



MEAG POWER  
**2019**  
Financial  
Review

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# 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.

## Overview of the Consolidated Financial Statements

MEAG Power is comprised of the following projects/funds, 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
- Telecommunications Project (Telecom).

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 (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 (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 Balance Sheet as of December 31, 2019, 2018, and 2017 is summarized below (in thousands). Significant 2019 transactions include:

- Bond issuances and U.S. Department of Energy (DOE) Guaranteed Loan advances totaling \$2.1 billion used primarily for capital improvements and debt refunding/retirement.
- Construction work in progress (CWIP) additions of \$801.9 million, mainly pertaining to Vogtle Units 3&4.

	2019	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Property, plant and equipment, net	\$ 6,550,662	\$5,690,057	\$4,910,870
Other non-current assets	3,411,710	2,227,078	2,913,234
Current assets	917,189	853,688	920,373
<b>Total assets</b>	<b>10,879,561</b>	<b>8,770,823</b>	<b>8,744,477</b>
Deferred outflows of resources	266,237	253,196	252,287
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$11,145,798</b>	<b>\$9,024,019</b>	<b>\$8,996,764</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Long-term debt	\$ 8,148,694	\$6,441,368	\$6,568,586
Non-current liabilities	961,662	909,232	855,560
Current liabilities	982,394	834,354	884,954
<b>Total liabilities</b>	<b>10,092,750</b>	<b>8,184,954</b>	<b>8,309,100</b>
Deferred inflows of resources	1,053,048	839,065	687,664
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$11,145,798</b>	<b>\$9,024,019</b>	<b>\$8,996,764</b>

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The primary changes in MEAG Power's consolidated financial condition as of December 31, 2019 and 2018 were as follows:

## 2019 COMPARED WITH 2018

### Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased \$2.1 billion, or 23.5%, during 2019. Within asset components:

- Property, plant and equipment (PP&E) increased \$860.6 million due primarily to CWIP additions at Vogtle Units 3&4, as discussed in Note 3, "Property, Plant and Equipment," equipment upgrades and replacements at generating units, as well as transmission facilities.
- An increase of \$1.2 billion in special funds, primarily related to proceeds from bond issuances and DOE Guaranteed Loans, was the primary factor increasing other non-current assets. Net costs to be recovered from Participants decreased \$17.8 million due to timing differences between amounts billed and expenses determined in accordance with accounting principles generally accepted in the United States (see Note 2 (A), "Summary of Significant Accounting Policies and Practices — Basis of Accounting"), which were partially offset by net non-operating expense (see "Results of Operations — 2019 Compared with 2018 — Non-operating expense (income), net").
- An increase of \$63.5 million in current assets was primarily related to special funds, which increased \$51.1 million mainly due to transfers within Competitive Trust funds, which were partially offset by construction payments for Vogtle Units 3&4. Fuel stocks also increased \$13.8 million due mainly to planned coal deliveries exceeding burn requirements.

Deferred outflows of resources increased \$13.0 million due primarily to a \$23.2 million decrease in the fair market value of interest rate swap obligations and natural gas hedges, which was partially offset by normal amortization of unamortized loss on refunded debt and a decrease in asset retirement obligations (ARO).

### Liabilities and Deferred Inflows of Resources

During 2019, total liabilities increased \$1.9 billion, or 23.3%, as follows:

- Long-term debt increased \$1.7 billion due primarily to \$1.5 billion in bond issuances and \$563.1 million in additional DOE Guaranteed Loan advances (see "Financing Activities"). These factors were partially offset by principal payments and refundings totaling \$627.4 million, among other factors.
- An increase of \$52.4 million in non-current liabilities was primarily due to a \$25.3 million increase in ARO, related to decommissioning costs and coal combustion residual and effluent limitation guidelines, as discussed in Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning." Competitive Trust obligations increased \$14.8 million due mainly to Participant deposits to defray the future costs of new generation projects. An increase of \$12.3 million in other non-current liabilities was primarily related to an \$18.0 million decrease in the fair value of interest rate swap obligations, which was partially offset by a \$6.8 million reduction in net pension obligations.
- Current liabilities increased \$148.0 million due mainly to increases of:
  - \$74.7 million in the current portion of long-term debt due to scheduled bond amortization.
  - \$27.0 million in accounts payable, partially due to a \$10.5 million increase in 2019 year-end settlement refunds due to the Participants (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Year-End Settlement").

- \$55.4 million in borrowings under lines of credit and other short-term debt primarily related to construction at Vogtle Units 3&4.
- \$23.0 million in accrued interest mainly related to 2019 borrowings for Vogtle Units 3&4.

These factors were partially offset by a \$41.7 million decrease in construction liabilities mainly related to accruals for Vogtle Units 3&4.

An increase of \$214.0 million in deferred inflows of resources was primarily due to Timing Differences and a significant increase in the fair value of financial instruments (see "Results of Operations — 2019 Compared with 2018 — Non-operating expense (income), net").

## 2018 COMPARED WITH 2017

### Assets and Deferred Outflows of Resources

During 2018, total assets and deferred outflows of resources increased \$27.3 million, or 0.3%. Within asset components:

- An increase of \$779.2 million in PP&E was primarily due to the CWIP additions at Vogtle Units 3&4, as discussed in Note 3, "Property, Plant and Equipment." In-service additions also increased \$90.9 million mainly related to equipment upgrades and replacements at generating units.
- Other non-current assets decreased \$686.2 million due mainly to a decrease of \$664.9 million in special funds, primarily related to payment of the CWIP additions, Vogtle Units 3&4 Projects and Project Entities' interest expense and long-term maintenance expenditures, which were partially offset by bond proceeds of \$261.7 million. A decrease of \$15.9 million in net costs to be recovered from Participants was due to Timing Differences (see Note 2 (A), "Summary of Significant Accounting Policies and Practices — Basis of Accounting"), which were partially offset by net non-operating expense (see "Results of Operations — 2018 Compared with 2017 — Non-operating expense (income), net").
- A decrease of \$66.7 million in current assets was primarily related to investment activity within special funds.

Deferred outflows of resources increased \$0.9 million due primarily to ARO and pensions and other postemployment benefits. These factors were partially offset by normal amortization of unamortized loss on refunded debt and an increase in the fair market value of interest rate swap obligations.

### Liabilities and Deferred Inflows of Resources

Total liabilities decreased \$124.1 million, or 1.5%, during 2018, as follows:

- Long-term debt decreased \$127.2 million due primarily to principal payments and refundings totaling \$476.9 million, which were partially offset by \$371.5 million in debt issuances.
- An increase of \$53.7 million in non-current liabilities was primarily due to a \$39.5 million increase in ARO. Competitive Trust obligations increased \$18.9 million due mainly to Participant deposits to defray the future costs of new generation projects. A decrease of \$4.7 million in other non-current liabilities was primarily related to an increase in the fair value of interest rate swap obligations, which was partially offset by a reduction in net pension obligations.

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

- Current liabilities decreased \$50.6 million due mainly to a decrease of \$24.5 million in accounts payable, partially due to a decrease in 2018 year-end settlement refunds due to the Participants (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Year-End Settlement"). A decrease of \$15.4 million in construction liabilities was mainly related to accruals for Vogtle Units 3&4. Competitive Trust obligations decreased \$13.1 million due to transfers from the Competitive Trust applied to

lower Participant billings, which were partially offset by an increase in deposits to the Competitive Trust Flexible Operating account by the Participants. These factors were partially offset by a \$7.7 million increase in borrowings under lines of credit and other short-term debt for net financing activities.

An increase of \$151.4 million in deferred inflows of resources was primarily due to Timing Differences. These factors were partially offset by long-term maintenance costs pertaining to the Combined Cycle facility (Wansley Unit 9).

## Results of Operations

MEAG Power's Statement of Net Revenues for each of the years ended December 31, 2019, 2018, and 2017 is summarized below (in thousands):

	2019	2018	2017
Revenues:			
Participant	\$504,403	\$549,425	\$492,704
Other	144,501	131,903	130,870
Total revenues	648,904	681,328	623,574
Operating expenses	596,873	581,726	583,576
Net operating revenues	52,031	99,602	39,998
Non-operating expense, net	34,283	103,738	105,186
Change in net costs to be recovered from Participants or Competitive Trust obligations	17,748	(4,136)	(65,188)
Net Revenues	\$ —	\$ —	\$ —

The primary changes in MEAG Power's results of operations for the years ended December 31, 2019 and 2018 were as follows:

### 2019 COMPARED WITH 2018

#### Revenues

During 2019, total revenues were \$648.9 million, compared with \$681.3 million for 2018, a decrease of 4.8%:

- Participant revenues decreased \$45.0 million, or 8.2%, due primarily to deferred inflows of resources, which increased \$57.3 million, primarily due to changes in fair value (see "Non-operating expense (income), net"). This was partially offset by an increase in Participant billings for certain operating expenses, mainly fuel, as discussed below. Also, fund transfers from the Competitive Trust, which were applied to lower Participants' generation billings during 2018 (Competitive Trust Funding), did not apply to 2019 billings, resulting in a \$20.1 million increase in Participant revenues.
- An increase of \$12.6 million, or 9.6%, in other revenues, was mainly due to a \$10.6 million increase in contract energy sales under the Pseudo Scheduling and Services Agreement (PSSA), as well as an increase of \$6.4 million in debt service billings under the Vogtle Units 3&4 Purchase Power Agreements. These factors were partially offset by a \$2.7 million decrease in off-system energy sales due to lower prices.

#### Operating Expenses

2019 operating expenses increased 2.6% to \$596.9 million, compared with \$581.7 million for 2018:

- Total fuel expense increased \$18.6 million due mainly to the following factors impacting natural gas expense:
  - A significant increase in generation from Wansley Unit 9, mainly due to reduced outage time and lower gas prices.
  - Minimum margins on delivered gas sales in 2019 due to warmer winter weather, in contrast to 2018, when unusually cold winter weather resulted in significant margins on these sales.

- Depreciation and amortization increased \$8.5 million primarily due to accretion of ARO.
- Other generation and operating expense decreased \$12.6 million mainly due to a reduction in major maintenance at Wansley Unit 9.

#### Non-Operating Expense (Income), Net

During 2019, net non-operating 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 Non-operating Expense), totaled \$34.3 million. This 67.0% decrease from the total of \$103.7 million for 2018 was due primarily to changes in these components of Net Non-operating Expense:

- An increase of \$64.3 million in the fair value of financial instruments was mainly due to a rally in intermediate-term bonds during 2019, in comparison with 2018, and a strong performance in equity securities held in the Decommissioning Trust (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning").
- Interest capitalized increased \$22.9 million primarily due to additional capital investment in Vogtle Units 3&4.
- A \$19.8 million increase in investment income was mainly due to sales of certain securities at a gain and significantly higher investment balances.
- Interest expense increased \$34.4 million due to bond issuances, as well as an increase in advances under DOE Guaranteed Loans, which were partially offset by refinancing of certain higher-cost fixed-rate debt.

#### Net Costs to be Recovered or Competitive Trust Obligations

The change in net costs to be recovered from Participants or Competitive Trust obligations was \$17.7 million and \$(4.1) million for the years ended December 31, 2019 and 2018, respectively. For both years, the net costs to be recovered portion was related to Timing Differences and Net Non-operating Expense. The change in Competitive Trust obligations was immaterial in 2019 and due primarily to the planned reduction in Competitive Trust Funding in 2018.

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## 2018 COMPARED WITH 2017

### Revenues

Total revenues were \$681.3 million during 2018, compared with total revenues of \$623.6 million for 2017, an increase of 9.3%:

- Participant revenues increased \$56.7 million, or 11.5%, due primarily to a \$38.8 million decrease in deferred inflows of resources due to Timing Differences, primarily debt service billings and depreciation. A planned reduction of \$23.0 million in Competitive Trust Funding also increased Participant revenues. These factors were partially offset by a reduction in Participant billings for fuel expense, as discussed below.
- Within other revenues, capacity and energy sales from new power purchase agreements totaled \$6.4 million. A decrease of \$5.5 million in off-system energy revenues was mainly related to volume reduction in energy sales while performing scheduled major maintenance on Wansley Unit 9 (see "Operating Expenses"), which was partially offset by higher market prices during the Fourth Quarter.

### Operating Expenses

Operating expenses decreased 0.3% to \$581.7 million during 2018, compared with \$583.6 million for 2017:

- Total fuel expense decreased \$19.2 million due mainly to a \$23.7 million decrease in natural gas expense, partially offset by \$5.1 million increase in coal expense. Natural gas expense decreased due to margins on delivered gas sales to third parties using MEAG Power's gas transportation capacity during unusually cold weather in early 2018, as well as a 21.5% decrease in generation from Wansley Unit 9 due to scheduled and non-scheduled maintenance. Higher natural gas prices during the Fourth Quarter were also a factor in the reduced generation. The increase in coal expense was due to higher volumes related to both weather and fuel switching.
- An increase of \$9.5 million in purchased power expense was mainly due to major maintenance and weather factors.
- Other generation and operating expense increased \$6.3 million, also mostly due to major maintenance and weather factors. Scheduled major maintenance increased \$12.0 million, which was partially offset by a reduction in nuclear refueling outages. A \$3.6 million increase in PSSA energy purchases was due to increased utilization of coal generating units related to weather.

### Non-Operating Expense (Income), Net

During 2018, Net Non-operating Expense totaled \$103.7 million. This 1.4% decrease from the total of \$105.2 million for 2017 was due primarily to changes in these components of Net Non-operating Expense:

- Investment income increased \$14.2 million due mainly to short-term interest rates trending higher as a result of multiple Federal Reserve Bank rate hikes.
- A decrease of \$39.4 million in the fair value of financial instruments was mainly due to overall market performance at year-end that resulted in a corresponding decline in the value of the U.S. equity investments and certain fixed-income assets held in the Decommissioning Trust (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning").
- Interest capitalized increased \$26.1 million due mainly to additional capital investment in Vogtle Units 3&4.

### Net Costs to be Recovered or Competitive Trust Obligations

The change in net costs to be recovered from Participants or Competitive Trust obligations was \$4.1 million and \$65.2 million for the years ended December 31, 2018 and 2017, respectively. For both years, the net costs to be recovered portion was related to Net Non-operating Expense and Timing Differences, while the change in Competitive Trust obligations was due primarily to the planned reduction in Competitive Trust Funding (see "Revenues — 2018 Compared with 2017").

## Vogtle Units 3&4 Projects and Project Entities

Certain key recent developments pertaining to Vogtle Units 3&4 are outlined below. For other recent developments, additional information and definitions of certain terms, see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities."

- On March 22, 2019, the Project Entities closed on \$414.7 million in additional loan guarantees from the DOE toward construction of the Project Entities' respective shares of Vogtle Units 3&4. In connection with that closing, each Project Entity entered into an amendment and restatement of its Original LGA, as theretofore amended (each such Original LGA, as so amended and restated, being hereinafter referred to as an LGA), in order, among other things, to reflect the Replacement EPC Arrangements and to facilitate additional draws.
- To finance additional costs of acquisition and construction and financing costs of Vogtle Units 3&4:
  - On July 19, 2019, MEAG Power issued \$570.9 million of its Plant Vogtle Units 3&4 Project J Bonds, Series 2019A.
  - On September 26, 2019, MEAG Power issued \$445.6 million of its Plant Vogtle Units 3&4 Project M Bonds, Series 2019A, and \$267.0 million of its Plant Vogtle Units 3&4 Project P Bonds, Series 2019B.
- MEAG Power expects that, based on the construction cost estimate set forth in the VCM 22 Report and the current GPSC-approved in-service dates of November 2021 and November 2022 for Vogtle Unit 3 and Vogtle Unit 4, respectively, the Vogtle Units 3&4 Project Entities' estimated in-service cost will be, in the aggregate, approximately \$6.3 billion, including construction and financing costs through the estimated in-service dates, contingencies, initial fuel load costs and switchyard and transmission costs. Additional financing needs relating to required reserve funds and other fund deposits result in total financing needs of approximately \$6.8 billion, of which approximately \$28.4 million remains to be financed in the public markets and \$424.3 million is expected to be drawn from the DOE Guaranteed Loans in 2020.
- On April 15, 2020, Georgia Power Company (GPC), acting for itself and as agent for the other Vogtle Co-Owners, announced a reduction in workforce at Vogtle Units 3&4 expected to total approximately 20% of the existing workforce. This reduction in workforce was a mitigation action intended to address the impact of the novel coronavirus (COVID-19) pandemic on the Vogtle Units 3&4 workforce and construction site, including ongoing challenges with labor productivity that have been exacerbated by the impact of the COVID-19 pandemic. For additional information, see "Economic Conditions/COVID-19."
- MEAG Power is involved in litigation with JEA and the City of Jacksonville, Florida, with respect to the Amended and Restated Power Purchase Agreement between MEAG Power and JEA relating to MEAG Power's interest in Vogtle Units 3&4. On December 27, 2019, MEAG Power filed a Motion for Judgment on the Pleadings as to certain legal issues. The briefing by the parties has now been completed with respect to that Motion, but no action has been taken by the Court with respect thereto. Additional information is provided in the "Litigation and Other Matters" section of Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities."

The ultimate outcome of certain of these matters 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."

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## Capital Program

MEAG Power's PP&E includes nuclear, coal and natural gas generating units, as well as transmission, distribution and other plant facilities. PP&E investment net of accumulated depreciation, as well as CWIP balances as of December 31, 2019, were as follows (in thousands):

	Net Plant in service	Total CWIP
Nuclear	\$ 945,893	\$3,765,011
Coal	709,722	98,712
Natural gas	176,227	1,945
Transmission	314,416	32,587
Distribution	178,710	9,932
Telecom	3,690	—
General/other plant	28,698	7,198
<b>Total</b>	<b>\$2,357,356</b>	<b>\$3,915,385</b>

## Financing Activities

Funds generated from operations are estimated to provide approximately 44% of construction expenditures in both 2020 and 2021, and 65% in 2022 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 commercial paper (CP) program and bank lines of credit. Other than debt service billings, funds generated from the Vogtle Units 3&4 Projects and Project Entities are not

anticipated to begin until Vogtle Units 3&4 are placed into service. Revenues from pre-commercial operations, including test power sales, will be used to offset construction expenditures. To meet short-term cash needs and contingencies, \$462.5 million of unused credit was available through the Project P Credit Agreements and arrangements with banks (collectively, the Credit Arrangements) as of December 31, 2019, 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" within that Note.

As discussed in "Vogtle Units 3&4 Projects and Project Entities":

- On March 22, 2019, the Project Entities closed on \$414.7 million in additional DOE loan guarantees toward construction of the Project Entities' respective shares of Vogtle Units 3&4.
- In July and September 2019, MEAG Power issued bonds totaling \$1.3 billion to finance costs of acquisition and construction and financing costs of Vogtle Units 3&4 (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 November 2019, MEAG Power issued subordinated bonds totaling \$252.4 million to: (a) finance or refinance certain capital improvements to Project One and (b) provide a portion of the funds required to refund certain Project One and General Resolution Projects subordinated lien bonds.

The unenhanced ratings and outlook assigned to MEAG Power's senior lien and subordinated debt obligations as of December 31, 2019 are as follows:

Project	Lien	Fitch Ratings		Moody's Investors Service		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Project One	Senior	A-	Negative	A1	Stable	A	Negative
	Subordinated	BBB+	Negative	A2	Stable	A-	Negative
General Resolution Projects	Senior	A-	Negative	A1	Stable	A	Negative
	Subordinated	BBB+	Negative	A2	Stable	A-	Negative
Combined Cycle Project	Senior	BBB+	Negative	A1	Stable	A-	Negative
Vogtle Units 3&4 Projects:							
Project M	Senior	BBB+	Negative	A2	Stable	A	Negative
Project J	Senior	BBB+	RWN <sup>(1)</sup>	Baa3	Negative	A	Negative
Project P	Senior	BBB+	Negative	Baa2	Stable	BBB+	Negative

<sup>(1)</sup> Rating Watch Negative

Additional information pertaining to MEAG Power's debt balances is provided in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps."

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

## 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, 2019, MEAG Power had \$3.7 billion of special funds deposits, of which \$2.6 billion was available to fund various operating, construction, debt service and contingency requirements. Within the Competitive Trust, \$618.7 million was invested and may be used by Participants to, among other things, fund their share of the acquisition and construction costs of any future MEAG Power generation project joined by such Participants, 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. Investments in the Decommissioning Trust funds (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning") totaled \$538.1 million. Credit Arrangements with banks at December 31, 2019 totaled \$795.3 million, of which \$189.4 million provided liquidity support to \$183.8 million of outstanding variable-rate demand obligations, \$73.6 million was drawn on the Credit Arrangements, \$51.9 million supported obligations to the Competitive Trust and \$17.9 million supported \$12.0 million of outstanding CP balances, with the remaining \$462.5 million available. The Credit Arrangements mature at various dates in 2020 through 2023, 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.

During 2020 through 2022, maturities of long-term debt and sinking fund redemptions are expected to total \$540.9 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 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 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 an investment-grade 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 \$181.4 million, \$161.2 million and \$119.0 million for the years 2020, 2021 and 2022, respectively. These expenditures are related to capital improvements at existing generating units 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." MEAG Power's estimated construction expenditures for Vogtle Units 3&4, including various contingencies and financing amounts for the years 2020 through 2022 are \$2.0 billion. Actual construction costs may vary from the estimates because of factors such as changes in economic conditions; revised environmental regulations; changes to existing generating units to meet regulatory requirements; updated load forecasts; and the cost of construction labor, equipment and materials. As discussed in "Capital Program," CWIP as of December 31, 2019 totaled \$3.9 billion.

## Economic Conditions/COVID-19

MEAG Power and its Participants are subject to risks related to the outbreak of COVID-19, including, but not limited to, disruption to the construction of Vogtle Units 3&4.

COVID-19 has been declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention (CDC) and has spread globally, including throughout the United States. In response, many states, including Georgia, have instituted restrictions on travel, public gatherings and certain business operations. These restrictions have significantly disrupted economic activity in the service territories of MEAG Power's Participants and have caused volatility in capital markets. The effects of the continued outbreak of COVID-19 and related government responses could include extended disruptions to supply chains and capital markets, reduced labor availability and productivity and a prolonged reduction in economic activity. These effects could have a variety of adverse impacts on MEAG Power and its Participants, including reduced demand for energy, particularly from commercial and industrial customers of the Participants, and impairment of the ability of MEAG Power to develop, construct and operate facilities and to access funds from financial institutions and capital markets and, therefore, could affect the ability of the Participants to make full and timely payment of MEAG Power's billings to them.

In particular, these effects have caused disruption of construction, testing, supervisory and support activities at Vogtle Units 3&4, and could cause similar effects on the operation of other generating assets of MEAG Power. In mid-March 2020, Southern Nuclear Operating Company, Inc., an affiliate of GPC and the operating agent for Vogtle Units 3&4 (Southern Nuclear), began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the Vogtle Units 3&4 construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19, or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures. Multiple members of the workforce have tested positive for COVID-19. The COVID-19 pandemic has impacted productivity levels and pace of activity completion.

On April 15, 2020, GPC, acting for itself and as agent for the other Vogtle Co-Owners, announced a reduction in workforce at Vogtle Units 3&4 expected to total approximately 20% of the existing workforce. This reduction in workforce was a mitigation action intended to address the impact of the COVID-19 pandemic on the Vogtle Units 3&4 workforce and construction site, including ongoing challenges with labor productivity that have been exacerbated by the impact of the COVID-19 pandemic. It is expected to provide operational efficiencies by increasing productivity of the remaining workforce and reducing workforce fatigue and absenteeism. It is also expected to allow for increased social distancing by the workforce and facilitate compliance with the latest recommendations from the CDC.

The workforce levels resulting from the April 2020 reduction are expected to last at least through the summer as GPC continues to monitor the impacts of the COVID-19 pandemic on the construction site. While this mitigation action has extended and may further extend certain milestone dates in the updated aggressive site work plan, assuming absenteeism rates normalize and the intended productivity efficiencies are realized in the coming months, GPC does not expect it to affect either the total project capital cost forecast or the ability to achieve the regulatory-approved in-service dates of November 2021 and November 2022 for Vogtle Unit 3 and Vogtle Unit 4, respectively. Southern Nuclear and GPC continue to believe that pursuit of an aggressive site work plan is an appropriate strategy to achieve completion of the units by their regulatory-approved in-service dates.

