaled $52.7 million and $48.6 million for 2016 and 2015, respectively. MEAG Power uses fuel-related derivative financial instruments/natural gas hedges to manage specific risks associated with procurement of natural gas for the CC Project. Such strategies are governed by MEAG Power's Fuel Risk Management Policy (the Fuel Risk Management Policy) and primarily include hedging transactions used to manage MEAG Power's natural gas cost.

MEAG Power follows GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" (Statement 53), which requires changes in the fair value of effective hedging derivative instruments to be recorded as a deferred inflow or outflow. All of MEAG Power's natural gas hedges are considered effective and, as such, the fair value of $(0.5) million and $(5.2) million as of December 31, 2016 and 2015, respectively, is recorded on the Balance Sheet in materials, supplies and other assets. The increase (decrease) in fair value of $4.7 million for 2016 and $(0.8) million for 2015 is recorded in deferred outflows of resources on the Balance Sheet.

Summary information pertaining to natural gas hedges as of December 31, 2016 and 2015 is as follows (dollars in thousands):

Contract Year	Notional Amount* December 31, 2016	Fair Value December 31, 2016	Latest Maturity Date
2017	**5,480,000**	**$ (21)**	**Dec. 2017**
2018	**3,460,000**	**(268)**	**Dec. 2018**
2019	**1,490,000**	**(196)**	**Dec. 2019**
2020	**160,000**	**(41)**	**Sept. 2020**
Total	**10,590,000**	**$(526)**	

Contract Year	Notional Amount* December 31, 2015	Fair Value December 31, 2015	Latest Maturity Date
2016	8,275,000	$(3,214)	Dec. 2016
2017	3,440,000	(1,405)	Dec. 2017
2018	1,190,000	(439)	Dec. 2018
2019	430,000	(137)	Dec. 2019
2020	160,000	(22)	Sept. 2020
Total	13,495,000	$(5,217)	

*In mmBtus (one million British Thermal Units).

The above natural gas hedges were entered into between September 2011 and December 2016, with total cash paid at inception of $0.4 million and $0.2 million for natural gas hedges outstanding at December 31, 2016 and 2015, respectively. The price index for all of MEAG Power's natural gas hedges is the New York Mercantile Exchange Natural Gas Futures Contract at Henry Hub (Henry Hub Contract). All of MEAG Power's natural gas hedges are with one of two counterparties and had credit ratings with Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's (S&P) at December 31, 2016 and 2015 as follows:

	Counterparty Credit Rating		
	Fitch	Moody's	S&P
December 31, 2016	**AA-/A**	**Aa3/A3**	**A-/BBB+**
December 31, 2015	AA-/A	Aa2/A3	A+/BBB+

For a discussion of risks pertaining to derivative financial instruments, see "Derivative Financial Instruments," section (K) of this Note.

(J) Materials, Supplies and Other Assets

Materials and supplies include the cost of transmission materials and the average cost of generating plant materials, which are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate. Emission allowances granted by EPA have a zero cost basis, when calculating the allowance inventory at average cost, and are expensed as used. Other assets consist primarily of prepaid assets and the fair value of effective natural gas hedging instruments.

(K) Derivative Financial Instruments

Derivative financial instruments used in the management of interest rate exposure through swap transactions are governed by MEAG Power's Asset/Liability Management Policy (ALCO Policy), as authorized by the Asset/Liability Committee of the Board. As discussed in "Fuel Costs," section (I) of this Note, MEAG Power also uses natural gas hedges to manage specific risks associated with procurement of natural gas for the CC Project, in accordance with the Fuel Risk Management Policy. Such swap transactions and natural gas hedges are accounted for, as applicable, in accordance with Statement 53 or GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31). These derivatives are not held or issued for trading purposes and MEAG Power management has designated the swaps as hedge instruments. Under Statement 53, the swap agreements and natural gas hedges are marked-to-market monthly with the effective portion included in deferred outflows of resources. If the instrument is terminated before the end of the agreement's term, any gain or loss is amortized over a period consistent with the underlying liability.

Information about natural gas hedges and interest rate swap agreements outstanding as of December 31, 2016 and 2015 is included in "Fuel Costs," section (I) of this Note and Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Other Financing Transactions," respectively.

Regulations implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) have imposed additional requirements on the use of over-the-counter derivatives, including clearing, margining and reporting requirements on parties to financial instrument transactions. MEAG Power is not subject to the clearing and margining requirements because it elected an end-user exemption from such requirements. In addition, since all counterparties to MEAG Power swap transactions are swap dealers and are responsible for the reporting requirements, MEAG Power is not subject to additional reporting requirements. As a result, MEAG Power does not consider the impact of Dodd-Frank Act regulations to be material.

As a result of using derivative financial instruments, MEAG Power is subject to the following risks:

Credit Risk

MEAG Power is exposed to credit risk on all interest rate swaps and all natural gas hedges, with the largest potential for risk on swaps and hedges that are in a significant asset position and to a lesser extent through the possibility of non-performance under the swap by the counterparty. In order to minimize this risk, the ALCO Policy, which governs interest rate swaps, and the Fuel Risk Management Policy, which governs natural gas hedges, restrict potential counterparties to major financial institutions with either high investment-grade credit ratings or agreements to collateralize their net positions. In addition, the ALCO Policy and the individual agreements with the natural gas hedging counterparties limit the amount of exposure to the counterparty to certain amounts that decrease as the counterparty's credit rating decreases.

Finally, MEAG Power requires each counterparty to post collateral based on the exposure of the swap or hedge. The eight outstanding interest rate swaps and $1.1 million of the outstanding natural gas hedges were in the counterparty's favor in a liability position as of December 31, 2016, thereby minimizing the credit risk to MEAG Power.

Interest Rate Risk

MEAG Power is exposed to various interest rate risks on the variable-rate portion of its debt portfolio and utilizes interest rate swaps to help mitigate them. In accordance with the ALCO Policy, MEAG Power may either hedge specific bonds by synthetically converting them to a fixed rate of interest or hedge a portion of the overall debt portfolio for a specific period of time. Under the terms of each interest rate swap, MEAG Power pays a fixed rate of interest and receives a floating-rate payment that is based on an index. If interest rates rise, the amount of interest MEAG Power would pay on its variable-rate debt would rise. However, the higher payments made on its variable-rate debt should be offset by higher payments received on its interest rate swaps, thereby reducing MEAG Power's interest rate risk.

Basis Risk

Basis risk occurs when the floating rates on the interest rate swaps and the variable-rate bonds do not match exactly. When investors demand an interest rate on MEAG Power's variable-rate debt that is higher or lower than the variable-rate index used to calculate the payments on the swap, the payments may not offset completely. This mismatch in payments may be a benefit or detriment to MEAG Power.

MEAG Power is also exposed to basis risk between the natural gas hedges, which settle against the Henry Hub Contract, and the hedged gas deliveries, which are typically daily spot purchases in Transcontinental Gas Pipeline Company, LLC's zone 3 or zone 4. However, the prices at each of these pricing points are highly correlated and generally very close; therefore, MEAG Power's basis risk for its natural gas hedges is not substantial.

Termination Risk

Either party to an interest rate swap or a natural gas hedge may terminate the transaction for a variety of reasons, based upon the terms of the contract. MEAG Power would be exposed to additional interest rate risk or natural gas price volatility if the counterparty to a swap or hedge transaction defaults or if the swap or hedge is terminated. If the swap or natural gas hedge is a liability to MEAG Power at the time of termination, the counterparty would be due a payment from MEAG Power equal to the liability as specified in the International Swaps and Derivatives Association Agreement. An asset position in the swap or hedge at the time of termination would generate a payment to MEAG Power from the counterparty.

Rollover Risk

The interest rate swaps that are used to hedge a portion of the overall variable-rate debt portfolio may terminate prior to the maturity of the bonds they hedge. Therefore, MEAG Power may be exposed to rollover risk as these swaps terminate.

Market-Access Risk

MEAG Power is exposed to market-access risk on future bond or swap transactions and natural gas hedges if market conditions deteriorate in the future.

(L) Fair Value Measurements

Effective January 1, 2016, MEAG Power adopted GASB Statement No. 72, "Fair Value Measurement and Application" (Statement 72), which addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined in Statement 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions maximize the use of relevant observable inputs and minimize the use of unobservable inputs. MEAG Power holds investments and derivative financial instruments that are measured at fair value on a recurring basis. Because investing is not a core part of MEAG Power's mission, MEAG Power determines that the disclosures related to these investments only need to be disaggregated by major type. MEAG Power chooses a tabular format for the fair value disclosures. MEAG Power categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability, as follows:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that MEAG Power can access at the measurement date.
- Level 2 inputs are inputs — other than quoted prices included within Level 1 — that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

Investments

Level 1 investments are valued using prices quoted in active markets for identical assets. Investments classified in Level 2 of the fair value hierarchy are valued using comparative observable input market data, including, but not limited to: benchmark yields or yield curves; historic sector, security, or issuer relative pricing; observed or reported trades of like assets; broker dealer quotes; or quantitative pricing models using any or all of this market data. Money market mutual funds that have a remaining maturity at the time of purchase of one year or less are recorded at amortized cost in accordance with Statement 31. For additional information pertaining to MEAG Power's investments, see Note 4, "Special Funds and Supplemental Power Account."

Interest Rate Swaps

MEAG Power's interest rate swap agreements are valued using observable market interest rates, implied volatilities and credit spreads, which places them at Level 2 in the fair value hierarchy. For additional information pertaining to MEAG Power's interest rate swap agreements, see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Other Financing Transactions."

Natural Gas Hedges

MEAG Power's natural gas hedges consist of over-the-counter swaps, call options, and put options. These hedges are valued using price quotes for identical assets or liabilities in both active and inactive markets, which places them at Level 2 in the fair value hierarchy. For additional information pertaining to MEAG Power's natural gas hedges, see "Fuel Costs," section (I) of this Note.

MEAG Power's fair value measurements and their levels within the fair value hierarchy as of December 31, 2016 and 2015 were as follows (in thousands):

December 31, 2016	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. Treasury securities	**$ 133,179**	**$133,179**	**$ —**	**$ —**
U.S. Government agency and agency-backed securities	**2,100,607**	**—**	**2,100,607**	**—**
Corporate notes	**134,885**	**—**	**134,885**	**—**
Municipal bonds	**21,071**	**—**	**21,071**	**—**
Total investments by fair value level	**2,389,742**	**$133,179**	**$2,256,563**	**$ —**
Investments measured at the net asset value (NAV):				
Common equity investment trusts	**145,000**			
Investments measured at cost:				
Money market mutual funds	**593,840**			
Cash/Other	**226**			
Total investments measured at cost	**594,066**			
Total special funds, supplemental power account and securities lending collateral	**$3,128,808**			
Derivative financial instruments:				
Interest rate swaps	**$ (49,772)**	**$ —**	**$ (49,772)**	**$ —**
Natural gas hedges	**(526)**	**—**	**(526)**	**—**
Total derivative financial instruments	**$ (50,298)**	**$ —**	**$ (50,298)**	**$ —**

December 31, 2015	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. Treasury securities	$ 117,187	$117,187	$ —	$ —
U.S. Government agency and agency-backed securities	2,604,241	—	2,604,241	—
Corporate notes	127,567	—	127,567	—
Municipal bonds	18,055	—	18,055	—
Total investments by fair value level	2,867,050	$117,187	$2,749,863	$ —
Investments measured at the NAV:				
Common equity investment trusts	133,627			
Investments measured at cost:				
Money market mutual funds	745,677			
Cash/Other	856			
Total investments measured at cost	746,533			
Total special funds, supplemental power account and securities lending collateral	$3,747,210			
Derivative financial instruments:				
Interest rate swaps	$ (56,664)	$ —	$ (56,664)	$ —
Natural gas hedges	(5,217)	—	(5,217)	—
Total derivative financial instruments	$ (61,881)	$ —	$ (61,881)	$ —

The valuation method for investments measured at the NAV per share (or its equivalent) is presented in the following table (dollars in thousands):

Common Equity Investment Trusts Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
December 31, 2016	**$145,000**	$ —	Daily, monthly	1–30 days
December 31, 2015	$133,627	$ —	Daily, monthly	1–30 days

(M) Enterprise Risk Management

MEAG Power's Board has established an Enterprise Risk Management (ERM) program through the approval of an ERM Policy. The ERM Policy governs the ERM program, which consists of a Board-level Risk Management and Audit Committee (RMAC), an Executive-level Risk Oversight Committee (ROC) and personnel dedicated to the day-to-day execution of ERM activities. The ERM function is responsible for assessing risk throughout the organization and working with the RMAC and ROC to monitor and mitigate material risks identified through the risk-assessment process.

(N) Recent Accounting Pronouncements

As discussed in "Fair Value Measurements," section (L) of this Note, MEAG Power adopted Statement 72, effective January 1, 2016.

In June 2015, GASB issued:

- Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (Statement 74). The objective of Statement 74 is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Statement 74 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement 74 is effective for MEAG Power beginning in 2017 and is not expected to have a significant impact on its financial reporting.
- Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (Statement 75). Statement 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Statement 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement 75 is effective for MEAG Power beginning in 2018. The impact to MEAG Power's financial reporting has not been determined.
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" (Statement 76). The objective of Statement 76 is to identify — in the context of the current governmental financial reporting environment — the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. Statement 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement 76 was effective for MEAG Power beginning in 2016 and did not impact its financial reporting, as MEAG Power follows this hierarchy.

In December 2015, GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" (Statement 79). Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement 79 was effective for MEAG Power beginning in 2016 and did not impact its financial reporting.

In January 2016, GASB issued Statement No. 80, "Blending Requirements for Certain Component Units — an amendment of GASB Statement No. 14" (Statement 80). Statement 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. Statement 80 is not applicable to MEAG Power and does not impact its financial reporting.

In March 2016, GASB issued:

- Statement No. 81, "Irrevocable Split-Interest Agreements" (Statement 81). Statement 81 was issued to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. MEAG Power is not a party to such agreements and Statement 81 does not impact its financial reporting.
- Statement No. 82, "Pension Issues — an amendment of GASB Statements No. 67, No. 68, and No. 73" (Statement 82). Statement 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for MEAG Power beginning in 2017 and is not expected to have a significant impact on MEAG Power's financial reporting.

In November 2016, GASB issued Statement No. 83, "Certain Asset Retirement Obligations" (Statement 83). Statement 83 addresses accounting and financial reporting for certain ARO. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in Statement 83, which is effective for MEAG Power beginning in 2019. MEAG Power currently follows ARO guidance in ASC 410, "Asset Retirement and Environmental Obligations" (see "Asset Retirement Obligations and Decommissioning," section (H) of this Note). As a minority owner (less than 50%) of applicable jointly owned generation facilities (see "Generation and Transmission Facilities — Jointly Owned Generation Facilities," section (G) of this Note), Statement 83 is not expected to have a significant impact on MEAG Power's financial reporting.

In January 2017, GASB issued Statement No. 84, "Fiduciary Activities" (Statement 84). Statement 84 was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement 84 is effective for MEAG Power beginning in 2019. The impact to MEAG Power's financial reporting has not been determined.

In March 2017, GASB issued Statement No. 85, "Omnibus 2017" (Statement 85). The objective of Statement 85 is to address practice issues that have been identified during implementation and application of certain GASB pronouncements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Statement 85 is effective for MEAG Power beginning in 2018. The impact to MEAG Power's financial reporting has not been determined.

