



# **Municipal Electric Authority of Georgia**

## **ANNUAL INFORMATION STATEMENT**

**For The Fiscal Year Ended December 31, 2017**

The following documents (collectively, the “Annual Information Statement”) set forth certain information concerning MEAG Power (including, among other things, MEAG Power’s outstanding debt, its Projects, certain of its Participants and its audited consolidated financial statements for its fiscal years 2017 and 2016). The information contained in the Annual Information Statement speaks only as of the date thereof, and MEAG Power assumes no duty to update any information contained in the Annual Information Statement.

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

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

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

# **ANNUAL INFORMATION STATEMENT**

**Dated June 27, 2018**

**of**

**MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**



**For the Fiscal Year Ended December 31, 2017**

(Prepared pursuant to certain continuing disclosure undertakings  
relating to the Bonds listed on Schedule I hereto)

As filed with the  
Municipal Securities Rulemaking Board  
through such Board's  
Electronic Municipal Market Access ("EMMA") website

# Municipal Electric Authority of Georgia

1470 Riveredge Parkway, N.W.  
Atlanta, Georgia 30328  
(770) 563-0300

## *Members*

Gregory P. Thompson, *Chairman*  
Terrell D. Jacobs, *Vice Chairman*  
R. Steve Tumlin, Jr., *Secretary-Treasurer*

Patrick C. Bowie, Jr.  
L. Keith Brady  
L. Timothy Houston, Sr.

Steve A. Rentfrow  
Larry M. Vickery  
William J. Yearta

## *President and Chief Executive Officer*

James E. Fuller

*Senior Vice President,  
General Counsel*

Peter M. Degnan, Esq.

*Senior Vice President,  
Chief Financial Officer*

Edward E. Easterlin

*Senior Vice President,  
Chief Operating Officer*

Steven M. Jackson

*Vice President,  
Chief Administrative Officer*

Douglas K. Lego

## *Bond Counsel*

ORRICK, HERRINGTON & SUTCLIFFE LLP  
New York, New York

## *Special Tax Counsel*

NIXON PEABODY LLP  
Washington, D.C.

## *Financial Advisor*

PUBLIC FINANCIAL MANAGEMENT, INC.  
Philadelphia, Pennsylvania

## *Independent Auditors*

PRICEWATERHOUSECOOPERS LLP  
Atlanta, Georgia

## *Participants*

Acworth  
Adel  
Albany  
Barnesville  
Blakely  
Brinson  
Buford  
Cairo  
Calhoun  
Camilla  
Cartersville  
College Park

Commerce  
Covington  
Crisp County  
Doerun  
Douglas  
East Point  
Elberton  
Ellaville  
Fairburn  
Fitzgerald  
Forsyth  
Fort Valley

Grantville  
Griffin  
Hogansville  
Jackson  
LaFayette  
LaGrange  
Lawrenceville  
Mansfield  
Marietta  
Monroe  
Monticello  
Moultrie

Newnan  
Norcross  
Oxford  
Palmetto  
Quitman  
Sandersville  
Sylvania  
Sylvester  
Thomaston  
Thomasville  
Washington  
West Point  
Whigham

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTORY STATEMENT .....	1
MEAG Power.....	1
The Projects.....	4
The Participants.....	10
Cautionary Statements Regarding Forward-Looking Information .....	14
Other.....	16
MEAG POWER.....	17
History.....	17
General.....	17
Bulk Power Supply Operations.....	19
Power and Energy Requirements/Resources.....	52
Rates and Charges to Participants .....	53
Regulation .....	55
Enterprise Risk Management .....	64
Asset/Liability Management Policy .....	64
Fuel Risk Management Policy .....	65
COMPETITION .....	65
Current Competition in MEAG Power Service Area.....	65
Certain Responses of MEAG Power to Competition.....	66
Certain Factors Affecting the Electric Utility Industry .....	72
SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA .....	77
Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	78
Rating Triggers and Other Factors That Could Affect MEAG Power’s Liquidity, Results of Operations or Financial Condition.....	78
CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS.....	84
Capital Improvements Program .....	84
Financing Program .....	86
Security for MEAG Power’s Senior Bonds .....	105
Security for MEAG Power’s Subordinated Bonds .....	111
Security for MEAG Power’s CC Bonds .....	113
Security for MEAG Power’s Project M Bonds.....	118
Security for MEAG Power’s Project J Bonds.....	122
Security for MEAG Power’s Project P Bonds .....	132
THE PARTICIPANTS.....	139
General.....	139
Generation and Transmission Entitlement Shares – Project One.....	141
Obligation Shares of the Participants – Existing General Resolution Projects.....	142
Obligation Shares of the Participants – CC Project .....	143
Obligation Shares of the Participants – Vogtle Units 3&4 Projects.....	146
Obligation Shares of the Participants – Telecommunications Project .....	147
Power and Energy Requirements .....	147
Costs of Power to Participants .....	147
Selected Historical Information .....	147
VOGTLE UNITS 3&4 INITIAL POWER PURCHASERS .....	148
JEA.....	148
PowerSouth .....	149
CO-OWNERS OF THE GENERATING UNITS.....	149
General.....	149
Georgia Power Company .....	150

## **TABLE OF CONTENTS (con't.)**

	<b><u>Page</u></b>
Oglethorpe Power Corporation .....	151
LITIGATION.....	151
SOURCES OF CERTAIN INFORMATION .....	152
MISCELLANEOUS .....	153
SCHEDULE I    MEAG Power Bonds Subject to Continuing Disclosure Undertakings .....	SCH-I-1
APPENDIX A    Financial Statements and Independent Auditor's Report .....	A-1
APPENDIX B    Summaries of Annual Debt Service on Outstanding Bonds and DOE Guaranteed Loans .....	B-1
APPENDIX C    Selected Historical Information on Certain Participants of MEAG Power .....	C-1
APPENDIX D    Summary of Power Sales Contracts .....	D-1
APPENDIX E    Summary of Project Agreements.....	E-1
APPENDIX F    Summary of Project One Resolution and General Resolution Projects Resolution .....	F-1
APPENDIX G    Summary of Project One Subordinated Resolution and General Resolution Projects Subordinated Resolution.....	G-1
APPENDIX H    Summary of Combined Cycle Power Sales Contracts .....	H-1
APPENDIX I    Summary of Combined Cycle Project Bond Resolution .....	I-1
APPENDIX J    Summary of Vogtle Units 3&4 PPAs .....	J-1
APPENDIX K    Summary of Vogtle Units 3&4 Power Sales Contracts .....	K-1
APPENDIX L    Summary of Vogtle Units 3&4 Project Agreements .....	L-1
APPENDIX M    Summary of Vogtle Units 3&4 Bond Resolutions .....	M-1
APPENDIX N    Summary of Vogtle Units 3&4 Power Purchase Agreements .....	N-1
APPENDIX O    Summary of Certain Federal Loan Documents .....	O-1
APPENDIX P    Summary of Telecommunications Contracts.....	P-1
APPENDIX Q    CC Project Participants Annual Gross Debt Service Responsibilities .....	Q-1

## INTRODUCTORY STATEMENT

### MEAG Power

#### *General*

The Municipal Electric Authority of Georgia (“MEAG Power”) was created by the State of Georgia for the purpose of acquiring and/or constructing, and operating or causing to be operated, electric generation and transmission facilities to supply bulk electric power to political subdivisions of the State of Georgia which owned and operated electric distribution systems as of March 18, 1975 and which elected to contract with MEAG Power for the purchase of wholesale power. MEAG Power currently provides bulk electric power to 48 cities and one county in the State of Georgia (the “Participants”) pursuant to separate power sales contracts with each Participant.

MEAG Power’s assets include ownership interests in ten 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 ten 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, 8 MW of combustion turbine capacity and 503 MW of combined cycle capacity. Additionally, MEAG Power owns transmission facilities that, together with those of other utilities, form a statewide, integrated transmission system (the “ITS”).

#### *Vogtle Units 3&4*

MEAG Power also acquired an ownership interest in two additional nuclear generating units under construction, Units 3 and 4, located at Generation Station Vogtle (“Vogtle Units 3&4”), representing approximately 500 MW of nominally rated generating capacity. In order to provide a source of financing for its interest in Vogtle Units 3&4 and augment its financing alternatives, in 2008 MEAG Power submitted an application to the U.S. Department of Energy (“DOE”) for loans guaranteed by DOE pursuant to the Federal loan guarantee solicitation for nuclear projects employing new or significantly improved technology issued under Title XVII of the Energy Policy Act of 2005, as amended (the “2005 Energy Policy Act”).

On June 24, 2015, in order to permit the Vogtle Units 3&4 Project Entities (hereinafter defined) to obtain the initial DOE-guaranteed loans (hereinafter referred to individually as a “DOE Guaranteed Loan” and, collectively, as the “DOE Guaranteed Loans”), MEAG Power divided its undivided ownership interest in Vogtle Units 3&4 into three separate undivided interests (respectively, the “Project M Entity’s Ownership Interest,” the “Project J Entity’s Ownership Interest” and the “Project P Entity’s Ownership Interest” and, collectively, the “Vogtle Units 3&4 Project Entities’ Ownership Interests”) and transferred such interests as follows:

- it transferred approximately 33.871 percent of its ownership interest, representing 169.458 MW of nominally rated generating capacity (which is the portion of its ownership interest attributable to Project M (hereinafter defined)), to MEAG Power SPVM, LLC, a limited liability company organized and existing under the laws of the State of Georgia (the “Project M Entity”), of which MEAG Power is the sole member;
- it transferred approximately 41.175 percent of its ownership interest, representing 206.000 MW of nominally rated generating capacity (which is the portion of its ownership interest attributable to Project J (hereinafter defined)), to MEAG Power SPVJ, LLC, a limited liability company organized and existing under the laws of the State of Georgia (the “Project J Entity”), of which MEAG Power is the sole member; and

- it transferred approximately 24.955 percent of its ownership interest, representing 124.850 MW of nominally rated generating capacity (which is the portion of its ownership interest attributable to Project P (hereinafter defined)), to MEAG Power SPVP, LLC, a limited liability company organized and existing under the laws of the State of Georgia (the “Project P Entity” and, together with the Project M Entity and the Project J Entity, the “Vogtle Units 3&4 Project Entities”), of which MEAG Power is the sole member.

As more fully described under “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – DOE Guaranteed Loans*” herein, under the Amended and Restated Project M Bond Resolution, the Amended and Restated Project J Bond Resolution and the Amended and Restated Project P Bond Resolution (as such terms are hereinafter defined), it was a condition to those transfers (and to the various other actions required in order to permit the Vogtle Units 3&4 Project Entities to obtain the DOE Guaranteed Loans) that each rating agency then maintaining a rating for the Vogtle Units 3&4 Bonds (hereinafter defined) notify MEAG Power in writing of the rating(s) that will apply to the Vogtle Units 3&4 Bonds following such transfers and other actions, which rating(s), as a result of such transfers and other actions, could not be lower than such rating agency’s rating(s) on the outstanding Vogtle Units 3&4 Bonds then in effect (without regard to any third-party credit enhancement). In May 2015, Fitch Ratings (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”) and Standard & Poor’s Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) each notified MEAG Power in writing to the effect that such transfers and other actions will not result in a reduction, withdrawal or suspension of each such rating agency’s ratings on the outstanding Vogtle Units 3&4 Bonds then in effect (without regard to any third-party credit enhancement).

In contemplation of the transfers described above, MEAG Power and each Vogtle Units 3&4 Project Entity entered into a take-or-pay, “hell or high water” Wholesale Power Sales Agreement, dated as of December 31, 2014 (respectively, the “Project M Power Purchase Agreement,” the “Project J Power Purchase Agreement” and the “Project P Power Purchase Agreement” and, collectively, the “Vogtle Units 3&4 Power Purchase Agreements”), pursuant to which (a) MEAG Power is entitled to all of the capacity and output of the respective Vogtle Units 3&4 Project Entity’s Ownership Interest in Vogtle Units 3&4 and (b) MEAG Power is obligated to pay to such Vogtle Units 3&4 Project Entity all of its costs and expenses (including, without limitation, debt service on such Vogtle Units 3&4 Project Entity’s DOE Guaranteed Loan, except as provided in the Project J and Project P DOE Loan Guarantee Agreements during a Standstill Period (as such terms are hereinafter defined)) in connection with the ownership and operation of such Vogtle Units 3&4 Project Entity’s Ownership Interest in Vogtle Units 3&4. See “SUMMARY OF VOGTLE UNITS 3&4 POWER PURCHASE AGREEMENTS” in APPENDIX N hereto for a summary of certain provisions of the Vogtle Units 3&4 Power Purchase Agreements. 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 Vogtle Units 3&4 Project Entity’s Ownership Interest in Vogtle Units 3&4, but does not include such Ownership Interest.

### ***Key Recent Developments with Respect to Vogtle Units 3&4***

Key recent developments pertaining to Vogtle Units 3&4 are outlined below. For additional information and definitions of certain terms, see “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects*” herein.

- On March 29, 2017, Westinghouse Electric Company LLC (“Westinghouse”) and WECTEC (hereinafter defined) each filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.
- Utilizing interim agreements between the Contractor and the Vogtle Co-Owners, construction of Vogtle Units 3&4 continued while a comprehensive schedule, cost-to-complete and cancellation assessment was completed by Georgia Power Company (“GPC”) and the other Vogtle Co-Owners.

- Toshiba paid its full obligation under the Guarantee Settlement Agreement of \$3.68 billion during the fourth quarter of 2017, of which the Vogtle Units 3&4 Project Entities received their aggregate share of \$835.4 million.
- MEAG Power, along with the other Vogtle Co-Owners, supports completion of the Vogtle Units 3&4 project with Southern Nuclear as the project manager, Westinghouse and WECTEC providing engineering services and Bechtel Power Corporation (“Bechtel”) as the primary construction contractor.
- On December 21, 2017, the Georgia Public Service Commission (“GPSC”) unanimously approved (and issued its related order on January 11, 2018) GPC’s recommendation to complete construction of Vogtle Units 3&4.
- MEAG Power expects that, based on the current estimated 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 approximately \$5.8 billion, including construction costs, 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 \$6.2 billion, which will require approximately \$1.8 billion of additional funding. These amounts reflect the Vogtle Units 3&4 Project Entities’ aggregate share of the payments received from Toshiba under the Guarantee Settlement Agreement.
- On November 2, 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. Under the amended agreements, the holders of at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue construction if certain events occur, including an increase in the construction budget contained in the VCM 17 Report of more than \$1 billion or extension of the project schedule contained in the VCM 17 Report of more than one year. 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 Vogtle Services Agreement with Westinghouse and WECTEC entered into by GPC, acting for itself and as agent for the other Vogtle Co-Owners, became effective on July 27, 2017. Under the Vogtle Services Agreement, Westinghouse and WECTEC will provide design engineering and other services to support completion of Vogtle Units 3&4.
- The Construction Agreement with Bechtel entered into by GPC, acting for itself and as agent for the other Vogtle Co-Owners, became effective on October 23, 2017. Under the Construction Agreement, Bechtel will serve as the primary contractor for the remaining construction activities for Vogtle Units 3&4.
- On September 28, 2017, DOE offered MEAG Power and the Vogtle Units 3&4 Project Entities a conditional commitment (the “Additional DOE Conditional Commitment”) of up to \$414.7 million in additional loan guarantees (collectively, the “Additional DOE Guaranteed Loans”), which expires on September 30, 2018 (subject to extension at the sole discretion of DOE), toward construction of the Vogtle Units 3&4 Project Entities’ respective shares of Vogtle Units 3&4.
- The U.S. Internal Revenue Service allocated production tax credits (“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.