Because the effects of COVID-19 essentially started in the United States in March 2020 and the duration and the breadth of the effects of COVID-19 are not yet known, the total economic impact on MEAG Power and its Participants, including electric power revenues and cash flows, cannot be determined at this time.

# 2019 Consolidated Balance Sheet

<b>December 31, 2019</b>	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
ASSETS (in thousands)								
Property, plant and equipment, at cost:								
In service	\$ 3,392,712	\$1,239,417	\$ 332,860	\$ —	\$ —	\$ 28,871	\$ —	\$ 4,993,860
Less accumulated depreciation	(1,842,959)	(622,073)	(146,291)	—	—	(25,181)	—	(2,636,504)
Property in service, net	1,549,753	617,344	186,569	—	—	3,690	—	2,357,356
Construction work in progress	126,923	56,110	1,945	3,730,407	—	—	—	3,915,385
Nuclear fuel, net of accumulated amortization	174,319	22,835	—	80,767	—	—	—	277,921
Total property, plant and equipment, net	1,850,995	696,289	188,514	3,811,174	—	3,690	—	6,550,662
Other non-current assets:								
Investment in Alliance	7,628	—	104	—	—	—	—	7,732
Special funds, including cash and cash equivalents	644,793	130,111	42,479	1,943,022	303,170	—	(84,700)	2,978,875
Other receivables	—	—	—	21,962	3,824	—	—	25,786
Net costs to be recovered from Participants	—	—	—	336,304	—	—	—	336,304
Unamortized bond issuance costs	6,939	1,512	413	54,149	—	—	—	63,013
Total other non-current assets	659,360	131,623	42,996	2,355,437	306,994	—	(84,700)	3,411,710
Current assets:								
Special funds, including cash and cash equivalents	218,081	85,387	27,082	66,091	315,495	407	(13,940)	698,603
Supplemental power account, including cash and cash equivalents	4,468	—	—	—	—	—	—	4,468
Securities lending collateral	724	85	—	—	—	—	—	809
Receivables from Participants	47,852	10,356	3,483	—	255	13	—	61,959
Other receivables	11,396	3,790	1,854	13,017	313	101	(6,930)	23,541
Fuel stocks, at average cost	13,838	18,930	—	—	—	—	—	32,768
Materials, supplies and other assets	76,303	15,678	1,913	1,147	—	—	—	95,041
Total current assets	372,662	134,226	34,332	80,255	316,063	521	(20,870)	917,189
Total assets	2,883,017	962,138	265,842	6,246,866	623,057	4,211	(105,570)	10,879,561
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivative instruments	68,719	—	6,824	—	—	—	—	75,543
Unamortized loss on refunded debt	11,237	104	2,290	—	—	—	—	13,631
Pensions and other postemployment benefits	6,326	1,240	372	893	—	—	—	8,831
Asset retirement obligations	94,344	73,888	—	—	—	—	—	168,232
Total deferred outflows of resources	180,626	75,232	9,486	893	—	—	—	266,237
Total Assets and Deferred Outflows of Resources	\$3,063,643	\$1,037,370	\$ 275,328	\$6,247,759	\$623,057	\$ 4,211	\$(105,570)	\$11,145,798

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



## 2019 Consolidated Balance Sheet

<b>December 31, 2019</b>	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
LIABILITIES (in thousands)								
Long-term debt:								
Power Revenue bonds	\$ 364,285	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 364,285
General Power Revenue bonds	—	115,385	—	—	—	—	—	115,385
Combined Cycle Project Revenue bonds	—	—	107,090	—	—	—	—	107,090
Vogle Units 3&4 Projects' Revenue bonds	—	—	—	4,116,780	—	—	—	4,116,780
DOE Guaranteed Loans	—	—	—	1,766,633	—	—	—	1,766,633
Unamortized (discount) premium, net	20,960	4,753	2,739	128,500	—	—	—	156,952
Total Revenue bonds and DOE Guaranteed Loans	385,245	120,138	109,829	6,011,913	—	—	—	6,627,125
Subordinated debt	1,195,666	258,106	—	—	—	—	(32,850)	1,420,922
Unamortized (discount) premium, net	89,692	10,955	—	—	—	—	—	100,647
Total subordinated debt	1,285,358	269,061	—	—	—	—	(32,850)	1,521,569
Bond anticipation notes (unsecured)	28,075	4,670	19,105	—	—	—	(51,850)	—
Total long-term debt	1,698,678	393,869	128,934	6,011,913	—	—	(84,700)	8,148,694
Non-current liabilities:								
Asset retirement obligations	503,587	132,211	—	—	—	—	—	635,798
Competitive Trust obligations	—	—	—	—	252,126	—	—	252,126
Other	74,969	892	215	(2,435)	97	—	—	73,738
Total non-current liabilities	578,556	133,103	215	(2,435)	252,223	—	—	961,662
Current liabilities:								
Accounts payable	48,153	12,923	13,619	17,611	—	101	(6,930)	85,477
Construction liabilities	14,230	1,608	—	31,283	—	—	—	47,121
Securities lending collateral	742	87	—	—	—	—	—	829
Current portion of long-term debt	132,010	90,329	15,515	45,623	—	—	(13,940)	269,537
Lines of credit and other short-term debt	23,426	541	—	57,500	—	—	—	81,467
Competitive Trust obligations	—	—	—	—	370,834	—	—	370,834
Accrued interest	31,841	9,211	1,006	85,071	—	—	—	127,129
Total current liabilities	250,402	114,699	30,140	237,088	370,834	101	(20,870)	982,394
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	2,527,636	641,671	159,289	6,246,566	623,057	101	(105,570)	10,092,750
Deferred inflows of resources	536,007	395,699	116,039	1,193	—	4,110	—	1,053,048
Total Liabilities and Deferred Inflows of Resources	\$3,063,643	\$1,037,370	\$275,328	\$6,247,759	\$623,057	\$4,211	\$(105,570)	\$11,145,798

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

## 2019 Consolidated Statement of Net Revenues

<b>For the Year Ended December 31, 2019</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Revenues:								
Participant	\$312,006	\$96,441	\$82,498	\$12,662	\$—	\$796	\$—	\$504,403
Other	61,324	49,250	12,225	21,599	—	103	—	144,501
Total revenues	373,330	145,691	94,723	34,261	—	899	—	648,904
Operating expenses:								
Fuel	83,174	59,481	57,919	—	—	—	—	200,574
Purchased power	36,023	—	—	—	—	—	—	36,023
Other generating and operating expense	138,043	47,776	22,620	235	34	188	—	208,896
Transmission	22,736	—	—	—	—	—	—	22,736
Depreciation and amortization	89,436	29,421	9,067	—	—	720	—	128,644
Total operating expenses	369,412	136,678	89,606	235	34	908	—	596,873
Net operating revenues (loss)	3,918	9,013	5,117	34,026	(34)	(9)	—	52,031
Non-operating expense (income), net:								
Interest expense	87,637	22,118	7,974	267,970	—	—	—	385,699
Amortization of debt discount and expense	(15,400)	(2,413)	(1,128)	4,205	—	—	—	(14,736)
Investment income	(25,097)	(6,026)	(1,635)	(30,724)	(69)	(9)	—	(63,560)
Net change in the fair value of financial instruments	(38,694)	(4,280)	(94)	(3,419)	—	—	—	(46,487)
Interest capitalized	(4,528)	(386)	—	(164,249)	—	—	—	(169,163)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	(57,470)	—	—	—	(57,470)
Total non-operating expense (income), net	3,918	9,013	5,117	16,313	(69)	(9)	—	34,283
Change in:								
Net costs to be recovered from Participants	—	—	—	17,713	—	—	—	17,713
Competitive Trust obligations	—	—	—	—	35	—	—	35
Total change in net costs to be recovered from Participants or Competitive Trust obligations	—	—	—	17,713	35	—	—	17,748
Net Revenues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

# 2019 Consolidated Statement of Cash Flows

<b>For the Year Ended December 31, 2019</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	\$ 471,219	\$ 138,912	\$ 97,964	\$ 12,778	\$ (101)	\$ 78	\$ —	\$ 720,850
Cash received from others	52,353	48,123	13,187	21,599	—	123	—	135,385
Cash paid for operating expenses	(228,383)	(105,780)	(76,895)	1,433	(265)	(204)	—	(410,094)
Net cash provided by (used in) operating activities	295,189	81,255	34,256	35,810	(366)	(3)	—	446,141
Cash flows from investing activities:								
Sales and maturities of investment securities	250,284	58,918	39,741	997,698	276,667	—	—	1,623,308
Purchase of investment securities	(291,942)	(59,571)	(49,281)	(1,797,110)	(247,787)	—	—	(2,445,691)
Investment income receipts	11,955	3,304	1,219	10,286	10,923	9	—	37,696
Distribution from Alliance	6,185	—	—	—	—	—	—	6,185
Contributions from Participants	—	—	—	—	2,282	—	—	2,282
Net cash (used in) provided by investing activities	(23,518)	2,651	(8,321)	(789,126)	42,085	9	—	(776,220)
Cash flows from capital and related financing activities:								
Property additions	(138,113)	(45,655)	(4,186)	(695,575)	—	—	—	(883,529)
Net proceeds from lines of credit and other short-term debt	(2,249)	106	—	57,500	—	—	—	55,357
Proceeds from issuance of long-term debt	276,645	10,483	—	1,951,520	—	—	—	2,238,648
Retirement of long-term debt	(309,136)	(121,299)	(21,425)	(125,361)	—	—	—	(577,221)
Interest payments	(85,821)	(21,834)	(7,295)	(242,201)	—	—	—	(357,151)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	57,448	—	—	—	57,448
Advance payments from Participants for New Generation and Capacity Funding	—	—	—	—	14,788	—	—	14,788
Net cash provided by (used in) capital and related financing activities	(258,674)	(178,199)	(32,906)	1,003,331	14,788	—	—	548,340
Increase (decrease) in cash and cash equivalents	12,997	(94,293)	(6,971)	250,015	56,507	6	—	218,261
Cash and cash equivalents at beginning of year	292,659	232,082	51,889	605,736	212,101	401	—	1,394,868
Cash and cash equivalents at end of year	305,656	137,789	44,918	855,751	268,608	407	—	1,613,129
Other investment securities and accrued interest receivable at end of year	562,410	77,794	24,643	1,153,362	350,057	—	(98,640)	2,069,626
Special funds, Supplemental power account and Securities lending collateral at end of year	\$ 868,066	\$ 215,583	\$ 69,561	\$ 2,009,113	\$ 618,665	\$ 407	\$ (98,640)	\$ 3,682,755
Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities:								
Net operating revenues (loss)	\$ 3,918	\$ 9,013	\$ 5,117	\$ 34,026	\$ (34)	\$ (9)	\$ —	\$ 52,031
Adjustments to reconcile net operating revenues (loss) to net cash from operating activities:								
Depreciation and amortization	139,400	37,218	9,067	—	—	720	—	186,405
Pensions and other postemployment benefits	1,075	304	88	235	—	—	—	1,702
Deferred inflows of resources	157,906	33,908	16,967	—	—	(720)	—	208,061
Share of net revenues from Alliance	(6,921)	—	—	—	—	—	—	(6,921)
Change in current assets and liabilities:								
Accounts receivable	(8,273)	5,918	(2,492)	—	(101)	21	—	(4,927)
Fuel stocks	(5,190)	(8,638)	—	—	—	—	—	(13,828)
Materials, supplies and other assets	496	(813)	1,937	—	—	—	—	1,620
Accounts payable and other liabilities	12,778	4,345	3,572	1,549	(231)	(15)	—	21,998
Net cash provided by (used in) operating activities	\$ 295,189	\$ 81,255	\$ 34,256	\$ 35,810	\$ (366)	\$ (3)	\$ —	\$ 446,141

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

# 2018 Consolidated Balance Sheet

December 31, 2018	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
ASSETS (in thousands)								
Property, plant and equipment, at cost:								
In service	\$3,308,301	\$1,204,454	\$ 331,484	\$ —	\$ —	\$ 28,871	\$ —	\$ 4,873,110
Less accumulated depreciation	(1,803,146)	(608,315)	(138,505)	—	—	(24,462)	—	(2,574,428)
Property in service, net	1,505,155	596,139	192,979	—	—	4,409	—	2,298,682
Construction work in progress	137,851	64,711	416	2,910,552	—	—	—	3,113,530
Nuclear fuel, net of accumulated amortization	179,911	24,050	—	73,884	—	—	—	277,845
Total property, plant and equipment, net	1,822,917	684,900	193,395	2,984,436	—	4,409	—	5,690,057
Other non-current assets:								
Investment in Alliance	6,891	—	104	—	—	—	—	6,995
Special funds, including cash and cash equivalents	579,777	166,280	39,349	857,423	338,924	—	(203,285)	1,778,468
Other receivables	—	—	—	25,251	3,436	—	—	28,687
Net costs to be recovered from Participants	—	—	—	354,065	—	—	—	354,065
Unamortized bond issuance costs	7,158	1,812	537	49,356	—	—	—	58,863
Total other non-current assets	593,826	168,092	39,990	1,286,095	342,360	—	(203,285)	2,227,078
Current assets:								
Special funds, including cash and cash equivalents	177,024	136,103	27,133	78,406	255,936	401	(27,545)	647,458
Supplemental power account, including cash and cash equivalents	4,050	—	—	—	—	—	—	4,050
Securities lending collateral	630	74	—	—	—	—	—	704
Receivables from Participants	41,630	17,400	315	—	1,453	14	—	60,812
Other receivables	9,346	2,663	2,245	15,345	600	122	(8,699)	21,622
Fuel stocks, at average cost	8,647	10,292	—	—	—	—	—	18,939
Materials, supplies and other assets	76,160	14,755	8,829	359	—	—	—	100,103
Total current assets	317,487	181,287	38,522	94,110	257,989	537	(36,244)	853,688
Total assets	2,734,230	1,034,279	271,907	4,364,641	600,349	4,946	(239,529)	8,770,823
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivatives	50,504	—	1,845	—	—	—	—	52,349
Unamortized loss on refunded debt	15,268	973	3,130	—	—	—	—	19,371
Pensions and other postemployment benefits	6,141	1,188	357	853	—	—	—	8,539
Asset retirement obligations	96,900	76,037	—	—	—	—	—	172,937
Total deferred outflows of resources	168,813	78,198	5,332	853	—	—	—	253,196
Total Assets and Deferred Outflows of Resources	\$ 2,903,043	\$ 1,112,477	\$ 277,239	\$ 4,365,494	\$ 600,349	\$ 4,946	\$(239,529)	\$ 9,024,019

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

## 2018 Consolidated Balance Sheet

December 31, 2018	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
LIABILITIES (in thousands)								
Long-term debt:								
Power Revenue bonds	\$ 409,560	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 409,560
General Power Revenue bonds	—	127,250	—	—	—	—	—	127,250
Combined Cycle Project Revenue bonds	—	—	122,605	—	—	—	—	122,605
Vogle Units 3&4 Projects' Revenue bonds	—	—	—	2,959,770	—	—	(100,000)	2,859,770
DOE Guaranteed Loans	—	—	—	1,223,353	—	—	—	1,223,353
Unamortized (discount) premium, net	24,773	5,407	3,991	10,427	—	—	—	44,598
Total Revenue bonds and DOE Guaranteed Loans	434,333	132,657	126,596	4,193,550	—	—	(100,000)	4,787,136
Subordinated debt	1,257,242	362,982	—	—	—	—	(46,790)	1,573,434
Unamortized (discount) premium, net	68,594	12,204	—	—	—	—	—	80,798
Total subordinated debt	1,325,836	375,186	—	—	—	—	(46,790)	1,654,232
Bond anticipation notes (unsecured)	28,075	4,670	23,750	—	—	—	(56,495)	—
Total long-term debt	1,788,244	512,513	150,346	4,193,550	—	—	(203,285)	6,441,368
Non-current Liabilities:								
Asset retirement obligations	481,014	129,471	—	—	—	—	—	610,485
Competitive Trust obligations	—	—	—	—	237,351	—	—	237,351
Other	58,837	1,868	431	163	97	—	—	61,396
Total non-current liabilities	539,851	131,339	431	163	237,448	—	—	909,232
Current Liabilities:								
Accounts payable	34,440	8,286	9,704	12,965	1,630	117	(8,699)	58,443
Construction liabilities	14,666	3,929	—	70,189	—	—	—	88,784
Securities lending collateral	647	76	—	—	—	—	—	723
Current portion of long-term debt	91,336	85,463	16,780	28,829	—	—	(27,545)	194,863
Lines of credit and other short-term debt	25,675	435	—	—	—	—	—	26,110
Competitive Trust obligations	—	—	—	—	361,271	—	—	361,271
Accrued interest	33,934	9,758	1,167	59,301	—	—	—	104,160
Total current liabilities	200,698	107,947	27,651	171,284	362,901	117	(36,244)	834,354
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	2,528,793	751,799	178,428	4,364,997	600,349	117	(239,529)	8,184,954
Deferred inflows of resources	374,250	360,678	98,811	497	—	4,829	—	839,065
Total Liabilities and Deferred Inflows of Resources	\$2,903,043	\$1,112,477	\$277,239	\$4,365,494	\$600,349	\$4,946	\$(239,529)	\$9,024,019

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

## 2018 Consolidated Statement of Net Revenues

For the Year Ended December 31, 2018 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Revenues:								
Participant	\$355,433	\$111,471	\$72,070	\$ 9,644	\$ —	\$807	\$ —	\$ 549,425
Other	61,771	44,477	10,387	15,166	—	102	—	131,903
Total revenues	417,204	155,948	82,457	24,810	—	909	—	681,328
Operating expenses:								
Fuel	87,812	61,003	33,187	—	—	—	—	182,002
Purchased power	37,147	—	—	—	—	—	—	37,147
Other generating and operating expense	136,123	50,994	33,978	136	44	196	—	221,471
Transmission	21,009	—	—	—	—	—	—	21,009
Depreciation and amortization	84,292	26,019	9,065	—	—	721	—	120,097
Competitive Trust funding	(20,051)	—	—	—	20,051	—	—	—
Total operating expenses	346,332	138,016	76,230	136	20,095	917	—	581,726
Net operating revenues (loss)	70,872	17,932	6,227	24,674	(20,095)	(8)	—	99,602
Non-operating expense (income), net:								
Interest expense	90,870	23,803	8,919	227,753	—	—	—	351,345
Amortization of debt discount and expense	(14,974)	(1,914)	(1,418)	300	—	—	—	(18,006)
Investment income	(14,814)	(4,702)	(1,255)	(22,773)	(258)	(8)	—	(43,810)
Net change in the fair value of financial instruments	15,481	1,216	(19)	1,144	(1)	—	—	17,821
Interest capitalized	(5,691)	(471)	—	(140,064)	—	—	—	(146,226)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	(57,386)	—	—	—	(57,386)
Total non-operating expense (income), net	70,872	17,932	6,227	8,974	(259)	(8)	—	103,738
Change in:								
Net costs to be recovered from Participants	—	—	—	15,700	—	—	—	15,700
Competitive Trust obligations	—	—	—	—	(19,836)	—	—	(19,836)
Total change in net costs to be recovered from Participants or Competitive Trust obligations	—	—	—	15,700	(19,836)	—	—	(4,136)
Net Revenues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

## 2018 Consolidated Statement of Cash Flows

For the Year Ended December 31, 2018 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	\$ 414,266	\$ 188,571	\$ 75,117	\$ 9,793	\$ (811)	\$ 105	\$ —	\$ 687,041
Cash received from others	40,143	43,800	12,270	15,166	—	89	—	111,468
Cash paid for operating expenses	(233,356)	(104,224)	(69,478)	65	(305)	(302)	—	(407,600)
Competitive Trust funding	20,051	—	—	—	(20,051)	—	—	—
Net cash provided by (used in) operating activities	241,104	128,147	17,909	25,024	(21,167)	(108)	—	390,909
Cash flows from investing activities:								
Sales and maturities of investment securities	405,648	131,962	24,093	512,041	110,457	—	—	1,184,201
Purchase of investment securities	(368,547)	(80,646)	(13,619)	(534,887)	(179,349)	—	—	(1,177,048)
Investment income receipts	10,645	2,895	960	8,506	8,959	8	—	31,973
Distribution from Alliance	24,136	—	—	—	—	—	—	24,136
Contributions from Participants	—	—	—	—	13,914	—	—	13,914
Net cash provided by (used in) investing activities	71,882	54,211	11,434	(14,340)	(46,019)	8	—	77,176
Cash flows from capital and related financing activities:								
Property additions	(160,181)	(53,447)	(235)	(585,669)	—	(30)	—	(799,562)
Net proceeds from lines of credit and other short-term debt	9,825	(2,166)	—	—	—	—	—	7,659
Proceeds from issuance of long-term debt	190,775	69,156	—	127,182	—	—	—	387,113
Retirement of long-term debt	(248,790)	(112,917)	(19,765)	(24,170)	—	—	—	(405,642)
Interest payments	(88,628)	(23,713)	(7,987)	(227,812)	—	—	—	(348,140)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	57,400	—	—	—	57,400
Advance payments from Participants for New Generation and Capacity Funding	—	—	—	—	13,807	—	—	13,807
Net cash (used in) provided by capital and related financing activities	(296,999)	(123,087)	(27,987)	(653,069)	13,807	(30)	—	(1,087,365)
(Decrease) increase in cash and cash equivalents	15,987	59,271	1,356	(642,385)	(53,379)	(130)	—	(619,280)
Cash and cash equivalents at beginning of year	276,672	172,811	50,533	1,248,121	265,480	531	—	2,014,148
Cash and cash equivalents at end of year	292,659	232,082	51,889	605,736	212,101	401	—	1,394,868
Other investment securities and accrued interest receivable at end of year	468,822	70,375	14,593	330,093	382,759	—	(230,830)	1,035,812
Special funds, Supplemental power account and Securities lending collateral at end of year	\$ 761,481	\$ 302,457	\$ 66,482	\$ 935,829	\$ 594,860	\$ 401	\$(230,830)	\$ 2,430,680
Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities:								
Net operating revenues (loss)	\$ 70,872	\$ 17,932	\$ 6,227	\$ 24,674	\$ (20,095)	\$ (8)	\$ —	\$ 99,602
Adjustments to reconcile net operating revenues (loss) to net cash from operating activities:								
Depreciation and amortization	136,732	33,983	9,066	—	—	721	—	180,502
Pensions and other postemployment benefits	715	190	57	136	—	—	—	1,098
Deferred inflows of resources	66,341	81,021	4,102	—	—	(721)	—	150,743
Share of net revenues from Alliance	(24,807)	—	—	—	—	—	—	(24,807)
Change in current assets and liabilities:								
Accounts receivable	1,830	(2,440)	2,917	(2)	(811)	(13)	—	1,481
Fuel stocks	508	1,127	—	—	—	—	—	1,635
Materials, supplies and other assets	1,711	607	2	—	—	—	—	2,320
Accounts payable and other liabilities	(12,798)	(4,273)	(4,462)	216	(261)	(87)	—	(21,665)
Net cash provided by (used in) operating activities	\$ 241,104	\$ 128,147	\$ 17,909	\$ 25,024	\$ (21,167)	\$(108)	\$ —	\$ 390,909

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

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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 (the Act) 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 Generation Station 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 projects/funds, all defined herein:

- Project One;
- General Resolution Projects;
- Combined Cycle Project;
- Vogtle Units 3&4 Projects and Project Entities;
- Municipal Competitive Trust; 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 respective Project One Power Sales Contracts is not affected.

### (C) COMBINED CYCLE PROJECT

The Combined Cycle Project (CC Project) is wholly owned by MEAG Power and consists of a natural gas-fired combined-cycle facility that has a nominal summer capacity of 503 MW. The facility, which is also known as Wansley Unit 9 (Wansley Unit 9), includes two combustion turbines, two supplementary fired heat recovery steam generators, and one steam turbine. 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

#### Key Recent Developments

Key recent developments pertaining to Vogtle Units 3&4 are outlined below. Additional information and definitions of certain terms are in this Note of these Notes to Consolidated Financial Statements (Notes).