3. PROPERTY, PLANT AND EQUIPMENT

PP&E activity for the years ended December 31, 2016 and 2015 is shown (in thousands) in the following table. Land is included in the electric component at a non-depreciable cost basis of $37.9 million and $35.8 million as of December 31, 2016 and 2015, respectively. In 2016, capital additions totaled $450.5 million, primarily pertaining to manufacturing of major components such as the reactor vessels' internal parts and other related components, reactor coolant pumps, squib valves, core makeup tanks and passive residual heat removal heat exchangers, fabrication and assembly of structural and mechanical modules, and site construction in the nuclear islands and balance of plant areas at Vogtle Units 3&4. Capital improvements at existing generating plants and transmission facilities, as well as purchases of initial core nuclear fuel for Vogtle Units 3&4, were also a factor.

Property, Plant and Equipment	As of December 31, 2014	Increases	Decreases	As of December 31, 2015	Increases	Decreases	**As of December 31, 2016**
Project One							
Electric utility plant in service	$ 3,125,391	$ 82,061	$(10,406)	$ 3,197,046	$104,024	$ (18,159)	**$ 3,282,911**
Less accumulated depreciation	(1,646,867)	(55,547)	10,406	(1,692,008)	(55,059)	18,159	**(1,728,908)**
Electric utility depreciable plant, net	1,478,524	26,514	—	1,505,038	48,965	—	**1,554,003**
CWIP	95,123	108,005	(81,743)	121,385	111,508	(105,741)	**127,152**
Nuclear fuel, net	188,658	2,723	—	191,381	—	(3,993)	**187,388**
Total Project One	1,762,305	137,242	(81,743)	1,817,804	160,473	(109,734)	**1,868,543**
General Resolution Projects							
Electric utility plant in service	1,177,515	11,813	(4,712)	1,184,616	25,865	(4,804)	**1,205,677**
Less accumulated depreciation	(547,124)	(20,413)	4,712	(562,825)	(20,421)	4,804	**(578,442)**
Electric utility depreciable plant, net	630,391	(8,600)	—	621,791	5,444	—	**627,235**
CWIP	24,101	15,871	(12,562)	27,410	29,613	(26,769)	**30,254**
Nuclear fuel, net	26,356	1,219	—	27,575	—	(3,183)	**24,392**
Total General Resolution Projects	680,848	8,490	(12,562)	676,776	35,057	(29,952)	**681,881**
Combined Cycle Project							
Electric utility plant in service	330,209	709	—	330,918	566	—	**331,484**
Less accumulated depreciation	(101,522)	(9,795)	—	(111,317)	(9,058)	—	**(120,375)**
Electric utility depreciable plant, net	228,687	(9,086)	—	219,601	(8,492)	—	**211,109**
CWIP	606	242	(709)	139	553	(566)	**126**
Total Combined Cycle Project	229,293	(8,844)	(709)	219,740	(7,939)	(566)	**211,235**
Vogtle Units 3&4 Projects and Project Entities							
CWIP	1,833,819	294,403	202	2,128,424	292,435	—	**2,420,859**
Nuclear fuel, net	62,042	2,622	—	64,664	2,920	—	**67,584**
Total Vogtle Units 3&4 Projects and Project Entities	1,895,861	297,025	202	2,193,088	295,355	—	**2,488,443**
Telecom Project							
Telecommunications plant in service	28,841	—	—	28,841	—	—	**28,841**
Less accumulated depreciation	(21,562)	(726)	—	(22,288)	(727)	—	**(23,015)**
Total Telecom Project	7,279	(726)	—	6,553	(727)	—	**5,826**
Total property, plant and equipment, net	$ 4,575,586	$433,187	$(94,812)	$ 4,913,961	$482,219	$(140,252)	**$ 5,255,928**

As of December 31, 2016 and 2015, the Telecom fiber-optic network encompassed over 1,500 miles of fiber. Telecom has entered into agreements that convey the rights to the use of certain fiber-optic cable owned by others. Telecom's costs under these agreements have been recorded as capital lease assets.

4. SPECIAL FUNDS AND SUPPLEMENTAL POWER ACCOUNT

Investments

The ALCO Policy governs permitted investments, which include direct obligations of the U.S. Government, certain government agency and mortgage-backed securities, general and special obligations of states, certain Georgia political subdivision and public authority obligations, certain federal agency discount notes and money market mutual funds that are permissible securities, as well as repurchase and reverse repurchase agreements collateralized by permissible securities. In the Project Entities, the ALCO Policy also permits direct obligations of the U.S. Government, as well as certain government agency bonds, discount notes and money market mutual funds. In the Decommissioning Trust, in addition to these same categories of investments, the ALCO Policy permits common-equity investment trusts, asset-backed securities, commercial paper (CP), and corporate and municipal bonds, as well as other debt obligations and certificates of deposit. Based on these guidelines, special funds, the supplemental power account and securities lending investments (discussed below) are considered restricted assets as defined by Statement 34.

All of MEAG Power's investments are recorded and carried at fair value except for money market mutual funds, which are recorded at amortized cost. Quoted market prices or other inputs as permitted by Statement 72 (see Note 2 (L), "Summary of Significant Accounting Policies and Practices — Fair Value Measurements") are used in the determination of fair value. Unrealized gains/losses on investment securities are reported in net change in the fair value of financial instruments in the Statement of Net Revenues.

Credit Risk

Credit risk is the risk that MEAG Power will be unable to recover its investments either by an inability to withdraw the funds through insolvency or nonperformance of a counterparty or an inability to recover collateral. In accordance with the ALCO Policy, MEAG Power manages exposure to credit risk by restricting investments to issuers that meet certain qualifications and therefore limits any potential credit exposure. In addition, all repurchase agreements must be collateralized using cash or securities permissible under the ALCO Policy at 102% of the market value of principal and accrued interest. As of December 31, 2016, substantially all of MEAG Power's investments in mortgage-backed securities and U.S. Government agency bonds and notes were rated AAA by Moody's and AA+ by S&P, and/or guaranteed by the issuer, which carries the AAA/AA+ ratings. Common equity investment trusts are not rated. Credit risk considerations for the securities lending program are discussed in "Securities Lending" below.

The ALCO Policy establishes a framework to govern the management of MEAG Power's financial assets and seeks to obtain reasonable investment returns within prudent levels of risk, including credit risk. The primary objective of the ALCO Policy is to meet all cash flow requirements and reduce the revenue requirements of Participants without exposing MEAG Power to undue or inappropriate risks. The ALCO Policy is consistent with the requirements for state and local governments contained within State statutes as well as applicable MEAG Power bond resolutions. As such, the following investment credit risk components are derived directly from the ALCO Policy: (1) U.S. Treasury securities held in the portfolio are direct obligations of the U.S. Treasury that carry the full faith and credit backing of the U.S. government; (2) U.S. government agency and agency-backed securities held are issued or otherwise guaranteed by agencies created pursuant to an Act of the U.S. Congress (Congress) as an agency, corporation, or instrumentality of the U.S. government; (3) Municipal bonds held are general or special obligations of states carrying at least a AA rating by two nationally-recognized rating agencies or other State obligations, including political subdivisions or public authorities created by the State legislature; (4) Corporate notes and common equity investment trusts are held only in the Decommissioning Trust managed by external money managers and are subject to the "Prudent Investor" standard established by FERC, as well as the NRC, related to the Decommissioning Trust; and (5) Money market mutual funds are U.S. Treasury or government agency class-only funds rated AAAm by S&P and Aaa-mf by Moody's.

Custodial Credit Risk

In the event of failure of the counterparty, custodial credit risk is the risk that MEAG Power would not be able to recover the value of its investments or collateral securities that are in possession of an outside party. MEAG Power limits the potential of such risk by ensuring that all investments are held by MEAG Power or by an agent in its name.

Concentration of Credit Risk

Concentration of credit risk is the chance of a loss due to the magnitude of MEAG Power's investment in a single issuer. Under the ALCO Policy, MEAG Power restricts possible concentration of credit risk by placing maximum exposure restrictions by security type. The ALCO Policy also requires diversification to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer or bank. External investments with one issuer that comprised 5% or more of MEAG Power's portfolio (excluding those issued or explicitly guaranteed by the U.S. Government, as well as mutual funds) as of December 31, 2016 were (dollars in thousands):

Issuer	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	$1,282,233	39.0%
Federal National Mortgage Association	$ 268,782	8.2%
Federal Farm Credit Bank	$ 226,190	6.9%
Federal Home Loan Mortgage Corporation	$ 189,446	5.8%

Securities Lending

The Board has approved a securities lending program (the program) which allows MEAG Power to lend securities held in the Decommissioning Trust in return for collateral in the form of cash or authorized security types, with a simultaneous agreement to return collateral for the same securities in the future. All investments in the program are considered other investment securities for reporting cash flows. During July 2016, the program was discontinued in the Competitive Trust for portfolio management purposes and no securities were loaned from the Competitive Trust during 2016.

MEAG Power's Trustee for the Decommissioning Trust is the lending agent for the program, and collateral is pledged at 102% of the fair value of the investments loaned and is valued daily. There are no restrictions on the amount of securities that can be loaned.

At December 31, 2016, MEAG Power and the lending agent had no credit risk exposure to borrowers for direct lending activity because the fair value of the collateral held was greater than the fair value of the securities loaned. Contracts with the lending agent require it to indemnify MEAG Power if the borrowers fail to return the securities and the collateral is inadequate to replace the securities loaned or fail to pay MEAG Power for income distributions while the securities are on loan. There were no violations of legal or contractual provisions, no realized borrower or lending agent default losses, and no recoveries of prior period counterparty losses during the year. There were no income distributions owing on the securities loaned.

All securities loans can be terminated on demand by either MEAG Power or the borrower. MEAG Power is not exposed to custodial credit risk, as the collateral securities and cash collateral are held in MEAG Power's name. MEAG Power cannot pledge or sell collateral securities without an act of insolvency on the part of the borrower. Cash collateral is invested in short-term securities that generally match the obligations of the investments on loan. A portion of the investments may be specifically matched to the loans.

Interest Rate Risk

All fixed-income investments are exposed to interest rate risk. MEAG Power's investments would be subject to changes in fair value due to potential changes in interest rates. The ALCO Policy describes the maximum maturity limitations and performance benchmarks for each account in the funds established under the various bond resolutions and agreements pertaining to the Trust Funds, as well as certain agreements with the DOE. These limits are based upon the underlying use of the monies deposited into each account. The maturity restrictions are designed to ensure that the assets are not invested longer than the intended use of the funds. The ALCO Policy prohibits the use of leverage or mortgage investments that are highly sensitive to interest rate changes, such as interest-only and principal-only securities. For reporting purposes, MEAG Power assumes that callable securities in its investment portfolio will be held until maturity. As of December 31, 2016, maturities of special funds, the supplemental power account and securities lending were as follows (in thousands):

	Maturities (in years)						
Investment Type	Under One	One–Three	Three–Seven	Seven–Ten	Over Ten	No Specific Maturity	Total
U.S. Treasury securities	$ 12,820	$ 29,832	$ 50,195	$ 40,332	$ —	$ —	$ 133,179
U.S. Government agency and agency-backed securities	1,788,775	155,514	105,949	31,101	19,268	—	2,100,607
Corporate notes	9,037	34,100	69,796	19,341	1,605	1,006	134,885
Common equity investment trusts	—	20,879	—	—	—	124,121	145,000
Municipal bonds	23,127	99,166	21,053	17,703	23,177	—	184,226
Eliminations*	(23,127)	(99,166)	(21,053)	(17,703)	(2,106)	—	(163,155)
Money market mutual funds	574,443	—	—	—	—	19,397	593,840
Cash/Other	—	—	—	8	29	189	226
Total special funds, supplemental power account and securities lending collateral	$2,385,075	$240,325	$225,940	$ 90,782	$41,973	$144,713	$3,128,808

* Represents investments in MEAG Power bonds held by the Competitive Trust as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds," which are eliminated at par value.

Environmental Facilities Reserve Accounts

In 2006, MEAG Power established separate Environmental Facilities Reserve Accounts (EFRA), one for Project One and the others with respect to the General Resolution Projects. These accounts were established in order to mitigate future planned environmental costs at the Coal Units and were funded initially with $77.9 million of the proceeds received from the Lease involving MEAG Power's ownership interest in the Coal Units, discussed in Note 1 (E), "The Organization — Trust Funds — Deferred Lease Financing Trust." Additional funding is provided from billings to the Participants, which totaled $5.1 million and $23.1 million during 2016 and 2015, respectively.

On March 31, 2016, the amounts then on deposit in the EFRA were applied, together with a portion of the proceeds of the Series 2016A BANs (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Credit Agreements and Other Short-Term Debt — Other Short-Term Debt"), to provide the funds required to redeem the 2006A CABs (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds") and thereby provide, together with a portion of the proceeds of the Series 2016A BANs, the funds required to pay the termination payment to the Lessor in connection with the termination of the Lease (see Note 1 (E), "The Organization — Trust Funds — Deferred Lease Financing Trust"). MEAG Power will continue to deposit amounts to the EFRA in accordance with requirements set forth in remaining resolutions pursuant to which the EFRA was established, which amounts then may be applied by MEAG Power to satisfy certain terms as specified in these resolutions.

Classification

Investments are classified as current or non-current assets based on whether the securities represent funds available for current disbursement under the terms of the related trust agreement or other contractual provisions. Brief descriptions of funds not discussed elsewhere in these Notes are as follows:

- Construction funds are established to maintain funds for the payment of all costs and expenses related to the cost of acquisition and construction of a project, which MEAG Power is permitted to finance through the issuance of debt.
- Revenue and Operating funds are used for the purpose of depositing all revenues and disbursement of operating expenses and required fund deposits of the projects.
- Reserve and Contingency funds are used to accumulate and maintain a reserve for payment of the costs of major renewals, replacements, repairs, additions, betterments and improvements for the projects (Reserve and Contingency).
- Debt Service accounts are established for the purpose of accumulating funds for the payment of interest and principal on each payment date of the bonds and notes issued for the projects.
- Debt Service Reserve accounts are established for certain funding requirements in accordance with applicable bond resolutions and DOE financing documents.

At December 31, 2016 and 2015, investments in special funds, the supplemental power account and securities lending were classified on the Balance Sheet as follows (in thousands):

December 31, 2016	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	$393,828	$ 45,941	$ —	$ —	$ —	$ —	$ —	$ 439,769
Construction fund	106,735	55,026	3	1,072,963	—	—	—	1,234,727
Debt Service fund –								
Reserve and Retirement accounts	66,149	63,496	33,142	166,309	—	—	—	329,096
Revenue and Operating fund	—	—	7,370	—	—	—	—	7,370
Reserve and Contingency fund	23,052	13,628	2,787	—	—	—	—	39,467
Environmental Facilities Reserve account	(3)	(3)	—	—	—	—	—	(6)
Competitive Trust:								
Credit Support Operating account	—	—	—	—	10	—	—	10
New Generation and Capacity Funding account	—	—	—	—	196,800	—	(44,992)	151,808
Reserve Funded Debt account	—	—	—	—	70,869	—	(5,505)	65,364
Flexible Operating account	—	—	—	—	112,658	—	(112,658)	—
Total special funds, non-current	589,761	178,088	43,302	1,239,272	380,337	—	(163,155)	2,267,605
Special funds, current:								
Revenue and Operating fund	204,355	51,921	19,768	2,662	—	620	—	279,326
Debt Service fund –								
Debt Service account	57,446	46,123	4,560	10,852	—	—	—	118,981
Subordinated Debt Service fund –								
Debt Service accounts	116,739	19,426	—	—	—	—	—	136,165
Construction fund	4,707	16,227	—	77,658	—	300	—	98,892
Competitive Trust –								
Flexible Operating account	—	—	—	—	222,065	—	—	222,065
Total special funds, current	383,247	133,697	24,328	91,172	222,065	920	—	855,429
Supplemental power account	4,489	—	—	—	—	—	—	4,489
Securities lending collateral	1,151	134	—	—	—	—	—	1,285
Total special funds, supplemental power account and securities lending collateral	$978,648	$311,919	$67,630	$1,330,444	$602,402	$920	$(163,155)	$3,128,808

* Represents investments in MEAG Power bonds held by the Competitive Trust as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds," which are eliminated at par value.