- On February 12, 2018, Georgia Interfaith Power & Light, Inc. and Partnership for Southern Equity, Inc. filed a petition appealing the GPSC's January 11, 2018 order with the Superior Court of Fulton County, Georgia. GPC has reported that it believes the appeal has no merit; however, an adverse outcome in this appeal could have a material impact on MEAG Power's results of operations, financial condition, and liquidity. On March 8, 2018, Georgia Watch also requested judicial review of the GPSC's January 11, 2018 order by the Superior Court of Fulton County, Georgia.
- PowerSouth has expressed its full support for MEAG Power staff's position that construction of Vogtle Units 3&4 should be completed. In recent correspondence, JEA affirmed that it would continue to perform its obligations under Project J PPA. MEAG Power responded by letter dated March 15, 2018 indicating that it was pleased with JEA's reaffirmation and advising JEA that MEAG Power would proceed with completion financing for Project J.

### ***Additional DOE Guaranteed Loans***

As mentioned above, on September 28, 2017, DOE offered MEAG Power and the Vogtle Units 3&4 Project Entities the Additional DOE Conditional Commitment, which expires on September 30, 2018 (subject to extension at the sole discretion of DOE). MEAG Power and DOE currently are negotiating amendments to the Vogtle Units 3&4 Project Entities' DOE Loan Guarantee Agreements (hereinafter defined) and certain other Federal Loan Documents (hereinafter defined) in order to provide for the Additional DOE Guaranteed Loans.

Final approval and issuance by DOE of the Additional DOE Guaranteed Loans cannot be assured and are subject to the negotiation of definitive agreements, completion of due diligence by DOE, receipt of any necessary regulatory approvals, and satisfaction of other conditions.

### **The Projects**

MEAG Power's ownership interests in nine of the ten generating units that have been placed in service were acquired from GPC and are included in four separate "projects" established by MEAG Power as described below.

MEAG Power's first project ("Project One"), acquired in 1977 and in subsequent transactions, consists of 17.7 percent ownership interests in Generation Station Hatch and Generation Station Vogtle, each consisting of two nuclear generating units and common facilities, 10.0 percent ownership interests in the two coal-fired generating units and common facilities at Generation Station Wansley, including the Generation Station Wansley Combustion Turbine, 10.0 percent ownership interests in two of the four coal-fired generating units (Generation Station Scherer Unit Nos. 1 and 2) and 5.0 percent ownership interests in the common facilities at Generation Station Scherer, certain transmission system facilities and working capital. MEAG Power's ownership interests included in Project One represent a total of 693 MW of nominally rated nuclear capacity, 335 MW of nominally rated coal-fired capacity and 5 MW of combustion turbine capacity. GPC, Oglethorpe Power Corporation (an Electric Membership Corporation) ("OPC") and the City of Dalton, Georgia ("Dalton") are co-owners with MEAG Power of the generating units. GPC has contracted to operate and maintain these jointly-owned facilities as agent for the respective co-owners, including MEAG Power.

GPC, Georgia Transmission Corporation (an Electric Membership Corporation) (“GTC”), formerly OPC’s transmission division, and Dalton each own transmission system facilities that, together with MEAG Power’s transmission system facilities, form the ITS. MEAG Power and each other entity may use all transmission system facilities included in the ITS, regardless of ownership, in serving its customers.

MEAG Power’s second project (“Project Two”), acquired in 1978 and in subsequent transactions, consists of additional 5.1 percent ownership interests in the two coal-fired generating units and the common facilities at Generation Station Wansley, including the Generation Station Wansley Combustion Turbine, additional 5.1 percent ownership interests in Generation Station Scherer Unit Nos. 1 and 2 and an additional 2.55 percent ownership interest in the common facilities at Generation Station Scherer and working capital. MEAG Power’s third project (“Project Three”), acquired in 1980, consists of additional 15.1 percent ownership interests in Generation Station Scherer Unit Nos. 1 and 2 and an additional 7.55 percent ownership interest in the common facilities at Generation Station Scherer and working capital. MEAG Power’s fourth project (“Project Four” and, together with Project Two and Project Three, the “Existing General Resolution Projects”), acquired in 1984, consists of additional 5.0 percent ownership interests in the original two nuclear generating units and the common facilities at Generation Station Vogtle and working capital. MEAG Power’s generating interests in the Existing General Resolution Projects represent a total of 115 MW of nominally rated nuclear capacity, 415 MW of nominally rated coal-fired capacity and 3 MW of combustion turbine capacity.

MEAG Power is obligated to pay its share of the costs of acquisition and construction of certain capital additions required for the generating units in such Projects and for the ITS. See “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Capital Improvements Program” herein. These additions, which are referred to in the Project One Resolution hereinafter referred to as “Additional Facilities” and in the General Resolution Projects Resolution hereinafter referred to as “Capital Improvements,” generally consist of reload nuclear fuel and major additions, renewals, replacements, repairs and betterments, including transmission system facilities to be acquired as part of Project One. See “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Definitions” in APPENDIX F hereto for a more complete definition of the term “Additional Facilities.” For purposes of this Annual Information Statement, other than the description of the Project One Resolution contained herein, all items included in such definition of “Additional Facilities” are referred to herein for convenience as “Capital Improvements.”

On June 1, 2004, MEAG Power’s CC Project (hereinafter defined) began commercial operation. The CC Project is a separate project from Project One and the Existing General Resolution Projects, as described above. See “MEAG POWER – Bulk Power Supply Operations – *The Combined Cycle Project*” herein. The CC Project, which is owned solely by MEAG Power, is a gas-fired and steam driven combined cycle power plant with a nominal summer capacity of 503 MW. The CC Project is located at Generation Station Wansley.

MEAG Power, through the Vogtle Units 3&4 Project Entities, also is a participant, along with GPC, OPC and Dalton, in Vogtle Units 3&4. Vogtle Units 3&4 will consist of two Westinghouse AP1000 reactors, each with a nominally rated generating capacity of 1,102 MW. MEAG Power’s ownership interest in Vogtle Units 3&4 was 22.7 percent, representing 500.308 MW of nominally rated generating capacity. MEAG Power structured its ownership interest in Vogtle Units 3&4 into three separate projects. The first project (“Project M”) comprised approximately 33.871 percent of MEAG Power’s ownership interest, representing 169.458 MW of generating capacity based upon the nominal rating of Vogtle Units 3&4. The second project (“Project J”) comprised approximately 41.175 percent of MEAG Power’s ownership interest, representing 206.000 MW of generating capacity based upon the nominal rating of Vogtle Units 3&4. Lastly, the third project (“Project P”) comprised approximately 24.955 percent of MEAG Power’s ownership interest, representing 124.850 MW of generating capacity based upon the nominal rating of Vogtle Units 3&4. Project M, Project J and Project P are collectively referred to herein as the “Vogtle Units 3&4 Projects.” See “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects*” herein. As more fully described under “MEAG Power – *Vogtle Units 3&4*” above, on June 24, 2015, MEAG Power transferred its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project

Entities. As a result of its entry into the Vogtle Units 3&4 Power Purchase Agreements, MEAG Power is entitled to all of the capacity and output of each Vogtle Units 3&4 Project Entity's Ownership Interest in Vogtle Units 3&4, and the Vogtle Units 3&4 Projects now include all of MEAG Power's right, title and interest in and to the capacity and output of such Ownership Interests.

On February 10, 2012, Southern Nuclear Operating Company ("Southern Nuclear"), an affiliate of GPC and the operating agent for Vogtle Units 3&4, and the Original Vogtle Co-Owners (hereinafter defined) received the combined construction and operating licenses (the "COLs") for Vogtle Units 3&4 from the U.S. Nuclear Regulatory Commission (the "NRC"). The COLs allowed for full construction to begin on Vogtle Units 3&4. There have been technical and procedural challenges to the construction and licensing of Vogtle Units 3&4, at the federal and state level, and additional challenges may arise as construction proceeds. Legal challenges filed immediately after COL issuance have been dismissed by court order for lack of merit. See "MEAG Power – *Key Recent Developments with Respect to Vogtle Units 3&4*" above for a discussion of certain key recent developments pertaining to Vogtle Units 3&4. See also "MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – Description of Vogtle Units 3&4*" herein.

Project One has been financed pursuant to the Power Revenue Bond Resolution adopted by MEAG Power on August 30, 1976, as supplemented, amended and restated (the "Project One Resolution"), through the issuance of both senior lien bonds and subordinated lien bonds. To the extent not paid from revenues or other sources, the costs of Capital Improvements to Project One will be financed under the Project One Resolution. All senior lien bonds and subordinated lien bonds heretofore or hereafter issued under the Project One Resolution are referred to herein as "Project One Senior Bonds" and "Project One Subordinated Bonds," respectively. Such Project One Subordinated Bonds have been issued pursuant to the Project One Subordinated Bond Resolution adopted by MEAG Power on October 20, 1982, as supplemented and amended (the "Project One Subordinated Resolution"), which is supplemental to the Project One Resolution.

On December 16, 2011, MEAG Power adopted the following resolutions for the purpose of making certain amendments to the Project One Resolution: (i) the Second Amended and Restated Power Revenue Bond Resolution (the "Amended and Restated Project One Resolution"); and (ii) the Supplemental Resolution Adopted December 16, 2011 Amending the Power Revenue Bond Resolution, As The Same Is To Be Amended And Restated By The Second Amended and Restated Power Revenue Bond Resolution (the "Project One Amendatory Supplemental Resolution"). On March 8, 2017, MEAG Power caused to be published notice to the effect that the conditions precedent to the effectiveness of the various amendments to the Project One Resolution contained in the Amended and Restated Project One Resolution had been satisfied. As a result, all references in this Annual Information Statement to the Project One Resolution (including, without limitation, the summary thereof set forth in "SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION" in APPENDIX F hereto) refer to the Project One Resolution as the same has been amended by the amendments thereto contained in the Amended and Restated Project One Resolution. Subject to the satisfaction of certain conditions set forth in the Project One Resolution, the various amendments contained in the Project One Amendatory Supplemental Resolution will become effective on the date on which all Project One Senior Bonds Outstanding under (and as defined in) the Project One Resolution at December 16, 2011 (the date of adoption of the Project One Amendatory Supplemental Resolution) cease to be Outstanding thereunder. See "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power's Senior Bonds – *Proposed Amendments to the Project One Resolution and the General Resolution Projects Resolution*" herein. At such time as such amendments become effective, they will apply to all Project One Senior Bonds then Outstanding.

The Existing General Resolution Projects have been financed pursuant to the General Power Revenue Bond Resolution adopted by MEAG Power on March 22, 1978 and readopted on April 19, 1978, as supplemented, amended and restated (the "General Resolution Projects Resolution"), through the issuance of both senior lien bonds and subordinated lien bonds. To the extent not paid from revenues or other sources, the costs of Capital Improvements to the Existing General Resolution Projects will be

financed under the General Resolution Projects Resolution. All senior lien bonds and subordinated lien bonds heretofore or hereafter issued under the General Resolution Projects Resolution are referred to herein as “General Resolution Projects Senior Bonds” and “General Resolution Projects Subordinated Bonds,” respectively. Such General Resolution Projects Subordinated Bonds have been issued pursuant to the General Resolution Projects Subordinated Bond Resolution adopted by MEAG Power on November 1, 1985, as supplemented and amended (the “General Resolution Projects Subordinated Resolution”), which is supplemental to the General Resolution Projects Resolution.

On December 16, 2011, MEAG Power adopted the following resolutions for the purpose of making certain amendments to the General Resolution Projects Resolution: (i) the Second Amended and Restated General Power Revenue Bond Resolution (the “Amended and Restated General Resolution Projects Resolution”); and (ii) the Supplemental Resolution Adopted December 16, 2011 Amending the General Power Revenue Bond Resolution, As The Same Is To Be Amended And Restated By The Second Amended and Restated General Power Revenue Bond Resolution (the “General Resolution Projects Amendatory Supplemental Resolution” and, together with the Project One Amendatory Supplemental Resolution, the “Amendatory Supplemental Resolutions”). On March 8, 2017, MEAG Power caused to be published notice to the effect that the conditions precedent to the effectiveness of the various amendments to the General Resolution Projects Resolution contained in the Amended and Restated General Resolution Projects Resolution had been satisfied. As a result, all references in this Annual Information Statement to the General Resolution Projects Resolution (including, without limitation, the summary thereof set forth in “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION” in APPENDIX F hereto) refer to the General Resolution Projects Resolution as the same has been amended by the amendments thereto contained in the Amended and Restated General Resolution Projects Resolution. Subject to the satisfaction of certain conditions set forth in the General Resolution Projects Resolution, the various amendments contained in the General Resolution Projects Amendatory Supplemental Resolution will become effective on the date on which all General Resolution Projects Senior Bonds Outstanding under (and as defined in) the General Resolution Projects Resolution at December 16, 2011 (the date of adoption of the General Resolution Projects Amendatory Supplemental Resolution) cease to be Outstanding thereunder. See “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power’s Senior Bonds – *Proposed Amendments to the Project One Resolution and the General Resolution Projects Resolution*” herein. At such time as such amendments become effective, they will apply to all General Resolution Projects Senior Bonds then Outstanding.

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 Superior Court of Fulton County, Georgia. Prior to the date hereof, MEAG Power has caused various principal amounts of its bonds to finance and refinance Project One and the Existing General Resolution Projects to be so confirmed and validated. On June 19, 2018, MEAG Power filed with the District Attorney of the Atlanta Judicial Circuit notice of its intention to issue the following bonds, in each case, to finance the cost of acquisition and construction of Capital Improvements to the applicable project and to refund Project One Senior Bonds and Project One Subordinated Bonds or General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds, as applicable: (a) \$4,706,900,000 in aggregate principal amount of Project One Senior Bonds and/or Project One Subordinated Bonds; (b) \$318,800,000 in aggregate principal amount of General Resolution Projects Senior Bonds and/or General Resolution Projects Subordinated Bonds for Project Two; (c) \$686,000,000 in aggregate principal amount of General Resolution Projects Senior Bonds and/or General Resolution Projects Subordinated Bonds for Project Three; and (d) \$392,100,000 in aggregate principal amount of General Resolution Projects Senior Bonds and/or General Resolution Projects Subordinated Bonds for Project Four. In addition, it is expected that the court will confirm and validate (i) the validity and enforceability of the Project One Resolution, as the same has been amended and restated by the Amended and Restated Project One Resolution and as the same will be amended further by the Project One Amendatory Supplemental Resolution, (ii) the validity and enforceability of the General Resolution Projects Resolution, as the same has been amended and restated by the Amended and Restated General Resolution Projects Resolution and as the same will be amended further by the General Resolution Projects Amendatory Supplemental Resolution and (iii) a method or formula for structuring debt service on Project One Senior Bonds, Project One Subordinated Bonds,

General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds that provides MEAG Power with additional flexibility in the structuring of such debt service. Assuming that such Court confirms and validates such aggregate principal amounts of such Bonds, MEAG Power expects that such aggregate principal amounts of such Bonds will enable it to satisfy its financing needs for Project One and the Existing General Resolution Projects through at least 2034.