- On February 18, 2019, the Vogtle Co-Owners entered into certain amendments to the Vogtle Joint Ownership Agreements (the Global Amendments).
- Pursuant to the Global Amendments, Georgia Power Company (GPC) has agreed, at the option of each selling party, to purchase additional production tax credits (PTCs) from OPC, Dalton and the Project Entities (to the extent any PTC rights of SPVJ remain after any purchases required under the MEAG



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

Funding Agreement) at varying purchase prices dependent upon the actual cost to complete construction of Vogtle Units 3&4 as compared to the EAC reflected in the VCM 19 Report.

- If SPVJ is unable to make its payments due under the Vogtle Joint Ownership Agreements solely as a result of the occurrence of certain situations that materially impedes access to capital markets for MEAG Power for Project J and/or DOE guaranteed funding, at MEAG Power's request, GPC will purchase from SPVJ the rights to PTCs attributable to SPVJ's share of Vogtle Units 3&4 (approximately 206 MWs) within 30 days of such request at varying prices dependent upon the stage of construction of Vogtle Units 3&4. The aggregate purchase price of the PTCs, together with certain other advances, shall not exceed \$300 million.
- On February 21, 2019, the Federal Energy Regulatory Commission (FERC) voted, unanimously, to dismiss a request by JEA to intervene in JEA's ongoing dispute with MEAG Power over the Project J PPA (see below). In its ruling, FERC found that it had no statutory jurisdiction over the Project J PPA in particular or public power utilities in general. Accordingly, FERC dismissed JEA's petition.
- On March 22, 2019, the Project Entities closed on \$414.7 million in additional loan guarantees from the U.S. Department of Energy (DOE) toward construction of the Project Entities' respective shares of Vogtle Units 3&4. In connection with that closing, each Project Entity entered into an amendment and restatement of its Original LGA, as theretofore amended (each such Original LGA, as so amended and restated, being hereinafter referred to as an LGA), in order, among other things, to reflect the Replacement EPC Arrangements and to facilitate additional draws.
- To finance additional costs of acquisition and construction and financing costs of Vogtle Units 3&4:
  - On July 19, 2019, MEAG Power issued \$570.9 million of its Plant Vogtle Units 3&4 Project J Bonds, Series 2019A.
  - On September 26, 2019, MEAG Power issued \$445.6 million of its Plant Vogtle Units 3&4 Project M Bonds, Series 2019A and \$267.0 million of its Plant Vogtle Units 3&4 Project P Bonds, Series 2019B.
- MEAG Power expects that, based on the construction cost estimate set forth in the VCM 22 Report and the current GPSC-approved in-service dates of November 2021 and November 2022 for Vogtle Unit 3 and Vogtle Unit 4, respectively, the Vogtle Units 3&4 Project Entities' estimated in-service cost will be, in the aggregate, approximately \$6.3 billion, including construction and financing costs through the estimated in-service dates, contingencies, initial fuel load costs and switchyard and transmission costs. Additional financing needs relating to required reserve funds and other fund deposits result in total financing needs of approximately \$6.8 billion, of which approximately \$28.4 million remains to be financed in the public markets and \$424.3 million is expected to be drawn from the DOE Guaranteed Loans in 2020.
- On August 30, 2019, GPC filed with the GPSC its twentieth VCM report concurrently with its twenty-first VCM report, which reflects the capital cost forecast provided in the VCM 19 Report and affirms the GPSC-approved in-service dates of November 2021 and November 2022 for Vogtle Unit 3 and Vogtle Unit 4, respectively.
- On October 29, 2019, the Georgia Court of Appeals issued an opinion affirming a ruling by the Fulton County, Georgia Superior Court (Fulton County Superior Court) that the Georgia Public Service Commission's (GPSC) January 11, 2018 order was not a final, appealable decision. In addition, the Georgia Court of Appeals remanded the case to the Fulton County Superior Court to clarify its ruling as to whether the petitioners (Georgia Interfaith Power & Light, Inc.

(GIPL), Partnership for Southern Equity, Inc. (PSE) and Georgia Watch) showed that review of the GPSC's final order would not provide them an adequate remedy. On April 21, 2020, the Fulton County Superior Court entered an appealable order granting GPC's motion to dismiss the two appeals. GPC has reported that it believes the petitions have no merit; however, an adverse outcome in the litigation combined with subsequent adverse action by the GPSC could have a material impact on GPC's ability to proceed with and complete construction of Vogtle Units 3&4 and, therefore, on MEAG Power's results of operations, financial condition and liquidity.

- On February 19, 2020, GPC filed the twenty-second VCM report (VCM 22 Report) with the GPSC covering the period from July 1, 2019 through December 31, 2019, requesting approval of \$674 million of construction capital costs incurred during that period.
- On April 15, 2020, GPC, acting for itself and as agent for the other Vogtle Co-Owners, announced a reduction in workforce at Vogtle Units 3&4 expected to total approximately 20% of the existing workforce. This reduction in workforce was a mitigation action intended to address the impact of the novel coronavirus (COVID-19) pandemic on the Vogtle Units 3&4 workforce and construction site, including ongoing challenges with labor productivity that have been exacerbated by the impact of the COVID-19 pandemic. For additional information, see the "Cost and Schedule" section of this Note and Note 9, "Subsequent Events."
- On April 20, 2020, Nuclear Watch South (NWS) filed a request for hearing and contention with the Nuclear Regulatory Commission (NRC) that challenges certain ITAAC closures.
- MEAG Power is involved in litigation with JEA and the City of Jacksonville, Florida (Jacksonville) with respect to the Amended and Restated Power Purchase Agreement (the Project J PPA) between MEAG Power and JEA relating to MEAG Power's interest in Vogtle Units 3&4. On December 27, 2019, MEAG Power filed a Motion for Judgment on the Pleadings as to certain legal issues. The briefing by the parties has now been completed with respect to that Motion, but no action has been taken by the Court with respect thereto. Additional information is provided in the "Litigation and Other Matters" section of this Note.

## History

As discussed below, 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 Generation Station 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 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

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. 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. Legal challenges filed immediately after COL issuance were dismissed by court order for lack of merit.

## Structure, DOE Guaranteed Loans and Recent Bond Financings

### 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 (COD) 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. 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 Jacksonville, 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 (see "DOE Loan Guarantee Program" section of this Note), 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 COD of each unit. 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 CODs, 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 COD 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.

# Notes to Consolidated Financial Statements

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## DOE Loan Guarantee Program

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 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 (Title XVII Loan Guarantee Program). 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 (Original DOE Guaranteed Loans).

Concurrently with the transfer of MEAG Power's undivided ownership in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities (as discussed in the "Vogtle Units 3&4 Project Entities" section of this Note), each Vogtle Units 3&4 Project Entity entered into, among other agreements, a Loan Guarantee Agreement (Original LGA) with DOE. Under each Original LGA, the applicable Vogtle Units 3&4 Project Entity may request advances up to a specified maximum amount (collectively, Advances) 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. Proceeds of Advances are used to reimburse each Project Entity (see the "Vogtle Units 3&4 Project Entities" section of this Note) for certain costs of construction relating to Vogtle Units 3&4 that are eligible for DOE-guaranteed loans (Eligible Project Costs).

Each LGA provides that the DOE Guaranteed Loan thereunder is secured by a first priority lien on various assets (the Collateral) including, among other things, the applicable Project Entity's rights or interests in: (i) Vogtle Units 3&4 (primarily the units under construction, the related real property, and any nuclear fuel loaded in the reactor core) and (ii) the Project Entities' rights and obligations under the principal contracts relating to Vogtle Units 3&4.

Future Advances are subject to satisfaction of customary conditions, as well as certification of compliance with the requirements of the Title XVII Loan Guarantee Program, including accuracy of project-related representations and warranties, delivery of updated project-related information, and evidence of compliance with the prevailing wage requirements of the Davis-Bacon Act of 1931, as amended, and certification from the DOE's consulting engineer that proceeds of the Advances are used to reimburse Eligible Project Costs.

The accretion process will fully draw the remaining balance of the original DOE loan guarantees by December 31, 2020. In the case of the additional DOE loan guarantees, advances may be requested on a quarterly basis through November 30, 2023. The DOE Guaranteed Loans have a final maturity date of April 2, 2045. Each Advance to a Project Entity under its DOE Guaranteed Loan is evidenced by a promissory note issued to the FFB (FFB Promissory Note). The maximum amount that a Project Entity may borrow under its DOE Guaranteed Loan and capitalized interest thereon has been allocated among the various FFB Promissory Notes of such Project Entity and the Advances evidenced by each such FFB Promissory Note will bear interest at the applicable U.S. Treasury rate plus a spread equal to 0.375%. Interest is payable quarterly and principal payments began on October 2, 2019.

During 2019 and 2018, the Project Entities obtained Advances for payment of certain capitalized interest pertaining to the DOE Guaranteed Loans totaling \$18.3 million and \$28.5 million, respectively. At December 31, 2019 and 2018, the Project Entities had a total of \$1.8 billion and \$1.2 billion of Advances outstanding, respectively.

On March 22, 2019, the Project Entities closed on \$414.7 million in additional DOE loan guarantees toward construction of the Project Entities' respective shares of Vogtle Units 3&4. In connection with that closing, each Project Entity entered into an LGA, in order, among other things, to reflect the Replacement EPC Arrangements discussed below and to facilitate additional draws.

Under each LGA, the applicable Project Entity is subject to customary borrower affirmative and negative covenants and events of default. In addition, each Project Entity is subject to project-related reporting requirements and other project-specific covenants and events of default.

In the event certain events of default occur under an LGA, the FFB's commitment to make further Advances to the applicable Project Entity will terminate. Upon the occurrence of such events of default, subject to certain conditions, DOE is permitted to take possession of the Collateral, but the scheduled repayment of the Advances cannot be accelerated. Among other things, these events of default include the termination of the Vogtle Services Agreement. Under certain circumstances, insurance proceeds and any proceeds from an event of taking must be applied to prepay outstanding Advances. In addition, under certain circumstances, including (a) if a particular Project Entity decides to discontinue construction of Vogtle Units 3&4 or the Vogtle Services Agreement is terminated or rejected in a bankruptcy proceeding and such Project Entity does not maintain access to intellectual property rights under the intellectual property licenses (IP Licenses) and (b) if outstanding Advances exceed a specified percentage of Eligible Project Costs, net of the proceeds received by such Project Entity under the Guarantee Settlement Agreement (see "EPC Contract and Construction" section of this Note), within 14 days of November 30, 2023, such Project Entity would be obligated to prepay a portion of the outstanding Advances. Each Project Entity also may voluntarily prepay outstanding Advances. Under the FFB Promissory Notes, any prepayment (whether mandatory or optional) will be made with a make-whole premium or discount, as applicable.

In connection with a cancellation of Vogtle Units 3&4, the DOE may elect to continue construction of Vogtle Units 3&4. In such an event, the DOE will have the right to assume the Project Entities' rights and obligations under the principal agreements relating to Vogtle Units 3&4 and to acquire all or a portion of the Project Entities' ownership interests in Vogtle Units 3&4.

## Recent Bond Financings

To finance additional costs of acquisition and construction and financing costs of Vogtle Units 3&4

- On July 19, 2019, MEAG Power issued \$570.9 million of its Plant Vogtle Units 3&4 Project J Bonds, Series 2019A.
- On September 26, 2019, MEAG Power issued \$445.6 million of its Plant Vogtle Units 3&4 Project M Bonds, Series 2019A and \$267.0 million of its Plant Vogtle Units 3&4 Project P Bonds, Series 2019B.

Additional information regarding financing of Vogtle Units 3&4 and 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" and certain other sections of that Note.

# Notes to Consolidated Financial Statements

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## Vogtle Units 3&4 Project Entities

On June 24, 2015, in order to permit each Vogtle Units 3&4 Project Entity to secure its Original 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 Original DOE Guaranteed Loans from the FFB, 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 special-purpose, 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 certain previous agreements 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.

## EPC Contract and Construction

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 a company which later became its affiliate as WECTEC Global Project Services Inc., collectively, the Contractor. Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test Vogtle Units 3&4. Certain obligations of the Contractor under the EPC Contract, including any liability of the Contractor for abandonment of work, were guaranteed by Westinghouse's parent company, Toshiba Corporation (Toshiba) (the Toshiba Guarantee). As a result of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Project Entities, the Project Entities assumed MEAG Power's rights and obligations under the EPC Contract, in proportion to their respective undivided ownership interests in Vogtle Units 3&4.

Until March 2017, construction on Vogtle Units 3&4 continued under the EPC Contract, which was a substantially fixed price agreement. In March 2017, the Contractor filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. In connection with the Contractor's bankruptcy filing, GPC, acting for itself and as agent for the other Vogtle Co-Owners, entered into several transitional arrangements to allow construction to continue.

In June 2017, GPC and the other Vogtle Co-Owners and Toshiba entered into a settlement agreement regarding the Toshiba Guarantee (Guarantee Settlement Agreement). Pursuant to the Guarantee Settlement Agreement, Toshiba acknowledged the amount of its obligation was \$3.68 billion, of which the Project Entities' proportionate share was \$835.4 million, which Toshiba satisfied in December 2017.

Additionally, in June 2017, GPC, acting for itself and as agent for the other Vogtle Co-Owners, and the Contractor entered into (a) a services agreement between the Vogtle Co-Owners and the Contractor, as amended and restated in July 2017, for the Contractor to transition construction management of Vogtle Units 3&4 to Southern Nuclear Operating Company, Inc., an affiliate of GPC and the operating agent for Vogtle Units 3&4 (Southern Nuclear) and to provide ongoing design, engineering, and procurement services to Southern Nuclear (the Vogtle Services Agreement) and (b) the related IP Licenses (the Vogtle Services Agreement and the IP Licenses, together with the Construction Agreement discussed below, the Replacement EPC Arrangements). Under the Vogtle Services Agreement, Westinghouse provides facility design and engineering services, procurement and technical support, and staff augmentation on a time and materials cost basis. The Vogtle Services Agreement provides that it will continue until the start-up and testing of Vogtle Units 3&4 are complete and electricity is generated and sold from both units. The Vogtle Services Agreement is terminable by the Vogtle Co-Owners upon 30 days' written notice.

In August 2017, following completion of comprehensive cost to complete and cancellation cost assessments, GPC filed the seventeenth Vogtle Construction Monitoring (VCM) report (VCM 17 Report) with the GPSC, which included a recommendation to continue construction of Vogtle Units 3&4, with Southern Nuclear serving as project manager, the Contractor providing engineering services and Bechtel Power Corporation (Bechtel) serving as the primary construction contractor.

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In October 2017, GPC, acting for itself and as agent for the other Vogtle Co-Owners, entered into a Construction Completion Agreement (the Construction Agreement) with Bechtel, whereby Bechtel serves as the primary contractor for the remaining construction activities for Vogtle Units 3&4. The Construction Agreement is a cost reimbursable plus fee arrangement, whereby Bechtel is reimbursed for actual costs plus a base fee and an at-risk fee, which is subject to adjustment based on Bechtel's performance against cost and schedule targets. Each Vogtle Co-Owner is severally (not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to Bechtel under the Construction Agreement. The Vogtle Co-Owners may terminate the Construction Agreement at any time for their convenience, provided that the Vogtle Co-Owners will be required to pay amounts related to work performed prior to the termination (including the applicable portion of the base fee), certain termination-related costs, and, at certain stages of the work, the applicable portion of the at-risk fee. Bechtel may terminate the Construction Agreement under certain circumstances, including certain Vogtle Co-Owner suspensions of work, certain breaches of the Construction Agreement by the Vogtle Co-Owners, Vogtle Co-Owner insolvency, and certain other events.

In December 2016, the GPSC approved a settlement agreement with GPC (the Vogtle Cost Settlement Agreement) resolving certain prudency matters in connection with the fifteenth VCM report. In December 2017, the GPSC voted to approve (and issued its related order on January 11, 2018) certain recommendations made by GPC in the VCM 17 Report and modifying the Vogtle Cost Settlement Agreement. The Vogtle Cost Settlement Agreement, as modified by the January 11, 2018 order, resolved the following regulatory matters related to Vogtle Units 3&4: (i) none of the costs incurred by GPC through December 31, 2015 and reflected in the fourteenth VCM report should be disallowed from GPC's rate base on the basis of imprudence; (ii) the Contractor Settlement Agreement (a 2015 definitive settlement agreement to resolve disputes between the Vogtle Co-Owners and the Contractor under the EPC Contract) was reasonable and prudent and none of the amounts paid pursuant to it should be disallowed from GPC's rate base on the basis of imprudence; (iii) construction of Vogtle Units 3&4 should be completed, with Southern Nuclear serving as project manager and Bechtel as primary contractor; (iv) GPC's revised schedule placing Vogtle Units 3&4 in service in November 2021 and November 2022, respectively, was approved and deemed reasonable; (v) the revised cost forecast was confirmed, although the GPSC stated that it does not represent a cost cap and that prudence decisions on cost recovery will be made at a later date, consistent with applicable Georgia law; and (vi) various other matters specific to GPC. In its January 11, 2018 order, the GPSC also stated if other certain conditions and assumptions upon which GPC's VCM 17 Report are based upon do not materialize, the GPSC reserved the right to reconsider the decision to continue construction.

On February 18, 2020, the GPSC approved GPC's twentieth VCM report and its concurrently filed twenty-first VCM report, including approval of \$1.2 billion of construction capital costs incurred from July 1, 2018 through June 30, 2019. On February 19, 2020, GPC filed the VCM 22 Report with the GPSC covering the period from July 1, 2019 through December 31, 2019, requesting approval of \$674 million of construction capital costs incurred during that period.

## Cost and Schedule

During the Second Quarter and Third Quarter of 2018, GPC advised the other Vogtle Co-Owners that it became aware that the estimated future Vogtle Units 3&4 costs were projected to exceed the corresponding budgeted amounts included in the VCM 17 Report. Upon discovery of these variances, the Vogtle Co-Owners requested Southern Nuclear perform a full cost analysis and reforecast of the cost to complete Vogtle Units 3&4 and engaged an international consulting firm to independently assess this analysis and reforecast, and existing project controls for identifying budget variances. Following this analysis, GPC proposed an increased construction budget and included a revised estimate to complete in its nineteenth VCM report (VCM 19 Report) filed with the GPSC in August 2018. This revised project budget included a \$2.4 billion increase (of which the aggregate 22.7% shares of the Vogtle Units 3&4 Project Entities was \$556 million), including a project-level contingency in an amount of \$800 million (of which the aggregate 22.7% shares of the Vogtle Units 3&4 Entities was \$182 million) as compared to the VCM 17 Report. The scheduled in-service dates of November 2021 and November 2022 for Vogtle Units 3&4, respectively, did not change in connection with these budget revisions.

MEAG Power expects that, based on the construction cost estimate set forth in the VCM 22 Report and the current GPSC-approved in-service dates of November 2021 and November 2022 for Vogtle Unit 3 and Vogtle Unit 4, respectively, the Vogtle Units 3&4 Project Entities' estimated in-service cost will be, in the aggregate, approximately \$6.3 billion, including construction and financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. Additional financing needs relating to reserve funds and other fund deposits required under MEAG Power's and the Vogtle Units 3&4 Project Entities' financing documents result in total financing needs of approximately \$6.8 billion, of which approximately \$28.4 million remains to be financed in the public markets and \$424.3 million is expected to be drawn from the DOE Guaranteed Loans in 2020. These amounts reflect the Vogtle Units 3&4 Project Entities' aggregate \$835.4 million share of the payments received from Toshiba under the Guarantee Settlement Agreement Amendment.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts on a regular basis to incorporate current information available, particularly in the areas of commodity installation, system turnovers, and workforce statistics.

In April 2019, Southern Nuclear established aggressive target values for monthly construction production and system turnover activities as part of a strategy to maintain and, where possible, build margin to the regulatory-approved in-service dates of November 2021 for Vogtle Unit 3 and November 2022 for Vogtle Unit 4. Through early 2020, the project faced challenges with the April 2019 aggressive strategy targets including, but not limited to, electrical and pipefitting labor productivity and closure rates for work packages, which resulted in a backlog of activities and completion percentages below the April 2019 aggressive strategy targets.

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In February 2020, as part of the VCM 22 Report, GPC reported that Southern Nuclear updated its cost and schedule forecast, which did not change the total project capital cost forecast and confirmed the expected in-service dates of November 2021 for Vogtle Unit 3 and November 2022 for Vogtle Unit 4. This update included initiatives to improve productivity while refining and extending system turnover plans and certain near-term milestone dates. Other milestone dates did not change. Achievement of the aggressive site work plan relies on meeting increased monthly production and activity target values during 2020. Through March 2020, Vogtle Unit 3 mechanical, electrical and subcontract activities started to build a backlog; however, overall production was generally consistent with the updated aggressive site work plan.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19, or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures. Multiple members of the workforce have tested positive for COVID-19. The COVID-19 pandemic has impacted productivity levels and pace of activity completion.

On April 15, 2020, GPC, acting for itself and as agent for the other Vogtle Co-Owners, announced a reduction in workforce at Vogtle Units 3&4 expected to total approximately 20% of the existing workforce. This reduction in workforce was a mitigation action intended to address the impact of the COVID-19 pandemic on the Vogtle Units 3&4 workforce and construction site, including ongoing challenges with labor productivity that have been exacerbated by the impact of the COVID-19 pandemic. It is expected to provide operational efficiencies by increasing productivity of the remaining workforce and reducing workforce fatigue and absenteeism. It is also expected to allow for increased social distancing by the workforce and facilitate compliance with the latest recommendations from the Centers for Disease Control and Prevention (CDCP).

To meet the 2020 targets in the aggressive site work plan for both Vogtle Unit 3 and Vogtle Unit 4, construction productivity, including subcontractors, must improve and be sustained above historical average levels. In addition, appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, must be maintained. The workforce levels resulting from the April 2020 reduction are expected to last at least through the summer as GPC continues to monitor the impacts of the COVID-19 pandemic on the construction site. While this mitigation action has extended and may further extend certain milestone dates in the updated aggressive site work plan, assuming absenteeism rates normalize and the intended productivity efficiencies are realized in the coming months, GPC does not expect it to affect either the total project capital cost forecast or the ability to achieve the regulatory-approved in-service dates of November 2021 and November 2022 for Vogtle Unit 3 and Vogtle Unit 4, respectively. Southern Nuclear and GPC continue to believe that pursuit of an aggressive site work plan is an appropriate strategy to achieve completion of the units by their regulatory-approved in-service dates.

As construction, including subcontract work, continues and testing and system turnover activities increase, challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related productivity, particularly in the installation of electrical and mechanical commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication, delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of generating unit systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in

the global nuclear industry at this scale), any of which may require additional labor and/or materials; regional transmission upgrades; or other issues could arise and change the projected schedule and estimated cost.

In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction, testing, supervisory and support activities at Vogtle Units 3&4. The ultimate impact of the COVID-19 pandemic on the construction schedule and budget for Vogtle Units 3&4 cannot be determined at this time.

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. 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 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 matters, including the timely submittal by Southern Nuclear of the Inspections, Tests, Analyses, and Acceptance Criteria (ITAAC) documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, may arise, which may result in additional license amendments or require other resolution. As part of the aggressive site work plan, in January 2020, Southern Nuclear notified the NRC of its intent to load fuel in 2020. On April 20, 2020, NWS filed a request for hearing and contention with the NRC that challenges certain ITAAC closures. 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.

The ultimate outcome of these matters cannot be determined at this time.

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.

The Project Entities' investment in property, plant and equipment (PP&E), including nuclear fuel, for Vogtle Units 3&4 as of December 31, 2019 totaled \$3.8 billion.

The U.S. Internal Revenue Service allocated PTCs to each of Vogtle Units 3&4, which originally required the applicable unit to be placed in service before 2021. The Bipartisan Budget Act of 2018, signed into law on February 9, 2018, removed the deadline for these PTCs by allowing for new nuclear reactors placed in service after December 31, 2020 to qualify for the nuclear PTCs. It also provided a modification to prior law to allow public power utilities, such as MEAG Power, to utilize the credits. The passage of this bill allows MEAG Power to monetize the tax credits to reduce the cost of the output of the Vogtle Units 3&4 Project Entities' ownership shares of the project.