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	$ 370,248	$ 43,273	$ —	$ —	$ —	$ —	$ —	$ 413,521
Construction fund	200,340	47,521	3	1,533,750	—	—	—	1,781,614
Debt Service fund –								
Reserve and Retirement accounts	98,822	69,018	32,929	166,589	—	—	—	367,358
Revenue and Operating fund	—	—	6,013	—	—	—	—	6,013
Reserve and Contingency fund	21,307	10,992	2,485	—	—	—	—	34,784
Environmental Facilities Reserve account	100,907	126,001	—	—	—	—	—	226,908
Competitive Trust:								
Credit Support Operating account	—	—	—	—	531	—	—	531
New Generation and Capacity Funding account	—	—	—	—	178,617	—	(44,946)	133,671
Reserve Funded Debt account	—	—	—	—	132,626	—	(36,300)	96,326
Flexible Operating account	—	—	—	—	152,905	—	(152,905)	—
Lease Financing Trust	—	—	—	—	312,688	—	(312,688)	—
Total special funds, non-current	791,624	296,805	41,430	1,700,339	777,367	—	(546,839)	3,060,726
Special funds, current:								
Revenue and Operating fund	59,438	36,800	21,341	104,361	—	598	—	222,538
Debt Service fund –								
Debt Service account	87,615	50,159	4,544	—	—	—	—	142,318
Subordinated Debt Service fund –								
Debt Service accounts	105,520	19,050	—	—	—	—	—	124,570
Construction fund	8,046	19,456	—	2	—	300	—	27,804
Competitive Trust –								
Flexible Operating account	—	—	—	—	162,512	—	—	162,512
Total special funds, current	260,619	125,465	25,885	104,363	162,512	898	—	679,742
Supplemental power account	4,411	—	—	—	—	—	—	4,411
Securities lending collateral	2,087	244	—	—	—	—	—	2,331
Total special funds, supplemental power account and securities lending collateral	$1,058,741	$422,514	$67,315	$1,804,702	$939,879	$898	$(546,839)	$3,747,210

*Represents investments in MEAG Power bonds held by the Competitive Trust as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds," which are eliminated at par value.

5. LONG- AND SHORT-TERM DEBT, CREDIT AGREEMENTS AND INTEREST RATE SWAPS

All bonds issued under a resolution are secured by a pledge of revenues, typically electric power, attributable to the respective projects after payment of operating costs, as well as by pledges of the assets in the funds established by the bond resolutions. In addition, each Participant's payment obligations under the Power Sales Contracts are general obligations to which each Participant's full faith and credit are pledged. Also, each Power Sales Contract includes a provision for the assessment and collection of an ad valorem tax by the Participant, if necessary to meet its obligations under the applicable Power Sales Contract.

Project One has been financed through the issuance of senior lien bonds (Power Revenue Bonds) and subordinated lien bonds under the Power Revenue Bond Resolution. The General Resolution Projects have also been financed through the issuance of senior lien bonds (General Power Revenue Bonds) and subordinated lien bonds under the General Power Revenue Bond Resolution. The CC Project has been financed through the issuance of senior lien bonds (CC Project Bonds) under the Combined Cycle Project Bond Resolution (CC Project Bond Resolution). Bonds issued for the Vogtle Units 3&4 Projects under the applicable resolutions are senior debt.

Power Revenue Bonds and General Power Revenue Bonds

As of December 31, 2016, MEAG Power had validated by court judgments $8.0 billion in Power Revenue Bonds and $3.3 billion in General Power Revenue Bonds. Reference to “court judgments” for these bonds, as well as for the bonds described below, indicates that MEAG Power is authorized to issue such bonds up to the validated amount. The resolutions permit the issuance of bonds in the future for certain purposes. No scheduled debt maturity for Project One or the General Resolution Projects extends beyond June 2054, the expiration of the Power Sales Contracts for the respective project — see Note 1 (B), “The Organization — Project One and the General Resolution Projects.”

On December 16, 2011, MEAG Power adopted the Amended and Restated Resolutions (the Amending Resolutions) for the purpose of making certain amendments (the Proposed Amendments) to the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution (collectively, the Senior Resolutions). As a result of changes in market conditions and standard practices, MEAG Power undertook this process to modernize the Senior Resolutions via a “springing lien” amendment to the Senior Resolutions. The Amending Resolutions allow MEAG Power to, among other things, more easily issue Power Revenue Bonds and General Power Revenue Bonds, as well as be more consistent with the bond resolutions of the CC Project and the Vogtle Units 3&4 Projects. Most of the Proposed Amendments take effect on the earlier of when two-thirds of the holders of the Power Revenue Bonds and General Power Revenue Bonds consent to the changes or all such bonds outstanding at December 16, 2011 are no longer outstanding. The remaining Proposed Amendments take effect only when all Power Revenue Bonds and General Power Revenue Bonds outstanding at December 16, 2011 are no longer outstanding. As of January 2, 2017, 75.7% and 68.6% of the holders of outstanding Power Revenue Bonds and General Power Revenue Bonds, respectively, had consented to the Proposed Amendments. MEAG Power published notice of the receipt of the required consents on March 8, 2017, which caused the Proposed Amendments to become effective.

Various bond issues have been defeased by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government securities that were placed in such trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Balance Sheet of Project One and the General Resolution Projects. As of December 31, 2016, the amount held in escrow to defease Power Revenue Bonds and General Power Revenue Bonds removed from the Balance Sheet amounted to $36.6 million.

Subordinated Debt

As of December 31, 2016, MEAG Power had validated by court judgments subordinated bonds totaling $5.4 billion for Project One and $1.8 billion for the General Resolution Projects. The resolutions permit the issuance of bonds in the future for certain purposes. Debt issued under the subordinated bond resolutions is subordinate in all respects to the Power Revenue Bonds and the General Power Revenue Bonds.

In June 2016, MEAG Power issued the following amounts of Project One Subordinated Bonds, Series 2016A and General Resolution Projects Subordinated Bonds, Series 2016A (collectively, the Series 2016A Bonds) to: (i) provide a portion of the moneys required to refund Series 2016A BANs (see the “Credit Agreements and Other Short-Term Debt — Other Short-Term Debt” section in this Note), subordinated bonds and CP, as well as (ii) finance certain capital improvements (in thousands):

Project(s)	
One	**$288,405**
General Resolution	**74,900**
Total	**$363,305**

In December 2015, MEAG Power issued the following tax-exempt bonds to finance certain capital improvements and refund certain bonds and CP (in thousands):

Project(s)	
One	$160,275
General Resolution	9,605
Total	$169,880

Combined Cycle Project Revenue Bonds

As of December 31, 2016, MEAG Power had validated by court judgments $1.3 billion of CC Project bonds, which includes $200.0 million for prepayment of fuel costs.

Financing of Vogtle Units 3&4 Projects and Project Entities

Project M, Project J and Project P are being financed, in part, through the issuance of bonds, including BANs and revenue bonds constituting Build America Bonds (Build America Bonds) for purposes of the American Recovery and Reinvestment Act of 2009 (Recovery Act) under the applicable Project M Bond Resolution, Project J Bond Resolution and Project P Bond Resolution, respectively. All bonds (including BANs) heretofore or hereafter issued under these resolutions, as applicable, are referred to herein as Project M Bonds, Project J Bonds and Project P Bonds, respectively, and are collectively referred to herein as the Vogtle Units 3&4 Bonds.

As of December 31, 2016, MEAG Power had validated by court judgments $5.0 billion of Project M Bonds for the purpose of financing Project M and refunding Project M Bonds, $6.0 billion of Project J Bonds for the purpose of financing Project J and refunding Project J Bonds, and $3.4 billion of Project P Bonds for the purpose of financing Project P and refunding Project P Bonds.

Under the Recovery Act, MEAG Power, provided it complies with the requirements of the Recovery Act, may receive cash subsidy payments rebating a portion of the interest on the Build America Bonds from the U.S. Treasury up to 35% of the interest payable on such bonds. No assurance can be given by MEAG Power of the receipt of such cash subsidy payments. MEAG Power is obligated to make payments of the principal and interest on the Build America Bonds whether or not it receives such cash subsidy payments. As a result of enactment of the Bipartisan Budget Act of 2015, sequester reduction on all subsidy payments owed to issuers of direct-pay Build America Bonds was extended until 2025 (the Sequester Reduction). The Sequester Reduction for federal fiscal year 2016 was 6.8%. The Sequester Reduction percentage for the federal fiscal year ending September 30, 2017 is 6.9%.

In September 2015, MEAG Power issued $185.2 million of Project J Bonds and $69.2 million of Project P Bonds to fund a portion of the costs of acquisition and construction of Project J and Project P, respectively, provide moneys to fund a debt service reserve account established under the applicable bond resolution and fund certain capitalized interest on the Project J Bonds and the Project P Bonds.

As discussed in Note 1 (D), “The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, Financing and DOE Guaranteed Loans,” in June 2015, the Project Entities obtained initial advances of DOE Guaranteed Loans totaling $1.1 billion. Under each DOE Loan Guarantee Agreement, the applicable Project Entity may request advances up to a specified maximum amount until the earliest to occur of (i) December 31, 2020, (ii) the date on which available FFB credit is fully utilized or the commitment is terminated, or (iii) termination of the applicable Project Entity’s right to request advances (collectively, Advances). The DOE Guaranteed Loans have a final maturity date of April 2, 2045.

During 2016, the Project Entities obtained Advances for payment of certain capitalized interest pertaining to the DOE Guaranteed Loans totaling $26.8 million.

MEAG Power and two commercial banks have entered into a credit agreement to finance a portion of the costs of acquisition and construction and financing costs of Project P (the Project P Credit Agreement). In order to evidence its obligation to repay borrowings made and to be made by MEAG Power pursuant to the Project P Credit Agreement, and interest thereon, in 2010, MEAG Power issued its Project P BANs, Taxable Series 2010A (the Series 2010A Project P Notes) to the banks that are parties to the Project P Credit Agreement. In June 2015, all of the Series 2010A Project P Notes under the Project P Credit Agreement were repaid. In September 2015, MEAG Power and the banks party thereto amended and restated the Project P Credit Agreement in order to extend the term thereof to September 25, 2018, and convert the agreement into a revolving credit agreement.

In 2012, MEAG Power issued a Project P BAN, Taxable Series 2012A (the Series 2012A Project P Note) to evidence MEAG Power’s obligation to repay advances made by the trustee of the Competitive Trust to MEAG Power, as an investment of funds on deposit in the Competitive Trust, and the interest thereon. Such advances are made in lieu of borrowings under the Project P Credit Agreement and are used by MEAG Power to finance a portion of the costs of acquisition and construction and financing costs of Project P. The Series 2012A Project P Note is senior debt. As a result of the extension of the Project P Credit Agreement, the maturity date of both the Series 2010A Project P Notes and the Series 2012A Project P Note was correspondingly extended to September 25, 2018, and the maximum principal amount that may be outstanding under the Project P Credit Agreement was reduced to $100.0 million.

Due to the extension of the Project P Credit Agreement to September 25, 2018, both the Series 2010A Project P Notes and the Series 2012A Project P Note were reclassified to long-term debt during 2015. Changes in the Series 2010A Project P Notes and Series 2012A Project P Note during the years ended December 31, 2016 and 2015 were (in thousands):

	Balance December 31, 2014	Proceeds	Payments	Balance December 31, 2015	Proceeds	Payments	**Balance December 31, 2016**
Series 2010A Project P Notes	$142,971	$ —	$142,971	$ —	$ —	$ —	**$ —**
Series 2012A Project P Note	77,524	13,247	—	90,771	15,546	88,242	**18,075**
Total	$220,495	$13,247	$142,971	$90,771	$15,546	$88,242	**$18,075**

Telecommunications Project Revenue Bonds

As of December 31, 2016, MEAG Power had validated by court judgment $44.0 million of bonds pertaining to Telecom for the purpose of acquisition and construction of the Telecom network and subsequent refundings. During 2015, all Telecommunications Project Revenue Bonds were repaid.

Credit Agreements and Other Short-Term Debt

Credit Agreements

Until December 28, 2016, direct pay letters of credit totaling $285.8 million issued by commercial banks pursuant to related reimbursement agreements between MEAG Power and the commercial banks supported CP notes which, as of December 31, 2015, were issued and outstanding in the amount of $224.8 million. On December 28, 2016, in connection with the entry by MEAG Power and certain commercial banks into the revolving credit agreements described in the following paragraph, MEAG Power caused $129.9 million in aggregate amount of such letters of credit to be terminated. As a result, as of December 31, 2016, $155.9 in aggregate amount of letters of credit remained in effect to support CP notes which, as of such date, were issued and outstanding in the amount of $107.3 million. Any amounts drawn under the letters of credit would be payable by MEAG Power on a semiannual basis over a three-year period using the bank's interest rates. The maximum amount of CP authorized to be issued is $410.0 million, but in no event can the aggregate principal amount of all CP notes outstanding, and the interest thereon due at maturity, exceed the aggregate stated amounts of all such letters of credit at any time outstanding and in effect. A principal amount of validated but unissued Power Revenue Bonds and General Power Revenue Bonds of not less than the amount of subordinated bonds issued as BANs is required and was maintained as of both December 31, 2016 and December 31, 2015.

On December 28, 2016, in order to replace the borrowing capacity previously provided by CP notes that were able to be supported by the letters of credit that were terminated on such date, MEAG Power and two commercial banks entered into revolving credit agreements (RCAs) for Project One and the General Resolution Projects that permit MEAG Power to borrow from such banks, until the end of the "revolving credit period" thereunder (initially, until December 28, 2019 unless earlier terminated, and subject to extension at the sole discretion of the applicable bank), in the aggregate, not to exceed $225.0 million. Any amounts borrowed under the RCAs would be payable by MEAG Power following the end of the revolving credit period on a quarterly basis over a three-year period using the bank's interest rates. Since the notes evidencing such banks' right to be repaid for such borrowings constitute subordinated bonds issued as BANs, a principal amount of validated but unissued Power Revenue Bonds and General Power Revenue Bonds of not less than the amount of such subordinated bonds is required and was maintained as of December 31, 2016.

Subordinated bonds issued as variable-rate demand obligations and outstanding as of December 31, 2016 totaled $233.2 million. Bondholders may require repurchase of these subordinated bonds at the time of periodic interest rate adjustments. Agreements have been entered into to provide for the remarketing of the subordinated bonds if such repurchase is required. Agreements have also been entered into with certain banks, which generally provide for the purchase by those banks of subordinated bonds which are not remarketed. As of December 31, 2016, none of the aforementioned bonds were held by the banks. Under the terms of these agreements, any bonds purchased by the banks would be payable by MEAG Power on a semiannual basis over periods generally ranging over two to five years.