The CC Project has been financed pursuant to the Combustion Turbine Project Bond Resolution adopted by MEAG Power on April 9, 2002 (the “CT Bond Resolution”), as supplemented, amended and restated (the “CC Bond Resolution”), including as supplemented, amended and restated by the Amended and Restated Combined Cycle Project Bond Resolution adopted by MEAG Power on July 18, 2003 (the “Amended and Restated CC Bond Resolution”), through the issuance of CC Project revenue bonds. All bonds heretofore or hereafter issued under the CC Bond Resolution (including bonds issued under the CT Bond Resolution prior to its amendment and restatement by the Amended and Restated CC Bond Resolution) are referred to herein as “CC Bonds.”

Project M is being financed, in part, pursuant to the Plant Vogtle Additional Units Non-PPA Project Bond Resolution adopted by MEAG Power on October 16, 2008 (the “Original Project M Bond Resolution”), as supplemented, amended and restated, including as supplemented, amended and restated (a) by the Amended and Restated Plant Vogtle Additional Units Non-PPA Project Bond Resolution adopted by MEAG Power on December 23, 2009 (the “Amended and Restated Project M Bond Resolution”) and (b) by the Second Amended and Restated Plant Vogtle Additional Units Non-PPA Project Bond Resolution adopted by MEAG Power on December 23, 2014 (the “Second Amended and Restated Project M Bond Resolution”; the Original Project M Bond Resolution, as so supplemented, amended and restated, is referred to herein as the “Project M Bond Resolution”), through the issuance of bonds, including bond anticipation notes and revenue bonds constituting “Build America Bonds” (“Build America Bonds”) for purposes of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). To the extent not paid from revenues or other sources (including, without limitation, the Project M Entity’s DOE Guaranteed Loan), the costs of acquisition and construction and financing costs of Project M will be financed under the Project M Bond Resolution. All bonds (including bond anticipation notes) heretofore or hereafter issued under the Project M Bond Resolution are referred to herein as “Project M Bonds.”

Project J is being financed, in part, pursuant to the Plant Vogtle Additional Units PPA Project Bond Resolution adopted by MEAG Power on October 16, 2008 (the “Original Project J Bond Resolution”), as supplemented, amended and restated, including as supplemented, amended and restated (a) by the Amended and Restated Plant Vogtle Additional Units PPA Project Bond Resolution adopted by MEAG Power on December 23, 2009 (the “Amended and Restated Project J Bond Resolution”) and (b) by the Second Amended and Restated Plant Vogtle Additional Units PPA Project Bond Resolution adopted by MEAG Power on December 23, 2014 (the “Second Amended and Restated Project J Bond Resolution”; the Original Project J Bond Resolution, as so supplemented, amended and restated, is referred to herein as the “Project J Bond Resolution”), through the issuance of bonds, including bond anticipation notes and Build America Bonds. To the extent not paid from revenues or other sources (including, without limitation, the Project J Entity’s DOE Guaranteed Loan), the costs of acquisition and construction and financing costs of Project J will be financed under the Project J Bond Resolution. All bonds (including bond anticipation notes) heretofore or hereafter issued under the Project J Bond Resolution are referred to herein as “Project J Bonds.”

Project P is being financed, in part, pursuant to the Plant Vogtle Additional Units PPA-2 Project Bond Resolution adopted by MEAG Power on October 16, 2008 (the “Original Project P Bond Resolution”), as supplemented, amended and restated, including as supplemented, amended and restated by (a) the Amended and Restated Plant Vogtle Additional Units PPA-2 Project Bond Resolution adopted by MEAG Power on December 30, 2009 (the “Amended and Restated Project P Bond Resolution”) and (b) the Second Amended and Restated Plant Vogtle Additional Units PPA-2 Project Bond Resolution adopted by MEAG Power on December 23, 2014 (the “Second Amended and Restated Project P Bond Resolution; the Original Project P Bond Resolution, as so supplemented, amended and restated, is referred to herein as the “Project P Bond Resolution”), through the issuance of bonds, including bond anticipation notes and

Build America Bonds. To the extent not paid from revenues or other sources (including, without limitation, the Project P Entity's DOE Guaranteed Loan), the costs of acquisition and construction and financing costs of Project P will be financed under the Project P Bond Resolution. All bonds (including bond anticipation notes) heretofore or hereafter issued under the Project P Bond Resolution are referred to herein as "Project P Bonds."

The Project M Bonds, the Project J Bonds and the Project P Bonds are collectively referred to herein as the "Vogtle Units 3&4 Bonds," and the Project M Bond Resolution, the Project J Bond Resolution and the Project P Bond Resolution are collectively referred to herein as the "Vogtle Units 3&4 Bond Resolutions."

In addition, MEAG Power has established a Telecommunications Project (hereinafter defined). See "COMPETITION – Certain Responses of MEAG Power to Competition – *Telecommunications Project*" herein. The Telecommunications Project was financed pursuant to the Telecommunications Project Revenue Bond Resolution adopted by MEAG Power on September 17, 1997, as supplemented, amended and restated (the "Telecommunications Bond Resolution"), through the issuance of Telecommunications Project revenue bonds. All bonds heretofore or hereafter issued under the Telecommunications Bond Resolution are referred to herein as "Telecommunications Bonds." On December 15, 2015, all of the Telecommunications Bonds then outstanding were paid at maturity. As a result, as of the date of this Annual Information Statement, no Telecommunications Bonds remain outstanding and the Telecommunications Bond Resolution has been cancelled and discharged. MEAG Power may issue additional Telecommunications Bonds in the future to finance capital improvements to the Telecommunications Project, but it has no current plans to do so.

The Project One Senior Bonds and Project One Subordinated Bonds are financially independent of the General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds, the CC Bonds, the Vogtle Units 3&4 Bonds and the Telecommunications Bonds. The revenues from Project One and the funds established under the Project One Resolution are not pledged as security for and are not to be applied to the payment of General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds, CC Bonds, Vogtle Units 3&4 Bonds or Telecommunications Bonds. Similarly, (a) the revenues from the Existing General Resolution Projects or any other projects financed under the General Resolution Projects Resolution and the funds established under the General Resolution Projects Resolution are not pledged as security for and are not to be applied to the payment of Project One Senior Bonds or Project One Subordinated Bonds, CC Bonds, Vogtle Units 3&4 Bonds or Telecommunications Bonds, (b) the revenues from the CC Project and the funds established under the CC Bond Resolution are not pledged as security for and are not to be applied to the payment of Project One Senior Bonds or Project One Subordinated Bonds, General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds, Vogtle Units 3&4 Bonds or Telecommunications Bonds, (c) the revenues from Project M and the funds established under the Project M Bond Resolution are not pledged as security for and are not to be applied to the payment of Project One Senior Bonds or Project One Subordinated Bonds, General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds, CC Bonds, Project J Bonds, Project P Bonds or Telecommunications Bonds, (d) the revenues from Project J and the funds established under the Project J Bond Resolution are not pledged as security for and are not to be applied to the payment of Project One Senior Bonds or Project One Subordinated Bonds, General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds, CC Bonds, Project M Bonds, Project P Bonds or Telecommunications Bonds, (e) the revenues from Project P and the funds established under the Project P Bond Resolution are not pledged as security for and are not to be applied to the payment of Project One Senior Bonds or Project One Subordinated Bonds, General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds, CC Bonds, Project J Bonds, Project M Bonds or Telecommunications Bonds, and (f) the revenues from the Telecommunications Project are not pledged as security for and are not to be applied to the payment of Project One Senior Bonds or Project One Subordinated Bonds, General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds, CC Bonds or Vogtle Units 3&4 Bonds. However, the payment obligations of each Participant under each power sales contract to which it is a party and, if such Participant is a Telecommunications Participant (hereinafter defined), under its Telecommunications Contract (hereinafter

defined), are on a parity with its payment obligations under its contracts with respect to each other project in which it is a participant. Therefore, as an economic matter, the operational and financial performance of one project of MEAG Power may affect the other projects due to the involvement of most of the Participants in all of the projects.

## **The Participants**

In 1975, MEAG Power entered into separate take-or-pay, “hell or high water” power sales contracts relating to Project One (collectively, the “Project One Power Sales Contracts”) with 47 of the Participants (the “Initial Participants”), which did not include the City of Oxford (“Oxford”) and the City of Acworth (“Acworth”). In 1978, 1980 and 1983, respectively, MEAG Power entered into separate take-or-pay, “hell or high water” power sales contracts relating to Project Two, Project Three and Project Four (the “Project Two Power Sales Contracts,” the “Project Three Power Sales Contracts” and the “Project Four Power Sales Contracts” and, together, the “Existing General Resolution Projects Power Sales Contracts”) with each of the Initial Participants. Under each such Power Sales Contract, MEAG Power has agreed to provide to the Initial Participant, and the Initial Participant has agreed to take from MEAG Power, in the case of Project One, a specified percentage of the output and services thereof and related reserve, emergency and interchange service, and, in the case of the Existing General Resolution Projects, such output and services thereof and related reserve, emergency and interchange service as may be available for the useful life thereof. Each Initial Participant’s payment obligations under its Power Sales Contracts are general obligations to the payment of which its full faith and credit are pledged. MEAG Power’s remedies under each Power Sales Contract include specific performance to compel the Initial Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder.

In addition, in 1986, MEAG Power entered into separate take-or-pay, “hell or high water” power sales contracts relating to Project One and the Existing General Resolution Projects with Oxford. Under each such power sales contract, MEAG Power has agreed to provide to Oxford, and Oxford has agreed to take from MEAG Power, in the case of Project One, a specified percentage of the output and services thereof and related reserve, emergency and interchange service, and, in the case of the Existing General Resolution Projects, such output and services thereof and related reserve, emergency and interchange service as may be available for the useful life thereof; provided, however, that in the case of Project One, such output and services to be taken by Oxford are provided *pro rata* from the shares of the Initial Participants, and in the case of Project Four, the Obligation Share assigned to Oxford is provided *pro rata* from the Obligation Shares of the Initial Participants. In each such case, the Initial Participants remain obligated for such *pro rata* shares. See “THE PARTICIPANTS – Generation and Transmission Entitlement Shares – Project One” and “– Obligation Shares of the Participants – Existing General Resolution Projects” herein. Oxford’s payment obligations under its power sales contracts are general obligations to the payment of which its full faith and credit are pledged. MEAG Power’s remedies under each power sales contract with Oxford include specific performance to compel Oxford to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder. For purposes of this Annual Information Statement, although each of Oxford’s power sales contracts is substantially identical to the Power Sales Contracts between MEAG Power and the Initial Participants relating to the applicable Project, (a) the term “Project One Power Sales Contracts” shall not include Oxford’s power sales contract with respect to Project One, (b) the term “Project Two Power Sales Contracts” shall include Oxford’s power sales contract with respect to Project Two, (c) the term “Project Three Power Sales Contracts” shall include Oxford’s power sales contract with respect to Project Three and (d) the term “Project Four Power Sales Contracts” shall not include Oxford’s power sales contract with respect to Project Four.

Furthermore, effective May 16, 2002, a take-or-pay, “hell or high water” power sales contract relating to Project One between MEAG Power and Acworth became effective. Under such power sales contract, MEAG Power has agreed to provide to Acworth, and Acworth has agreed to take from MEAG Power, a specified amount of the output and services of Project One and related reserve, emergency and interchange service; provided, however, that such output and services to be taken by Acworth are provided from the share of the output and services of Project One of the City of Sylvania (“Sylvania”), one of the Initial Participants, and Sylvania remains obligated for such amount. See “THE PARTICIPANTS –

Generation and Transmission Entitlement Shares – Project One” herein. Acworth’s payment obligation under its power sales contract is a general obligation to the payment of which its full faith and credit are pledged. MEAG Power’s remedies under such power sales contract with Acworth include specific performance to compel Acworth to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder. For purposes of this Annual Information Statement, although Acworth’s Project One power sales contract is substantially identical to the Project One Power Sales Contracts between MEAG Power and the Initial Participants, the term “Project One Power Sales Contracts” shall not include Acworth’s power sales contract with respect to Project One.

On February 4, 2004, the Georgia Supreme Court ruled that MEAG Power and the Participants could extend the term of the existing power sales contracts by either (1) amending the power sales contracts for the purpose of extending the term or (2) entering into new power sales contracts for the purpose of extending the term. The Georgia Supreme Court ruled that either approach was lawful under Georgia law so long as the term did not extend beyond 50 years from the effective date of either the amendment or new contract.

MEAG Power and each Participant have executed amendments to their power sales contracts for Project One and the Existing General Resolution Projects which, in part, extended the terms of such contracts until June 1, 2054 (the “Term Extension Amendments”). On December 14, 2004, the Superior Court of Fulton County, Georgia, in a bond validation proceeding relating to certain Project One Senior Bonds, General Resolution Projects Senior Bonds, Project One Subordinated Bonds and General Resolution Projects Subordinated Bonds, entered a judgment validating and confirming, among other things, (a) all of the terms and provisions of each of the Term Extension Amendments and (b) each of the Project One power sales contracts and the Existing General Resolution Projects power sales contracts, in each such case as the same have been amended by the Term Extension Amendments.

The Term Extension Amendments amended the Project Two Power Sales Contracts, the Project Three Power Sales Contracts and the power sales contracts for Project Four by providing that during the term extension period the output and services and costs of each Project will be allocated to each Participant based upon a percentage derived by dividing the total payments made by such Participant for debt service and capital costs pertaining to such Project during the entirety of the original term of such Participant’s power sales contract related to such Project, adjusted to present value, divided by the total payments made by all Participants for debt service and capital costs pertaining to such Project during the entirety of the original term of their power sales contracts related to such Project, also adjusted to present value (hereinafter referred to as “Billing Shares”). The formula for determining the Participant’s respective Project Two and Project Three Obligation Shares is not affected by the foregoing. See “THE PARTICIPANTS – Obligation Shares of the Participants – Existing General Resolution Projects” herein. Additionally, the Term Extension Amendments amended the schedule of Project Four Obligation Shares, effective as of November 16, 2033, so that such Obligation Shares shall be equal to the Participants’ respective Project Four Billing Shares.

In addition, the Term Extension Amendments provided that MEAG Power will not extend the term of any existing generation debt outstanding as of November 3, 2004, exclusive of existing debt pertaining to working capital and nuclear fuel working capital debt components, beyond the following dates: existing Project One generation debt shall not be extended beyond March 1, 2026; existing Project Two generation debt shall not be extended beyond February 1, 2028; existing Project Three generation debt shall not be extended beyond May 1, 2030; and existing Project Four generation debt shall not be extended beyond November 16, 2033. Additionally, MEAG Power committed to the Participants and confirmed in the bond validation proceeding referred to in the second preceding paragraph that it generally would not extend the longest term of any existing generation debt for either Project One or the Existing General Resolution Projects, exclusive of existing debt pertaining to working capital and nuclear fuel working capital debt components, beyond the current term of such indebtedness.

As of the date of this Annual Information Statement, 37 of the Participants are participants in the CC Project. The obligations of such participants with respect to the CC Project are set forth in the CC Contracts (hereinafter defined). See “THE PARTICIPANTS – Obligation Shares of the Participants – CC



Project” herein. Thirty-two of the Participants are participants in the Telecommunications Project. The obligations of such participants with respect to the Telecommunications Project are set forth in the Telecommunications Contracts. See “THE PARTICIPANTS – Obligation Shares of the Participants – Telecommunications Project” herein.