## Litigation and Other Matters

MEAG Power is involved in litigation with JEA and Jacksonville regarding the Project J PPA. In late 2017 and early 2018, JEA indicated to MEAG Power that it was in favor of discontinuing construction of Vogtle Units 3&4. On September 11, 2018, after MEAG Power determined that JEA had indicated a clear intent to breach its contract, abandon its obligations, undermine MEAG Power's ability to perform and attempt to force MEAG Power's hand in the vote for continuing construction of Vogtle Units 3&4, MEAG Power sued JEA in the U.S. District Court — Georgia (Georgia Action). MEAG Power's complaint alleged that JEA repudiated and breached the Project J PPA. JEA and Jacksonville sued MEAG Power in the Circuit Court of Duval County, Florida (Florida Action) later that same day. JEA and Jacksonville allege that JEA "acted beyond the limits of its authority by entering into the PPA in violation of the constitution, laws, and public policy of the state of Florida (Florida), rendering the

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PPA ultra vires, void and unenforceable.” MEAG Power timely removed the Florida Action to the United States District Court, Middle District of Florida (U.S. District Court – Florida) and filed a motion to dismiss for lack of personal jurisdiction or, in the alternative, to transfer the case to the U.S. District Court — Georgia. JEA and Jacksonville each filed a motion to remand the case to Florida state court.

In its complaint, MEAG Power asserted that JEA’s obligations are unconditional under the Project J PPA. JEA also filed a petition with FERC requesting its involvement in this dispute with MEAG Power over the construction of Vogtle Units 3&4. MEAG Power believes that JEA’s claims are without merit and that MEAG Power will prevail in these proceedings.

This litigation could impact MEAG Power’s ability to finance SPVJ’s interest in Vogtle Units 3&4; however, there are provisions in the Vogtle Joint Ownership Agreements that permit the other Vogtle Co-Owners to fund construction in the event that one Vogtle Co-Owner fails to fund its proportionate costs (see “Joint Ownership Agreements — Potential Funding to MEAG Power’s Project J” section of this Note below). However, MEAG Power successfully completed bond financing for Project J in 2019 and has a commitment from GPC for additional Project J financing if needed. See discussion under the “Structure, DOE Guaranteed Loans and Recent Bond Financings – Recent Bond Financings” section herein.

On February 21, 2019, FERC voted, unanimously, to dismiss a request by JEA to intervene in JEA’s ongoing dispute with MEAG Power over the Project J PPA. In its ruling, FERC found that it had no statutory jurisdiction over the Project J PPA in particular or public power utilities in general. Accordingly, FERC dismissed JEA’s petition.

The United States, acting on behalf of the DOE, also filed a statement of interest in related litigation urging the federal court for the U.S. District Court — Florida to deny JEA’s attempt to have the matter remanded to state court on the grounds that a matter involving strong federal interests should be decided by federal courts.

A federal judge in the U.S. District Court — Georgia issued a ruling on April 9, 2019, dismissing MEAG Power’s suit against JEA. The judge made no decision as to the underlying merits of MEAG Power’s claim regarding the enforceability of the Project J PPA. Rather, the judge determined that MEAG Power failed to show that JEA’s actions prior to the filing of the complaint constituted a violation of Project J PPA’s cooperation clause. The judge’s decision was without prejudice as to MEAG Power’s ability to refile its claim seeking a declaratory judgment regarding the enforceability of the Project J PPA, and JEA has indicated that, until a court determines otherwise, it intends to comply by making payments due under the Project J PPA.

The U.S. District Court — Georgia’s decision dismissing MEAG Power’s claim for a declaration that the Project J PPA is valid and enforceable was based solely on the grounds that MEAG Power lacked standing at the time it filed its complaint. The U.S. District Court — Georgia stated that MEAG Power’s claim that JEA intended to repudiate and breach its obligations under the Project J PPA was “speculative.” Specifically, the U.S. District Court — Georgia stated that as of the moment MEAG Power filed the Georgia Action, it could not demonstrate that JEA was likely to file a lawsuit challenging the validity of the Project J PPA, notwithstanding that JEA filed such a lawsuit in Florida within hours of MEAG Power initiating the Georgia Action. Indeed, even according to the U.S. District Court — Georgia’s own analysis, once JEA filed its lawsuit in Florida, MEAG Power had standing to bring its action, and thus could file a new lawsuit if it chose to do so.

MEAG Power believes that the judge misapplied the procedural law relating to standing, and made other errors, including denying MEAG Power the opportunity to amend its complaint in the Georgia Action. On April 10, 2019, MEAG Power filed a Notice of Appeal of the judge’s order in the United States Court of Appeals for the Eleventh Circuit and filed its opening brief on May 21, 2019. JEA’s response was filed July 25, 2019, and MEAG Power’s reply brief was filed on August 15, 2019. In addition,

MEAG Power had previously filed in the Georgia court a motion to enjoin JEA from proceeding with the Florida Action until the Georgia Action, including the appeal, was fully resolved. After briefing on MEAG Power’s motion for an injunction was completed, the motion was denied as moot in light of a July 12, 2019 order in the Florida Action that transferred the case to the U.S. District Court — Georgia, as discussed further below.

On April 29, 2019, MEAG Power announced that it and JEA have commenced negotiations in an attempt to arrive at a mutually beneficial commercial resolution of their dispute.

On July 12, 2019, the U.S. District Court — Florida issued an order denying both JEA’s and Jacksonville’s motions to remand the case to Florida state court. The Court noted that JEA participated in Georgia state court bond validation proceedings in which the Georgia courts determined that the Project J PPA is enforceable against both JEA and MEAG Power. Accordingly, the Court stated that in the view of the Court, the Georgia state court proceedings will play a “significant, if not controlling, role” in the case, such that the case is more appropriately heard in federal court rather than Florida state court.

The Court’s July 12, 2019 order also granted MEAG Power’s motion to transfer the case to the U.S. District Court — Georgia. The Court enforced the mandatory forum selection provision contained in the Project J PPA, and ruled that the case must be transferred to the U.S. District Court — Georgia. While the Court acknowledged that Jacksonville is not a party to the Project J PPA, it nonetheless held that Jacksonville is bound by the Project J PPA’s mandatory forum selection provision due to its close relationship with JEA.

On July 14, 2019, JEA filed an emergency motion with the U.S. District Court — Florida to stay enforcement of the Court’s July 12 transfer order for 10 days while JEA and Jacksonville evaluate their options in response to the transfer order. The U.S. District Court — Florida denied JEA’s emergency motion to stay on July 16, 2019. On July 17, 2019, the U.S. District Court — Florida formally transferred the Florida Action to the U.S. District Court — Georgia (the Transferred Action). MEAG Power filed its answer and counterclaims to JEA’s complaint in the Transferred Action on July 26, 2019. Similar to its complaint in the Georgia Action, MEAG Power’s counterclaims in the Transferred Action allege that JEA repudiated and breached the Project J PPA.

On September 18, 2019, the U. S. District Court — Georgia issued its Order denying a motion by JEA and Jacksonville for reconsideration of the order transferring the case from the U.S. District Court — Florida to the U.S. District Court — Georgia. In the September 18 Order, the court ruled that “Because the PPA is performed in Georgia, both Georgia’s and Florida’s conflict of law rules provide that Georgia law governs the validity and construction of the contract.”

On December 27, 2019, MEAG Power filed a Motion for Judgment on the Pleadings as to certain legal issues. The briefing by the parties has now been completed with respect to that Motion but no action has been taken by the Court with respect thereto.

In February 2018, GIPL and PSE filed a petition appealing the GPSC’s January 11, 2018 order with the Fulton County Superior Court. In March 2018, Georgia Watch filed a similar appeal to the Fulton County Superior Court for judicial review of the GPSC’s decision and denial of Georgia Watch’s motion for reconsideration. In December 2018, the Fulton County Superior Court granted GPC’s motion to dismiss the two appeals. On January 9, 2019, GIPL, PSE and Georgia Watch filed an appeal of this decision with the Georgia Court of Appeals. On October 29, 2019, the Georgia Court of Appeals issued an opinion affirming the Fulton County Superior Court’s ruling that the GPSC’s January 11, 2018 order was not a final, appealable decision. In addition, the Georgia Court of Appeals remanded the case to the Fulton County Superior Court to clarify

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its ruling as to whether the petitioners showed that review of the GPSC's final order would not provide them an adequate remedy. On April 21, 2020, the Fulton County Superior Court entered an appealable order granting GPC's motion to dismiss the two appeals. GPC has reported that it believes the petitions have no merit; however, an adverse outcome in the litigation combined with subsequent adverse action by the GPSC could have a material impact on GPC's ability to proceed with and complete construction of Vogtle Units 3&4 and, therefore, on MEAG Power's results of operations, financial condition, and liquidity.

The ultimate outcome of these matters cannot be determined at this time.

## Joint Ownership Agreements

In November 2017, the Vogtle Co-Owners amended their joint ownership agreements for Vogtle Units 3&4 to provide for, among other conditions, additional Vogtle Co-Owner approval requirements. Effective August 31, 2018, the Vogtle Co-Owners further amended the joint ownership agreements to clarify and provide procedures for certain provisions of the joint ownership agreements related to adverse events that require the vote of the holders of at least 90% of the ownership interests in Vogtle Units 3&4 to continue construction (as amended, and together with the November 2017 amendment, the Vogtle Joint Ownership Agreements). The Vogtle Joint Ownership Agreements also confirm that the Vogtle Co-Owners' sole recourse against GPC or Southern Nuclear for any action or inaction in connection with their performance as agent for the Vogtle Co-Owners is limited to removal of GPC and/or Southern Nuclear as agent, except in cases of willful misconduct.

GPC informed the GPSC in its VCM 19 Report that it did not intend to seek rate recovery for its proportionate share of the additional base capital costs identified in that report. As a result of both GPC's decision not to seek rate recovery of its allocation of these costs and the increased construction budget, the holders of at least 90% of the ownership interests in Vogtle Units 3&4 were required to vote to continue construction.

In September 2018, the Vogtle Co-Owners unanimously voted to continue construction of Vogtle Units 3&4.

## Amendments to the Vogtle Joint Ownership Agreements

In connection with the Vogtle Co-Owners' vote to continue construction in September 2018, GPC entered into (i) a binding term sheet (Vogtle Owner Term Sheet) with the other Vogtle Co-Owners to take certain actions which partially mitigate potential financial exposure for the other Vogtle Co-Owners, including additional amendments to the Vogtle Joint Ownership Agreements and the purchase of PTCs from the other Vogtle Co-Owners at pre-established prices, and (ii) a binding term sheet (MEAG Term Sheet) with MEAG Power and SPVJ to provide funding with respect to SPVJ's ownership interest in Vogtle Units 3&4 under certain circumstances. On January 14, 2019, GPC, MEAG Power and SPVJ entered into an agreement to implement the provisions of the MEAG Term Sheet (MEAG Funding Agreement). On February 18, 2019, the Vogtle Co-Owners and MEAG Power entered into certain amendments to the Vogtle Joint Ownership Agreements to implement the provisions of the Vogtle Owner Term Sheet (Global Amendments).

Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, the Vogtle Joint Ownership Agreements were modified as follows:

- each Vogtle Co-Owner must pay its proportionate share of qualifying construction costs for Vogtle Units 3&4 based on its ownership percentage up to the estimated cost at completion (EAC) for Vogtle Units 3&4 which formed the basis of GPC's forecast of \$8.4 billion in the VCM 19 Report plus \$800 million;
- GPC will be responsible for 55.7% of actual qualifying construction costs between \$800 million and \$1.6 billion over the EAC in the VCM 19 Report (resulting in up to \$80 million of potential additional costs to GPC), with the

remaining Vogtle Co-Owners responsible for 44.3% of such costs pro rata in accordance with their respective ownership interests; and

- GPC will be responsible for 65.7% of qualifying construction costs between \$1.6 billion and \$2.1 billion over the EAC in the VCM 19 Report (resulting in up to a further \$100 million of potential additional costs to GPC), with the remaining Vogtle Co-Owners responsible for 34.3% of such costs pro rata in accordance with their respective ownership interests.

If the EAC is revised and exceeds the EAC in the VCM 19 Report by more than \$2.1 billion, each of the other Vogtle Co-Owners will have a one-time option at the time the project budget forecast is so revised to tender a portion of its ownership interest to GPC in exchange for GPC's agreement to pay 100% of such Vogtle Co-Owner's remaining share of construction costs in excess of the EAC in the VCM 19 Report plus \$2.1 billion. Since GPC has the option, under the Vogtle Joint Ownership Agreements, at any time, to cancel construction of Vogtle Units 3&4 in its sole discretion, GPC could exercise that option in lieu of purchasing a portion of the ownership interest of any other Vogtle Co-Owner. If GPC does not exercise its cancellation option, it must accept any tender of a portion of another Vogtle Co-Owner's ownership interest in Vogtle Units 3&4 and the ownership interest to be conveyed from the tendering Vogtle Co-Owner to GPC will be calculated based on the proportion of the cumulative amount of construction costs paid by each such tendering Vogtle Co-Owner and by GPC as of the commercial operation date of Generation Station Vogtle Unit No. 4. For purposes of this calculation, payments made by GPC on behalf of another Vogtle Co-Owner in accordance with the second and third bullets above will be treated as payments made by the applicable Vogtle Co-Owner.

In the event the actual costs of construction at completion of a unit are less than the EAC reflected in the VCM 19 Report and such unit is placed in service in accordance with the schedule projected in the VCM 19 Report (i.e., Vogtle Unit 3 is placed in service by November 2021 or Vogtle Unit 4 is placed in service by November 2022), GPC will be entitled to 60.7% of the cost savings with respect to the relevant unit and the remaining Vogtle Co-Owners will be entitled to 39.3% of such savings on a pro rata basis in accordance with their respective ownership interests.

For purposes of the foregoing provisions, qualifying construction costs would not include (i) costs resulting from force majeure events, (ii) legal fees and legal expenses incurred due to litigation with contractors or subcontractors that are not subsidiaries or affiliates of Southern Company (parent company of GPC), and (iii) additional costs caused by requests from the Vogtle Co-Owners other than GPC, except for the exercise of a right to vote granted under the Vogtle Joint Ownership Agreements, that increase costs by \$0.1 million or more.

Pursuant to the Vogtle Joint Ownership Agreements, as amended by the Global Amendments, Vogtle Co-Owners holding at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue construction, or can vote to suspend construction, if certain adverse events occur, including: (i) the bankruptcy of Toshiba; (ii) termination or rejection in bankruptcy of certain agreements, including the Vogtle Services Agreement, the Construction Agreement or the agency agreement with Southern Nuclear; (iii) GPC publicly announces its intention not to submit for rate recovery any portion of its investment in Vogtle Units 3&4 (or associated financing costs) or the GPSC determines that any of GPC's costs relating to the construction of Vogtle Units 3&4 will not be recovered in retail rates, excluding any additional amounts paid by GPC on behalf of the other Vogtle Co-Owners pursuant to the provisions of the Global Amendments described above and the first 6% of costs during any six-month VCM reporting period that are disallowed by the GPSC for recovery, or for which GPC elects not to seek cost recovery, through retail rates; or (iv) an incremental extension of one year or more over the most recently approved schedule. Under the Global Amendments, GPC may cancel the project at any time at its sole discretion. In addition, pursuant to the Vogtle Joint Ownership Agreements, the required approval of holders of ownership interests in Vogtle Units 3&4 is at least



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

(i) 90% for a change of the primary construction contractor and (ii) 67% for material amendments to the Vogtle Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Construction Agreement.

The Vogtle Joint Ownership Agreements, as amended by the Global Amendments, also provide that if the holders of at least 90% of the ownership interests fail to vote in favor of continuing Vogtle Units 3&4 following any future PAE, work on Vogtle Units 3&4 would continue for a period of 30 days if the holders of more than 50% of the ownership interests vote in favor of continuing construction (the “Majority Voting Owners”). In such a case, the Vogtle Co-Owners (i) would agree to negotiate in good faith towards the resumption of Vogtle Units 3&4, (ii) if no agreement was reached during such 30-day period, Vogtle Units 3&4 would be cancelled, and (iii) in the event of such a cancellation, the Majority Voting Owners would be obligated to reimburse any other Vogtle Co-Owner for the costs it incurred during such 30-day negotiation period.

In addition, pursuant to the Vogtle Joint Ownership Agreements, the required approval of holders of ownership interests in Vogtle Units 3&4 is at least (i) 90% for a change of the primary construction contractor and (ii) 67% for material amendments to the Vogtle Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Construction Agreement.

The Global Amendments provide that if the holders of at least 90% of the ownership interests fail to vote in favor of continuing the project following any future Project Adverse Event, work on Vogtle Units 3&4 will continue for a period of 30 days if the holders of more than 50% of the ownership interests vote in favor of continuing construction (Majority Voting Owners). In such a case, the Vogtle Co-Owners (i) have agreed to negotiate in good faith towards the resumption of the project, (ii) if no agreement is reached during such 30-day period, the project will be cancelled, and (iii) in the event of such a cancellation, the Majority Voting Owners will be obligated to reimburse any other Vogtle Co-Owner for the incremental costs it incurred during such 30-day negotiation period.

## Purchase of PTCs During Commercial Operation

Pursuant to the Vogtle Joint Ownership Agreements, as amended by the Global Amendments, GPC has agreed to purchase additional PTCs from OPC, Dalton and the Project Entities (to the extent any PTC rights of SPVJ remain after any purchases required under the MEAG Funding Agreement as described below) at varying purchase prices dependent upon the actual cost to complete construction of Vogtle Units 3&4 as compared to the EAC reflected in the VCM 19 Report. The purchases are at the option of the applicable Vogtle Co-Owner.

## Potential Funding to MEAG Power’s Project J

Pursuant to the MEAG Funding Agreement, if the Project J Entity is unable to make its payments due under the Vogtle Joint Ownership Agreements solely because (i) the conduct of JEA, such as JEA’s continuation of its litigation challenging its obligations under the Project J PPA, materially impedes access to capital markets for MEAG Power for Project J and/or DOE guaranteed funding, or (ii) the Project J PPA is declared void by a court of competent jurisdiction or rejected by JEA under the applicable provisions of the United States Bankruptcy Code (each of (i) and (ii), a “JEA Default”), at MEAG Power’s request, GPC will purchase from the Project J Entity the rights to PTCs attributable to the Project J Entity’s share of Vogtle Units 3&4 (approximately 206 MW) at varying prices dependent upon the stage of construction of Vogtle Units 3&4. The purchase price would be (i) 60% of face value (discounted to present value) if prior to mechanical completion of Generation Station Vogtle Unit No. 3, (ii) 75% of face value (discounted to present value) if after mechanical completion of Generation Station Vogtle Unit No. 3 but before commercial operation, (iii) 85% of face value (discounted to present value) if after commercial operation of Generation Station Vogtle Unit No. 3 and prior to mechanical completion of Generation Station Vogtle Unit No. 4, (iv) 95% of face value (discounted to present value) if after commercial operation of Generation Station Vogtle Unit No. 3 and after mechanical

completion of Generation Station Vogtle Unit No. 4, and (v) 100% of face value (discounted to present value) if after commercial operation of Vogtle Units 3&4. The aggregate purchase price of the PTCs, together with any loans made as described in the next paragraph, shall not exceed \$300 million.

At the option of MEAG Power, as an alternative or supplement to GPC’s purchase of PTCs as described above, GPC has agreed to provide up to \$250 million in funding to MEAG Power for Project J in the form of loans (either advances under the Vogtle Joint Ownership Agreements or the purchase of MEAG Power Project J bonds, at the discretion of GPC), subject to any required approvals of the GPSC and the DOE.

In the event SPVJ certifies to GPC that it is unable to fund its obligations under the Vogtle Joint Ownership Agreements as a result of a JEA Default and GPC becomes obligated to provide funding as described above, MEAG Power is required to (i) assign to GPC its right to vote on any future Project Adverse Event and (ii) diligently pursue JEA for its breach of Project J PPA. In addition, GPC agreed that it will not sue MEAG Power for any amounts due from SPVJ under MEAG Power’s guarantee of SPVJ’s obligations so long as SPVJ complies with the terms of the MEAG Funding Agreement as to its payment obligations and the other non-payment provisions of the Vogtle Joint Ownership Agreements.

Under the terms of the MEAG Funding Agreement, GPC may decline to provide any funding in the form of loans, including in the event of a failure to receive any required GPSC or DOE approvals, and cancel the project in lieu of providing such loan funding.

The ultimate outcome of these matters cannot be determined at this time.

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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## (E) MUNICIPAL COMPETITIVE TRUST

The Municipal Competitive Trust (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 Generation Station Vogtle, Unit Nos. 1 and 2 (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. The Reserve Funded Debt and Credit Support Operating accounts are held for the benefit of Project One and the General Resolution Projects.

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 \$618.7 million at December 31, 2019. 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 Reserve Funded Debt account may be withdrawn on or after December 31, 2025, 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 did not apply to 2019 generation billings. Such funding totaled \$20.1 million for the year ended December 31, 2018.

The Competitive Trust is not fiduciary in nature and is not considered a fiduciary activity in the context of Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities" (Statement 84).

## (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, 2019 and 2018, 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 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 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

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

- certain investment and long-term debt balances, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Competitive Trust"; and
- interproject receivables and payables.

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, DOE Guaranteed Loans and Recent Bond Financings" have been eliminated from the balances of the Vogtle Units 3&4 Projects and Project Entities.

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.

## (B) STATEMENT OF CASH FLOWS

In accordance with GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments" (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, 2019 and 2018, cash and cash equivalents totaled \$1.6 billion and \$1.4 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, 2019 and 2018, such changes were \$(41.7) million and \$(15.4) 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. Billings to Participants of Project One, the General Resolution Projects, the CC Project, as well as Project M, accounted for 80.4% and 80.6% of total revenues for the years ended December 31, 2019 and 2018, respectively. Three Participants collectively accounted for approximately 26% of Participant revenues in both 2019 and 2018, with one Participant accounting for 11.5% of these revenues in 2019 and 11.3% in 2018.

### 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, 2019 and 2018, the excess revenues received and included in accounts payable on MEAG Power's Balance Sheet were as follows (in thousands):

Year-end Settlement	2019	2018
Project One	\$18,565	\$11,533
General Resolution Projects	8,400	7,052
CC Project	1,138	(921)
Vogtle Units 3&4 Projects and Project Entities	295	180
Telecom Project	72	73
Total	\$28,470	\$17,917

Refunds for 2019 excess revenues will be processed beginning in the First Quarter of 2020.

### 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 section (G) of this Note, "Generation and Transmission Facilities — Jointly Owned Generation Facilities," as well as "— Pseudo Scheduling and Services Agreement."