As of December 31, 2016, MEAG Power and two banks had entered into committed credit agreements providing for lines of credit (LOC) available to Project One, the General Resolution Projects and the CC Project for $125.0 million individually, but not to exceed $125.0 million in the aggregate. The agreements expire in December 2019. The LOC generally provide for interest at taxable rates.

Other Short-Term Debt

In March 2016, MEAG Power issued $194.1 million of its Project One BANs, Series 2016A and $80.9 million of its General Resolution Projects BANs, Series 2016A (collectively, the Series 2016A BANs) in order to, among other things, provide, together with a portion of the amounts on deposit in the EFRA, the funds required to redeem Capital Appreciation Bonds (CABs) issued in 2006 and thereby provide, together with the balance of the amounts on deposit in the EFRA, the amount needed to pay the early termination amount under the Termination Agreement. (See Note 1 (E), "The Organization — Trust Funds — Deferred Lease Financing Trust," and the "Project Borrowings from the Trust Funds" section of this Note.) The Series 2016A BANs, as heretofore extended, mature on June 23, 2017. In June 2016, $49.1 million of the Project One Series 2016A BANs and $74.9 million of the General Resolution Projects Series 2016A BANs were repaid with proceeds from the Series 2016A Bonds.

Changes in LOC and the Series 2016A BANs during the years ended December 31, 2016 and 2015 were (in thousands):

Lines of Credit and Other Short-term Debt	Balance December 31, 2014	Proceeds	Payments	Balance December 31, 2015	Proceeds	Payments	**Balance December 31, 2016**
Project One	$ —	$ 6,500	$ 6,500	$ —	$201,125	$ 49,125	**$152,000**
General Resolution Projects	1,351	4,400	4,100	1,651	80,875	75,770	**6,756**
CC Project	40,510	—	3,920	36,590	—	36,590	**—**
Total	$41,861	$10,900	$14,520	$38,241	$282,000	$161,485	**$158,756**

Project Borrowings from the Trust Funds

In order to facilitate certain financings as described below, borrowings by various projects of MEAG Power were purchased by either the Competitive Trust or the Lease Financing Trust component of the Trust Funds as an investment.

In 2012, MEAG Power issued BANs in a maximum principal amount to be outstanding at any time of $100.0 million for each of Project One, the General Resolution Projects and the CC Project (the Series 2012A BANs). The Series 2012A BANs are unsecured debt.

The Series 2012A BANs, as well as the Series 2012A Project P Note (see the "Financing of Vogtle Units 3&4 Projects and Project Entities" section of this Note), were issued to evidence MEAG Power's obligation to repay loans made by the trustee of the Competitive Trust to MEAG Power, as an investment of funds on deposit in the Competitive Trust, and the interest thereon. Such loans are used by MEAG Power to finance a portion of the costs of acquisition and construction and working capital needs of the applicable project(s), as well as financing costs for Project P.

During 2016, the Competitive Trust made an advance to the CC Project totaling $32.5 million related to the Series 2012A BANs, which was used along with certain other funds to pay down the CC Project's line of credit (see "Credit Agreements and Other Short-Term Debt" section of this Note). The Competitive Trust also made additional advances totaling $15.5 million under the Series 2012A Project P Note and received repayments of $88.2 million. As of December 31, 2016 and 2015, the balance outstanding for the Series 2012A BANs and the Series 2012A Project P Note were (in thousands):

	Description	**2016**	2015
Project One	Series 2012A BANs	**$28,075**	$ 28,075
General Resolution Projects	Series 2012A BANs	**4,670**	4,670
CC Project	Series 2012A BANs	**32,495**	—
Project P	Series 2012A Project P Note	**18,075**	90,771
Total		**$83,315**	$123,516

To be consistent with the 2016 Balance Sheet presentation of the Series 2012A BANs as unsecured debt, these BANs were also reclassified on MEAG Power's 2015 Balance Sheet to correct an oversight in the 2015 presentation. The reclassification was from subordinated debt to bond anticipation notes (unsecured) in the amount for Project One and the General Resolution Projects as shown in the table above. Since the Series 2012A BANs are an investment of the Competitive Trust, the reclassification of the corresponding elimination amount resulted in a zero consolidated balance for the these BANs as of December 31, 2015, with no impact on total long-term debt, total liabilities or net revenues.

In December 2012, MEAG Power issued $67.7 million of Project One subordinated bonds and $54.8 million of General Resolution Projects subordinated bonds (collectively, Series 2012B) to refund previously issued bonds outstanding in the same amount. The Series 2012B bonds were purchased by the Competitive Trust as an investment and were outstanding as of December 31, 2016 and 2015 in the amount of $25.1 million and $55.9 million, respectively, for Project One and in the amount as issued for both years for the General Resolution Projects.

In 2006, MEAG Power issued $173.2 million of CABs for Project One and Projects Two and Three of the General Resolution Projects (Series 2006A) to finance environmental improvements at the Coal Units. The Series 2006A bonds were purchased as an investment by the Lease Financing Trust and were redeemed on March 31, 2016 with proceeds of the Series 2016A BANs, as well as with funds on deposit in the EFRA, in conjunction with the Termination Agreement. The Series 2006A bonds were outstanding as of December 31, 2015 in the amount of $136.6 million and $176.1 million for Project One and the General Resolution Projects, respectively.

As such, the investments of the Competitive Trust or the Lease Financing Trust that were also liabilities of the various project(s), along with interest expense paid on the bonds and interest earned by the Competitive Trust or the Lease Financing Trust, were eliminated as applicable from MEAG Power's 2016 and 2015 consolidated financial statements.

Other Financing Transactions

MEAG Power uses various methods of hedging, including floating-to-fixed interest rate swap agreements, as part of its debt management under the ALCO Policy. Floating-to-fixed interest rate swaps, as discussed in these Notes, are hedging instruments where MEAG Power pays a fixed rate and receives a floating rate.

Under certain circumstances, a swap transaction is subject to early termination prior to its scheduled termination and prior to the maturity of the related bonds, in which event MEAG Power may be obligated to make or receive a substantial payment to or from the counterparty. As of both December 31, 2016 and 2015, MEAG Power had interest rate swap transactions outstanding under interest rate swap master agreements with four counterparties.

The fair value of interest rate swap agreements is recorded in other non-current liabilities on the Balance Sheet and totaled $58.8 million and $65.2 million as of December 31, 2016 and 2015, respectively. Statement 53 requires hedging instruments to be evaluated for effectiveness, with the change in the fair value of effective hedging instruments recorded as a deferred inflow or outflow. For the year ended December 31, 2016 and 2015, a fair value increase (decrease) of $5.7 million and $(4.8) million, respectively, was recorded in deferred outflows of resources on the Balance Sheet.

MEAG Power previously entered into certain interest rate swap agreements that had a notional amount outstanding as of December 31, 2016 of $18.0 million, to hedge portions of the variable-rate debt portfolio. These hedges do not meet the criteria for effectiveness under the evaluation methods permitted by Statement 53. As such, the change in the fair value of ineffective hedges, which increased $0.7 million and $0.4 million for the year ended December 31, 2016 and 2015, respectively, was reported in net change in the fair value of financial instruments in the Statement of Net Revenues.

The terms of the interest rate swap agreements outstanding as of December 31, 2016 and 2015 were as follows (dollars in thousands):

Project(s)	**Notional Amount Outstanding December 31, 2016**	Interest Rate*		Term Dates		Counterparty Credit Rating		
		Paid	Received	Start	End	Fitch	Moody's	S&P
One	**$ 39,150**	4.20%	SIFMA	Jan. 2005	Jan. 2044	A	Baa1	BBB+
One	**59,275**	4.31%	SIFMA	Jan. 2005	Jan. 2048	AA	Aa2	AA-
One	**49,225**	4.32%	SIFMA	Jan. 2005	Jan. 2048	AA-	Aa3	A+
One	**46,725**	3.81%–3.90%	CPI + 1.05%	Jan. 2007	Jan. 2019–2022	A+	A3	A-
Total Project One	**194,375**							
General Resolution	**17,970**	3.78%	SIFMA	Jan. 2007	Jan. 2020	A	Baa1	BBB+
Total	**$212,345**							

Project(s)	Notional Amount Outstanding December 31, 2015	Interest Rate*		Term Dates		Counterparty Credit Rating		
		Paid	Received	Start	End	Fitch	Moody's	S&P
One	$ 39,150	4.20%	SIFMA	Jan. 2005	Jan. 2044	A	Baa1	BBB+
One	59,275	4.31%	SIFMA	Jan. 2005	Jan. 2048	AA	Aa2	AA-
One	49,225	4.32%	SIFMA	Jan. 2005	Jan. 2048	AA-	Aa3	A+
One	46,725	3.81%–3.90%	CPI + 1.05%	Jan. 2007	Jan. 2019–2022	A+	A3	A-
Total Project One	194,375							
General Resolution	20,280	3.78%	SIFMA	Jan. 2007	Jan. 2020	A	Baa1	BBB+
Total	$214,655							

*SIFMA is the Securities Industry and Financial Markets Association Municipal Swap Index, produced by Municipal Market Data, and is a seven-day, high-grade market index comprising tax-exempt, variable-rate debt obligations. CPI is the Consumer Price Index.

For a discussion of risks pertaining to interest rate swap agreements, see Note 2 (K), "Summary of Significant Accounting Policies and Practices — Derivative Financial Instruments."

Long-Term Debt Activity

Changes in long-term debt during the years ended December 31, 2016 and 2015 were (in thousands):

	As of December 31, 2014	Increases	Decreases	As of December 31, 2015	Increases	Decreases	**As of December 31, 2016**
Project One							
Power Revenue bonds	$ 507,510	$ —	$ (91,145)	$ 416,365	$ —	$ (76,860)	**$ 339,505**
Unamortized (discount) premium, net	19,457	137	(2,482)	17,112	83	(2,353)	**14,842**
Subordinated debt	1,789,357	216,606	(116,298)	1,889,665	328,630	(595,819)	**1,622,476**
Unamortized (discount) premium, net	36,757	23,590	(8,877)	51,470	94,357	(46,443)	**99,384**
Bond anticipation notes (unsecured)	28,856	8,535	(9,316)	28,075	—	—	**28,075**
Total Project One	2,381,937	248,868	(228,118)	2,402,687	423,070	(721,475)	**2,104,282**
General Resolution Projects							
General Power Revenue bonds	249,565	—	(43,705)	205,860	—	(44,775)	**161,085**
Unamortized (discount) premium, net	4,196	52	(1,631)	2,617	35	(1,623)	**1,029**
Subordinated debt	686,978	20,358	(45,561)	661,775	196,490	(328,638)	**529,627**
Unamortized (discount) premium, net	3,490	325	(833)	2,982	16,406	(1,970)	**17,418**
Bond anticipation notes (unsecured)	5,378	—	(708)	4,670	—	—	**4,670**
Total General Resolution Projects	949,607	20,735	(92,438)	877,904	212,931	(377,006)	**713,829**
Combined Cycle Project							
Combined Cycle Project Revenue bonds	197,775	—	(13,950)	183,825	—	(14,305)	**169,520**
Unamortized (discount) premium, net	12,592	25	(2,714)	9,903	25	(2,405)	**7,523**
Bond anticipation notes (unsecured)	—	—	—	—	32,495	—	**32,495**
Total Combined Cycle Project	210,367	25	(16,664)	193,728	32,520	(16,710)	**209,538**
Vogtle Units 3&4 Projects and Project Entities							
Vogtle Units 3&4 Projects' Revenue bonds*	2,667,875	345,196	—	3,013,071	15,546	(88,242)	**2,940,375**
Unamortized (discount) premium, net	2,272	11,208	(804)	12,676	—	(976)	**11,700**
DOE Guaranteed Loans	—	1,143,987	—	1,143,987	26,799	—	**1,170,786**
Total Vogtle Units 3&4 Projects and Project Entities	2,670,147	1,500,391	(804)	4,169,734	42,345	(89,218)	**4,122,861**
Telecom Project							
Telecom Project Revenue bonds	2,675	—	(2,675)	—	—	—	**—**
Total Telecom Project	2,675	—	(2,675)	—	—	—	**—**
Total senior and subordinated debt	$6,214,733	$1,770,019	$(340,699)	$7,644,053	$710,866	$(1,204,409)	**$7,150,510**

*As discussed in the "Financing of Vogtle Units 3&4 Projects and Project Entities" section of this Note, both the Series 2010A Project P Notes and the Series 2012A Project P Note were reclassified from other short-term to long-term debt during 2015.

Long-Term Debt by Series and DOE Guaranteed Loans

All Power Revenue Bonds, General Power Revenue Bonds, CC Project Bonds, as well as Vogtle Units 3&4 Bonds, and certain subordinated bonds bear interest at fixed rates, except for certain Project P BANs. The remaining subordinated bonds bear interest at variable interest rates. Advances under the DOE Guaranteed Loans are at both fixed and variable rates. At December 31, 2016 and 2015, MEAG Power's long-term debt consisted of the following (in thousands):

Project One	2016	2015
Power Revenue Bonds (senior):		
Series V	$ 8,910	$ 15,235
Series W	11,525	20,280
Series X	3,390	10,260
Series Y	—	21,345
Series Z	21,095	46,595
Series BB	22,005	23,880
Series EE	38,125	38,125
Series GG	130,840	133,970
Taxable Series Three	3,130	6,145
Taxable Series Four	100,485	100,530
Total	339,505	416,365
Unamortized (discount) premium, net	14,842	17,112
Total Power Revenue Bonds outstanding	354,347	433,477
Subordinated debt:		
Series 2005A-1 – Taxable fixed rate	67,895	69,635
Series 2005A-2 – Fixed rate CABs	1,176	6,627
Series 2005D – Fixed rate	—	18,145
Series 2005E – Fixed rate	—	4,830
Series 2006A – Taxable fixed rate CABs	—	75,626
Series 2007A-1 and A-2 – Fixed rate	17,865	22,800
Series 2007A-2 – Variable rate	46,725	46,725
Series 2007B – Taxable fixed rate	13,035	13,410
Series 2008A – Fixed rate	108,365	121,945
Series 2008B – Variable rate	148,065	148,065
Series 2008D – Fixed rate	88,435	324,015
Series 2009B – Fixed rate	224,110	251,895
Series 2011A – Fixed rate	213,520	224,325
Series 2011B – Fixed rate	27,450	28,705
Series 2011D – Taxable fixed rate	8,575	13,955
Series 2012A – Taxable fixed rate	59,575	59,575
Series 2012B – Taxable fixed rate	25,060	55,855
Series 2012C – Fixed rate	45,255	45,255
Series 2015A – Fixed rate	150,185	150,185
Series 2015A – Fixed rate CABs	10,090	10,090
Series 2016A – Fixed rate	288,405	—
Series A and B BANs:		
Tax-exempt variable rate CP	48,224	59,922
Taxable variable rate CP	12,007	71,460
Revolving credit note – Taxable variable rate	16,945	—
Total	1,620,962	1,823,045
Accretion of CABs	1,515	66,620
Unamortized (discount) premium, net	99,384	51,470
Total subordinated debt	1,721,861	1,941,135
Total senior and subordinated debt	2,076,208	2,374,612
Bond anticipation notes (unsecured) – Series 2012A BANs – Taxable variable rate	28,075	28,075
Current portion of long-term debt	(134,165)	(192,547)
Total Project One long-term debt	$ 1,970,118	$ 2,210,140