On June 15, 2008, MEAG Power entered into separate take-or-pay, “hell or high water” power sales contracts (the “Original Project M Power Sales Contracts”) with 29 of the 49 Participants (in such capacity, the “Project M Participants”) relating to Project M. Each Original Project M Power Sales Contract had a term not to exceed 50 years from June 15, 2008. Under the separate Original Project M Power Sales Contract with each Project M Participant, MEAG Power agreed to provide to such Project M Participant, and such Project M Participant agreed to take from MEAG Power, output and services from Project M and related reserve, emergency and interchange service as may be available. The Original Project M Power Sales Contract with each Project M Participant provided that its Obligation Share (as described in “THE PARTICIPANTS – Obligation Shares of the Participants – Vogtle Units 3&4 Projects” herein) of the net power and energy produced by Project M was to be delivered to such Project M Participant and that such Project M Participant was to pay a corresponding percentage of MEAG Power’s costs (including scheduled debt service, unless paid or provided for from the proceeds of Project M Bonds) resulting from the ownership, operation and maintenance of, and renewals and replacements to, Project M.

The output and services representing approximately 66.13 percent of MEAG Power’s ownership interest in Vogtle Units 3&4 (that is, the portion not included in Project M) was to be surplus initially to the requirements of the Participants. Consequently, with respect to Project J, MEAG Power entered into a take-or-pay, “hell or high water” power purchase agreement, dated as of May 12, 2008 (the “Original Project J PPA”), with JEA, a publicly owned electric, water and wastewater (sewer) utility located in Jacksonville, Florida (“JEA”) for the surplus output and services attributable to Project J. With respect to Project P, MEAG Power entered into a take-or-pay, “hell or high water” power purchase agreement, dated as of May 12, 2008 (the “Original Project P PPA”), with PowerSouth Energy Cooperative, a rural electric generation and transmission cooperative located in Andalusia, Alabama (“PowerSouth”) for the surplus output and services attributable to Project P.

On June 15, 2008, MEAG Power entered into separate take-or-pay, “hell or high water” power sales contracts (the “Original Project J Power Sales Contracts”) with 39 of the 49 Participants (in such capacity, the “Project J Participants”) relating to Project J. Each Original Project J Power Sales Contract had a term not to exceed 50 years from June 15, 2008. Under the separate Original Project J Power Sales Contract with each Project J Participant, beginning with the expiration of the respective twenty-year periods during which JEA was obligated to take the entire output and services from Project J and related reserve, emergency and interchange service of Vogtle Units 3&4 related to Project J, MEAG Power agreed to provide to such Project J Participant, and such Project J Participant agreed to take from MEAG Power, its Obligation Share of all of the output and services from Project J and related reserve, emergency and interchange service. The Original Project J Power Sales Contract with each Project J Participant provided that its Obligation Share (as described in “THE PARTICIPANTS – Obligation Shares of the Participants – Vogtle Units 3&4 Projects” herein) of the net power and energy produced by Project J was to be delivered to such Project J Participant and that such Project J Participant was to pay a corresponding percentage of MEAG Power’s costs (including scheduled debt service, unless paid or provided for from the proceeds of Project J Bonds) resulting from the ownership, operation and maintenance of, and renewals and replacements to, Project J.

On June 15, 2008, MEAG Power also entered into separate take-or-pay, “hell or high water” power sales contracts (the “Original Project P Power Sales Contracts” and, together with the Original Project M Power Sales Contracts and the Original Project J Power Sales Contracts, the “Original Vogtle Units 3&4 Power Sales Contracts”) with the same 39 Participants (in such capacity, the “Project P Participants” and, together with the Project M Participants and the Project J Participants, the “Vogtle Units 3&4 Participants”) relating to Project P. Each Original Project P Power Sales Contract had a term not to exceed 50 years from June 15, 2008. Under the separate Original Project P Power Sales Contract with each Project P Participant, beginning with the expiration of the respective twenty-year periods during which PowerSouth was obligated

to take the entire output and services from Project P and related reserve, emergency and interchange service of Vogtle Units 3&4 related to Project P, MEAG Power agreed to provide to such Project P Participant, and such Project P Participant agreed to take from MEAG Power, its Obligation Share of all of the output and services from Project P and related reserve, emergency and interchange service. The Original Project P Power Sales Contract with each Project P Participant provided that its Obligation Share (as described in “THE PARTICIPANTS – Obligation Shares of the Participants – Vogtle Units 3&4 Projects” herein) of the net power and energy produced by Project P was to be delivered to such Project P Participant and that such Project P Participant was to pay a corresponding percentage of MEAG Power’s costs (including scheduled debt service, unless paid or provided for from the proceeds of Project P Bonds) resulting from the ownership, operation and maintenance of, and renewals and replacements to, Project P.

As described under “MEAG Power – *Vogtle Units 3&4*” above, on June 24, 2015, MEAG Power transferred its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities. In contemplation of those transfers, (a) MEAG Power and the Vogtle Units 3&4 Participants entered into amended and restated power sales contracts (collectively, the “Amended and Restated Vogtle Units 3&4 Power Sales Contracts”) for the purpose of amending and restating the Original Vogtle Units 3&4 Power Sales Contracts (the Original Vogtle Units 3&4 Project Sales Contracts, as so amended and restated, are referred to herein as the “Project M Power Sales Contracts,” the “Project J Power Sales Contracts” and the “Project P Power Sales Contracts,” respectively, and, collectively, as the “Vogtle Units 3&4 Power Sales Contracts”), (b) MEAG Power and JEA entered into an amended and restated power purchase agreement (the “Amended and Restated Project J PPA”) for the purpose of amending and restating the Original Project J PPA (such Original Project J PPA, as so amended and restated, is referred to herein as the “Project J PPA”) and (c) MEAG Power and PowerSouth entered into an amended and restated power purchase agreement (the “Amended and Restated Project P PPA” and, together with the Amended and Restated Project J PPA, the “Amended and Restated Vogtle Units 3&4 PPAs”) for the purpose of amending and restating the Original Project P PPA (such Original Project P PPA, as so amended and restated, is referred to herein as the “Project P PPA”; the Project J PPA and the Project P PPA are referred to herein collectively as the “Vogtle Units 3&4 PPAs”), in each such case, effective as of the date of such transfer, in order, among other things, (i) to 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, the date of execution of the applicable amendment and restatement thereof, (ii) to reflect such transfers of MEAG Power’s ownership interest in Vogtle Units 3&4 and (iii) to provide that the payment obligations of the Project M Participants, JEA, the Project J Participants, PowerSouth and the Project P Participants, respectively, shall include all costs and expenses of the applicable Vogtle Units 3&4 Project Entity (including scheduled debt service on such Vogtle Units 3&4 Project Entity’s DOE Guaranteed Loan) resulting from the ownership, operation and maintenance of, and renewals and replacements to, the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest.

Each Vogtle Units 3&4 Participant’s payment obligations under its Vogtle Units 3&4 Power Sales Contract(s) are general obligations to the payment of which its full faith and credit are pledged. MEAG Power’s remedies under each Vogtle Units 3&4 Power Sales Contract include specific performance to compel the Vogtle Units 3&4 Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder. For a description of the Vogtle Units 3&4 Participants’ payment obligations under their respective Vogtle Units 3&4 Power Sales Contracts, see “SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants’ Obligations to Pay” in APPENDIX K hereto. For a description of JEA’s and PowerSouth’s payment obligations under their respective Vogtle Units 3&4 PPAs, see “SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT J PPA – JEA’s Payment Obligations” and “– PROJECT P PPA – PowerSouth’s Payment Obligations,” respectively, in APPENDIX J hereto.

For information concerning certain of the Participants, see APPENDIX C hereto.

## Cautionary Statements Regarding Forward-Looking Information

This Annual Information Statement contains forward-looking statements. Forward-looking statements include, among other things, statements concerning sales, customer growth, economic recovery, current and proposed environmental regulations and related estimated expenditures, access to sources of capital, financing activities, start and completion of construction projects, plans and estimated costs for new generation resources, estimated sales and purchases of power and energy, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “estimated,” “scheduled,” “potential,” or “continue” or the negative of these terms or other similar terminology. These forward-looking statements are based largely on MEAG Power’s current expectations and are subject to a number of risks and uncertainties, some of which are beyond MEAG Power’s control. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- uncertainty as to continued eligibility to receive advances under the DOE Guaranteed Loans for construction of Vogtle Units 3&4;
- schedule delays and cost increases with respect to the development and construction of facilities, in particular, the construction of Vogtle Units 3&4;
- legal proceedings and regulatory approvals and actions related to Vogtle Units 3&4, including GPSC and NRC actions and related legal proceedings involving the commercial parties;
- the impact and the cost of recent and future federal and state regulatory changes or judicial decisions, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, environmental laws including regulation of water, coal combustion residuals (“CCRs”), and emissions of sulfur dioxide (“SO<sub>2</sub>”), nitrogen oxides (“NO<sub>x</sub>”), carbon dioxide (“CO<sub>2</sub>”) and other greenhouse gases (“GHG”), particulate matter, and hazardous air pollutants including mercury and other substances, and also changes in tax and other laws and regulations to which MEAG Power and its Participants are subject, as well as changes in application of existing laws and regulations;
- In December 2017, Congress passed, and the President signed, H.R. 1, the Tax Cut and Jobs Act. Of most impact to MEAG Power is the preservation of the tax exemption of municipal debt, which had been under scrutiny in the months leading up to the drafting of the bill. However, also of note, and yet to be determined as to its impact on the industry environment that MEAG Power operates within, is the reduction of the corporate tax rate from 35% to 21%. While this is not expected to directly affect MEAG Power’s finances, it may prove to have an indirect effect on the relative cost of investor-owned utilities that operate in wholesale markets, as well as those that compete in the retail markets with MEAG Power’s Participants;
- current and future litigation, regulatory investigations, proceedings, or inquiries;
- the effects, extent, and timing of the entry of additional competition in the markets in which MEAG Power’s Participants operate;
- changes in protections granted by the Georgia Territorial Electric Service Act (the “Territorial Act”) that could subject MEAG Power’s Participants to increased competition;
- variations in demand for electricity, including those relating to weather, general economic conditions, recovery from the last recession, population and business growth (and declines), and the effects of energy conservation and efficiency measures including the development and deployment of alternative energy sources such as self-generation and distributed generation technologies;

- potential impacts of competition in various forms including self-generation, distributed generation, renewable generation, alternative competing energy sources and/or new or improved generating technologies that could reduce demand for MEAG Power's generation and/or cause MEAG Power's generation to be of higher cost in comparison to such other potential sources;
- the availability of an adequate and economical supply of fuel, water and other materials;
- effects of inflation;
- investment performance of MEAG Power's invested funds;
- advances in technology available to and used in generation and distribution facilities including technology used by competitors and residential or commercial customers of the Participants and risk of using advanced designs in Vogtle Units 3&4 which have previously not been licensed and used in the United States;
- continued efficient operation of MEAG Power's generating facilities by MEAG Power and third-parties;
- reliance on third-parties to efficiently manage, distribute and deliver generated electricity;
- risks and regulatory requirements including failure to maintain required license conditions and other permits related to the ownership, construction and operation of nuclear-, coal- and gas-fueled generating, transmission and other facilities resulting in costly delays in construction schedules or cancellations or shutdown of units;
- legislative and regulatory compliance standards and MEAG Power's ability to comply with any applicable standards, including mandatory reliability standards, and potential penalties for noncompliance;
- adequate funding of MEAG Power's nuclear decommissioning trust fund (the "Decommissioning Trust") including investment performance and projected decommissioning costs;
- the ability of counterparties of MEAG Power to make payments as and when due and to perform as required;
- the direct or indirect effect on MEAG Power's business resulting from acts of sabotage, wars or terrorist incidents, including cyber attacks;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including MEAG Power's and its Participants' credit ratings including the inability to access capital to finance increased costs of Vogtle Units 3&4 and capital additions to other facilities because of downgrades of credit ratings or market disruptions;
- the ability of MEAG Power to obtain additional generating capacity at competitive prices;
- the ability of MEAG Power and its Participants to dispose of surplus generating capacity at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;
- physical risks associated with climate change such as changes in weather conditions, changes in precipitation, extreme weather events, temperature and humidity, which could vary

customers' energy needs, cause damage or increase operating costs, resulting in positive or negative effects on MEAG Power's revenues and financial performance;

- the direct or indirect effects on MEAG Power's business resulting from incidents affecting the U.S. electric grid or operation of generating resources;
- the effect of accounting pronouncements issued periodically by standard-setting bodies;
- hazards customary to the electric industry and the possibility that MEAG Power may not have adequate insurance to cover losses resulting from such hazards; and
- other factors discussed elsewhere herein.

MEAG Power expressly disclaims any obligation to update any forward-looking statements.

## **Other**

This Annual Information Statement is being filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access ("EMMA") website currently located at <https://emma.msrb.org>, pursuant to certain continuing disclosure undertakings made by MEAG Power in accordance with the provisions of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated by the U.S. Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The bonds to which such continuing disclosure undertakings relate (including the CUSIP numbers thereof) are listed on SCHEDULE I hereto. As permitted by the provisions of Rule 15c2-12, this Annual Information Statement also is intended to be included by reference in official statements and other offering documents prepared by MEAG Power in connection with the sale and issuance, after the date hereof, of certain securities of MEAG Power.

There follows in this Annual Information Statement information concerning MEAG Power, selected financial and operating data of MEAG Power, its capital improvements and financing programs, the competitive environment in which MEAG Power operates, the Participants and the co-owners of the generating units. In addition, attached hereto are (a) the audited consolidated financial statements of MEAG Power as of December 31, 2017 and 2016 and for the fiscal years then ended, and the Report of Independent Auditors thereon (hereinafter referred to as "MEAG Power's 2017 Financial Statements") as APPENDIX A, (b) summaries of (i) the debt service requirements of MEAG Power, as of December 31, 2017, for its Project One Senior Bonds, Project One Subordinated Bonds, General Resolution Projects Senior Bonds, General Resolution Projects Subordinated Bonds, CC Bonds, Project M Bonds, Project J Bonds and Project P Bonds, (ii) the debt service requirements of the Vogtle Units 3&4 Project Entities, as of December 31, 2017, for their respective DOE Guaranteed Loans and (iii) the expected aggregate debt service payments for each of the Vogtle Units 3&4 Projects (including, in each case, both MEAG Power's expected debt service payments, as of December 31, 2017, for the applicable Vogtle Units 3&4 Bonds and the applicable Vogtle Units 3&4 Project Entity's expected debt service payments, as of December 31, 2017, for its DOE Guaranteed Loan) as APPENDIX B, (c) selected historical information on certain Participants of MEAG Power as APPENDIX C, (d) summaries of MEAG Power's Power Sales Contracts, Project Agreements, senior bond resolutions (as in effect as of the date of this Annual Information Statement and as the same will be amended by the Amendatory Supplemental Resolutions) and subordinated bond resolutions for Project One and the General Resolution Projects as APPENDICES D through G, (e) summaries of the CC Contracts and the CC Bond Resolution as APPENDICES H and I, (f) summaries of MEAG Power's Vogtle Units 3&4 PPAs, Vogtle Units 3&4 Power Sales Contracts, Vogtle Units 3&4 Project Agreements (as hereinafter defined), Vogtle Units 3&4 Bond Resolutions, Vogtle Units 3&4 Power Purchase Agreements and certain Federal Loan Documents as APPENDICES J through O, (g) a summary of the Telecommunications Contracts as APPENDIX P and (h) tables setting forth the debt service responsibilities of the CC Participants (hereinafter defined) as APPENDIX Q.