## (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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

At December 31, 2019 and 2018, net costs to be recovered from Participants and deferred inflows of resources consisted of the following (in thousands):

## Net Costs to Be Recovered from Participants

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Total
<b>December 31, 2019</b>							
Timing Differences	\$ —	\$ —	\$ —	\$ (90,772)	\$ —	\$ —	\$ (90,772)
Certain investment income	—	—	—	—	—	—	—
Vogle Units 3&4 Projects' and Project Entities' net non-operating expense	—	—	—	426,212	—	—	426,212
Other, net	—	—	—	864	—	—	864
<b>Total net costs to be recovered from Participants</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$336,304</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$336,304</b>

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Total
December 31, 2018							
Timing Differences	\$ —	\$ —	\$ —	\$ (56,190)	\$ —	\$ —	\$ (56,190)
Certain investment income	—	—	—	—	—	—	—
Vogle Units 3&4 Projects' and Project Entities' net non-operating expense	—	—	—	409,577	—	—	409,577
Other, net	—	—	—	678	—	—	678
<b>Total net costs to be recovered from Participants</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$354,065</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$354,065</b>

## Deferred Inflows of Resources

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Total
<b>December 31, 2019</b>							
Timing Differences	\$ 161,833	\$ 340,204	\$ 94,089	\$ —	\$ —	\$ 4,521	\$ 600,647
Certain investment income	358,637	64,489	16,965	—	—	179	440,270
Asset retirement obligations	25,936	(12,426)	—	—	—	—	13,510
Other, net	(10,399)	3,432	4,985	1,193	—	(590)	(1,379)
<b>Total deferred inflows of resources</b>	<b>\$536,007</b>	<b>\$395,699</b>	<b>\$116,039</b>	<b>\$1,193</b>	<b>\$ —</b>	<b>\$4,110</b>	<b>\$1,053,048</b>

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Total
December 31, 2018							
Timing Differences	\$ 37,112	\$ 308,947	\$ 79,950	\$ —	\$ —	\$ 5,240	\$ 431,249
Certain investment income	357,007	62,878	16,027	—	—	179	436,091
Asset retirement obligations	(6,336)	(12,754)	—	—	—	—	(19,090)
Other, net	(13,533)	1,607	2,834	497	—	(590)	(9,185)
<b>Total deferred inflows of resources</b>	<b>\$374,250</b>	<b>\$360,678</b>	<b>\$98,811</b>	<b>\$497</b>	<b>\$ —</b>	<b>\$4,829</b>	<b>\$839,065</b>

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## (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 a generating unit or other PP&E asset is placed in service; hence, most of the PP&E 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 non-operating expense. Included in MEAG Power's Consolidated Statement of Net Revenues (Statement of Net Revenues) for the years ended December 31, 2019 and 2018, respectively, was total interest expense of \$385.7 million and \$351.3 million, of which \$169.2 million and \$146.2 million was capitalized.

## (F) DEPRECIATION

Depreciation of generating units or other PP&E, as applicable, is computed using the straight-line composite method over their expected life. Annual depreciation provisions, expressed as a percentage of average depreciable property, are shown below as of both December 31, 2019 and 2018 as applicable for Project One, the General Resolution Projects and the CC Project. The composite electric utility depreciation rates for generating units, 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 \$91.5 million and \$88.8 million for the years ended December 31, 2019 and 2018, 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."

Generating Unit	Fuel	Rate	Other Property, Plant and Equipment	Rate
Hatch	Nuclear	2.1%	Transmission Plant	2.0%
Scherer	Coal	2.0%	Distribution Plant	2.5%
Vogle Unit 1	Nuclear	1.1%	General/Other Plant	2.5%–33.0%
Vogle Unit 2	Nuclear	1.6%		
Wansley	Coal	2.9%		
Wansley Unit 9	Natural gas	2.9%		

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, 2019 and 2018. Depreciation expense is computed using the straight-line method over the expected life of the plant. The composite depreciation rates for both 2019 and 2018 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, 2019, MEAG Power's ownership percentages in jointly owned generation facilities in service were as follows:

Facility	Ownership Percent		
	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%
Vogle Units 1&2	17.7%	5.0%	22.7%
Wansley Units 1&2	10.0%	5.1%	15.1%

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

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 generating unit 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 \$9.5 million in 2019 and \$10.2 million in 2018 for Project One, and \$2.6 million in 2019 and \$2.9 million in 2018 for the General Resolution Projects.

## Nuclear Generating Facilities

MEAG Power's current nuclear generating facilities consist of its 17.7% ownership in Generation Station 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). Southern Nuclear, as agent for GPC, is the operator of the existing Nuclear Units.

Per the 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, GPC filed additional lawsuits against the U.S. government in the U.S. Court of Federal Claims (the Federal Claims Court) for the costs of continuing to store spent nuclear fuel at the existing Nuclear Units for the period January 1, 2011 through December 31, 2013. The damage period was subsequently extended to December 31, 2014. On June 12, 2019, the Federal Claims Court granted GPC's motion for summary judgment on damages not disputed by the U.S. government, awarding those undisputed damages to GPC. However, those undisputed damages are not collectible and MEAG Power's share of such awards will not be recognized in its financial statements until the Federal Claims Court enters final judgment on the remaining damages.

In 2017, GPC filed additional lawsuits against the U.S. government in the Federal Claims Court for the costs of continuing to store spent nuclear fuel at the existing Nuclear Units for the period from January 1, 2015 through December 31, 2017. Damages will continue to accumulate until the issue is resolved, the U.S. government disposes of GPC's spent nuclear fuel pursuant to its contractual obligations, or alternative storage is otherwise provided. No amounts have been recognized in MEAG Power's financial statements as of December 31, 2019 for any potential recoveries from any of these additional lawsuits, and the final outcome of these matters cannot be determined at this time. MEAG Power previously received its share of awards by the Federal Claims Court for spent nuclear fuel damages for the years 1998 through 2010.

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 Hatch Units 1&2 in 2000. These facilities can be expanded to accommodate spent fuel throughout the life of the generating units.

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 were to 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 Generation Station Scherer Units 1&2 (Scherer Units 1&2) and its 15.1% ownership in Generation Station Wansley Units 1&2 (together, the Coal Units) and related common facilities at each generating station. 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 Wansley Unit 9 within the CC Project. MEAG Power has contracted with North American Energy Services Corporation (NAES) to perform the operation and maintenance of the CC Project. The agreement provides for a three-year automatic renewal, unless a 90-day notice is provided by either party, with the next scheduled renewal being October 2021. MEAG Power has contracted with Mechanical Dynamics & Analysis, formerly PW Power Systems, for long-term parts and outage services for Wansley Unit 9. 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, a not-for-profit cooperative transmission provider to 38 electric distribution cooperatives in Georgia; and Dalton each own transmission system facilities, which together comprise a statewide ITS. MEAG Power and the other owners of those facilities may make use of the majority of such 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

MEAG Power and GPC entered into a Second Revised and Restated Integrated Transmission System Operation Agreement (the ITS Operation Agreement), effective March 23, 2017, which appointed GPC as agent for the management and operation of MEAG Power's transmission system facilities. The revisions to the ITS Operation Agreement specified: (a) an initial term through December 31, 2017, with automatic two-year renewals thereafter, with the current renewal term extending through December 31, 2021; (b) GPC's supporting compliance role for MEAG Power regarding (i) certain mandatory federal reliability standards and (ii) filing requirements of SERC Reliability Corporation (SERC) and the North American Electric Reliability Corporation (NERC) regarding Coordinated Functional Registration (CFR) agreements; (c) provisions to update certain sections of the Operation Agreement (and associated CFR agreements, as applicable) as NERC standards change; and (d) certain other legal provisions. With these revisions, GPC, as agent for MEAG Power, is responsible for compliance with the majority of mandatory federal reliability standards under FERC Order No. 693 "Mandatory Reliability Standards for the Bulk-Power System" (FERC 693) and FERC Order No. 706, "Mandatory Reliability Standards for Critical Infrastructure Protection" (FERC 706). Under these revisions, GPC also assumes the associated monetary penalty risk associated with non-compliance for these mandatory federal reliability standards that control how the transmission systems are operated and maintained with reliability being the primary focus. Neither MEAG Power nor GPC has given the required 24 months' prior notice of cancellation for the ITS Operation Agreement.

The mandatory federal reliability standards are determined by FERC and generally enforced by NERC. There are smaller regional compliance organizations such as SERC that help facilitate compliance with these standards, or some related standards, that reflect the regional differences that are common practice in maintaining reliability among the companies in the geographic footprint of the regional compliance organization. MEAG Power's compliance with FERC 693 and FERC 706 is discussed in Note 8, "Commitments and Contingencies — Legislative and Regulatory Issues."

The Integrated Transmission System Maintenance Agreement, pursuant to which GPC maintains MEAG Power's transmission system facilities, has been effective since 1999 and has renewed annually since 2002, with the current renewal term extending through December 31, 2020. 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.

## Southeastern Power Administration

The Participants have contracts with the Southeastern Power Administration (SEPA) under which they are entitled to receive capacity and energy allocations of hydro-electric generation. Each contract remains in effect until a termination notice is given by either the Participant (with 25 months' notice) or SEPA (with 24 months' notice).

Pursuant to the 25-month notice provision described above, the Cities of Blakely, Fitzgerald, Hogansville, Sylvania and Washington submitted their requests to terminate their contracts as soon as practicable with SEPA. SEPA was successful in remarketing the 27.2 MW of capacity and energy from these contracts to other preference customers effective January 1, 2019. As part of this process, the City of Monroe increased its allocation by 1.9 MW resulting in a net decrease to the MEAG Power system of 25.3 MW for 2019. The City of Adel also submitted its request to terminate its contract for 6.9 MW of capacity and energy with SEPA with an ending date of July 31, 2020.

## 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 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, 2019 and 2018, sales and purchases with GPC under this agreement were (in thousands):

PSSA	2019	2018
Sales	<b>\$71,422</b>	\$61,524
Purchases	<b>\$ 7,502</b>	\$11,673

## (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 plans to close 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 2018. Additional updates pertaining to coal ash ponds were received in 2019.

In accordance with GASB Statement No. 83, "Certain Asset Retirement Obligations" (Statement 83), as a minority owner (less than 50%) of applicable jointly owned generation facilities (see footnote (1) below), MEAG Power uses the measurement produced by the nongovernmental minority owner that has operational responsibility for the generating units (ARO Measurement), to account for its ARO, which is included in non-current liabilities on the Balance Sheet.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

MEAG Power's share of the ARO Measurement as of December 31, 2019 and 2018 were as follows (dollars in thousands):

December 31, 2019	Total ARO	ARO at MEAG Power's Ownership Percentage <sup>(1)</sup>
Nuclear	\$2,296,453	\$451,872
Coal ash	1,079,781	163,047
Other	124,761	20,879
<b>Total</b>	<b>\$3,500,995</b>	<b>\$635,798</b>

December 31, 2018	Total ARO	ARO at MEAG Power's Ownership Percentage <sup>(1)</sup>
Nuclear	\$2,162,221	\$425,313
Coal ash	1,103,210	166,585
Other	107,056	18,587
<b>Total</b>	<b>\$3,372,487</b>	<b>\$610,485</b>

<sup>(1)</sup> MEAG Power's percentage of ARO approximates its ownership percentage of jointly owned common generation facilities, which ranges from 15.1% to 30.2%, as shown in "Generation and Transmission Facilities," section (G) of this Note.

Future costs of decommissioning are recognized through the accretion of ARO as part of depreciation expense.

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 generating units 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 (2018 dollars)	\$339,889	\$418,356
Amount expensed in 2019	\$ 13,730	\$ 12,364
Accumulated provision in external funds	\$ 271,145	\$266,922

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 4.1% and 2.3%, respectively, were used to determine decommissioning-related billings to the Participants for 2020 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 2019 or 2018, 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 \$57.9 million and \$33.2 million for 2019 and 2018, 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 \$(6.8) million and \$(1.8) million as of December 31, 2019 and 2018, respectively, is recorded on the Balance Sheet in materials, supplies and other assets. The decrease in fair value of \$5.0 million for 2019 and \$0.8 million for 2018 is recorded in deferred outflows of resources on the Balance Sheet.

Summary information pertaining to natural gas hedges as of December 31, 2019 and 2018 is as follows (dollars in thousands):

Contract Year	Notional Amount* December 31, 2019	Fair Value December 31, 2019	Latest Maturity Date
2020	8,320,000	\$(2,540)	Dec. 2020
2021	6,930,000	(1,763)	Dec. 2021
2022	5,430,000	(1,398)	Dec. 2022
2023	4,054,194	(857)	Dec. 2023
2024	1,480,000	(266)	Nov. 2024
<b>Total</b>	<b>26,214,194</b>	<b>\$(6,824)</b>	

Contract Year	Notional Amount* December 31, 2018	Fair Value December 31, 2018	Latest Maturity Date
2019	5,540,000	\$ (177)	Dec. 2019
2020	5,740,000	(670)	Dec. 2020
2021	5,140,000	(648)	Dec. 2021
2022	4,010,000	(306)	Dec. 2022
2023	1,780,000	(43)	Nov. 2023
<b>Total</b>	<b>22,210,000</b>	<b>\$(1,844)</b>	

\* In mmmBtus (one million British Thermal Units).



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

The above natural gas hedges were entered into between September 2015 and December 2019 with immaterial total cash paid at inception for natural gas hedges outstanding at both December 31, 2019 and 2018. 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 that had credit ratings with Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's (S&P) at December 31, 2019 and 2018 as follows:

	Counterparty Credit Rating		
	Fitch	Moody's	S&P
<b>December 31, 2019</b>	<b>AA/A</b>	<b>Aa1/A3</b>	<b>A+/BBB+</b>
December 31, 2018	AA/A	Aa1/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 unit 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 derivative instruments are not held or issued for trading purposes and MEAG Power management has designated the swaps and hedges 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, 2019 and 2018 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.

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 seven outstanding interest rate swaps and \$(6.8) million of the outstanding natural gas hedges were in the counterparty's favor in a liability position as of December 31, 2019, thereby minimizing the credit risk to MEAG Power. The value of natural gas hedges in MEAG Power's favor were immaterial.

### 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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

Fair value is defined in GASB Statement No. 72, "Fair Value Measurement and Application" (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 these market data. Money market mutual funds 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 active markets, which places them at Level 1 in the fair value hierarchy. For additional information pertaining to MEAG Power's natural gas hedges, see "Fuel Costs," section (I) of this Note.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2019 and 2018

MEAG Power's fair value measurements and their levels within the fair value hierarchy as of December 31, 2019 and 2018 were as follows (in thousands):

<b>December 31, 2019</b>	Total	Level 1	Level 2	Level 3
<i>Investments by fair value level:</i>				
U.S. Treasury securities	\$1,430,234	\$1,430,234	\$ —	\$ —
U.S. government agency and agency-backed securities	1,273,977	—	1,273,977	—
Corporate notes	170,786	—	170,786	—
Municipal bonds	22,737	—	22,737	—
Total investments by fair value level	<b>2,897,734</b>	<b>\$1,430,234</b>	<b>\$1,467,500</b>	<b>\$ —</b>
<i>Investments measured at the net asset value (NAV):</i>				
Common equity investment trusts	172,291			
<i>Investments measured at cost:</i>				
Money market mutual funds	611,444			
Cash/Other	1,286			
Total investments measured at cost	612,730			
Total special funds, supplemental power account and securities lending collateral	<b>\$3,682,755</b>			
<i>Derivative financial instruments:</i>				
Interest rate swaps	\$ (64,467)	\$ —	\$ (64,467)	\$ —
Natural gas hedges	(6,824)	(6,824)	—	—
Total derivative financial instruments	<b>\$ (71,291)</b>	<b>\$ (6,824)</b>	<b>\$ (64,467)</b>	<b>\$ —</b>
<b>December 31, 2018</b>	Total	Level 1	Level 2	Level 3
<i>Investments by fair value level:</i>				
U.S. Treasury securities	\$ 203,351	\$203,351	\$ —	\$ —
U.S. government agency and agency-backed securities	1,507,770	—	1,507,770	—
Corporate notes	134,777	—	134,777	—
Municipal bonds	21,039	—	21,039	—
Total investments by fair value level	1,866,937	\$203,351	\$1,663,586	\$ —
<i>Investments measured at the net asset value (NAV):</i>				
Common equity investment trusts	144,496			
<i>Investments measured at cost:</i>				
Money market mutual funds	418,345			
Cash/Other	902			
Total investments measured at cost	419,247			
Total special funds, supplemental power account and securities lending collateral	\$2,430,680			
<i>Derivative financial instruments:</i>				
Interest rate swaps	\$ (46,119)	\$ —	\$ (46,119)	\$ —
Natural gas hedges	(1,844)	—	(1,844)	—
Total derivative financial instruments	<b>\$ (47,963)</b>	<b>\$ —</b>	<b>\$ (47,963)</b>	<b>\$ —</b>

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

Common Equity Investment Trusts Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<b>December 31, 2019</b>	<b>\$172,291</b>	<b>\$ —</b>	<b>Daily, monthly</b>	<b>1–30 days</b>
December 31, 2018	\$144,496	\$ —	Daily, monthly	1–30 days

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## (M) ENTERPRISE RISK MANAGEMENT

The 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

In June 2015, GASB issued 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 resulted from a comprehensive review of the effectiveness of then-existing standards of accounting and financial reporting for all postemployment benefits (pensions and other postemployment benefits (OPEB)) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. MEAG Power adopted Statement 75 effective January 1, 2018. Additional information is provided in Note 7, "Retirement Plan and Other Postemployment Benefits — Other Postemployment Benefits."

In November 2016, GASB issued Statement 83, which 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. MEAG Power adopted Statement 83 in 2018.

In January 2017, GASB issued Statement 84 to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement 84 was effective for MEAG Power beginning in 2019 and did not have a significant impact on MEAG Power's financial reporting.

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 was effective for MEAG Power beginning in 2018 and did not impact MEAG Power's financial reporting.

In May 2017, GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" (Statement 86). The primary objective of Statement 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources — resources other than the proceeds of refunding debt — are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement 86 also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Statement 86 was effective for MEAG Power beginning in 2018 and had no impact on MEAG Power's financial reporting.

In June 2017, GASB issued Statement No. 87, "Leases" (Statement 87).

The objective of Statement 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Statement 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under Statement 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Statement 87 is effective for MEAG Power beginning in 2020. The impact to MEAG Power's financial reporting has not been determined.

In April 2018, GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" (Statement 88). The primary objective of Statement 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, Statement 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. MEAG Power adopted Statement 88 effective January 1, 2019. Applicable disclosures are included in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps."

In June 2018, GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" (Statement 89). The objectives of Statement 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Statement 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. GASB has allowed that, provided the criteria for regulated operations are met and the entity has elected regulatory accounting, qualifying interest cost may be capitalized as a regulatory asset. Statement 89 is effective for MEAG Power beginning in 2020. The impact to MEAG Power's financial reporting has not been determined.

# Notes to Consolidated Financial Statements

*For the Years Ended December 31, 2019 and 2018*

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In August 2018, GASB issued Statement No. 90, “Majority Equity Interests — an amendment of GASB Statements No. 14 and No. 61” (Statement 90). The primary objectives of Statement 90 are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement 90 was effective for MEAG Power beginning in 2019 and had no impact on MEAG Power’s financial reporting.

In May 2019, GASB issued Statement No. 91, “Conduit Debt Obligations” (Statement 91). The primary objectives of Statement 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement 91 is effective for MEAG Power beginning in 2021. The impact to MEAG Power’s financial reporting has not been determined.

In January 2020, GASB issued Statement No. 92, “Omnibus 2020” (Statement 92). The objectives of Statement 92 are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The section of Statement 92 pertaining to derivative instruments’ terminology was adopted by MEAG Power in 2019. The remaining applicable sections of Statement 92 are effective for MEAG Power beginning in 2021. 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, 2019 and 2018 is shown (in thousands) in the following table. Land is included in the electric component at a non-depreciable cost basis of \$40.6 million and \$40.5 million as of December 31, 2019 and 2018, respectively. In 2019, capital additions totaled \$883.5 million, primarily pertaining to site construction in the nuclear islands, turbine islands and balance of plant areas at Vogtle Units 3&4. Major accomplishments for Vogtle Unit 3 during 2019 included setting the reactor integrated head package on its stand inside Containment and placing the Containment vessel top. The Shield Building structural roof section was also set. Vogtle Unit 4 milestones included installation of both steam generators and initial installation work for the four reactor coolant pumps. Turbine rotor casings were set within the Turbine Building. Civil and structural work associated with build-out of Containment, the Shield building, the Auxiliary buildings, the Annex buildings, and balance of plant facilities also continued at Vogtle Unit 4. Capital improvements at existing generating units and transmission facilities were also a factor.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

	As of December 31, 2017	Increases	Decreases	As of December 31, 2018	Increases	Decreases	As of December 31, 2019
Property, Plant and Equipment							
<i>Project One</i>							
Electric utility plant in service	\$ 3,234,321	\$ 94,341	\$ (20,361)	\$ 3,308,301	\$ 101,871	\$ (17,460)	<b>\$ 3,392,712</b>
Less accumulated depreciation	(1,767,383)	(56,124)	20,361	(1,803,146)	(57,273)	17,460	<b>(1,842,959)</b>
Electric utility depreciable plant, net	1,466,938	38,217	—	1,505,155	44,598	—	<b>1,549,753</b>
CWIP	130,681	105,588	(98,418)	137,851	95,746	(106,674)	<b>126,923</b>
Nuclear fuel, net	178,526	1,385	—	179,911	—	(5,592)	<b>174,319</b>
Total Project One	1,776,145	145,190	(98,418)	1,822,917	140,344	(112,266)	<b>1,850,995</b>
<i>General Resolution Projects</i>							
Electric utility plant in service	1,187,585	23,201	(6,332)	1,204,454	42,972	(8,009)	<b>1,239,417</b>
Less accumulated depreciation	(594,315)	(20,332)	6,332	(608,315)	(21,767)	8,009	<b>(622,073)</b>
Electric utility depreciable plant, net	593,270	2,869	—	596,139	21,205	—	<b>617,344</b>
CWIP	47,452	42,236	(24,977)	64,711	35,572	(44,173)	<b>56,110</b>
Nuclear fuel, net	24,563	—	(513)	24,050	—	(1,215)	<b>22,835</b>
Total General Resolution Projects	665,285	45,105	(25,490)	684,900	56,777	(45,388)	<b>696,289</b>
<i>Combined Cycle Project</i>							
Electric utility plant in service	331,484	—	—	331,484	2,657	(1,281)	<b>332,860</b>
Less accumulated depreciation	(129,440)	(9,065)	—	(138,505)	(9,067)	1,281	<b>(146,291)</b>
Electric utility depreciable plant, net	202,044	(9,065)	—	192,979	(6,410)	—	<b>186,569</b>
CWIP	180	236	—	416	1,529	—	<b>1,945</b>
Total Combined Cycle Project	202,224	(8,829)	—	193,395	(4,881)	—	<b>188,514</b>
<i>Vogtle Units 3&amp;4 Projects and Project Entities</i>							
CWIP	2,191,352	718,674	526	2,910,552	819,822	33	<b>3,730,407</b>
Nuclear fuel, net	70,764	3,120	—	73,884	6,883	—	<b>80,767</b>
Total Vogtle Units 3&4 Projects and Project Entities	2,262,116	721,794	526	2,984,436	826,705	33	<b>3,811,174</b>
<i>Telecom Project</i>							
Telecommunications plant in service	28,841	30	—	28,871	—	—	<b>28,871</b>
Less accumulated depreciation	(23,741)	(721)	—	(24,462)	(719)	—	<b>(25,181)</b>
Total Telecom Project	5,100	(691)	—	4,409	(719)	—	<b>3,690</b>
Total property, plant and equipment, net	\$ 4,910,870	\$902,569	\$(123,382)	\$ 5,690,057	\$1,018,226	\$(157,621)	<b>\$ 6,550,662</b>

As of December 31, 2019 and 2018, 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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, 2019, 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 liabilities. The primary objectives of the ALCO Policy are to preserve MEAG Power's capital, satisfy its liquidity and cash flow requirements, and create investment returns to reduce the overall revenue requirements of Participants without exposing MEAG Power's assets 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, 2019 were (dollars in thousands):

Issuer	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$874,062	23.1%

### 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.

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, 2019, 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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 Competitive Trust, 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, 2019, maturities of special funds, the supplemental power account and securities lending were as follows (in thousands):

Investment Type	Maturities (in years)						Total
	Under One	One-Three	Three-Seven	Seven-Ten	Over Ten	No Specific Maturity	
U.S. Treasury securities	\$1,287,179	\$21,730	\$ 50,328	\$ 70,997	\$ —	\$ —	\$1,430,234
U.S. government agency and agency-backed securities	1,127,511	23,334	107,572	10,485	5,075	—	1,273,977
Corporate notes	53,820	31,264	71,516	9,276	4,910	—	170,786
Common equity investment trusts	—	—	—	—	—	172,291	172,291
Municipal bonds	66,121	5,446	23,679	20,036	6,095	—	121,377
Eliminations*	(65,790)	(5,270)	(12,415)	(15,165)	—	—	(98,640)
Money market mutual funds	611,419	—	—	—	25	—	611,444
Cash/Other	—	—	—	—	—	1,286	1,286
<b>Total special funds, supplemental power account and securities lending collateral</b>	<b>\$3,080,260</b>	<b>\$76,504</b>	<b>\$240,680</b>	<b>\$ 95,629</b>	<b>\$16,105</b>	<b>\$173,577</b>	<b>\$3,682,755</b>

\*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 Competitive Trust," which are eliminated at par value.