Combined Cycle Project	2016	2015
Revenue bonds (senior):		
Series 2010A	$ 110,065	$ 113,315
Series 2012A	59,455	70,510
Total	169,520	183,825
Unamortized (discount) premium, net	7,523	9,903
Total senior bonds outstanding	177,043	193,728
Bond anticipation notes (unsecured) – Series 2012A BANs – Taxable variable rate	32,495	—
Total	209,538	193,728
Current portion of long-term debt	(14,835)	(14,305)
Total Combined Cycle Project long-term debt	$ 194,703	$ 179,423

General Resolution Projects	2016	2015
General Power Revenue Bonds (senior):		
1992A Series	$ 17,820	$ 21,615
1992B Series	19,065	54,730
1993B Series	175	180
1993C Series	13,400	14,325
2012B Series	48,665	48,990
Taxable 2011A Series	4,120	8,125
Taxable 2012A Series	57,840	57,895
Total	161,085	205,860
Unamortized (discount) premium, net	1,029	2,617
Total General Power Revenue Bonds outstanding	162,114	208,477
Subordinated debt:		
Series 1985A – Variable rate	23,050	23,050
Series 1985B – Variable rate	31,270	35,445
Series 1985C – Variable rate	30,815	34,475
Series 2006A – Taxable fixed rate CABs	—	97,539
Series 2007A – Taxable fixed rate	26,160	26,895
Series 2008A – Fixed rate	43,185	47,815
Series 2008C – Fixed rate	2,870	11,005
Series 2009B – Fixed rate	8,410	9,565
Series 2011A – Fixed rate	5,295	5,575
Series 2011B – Fixed rate	49,545	51,700
Series 2011D – Taxable fixed rate	330	1,180
Series 2012A – Taxable fixed rate	81,160	81,160
Series 2012B – Taxable fixed rate	54,780	54,780
Series 2015A – Fixed rate	9,605	9,605
Series 2016A – Fixed rate	74,900	—
Series A and B BANs:		
Tax-exempt variable rate CP	47,067	—
Taxable variable rate CP	—	93,397
Revolving credit note – Variable rate	29,605	—
Revolving credit note – Taxable variable rate	11,580	—
Total	529,627	583,186
Accretion of CABs	—	78,589
Unamortized (discount) premium, net	17,418	2,982
Total subordinated debt	547,045	664,757
Total senior and subordinated debt	709,159	873,234
Bond anticipation notes (unsecured) – Series 2012A BANs – Taxable variable rate	4,670	4,670
Current portion of long-term debt	(52,685)	(56,953)
Total General Resolution Projects long-term debt	$ 661,144	$ 820,951

Vogtle Units 3&4 Projects and Project Entities	2016	2015
Revenue bonds (senior):		
Series 2010A, Project J – Taxable (Build America Bonds)	$ 1,224,265	$ 1,224,265
Series 2010B, Project J	24,170	24,170
Series 2015A, Project J	185,180	185,180
Series 2010A, Project M – Taxable (Build America Bonds)	1,012,235	1,012,235
Series 2010B, Project M	16,710	16,710
Series 2010A, Project P – Taxable (Build America Bonds)	383,405	383,405
Series 2010B, Project P	7,090	7,090
Series 2012A Project P Note – Taxable variable rate	18,075	90,771
Series 2015A, Project P	69,245	69,245
Total	2,940,375	3,013,071
Unamortized (discount) premium, net	11,700	12,676
Current portion of long-term debt	(13,000)	—
Total Vogtle Units 3&4 Bonds long-term debt	2,939,075	3,025,747
DOE Guaranteed Loans:		
Federal Financing Bank, SPVJ – Fixed rate	139,266	134,724
Federal Financing Bank, SPVJ – Variable rate	193,931	193,931
Federal Financing Bank, SPVM – Fixed rate	306,635	296,241
Federal Financing Bank, SPVM – Variable rate	179,894	179,894
Federal Financing Bank, SPVP – Fixed rate	351,060	339,197
Total DOE Guaranteed Loans	1,170,786	1,143,987
Total Vogtle Units 3&4 Projects and Project Entities long-term debt	$ 4,109,861	$ 4,169,734

Debt Service

At December 31, 2016, expected debt service payments for the Power Revenue Bonds, General Power Revenue Bonds, CC Project Bonds, Vogtle Units 3&4 Bonds and DOE Guaranteed Loans (net of applicable subsidy payments on the Build America Bonds and capitalized interest payments totaling $2.1 billion collectively for the Vogtle Units 3&4 Bonds and DOE Guaranteed Loans, excluding debt service on financings purchased by the Competitive Trust as an investment, as discussed in the "Project Borrowings from the Trust Funds" section of this Note, including debt service on future DOE Guaranteed Loan draws for capitalized interest of $75.0 million, and excluding amounts paid under PPA of $781.9 million for principal and $2.8 billion for interest net of subsidy payments on the Build America Bonds), were as follows (in thousands):

	Project One		General Resolution Projects		Combined Cycle Project		Vogtle Units 3&4 Projects and Project Entities		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2017	$ 26,680	$ 14,110	$ 38,495	$ 5,740	$ 14,913	$ 7,979	$ 8,301	$ —	$ 116,218
2018	32,885	12,983	17,590	3,817	15,547	7,265	9,741	—	99,828
2019	35,985	11,717	10,600	2,882	16,569	6,543	12,783	19,774	116,853
2020	9,365	10,279	5,940	2,339	15,600	5,723	17,069	45,305	111,620
2021	33,855	9,838	6,170	2,096	16,116	4,990	18,913	54,498	146,476
2022–2026	100,985	27,381	30,455	6,472	73,273	11,863	104,937	262,556	617,922
2027–2031	19,895	9,606	7,760	823	15,030	1,382	125,145	242,856	422,497
2032–2036	17,990	5,844	1,525	262	—	—	163,894	236,027	425,542
2037–2041	11,000	1,900	465	22	—	—	418,476	370,110	801,973
2042–2046	1,885	94	—	—	—	—	564,996	462,886	1,029,861
2047–2051	—	—	—	—	—	—	685,110	357,834	1,042,944
2052–2056	—	—	—	—	—	—	963,949	191,813	1,155,762
2057–2060	—	—	—	—	—	—	283,115	19,671	302,786
Total	$290,525	$103,752	$119,000	$24,453	$167,048	$45,745	$3,376,429	$2,263,330	$6,390,282

The reduction of subsidy payments on the Build America Bonds as a result of the Sequester Reduction has been excluded from the above table.

At December 31, 2016, scheduled EFRA billings and debt service payments, including CABs, which are accreted through December 31, 2016, for the subordinated debt were as follows (in thousands):

	Project One			General Resolution Projects			
Year	Principal	Interest	Net Swap Cash Flows	Principal	Interest	Net Swap Cash Flows	Total
2017	$ 76,300	$ 64,547	$ 5,856	$ 28,423	$ 15,914	$ 476	$ 191,516
2018	64,513	60,754	5,856	63,151	15,192	399	209,865
2019	95,989	65,347	5,753	24,445	12,952	320	204,806
2020	86,365	55,353	5,526	51,356	12,204	—	210,804
2021	84,591	49,351	5,437	10,331	10,906	—	160,616
2022–2026	248,184	207,322	26,540	61,868	52,283	—	596,197
2027–2031	177,152	161,016	26,540	104,509	33,967	—	503,184
2032–2036	170,020	121,482	25,398	77,269	11,887	—	406,056
2037–2041	145,558	85,911	18,218	6,277	2,594	—	258,558
2042–2046	162,143	73,010	8,541	15,769	2,351	—	261,814
2047–2051	158,579	32,219	341	9,851	1,148	—	202,138
2052–2056	44,938	2,717	—	11,000	331	—	58,986
2057–2060	—	—	—	—	—	—	—
Total	$1,514,332	$979,029	$134,006	$464,249	$171,729	$1,195	$3,264,540

Variable-rate debt may be in various modes including, but not limited to, money-market mode, daily mode, weekly mode, and CP mode and is reset in time increments ranging from one day to 180 days. The interest rates on variable-rate subordinated debt at December 31, 2016 were used to calculate future interest expense on this debt. Principal amounts include both refundable principal installment bonds that have been extended to the expected maturity dates of the bonds that will refund them and also bonds that will be paid with funds on hand.

The Power Revenue Bond Resolution and General Power Revenue Bond Resolution require that MEAG Power charge and collect rates to provide sufficient revenues under the senior lien and subordinated lien, to the extent not otherwise provided and together with other available funds, at least equal to 110% of senior debt service (Senior Requirement), and 100% of subordinated debt service (Subordinated Requirement). The CC Project Bond Resolution requires that MEAG Power charge and collect rates to provide sufficient revenues, together with other available funds, at least equal to 100% of debt service and the collections for the Reserve and Contingency fund (CC Requirement).

For 2016 and 2015, the Senior Requirement and the Subordinated Requirement were met for the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution, and the CC Requirement was met for the CC Project Bond Resolution, as shown in the following table (dollars in millions). Collectively, the Senior Requirement, the Subordinated Requirement and the CC Requirement are referred to as the Requirements.

	Project One		General Resolution Projects		Combined Cycle Project
2016	Senior	Subordinated	Senior	Subordinated	Senior Only
Applicable revenues for the Requirements	**$65.9**	**$145.9**	**$50.2**	**$39.3**	**$27.7**
Reserve and Contingency revenues	**30.8**	**—**	**14.8**	**—**	**0.9**
Total	**$96.7**	**$145.9**	**$65.0**	**$39.3**	**$28.6**
Debt Service Requirement	**$65.9**	**$145.9**	**$50.2**	**$39.3**	**$27.7**
Debt Service Coverage	**147%**	**100%**	**129%**	**100%**	**103%**

	Project One		General Resolution Projects		Combined Cycle Project
2015	Senior	Subordinated	Senior	Subordinated	Senior Only
Applicable revenues for the Requirements	$ 98.4	$111.0	$55.5	$30.4	$27.7
Reserve and Contingency revenues	23.6	—	11.3	—	0.8
Total	$122.0	$111.0	$66.8	$30.4	$28.5
Debt Service Requirement	$ 98.4	$111.0	$55.5	$30.4	$27.7
Debt Service Coverage	124%	100%	120%	100%	103%

6. INVESTMENT IN ALLIANCE

Investment in Alliance reflects MEAG Power's 16.7% ownership interest in The Energy Authority (TEA), a governmental nonprofit power marketing corporation. As of December 31, 2016, eight members (Members) including MEAG Power comprised TEA: American Municipal Power, Inc., City Utilities of Springfield, Gainesville Regional Utilities, JEA, Nebraska Public Power District, Public Utility District No. 1 of Cowlitz County and South Carolina Public Service Authority. 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 more than 30,000 MW of its Members' and non-members' generation resources.

In the Statement of Net Revenues, certain portions of MEAG Power's sales to TEA are recorded in either other revenues or netted against related fuel expense. Purchases from TEA are recorded in purchased power expense. For the years ended December 31, 2016 and 2015, sales to TEA totaled $45.8 million and $53.5 million, with net purchases from TEA totaling $11.5 million and $19.7 million, respectively. During 2016 and 2015, an aggregate of $2.8 million and $5.3 million, respectively, of net revenues received from TEA were netted against related fuel, transmission and operating expenses, based on methodology approved by the Board for the application of off-system sales revenues. Remaining net revenues of TEA were allocated as sales margins as follows (in thousands):

Project(s)	**2016**	2015
One	**$2,195**	$ 2,111
General Resolution	**2,833**	3,152
CC	**3,417**	4,894
Total	**$8,445**	$10,157

In addition to $2.7 million of contributed capital, MEAG Power has committed up to an additional $60.8 million through a combination of guarantees as of December 31, 2016. TEA evaluates its credit needs periodically and requests Members to adjust their guarantees accordingly. The guarantee agreements are authorized by the Board and intended to provide credit support for TEA when entering into transactions on behalf of its Members. Such guarantees would require the Members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity or natural gas as required by contract with a counterparty, or if TEA failed to make payment for purchases of such commodities. If guaranty payments are required, MEAG Power has rights with other Members that such payments would be apportioned based on certain criteria.

The guarantees generally have indefinite terms; however, MEAG Power can terminate its guaranty obligations by providing notice to counterparties and others, as required by the agreements. Such termination would not pertain to any transactions TEA entered into prior to notice being given. As of December 31, 2016 and 2015, MEAG Power had no liability related to these guarantees outstanding.

TEA's accounting records are maintained in conformity with the pronouncements of the GASB. For the year ended December 31, 2016, TEA's total net position was $37.6 million, a decrease of $3.2 million from 2015. Complete financial statements for TEA may be obtained at The Energy Authority, 301 W. Bay Street, Suite 2600, Jacksonville, FL 32202.

As of December 31, 2016 and 2015, MEAG Power's current other receivables due from TEA totaled $5.2 million and $4.2 million, respectively.

7. RETIREMENT PLAN AND OTHER POSTEMPLOYMENT BENEFITS

Retirement Plan Description

MEAG Power is the sponsor and administrator of a single-employer, non-contributory retirement plan that provides a defined benefit to employees hired before 2014 based on years of service and average earnings. The Municipal Electric Authority of Georgia Retirement Plan (the Retirement Plan) was established by the Board, and Board action is required to terminate the Retirement Plan or for material changes made to Retirement Plan benefits. The Retirement Plan is funded through a tax-exempt trust fund qualified under sections of the Internal Revenue Code. An independent actuarial firm is used to calculate MEAG Power's contribution to the Retirement Plan, which is based on actuarial valuations as of January 1 of each year, approved by the Board and included as part of the annual system budget. The Retirement Plan is not required to issue a separate financial report.

Benefits Provided

Prior to January 1, 2014, employees who attained age 25 with at least one year of service were eligible to participate in the Retirement Plan (Plan participant), as were former employees rehired prior to that date, under certain vesting guidelines of the Retirement Plan. The Retirement Plan is closed to new entrants. As discussed below, employees hired after December 31, 2013 are eligible to receive a non-matching contribution to MEAG Power's 403(b) defined contribution plan (403(b) Plan).

A Plan participant who retires on his/her normal retirement date (considered to be age 62) will receive a monthly benefit (Accrued Benefit), based on the applicable vesting percentage, equal to 2.4% of final average earnings (FAE) multiplied by years of benefit service (Benefit Service) (up to a maximum of 25 years), if employed as of February 1, 1991, or 2.0% of FAE multiplied by Benefit Service (up to a maximum of 30 years), if employed after that date. The Accrued Benefit of a Plan participant who retires prior to his/her normal retirement date is reduced by 6.0% for each year the early retirement date precedes age 62. FAE is calculated using different methods to determine the highest average earnings, generally based on the average of the 60 consecutive or non-consecutive (depending on employment date) calendar months during his/her final 120 consecutive calendar months of employment (or fewer number of actual months). Vesting percentage increases up to 100% at five years of service. A Plan participant who retires or terminates service after age 55 is 100% vested regardless of years of service.

Employees Covered by Benefit Terms

At December 31, 2016 and 2015, the following Plan participants were covered by Retirement Plan benefits:

Plan Participants	**2016**	2015
Active	**104**	110
Inactive, vested	**92**	96
Retirees and beneficiaries	**98**	90
Total	**294**	296

Contributions

The actuarially determined contribution to the Retirement Plan by MEAG Power is pursuant to the Official Code of Georgia Annotated, section 47-20-10 (OCGA 47-20-10). Historically, MEAG Power's contribution has been well in excess of the minimum required contribution under OCGA 47-20-10. For the years ended December 31, 2016 and 2015, MEAG Power contributed 8.6% and 77.2%, respectively, of covered payroll. No contributions by Plan participants are required.