All descriptions of documents herein are only summaries and are qualified in their entirety by reference to each such document. For information concerning the sources of certain information contained in this Annual Information Statement, see “SOURCES OF CERTAIN INFORMATION” herein.

## **MEAG POWER**

### **History**

In the late 1950s, most of the Participants began to cooperate on matters of common concern to their retail electric distribution systems, including jointly appearing before the Federal Power Commission (now known as the Federal Energy Regulatory Commission or “FERC”) in proceedings regarding wholesale electric rate increases. In 1972, several Participants intervened in the licensing proceedings before the U.S. Atomic Energy Commission (now known as the NRC) relating to the planned construction of nuclear power generating units in Georgia by GPC. A settlement was reached with GPC providing for the sale of a portion of certain nuclear units to the Initial Participants, among others. GPC subsequently elected to negotiate for the sale of interests in other facilities not the subject of the settlement.

As the result of studies of sources of bulk power supply as alternatives to the purchase of their requirements (in excess of allotments from federal hydroelectric projects) from GPC, the Initial Participants sought State legislation to establish a public entity to enable them to meet the needs of publicly owned electric distribution systems. The statute under which MEAG Power was created (the “Act”) was adopted in 1975 and MEAG Power was organized in July of that year. MEAG Power assumed the negotiating efforts with GPC which resulted in the agreements between GPC and MEAG Power for the acquisition by MEAG Power of Project One. MEAG Power subsequently negotiated agreements with respect to the Existing General Resolution Projects.

### **General**

MEAG Power is a public corporation and an instrumentality of the State of Georgia, having perpetual existence, created by the Act for the purpose of providing an adequate, dependable and economical wholesale supply of electricity to those political subdivisions of Georgia which owned and operated electric distribution systems on March 18, 1975, the effective date of the Act, and which elected to contract with MEAG Power for the purchase of wholesale power. MEAG Power is empowered to acquire, construct, operate and maintain electric generating and transmission facilities, solely or in common with others, in fulfilling its purpose. MEAG Power is further authorized to employ agents in the construction, operation and maintenance of any of its generating and transmission facilities. In the acquisition of its property, MEAG Power may exercise the power of eminent domain. Incidental to its principal purpose of supplying electricity to the political subdivisions, MEAG Power may also supply wholesale electricity to other persons and entities in order to take advantage of economies of scale in the construction and acquisition of generating and transmission facilities; however, MEAG Power is not empowered to provide electricity at retail to the public.

The Georgia Supreme Court, in the initial validation of Project One Senior Bonds, affirmed that the property of MEAG Power is public property and is exempt from ad valorem taxes. However, under an amendment to the Act, MEAG Power has been required, since 1981, to make payments in lieu of taxes with respect to any tangible property acquired after the date of the amendment and not included in Project One or Project Two. MEAG Power is required to make payments in lieu of taxes with respect to tangible property included in Project Three, Project Four, the Telecommunications Project, the CC Project and the Vogtle Units 3&4 Projects. In addition, MEAG Power is required to make payments in lieu of taxes with respect to tangible property included in Project One and Project Two commencing with the earlier of the year 2020 or the year after retirement of all bonds issued to finance the applicable Project. The power sales contracts for Project One, the Existing General Resolution Projects, the CC Project and the Vogtle Units 3&4 Projects and the Telecommunications Contracts provide for recovery by MEAG Power from the Participants in each such Project of any ad valorem taxes or payments in lieu of taxes for which MEAG Power becomes obligated.

MEAG Power is authorized to contract with the above-described political subdivisions to provide all or any part of their requirements for wholesale electricity, and to issue evidences of indebtedness to finance its ownership of electric generating and transmission facilities, pledging the revenues under such contracts as security for the payment of such debt. The Act provides that MEAG Power will establish rates and charges so as to produce revenues sufficient to cover all of MEAG Power's costs, including debt service, but it may not operate any of its projects for profit, except insofar as any such profit will inure to the benefit of the public.

The governing body of MEAG Power (referred to herein as the "MEAG Power Board") consists of nine members whose staggered terms of office are three years. Members of the MEAG Power Board are elected by an election committee consisting of one representative of each Participant. Each representative is entitled to cast a weighted vote computed on the basis of, among other things, the relative power purchases of the Participants from MEAG Power.

The President and Chief Executive Officer of MEAG Power is James E. Fuller. Mr. Fuller, who joined MEAG Power in 1997, has 38 years of utility experience. At the time of his appointment to the position of President and Chief Executive Officer in January 2016, Mr. Fuller was the Senior Vice President, Chief Financial Officer of MEAG Power. Prior to joining MEAG Power in 1997, Mr. Fuller worked for the Massachusetts Municipal Wholesale Electric Company in various finance and audit positions. Mr. Fuller holds a Bachelor of Science degree in accounting from Western New England College and a Master of Science degree in Taxation from Bentley College. Mr. Fuller holds a registered Certified Public Accountant certificate from the State of Connecticut.

The following are other members of MEAG Power's management staff and their backgrounds:

Peter M. Degnan, *Senior Vice President, General Counsel*. Mr. Degnan has 42 years of legal experience and joined MEAG Power in July 2013, immediately following his retirement from the law firm of Alston & Bird LLP. He has extensive experience in public power and previously served as the outside general counsel for MEAG Power for 11 years. Mr. Degnan holds a degree in Mechanical Engineering from the United States Naval Academy, served in the United States Marine Corps on active duty for five years, and is a graduate of Syracuse University Law School.

Edward E. Easterlin, *Senior Vice President, Chief Financial Officer*. Mr. Easterlin, who joined MEAG Power in 2017, has 40 years of utility experience. Before joining MEAG Power, Mr. Easterlin served as Vice President and Chief Financial Officer for the Omaha Public Power District for approximately eight years. He also served as Chief Planning and Finance Officer and General Manager of Financial and Accounting Management for Colorado Springs Utilities over a seven-year period and held operational and financial positions during a twenty-year tenure with the South Carolina Public Service Authority, Santee Cooper. Mr. Easterlin holds Bachelor and Master degrees in Business Administration from Charleston Southern University. In addition, he holds an Associate degree in Nuclear and Chemical Engineering Technology from Trident Technical College.

Steven M. Jackson, *Senior Vice President, Chief Operating Officer*. Mr. Jackson has 35 years of utility experience specializing in power generation facility construction and operations. Mr. Jackson worked for Big Rivers Electric Corporation and the Tennessee Valley Authority in various engineering positions prior to joining MEAG Power in 1995. Mr. Jackson holds a Bachelor of Science degree in mechanical engineering from the University of Kentucky and a Master of Science degree in engineering management from the University of Evansville. Mr. Jackson has been registered as a Professional Engineer in Kentucky and Tennessee.

Douglas K. Lego, *Vice President, Chief Administrative Officer*. Mr. Lego has over 33 years of utility experience in electric transmission, distribution and telecommunications. In addition to his 24 years at MEAG Power, Mr. Lego worked at Georgia Public Web, Inc. in various senior management positions and at Florida Power & Light Company as a distribution service planner. Mr. Lego holds a Bachelor of Science degree in Mathematics from Florida Southern College, and both a Bachelor of Science degree in

Mechanical Engineering and a Master of Science degree in Management of Technology from the Georgia Institute of Technology.

As of December 31, 2017, MEAG Power had 135 employees.

## **Bulk Power Supply Operations**

### ***General***

The Project One Power Sales Contracts entered into by MEAG Power with each of the Initial Participants, and the Project One power sales contracts entered into by MEAG Power with Oxford and Acworth, obligate MEAG Power to provide the Participants with all of their Bulk Power Supply and obligate the Participants to take all of their Bulk Power Supply from MEAG Power. Bulk Power Supply of a Participant means all electric power and energy required by such Participant in excess of that amount (1) supplied by any generation and transmission facilities owned by the Participant on the effective date of its Project One power sales contract (Crisp County is the only Participant that owned generating resources on that date, and currently has 25.5 MW of generating capacity), (2) received by such Participant as an allotment from federally-owned projects through the Southeastern Power Administration (“SEPA”), as discussed below, or (3) procured by such Participant from alternative sources as permitted under the Project One power sales contracts.

Bulk Power Supply currently being furnished by MEAG Power to the Participants consists of (1) power and energy from the generating units and transmission system facilities of Project One, (2) power and energy from the generating units of the Existing General Resolution Projects, and for each of the foregoing sources such interchange services as are necessary for the reliable and economic supply of the output and services of Project One and the Existing General Resolution Projects, (3) power and energy from the generating units of the CC Project and such interchange services as are necessary for the reliable and economic supply of the output and services of the CC Project, and (4) power and energy obtained through purchases from and exchanges with other bulk electric suppliers. Power and energy furnished by MEAG Power from sources such as those referred to in the foregoing clause (4) constitutes “Supplemental Bulk Power Supply” which, as used herein and in the Project One power sales contracts, means Bulk Power Supply required by a Participant in excess of that supplied from Project One and the Existing General Resolution Projects and, unless otherwise provided, any future project owned or controlled by MEAG Power. The CC Project was developed to supply a portion of the power and energy requirements of the Initial CC Participants (hereinafter defined) that otherwise would be met with Supplemental Bulk Power Supply, and the Vogtle Units 3&4 Projects are being developed to supply a portion of the power and energy requirements of the Vogtle Units 3&4 Participants that otherwise would be met with Supplemental Bulk Power Supply.

Pursuant to the Project One power sales contracts, each Participant has the right, subject to certain conditions and limitations, to procure electric power and energy from alternative sources (any power and energy so procured being referred to herein as “Supplemental Power from Alternative Sources” and any source thereof as an “Alternative Source”). See “SUMMARY OF POWER SALES CONTRACTS – Procurement of Alternative Bulk Power Supply Resources” in APPENDIX D hereto for a discussion of such conditions and limitations and “*Provisions for Participants to Obtain Supplemental Power from Alternative Sources*” below for information concerning the election made by two Participants to procure Supplemental Power from Alternative Sources, subject to such conditions and limitations. See also the final paragraph under “*Provisions for Participants to Obtain Supplemental Power from Alternative Sources*” below for information concerning the adoption by MEAG Power of a policy with respect to the supplemental power requirements of the Participants.

Pursuant to Section 312 of the Project One power sales contracts, each Participant may declare a portion of its output and services from Project One to be in excess of its needs and MEAG Power may sell and transfer for any period of time all or a portion of such excess output and services to such other Participants as shall agree to take such excess. In the event that the other Participants do not agree to take



the entire amount of the excess output and services, MEAG Power may sell such excess to other utilities. Pursuant to Section 702 of the CC Project power sales contracts, each Participant in the CC Project may assign a portion of its CC Project output to other Participants in the CC Project. These transactions are facilitated by MEAG Power through letter agreements referred to as Inter-Participant Transfers or “IPTs.” During 2017, 27 Participants transferred 83 MW (relating to Project One capacity) through 33 IPT contracts with terms ranging from one year to approximately 27 years.

Several Participants also have entered into inter-Participant contracts coterminous with the selling or assigning Participant’s Project One power sales contract and assignment agreements coterminous with the assigning Participant’s CC Project power sales contract, respectively, as follows:

<b><u>Project One</u></b>			
<b><u>Selling Participant</u></b>	<b><u>Buying Participant</u></b>	<b><u>Percentage of Selling Participant’s Entitlement Share Transferred<sup>(1)</sup></u></b>	<b><u>Percentage of Project One Output and Services Transferred</u></b>
LaFayette	Camilla	19.268%	0.311%
College Park	Lawrenceville	8.076	0.621
College Park	Sandersville	20.191	1.553
Brinson	Camilla	63.030	0.021
Whigham	Camilla	40.072	0.050

(1) Net of selling Participant’s proportionate share of the transfer to Oxford but including its proportionate share of the Generation Station Vogtle sellback amount.

<b><u>CC Project</u></b>				
<b><u>Assigning Participant</u></b>	<b><u>Assuming Participant<sup>(1)</sup></u></b>	<b><u>Percentage of CC Project Output and Services Assigned</u></b>	<b><u>Percentage of CC Project Annual Costs Assumed</u></b>	<b><u>Percentage of Embedded Simple Cycle Costs Assumed</u></b>
Douglas	Lawrenceville	0.79523%	0.79523%	0.92380%
Douglas	Grantville	0.19881	0.19881	0.23095
Newnan	Palmetto	0.39761	0.39761	0.46191
Newnan	Fairburn	0.39761	0.39761	0.46191
Griffin	Albany	1.98807	1.98807	2.30954
Griffin	Brinson	0.01988	0.01988	0.02310

(1) The Cities of Lawrenceville (“Lawrenceville”), Grantville (“Grantville”), Palmetto (“Palmetto”) and Albany (“Albany”) and the Town of Brinson (“Brinson”) have each entered into CC Project power sales contracts substantially similar to the CC Contracts.

MEAG Power expects that Participants will continue to utilize the foregoing provisions as a mechanism to allow the Participants to improve their respective power supply resource mixes. However, the take-or-pay obligations of the selling Participants under their Project One power sales contracts are not affected, each such selling Participant remaining contingently liable for all transferred obligations under its Project One power sales contract if a buying Participant defaults in connection with any of its purchased obligations.

With respect to the CC Project, each Participant in the CC Project may assign a portion of its CC Project output to other Participants. These transactions are facilitated by MEAG Power through the execution of additional power sales contracts, if applicable, and assignment agreements. In the event that the assignee defaults in connection with its obligations under its respective CC Project power sales contract pertaining to the assigned amounts, the assigning Participant shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. Moreover, during the period of such default, the assigning Participant shall be entitled to the output associated with the assigned rights of the defaulting party.

All of the generating units included in Project One, the Existing General Resolution Projects and the CC Project have been placed in service. Such ownership interests in Project One, the Existing General Resolution Projects and the CC Project represent 2,069 MW of nominally rated generating capacity, consisting of 808 MW of nuclear-fueled capacity, 750 MW of coal-fired capacity, 8 MW of combustion turbine capacity and 503 MW of combined cycle capacity. The following table sets forth information with respect to such units. As described under “SUMMARY OF PROJECT AGREEMENTS – Summary of Operating Agreements” in APPENDIX E hereto, MEAG Power has agreed to sell to GPC a portion of the output of Generation Station Vogtle Unit Nos. 1 and 2.