## Environmental Facilities Reserve Accounts

In 2006, MEAG Power established an Environmental Facilities Reserve Account (EFRA) for Project One, as well as a separate EFRA for each of Project Two and Project Three. 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. Such amounts may be applied by MEAG Power to any lawful purpose of MEAG Power related to the Coal Units (including paying a portion of the respective project's debt service related to the Coal Units).

## 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 (DSRA) are established for certain funding requirements in accordance with applicable bond resolutions and DOE financing documents.



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

At December 31, 2019 and 2018, investments in special funds, the supplemental power account and securities lending were classified on the Balance Sheet as follows (in thousands):

<b>December 31, 2019</b>	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	\$481,782	\$56,285	\$—	\$—	\$—	\$—	\$—	\$538,067
Construction fund	76,120	28,978	3	1,589,451	—	—	—	1,694,552
Debt Service fund —								
Reserve and Retirement accounts	57,883	34,022	34,920	322,873	—	—	—	449,698
Revenue and Operating fund	—	—	5,433	—	—	—	—	5,433
Reserve and Contingency fund	29,008	10,826	2,123	30,698	—	—	—	72,655
Environmental Facilities								
Reserve account	—	—	—	—	—	—	—	—
Competitive Trust:								
New Generation and Capacity								
Funding account	—	—	—	—	236,102	—	(20,917)	215,185
Reserve Funded Debt account	—	—	—	—	3,285	—	—	3,285
Flexible Operating account	—	—	—	—	63,783	—	(63,783)	—
<b>Total special funds, non-current</b>	<b>644,793</b>	<b>130,111</b>	<b>42,479</b>	<b>1,943,022</b>	<b>303,170</b>	<b>—</b>	<b>(84,700)</b>	<b>2,978,875</b>
Special funds, current:								
Revenue and Operating fund	51,949	29,366	22,706	714	—	407	—	105,142
Debt Service fund —								
Debt Service account	54,477	14,231	4,376	27,770	—	—	—	100,854
Subordinated Debt Service fund —								
Debt Service accounts	108,981	40,455	—	—	—	—	—	149,436
Construction fund	2,674	1,335	—	37,607	—	—	—	41,616
Competitive Trust:								
New Generation and Capacity								
Funding account	—	—	—	—	8,877	—	(8,877)	—
Flexible Operating account	—	—	—	—	306,618	—	(5,063)	301,555
<b>Total special funds, current</b>	<b>218,081</b>	<b>85,387</b>	<b>27,082</b>	<b>66,091</b>	<b>315,495</b>	<b>407</b>	<b>(13,940)</b>	<b>698,603</b>
Supplemental power account	4,468	—	—	—	—	—	—	4,468
Securities lending collateral	724	85	—	—	—	—	—	809
<b>Total special funds, supplemental power account and securities lending collateral</b>	<b>\$868,066</b>	<b>\$215,583</b>	<b>\$69,561</b>	<b>\$2,009,113</b>	<b>\$618,665</b>	<b>\$407</b>	<b>\$(98,640)</b>	<b>\$3,682,755</b>

\*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 Competitive Trust," which are eliminated at par value.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

December 31, 2018	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	\$422,097	\$ 49,498	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 471,595
Construction fund	81,719	68,522	3	692,076	—	—	—	842,320
Debt Service fund —								
Reserve and Retirement accounts	57,684	39,413	34,043	165,347	—	—	—	296,487
Revenue and Operating fund	—	—	2,603	—	—	—	—	2,603
Reserve and Contingency fund	18,277	8,847	2,700	—	—	—	—	29,824
Environmental Facilities								
Reserve account	—	—	—	—	—	—	—	—
Competitive Trust:								
New Generation and Capacity								
Funding account	—	—	—	—	217,305	—	(86,595)	130,710
Reserve Funded Debt account	—	—	—	—	4,929	—	—	4,929
Flexible Operating account	—	—	—	—	116,690	—	(116,690)	—
<b>Total special funds, non-current</b>	<b>579,777</b>	<b>166,280</b>	<b>39,349</b>	<b>857,423</b>	<b>338,924</b>	<b>—</b>	<b>(203,285)</b>	<b>1,778,468</b>
Special funds, current:								
Revenue and Operating fund	47,233	66,003	22,395	271	—	401	—	136,303
Debt Service fund —								
Debt Service account	39,584	19,556	4,738	21,133	—	—	—	85,011
Subordinated Debt Service fund —								
Debt Service accounts	84,356	50,265	—	—	—	—	—	134,621
Construction fund	5,851	279	—	57,002	—	—	—	63,132
Competitive Trust:								
New Generation and Capacity								
Funding account	—	—	—	—	13,074	—	(13,074)	—
Flexible Operating account	—	—	—	—	242,862	—	(14,471)	228,391
<b>Total special funds, current</b>	<b>177,024</b>	<b>136,103</b>	<b>27,133</b>	<b>78,406</b>	<b>255,936</b>	<b>401</b>	<b>(27,545)</b>	<b>647,458</b>
Supplemental power account	4,050	—	—	—	—	—	—	4,050
Securities lending collateral	630	74	—	—	—	—	—	704
<b>Total special funds, supplemental power account and securities lending collateral</b>	<b>\$761,481</b>	<b>\$302,457</b>	<b>\$66,482</b>	<b>\$935,829</b>	<b>\$594,860</b>	<b>\$401</b>	<b>\$(230,830)</b>	<b>\$2,430,680</b>

\*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 Competitive Trust," which are eliminated at par value.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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.

As discussed in the first paragraph of this Note, MEAG Power has pledged of revenues and certain assets as collateral for Power Revenue Bonds, General Power Revenue Bonds, CC Project Bonds and subordinated bonds. Similar provisions also apply to Vogtle Units 3&4 Bonds (see "Financing of Vogtle Units 3&4 Projects and Project Entities" section of this Note), as well as other collateral aspects for DOE Guaranteed Loans, as discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, DOE Guaranteed Loans and Recent Bond Financings — DOE Loan Guarantee Program."

MEAG Power has certain direct placement borrowings from the Competitive Trust, as discussed in the "Project Borrowings from the Competitive Trust" section of this Note.

### Power Revenue Bonds, General Power Revenue Bonds and Subordinated Debt

Under the Act, prior to the issuance of any of its revenue bonds, MEAG Power is required to cause such bonds, and the security therefor, to be confirmed and validated in a judicial proceeding in the Fulton County Superior Court. Prior to 2018, MEAG Power had caused the following principal amounts of its Power Revenue Bonds, General Power Revenue Bonds and subordinated lien bonds to finance and refinance Project One and the General Resolution Projects to be confirmed and validated (in thousands):

	Validated Amount
<i>Project One</i>	
Power Revenue Bonds	\$ 8,015,100
Subordinated lien bonds	5,377,855
<i>General Resolution Projects</i>	
General Power Revenue Bonds	3,337,449
Subordinated lien bonds	1,776,038
<b>Total</b>	<b>\$18,506,442</b>

The bond resolutions permit the issuance of bonds in the future for certain purposes. No scheduled debt maturity for Project One or the General Resolution Projects may extend 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 July 17, 2018, the Fulton County Superior Court entered a judgment (the 2018 Validation Judgment) which confirmed and validated bonds of MEAG Power to finance the cost of acquisition and construction of capital improvements to the applicable project and to refund Power Revenue Bonds, General Power Revenue Bonds and subordinated lien bonds, as applicable, in the following aggregate principal amounts (in thousands):

	Validated Amount
Project One	\$4,706,900
General Resolution Projects	1,396,900
<b>Total</b>	<b>\$6,103,800</b>

The Fulton County Superior Court also confirmed and validated (i) a method or formula for structuring debt service on Power Revenue Bonds, General Power Revenue Bonds and subordinated lien bonds that provides MEAG Power with additional flexibility in the structuring of such debt service and (ii) the validity and enforceability of bond resolutions, as amended and restated, for Project One and the General Resolution Projects.

In November 2019, MEAG Power issued the following Project One Subordinated Bonds, Series 2019A and General Resolution Projects Subordinated Bonds, Series 2019A to: (a) finance or refinance certain capital improvements to Project One and (b) provide a portion of the funds required to refund certain Project One and General Resolution Projects subordinated lien bonds (in thousands):

Project One	\$242,960
General Resolution Projects	9,425
<b>Total</b>	<b>\$252,385</b>

In December 2018, MEAG Power issued the following Power Revenue Bonds, Series HH and General Power Revenue Bonds, Series 2018A to: (a) finance or refinance certain capital improvements, (b) provide a portion of the moneys required to refund certain subordinated lien bonds, (c) provide a portion of the moneys required to retire certain tax-exempt commercial paper notes and (d) provide a portion of the moneys for deposit in the applicable DSRA (in thousands):

Project One	\$178,600
General Resolution Projects	64,335
<b>Total</b>	<b>\$242,935</b>

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

On December 16, 2011, MEAG Power adopted various 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. MEAG Power published notice of the receipt of the required consents on March 8, 2017, which caused the Proposed Amendments (other than certain amendments that will not become effective until all Power Revenue Bonds and General Power Revenue Bonds, respectively, outstanding at December 16, 2011 are no longer outstanding) to become effective. As discussed above, the 2018 Validation Judgment validated and confirmed the validity and enforceability of the Senior Resolutions, as so amended.

Debt issued under the subordinated bond resolutions is subordinate in all respects to the Power Revenue Bonds and the General Power Revenue Bonds.

Various bond issues have been defeased by creating separate irrevocable trust funds. New debt was issued and a portion of 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, 2019, the amount held in escrow to defease Power Revenue Bonds and General Power Revenue Bonds removed from the Balance Sheet amounted to \$235.1 million.

## Combined Cycle Project Revenue Bonds

As of December 31, 2019, MEAG Power had validated by court judgments \$1.3 billion of CC Project bonds, which includes \$200.0 million for prepayment of fuel costs. Reference to “court judgments” for these bonds, as well as for the Vogtle Units 3&4 Bonds described below, indicates that MEAG Power is authorized to issue such bonds up to the validated amount.

## 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 bond anticipation notes (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, 2019, 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 and the Project M Original DOE Guaranteed Loan, \$6.0 billion of Project J Bonds for the purpose of financing Project J and refunding Project J Bonds and the Project J Original DOE Guaranteed Loan, and \$3.4 billion of Project P Bonds for the purpose of financing Project P and refunding Project P Bonds and the Project P Original DOE Guaranteed Loan.

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. Section 30101 of the Bipartisan Budget Act of 2018 extended sequester reduction on all subsidy payments owed to issuers of direct-pay Build America Bonds until 2027 (the Sequester Reduction). The Sequester Reduction for the federal fiscal year ended September 30, 2019 was 6.2%. The Sequester Reduction percentage for the federal fiscal year ending September 30, 2020 is 5.9%.

During 2019, MEAG Power issued the following bonds to finance costs of acquisition and construction and financing costs of the applicable Vogtle Units 3&4 project (in thousands):

Vogtle Units 3&4	2019 Month Issued	Series	Amount
Project J	July	2019A	\$ 570,925
Project M	September	2019A	445,635
Project P	September	2019B	266,975
Total			\$1,283,535

On September 24, 2018, MEAG Power issued its Plant Vogtle Units 3&4 Project P Bond, Taxable Series 2018A in the principal amount of \$100.0 million (the Taxable Series 2018A Project P Bond). The Taxable Series 2018A Project P Bond was purchased by the trustee of the Competitive Trust, as an investment of funds on deposit in the Competitive Trust, and the proceeds thereof were applied (a) to pay and refund \$80.0 million in aggregate principal amount of the Series 2010A Project P Notes and (b) to provide \$20.0 million of additional funds to finance a portion of the costs of acquisition and construction and financing costs of Project P. Upon the refunding of the Series 2010A Project P Notes, a previous credit agreement pertaining to Project P (the 2015 Project P Credit Agreement) terminated in accordance with its terms.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2019 and 2018

During 2018 and 2019, MEAG Power entered into the following revolving credit facilities for the payment of additional costs of acquisition and construction and financing costs of Project P (in thousands):

Date	Amount	Credit Agreement	Bond
December 4, 2018	\$50,000	2018 Project P Credit Agreement	Series 2018B Project P Bond
July 2, 2019	\$50,000	2019 Project P Credit Agreement	Plant Vogtle Units 3&4 Project P Bond, Taxable Series 2019A (Series 2019A Project P Bond)

Changes in the Series 2010A Project P Notes, Taxable Series 2018A Project P Bond, the Series 2018B Project P Bond and the Series 2019A Project P Bond during the years ended December 31, 2019 and 2018 were (in thousands):

	Balance December 31, 2017		Proceeds	Payments	Balance December 31, 2018		Proceeds	Payments	Balance December 31, 2019	
Series 2010A Project P Notes	\$	—	\$ 80,000	\$80,000	\$	—	\$	—	\$	—
Taxable Series 2018A Project P Bond		—	100,000	—		100,000		100,000		—
Series 2018B Project P Bond		—	—	—		—	77,500	50,000		27,500
Series 2019A Project P Bond		—	—	—		—	80,000	50,000		30,000
Total	\$	—	\$180,000	\$80,000	\$	100,000	\$157,500	\$200,000		\$57,500

For information pertaining to DOE Guaranteed Loans, see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, DOE Guaranteed Loans and Recent Bond Financings — DOE Loan Guarantee Program."

### Telecommunications Project Revenue Bonds

As of December 31, 2019, 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. All Telecommunications Project Revenue Bonds have been repaid.

### Credit Agreements and Other Short-Term Debt

As of both December 31, 2019 and 2018, \$155.9 million in aggregate amount of letters of credit were in effect to support CP notes which, as of such dates, were issued and outstanding in the amount of \$12.0 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, 2019 and December 31, 2018.

On November 12, 2019, MEAG Power and two commercial banks entered into amended and restated 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 (until November 12, 2022 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 both December 31, 2019 and 2018.

Subordinated bonds issued as variable-rate demand obligations and outstanding as of December 31, 2019 totaled \$183.8 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, 2019, 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, 2019, 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 were extended in February 2020 to July 2020 and were partially replaced on April 30, 2020 with a \$62.5 million LOC. MEAG Power will be determining if additional liquidity is needed to replace the remaining \$62.5 million not replaced in April 2020. The LOC generally provide for interest at taxable rates.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

Changes in LOC during the years ended December 31, 2019 and 2018 were (in thousands):

Lines of Credit and Other Short-term Debt	Balance December 31, 2017	Proceeds	Payments	Balance December 31, 2018	Proceeds	Payments	Balance December 31, 2019
Project One	\$15,850	\$57,533	\$47,708	\$25,675	\$59,481	\$61,730	<b>\$23,426</b>
General Resolution Projects	2,601	3,635	5,801	435	506	400	<b>541</b>
CC Project	—	—	—	—	—	—	—
<b>Total</b>	<b>\$18,451</b>	<b>\$61,168</b>	<b>\$53,509</b>	<b>\$26,110</b>	<b>\$59,987</b>	<b>\$62,130</b>	<b>\$23,967</b>

MEAG Power had unused lines of credit of \$101.0 million and \$98.9 million as of December 31, 2019 and 2018, respectively.

## Project Borrowings from the Competitive Trust

In order to facilitate certain financings as described below, borrowings by various projects of MEAG Power were purchased by the Competitive Trust 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 do not constitute a senior bond or a subordinated bond, are unsecured debt and were outstanding at December 31, 2019 and 2018 in the amounts shown in the table below. At some future date, MEAG Power may refund the then outstanding principal amounts of such advances under the Series 2012A BANs through the issuance of additional bonds.

In 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 Bonds) to refund previously issued bonds outstanding in the same amount. Principal on the Series 2012B Bonds is paid from DSRA releases.

The Series 2012A BANs, the Series 2012B Bonds and the Taxable Series 2018A Project P Bond 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.

Changes in the Series 2012A BANs, the Series 2012B Bonds and the Taxable Series 2018A Project P Bond during the years ended December 31, 2019 and 2018 were (in thousands):

Description	Balance December 31, 2017	Proceeds	Payments	Balance December 31, 2018	Proceeds	Payments	Balance December 31, 2019
Project One Series 2012A BANs	\$ 28,075	\$ —	\$ —	\$ 28,075	\$ —	\$ —	<b>\$28,075</b>
Project One Series 2012B Bonds	25,060	—	5,505	19,555	—	—	<b>19,555</b>
General Resolution Projects Series 2012A BANs	4,670	—	—	4,670	—	—	<b>4,670</b>
General Resolution Projects Series 2012B Bonds	54,780	—	—	54,780	—	27,545	<b>27,235</b>
CC Project Series 2012A BANs	28,215	—	4,465	23,750	—	4,645	<b>19,105</b>
Project P Taxable Series 2018A Project P Bond	—	100,000	—	100,000	—	100,000	—
<b>Total</b>	<b>\$140,800</b>	<b>\$100,000</b>	<b>\$9,970</b>	<b>\$230,830</b>	<b>\$ —</b>	<b>\$132,190</b>	<b>\$98,640</b>

As such, the investments of the Competitive Trust that were also liabilities of the various project(s) were eliminated as applicable from MEAG Power's 2019 and 2018 consolidated financial statements.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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, 2019 and 2018, MEAG Power had interest rate swap transactions outstanding under interest rate swap master agreements with four counterparties.

The mark-to-market value of interest rate swap agreements is recorded in other non-current liabilities on the Balance Sheet and totaled \$68.9 million and \$50.9 million as of December 31, 2019 and 2018, 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 years ended December 31, 2019 and 2018, a fair value (decrease) increase of \$(18.2) million and \$9.2 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, 2019 of \$10.5 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 \$0.2 million and \$0.4 million for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 were as follows (dollars in thousands):

Project(s)	Notional Amount Outstanding December 31, 2019	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+	A2	A-
One	59,275	4.31%	SIFMA	Jan. 2005	Jan. 2048	AA-	Aa2	A+
One	49,225	4.32%	SIFMA	Jan. 2005	Jan. 2048	AA	Aa2	A+
One	37,590	3.85%–3.90%	CPI + 1.05%	Jan. 2007	Jan. 2020–2022	AA-	A2	A-
Total Project One	185,240							
General Resolution	10,450	3.78%	SIFMA	Jan. 2007	Jan. 2020	A+	A2	A-
<b>Total</b>	<b>\$195,690</b>							

Project(s)	Notional Amount Outstanding December 31, 2018	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+	A3	A-
One	59,275	4.31%	SIFMA	Jan. 2005	Jan. 2048	AA-	Aa2	A+
One	49,225	4.32%	SIFMA	Jan. 2005	Jan. 2048	AA	Aa2	A+
One	46,725	3.81%–3.90%	CPI + 1.05%	Jan. 2007	Jan. 2019–2022	AA-	A2	A-
Total Project One	194,375							
General Resolution	13,060	3.78%	SIFMA	Jan. 2007	Jan. 2020	A+	A3	A-
<b>Total</b>	<b>\$207,435</b>							

\*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."

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Long-Term Debt Activity

Changes in long-term debt during the years ended December 31, 2019 and 2018 were (in thousands):

	As of December 31, 2017	Increases	Decreases	As of December 31, 2018	Increases	Decreases	As of December 31, 2019
<b>Project One</b>							
Power Revenue bonds	\$ 290,525	\$178,600	\$ (26,680)	\$ 442,445	\$ —	\$ (32,885)	\$ 409,560
Unamortized (discount) premium, net	12,668	(2,691)	14,796	24,773	82	(3,895)	20,960
Subordinated debt	1,537,803	8,334	(230,444)	1,315,693	243,376	(276,668)	1,282,401
Unamortized (discount) premium, net	83,732	177	(15,315)	68,594	34,949	(13,851)	89,692
Bond anticipation notes (unsecured)	28,075	—	—	28,075	—	—	28,075
<b>Total Project One</b>	<b>1,952,803</b>	<b>184,420</b>	<b>(257,643)</b>	<b>1,879,580</b>	<b>278,407</b>	<b>(327,299)</b>	<b>1,830,688</b>
<b>General Resolution Projects</b>							
General Power Revenue bonds	119,000	64,335	(38,495)	144,840	—	(17,590)	127,250
Unamortized (discount) premium, net	(29)	5,690	(254)	5,407	25	(679)	4,753
Subordinated debt	505,277	—	(74,422)	430,855	4,630	(98,915)	336,570
Unamortized (discount) premium, net	14,750	10	(2,556)	12,204	1,073	(2,322)	10,955
Bond anticipation notes (unsecured)	4,670	—	—	4,670	—	—	4,670
<b>Total General Resolution Projects</b>	<b>643,668</b>	<b>70,035</b>	<b>(115,727)</b>	<b>597,976</b>	<b>5,728</b>	<b>(119,506)</b>	<b>484,198</b>
<b>Combined Cycle Project</b>							
Combined Cycle Project Revenue bonds	154,685	—	(15,300)	139,385	—	(16,780)	122,605
Unamortized (discount) premium, net	5,559	25	(1,593)	3,991	25	(1,277)	2,739
Bond anticipation notes (unsecured)	28,215	—	(4,465)	23,750	—	(4,645)	19,105
<b>Total Combined Cycle Project</b>	<b>188,459</b>	<b>25</b>	<b>(21,358)</b>	<b>167,126</b>	<b>25</b>	<b>(22,702)</b>	<b>144,449</b>
<b>Vogle Units 3&amp;4 Projects and Project Entities</b>							
Vogle Units 3&4 Projects' Revenue bonds	2,909,300	180,000	(104,170)	2,985,130	1,283,533	(125,360)	4,143,303
Unamortized (discount) premium, net	10,905	—	(478)	10,427	120,336	(2,263)	128,500
DOE Guaranteed Loans	1,198,289	28,533	—	1,226,822	562,247	(3,336)	1,785,733
<b>Total Vogle Units 3&amp;4 Projects and Project Entities</b>	<b>4,118,494</b>	<b>208,533</b>	<b>(104,648)</b>	<b>4,222,379</b>	<b>1,966,116</b>	<b>(130,959)</b>	<b>6,057,536</b>
<b>Total</b>	<b>\$6,903,424</b>	<b>\$463,013</b>	<b>\$(499,376)</b>	<b>\$6,867,061</b>	<b>\$2,250,276</b>	<b>\$(600,466)</b>	<b>\$8,516,871</b>



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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, 2019 and 2018, MEAG Power's long-term debt consisted of the following (in thousands):