Net Pension Liability

MEAG Power's net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by the entry age normal valuation method as of that date. The following schedule presents the change in net pension liability for the years ended December 31, 2016 and 2015 (in thousands):

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)-(b)
Balance at December 31, 2015	$54,099	$53,252	$ 847
Changes for the year:			
Service cost	904	—	904
Interest on the total pension liability	4,040	—	4,040
Difference between expected and actual experience	(661)	—	(661)
Assumption changes	(273)	—	(273)
MEAG Power contributions	—	934	(934)
Net investment income	—	3,969	(3,969)
Benefit payments	(2,269)	(2,269)	—
Administrative expenses	—	—	—
Net change	1,741	2,634	(893)
Balance at December 31, 2016	**$55,840**	**$55,886**	**$ (46)**

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)-(b)
Balance at December 31, 2014	$51,059	$46,365	$ 4,694
Changes for the year:			
Service cost	1,012	—	1,012
Interest on the total pension liability	3,738	—	3,738
Difference between expected and actual experience	362	—	362
Assumption changes	(134)	—	(134)
MEAG Power contributions	—	8,500	(8,500)
Net investment income	—	325	(325)
Benefit payments	(1,938)	(1,938)	—
Administrative expenses	—	—	—
Net change	3,040	6,887	(3,847)
Balance at December 31, 2015	$54,099	$53,252	$ 847

Actuarial Assumptions and Methods

The assumptions used to measure the total pension liability as of December 31, 2016 include a 7.5% investment rate of return, an inflation assumption of 2.5% per year and salary increases of 4.0% per year. Mortality rates were based on the RP-2014 Mortality table, male and female, projected generationally using the MP-2016 Projection Scale.

The long-term expected rates of return on Retirement Plan investments, valued as of December 31, 2016, were determined using geometric mean methodology, including measures of standard deviation and correlation, in which best-estimate ranges of expected future rates of returns were derived for each investment asset class. Analysis included information on past, current, and future capital market performance, key economic indicators and inflation expectations. A 10-year period was chosen for analysis to capture a full market cycle. These best estimate ranges, net of assumed long-term inflation and investment expenses, are combined to produce the long-term expected rate of return. Factors likely to produce additional higher returns for Retirement Plan assets such as active portfolio management (35% of assets), a longer-term investment cycle (30 years), flexibility in the annual budgeting of voluntary contributions, and anticipated changes in asset allocation are considered in the overall management of the Retirement Plan, but were not included in the expected rates of return methodology. The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Large Cap Equity	35%	7.25%
Domestic Mid Cap/Small Cap Equity	15%	7.55%
International Equity	10%	7.25%
Domestic Fixed Income	40%	3.00%
Total	100%	

Retirement Plan's Assets

The fair value of the Retirement Plan's assets, based on quoted market prices as of the measurement dates of December 31, 2016 and 2015, were as follows (in thousands):

	2016	2015
Mutual Funds:		
U.S. Equity Index Fund	**$19,421**	$18,472
Mid-Cap Index Fund	**5,550**	5,330
Small Cap Index Fund	**2,816**	2,654
Diversified International Fund	**5,607**	5,355
Aggregate Bond Fund	**14,380**	13,355
Total Bond Fund	**8,095**	7,889
Institutional Government Portfolio	**4**	174
Cash	**13**	23
Total	**$55,886**	$53,252

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2016 and 2015 was 7.5%. The projection of cash flows used to determine the discount rate assumed that future employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of Plan participants. Therefore, the long-term expected rate of return on Retirement Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate (dollars in thousands):

Net Pension Liability	1% Lower (6.5%)	Current Discount Rate (7.5%)	1% Higher (8.5%)
December 31, 2016	**$7,877**	**$ (46)**	**$(6,461)**
December 31, 2015	$8,803	$847	$(5,560)

Retirement Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Retirement Plan and additions to/deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they are reported by the Retirement Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

The accounting for pension activity under GASB Statement No. 68 "Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27" (Statement 68) results in deferred outflows (delayed recognition of unfavorable investment income changes or unfavorable actuarial changes) and deferred inflows (delayed recognition of favorable investment income changes or favorable actuarial changes). All deferred investment income changes (whether favorable or unfavorable) are combined for a net balance sheet presentation. These changes will be amortized into net pension expense over five years for investment-related deferrals, and approximately two years for actuarially determined deferrals beginning in the year that the inflow or outflow is initially recognized.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retirement Plan

For the years ended December 31, 2016 and 2015, MEAG Power recognized pension expense of $1.5 million and $1.8 million, respectively. At December 31, 2015, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

Deferred Outflows of Resources	2016	2015
Differences between expected and actual experience	**$ —**	$ 180
Assumption changes	**—**	—
Net difference between projected and actual earnings on Retirement Plan investments	**2,039**	2,718
Total	**$2,039**	$2,898

Deferred Inflows of Resources	2016	2015
Differences between expected and actual experience	**$ (428)**	$ —
Assumption changes	**(177)**	(67)
Net difference between projected and actual earnings on Retirement Plan investments	**(45)**	—
Total	**$ (650)**	$ (67)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retirement Plan will be recognized in pension expense in future years as follows (in thousands):

Year	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 680	$(340)
2018	680	(288)
2019	680	(11)
2020	—	(11)
2021	—	—
Total	$2,040	$(650)

Other Retirement Benefits

MEAG Power also offers a 403(b) Plan to all employees and matches regular employee contributions at the rate of 100% of the first 5% of compensation contributed by the employee, as well as 50% of certain additional contributions. Total matching contributions made by MEAG Power to the 403(b) Plan were $0.9 million and $0.7 million for 2016 and 2015, respectively. Employees hired after December 31, 2013 are eligible to receive a non-matching contribution equal to a specified percentage of the employees' compensation based on years of service.

In addition to the retirement benefits described above, MEAG Power offers limited medical benefits to its retirees, based on years of service and age requirements. The MEAG Power Retiree Medical Premium Reimbursement Plan reimburses eligible retirees for a defined amount of the cost of their eligible health care premiums. These reimbursements are paid through MEAG Power's operating fund, the cost of which was immaterial for the years ended December 31, 2016 and 2015. Based on actuarial calculations, MEAG Power's estimated liability for such reimbursements as of December 31, 2016 and 2015 was $10.0 million and $10.6 million, respectively.

8. COMMITMENTS AND CONTINGENCIES

Nuclear Insurance

Under the Price-Anderson Amendments Act (the Amendments Act), MEAG Power is afforded certain indemnities, and has certain obligations, as an owner of nuclear power plants. The Amendments Act provisions together with private insurance cover third-party liability arising from any nuclear incident occurring at the nuclear power plants in which MEAG Power has an ownership interest. The Amendments Act provides for the payment of funds up to a maximum of $13.4 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $375.0 million by American Nuclear Insurers (ANI). The remaining coverage is provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of nuclear reactors. The owners of a nuclear power plant could be assessed up to $127.3 million per incident for each licensed reactor they operate, but not more than an aggregate of $19.0 million per reactor, per incident, to be paid in a calendar year. MEAG Power's share of the potential ANI deferred premiums could be up to $100.0 million, with an annual limit of $14.9 million. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years. The next scheduled adjustment is due in September 2018.

GPC, on behalf of all the joint-owners of the existing Nuclear Units, is a member of the Nuclear Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance for members' nuclear generating facilities. NEIL provides three types of property coverage for the joint-owners through GPC, primary property insurance, excess property insurance and excess non-nuclear property insurance. The primary property insurance provides coverage limits of $1.5 billion per plant. The excess property insurance provides coverage limits up to $1.25 billion per plant above the primary property coverage levels. These policies have a combined sublimit of $1.5 billion for non-nuclear losses. The excess non-nuclear property insurance provides additional coverage limits of $750.0 million per plant above the primary policy.

MEAG Power is also a member of NEIL in its capacity to provide insurance to cover members' costs of replacement power and other costs that might be incurred during a prolonged accidental outage of the existing Nuclear Units. The coverage begins after the outage has exceeded 12 weeks, with a maximum per occurrence per unit limit of $490.0 million. MEAG Power's share of the policy limit is $127.9 million per unit for Hatch Units 1&2, as well as $154.5 million per unit for Vogtle Units 1&2. For non-nuclear losses, the policy limit of liability is $327.6 million per plant. MEAG Power's share of the non-nuclear policy limit is $85.5 million per unit for Hatch Units 1&2, as well as $103.3 million per unit for Vogtle Units 1&2. These policies, similar to the other NEIL policies, contain provisions for a retrospective premium adjustment for a member of up to ten times its annual premium, as discussed below. Under each of the NEIL policies, members are subject to assessments if losses each year exceed the accumulated funds available to the insurer under that policy.

GPC, on behalf of the Vogtle Co-Owners, subscribed to a builders' risk policy addressing the construction of Vogtle Units 3&4. The policy is through NEIL and provides coverage limits of $2.75 billion for accidental property damage occurring during construction. The policy has a natural catastrophe sublimit of $300.0 million, includes $200.0 million delay-in-startup coverage, full terrorism coverage and nuclear exposure during hot testing.

MEAG Power's share of retrospective premium assessments, based on policies effective April 1, 2016, could be as much as $17.3 million for primary, excess property insurance and excess non-nuclear property, $7.3 million per incident for replacement power and other costs, and $10.7 million during each policy year for the Vogtle Units 3&4 builders' risk policy. All retrospective assessments, whether generated for liability, property or replacement power may be subject to applicable state premium taxes.

Claims resulting from terrorist acts against commercial nuclear power plants are covered under both the ANI and NEIL policies, subject to normal policy limits. The Terrorism Risk Insurance Program Reauthorization Act of 2015 extended coverage of domestic acts of terrorism until December 31, 2020. The aggregate, however, that NEIL will pay for all claims resulting from terrorist acts in any 12-month period is $3.2 billion plus such additional amounts NEIL can recover through reinsurance, indemnity or other sources.

In accordance with NRC regulations related to on-site property damage insurance policies for commercial nuclear power plants, the proceeds of such policies pertaining to MEAG Power shall be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident. Any remaining proceeds are next to be applied toward the costs of decontamination or debris removal operations ordered by the NRC; then, any further remaining proceeds are to be paid to either the owners of the facility or their bond trustees as may be appropriate under applicable trust indentures. In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses would be borne by MEAG Power and could have a material adverse effect on MEAG Power's financial condition and results of operations.

Fuel

Project One and the General Resolution Projects, through GPC, are obligated by various long-term commitments for the procurement of fossil and nuclear fuel to supply a portion of the fuel requirements of their generating plants. Coal and/or related transportation commitments for the period 2017–2019 total $24.8 million. For the years beginning 2017 through 2021, nuclear fuel commitments total $120.5 million. Commitments for nuclear fuel are calculated based on MEAG Power's ownership percentage of jointly owned generation facilities per operating agreements with GPC, as discussed in Note 2 (G), "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities — Jointly Owned Generation Facilities." With respect to its long-term coal commitments, 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, has contracted with Southern Company Fuel Services to act as coal procurement agent, and it is responsible for issuance of requests for proposals for coal supply, contract negotiations and scheduling coal delivery. Also discussed within that Note is information regarding sales by MEAG Power to GPC of a portion of the output of Vogtle Units 1&2, which have the effect of reducing MEAG Power's gross commitments for nuclear fuel. Railcar lease commitments through 2019 total $0.3 million. In general, most, if not all, of the contracted material and services reflected in these estimates could be sold on the market, thereby reducing MEAG Power's liability.

TEA provides natural gas fuel management services for MEAG Power, including procurement, scheduling and risk management of the transportation and supply portfolio. In addition, MEAG Power entered into a long-term gas purchase agreement with Main Street Natural Gas, Inc. (Main Street) in 2007 for a term of 15 years. From December 31, 2016 through the remaining term of the contract, MEAG Power will purchase from Main Street, on a "take-and-pay" basis, 1,929 mmBtus per day of natural gas on an average annual basis. Such purchases are structured to match the usage in the peak operating season and are expected to equal approximately 4% of MEAG Power's natural gas requirements for its native load. The price paid by MEAG Power is based on a discount from a natural gas index. The volatility of the natural gas market precludes MEAG Power from precisely estimating a cost for the remaining term; however, based on December 31, 2016 market prices, the commitment, net of a prepaid discount, totals $9.4 million for the remaining term. Additional commitments for fuel supply will be required in the future.

Through participation in the Momentum Expansion Phase II, previously known as the "Cornerstone Expansion," of the Transco natural gas pipeline system (Transco), MEAG Power has secured firm natural gas transportation capacity sufficient to deliver 65% of the natural gas required to operate the CC Project at projected peak period capacity factors through January 2019, and has obtained certain renewal options with respect thereto. For the remainder of the facility's natural gas transportation requirements, MEAG Power uses a combination of daily and short-term capacity purchases. MEAG Power entered into a summer capacity release agreement with the Municipal Gas Authority of Georgia for the period April 1– October 31, 2017 to fill the bulk of this need for 2017.

MEAG Power has entered into agreements with Petal Gas Storage, L.L.C. (Petal), which was acquired by Boardwalk HP Storage Company, LLC in December 2011, providing for storage and associated transportation of 200,000 mmBtus of natural gas for a term of 15 years that began in 2008. In addition, effective February 28, 2013, MEAG Power revised a firm storage agreement with Transco for storage of 21,174 mmBtus of natural gas at Transco's Eminence gas storage facility. The revision was required to reflect MEAG Power's pro rata share of the reduced volume of storage available after FERC approved Transco's abandonment of a portion of the facility. Operation under the Transco agreement began in 2008 and continues until January 2019. The agreements provide MEAG Power with storage rights for natural gas for the CC Project that may be drawn to manage daily gas supplies or to partially compensate for supply disruptions. Natural gas pipeline and storage commitments through August 2023 total $13.4 million. Effective April 1, 2017 for a period of two years, MEAG Power released its Petal storage capacity to NJR Energy Services, offsetting storage commitments by $0.3 million.

Long-Term Purchases and Sales of Power

MEAG Power has a 20-year power purchase agreement with Southern Power Company, an affiliate of GPC, for the output and services of a combustion turbine nominally rated from 149 MW to 165 MW, depending on the season. The effective date of the power purchase agreement was May 1, 2009. Twenty Participants have subscribed to this resource.

MEAG Power entered into an eight-year purchase power agreement with the City of Robertsdale, Alabama (Robertsdale) during 2016 to provide full requirements service to Robertsdale, effective January 1, 2018 through December 31, 2025. The agreement provides 25 MW of system capacity and energy to meet Robertsdale's needs net of their resources from the Southeastern Power Administration and includes provisions for MEAG Power to sell additional capacity. This sale will be served from the resources of nine subscribed Participants.

Environmental Regulation

The existing Nuclear Units, the Coal Units, the CC Project and Vogtle Units 3&4 are subject to various federal and state environmental regulatory requirements. The EPA and the Georgia Environmental Protection Division (EPD) of the Department of Natural Resources have primary responsibility for developing and enforcing the requirements where directed or authorized by statutes such as the Federal Clean Air Act (CAA), Federal Clean Water Act (CWA), Federal Resource Conservation and Recovery Act (RCRA), and the Georgia Air Quality Act, Georgia Water Quality Control Act, and Georgia Comprehensive Solid Waste Management Act.