Capacity in Project One and Existing General Resolution Projects														
Ownership by MEAG Power <sup>(1)</sup>											Capacity of CC Project		Total	
Type of Fuel	Nominal Rating	Project One		Project Two		Project Three		Project Four		(%)	(MW) <sup>(2)</sup>	(%)	(MW) <sup>(2)</sup>	
		(%)	(MW) <sup>(2)</sup>	(%)	(MW) <sup>(2)</sup>	(%)	(MW) <sup>(2)</sup>	(%)	(MW) <sup>(2)</sup>					
Generation Station Hatch <sup>(3)</sup>														
Unit No. 1.....	Nuclear	807	17.7	142.8	—	—	—	—	—	—	—	—	17.7	142.8
Unit No. 2.....	Nuclear	807	17.7	142.8	—	—	—	—	—	—	—	—	17.7	142.8
Total Hatch Units 1 and 2		1,614	17.7	285.7	—	—	—	—	—	—	—	—	17.7	285.7
Generation Station Wansley <sup>(4)</sup>														
Unit No. 1.....	Coal	865	10.0	86.5	5.1	44.1	—	—	—	—	—	—	15.1	130.6
Unit No. 2.....	Coal	865	10.0	86.5	5.1	44.1	—	—	—	—	—	—	15.1	130.6
Total Wansley Units 1 and 2		1,730	10.0	173.0	5.1	88.2	—	—	—	—	—	—	15.1	261.2
Generation Station Wansley Combustion Turbine (Unit No. 5A) <sup>(5)</sup> .....														
Oil	50	10.0	5.0	5.1	2.6	—	—	—	—	—	—	—	15.1	7.6
Generation Station Wansley Combined Cycle (Unit No. 9) <sup>(6)</sup> .....														
Gas	503	—	—	—	—	—	—	—	—	100.0	503.0	100.0	503.0	
Generation Station Scherer <sup>(7)</sup>														
Unit No. 1.....	Coal	810	10.0	81.0	5.1	41.3	15.1	122.3	—	—	—	—	30.2	244.6
Unit No. 2.....	Coal	810	10.0	81.0	5.1	41.3	15.1	122.3	—	—	—	—	30.2	244.6
Total Scherer Units 1 and 2		1,620	10.0	162.0	5.1	82.6	15.1	244.6	—	—	—	—	30.2	489.2
Generation Station Vogtle <sup>(8)</sup>														
Unit No. 1.....	Nuclear	1,150	17.7	203.6	—	—	—	—	5.0	57.5	—	—	22.7	261.1
Unit No. 2.....	Nuclear	1,150	17.7	203.6	—	—	—	—	5.0	57.5	—	—	22.7	261.1
Total Vogtle Units 1 and 2		2,300	17.7	407.1	—	—	—	—	5.0	115.0	—	—	22.7	522.1
Total Ownership				1,032.8	173.4		244.6		115.0		503.0		2,068.8	
Annual Average Output Sold to GPC <sup>(9)</sup>														
2016-2047				20				6				26		
2048-2049				10				3				13		

Note: Column and row totals may not add due to rounding.

- (1) The capacity ownership shown for each unit does not give effect to any sales of capacity from such unit, including sales of capacity to GPC as described under “SUMMARY OF PROJECT AGREEMENTS – Summary of Operating Agreements” in APPENDIX E hereto.
- (2) Amounts shown represent nominal ratings. The actual maximum net continuous ratings for such facilities can vary each year. Currently, such actual maximum net continuous ratings, in the aggregate, are approximately 1.4 percent higher than the amounts shown.
- (3) Generation Station Hatch Unit Nos. 1 and 2 were placed in service in December 1975 and September 1979, respectively.
- (4) Generation Station Wansley Unit Nos. 1 and 2 were placed in service in December 1976 and April 1978, respectively.
- (5) MEAG Power owns a 15.1 percent interest in the nominally rated 50 MW combustion turbine unit at Generation Station Wansley. Due to environmental restrictions, beginning May 2003, this combustion turbine unit is prohibited from operating during the ozone season (May-September) other than during an emergency.
- (6) The CC Project was placed in service in June 2004.
- (7) Generation Station Scherer Unit Nos. 1 and 2 were placed in service in March 1982 and February 1984, respectively.
- (8) Generation Station Vogtle Unit Nos. 1 and 2 were placed in service in June 1987 and May 1989, respectively.
- (9) Amounts shown reflect output from Generation Station Vogtle Unit Nos. 1 and 2 sold or estimated to be sold from GPC.

The contractual arrangements between MEAG Power and GPC with respect to MEAG Power's participation in the generating units of Project One and the Existing General Resolution Projects, as set forth in the Project Agreements, require that for a specific period of time GPC will purchase from MEAG Power a portion of the output and services from MEAG Power's undivided ownership interest in each such generating unit. The sales from MEAG Power's interests in Generation Stations Hatch and Wansley and Generation Station Scherer Unit Nos. 1 and 2 have been completed.

The capacity and energy sales by MEAG Power to GPC from MEAG Power's Project One and Project Four interests in Generation Station Vogtle are divided into declining portions and long-term portions. All declining sales were completed at the end of 1996. The long-term portion included sales to GPC that continued until 305 months following the first month of commercial operation, or November 2012 in the case of Generation Station Vogtle Unit No. 1 and October 2014 in the case of Generation Station Vogtle Unit No. 2, which have been completed. Also, the permanent portion of long-term sales to GPC will continue until retirement of each Generation Station Vogtle unit. MEAG Power currently is retaining approximately 86% of its total interests in Generation Station Vogtle Unit Nos. 1 and 2. For further information regarding the provisions of the agreements relating to Generation Station Vogtle Unit Nos. 1 and 2, see "SUMMARY OF PROJECT AGREEMENTS" in APPENDIX E hereto.

The Operating Agreement for Generation Station Wansley will remain in effect with respect to Generation Station Wansley Units No. 1 and No. 2 until April 30, 2019. Thereafter as long as the units are in commercial operation the Operating Agreement shall be automatically extended for successive one-year periods under the same terms unless one of the parties provides notice 180 days in advance of the current renewal period that they will seek either to amend or not extend the term. The Operating Agreement for Generation Station Scherer Units No. 1 and No. 2 will remain in effect with respect to Generation Station Scherer Units No. 1 and No. 2 until 2022 and 2024, respectively. Upon termination of each Operating Agreement (as the same may be extended from time to time), GPC's appointment as agent for the co-owners will terminate, except that GPC will retain such powers as are necessary in connection with the disposition of the property of the applicable facilities, and the rights and obligations of the parties shall continue with respect to actions and expenses taken or incurred in connection with such disposition. Also, for a period of fifteen years after the expiration of the term of the Wansley Operating Agreement, the parties retain their right of first refusal as set forth in the Wansley Ownership Agreement with respect to any sale or conveyance of the Wansley facility.

Additionally, as described below under "*The Vogtle Units 3&4 Projects*," MEAG Power is a participant in the construction of Vogtle Units 3&4, each with a nominally rated generating capacity of 1,102 MW. MEAG Power's ownership interest in Vogtle Units 3&4 was 22.7 percent, representing 500.308 MW of nominally rated generating capacity. As described under "INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*" herein, on June 24, 2015, MEAG Power transferred its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities. The Vogtle Units 3&4 Projects are being constructed to supply a portion of the power and energy requirements of the Vogtle Units 3&4 Participants that otherwise would be met with Supplemental Bulk Power Supply. See "*The Vogtle Units 3&4 Projects – Description of Vogtle Units 3&4*" below for a discussion of the current status of construction of Vogtle Units 3&4.

At December 31, 2017, MEAG Power's recorded investments in Property, Plant and Equipment ("PP&E") at original cost in the generating units and common facilities, exclusive of fuel, at each generation station including Project One and the Existing General Resolution Projects, transmission and distribution system facilities, general plant and other, the CC Project and the Vogtle Units 3&4 Projects were as follows (in thousands):

	PP&E in Service <sup>(1)(2)</sup>	Construction Work in Progress <sup>(1)</sup>
Generation Station Hatch.....	\$ 494,360	\$ 26,000
Generation Station Wansley .....	239,295	57,686
Generation Station Scherer Unit Nos. 1 and 2 .....	882,315	28,211
Generation Station Vogtle Unit Nos. 1 and 2.....	2,117,012	38,455
Transmission and Distribution.....	792,939	14,280
General Plant and other .....	55,289	13,501
CC Project.....	331,484	180
Vogtle Units 3&4 Project Entities <sup>(3)</sup> .....	-	2,191,352
<i>Total</i> .....	<u>\$ 4,912,694</u>	<u>\$ 2,369,665</u>

(1) The investment for step-up substations is included in Plant investment for each of the generating facilities.

(2) Excludes investment in the Telecommunications Project.

(3) Effective June 24, 2015, PP&E in Service and Construction Work in Progress for Vogtle Units 3&4 has been recorded on each Vogtle Units 3&4 Project Entity's balance sheet, in proportion to their respective ownership interests in Vogtle Units 3&4, but each Vogtle Units 3&4 Project Entity is a separate reporting component, and the Vogtle Units 3&4 Project Entities' account balances are included in MEAG Power's consolidated financial statements.

### ***Project One Power***

The output and services of the generating units included in Project One are furnished to the Participants by MEAG Power under the Project One power sales contracts. MEAG Power also provides such interchange services associated with Project One as are necessary for the reliable and economical supply of the output and services of Project One to the Participants.

Each Initial Participant is entitled to receive a specified percentage of the output and services of the generating units included in Project One. This percentage is called an "Entitlement Share." Each Initial Participant is obligated to pay a percentage, equal to its Entitlement Share, of MEAG Power's cost of owning, operating and maintaining the generating units, including all payments to be made by MEAG Power under the Project One Resolution, whether or not Project One, or any part thereof, is operating or operable, and such payment is not subject to offset for any reason. See "THE PARTICIPANTS – Generation and Transmission Entitlement Shares – Project One" herein. With respect to each Participant's ability to transfer that portion of its entitlement to the output of Project One which is in excess of its requirements, see "SUMMARY OF POWER SALES CONTRACTS – Sale or Exchange of Power and Energy" in APPENDIX D hereto. As more fully discussed under "INTRODUCTORY STATEMENT – The Participants" herein, (a) each of the Initial Participants has agreed to provide a portion of its Project One Entitlement Share to Oxford and (b) Sylvania has agreed to provide a portion of its Project One Entitlement Share to Acworth, but each Initial Participant remains obligated for the payment of all costs associated with the portion(s) of its Entitlement Share so provided.

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 Project One capacity and associated energy to meet Robertsdale's needs net of (a) its purchases from SEPA and (b) any electric energy that Robertsdale is required to purchase from a generating facility in accordance with the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA") (on account of such generating facility's status as a Qualifying Facility (within the meaning of PURPA)) and applicable regulations of FERC or any successor agency, and includes provisions for MEAG Power to sell additional capacity. This sale will be served from the Project One entitlements of nine subscribed Participants, as shown in the following table. However, the take-or-pay obligations of the selling Participants under their Project One Power Sales Contracts are not affected, each such selling Participant remaining contingently liable for all obligations under its Project One Power Sales Contract with respect to the amount sold if Robertsdale defaults in connection with any of its obligations under the purchase power agreement.

<b>Selling Participant</b>	<b>Pro-Rata Share (MW)</b>	<b>Percentage of Sale</b>
Cairo	1.370	5.480%
Commerce	0.685	2.740
Doerun	0.342	1.368
East Point	4.110	16.440
Elberton	1.370	5.480
Griffin	5.479	21.916
Moultrie	2.055	8.220
Sandersville	2.055	8.220
Thomasville	7.534	30.136
Total .....	25.000	100.000%

MEAG Power entered into a five-year purchase power agreement with the City of Hartford, Alabama (“Hartford”) during 2017 to provide full requirements service to Hartford, effective January 1, 2018 through December 31, 2022. The agreement provides 11 MW of Project One capacity and associated energy to meet Hartford’s needs net of (a) its purchases from SEPA and (b) any electric energy that Hartford is required to purchase from a generating facility in accordance with PURPA (on account of such generating facility’s status as a Qualifying Facility (within the meaning of PURPA)) and applicable regulations of FERC or any successor agency, and includes provisions for MEAG Power to sell additional capacity. This sale will be served from the Project One entitlements of sixteen subscribed Participants, as shown in the following table. However, the take-or-pay obligations of the selling Participants under their Project One Power Sales Contracts are not affected, each such selling Participant remaining contingently liable for all obligations under its Project One Power Sales Contract with respect to the amount sold if Hartford defaults in connection with any of its obligations under the purchase power agreement.

<b>Selling Participant</b>	<b>Pro-Rata Share (MW)</b>	<b>Percentage of Sale</b>
Albany	1.542	14.019%
Blakely	0.367	3.336
Crisp County	0.951	8.645
Doerun	0.107	0.973
East Point	0.890	8.091
Elberton	0.519	4.718
Fitzgerald	0.590	5.364
Griffin	1.091	9.918
Lawrenceville	0.750	6.818
Monticello	0.390	3.545
Moultrie	0.686	6.236
Quitman	0.324	2.945
Sandersville	0.692	6.291
Sylvania	0.644	5.855
Thomasville	1.064	9.673
Washington	0.393	3.573
Total .....	11.000	100.000%

MEAG Power entered into a five-year purchase power agreement with the City of Evergreen, Alabama (“Evergreen”) during 2017 to provide full requirements service to Evergreen, effective January 1, 2018 through December 31, 2022. The agreement provides 11.5 MW of Project One capacity and associated energy to meet Evergreen’s needs net of (a) its purchases from SEPA and (b) any electric energy that Evergreen is required to purchase from a generating facility in accordance with PURPA (on account of such generating facility’s status as a Qualifying Facility (within the meaning of PURPA)) and applicable regulations of FERC or any successor agency, and includes provisions for MEAG Power to sell additional capacity. This sale will be served from the Project One entitlements of fifteen subscribed Participants, as shown in the following table. However, the take-or-pay obligations of the selling Participants under their Project One Power Sales Contracts are not affected, each such selling Participant remaining contingently liable for all obligations under its Project One Power Sales Contract with respect to the amount sold if Evergreen defaults in connection with any of its obligations under the purchase power agreement.

Selling Participant	Pro-Rata Share (MW)	Percentage of Sale
Albany	1.589	13.818%
Blakely	0.393	3.417
Crisp County	0.994	8.643
East Point	0.931	8.096
Elberton	0.551	4.791
Fitzgerald	0.623	5.417
Griffin	1.145	9.957
Lawrenceville	0.787	6.843
Monticello	0.429	3.730
Moultrie	0.731	6.357
Quitman	0.351	3.052
Sandersville	0.748	6.504
Sylvania	0.698	6.070
Thomasville	1.108	9.635
Washington	0.422	3.670
Total .....	11.500	100.000%

### ***Transmission***

Bulk Power Supply is furnished by MEAG Power to the Participants through the ITS. Pursuant to a separate Revised and Restated Integrated Transmission System Agreement entered into between GPC and each of MEAG Power, OPC, as predecessor to GTC, and Dalton in 1990 (collectively, the “ITS Agreements”), GPC, MEAG Power, GTC and Dalton have agreed to acquire or construct certain transmission system facilities, which facilities form the ITS. Pursuant to the ITS Agreements, each party to the ITS may use all of the transmission system facilities included in the system, regardless of ownership, in serving its customers. MEAG Power’s transmission system facilities are included in Project One. On December 20, 2006, each owner of the ITS agreed to waive and not to exercise its right under its respective ITS Agreement to terminate that agreement on any date prior to December 31, 2027. In accordance with the five-year notice requirement of the ITS Agreements, an owner may provide written notice on or before December 31, 2022, terminating its respective ITS Agreement no earlier than December 31, 2027.

MEAG Power and GPC have entered into a Second Revised and Restated Integrated Transmission System Operation Agreement (the “Operation Agreement”), effective as of March 23, 2017. Through the Operation Agreement, MEAG Power has appointed GPC as its agent for the management and operation of MEAG Power’s transmission system facilities. The revisions to the Operation Agreement included: an extension of the initial term through December 31, 2017, with automatic two-year renewals thereafter, with the current renewal term extending through December 31, 2019; an increase in the advance notice of cancellation requirement, which notice must be given by either party at least 24 months prior to the date of cancellation; the addition of a specification of the parties’ respective roles with respect to certain mandatory federal reliability standards that pertain to transmission systems; an additional indemnification for GPC in the event of claims arising out of GPC’s compliance with such reliability standards; provisions to update certain sections of the Operation Agreement (and associated Coordinated Functional Registration (“CFR”) agreements, as applicable) as North American Electric Reliability Corporation (“NERC”) standards change; a provision that permits exhibits to the agreement to be amended without amending the basic Operation Agreement and certain other legal provisions. In the event the Operation Agreement is cancelled, MEAG Power would make other arrangements for the day-to-day operation of its transmission system facilities. However, cancellation of the Operation Agreement would not affect the ITS Agreement between MEAG Power and GPC. As of December 31, 2017, neither party had given the required notice of cancellation to the other. Certain of the Operation Agreement revisions enabled MEAG Power, with GPC’s agreement and consent, to request that SERC Reliability Corporation (“SERC”) relieve MEAG Power of a number of obligations in certain mandatory federal reliability standards pertaining to transmission systems via the NERC CFR process. NERC has granted MEAG Power’s request for such relief, effective November 10, 2009, in accordance with the NERC Compliance Registry (at [www.nerc.com](http://www.nerc.com)). During 2017, NERC announced that their processes for accepting agreements of this nature (and subsequent revisions to such agreements) will be streamlined during 2018.