Project One	2019	2018	General Resolution Projects	2019	2018
<i>Power Revenue Bonds (senior):</i>			<i>General Power Revenue Bonds (senior):</i>		
Series BB	\$ 15,930	\$ 17,940	1992A Series	\$ 4,890	\$ 9,470
Series EE	38,125	38,125	1993B Series	35	165
Series GG	120,730	124,170	1993C Series	3,290	11,395
Series HH	178,600	178,600	2012B Series	5,645	5,985
Taxable Series Four	56,175	83,610	2018A Series	64,335	64,335
Total	409,560	442,445	Taxable 2012A Series	49,055	53,490
Unamortized (discount) premium, net	20,960	24,773	Total	127,250	144,840
Total Power Revenue Bonds outstanding	430,520	467,218	Unamortized (discount) premium, net	4,753	5,407
<i>Subordinated debt:</i>			Total General Power Revenue Bonds outstanding	132,003	150,247
Series 2005A-1 – Taxable fixed rate	53,985	57,475	<i>Subordinated debt:</i>		
Series 2005A-2 – Fixed rate CABs	—	1,176	Series 1985A – Variable rate	—	23,050
Series 2007A-2 – Variable rate	37,590	46,725	Series 1985B – Variable rate	18,000	20,120
Series 2007B – Taxable fixed rate	11,785	12,225	Series 1985C – Variable rate	17,715	19,765
Series 2008A – Fixed rate	11,020	24,805	Series 2007A – Taxable fixed rate	23,680	24,555
Series 2008B – Variable rate	148,065	148,065	Series 2008A – Fixed rate	11,940	36,435
Series 2009B – Fixed rate	1,125	217,750	Series 2009B – Fixed rate	105	7,915
Series 2011A – Fixed rate	185,700	189,285	Series 2011A – Fixed rate	4,405	4,695
Series 2011B – Fixed rate	22,835	24,435	Series 2011B – Fixed rate	41,420	44,255
Series 2012A – Taxable fixed rate	59,575	59,575	Series 2012A – Taxable fixed rate	75,720	76,750
Series 2012B – Taxable fixed rate	19,555	19,555	Series 2012B – Taxable fixed rate	27,235	54,780
Series 2012C – Fixed rate	45,255	45,255	Series 2015A – Fixed rate	9,380	9,605
Series 2015A – Fixed rate	140,020	145,610	Series 2016A – Fixed rate	64,830	67,745
Series 2015A – Fixed rate CABs	10,090	10,090	Series 2019A – Fixed rate	9,425	—
Series 2016A – Fixed rate	262,345	282,155	Revolving credit note – Variable rate	21,210	29,605
Series 2019A – Fixed rate	242,960	—	Revolving credit note – Taxable variable rate	11,505	11,580
Series A and B BANs – Taxable variable rate CP	12,007	12,007	Total	336,570	430,855
Revolving credit note – Taxable variable rate	16,945	16,945	Unamortized (discount) premium, net	10,955	12,204
Total	1,280,857	1,313,133	Total subordinated debt	347,525	443,059
Accretion of CABs	1,544	2,560	Total senior and subordinated debt	479,528	593,306
Unamortized (discount) premium, net	89,692	68,594	Bond anticipation notes (unsecured) – Series 2012A		
Total subordinated debt	1,372,093	1,384,287	BANs – Taxable variable rate	4,670	4,670
Total senior and subordinated debt	1,802,613	1,851,505	Current portion of long-term debt	(90,329)	(85,463)
Bond anticipation notes (unsecured) – Series 2012A			Total General Resolutions Project long-term debt	\$ 393,869	\$ 512,513
BANs – Taxable variable rate	28,075	28,075			
Current portion of long-term debt	(132,010)	(91,336)			
Total Project One long-term debt	\$ 1,698,678	\$ 1,788,244			
<i>Combined Cycle Project</i>			<i>Vogtle Units 3&amp;4 Projects and Project Entities</i>		
<i>Revenue bonds (senior):</i>			<i>Revenue bonds (senior):</i>		
Series 2010A	\$ 86,335	\$ 103,115	Series 2010A, Project J – Taxable (Build America Bonds)	\$ 1,216,995	\$ 1,223,800
Series 2012A	36,270	36,270	Series 2010B, Project J	1,870	7,045
Total	122,605	139,385	Series 2015A, Project J	185,180	185,180
Unamortized (discount) premium, net	2,739	3,991	Series 2019A, Project J	570,925	—
Total senior bonds outstanding	125,344	143,376	Series 2010A, Project M – Taxable (Build America Bonds)	1,003,705	1,010,400
Bond anticipation notes (unsecured) – Series 2012A			Series 2010B, Project M	980	4,140
BANs – Taxable variable rate	19,105	23,750	Series 2019A, Project M	445,635	—
Total	144,449	167,126	Series 2010A, Project P – Taxable (Build America Bonds)	381,285	383,290
Current portion of long-term debt	(15,515)	(16,780)	Series 2010B, Project P	510	2,030
Total Combined Cycle Project long-term debt	\$ 128,934	\$ 150,346	Series 2015A, Project P	69,245	69,245
			Series 2018A, Project P – Taxable variable rate	—	100,000
			Series 2019B, Project P	266,975	—
			Total	4,143,305	2,985,130
			Unamortized (discount) premium, net	128,500	10,427
			Current portion of long-term debt	(26,525)	(25,360)
			Total Vogtle Units 3&4 Bonds long-term debt	4,245,280	2,970,197
			<i>DOE Guaranteed Loans:</i>		
			Federal Financing Bank, SPVJ – Fixed rate	305,168	148,747
			Federal Financing Bank, SPVJ – Variable rate	266,508	193,931
			Federal Financing Bank, SPVM – Fixed rate	331,125	328,381
			Federal Financing Bank, SPVM – Variable rate	238,236	179,894
			Federal Financing Bank, SPVP – Fixed rate	486,654	375,869
			Federal Financing Bank, SPVP – Variable rate	158,040	—
			Total DOE Guaranteed Loans	1,785,731	1,226,822
			Current portion of long-term debt	(19,098)	(3,469)
			Total DOE Guaranteed Loans long-term debt	1,766,633	1,223,353
			Total Vogtle Units 3&4 Projects and Project Entities long-term debt	\$ 6,011,913	\$ 4,193,550

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Debt Service

At December 31, 2019, 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 \$2.0 billion collectively for the Vogtle Units 3&4 Bonds and DOE Guaranteed Loans, including future DOE Guaranteed Loan draws and other borrowings for capitalized interest of \$684.1 million, and excluding amounts paid under PPA of \$1.0 billion for principal and \$2.8 billion for interest net of subsidy payments on the Build America Bonds), is shown in the table below (in thousands). Debt service is reflected net of payments funded from sources other than revenue (DSRA, working capital, etc.).

Year	Project One		General Resolution Projects		Combined Cycle Project		Vogtle Units 3&4 Projects and Project Entities		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 45,275	\$ 20,647	\$ 11,865	\$ 6,011	\$ 15,600	\$ 5,723	\$ 16,732	\$ —	\$ 121,853
2021	12,455	18,480	7,015	5,313	16,116	4,990	18,568	2,325	85,262
2022	40,440	17,884	7,295	5,016	17,826	4,222	19,195	48,530	160,408
2023	22,075	15,883	7,555	4,697	24,254	3,405	19,886	78,271	176,026
2024	29,210	14,792	6,905	4,359	21,612	2,192	24,584	80,840	184,494
2025–2029	89,350	49,941	34,042	16,898	24,612	3,426	137,724	385,940	741,933
2030–2034	40,094	35,188	11,720	10,205	—	—	166,325	350,714	614,246
2035–2039	47,432	25,664	14,225	7,465	—	—	340,197	313,228	748,211
2040–2044	32,285	15,458	2,890	5,279	—	—	672,601	570,890	1,299,403
2045–2049	50,944	7,371	23,738	4,033	—	—	832,723	739,150	1,657,959
2050–2054	—	—	—	—	—	—	1,088,114	532,019	1,620,133
2055–2059	—	—	—	—	—	—	1,068,852	239,971	1,308,823
2060–2063	—	—	—	—	—	—	594,246	22,186	616,432
<b>Total</b>	<b>\$409,560</b>	<b>\$221,308</b>	<b>\$127,250</b>	<b>\$69,276</b>	<b>\$120,020</b>	<b>\$23,958</b>	<b>\$4,999,747</b>	<b>\$3,364,064</b>	<b>\$9,335,183</b>

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, 2019, scheduled debt service payments, including Capital Appreciation Bonds (CABs), which are accreted through December 31, 2019, for the subordinated debt were as follows (in thousands):

Year	Project One			General Resolution Projects		
	Principal	Interest	Net Swap Cash Flows	Principal	Interest	Total
2020	\$ 82,729	\$ 72,378	\$ 4,100	\$ 19,913	\$ 13,442	\$ 192,562
2021	84,225	51,920	4,020	44,010	12,119	196,294
2022	76,071	46,419	3,905	5,583	10,859	142,837
2023	64,860	42,836	3,905	5,611	10,523	127,735
2024	35,965	39,756	3,905	5,311	10,247	95,184
2025–2029	180,541	169,455	19,525	58,397	46,021	473,939
2030–2034	209,919	128,993	19,459	92,630	27,694	478,695
2035–2039	182,171	78,907	15,853	50,854	9,753	337,538
2040–2044	116,632	51,616	9,339	11,917	3,761	193,265
2045–2049	203,328	29,831	1,810	6,430	2,567	243,966
2050–2054	24,570	2,920	—	11,000	1,325	39,815
2055–2059	—	—	—	—	—	—
2060–2063	—	—	—	—	—	—
<b>Total</b>	<b>\$1,261,011</b>	<b>\$715,031</b>	<b>\$85,821</b>	<b>\$311,656</b>	<b>\$148,311</b>	<b>\$2,521,830</b>

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, 2019 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

The Power Revenue Bond Resolution and General Power Revenue Bond Resolution require that MEAG Power charge and collect, in each year, rates, fees and other charges that, together with other available funds, are sufficient for the payment of operating expenses, 1.10 times senior debt service and all other charges and liens payable out of revenues (Senior Requirement), including 1.0 times subordinated debt service (Subordinated Requirement). The CC Project Bond Resolution requires that MEAG Power charge and collect, in each year, rates, fees and other charges that, together with other available funds, are sufficient for the payment of operating expenses, 1.0 times debt service, the collections for the Reserve and Contingency funds and all other charges and liens payable out of revenues (CC Requirement). The Project M Bond Resolution, Project J Bond Resolution and Project P Bond Resolution and the Project Entities' LGAs (collectively, the Vogtle Units 3&4 Projects Bond Resolutions and Lending Agreements) require that MEAG Power charge and collect, in each year, for each Vogtle Units 3&4 Project, rates, fees and other charges that, together with other available funds, are sufficient for the payment of such Project's operating expenses, 1.0 times such Project's debt service on both the applicable Project's Bonds and DOE Guaranteed Loan and, during commercial operation, funding of such Project's Reserve and Contingency fund and account (with respect to each Vogtle Units 3&4 Project, the Vogtle Units 3&4 Requirement).

For 2019 and 2018, the Senior Requirement and the Subordinated Requirement were met for the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution, the CC Requirement was met for the CC Project Bond Resolution, and the Vogtle Units 3&4 Requirements were met for the Vogtle Units 3&4 Projects Bond Resolutions and Lending Agreements, as shown in the following table (dollars in thousands):

	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Total
<b>2019</b>					
Total revenues	\$373,330	\$145,691	\$94,723	\$34,261	\$648,005
Deferred inflows of resources <sup>(1)</sup>	157,906	33,908	16,967	—	208,781
Adjusted revenues	\$531,236	\$179,599	\$111,690	\$34,261	\$856,786
Operating expenses (excluding depreciation and amortization)	\$279,976	\$107,257	\$80,539	\$235	\$468,007
Total investment income	\$25,097	\$6,026	\$1,635	\$30,724	\$63,482
Excluding Decommissioning Trust income <sup>(2)</sup>	(8,480)	(1,055)	—	—	(9,535)
Including subsidy received on Build America Bonds	—	—	—	57,470	57,470
Total other income	\$16,617	\$4,971	\$1,635	\$88,194	\$111,417
Available amounts to pay debt service	\$267,877	\$77,313	\$32,786	\$122,220	\$500,196
Amounts released from DSRA <sup>(3)</sup>	1,086	5,988	—	—	7,074
Amounts drawn for capitalized interest <sup>(4)</sup>	4,528	386	—	170,860	175,774
Total amounts available to pay debt service	\$273,491	\$83,687	\$32,786	\$293,080	\$683,044
Total Senior Debt Service <sup>(5)</sup>	\$65,814	\$17,601	\$29,399	\$279,317	\$392,131
Senior Debt Service Coverage	4.16	4.75	1.12	1.05	1.74
Total Subordinated Debt Service <sup>(5)</sup>	\$122,837	\$39,531	\$—	\$—	\$162,368
Total Debt Service <sup>(5)</sup>	\$188,651	\$57,132	\$29,399	\$279,317	\$554,499
Debt Service Coverage on Total Debt Service	1.45	1.46	1.12	1.05	1.23

(1) Deferred inflows of resources represent Timing Differences.

(2) Income on funds reserved for the decommissioning of nuclear generating units at retirement.

(3) Planned fund releases from reserves for debt service.

(4) Amounts on hand to fund interest expense during construction of facilities being constructed.

(5) Total Senior and Subordinated debt service reflects principal and interest accrued during the reporting year.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

2018	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Total
Total revenues	\$417,204	\$155,948	\$82,457	\$ 24,810	\$680,419
Deferred inflows of resources <sup>(1)</sup>	66,341	81,021	4,102	—	151,464
Adjusted revenues	\$483,545	\$236,969	\$86,559	\$ 24,810	\$831,883
Operating expenses (excluding depreciation and amortization)	\$262,040	\$111,997	\$55,468	\$ 136	\$429,641
Total investment income	\$ 14,814	\$ 4,702	\$ 1,255	\$ 22,773	\$ 43,544
Excluding Decommissioning Trust income <sup>(2)</sup>	(8,392)	(1,045)	—	—	(9,437)
Including subsidy received on Build America Bonds	—	—	—	57,386	57,386
Total other income	\$ 6,422	\$ 3,657	\$ 1,255	\$ 80,159	\$ 91,493
Available amounts to pay debt service	\$227,927	\$128,629	\$32,346	\$104,833	\$493,735
Amounts released from DSRA <sup>(3)</sup>	775	23,324	—	—	24,099
Amounts drawn for capitalized interest <sup>(4)</sup>	5,691	471	—	178,477	184,639
Total amounts available to pay debt service	\$234,393	\$152,424	\$32,346	\$283,310	\$702,473
Total Senior Debt Service <sup>(5)</sup>	\$ 46,211	\$ 21,514	\$27,926	\$215,748	\$311,399
Senior Debt Service Coverage	5.07	7.08	1.16	1.31	2.26
Total Subordinated Debt Service <sup>(5)</sup>	\$124,677	\$ 87,081	\$ —	\$ —	\$211,758
Total Debt Service <sup>(5)</sup>	\$170,888	\$108,595	\$27,926	\$215,748	\$523,157
Debt Service Coverage on Total Debt Service	1.37	1.40	1.16	1.31	1.34

(1) Deferred Inflows of resources represent Timing Differences.

(2) Income on funds reserved for the decommissioning of nuclear generating units at retirement.

(3) Planned fund releases from reserves for debt service.

(4) Amounts on hand to fund interest expense during construction of facilities being constructed.

(5) Total Senior and Subordinated debt service reflects principal and interest accrued during the reporting year.

## 6. INVESTMENT IN ALLIANCE

Investment in Alliance reflects MEAG Power's 17.6% ownership interest in The Energy Authority (TEA), a governmental nonprofit power marketing corporation. As of December 31, 2019, seven members (Members) including MEAG Power comprised TEA: American Municipal Power, Inc.; City Utilities of Springfield; Gainesville Regional Utilities; JEA; Nebraska Public Power District; and South Carolina Public Service Authority. Effective January 1, 2019, the Public Utility District No. 1 of Cowlitz County transitioned from a Member to a partner receiving services under a contractual agreement. 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, 2019 and 2018, sales to TEA totaled \$29.9 million and \$47.8 million, with net purchases from TEA totaling \$19.3 million and \$20.2 million, respectively. During 2019 and 2018, an aggregate of \$3.3 million and \$4.0 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)	2019	2018
One	\$1,138	\$2,066
General Resolution	1,168	1,631
CC	2,825	2,775
Total	\$5,131	\$6,472

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

In addition to \$2.7 million of contributed capital, MEAG Power has committed up to an additional \$49.5 million through a combination of guarantees as of December 31, 2019. 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 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, 2019 and 2018, MEAG Power had no liability related to these guarantees outstanding.

As of December 31, 2019 and 2018, MEAG Power's current other receivables due from TEA totaled \$2.8 million and \$3.6 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 in the "Other Retirement Benefits" section of this Note, 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 such participant's 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 such participant's 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 the Plan participant's 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, 2019 and 2018, the following Plan participants were covered by Retirement Plan benefits:

Plan participants	2019	2018
Active	77	86
Inactive, vested	81	84
Retirees and beneficiaries	130	119
Total	288	289

### 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, 2019 and 2018, MEAG Power contributed 7.9% and 7.3% respectively, of covered payroll. No contributions by Plan participants are required.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Net Pension Liability

MEAG Power's net pension liability was measured as of December 31, 2019 and 2018, 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, 2019 and 2018 (in thousands):

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)-(b)
Balance at December 31, 2018	\$59,202	\$60,160	\$ (958)
<i>Changes for the year:</i>			
Service cost	703	—	703
Interest on the total pension liability	4,334	—	4,334
Difference between expected and actual experience	295	—	295
Assumption changes	1,277	—	1,277
MEAG Power contributions	—	775	(775)
Net investment income	—	12,594	(12,594)
Benefit payments	(2,883)	(2,883)	—
Administrative expenses	—	—	—
Net change	3,726	10,486	(6,760)
<b>Balance at December 31, 2019</b>	<b>\$62,928</b>	<b>\$70,646</b>	<b>\$ (7,718)</b>

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)-(b)
Balance at December 31, 2017	\$57,120	\$64,585	\$(7,465)
<i>Changes for the year:</i>			
Service cost	769	—	769
Interest on the total pension liability	4,189	—	4,189
Difference between expected and actual experience	(183)	—	(183)
Assumption changes	(136)	—	(136)
MEAG Power contributions	—	775	(775)
Net investment income	—	(2,643)	2,643
Benefit payments	(2,557)	(2,557)	—
Administrative expenses	—	—	—
Net change	2,082	(4,425)	6,507
Balance at December 31, 2018	\$59,202	\$60,160	\$ (958)

## Actuarial Assumptions and Methods

The assumptions used to measure the total pension liability as of December 31, 2019 include a 7.5% investment rate of return, an inflation assumption of 2.5% per year and salary increases of 4.0% per year. The mortality table was updated to the PUB-2010 General Employees Mortality, male and female, projected generationally using the MP-2019 Projection Scale.

The long-term expected rates of return on Retirement Plan investments, valued as of December 31, 2019 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	30%	7.00%
Domestic Mid-Cap/Small-Cap Equity	15%	7.25%
International Equity	15%	7.00%
Domestic Fixed Income	40%	3.75%
<b>Total</b>	<b>100%</b>	

\* 10-year Horizon, Passively-Managed

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Retirement Plan's Assets

The fair value of the Retirement Plan's assets, based on quoted market prices, with substantially all of these assets being measured at Level 1 within the fair value hierarchy, as per Statement 72 guidelines (see Note 2 (L), "Summary of Significant Accounting Policies and Practices — Fair Value Measurements"), as of the measurement dates of December 31, 2019 and 2018, were as follows (in thousands):

	2019	2018
Mutual Funds:		
U.S. Equity Index Fund	\$21,664	\$17,109
Mid-Cap Index Fund	7,212	5,554
Small-Cap Index Fund	3,647	2,623
Diversified International Fund	10,788	8,474
Aggregate Bond Fund	18,213	17,990
Total Bond Fund	9,114	8,380
Institutional Government Portfolio	3	3
Cash	5	27
<b>Total</b>	<b>\$70,646</b>	<b>\$60,160</b>

## Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2019 and 2018 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):

	1% Lower (6.5%)	Current Discount Rate (7.5%)	1% Higher (8.5%)
Net Pension Liability			
<b>December 31, 2019</b>	<b>\$ (602)</b>	<b>\$(7,718)</b>	<b>\$(13,727)</b>
December 31, 2018	\$5,743	\$ (958)	\$ (6,619)

## 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, 2019 and 2018, MEAG Power recognized pension expense of \$0.8 million and \$0.7 million, respectively. At December 31, 2019 and 2018, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

Deferred Outflows of Resources	2019	2018
Differences between expected and actual experience	\$ 134	\$ —
Assumption changes	579	—
Net difference between projected and actual earnings on Retirement Plan investments	4,445	6,606
<b>Total</b>	<b>\$ 5,158</b>	<b>\$ 6,606</b>

Deferred Inflows of Resources	2019	2018
Differences between expected and actual experience	\$ (2)	\$ (138)
Assumption changes	(2)	(265)
Net difference between projected and actual earnings on Retirement Plan investments	(8,084)	(2,323)
<b>Total</b>	<b>\$(8,088)</b>	<b>\$(2,726)</b>

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
2020	\$2,195	\$(2,417)
2021	1,482	(2,402)
2022	1,481	(1,635)
2023	—	(1,634)
2024	—	—
<b>Total</b>	<b>\$5,158</b>	<b>\$(8,088)</b>

## 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 \$1.0 million and \$0.7 million for 2019 and 2018, 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Other Postemployment Benefits

Information regarding MEAG Power's OPEB is as follows:

### Plan Description

The MEAG Power Retiree Medical Premium Reimbursement Plan (the Plan) is administered by MEAG Power's Retirement Investment Committee and is a single-employer defined benefit retirement health benefits plan. The Board has sole authority to amend the Plan. The Plan operates on a pay-as-you-go basis and has no trust for accumulating assets.

### Plan Benefits

The Plan reimburses each eligible retiree and/spouse or surviving spouse for eligible medical premium expenses subject to certain criteria and maximum amounts. An eligible retiree is a former employee who retired after attaining age 55 and completing at least 10 years of service, and who retired on or after January 1, 1997.

### Employees Covered by the Plan

At December 31, 2019 and 2018, the following participants were covered by the Plan benefits:

	2019	2018
Active employees	135	134
Retired employees or beneficiaries	79	73
<b>Total</b>	<b>214</b>	<b>207</b>

### Actuarial Assumptions

Actuarial assumptions used to determine MEAG Power's OPEB liability, measured as of December 31, 2019 and 2018, were as follows:

Inflation	2.50%
Salary Increases	4.00%
Discount Rate	2.74% for actuarial valuation December 31, 2019
Healthcare cost trend rates	Not applicable for eligible retirees, as the benefit payable is a fixed amount that does not vary with healthcare cost trends. For a minimal number of grandfathered participants, an appropriate graded trend scale was used.
Mortality	PUB-2010 General Employees Mortality table, Male and Female, projected generationally using the MP-2019 Projection Scale.

## Changes in the OPEB Liability

MEAG Power's total OPEB liability as of December 31, 2019 and 2018 was as follows (in thousands):

	2019	2018
Beginning total OPEB Liability	\$ 9,538	\$10,720
Changes for the year:		
Service cost	235	262
Interest	384	363
Change of benefit terms	—	—
Differences between expected and actual experience	177	(715)
Benefits payments	(356)	(335)
Changes of assumptions or other inputs	2,132	(757)
<b>Net Changes</b>	<b>2,572</b>	<b>(1,182)</b>
<b>Ending total OPEB liability</b>	<b>\$12,110</b>	<b>\$ 9,538</b>

Changes of assumptions or other inputs reflect a decrease in the discount rate from 4.10% to 2.74%. The mortality projection scale was updated to the MP-2019 scale.

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended December 31, 2019 and 2018, MEAG Power's OPEB expense was \$0.9 million and \$0.4 million, respectively. As of December 31, 2019 and 2018, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	2019	2018
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 231	\$ 142
Changes of assumptions or other inputs	1,742	91
<b>Total</b>	<b>\$1,973</b>	<b>\$ 233</b>

	2019	2018
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ (413)	\$ (564)
Changes of assumptions or other inputs	(438)	(598)
<b>Total</b>	<b>\$ (851)</b>	<b>\$(1,162)</b>

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

Year	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 570	\$(311)
2021	553	(311)
2022	486	(229)
2023	364	—
2024	—	—
<b>Total</b>	<b>\$1,973</b>	<b>\$(851)</b>



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Sensitivity of the total OPEB Liability to Changes in the Discount Rate or Healthcare Cost Trend Rate

The following presents the effect of a 1% increase or decrease of the discount rate and the healthcare cost trend rate, respectively, on MEAG Power's OPEB liability as of December 31, 2019 and 2018 (dollars in thousands):

### Discount Rate Sensitivity

	December 31, 2019		
	1% Decrease (1.74%)	Current Rate (2.74%)	1% Increase (3.74%)
Total OPEB Liability	\$13,738	\$12,110	\$10,770

  

	December 31, 2018		
	1% Decrease (3.1%)	Current Rate (4.1%)	1% Increase (5.1%)
Total OPEB Liability	\$10,680	\$ 9,538	\$ 8,583

### Healthcare Cost Trend Rate Sensitivity

	December 31, 2019		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$12,012	\$12,110	\$12,217

  

	December 31, 2018		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,462	\$ 9,538	\$ 9,622

## 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 generating units. The Amendments Act provisions, together with private insurance, cover third-party liability arising from any nuclear incident occurring at the nuclear generating units in which MEAG Power has an ownership interest. The Amendments Act provides for the payment of funds up to a maximum of \$13.9 billion for public liability claims that could arise from a single nuclear incident. Each nuclear generating unit is insured against this liability to a maximum of \$450.0 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 generating unit could be assessed up to \$137.6 million per incident for each licensed reactor they operate, but not more than an aggregate of \$20.5 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 \$108.1 million, with an annual limit of \$16.1 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 by November 2023.