Compliance with environmental regulatory requirements requires owners/operators of affected facilities, including MEAG Power, to commit significant expenditures for installation of pollution control and environmental monitoring equipment. Failure to comply with these requirements could lead to fines, sanctions, or civil and criminal penalties. Environmental regulatory requirements are complex; they are subject to change due to continuing legislative, regulatory and judicial actions; and they have become substantially more stringent over time.

For the Coal Units, MEAG Power has invested $578.8 million from 2000 through 2016 in plant environmental enhancements, including a switch to lower-sulfur coal at Scherer Units 1&2, and installing control technologies to reduce emissions of mercury, sulfur dioxide, nitrogen oxides (NOx), non-mercury metals, and acid gases at the Coal Units. Without considering any impact from the recent actions by the Trump administration, MEAG Power anticipates that the total capital investment for environmental improvements at the Coal Units for the years 2017 through 2021, including additions to comply with CCR and ELG regulations (see "Coal Combustion Residuals and Effluent Limitations Guidelines Regulations" within this Note), will be approximately $124.1 million.

Greenhouse Gas Regulation

Over the 2009–2016 period, EPA published final greenhouse gas (GHG) regulations affecting mobile and stationary sources. Two of the final regulations, both published in the October 23, 2015 Federal Register, applied directly to fossil-fueled electric generating units:

- A final regulation (referred to by EPA as the Clean Power Plan (CPP)), "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units," established emission guidelines for states to follow in developing plans to reduce carbon dioxide (CO_2) emissions from existing fossil-fueled electric generating units, by meeting rate-based (lb. CO_2 per megawatt-hour) or mass-based (tons of CO_2 emitted) limitations, beginning in 2022. Numerous Petitions for Review and motions for stay were filed with the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) to contest the final CPP regulation. On February 9, 2016, the Supreme Court stayed the final CPP regulation pending disposition of the Petitions for Review in the D.C. Circuit, and continuing until the Supreme Court subsequently denies a petition for writ of certiorari or the Supreme Court decides the case after granting a petition for writ of certiorari. On February 23, 2016, MEAG Power filed a brief of amicus curiae with the D.C. Circuit in support of the petitioners. The D.C. Circuit has not issued a decision on the case.
- A final regulation (referred to by EPA as the Carbon Pollution Standards or the New Source Rule), "Standards of Performance for Greenhouse Gas Emissions From New, Modified, and Reconstructed Stationary Sources: Electric Utility Generating Units," established standards for emissions of CO_2 for newly constructed, modified, and reconstructed affected fossil fuel-fired electric generating units. Petitions for Review were also filed with the D.C. Circuit to contest this final regulation. Briefing on the case was completed on February 6, 2017.

On March 28, 2017, President Trump issued an Executive Order, "Promoting Energy Independence and Economic Growth." The order:

- Directed EPA to review the CPP and New Source Rule regulations and related regulatory guidance for consistency with policies described in the order and, if appropriate, as soon as practicable, to suspend, revise, or rescind the regulations and guidance — or to publish for notice and comment proposed regulations suspending, revising, or rescinding the regulations.
- Directed EPA to review and, if appropriate, determine whether to revise or withdraw a 2015 proposed regulation, "Federal Plan Requirements for Greenhouse Gas Emissions From Electric Utility Generating Units Constructed on or Before January 8, 2014; Model Trading Rules; Amendments to Framework Regulations."
- Directed EPA to review and, if appropriate, as soon as practicable, take lawful action to suspend, revise, or rescind, as appropriate with law, the "Legal Memorandum Accompanying Clean Power Plan for Certain Issues," published in 2016 in conjunction with the CPP.

Related to climate and greenhouse gases, the March 28, 2017 Executive Order also revoked a 2016 Executive Order, revoked three 2013–2016 Presidential Memoranda, rescinded two 2012–2013 Reports of the Executive Office of the President, directed the Council on Environmental Quality to rescind 2016 guidance, and directed that the Interagency Working Group on Social Cost of Greenhouse Gases be disbanded and that six of the Group's 2010–2016 technical documents be withdrawn.

In response to the March 28, 2017 Executive Order, EPA filed motions on the same day with the D.C. Circuit to hold the CPP and New Source Rule cases in abeyance. Also on the same day, the EPA Administrator signed notices, that were published in the April 4, 2017 Federal Register, announcing that EPA was reviewing the CPP and New Source Rule regulations and, if appropriate, would initiate proceedings to suspend, revise, or rescind each regulation. On March 30, 2017, the D.C. Circuit issued an Order for the New Source Rule litigation case, announcing that oral argument, that had been scheduled for April 17, 2017, was removed from the court's calendar pending disposition of the motion to hold that case in abeyance.

Prior to the Supreme Court's stay of the CPP regulation, MEAG Power had been examining potential financial and operating impacts to its generating resources that could arise if the CPP regulation were fully implemented. However, until the responses by EPA to the March 28, 2017 Executive Order are fully known, until legal challenges to the 2015 CPP and New Source Rule regulations are resolved, and until EPD submits and EPA approves a final state plan to implement a CPP regulation, it is not possible to make a final assessment of the financial and operational impacts of a final CPP regulation on MEAG Power's generating resources.

National Ambient Air Quality Standards and Regional Haze Regulations

2015 Ozone National Ambient Air Quality Standards

On October 26, 2015, EPA published a final regulation in the Federal Register: "National Ambient Air Quality Standards for Ozone." The regulation revised the primary and secondary national ambient air quality standards (NAAQS) for ozone from 0.075 parts per million (ppm) to 0.070 ppm, while retaining the prior compliance criteria (fourth-highest daily maximum, averaged across three consecutive years; averaging times of eight hours).

On October 23, 2016, EPD recommended to EPA that eight counties in the metropolitan Atlanta area be designated as nonattainment areas for the 2015 ozone NAAQS, while all other counties in Georgia be designated as unclassifiable/attainment. EPA is scheduled to make final designations by October 2017. If counties in the metropolitan Atlanta area are designated as non-attainment, EPD may be required to develop a State Implementation Plan (SIP) to attain the 2015 standard. Until a final designation of Georgia counties is made by EPA and until the EPD develops an attainment plan, if needed, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating resources.

Georgia is meeting all other NAAQS, including the prior (2008) ozone eight-hour standards.

Cross-State Air Pollution Rule — Update for 2008 Ozone National Ambient Air Quality Standards

On October 26, 2015, EPA published a final regulation, "Cross-State Air Pollution Rule Update for the 2008 Ozone NAAQS." The Cross-State Air Pollution Rule (CSAPR) update regulation addresses interstate transport of ozone with respect to the 2008 ozone NAAQS. Twenty-two states are affected by the updated regulation. Georgia is not among the 22 affected states because EPA's air quality modeling determined that emissions from Georgia do not significantly contribute to nonattainment or interfere with maintenance of the 2008 ozone NAAQS in downwind states. EPA noted that Georgia has an ongoing CSAPR NOx ozone season requirement with respect to the 1997 ozone NAAQS, and because EPA did not reopen comment on Georgia's interstate transport obligation with respect to the 1997 ozone NAAQS in this rulemaking, Georgia's original CSAPR NOx ozone season requirements (including its emission budget) would continue unchanged. As a result, MEAG Power and Georgia will continue to receive more ozone season NOx allowances than current ozone season NOx emissions from electric generating units affected by CSAPR.

Regional Haze Regulations

In the CAA, Congress declared as a national goal the prevention of any future, and the remedying of any existing, impairment of visibility in mandatory Class I federal areas (e.g. national parks and wilderness areas) for which visibility impairment results from manmade air pollution. The CAA directs EPA to issue regulations to assure reasonable progress towards meeting the national goal. Current EPA regulations set 2064 as the target year to achieve natural visibility conditions via a uniform rate of progress over specific periods, and SIPs are required from states that contribute to visibility impairment. EPD data indicate that the Cohutta Wilderness and Okefenokee National Wildlife Refuge Class I areas in Georgia should meet the 2018 visibility improvement goal, likely due to significant reductions in visibility impairment precursor emissions (primarily sulfur dioxide) in the southeastern United States.

On January 10, 2017, EPA published in the Federal Register a final revised regulation, "Protection of Visibility: Amendments to Requirements for State Plans." The regulation became effective on January 10, 2017. The revised regulation defers the due date for the next round of SIP submittals to EPA, from July 31, 2018 to July 31, 2021, and addresses issues such as wildfires, anthropogenic sources outside of the United States, and prescribed fires. Until EPD and air agencies from other southeastern states conduct additional studies and develop the SIPs due for submittal to EPA in 2021 to achieve the next round of visibility improvements, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating resources.

Startup, Shutdown, and Malfunction Regulations

On June 12, 2015, EPA published a final rule/action pertaining to Startup, Shutdown and Malfunction (SSM) regulations in the Federal Register: "State Implementation Plans: Response to Petition for Rulemaking; Restatement and Update of EPA's SSM Policy Applicable to SIPs; Findings of Substantial Inadequacy; and SIP Calls To Amend Provisions Applying to Excess Emissions During Periods of Startup, Shutdown and Malfunction." In this rule/action, EPA issued a finding that certain SIP provisions in 36 states were substantially inadequate to meet CAA requirements and thus issued a SIP call for each of those 36 states. EPA also established a due date for states subject to the SIP call action to submit "corrective SIP" revisions. Georgia was named as one of the 36 states.

Many states and industry groups are contesting the EPA action. Georgia was among a group of 17 states that filed a joint Petition for Review with the D.C. Circuit on August 11, 2015. Briefing for the case was completed in 2016. On April 24, 2017, the D.C. Circuit issued an Order announcing that oral argument, that had been scheduled for May 8, 2017, was removed from the court's calendar. Until court challenges are resolved and until EPA approves a corrective SIP, if needed, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating resources.

In parallel, EPD developed revised state SSM regulations that were adopted by the Georgia Board of Natural Resources on October 26, 2016. EPD submitted a timely corrective SIP including the revised regulations to EPA for approval in November 2016.

National Emissions Standards for Hazardous Air Pollutants

On February 16, 2012, EPA published a final regulation in the Federal Register, "National Emission Standards for Hazardous Air Pollutants From Coal and Oil-Fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial- Commercial-Institutional Steam Generating Units." The regulation sets National Emissions Standards for Hazardous Air Pollutants (NESHAP) for both new and existing coal- and oil-fired electric utility steam generating units. The Coal Units are subject to the regulation, which sets limits on emissions of mercury, non-mercury metals and acid gases. The regulation established a compliance date for existing sources of April 16, 2015, but allowed up to one additional year for compliance by existing sources. On February 23, 2015, EPD granted a one-year compliance extension, to April 16, 2016, for the Coal Units. MEAG Power and other joint-owners of the Coal Units evaluated compliance strategies and related financial and operational impacts, taking into account emissions controls installed to comply with other air quality regulations. To comply with the NESHAP regulation, hydrated lime injection systems have been added to the Coal Units, and activated carbon injection systems have also been added to Wansley Units 1&2. The Coal Units are in compliance with the regulation.

Coal Combustion Residuals and Effluent Limitations Guidelines Regulations

On April 17, 2015, EPA published a final regulation in the Federal Register: "Hazardous and Solid Waste Management System; Disposal of Coal Combustion Residuals From Electric Utilities," regulating the disposal of CCR as solid waste under Subtitle D of the RCRA. The regulation finalized national minimum criteria for existing and new CCR landfills, existing and new CCR surface impoundments, and all lateral expansions. The criteria included impoundment and landfill location restrictions, design and operating criteria, groundwater monitoring and corrective action, closure requirements and post-closure care, and recordkeeping, notification, and internet posting requirements. The regulation required any existing unlined CCR surface impoundment that is contaminating groundwater above a regulated constituent's groundwater protection standard to stop receiving CCR and either retrofit or close, except in limited circumstances. The regulation sets schedules for completing various compliance activities. Because EPA had no statutory authority to implement and enforce its CCR regulation, or to require state implementation of the regulation, it was "self-implementing" through citizen enforcement. The regulation did not require states to adopt or incorporate any portion of the CCR Rule.

Impoundments and landfills at the Coal Units are affected by the regulation. GPC, the operator of the Coal Units, reports that it is meeting the compliance requirements, including completion of fugitive dust control plans, conducting periodic structural inspections, conducting groundwater monitoring, and placing required information on a publicly accessible internet site.

In 2016, EPD developed revisions to its rules for solid waste management, to implement a state permitting program for CCR landfills and impoundments in Georgia. The revisions incorporated most requirements of EPA's CCR regulation by reference. The EPD revisions were adopted by the Georgia Board of Natural Resources on October 26, 2016.

On December 16, 2016, President Obama signed into law the "Water Infrastructure Improvements for the Nation Act" (WIIN Act), which included a provision on the regulation of CCR as a non-hazardous waste under RCRA. This legislation authorized states to implement and enforce the requirements of the CCR regulation through state permitting programs.

On November 3, 2015, EPA published a final regulation in the Federal Register: "Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category." The regulation strengthened the technology-based ELG for the steam electric power generating industry. The regulation set effluent limits for arsenic, mercury, selenium and nitrogen for wastewater discharged from wet flue gas desulfurization waste streams and requires zero discharge of pollutants in fly ash and bottom ash transport waters. The new requirements must be incorporated into plant National Pollutant Discharge Elimination System permits.

On April 12, 2017, the EPA Administrator addressed several Petitions for Reconsideration of the ELG regulation by issuing response letters to the petitioners and by signing a notice that was published in the April 25, 2017 Federal Register. EPA stated that it would reconsider the regulation, that it was administratively staying and delaying the regulation's compliance dates pending judicial review, and that it would file a motion requesting the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) to hold the litigation challenging the regulation in abeyance while it reconsiders the regulation. On April 24, 2017, the Fifth Circuit issued an order staying litigation proceedings for 120 days, until August 12, 2017.

In response to the final CCR and ELG regulations, GPC announced on September 28, 2015 that it was developing a closure schedule for all ash ponds that it operates, including ash ponds serving the Coal Units at Plant Wansley and Plant Scherer. On March 29, 2016, GPC announced that closure preparation activities were underway for all of its ash ponds. The closures of the ash ponds at Plant Wansley and Plant Scherer are expected to take place during the less than 10 or 10-14 year time periods outlined in the GPC announcement. The closures would occur in conjunction with complying with the ELG regulation by conversion of the wet ash handling systems at Plant Wansley and Plant Scherer to dry ash handling, allowing storage in lined landfills in lieu of the current unlined ash ponds. Information pertaining to MEAG Power's estimates for ARO related to CCR, as well as other ARO matters, is discussed in Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning."

Waters of the United States Regulation

On June 29, 2015, EPA and the U.S. Army Corps of Engineers (the Army Corps) published a final regulation in the Federal Register: "Clean Water Rule: Definition of 'Waters of the United States'" defining the scope of waters protected under the CWA. The regulation revised definitions of "waters of the United States" or "navigable waters" in 12 separate water regulatory programs.

Many states and industry groups are contesting the regulation, filing court actions in various federal district and appellate courts. Georgia is one of the petitioners. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit (the Sixth Circuit), as a Judicial Panel on Multi-District Litigation, issued a nationwide stay of the regulation, pending a further order of the court on subject-matter jurisdiction.

On February 22, 2016, the Sixth Circuit issued a further order finding that it has the requisite jurisdiction to review the challenges presented, but did not modify the stay. On January 13, 2017, the Supreme Court granted a petition for writ of certiorari on the question of whether the Sixth Circuit or district courts have jurisdiction to decide Petitions for Review.