The term of the Integrated Transmission System Maintenance Agreement, effective as of January 1, 2000 (the “Maintenance Agreement”), pursuant to which GPC maintains certain of MEAG Power’s

transmission system facilities, has renewed annually since 2002 and requires a minimum of twelve months' prior notice of cancellation. As of December 31, 2017, neither party had given the required twelve months' prior notice of cancellation to the other. For a more detailed discussion of the Maintenance Agreement, see "SUMMARY OF PROJECT AGREEMENTS – Summary of Agreements Relating to Integrated Transmission System – *The Maintenance Agreement*" in APPENDIX E hereto.

Each Participant is entitled to a percentage, or Transmission Entitlement Share, of the services of the transmission system facilities included in Project One. Each Participant is obligated to pay a percentage, equal to its Transmission Entitlement Share, of MEAG Power's costs with respect to such transmission facilities. Each Participant's Transmission Entitlement Share is determined by dividing the average of the maximum one-hour integrated coincident system demands for Bulk Power Supply provided to such Participant during each month of the Power Supply Year by the average of the maximum one-hour integrated coincident system demands for Bulk Power Supply of all Participants during each month of the Power Supply Year.

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

The transmission facilities that may have investment recognition under the ITS Agreement between MEAG Power and GPC are those facilities typically within the State of Georgia, other than in Chatham, Effingham, Fannin, Towns and Union Counties, that are used or usable to:

- (1) transmit power, the operating voltage of which is 40 kV or more (all 46 kV, 69 kV, 115 kV, 230 kV and 500 kV transmission lines), and
- (2) transform power, the high voltage of which is 40 kV or more and the capacity of which is 500 kVA or more (all 500 kV, 230 kV and 115 kV transmission substations and switching stations, and all 40 kV or greater step-down and delivery point substations having a rating of 500 kVA or more).

This excludes step-up substations at generating units, certain switching substations associated with generation stations, and certain non-joint use distribution service facilities. Only those specific transmission facilities that are used or useable and that have been approved by the parties to the ITS Agreements receive parity investment recognition in the parity formula. In 2006, the ITS owners agreed that most post-2006 capital expenditures for distribution substation facilities should be the sole responsibility of the party (or parties) served by such facilities.

The ITS Agreements do not limit the right of MEAG Power, or other parties, to design, construct, acquire, or own any facilities deemed desirable.

As of December 31, 2017, MEAG Power's ITS facilities and other transmission facilities consisted of approximately 1,323 miles of transmission lines, 18 transmission substations, and 192 distribution substations and certain distribution substation investments at certain substations owned by GPC and GTC. MEAG Power's aggregate investment in such facilities at year-end 2017 totaled approximately \$793 million.

### ***General Resolution Projects Power***

As set forth above, each Participant is obligated under its Project One power sales contract to take all of its Bulk Power Supply from MEAG Power. Each of the Existing General Resolution Projects Power Sales Contracts entered into by MEAG Power with each Initial Participant, and each of the Existing General Resolution Projects power sales contracts entered into by MEAG Power with Oxford, obligates MEAG Power to provide to such Participant, and obligates such Participant to take from MEAG Power, output and services of the applicable Project as may be available for the term of such contracts. In addition, MEAG Power is required to provide such interchange services associated with such Projects as are necessary for the reliable and economical supply of the output and services thereof to the Participants. Under each of the Existing General Resolution Projects power sales contracts, in the event the applicable Project is totally and permanently retired from service, or is out of service totally, but not permanently, and MEAG Power is unable to provide power from alternate sources, each Participant is liable to pay a fixed percentage, called an Obligation Share, of MEAG Power's costs attributable to such Project. See "THE PARTICIPANTS – Obligation Shares of the Participants – Existing General Resolution Projects" herein. As more fully discussed under "INTRODUCTORY STATEMENT – The Participants" herein, each of the Initial Participants has agreed to provide a portion of its Project Four Obligation Share to Oxford, but each Initial Participant remains obligated for the payment of all costs associated with the portion of its Obligation Share so provided.

MEAG Power is required to establish and maintain rates and charges for the output and services of each of its Existing General Resolution Projects which will provide revenues sufficient, but only sufficient, to pay MEAG Power's cost of owning, operating and maintaining such Projects, including all payments to be made by MEAG Power under the General Resolution Projects Resolution. See "Rates and Charges to Participants" below. The revenues allocated to the payment of costs attributable to each Project are required to be sufficient to pay 100 percent of such costs.

### ***Facilities in Project One and the General Resolution Projects***

***Alvin W. Vogtle Nuclear Generation Station – Units 1 and 2.*** MEAG Power has a 22.7% total ownership interest in Generation Station Vogtle Unit Nos. 1 and 2. The Generation Station Vogtle site is in Burke County, Georgia, about 15 miles east-northeast of Waynesboro, Georgia, on the west bank of the Savannah River. Generation Station Vogtle Unit Nos. 1 and 2 employ Westinghouse pressurized water nuclear steam supply systems and General Electric Corporation ("GE") turbine generators, each of which has a nominal capacity of 1,150 MW.

The net capacity ratings ("Unit Ratings") for 2017 were 1,150 MW for Generation Station Vogtle Unit No. 1 and 1,152 MW for Generation Station Vogtle Unit No. 2 and are the same in 2018.

The NRC issued operating licenses for both Generation Station Vogtle Unit Nos. 1 and 2 that were placed in commercial operation on June 1, 1987 and May 20, 1989, respectively. The NRC approved a 20-year license extension for both Generation Station Vogtle Unit Nos. 1 and 2. The current operating licenses will expire January 16, 2047 for Generation Station Vogtle Unit No. 1 and February 9, 2049 for Generation Station Vogtle Unit No. 2. The units are operated on behalf of the co-owners by Southern Nuclear.

Both Generation Station Vogtle Unit Nos. 1 and 2 currently are operating in routine service. Based on the 2017 Unit Ratings, the actual 2017 capacity factors for Generation Station Vogtle Unit Nos. 1 and 2 were 93.4% and 96.8%, respectively. The most recent five-year average capacity factors for Generation Station Vogtle Unit Nos. 1 and 2 were 95.0% and 94.3%, respectively.

Construction on the Interim Spent Fuel Storage Installation ("ISFSI") for dry storage of spent nuclear fuel is underway for Generation Station Vogtle Unit Nos. 1 and 2. An additional smaller interim storage pad was previously constructed to allow storage until such time as the final ISFSI construction is completed (now set for 2019). Through 2017, a total of 26 casks have been loaded and are stored on the interim pads. Each cask contains 32 fuel assemblies. There are plans for loading spent fuel into eight casks



in 2018. For more information concerning nuclear spent fuel storage and disposal, see “*Nuclear Fuel Matters*” below.

The current capital budget for Generation Station Vogtle Unit Nos. 1 and 2 was provided to MEAG Power by Southern Nuclear. The current capital budget for Generation Station Vogtle Unit Nos. 1 and 2 includes modifications, additions, and reviews that are expected to be required during the next five years to meet new or modified regulatory requirements, and to improve generating unit reliability and efficiency.

**Edwin I. Hatch Nuclear Generation Station.** MEAG Power has a 17.7% ownership interest in Generation Station Hatch. Generation Station Hatch is located near the south bank of the Altamaha River in Appling County, Georgia, about 75 miles west of Savannah. Generation Station Hatch contains two units with nominal ratings of approximately 807 MW each. The 2017 Unit Ratings for Generation Station Hatch Unit Nos. 1 and 2 were 876 MW and 883 MW, respectively. The 2018 Unit Ratings are the same as the 2017 Unit Ratings. Each of the units has a direct cycle boiling water reactor and turbine generator designed and supplied by GE. The Generation Station Hatch units incorporate a containment design developed by GE known as the “Mark I” type.

The NRC issued operating licenses for both Generation Station Hatch Unit Nos. 1 and 2, which were placed in commercial operation on December 31, 1975 and September 5, 1979, respectively. The NRC approved 20-year license extensions for both Generation Station Hatch Units. The current operating license expiration dates are August 6, 2034 for Generation Station Hatch Unit No. 1 and June 13, 2038 for Generation Station Hatch Unit No. 2.

Both Generation Station Hatch Unit Nos. 1 and 2 currently are operating in routine service. Based on the 2017 Unit Ratings, the actual 2017 capacity factors for Generation Station Hatch Units Nos. 1 and 2 were 95.4% and 93.2%, respectively. The most recent five-year average capacity factors for Generation Station Hatch Unit Nos. 1 and 2 were 93.1% and 93.6%, respectively.

The ISFSI for dry storage of spent nuclear fuel is projected to provide continued storage of spent fuel on-site throughout the projected operating life of Generation Station Hatch. Six dry storage containers were loaded during 2017 for a total of seventy-eight loaded containers now stored at the ISFSI (68 assemblies per container). Four additional storage containers are scheduled to be loaded in 2018. For more information concerning nuclear spent fuel storage and disposal, see “*Nuclear Fuel Matters*” below.

Southern Nuclear’s current capital budget for Generation Station Hatch includes modifications and additions that are currently expected to be required during the next five years to meet new or modified regulatory requirements or to improve generating unit reliability and efficiency.

**Hal B. Wansley Coal Generation Station.** MEAG Power has a 15.1% total ownership interest in Generation Station Wansley. Generation Station Wansley is located on a 5,200-acre site adjacent to the Chattahoochee River, twelve miles south of Carrollton, Georgia, and fourteen miles northwest of Newnan, Georgia. Generation Station Wansley is a steam electric generating station comprised of two 865 MW nominally rated supercritical coal-fired generating units and a 50 MW nominally rated combustion turbine. The 2017 Unit Ratings for Generation Station Wansley Unit Nos. 1 and 2 were 858 MW each. The 2018 Unit Ratings for Generation Station Wansley Unit Nos. 1 and 2 will remain at 858 MW each and are less than the nominal ratings because of the installation and operation of environmental control systems at each unit. Generation Station Wansley Unit Nos. 1 and 2 were placed in commercial operation on December 24, 1976 and April 25, 1978, respectively.

GPC operates Generation Station Wansley pursuant to environmental permits including a Title V Air Operating Permit, a National Pollutant Discharge Elimination System (“NPDES”) Permit, and a Solid Waste Management Permit.

Significant environmental enhancements have been installed at Generation Station Wansley since 2000. In 2003, Generation Station Wansley Unit Nos. 1 and 2 were retrofitted with Selective Catalytic

Reduction (“SCR”) systems to reduce emissions of NO<sub>x</sub>. In 2009, Flue Gas Desulfurization (“FGD”) systems were placed in service at the units to reduce emissions of SO<sub>2</sub>. This combination of equipment provided a large measure of mercury emissions control. In 2014, activated carbon and lime injection systems were installed on the units to provide additional control of mercury emissions.

In 2015, GPC preparation activities began to permanently close the CCR impoundment (ash pond) at Generation Station Wansley. As part of this activity, GPC is installing new systems to transport fly ash and bottom ash from the coal units on a dry basis, to an on-site licensed landfill. As further discussed below under “Regulation – *Environmental Regulations – Coal Combustion Residuals and Effluent Limitation Guidelines Regulations*,” GPC also is complying with CCR regulatory requirements for the Generation Station Wansley impoundment and landfill – including posting compliance data and information on a publicly accessible internet site.

Generation from Generation Station Wansley Unit Nos. 1 and 2 since 2016 has been below historical average levels primarily due to continued low natural gas prices, which resulted in natural gas-fired generating units being economically dispatched before Generation Station Wansley Unit Nos. 1 and 2.

Generation Station Wansley Unit Nos. 1 and 2 are operating in routine service. Based on 2017 Unit Ratings, the actual 2017 capacity factors for Generation Station Wansley Unit Nos. 1 and 2 were 24.0% and 25.6%, respectively. The most recent five-year average capacity factors for Generation Station Wansley Unit No. 1 was 26.6% and Generation Station Wansley Unit No. 2 was 25.8%.

Because of State Implementation Plan (“SIP”) limits applicable to NO<sub>x</sub> emissions from gas turbines, the Wansley 50 MW combustion turbine is not permitted to operate during the months of May through September except for routine testing to maintain operability (not to exceed three hours per month) and for system reliability requirements.

**Robert W. Scherer Coal Generation Station – Unit Nos. 1 and 2.** MEAG Power has a total ownership interest of 30.2% in Generation Station Scherer Unit Nos. 1 and 2 and a 15.1% interest in the Generation Station Scherer common facilities. Generation Station Scherer is located near the Ocmulgee River approximately fourteen miles east of Forsyth, Georgia, on a 12,000-acre site. The Generation Station Scherer site has four coal-fired steam units with nominal ratings of 810 MW each. The 2017 Unit Ratings for Generation Station Scherer Unit Nos. 1 and 2 were 800 MW and 839 MW, respectively. The 2018 Unit Ratings for Generation Station Scherer Unit Nos. 1 and 2 are 860 MW. The rating on Generation Station Scherer Unit No. 1 is higher in 2018 due to the installation of a new high pressure turbine and two new low pressure turbine assemblies in 2017.

Generation Station Scherer Unit No. 1 and a portion of the common facilities at Generation Station Scherer were placed in commercial operation on March 19, 1982, and Generation Station Scherer Unit No. 2 was placed in commercial operation on February 1, 1984. Generation Station Scherer Unit Nos. 3 and 4, in which MEAG Power does not have ownership interests, were placed in commercial operation on January 1, 1987 and February 28, 1989, respectively. The units are capable of burning either eastern bituminous or western sub-bituminous coal but both units have been burning western Powder River Basin (“PRB”) coal since January 2004.

GPC operates Generation Station Scherer pursuant to environmental permits including a Title V Air Operating Permit, an NPDES Permit, and a Solid Waste Management Permit.

Significant environmental enhancements have been installed at Generation Station Scherer since 2000. The conversion of Generation Station Scherer Unit Nos. 1 and 2 to lower-sulfur PRB coal in 2004 resulted in reduced emissions of NO<sub>x</sub> and SO<sub>2</sub>. In 2009, Generation Station Scherer Unit Nos. 1 and 2 were retrofitted with sorbent injection systems and baghouses to reduce emissions of mercury. In 2013/2014, Generation Station Scherer Unit Nos. 1 and 2 completed the installation of SCR systems and FGD systems to reduce emissions of NO<sub>x</sub> and SO<sub>2</sub>.

In 2015, GPC preparation activities began to permanently close the CCR impoundment (ash pond) at Generation Station Scherer. As part of this activity, GPC is installing new systems to transport fly ash and bottom ash from Generation Station Scherer Unit Nos. 1 and 2 on a dry basis, to an on-site licensed landfill. As further discussed below under “Regulation – *Environmental Regulations – Coal Combustion Residuals and Effluent Limitation Guidelines Regulations*,” GPC also is complying with CCR regulatory requirements for the Generation Station Scherer impoundment and landfill – including posting compliance data and information on a publicly accessible internet site.