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 generating unit. The excess property insurance provides coverage limits up to

\$1.25 billion per generating unit 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 generating unit 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 generating unit. 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, 2019, could be as much as \$17.2 million for primary, excess property insurance and excess non-nuclear property, \$7.3 million per incident for replacement power and other costs. The aggregate of the Vogtle Units 3&4 Project Entities' shares of retrospective premium assessments for the Vogtle Units 3&4 builders' risk policy, based on the policy effective through November 30, 2022, could be as much as \$11.8 million during each policy year. 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 generating units 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 generating units, 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## 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 units. Coal and/or related transportation commitments for the period 2020 – 2022 total \$16.1 million. For the years beginning 2020 through 2024, nuclear fuel commitments total \$115.4 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 2021 total \$0.1 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, 2019 through the remaining term of the contract, MEAG Power will purchase from Main Street, on a "take-and-pay" basis, 2,018 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, 2019 market prices, the commitment, net of a prepaid discount, totals \$3.0 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. The primary term of the Transco agreement began in 2004 and ended January 31, 2019. The contract continues on an evergreen basis and MEAG Power has certain retention rights, which ensure continued service. 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 was previously party to an agreement for 21,174 mmBtus of natural gas storage from Transco's Eminence gas storage facility. Effective February 1, 2019, MEAG Power elected to terminate this firm storage agreement.

MEAG Power has also entered into agreements with Petal Gas Storage, L.L.C., providing for storage and associated transportation of 200,000 mmBtus of natural gas for a term of 15 years that began in 2008. MEAG Power entered into a two-year release of the capacity that began on April 1, 2017 and ended on March 31, 2019. Natural gas pipeline and storage commitments through August 2023 total \$5.8 million.

## Long-Term Purchases and Sales of Power

During 2017, MEAG Power entered into five-year purchase power agreements with the Alabama cities of Hartford and Evergreen to provide full requirements service, effective January 1, 2018 through December 31, 2022. These agreements provide 11.0 MW and 11.5 MW, respectively, of system capacity and energy to meet their needs net of their resources from SEPA and include provisions for MEAG Power to sell additional capacity. The Hartford and Evergreen sales are served from the resources of 16 and 15 subscribed Participants, respectively.

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 its resources from SEPA and includes provisions for MEAG Power to sell additional capacity. This sale is served from the resources of nine subscribed Participants.

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 a 10-month power purchase agreement with Exelon Generation Company, LLC through TEA for 6 MW of firm capacity effective March 1, 2020. This resource has been subscribed to by three of the 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. 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, Georgia Air Quality Act, Georgia Water Quality Control Act and Georgia Comprehensive Solid Waste Management Act.

Compliance with environmental regulatory requirements require owners/operators of affected facilities, including MEAG Power, to commit significant expenditures for installation, operation, and maintenance 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 \$742.5 million from 2000 through 2019 in generating unit 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 (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), non-mercury metals and acid gases. MEAG Power anticipates total capital investment for environmental improvements at the Coal Units for the years 2020 through 2024, including additions to comply with CCR and ELG regulations (see "Coal Combustion Residuals and Effluent Limitations Guidelines Regulations" within this Note), will be approximately \$56.0 million.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

## Greenhouse Gas Regulation

The final Affordable Clean Energy (ACE) rule was issued on June 19, 2019. The ACE rule repealed the Clean Power Plan (CPP) and did not include changes to the CAA's New Source Review (NSR) permitting program. EPA still plans to adopt the proposed NSR changes but in a separate rule and without going through an additional public comment period.

The ACE rule requires states to set carbon dioxide (CO<sub>2</sub>) performance standards for all existing coal-fired plants based on seven potential efficiency upgrades and submit plans with the standards by July 2022. A number of states, cities and public health and environmental groups filed suit in the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) to stop the ACE rule. Some business interests, electric cooperatives, and mining groups have intervened in defense of the rule. The D.C. Circuit dismissed all motions related to the timing of the litigation and it is now proceeding on a "normal" schedule for the briefing of the case. It is unlikely the U.S. Supreme Court (Supreme Court) could hear litigation related to the ACE rule until after January 2021.

Until EPD submits and EPA approves a final state plan to implement an ACE regulation, it is not possible to make a final assessment of the financial and operational impacts on MEAG Power's existing generating units.

In December 2018, EPA proposed to revise the New Source Performance Standards for greenhouse gas emissions from new, modified, and reconstructed fossil fuel-fired power plants. After further analysis and review, EPA proposes to determine that the Best System of Emission Reduction (BSER) for newly constructed coal-fired units, is the most efficient demonstrated steam cycle in combination with the best operating practices. This proposed BSER would replace the determination from the CPP, which identified the BSER as partial carbon capture and storage (CCS). The primary reason for this proposed revision is the high costs and limited geographic availability of CCS.

EPA is also requesting comments on the regulatory threshold under section 111(b) of the CAA that a source category "causes, or contributes significantly to," air pollution. EPA asks for the public's views on the proper interpretation of this phrase, the agency's historic approach to this requirement, and whether this requirement should apply differently in the context of greenhouse gases than for traditional pollutants. MEAG Power filed comments on the proposed rule on March 14, 2019.

## National Ambient Air Quality Standards and Regional Haze Regulations

### 2015 Ozone National Ambient Air Quality Standards

In October 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).

In December 2017, EPA notified the Governor of Georgia that it agreed with EPD's September 2016 recommendation to EPA that eight counties in the metropolitan Atlanta area be designated as nonattainment areas for the 2015 ozone NAAQS. In November 2017, EPA published in the Federal Register a final regulation designating all other counties in Georgia as unclassifiable/attainment. For the eight counties in the metropolitan Atlanta area that are anticipated to be designated as non-attainment, EPD may be required to develop a State Implementation Plan (SIP) to attain the 2015 standard. Until 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 units.

## 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.

In January 2017, EPA published in the Federal Register a final revised regulation, "Protection of Visibility: Amendments to Requirements for State Plans." 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. However, in January 2018, EPA announced that it would revisit certain aspects of its 2017 regulation through a proposed rulemaking.

In March 2018, the D.C. Circuit issued a decision that the Cross-State Air Pollution Rule (CSAPR) "is better than" Best Available Retrofit Technology (BART), thereby allowing states to rely on the SO<sub>2</sub> and NO<sub>x</sub> emissions reductions under the CSAPR emissions trading program for meeting their BART control requirements under the regional haze program. In addition, in September 2018, EPA issued a guidance memorandum outlining its roadmap for reforming the regional haze program. Most importantly, this guidance memorandum calls for the agency to initiate a rulemaking to revise EPA's January 2017 regional haze rule that gave the agency broad authority to require emission reductions from coal-fired power plants that are more stringent than necessary to achieve "reasonable progress" toward visibility improvements required by the CAA. The Unified Agenda, a semiannual publication of all regulatory actions federal agencies are considering, targeted December 2018 for a proposed rule, but the rule has not yet been issued. The D.C. Circuit continues to hold litigation on this regional haze rule in abeyance while EPA moves forward with a reconsideration rulemaking to revise key requirements of this rule.

Until EPA completes its announced rulemaking process, and until EPD and air agencies from other southeastern states conduct additional studies and develop the SIPs, currently 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 units.

The next Georgia SIP for regional haze, covering the 2018-2028 period, will not be due until July 31, 2021.

## Startup, Shutdown, and Malfunction Regulations

In June 2015, EPA published a final rule/action in the Federal Register pertaining to Startup, Shutdown and Malfunction (SSM) regulations, "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, including Georgia, and industry groups filed Petitions for Review with the D.C. Circuit. In April 2017, the D.C. Circuit issued an order holding the case in abeyance.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

EPD had developed revised state SSM regulations that were adopted by the Georgia Board of Natural Resources in October 2016. EPD submitted a timely corrective SIP including the revised regulations to EPA for approval in November 2016. EPA has not acted on the Georgia submission.

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 units.

## National Emissions Standards for Hazardous Air Pollutants

In February 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 set 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 set limits on emissions of mercury, non-mercury metals and acid gases. 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

In July 2018, EPA published a final regulation in the Federal Register, “Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals From Electric Utilities; Amendments to the National Minimum Criteria (Phase One, Part One).” The Coal Combustion Residuals final rule published by EPA in 2015 (CCR Rule) finalized certain revisions to the 2015 regulations for the disposal of CCR in landfills and surface impoundments to provide EPA and states with the ability to use alternate performance standards; revise the groundwater protection standards for four constituents; and provide facilities which are triggered into closure by the regulation additional time to cease receiving waste and initiate closure. In November 2018, Scherer Units 1&2 received a variance under OCGA § 12-8-23.1 (a) (11) from EPD to continue the use of the surface impoundment for non-CCR waste streams until October 31, 2020.

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.

On December 16, 2019, the EPA Administrator signed a Federal Register notice approving of the second state permit program for the management of CCR in Georgia. On the effective date of this notice, Georgia’s partial permit program will operate in lieu of the Federal CCR program, except for four provisions.

On November 4, 2019, EPA unveiled a proposal that would ease previous treatment guidelines for waste streams produced by coal-fired power plants and potentially give retiring generators more time to store ash in unlined ponds.

This proposal is the revision to the CCR rules regarding closure deadlines. With its proposed changes to the CCR rule, EPA would set a new deadline of August 31, 2020, to stop receiving waste and initiate closure of all unlined and formerly clay-lined surface impoundments managing coal ash and impoundments near aquifers or impacting groundwater.

In November 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.

In response to the final CCR and ELG regulations, GPC announced in September 2015 that it was developing a closure schedule for all CCR impoundments (ash ponds) that it operates, including ash ponds serving the Coal Units. In June 2016, GPC announced that closure preparation activities were underway for all of its ash ponds and has committed that all of its ash ponds would stop receiving coal ash within three years. GPC has also stated that the ash ponds serving the Coal Units would be closed in place using advanced engineering methods. These closures would occur in conjunction with complying with the ELG regulation by conversion of the wet ash handling systems to dry ash handling, enabling 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.”

On March 13, 2019, the D.C. Circuit granted EPA’s motion for voluntary remand without vacatur of CCR rule resulting in the October 31, 2020 closure deadline for receiving CCR and non-CCR waste streams remaining in place. EPA is directed on remand to issue expeditiously a rule that establishes deadlines for when unlined and clay-lined CCR surface impoundments must stop receiving CCR and non-CCR waste streams in light of the D.C. Circuit decision issued in August 2018.

On November 4, 2019, a proposal for the ELG revision was introduced where EPA proposes to ease effluent limitation guidelines for two waste streams produced by coal-fired power plants: flue gas desulfurization wastewater and bottom ash transport water. Under this proposal, EPA would not require coal-fired units to implement biological treatment technology for flue gas desulfurization water. Instead, generators would be allowed to rely on chemical treatment technology that helps coal ash and other residuals settle to the bottom of treatment facilities. The proposed rule includes separate requirements for the following subcategories: high flow facilities, low utilization boilers, and boilers retiring by 2028.

For coal-fired units that plan to close no later than December 31, 2028, units could continue to use surface impoundments to treat flue gas desulfurization wastewater and bottom ash transport water under that exemption. This proposal would establish what the agency described as a “voluntary incentives program” that envisions some facilities with known retirement dates adopting stricter pollution control technologies than those EPA has specified as Best Available Technology. The program would specifically offer plant operators the certainty of more time — until December 31, 2028 — if they adopt additional controls that achieve more stringent limitations on mercury, arsenic, selenium, nitrate/nitrite, bromide, and total dissolved solids in flue gas desulfurization wastewater.

MEAG Power is in the process of determining whether these two new proposals will result in any significant financial or operational impacts to its generation units.

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## Waters of the United States Regulation

On October 22, 2019, EPA and the U.S. Army Corps of Engineers (the Army Corps) (together, the Agencies) published a final rule to repeal the 2015 Waters of the United States Rule defining “waters of the United States” and re-codify the regulatory text that existed prior to the 2015 Rule. This final rule became effective on December 23, 2019, and was replaced by the Navigable Waters Protection Rule that was issued on January 23, 2020. This substantially narrows the scope of waterbodies subject to regulation under the CWA — notably removing interstate streams as a separate jurisdictional category; excluding ephemeral streams and water features; requiring rivers, streams and other natural channels to directly or indirectly contribute flow to a territorial sea or traditional navigable water; and excluding wetlands that are not adjacent to another non-wetland jurisdictional water. Further, the Agencies confirm that groundwater is not subject to regulation under the CWA and, consequently, that surface water features connected only via groundwater likewise are not jurisdictional. In support of this narrower scope, the Agencies explain that states and tribes retain the authority to regulate non-jurisdictional waters within their authority, provided those states and tribes deem such regulation appropriate. MEAG Power has determined that this new rule will not result in any significant financial or operational impacts to its generating units or plans for construction or operation of new units or related facilities, such as transmission lines.

## Comprehensive Environmental Response, Compensation, and Liability Act – Financial Responsibility Requirements

In January 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.” 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. On July 2, 2019, EPA Administrator signed a proposed rule to not impose financial responsibility requirements for facilities in the electric power industry. EPA has found that the degree and duration of risk to the federal Superfund program, administered by the EPA and designed to investigate and clean-up sites contaminated with hazardous substances, posed by the electric power industry does not warrant financial responsibility requirements, as modern industry practices and existing federal and state regulations are effective at preventing risk. The comment period closed on September 27, 2019. EPA is under a court-ordered deadline to issue the final rule by December 2, 2020. This proposal will not have any financial or operational impacts on MEAG Power’s generating units.

## Legislative and Regulatory Issues

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.

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.

In recent years, FERC has issued numerous Critical Infrastructure Protection (CIP) standards, including the following, all of which are related to FERC 706:

Date	CIP Standard(s)	Compliance Deadline
April 19, 2018	003-7	January 1, 2020
October 18, 2018	005-6, 010-3 and 013-1	July 1, 2020
June 20, 2019	008-6	January 1, 2021
July 31, 2019	003-8	April 1, 2020

In terms of transmission facilities, MEAG Power is in full compliance with all current FERC 706 standards and has procedures in place to address future CIP standards. The majority of MEAG Power’s transmission CIP compliance is accomplished through certain sections of the ITS Operation Agreement with GPC. Both parties executed updates to applicable sections of the ITS Operation Agreement on July 17, 2018 and October 1, 2019 to reflect each party’s respective compliance responsibilities associated with all current CIP standards and all future CIP standards effective prior to December 31, 2020. In addition, both parties have filed CFR documents with NERC that are consistent with the CIP compliance support details within the ITS Operation Agreement. Through this agreement and associated NERC CFR documents, MEAG Power has assumed only administrative responsibilities for portions of CIP-002, CIP-003, CIP-004, CIP-011 and CIP-014, thereby reducing its exposure to FERC 706 compliance risk and associated monetary penalty risk.

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Regarding generation operations, MEAG Power is in full compliance with all current NERC CIP standards and has procedures in place to address future CIP standards. On March 11, 2019, MEAG Power contracted with NAES to handle all compliance responsibilities at Wansley Unit 9 pertaining to FERC 693 and FERC 706. Effective on the same date, MEAG Power deregistered its Generator Owner (GO) and Generator Operator (GOP) functions within NERC. As such, NAES is currently registered as the GO and GOP for Wansley Unit 9, thereby reducing MEAG Power's exposure to FERC 693 and FERC 706 compliance risk and associated monetary penalty risk.

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 required 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 did 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. MEAG Power continues to monitor regulatory actions related to Order No. 1000 and 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 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 2022 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 Georgia, Florida and the State of Alabama (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 March 30, 2017, released the final revised water allocation plan for the ACF. The ACT revised water allocation plan has been challenged in three separate federal lawsuits filed by Georgia, the Atlanta Regional Commission (ARC), the Cobb County-Marietta Water Authority, Alabama, and Alabama Power Company (an affiliate of GPC), with several Alabama municipalities also intervening. The ACF revised water allocation plan has been challenged in two federal lawsuits filed by Alabama and three environmental groups, and Georgia, ARC, and several metropolitan Atlanta area water providers have intervened in the lawsuits to defend the Army Corps' decision. Because both water allocation plans have been challenged by interested parties, it is currently unclear what effect, if any, the result of such finalized water allocation plans may have on the financial condition of MEAG Power.

In October 2013, 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 Army Corps, the special master was not persuaded that the Supreme Court could provide Florida with the relief it sought.

On June 27, 2018, the Supreme Court ruled that the special master had erred by applying a "clear and convincing evidence" standard in arriving at his recommendation that the Supreme Court would not be able to fashion an appropriate equitable decree to rule in Florida's behalf. Instead, it found that Florida had made a legally sufficient showing as to the possibility of fashioning an effective remedial decree. But, the Supreme Court further held that Florida would be entitled to such a decree only if it demonstrated that the benefits of apportionment substantially outweighed the harm that might result. It therefore remanded the matter back to the special master for additional findings applying the correct standard of evidence.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2019 and 2018

On August 9, 2018, the Supreme Court appointed a senior federal judge to replace the special master in presiding over this case.

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.

Based upon the record developed at trial as well as written and oral argument by the parties, the special master filed a report on December 11, 2019 recommending that the Supreme Court deny Florida's request for a decree equitably apportioning the waters of the ACF Basin on the grounds that the evidence did not show harm to Florida caused by Georgia. The special master also concluded that the evidence demonstrated that Georgia's water use was reasonable and further determined that the evidence did not demonstrate that the benefits of apportionment would outweigh the potential harms.

Other than the litigation involving JEA, as discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Litigation and Other Matters," 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.

MEAG Power has facilitated, through its Distribution Lease Financing Policy, lease transactions with four of the Participants in order to finance the costs of the acquisition, construction, replacement and installation of certain extensions and improvements to the Participant's electrical system. These obligations are secured by a pledge of rentals to be received from lease agreements between MEAG Power and the applicable Participant. The lease transactions do not constitute a debt or pledge of the faith and credit of MEAG Power, and accordingly have not been reported in the accompanying financial statements. As of December 31, 2019, the balance outstanding pertaining to the lease transactions totaled \$2.6 million.

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 30, 2020 and reports the following:

- COVID-19 has been declared a pandemic by the World Health Organization and the CDCP and has spread globally, including throughout the United States. In response, many states, including Georgia, have instituted restrictions on travel, public gatherings and certain business operations. These restrictions have significantly disrupted economic activity in the service territories of MEAG Power's Participants and have caused volatility in capital markets. The effects of the continued outbreak of COVID-19 and related government responses could include extended disruptions to supply chains and capital markets, reduced labor availability and productivity and a prolonged reduction in economic activity. These effects could have a variety of adverse impacts on MEAG Power and its Participants, including reduced demand for energy, particularly from commercial and industrial customers of the Participants, and impairment of the ability of MEAG Power to develop, construct and operate facilities and to access funds from financial institutions and capital markets and, therefore, could affect the ability of the Participants to make full and timely payment of MEAG Power's billings to them.

In particular, these effects have caused disruption of construction, testing, supervisory and support activities at Vogtle Units 3&4 (see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Cost and Schedule") and could cause similar effects on the operation of other generating assets of MEAG Power.

Because the effects of COVID-19 essentially started in the United States in March 2020 and the duration and the breadth of the effects of COVID-19 are not yet known, the total economic impact on MEAG Power and its Participants, including electric power revenues and cash flows, cannot be determined at this time.

- Certain other 2020 developments are discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities," Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Credit Agreements and Other Short-Term Debt" and Note 8, "Commitments and Contingencies — Long Term Purchases and Sales of Power" and "— Environmental Regulation" within that Note.

# Required Supplementary Information (Unaudited)

## 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):

	2019	2018	2017	2016	2015
<i>Total pension liability</i>					
Service cost	\$ 703	\$ 769	\$ 795	\$ 904	\$ 1,012
Interest on the total pension liability	4,334	4,189	4,152	4,040	3,738
Difference between expected and actual experience	295	(183)	(212)	(661)	362
Assumption changes	1,277	(136)	(915)	(273)	(134)
Benefit payments	(2,883)	(2,557)	(2,540)	(2,269)	(1,938)
Net change in total pension liability	3,726	2,082	1,280	1,741	3,040
Total pension liability — beginning of year	59,202	57,120	55,840	54,099	51,059
Total pension liability — end of year (a)	62,928	59,202	57,120	55,840	54,099
<i>Plan fiduciary net position</i>					
MEAG Power contributions	775	775	3,141	934	8,500
Net investment income	12,594	(2,643)	8,098	3,969	325
Benefit payments	(2,883)	(2,557)	(2,540)	(2,269)	(1,938)
Administrative expenses	—	—	—	—	—
Net change in plan fiduciary net position	10,486	(4,425)	8,699	2,634	6,887
Plan fiduciary net position — beginning of year	60,160	64,585	55,886	53,252	46,365
Plan fiduciary net position — end of year (b)	70,646	60,160	64,585	55,886	53,252
Net pension liability — ending (a)–(b)	\$(7,718)	\$ (958)	\$(7,465)	\$ (46)	\$ 847
Plan fiduciary net position as a percentage of total pension liability	112.26%	101.62%	113.07%	100.08%	98.43%
Covered payroll	\$ 9,836	\$10,664	\$10,922	\$11,230	\$11,013
Net pension liability as a percentage of covered payroll	-78.46%	-8.98%	-68.35%	-0.41%	7.69%

### Schedule of Employer Contributions to the Pension Plan

Pursuant to Statement 68, a 10-year history of the following 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 Payroll	Actual Contributions as a Percent of Covered Payroll
2019	\$ —	\$ 775	\$ (775)	\$ 9,836	7.88%
2018	\$ —	\$ 775	\$ (775)	\$10,664	7.27%
2017	\$ 637	\$ 3,141	\$(2,504)	\$10,922	28.76%
2016	\$ 900	\$ 934	\$ (34)	\$11,230	8.32%
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 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.



# Required Supplementary Information (Unaudited)

## OPEB

### Schedule of Changes in Total OPEB Liability and Related Ratios

Pursuant to Statement 75, 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):

	2019	2018	2017
<i>Total OPEB liability</i>			
Service cost	\$ 235	\$ 262	\$ 226
Interest	384	363	394
Changes of benefit terms	—	—	—
Differences between expected and actual experiences	177	(715)	244
Benefit payments	(356)	(335)	(298)
Changes of assumptions or other inputs	2,132	(757)	156
Net change in total OPEB liability	2,572	(1,182)	722
Total OPEB liability — beginning of year	9,538	10,720	9,998
Total OPEB liability — end of year	<b>\$12,110</b>	\$ 9,538	\$10,720
Covered employee payroll	<b>\$15,512</b>	\$15,030	\$14,632
Total OPEB liability as a percentage of covered payroll	<b>78.07%</b>	63.46%	73.26%

#### Notes to Schedule:

- The Plan has no trust for accumulating assets.
- The discount rate decreased from 4.10% to 2.74% and the mortality projection scale was updated to the PUB-2010 General Employees Mortality table, reflecting the MP-2019.

## TO THE BOARD OF DIRECTORS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

We have audited the accompanying financial statements of the business-type activities, the Project One major fund, the General Resolution Projects major fund, the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund, the Municipal Competitive Trust major fund, and the Telecom Project aggregate nonmajor fund of Municipal Electric Authority of Georgia (“MEAG Power”) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise MEAG Power’s basic financial statements as listed in the table of contents.

### 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, the Project One major fund, the General Resolution Projects major fund, the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund, the Municipal Competitive Trust major fund, and the Telecom Project aggregate nonmajor fund of Municipal Electric Authority of Georgia as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof 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 22 through 27, schedule of changes in net pension liability and related ratios on page 84, schedule of employer contributions to the pension plan on page 84 and schedule of changes in total OPEB liability and related ratios on page 85 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.

*Pricewaterhouse Coopers LLP*

Atlanta, Georgia  
April 30, 2020