On March 6, 2017, in accordance with a February 28, 2017 Executive Order, EPA and the Army Corps published a Notice of Intent in the Federal Register, "Intention to Review and Rescind or Revise the Clean Water Rule." The notice states the intent to review the regulation and to provide a forthcoming proposed rulemaking consistent with the Executive Order.

Until the results of the EPA and Army Corps review of the regulation are known, until court challenges are resolved, and until further analysis of the scope of the regulation can be made, if needed, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating resources.

Comprehensive Environmental Response, Compensation, and Liability Act — Financial Responsibility Requirements

On January 11, 2017, EPA published in the Federal Register a notice of intent to proceed with rulemakings, "Financial Responsibility Requirements for Facilities in the Chemical, Petroleum and Electric Power Industries." On January 6, 2010, EPA had published in the Federal Register an Advance Notice of Proposed Rulemaking (ANPRM), "Identification of Additional Classes of Facilities for Development of Financial Responsibility Requirements Under CERCLA Section 108(b)," that identified the three industries. Subsequently, environmental groups filed a writ of mandamus with the D.C. Circuit to require EPA to issue financial responsibility regulations for the industries. On August 31, 2015, the environmental groups and EPA filed a Joint Motion for an Order on Consent with the D.C. Circuit, and the D.C. Circuit granted the motion on January 29, 2016. The notice of intent responds to the consent order.

The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) addresses the promulgation of regulations that require classes of facilities to establish and maintain evidence of financial responsibility consistent with the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances. The EPA notice of intent states that it has not determined whether financial responsibility requirements are necessary for any or all of the classes of facilities within the three listed industries, or that EPA will propose such requirements — only that it intends to move forward with a regulatory process, after which it will determine whether proposals of requirements for any or all of the classes of facilities are necessary. The notice of intent states that EPA must gather additional information, and must further evaluate the classes of facilities within the three industry sectors. If EPA moves forward with a regulatory process and determines that financial responsibility requirements are necessary for one or more of the sectors, the consent order specifies schedules for proposed rulemakings beginning in 2019 and final actions beginning in 2020.

Legislative and Regulatory Issues

In recent years, a variety of proposals to restructure the electric industry have been introduced at the federal level and in certain state jurisdictions. Restructuring initiatives have the potential for materially affecting revenues, operations and financial results and condition. The nature of these effects will depend on the content of any legislative or regulatory actions that may be applicable to Project One, the General Resolution Projects, the CC Project, the Vogtle Units 3&4 Projects and Project Entities or the Participants and cannot be identified with any degree of certainty at the current time. Neither MEAG Power nor the Participants are subject to regulation by the GPSC, the State regulatory body for certain utility matters.

MEAG Power is not a FERC-jurisdictional utility; however, it is affected by certain FERC rulemakings, including Open Access Transmission Tariffs (OATT) and Standards of Conduct for Transmission Providers. MEAG Power has an OATT in substantially the form of the pro forma open access transmission tariffs set forth by FERC in Order Nos. 888 and 888 A, which required all "public utilities" under the Federal Power Act (FPA) that own, control or operate transmission facilities used in interstate commerce to file open access non-discriminatory tariffs containing minimum terms and conditions of service with FERC. While MEAG Power is not a public utility under the FPA, MEAG Power believes that its OATT satisfies the "reciprocity" requirements of Order Nos. 888 and 888 A.

MEAG Power's ownership in TEA, as discussed in Note 6, "Investment in Alliance," satisfies a standard of conduct requirement, 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.

Owners and operators of bulk power systems, including MEAG Power, have been subject to mandatory reliability standards since 2007. These reliability standards, enacted by NERC and enforced by FERC, have been revised and expanded from time to time, and MEAG Power expects them to continue to change. MEAG Power has a formal compliance program designed to monitor and maintain compliance with the reliability standards applicable to MEAG Power. Noncompliance with the mandatory reliability standards could subject MEAG Power to sanctions, including substantial monetary penalties.

On February 12, 2013, President Obama issued an executive order addressing cybersecurity, which calls for, among other things, expedited security clearances and information access for personnel employed by critical infrastructure owners and operators, a framework to establish a baseline for entities managing cyber risks to critical infrastructure and the confidential identification of critical infrastructure considered to be at risk. The effect of this executive order on MEAG Power cannot be determined at this time.

On July 21, 2011, FERC issued Order No. 1000 entitled "Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities." Order No. 1000 requires public utility transmission providers to amend their open access transmission tariffs to include a methodology for planning and allocating the costs of new regional and inter-regional transmission facilities. Order No. 1000 does not, however, disturb the charges for transmission facilities that existed on such order's effective date.

As a non-public utility, MEAG Power is not directly subject to the requirements of Order No. 1000. However, in the order, FERC stated that non-public utilities that decline to bear their assigned share of the costs for new regional facilities may be denied tariff-based transmission service from public utilities and that FERC will consider using the authority it has under Section 211A of the FPA against such non-public utilities. In May 2012, FERC issued Order No. 1000A, which denied all substantial requests for rehearing of Order No. 1000, including rehearing requests from a coalition of Southeast utilities and the Large Public Power Council (LPPC), which were sponsored by, among others, MEAG Power. MEAG Power chose not to seek judicial review of Order No. 1000 or Order No. 1000A. However, MEAG Power supported the LPPC's request for judicial review of Order No. 1000 and other related orders. Argument regarding the appeals of Order Nos. 1000 and 1000A took place on March 20, 2014 before the D.C. Circuit. On August 15, 2014, a three-judge panel of the D.C. Circuit issued its opinion upholding Order No. 1000 in its entirety. Subsequently, the LPPC petitioned the D.C. Circuit for an en banc review of the three-judge panel's affirmation of FERC's approach to cost allocation for new transmission facilities. The D.C. Circuit, in an October 17, 2014 order, denied such petition. The D.C. Circuit's ruling upholding Order No. 1000 stands, given that all avenues for further appeal have been exhausted. MEAG Power has intervened in the Order No. 1000 compliance filings of Southern Company and certain other FERC-jurisdictional utilities. At this time, MEAG Power is continuing to participate, voluntarily, in a regional and inter-regional transmission planning process with Southern Company and certain other Southeast utilities. The effect of Order No. 1000 on MEAG Power, the Participants or the ITS cannot be determined at this time.

Mutual Aid Agreement

MEAG Power has entered into a mutual aid agreement with six Florida utilities for provision of replacement power during an extended outage of certain specified baseload generating units. In the event of an outage of Scherer Unit No. 1 or Scherer Unit No. 2 that extends beyond 60 days, MEAG Power will receive 100 MW at a price based upon a fixed heat rate and a published gas price index or, if replacement power is provided by a coal unit, such coal unit's actual dispatch cost. In an amendment to the mutual aid agreement, MEAG Power included 150 MW of capacity of the CC Project subject to the provisions of such agreement. The inclusion of such capacity under the mutual aid agreement provides that in the event of an outage of the CC Project that extends beyond 60 days, MEAG Power will receive 150 MW at a price based upon a fixed heat rate and a published gas price index or, if replacement power is provided by a coal unit, such coal unit's actual dispatch cost. If a counterparty has an extended outage, MEAG Power expects that it would be required to provide between 13 MW and 31 MW for a maximum of 305 days, also at a price based upon a fixed heat rate and a published gas price index or, if replacement power is provided by a coal unit, such coal unit's actual dispatch cost. The mutual aid agreement expires in October 2017 and will automatically renew for an additional five years unless a 90 day notice is provided.

Litigation

Prior to July 2012, several federal lawsuits were pending that may have had an impact on water storage and related issues at Lake Lanier, Georgia. These lawsuits related to over 20 years of litigation and periodic settlement discussions pertaining to water allocations, including for drinking water and hydropower, of the Apalachicola-Chattahoochee-Flint River Basin (ACF) and the Alabama-Coosa-Tallapoosa River Basin (ACT). Parties involved in these proceedings included Southeastern Federal Power Customers, Inc., a coalition of municipal and cooperative utilities, the Army Corps, as well as the states of Georgia, Florida and Alabama. As of October 2012, all claims in the lawsuits regarding water allocations in the ACF and the ACT were dismissed to allow the Army Corps time to prepare revised water allocation plans for both basins. The Army Corps issued the revised water allocation plan for the ACT in May 2015 and, on December 7, 2016, released the revised water allocation plan for the ACF for a public comment period that ended on February 1, 2017. Because the revised ACF water allocation plan is still subject to modification and may be challenged by interested parties, it is currently unclear what effect, if any, the result of such finalized water allocation plan may have on the financial condition of MEAG Power.

In October 2013, the State of Florida (Florida) filed a Motion for Leave to File a Complaint, invoking the Supreme Court's original jurisdiction, asking the Supreme Court to equitably apportion the waters of the ACF. On November 3, 2014, the Supreme Court granted Florida's motion, and Florida filed its complaint against the State. A special master was appointed by the Supreme Court. Following a discovery process and an evidentiary hearing, on February 14, 2017, the special master issued his Report of the Special Master (Report) to the Supreme Court. Although the special master denied Georgia's June 2015 motion to dismiss the proceeding on the grounds that Florida had failed to join the United States as an indispensable party to the proceeding, the Report recommends denial of Florida's request for relief because the Army Corps is not a party to the proceedings before the Supreme Court, and without the ability to bind the Corps, the special master was not persuaded that the Supreme Court could provide Florida with the relief it sought. On March 20, 2017, the Supreme Court received and filed the Report and issued a briefing schedule for exceptions to the Report. The briefing schedule has subsequently been extended, with the last briefs not due until August 30, 2017. It is currently unclear when this lawsuit may be finally concluded and what effect, if any, the result of such lawsuit may have on the financial condition of MEAG Power.

Other than the Contractor's bankruptcy filing discussed in Note 1 (D), "Vogtle Units 3&4 Projects and Project Entities — Technology, Construction and Licensing," no other litigation or proceeding is pending that could have any material adverse effect on the financial condition of MEAG Power.

Other

In January 2011, MEAG Power purchased certain portions of the distribution system of the City of Hogansville (Hogansville), one of MEAG Power's Participants. Pursuant to an Installment Sales Agreement, MEAG Power will pay the purchase price of $6.0 million in 26 semiannual installments from February 2011 through April 2023. MEAG Power took title to Hogansville's distribution system in order to facilitate the lease of the distribution system back to Hogansville (the Distribution Lease). The Distribution Lease has a term of 30 years, and Hogansville's payment obligations thereunder are its general obligation, to which its full faith and credit are pledged. Payments under the Distribution Lease, which commenced in October 2012, are structured to fully reimburse MEAG Power for the purchase price paid to Hogansville under the Installment Sales Agreement.

In May 2013, MEAG Power facilitated, through its Distribution Lease Financing Policy, issuance of $0.8 million of tax-exempt Certificates of Participation (Certificates) by the City of Doerun (Doerun), one of MEAG Power's Participants. Pursuant to a lease agreement between MEAG Power and Doerun, the Certificates were issued to: (i) finance the costs of the acquisition, construction, replacement and installation of certain extensions and improvements to Doerun's electrical system and (ii) pay certain costs, including but not limited to capitalized interest, incurred in connection with the issuance of the Certificates. The rentals under the lease agreement (Rentals) will be paid to the owners of the Certificates (Owners) over the 25-year term of the Certificates. MEAG Power is not liable for payment of the Rentals, and the Owners have no right to look to MEAG Power for payment of the Certificates. MEAG Power has no other conduit debt obligations.

9. SUBSEQUENT EVENTS

In accordance with GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards," MEAG Power's management evaluated operating activities through April 25, 2017 and reports that on March 21, 2017, Moody's affirmed its ratings on the Vogtle Units 3&4 Bonds and changed the rating outlook to negative from stable. On March 23, 2017, S&P affirmed its ratings on all project bonds and changed the rating outlook to negative from stable.

Certain other 2017 developments are discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities"; Note 2 (N), "Summary of Significant Accounting Policies and Practices — Recent Accounting Pronouncements"; Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Power Revenue Bonds and General Power Revenue Bonds"; and Note 8, "Commitments and Contingencies — Fuel," "— Environmental Regulation" and "— Litigation" within that Note.

RETIREMENT PLAN

Schedule of Changes in Net Pension Liability and Related Ratios

Pursuant to Statement 68, a 10-year history of the following information is required. However, until a full 10-year trend is compiled, information for those years available may be presented (dollars in thousands):

	2016	2015
Total pension liability		
Service cost	**$ 904**	$ 1,012
Interest on the total pension liability	**4,040**	3,738
Difference between expected and actual experience	**(661)**	362
Assumption changes	**(273)**	(134)
Benefit payments	**(2,269)**	(1,938)
Net change in total pension liability	**1,741**	3,040
Total pension liability – beginning of year	**54,099**	51,059
Total pension liability – end of year (a)	**55,840**	54,099
Plan fiduciary net position		
MEAG Power contributions	**934**	8,500
Net investment income	**3,969**	325
Benefit payments	**(2,269)**	(1,938)
Administrative expenses	**—**	—
Net change in plan fiduciary net position	**2,634**	6,887
Plan fiduciary net position – beginning of year	**53,252**	46,365
Plan fiduciary net position – end of year (b)	**55,886**	53,252
Net pension liability – ending (a) – (b)	**$ (46)**	$ 847
Plan fiduciary net position as a percentage of total pension liability	**100.08%**	98.43%
Covered employee payroll	**$10,922**	$11,013
Net pension liability as a percentage of covered employee payroll	**(0.42)%**	7.69%

Schedule of Employer Contributions to the Pension Plan

Pursuant to Statement 68, a 10-year history of the above information is required. However, until a full 10-year history is compiled, information for those years available may be presented (dollars in thousands):

Year	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
2016	$ 900	$ 934	$ (34)	$10,922	8.55%
2015	$1,875	$8,500	$(6,625)	$11,013	77.18%
2014	$1,871	$2,400	$ (529)	$11,956	20.07%

The actuarially determined employer contribution is determined pursuant to the OCGA 47-20-10. MEAG Power's contribution policy is to contribute at least the minimum required contribution calculated under OCGA 47-20-10. Historically, MEAG Power has contributed well in excess of that amount.

Report of Independent Auditors

To the Board of Municipal Electric Authority of Georgia

We have audited the accompanying financial statements of the business-type activities, Project One major fund (Power Revenue Bond Resolution Project), the General Resolution Projects major fund (General Power Revenue Bond Resolution Projects Two, Three and Four), the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund (Project M, Project J, Project P, SPVM, SPVJ and SPVP), the Trust Funds major fund (Municipal Competitive Trust and Deferred Lease Financing Trust), and the aggregate nonmajor fund (Telecommunications Project) of Municipal Electric Authority of Georgia ("MEAG Power"), which consist of the balance sheets as of December 31, 2016 and 2015, and the related statements of net revenues and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to MEAG Power's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MEAG Power's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, Project One major fund (Power Revenue Bond Resolution Project), the General Resolution Projects major fund (General Power Revenue Bond Resolution Projects Two, Three and Four), the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund (Project M, Project J, Project P, SPVM, SPVJ and SPVP), the Trust Funds major fund (Municipal Competitive Trust and Deferred Lease Financing Trust), and the aggregate nonmajor fund (Telecommunications Project) of Municipal Electric Authority of Georgia as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 16 through 25, schedule of changes in net pension liability and related ratios, and schedule of employer contributions to the pension plan on page 73 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Atlanta, Georgia
April 25, 2017