Generation from Generation Station Scherer Unit Nos. 1 and 2 since 2016 has been below historical average levels primarily due to continued low natural gas prices, which resulted in natural gas-fired generating units being economically dispatched before Generation Station Scherer Unit Nos. 1 and 2.

Generation Station Scherer Unit Nos. 1 and 2 are operating in routine service. Based on 2017 Unit Ratings, the actual 2017 capacity factors for Generation Station Scherer Unit Nos. 1 and 2 were 32.9% and 55.0%, respectively. The most recent five-year average capacity factors for Generation Station Scherer Unit Nos. 1 and 2 were 56.5% and 59.7%, respectively.

### ***Cost to Comply with Air Regulations for Coal Units***

For information relating to the cost of compliance of federal and state emission limitations and requirements relating to MEAG Power’s coal units, see “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Capital Improvements Program” herein.

### ***Nuclear Fuel Matters***

Southern Nuclear, as operating agent, acquires and manages nuclear fuel and fuel cycle services for Generation Station Vogtle and Generation Station Hatch. Nuclear fuel contracts vary in length from short-term contracts (typically less than three years) to long-term contracts (typically longer than five years). Additional nuclear fuel contracts will be required for the long-term supply of nuclear fuel to Generation Station Vogtle and Generation Station Hatch.

Pursuant to the Nuclear Waste Policy Act of 1982, nuclear utilities have been required to make payments into the federal Nuclear Waste Fund established by Section 302(c) of the Nuclear Waste Policy Act of 1982. Under the Nuclear Waste Policy Act of 1982, DOE was to provide for a disposal facility or repository and accept high-level nuclear waste from nuclear utilities no later than January 31, 1998. Under the contracts GPC has with 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 alleged breach of contract. For a discussion of such lawsuits, see Note 2(G) to MEAG Power’s 2017 Financial Statements attached hereto as APPENDIX A.

Southern Nuclear reports that Generation Station Vogtle Unit Nos. 1 and 2 and Generation Station Hatch Unit Nos. 1 and 2 have completed on-site capability for dry storage of spent fuel. Construction of an on-site dry storage facility at Generation Station Vogtle was completed in 2013. Such a facility became operational at Generation Station Hatch in 2000. According to Southern Nuclear, the Generation Station Hatch and Generation Station Vogtle on-site dry storage facilities can be expanded to accommodate spent fuel through the expected life of the generation stations.

### ***Coal Purchases***

MEAG Power purchases coal for its interests in Generation Station Wansley and Generation Station Scherer Unit Nos. 1 and 2 through a combination of long-term contracts and spot market purchases. With respect to its long-term contracts, MEAG Power has implemented a coal procurement strategy of rolling contract expirations and procurements, which is intended to provide coal price stability. As provided for in the Project Agreements, MEAG Power manages its own coal stockpile inventory including selection of fuel sources, contract arrangements, and coal inventory levels. GPC, as the agent for MEAG Power as well

as the other co-owners, has contracted Southern Company Fuel Services (“SCFS”) to act as coal procurement agent and SCFS is responsible for issuance of requests for proposals for coal supply, contract negotiations, and scheduling coal delivery.

Generation Station Wansley burns bituminous coal from mines in the Central Appalachian and Illinois Basin regions. As of May 31, 2018, the coal stockpile at Generation Station Wansley contained a 27-day supply based on nominal full-load capacity.

Generation Station Scherer Unit Nos. 1 and 2 currently burn coal from sub-bituminous mines in the PRB region. As of May 31, 2018, the coal stockpile at Generation Station Scherer contained a 32-day supply for Generation Station Scherer Unit Nos. 1 and 2 based on nominal full-load capacity.

All coal for Generation Station Wansley and Generation Station Scherer is delivered in private rail cars, and each of the co-owners has provided cars that comprise a pool of cars used for these private rail car deliveries. To date, MEAG Power has contributed a total of 621 cars to the combined pool of cars for Generation Station Wansley and Generation Station Scherer Unit Nos. 1 and 2. GPC has leased additional train sets under short-term (three to five years) leases. MEAG Power participates in these short-term leases as needed to balance rail transportation capacity and forecasted delivered coal tons.

### ***Nuclear Fuel Purchases***

MEAG Power has an established nuclear fuel funding program that provides for the financing of nuclear fuel purchases. For further information relating to the procurement of nuclear fuel, see Note 8 to MEAG Power’s 2017 Financial Statements attached hereto as APPENDIX A.

### ***Pseudo Scheduling and Services Agreement***

The Pseudo Scheduling and Services Agreement (the “PSSA”) between MEAG Power and GPC became effective August 1, 1997. The PSSA is a power supply arrangement between MEAG Power and GPC under which the following occurs:

- (a) MEAG Power “pseudo” schedules how and when generation from its ownership interests in Generation Station Wansley Unit Nos. 1 and 2, the Generation Station Wansley Combustion Turbine and Generation Station Scherer Unit Nos. 1 and 2 is committed and dispatched. That is, GPC will deliver energy based upon such schedules as if it were generated at such units, although the commitment of these units may actually be different from the “pseudo” schedule.
- (b) MEAG Power “pseudo” schedules generation from the Participants’ entitlements to output from the SEPA facilities.
- (c) MEAG Power utilizes the actual output from its ownership interests in Generation Stations Hatch and Vogtle and the Wansley CC Unit (hereinafter defined).
- (d) MEAG Power schedules its own off-system transactions.
- (e) MEAG Power controls the other non-nuclear resources in the Southern Company Control Area to which MEAG Power has ownership rights, all to meet MEAG Power’s requirements.

With respect to item (a), to the extent MEAG Power pseudo schedules output in excess of MEAG Power’s share of the actual output of a unit, MEAG Power purchases such excess energy from GPC at the energy cost of such unit. To the extent MEAG Power pseudo schedules output that is less than MEAG Power’s share of the actual output of the unit, MEAG Power sells such energy to GPC at the energy cost of such unit.

Under the PSSA, GPC provides the required ancillary services for the scheduling and dispatch of MEAG Power's resources, provides back-up power supply to MEAG Power through an energy imbalance service, and to the extent not provided by MEAG Power, provides all ancillary services required for MEAG Power to operate its resources and to effectuate off-system sales and purchases. GPC has no further responsibility to provide partial requirements service to MEAG Power. MEAG Power is responsible for, among other matters, procuring its future requirements for all bulk power supply, obtaining replacement power when its generating resources are unavailable, planning, operating and maintaining its system in accordance with prudent utility practice, and paying the costs of all ancillary services needed to ensure the delivery of MEAG Power's generation.

The PSSA requires MEAG Power to purchase or provide certain ancillary services that are referred to as Control Area Services. The term "MEAG Territorial Control Area Services" means those Control Area Services that are needed (i) to effectuate the delivery of power to MEAG's Territorial Load, as defined in the PSSA; and (ii) to maintain the integrity of the ITS and the Southern Balancing Authority Area during such transactions. The MEAG Territorial Control Area Services to be provided or offered under the PSSA include: (i) Scheduling, System Control and Dispatch Service; (ii) Reactive Supply and Voltage Control From Generation Sources Service; (iii) Regulation and Frequency Response Service; (iv) Operating Reserve - Spinning Reserve Service; and (v) Operating Reserve - Supplemental Reserve Service.

Supplemental Reserves may be purchased directly from GPC or self-supplied through a combination of generating resources and qualifying interruptible loads. MEAG Power has negotiated a Demand Response Agreement with a qualifying large industrial load which is served by one of the Participants. MEAG Power has agreed to pay a negotiated dollar per megawatt hour ("MWh") rate for the Supplemental Reserves Service. The term of this agreement is from January 1, 2017 until December 31, 2017. The contract automatically renews for 1 year terms and either party may cancel at any time with 30 days' notice.

MEAG Power's territorial load served by SEPA resources is excluded from the cost calculation for these services (while SEPA is part of the Southern dispatch) because SEPA purchases these control area services from Southern under a separate contractual arrangement.

The term of the PSSA is from year to year, with either party having the right to terminate the PSSA upon six months' notice to the other party. GPC has agreed to cooperate with MEAG Power to develop agreements to permit MEAG Power, upon the termination of the PSSA, to form or become part of another electrical control area for dispatching and scheduling its generating units to match its loads should MEAG Power elect to do so.

The PSSA provides MEAG Power with flexibility to manage its generation resources in the current market. It allows for utilization of MEAG Power's generating resources to match closely its system requirements. The PSSA also facilitates MEAG Power's ability to make firm off-system sales and purchases.

During 2017, energy sales to GPC under the provisions of the PSSA totaled 1,948.0 gigawatt hours ("GWh") with revenues of \$62.6 million, while energy purchases from GPC amounted to 284.1 GWh with a cost of \$7.8 million.

Under the PSSA, MEAG Power contracts directly for the sale and purchase of capacity and energy with utilities both inside and outside of the Georgia territory. Since August 1997, all short-term trading activities in the wholesale market have been coordinated through The Energy Authority ("TEA"). In 2017, total energy sales related to Project One, the Existing General Resolution Projects and the CC Project to parties other than native load and GPC totaled 1,244.0 GWh with gross revenues of \$40.1 million. During 2017, energy purchases from TEA totaled 561.1 GWh with a cost of \$14.2 million.

For the 2017 Power Supply Year, MEAG Power's interchanges with others, excluding sellback to GPC, included (i) purchases from TEA, GPC under the PSSA, and others totaling 856.3 GWh and \$22.6

million and (ii) sales to TEA, GPC under the PSSA, and others totaling 3,192.0 GWh and \$102.7 million. For information relating to TEA, see “*The Energy Authority*” below.

### ***Supplemental Bulk Power Supply***

Supplemental Bulk Power Supply is that portion of a Participant’s Bulk Power Supply in excess of its entitlement to power and energy from Project One and the output and related services of the Existing General Resolution Projects and, unless otherwise provided, any future project of MEAG Power. Each Participant is obligated to take and pay for Supplemental Bulk Power Supply procured and delivered by MEAG Power. The CC Project was developed to supply a portion of the power and energy requirements of the Initial CC Participants that otherwise would be met with Supplemental Bulk Power Supply. Additionally, as described below under “*The Vogtle Units 3&4 Projects*,” the Vogtle Units 3&4 Projects currently are being constructed to supply a portion of the power and energy requirements of the Vogtle Units 3&4 Participants that otherwise would be met with Supplemental Bulk Power Supply. Supplemental Bulk Power Supply (including transmission and ancillary services), supplied by MEAG Power to the Participants under the Project One power sales contracts, is obtained through purchases from and exchanges with wholesale electric suppliers and marketers, as well as through purchases of surplus power from certain Participants.

In January 2008, MEAG Power entered into a twenty-year power purchase agreement with Southern Power Company (formerly known as West Georgia Generating Company, LLC) for the output and services of a GE 7FA combustion turbine nominally rated at 150 MW (the “Edward L. Addison Generating Facility”). The effective date of the power purchase agreement was May 1, 2009. This resource has been subscribed by twenty of the Participants whose shares are listed in the following table:

<b>Participant</b>	<b>Share (Percentage of 150 MW)</b>	<b>Participant</b>	<b>Share (Percentage of 150 MW)</b>
Buford	2.0161%	Griffin	2.5202%
Cairo	1.0081	Hogansville	0.2016
Commerce	0.8690	Lawrenceville	15.6252
Covington	10.0807	Marietta	35.2826
Elberton	5.0404	Monroe	4.6422
Ellaville	1.0419	Newnan	4.0323
Fairburn	2.5202	Norcross	4.5867
Forsyth	0.6552	Sylvester	0.5782
Fort Valley	0.5040	Thomasston	2.5202
Grantville	0.2268	Thomasville	6.0484
		Total	100.0000%

During 2017, energy purchases from the Edward L. Addison Generating Facility totaled 11.1 GWh with a cost of \$0.5 million.

Payments received by MEAG Power for Supplemental Bulk Power Supply are not pledged under the Project One Resolution, the General Resolution Projects Resolution, the CC Bond Resolution, the Vogtle Units 3&4 Bond Resolutions or the Telecommunications Bond Resolution, nor do MEAG Power’s expenses attributable to Supplemental Bulk Power Supply constitute operating expenses under any such resolution.

### ***Provisions for Participants to Obtain Supplemental Power from Alternative Sources***

Under the power sales contracts relating to MEAG Power’s Project One, each Participant may procure Supplemental Power from Alternative Sources up to certain maximum amounts determined by formulae contained in the power sales contracts. Procurement of Supplemental Power from Alternative Sources is subject to satisfaction of certain notice requirements ranging from two years to nine years depending upon the amount of such power procured. Any such action by a Participant does not relieve it of its obligation to pay its Entitlement Share of costs relating to Project One, its allocated share of the costs of the Existing General Resolution Projects or, if applicable, its Obligation Shares of the costs of the CC Project or the Vogtle Units 3&4 Projects. See “SUMMARY OF POWER SALES CONTRACTS – Procurement of Alternative Bulk Power Supply Resources” in APPENDIX D hereto.

Prior to the implementation of the Supplemental Power Supply Policy described in the following paragraph, two Participants, the City of Calhoun (“Calhoun”) and the City of LaGrange (“LaGrange”), had given the required notice to procure Supplemental Power from Alternative Sources and such notices remain in effect. Pursuant to its notice and in accordance with the provisions of its Project One power sales contract, Calhoun acquired a 20 MW combustion turbine unit to serve a portion of its supplemental power needs. Except with respect to such combustion turbine unit, both Calhoun and LaGrange continue to receive all of their respective supplemental power needs from MEAG Power.

In 1999, MEAG Power adopted a “Supplemental Power Supply Policy” with respect to its obligation to supply the supplemental power requirements of the Participants, which policy supplements the provisions of the Project One power sales contracts described in the second preceding paragraph. Among other things, the policy provides the Participants with several options with respect to the provision of supplemental power requirements from which they can choose on an annual basis, and it waives the notice requirements of the Project One power sales contracts described above for so long as the Supplemental Power Supply Policy is in effect. The Supplemental Power Supply Policy became effective for the 2000 Power Supply Year, and is intended to remain in effect for future power supply years unless changed due to future circumstances. In that event, outstanding Participant commitments for supplemental power supply shall be taken into account.

#### ***Participant Interconnection Agreement***

As set forth below, Section 404(b) of the Project One power sales contracts provides for an interconnection agreement between MEAG Power and those Participants that elect to procure Supplemental Power from Alternative Sources. Section 404(b) states:

“The Participant will enter into an interconnection agreement with [MEAG Power] for reserves, emergency, economy, scheduled and other interchange service, the terms and conditions of which will be similar to those contained in interconnection agreements between [MEAG Power] and others.”

In May 1999, the MEAG Power Board approved a generic Participant Interconnection Agreement (the “PIA”) that is to be used in connection with any Participant that elects to procure Supplemental Power from Alternative Sources. The PIA is available on a contract year basis (January 1 to December 31) and can be terminated with twelve months’ notification (the first termination cannot occur within the first two contract years). In general, the PIA provides for (i) MEAG Power to provide transmission and ancillary services; (ii) certain rights and obligations of the Participant with respect to the Alternative Source such as notice provisions, treatment of reserves and losses and operating procedures; (iii) the energy accounting associated with the Alternative Source; and (iv) administration costs and billing associated with the PIA. Calhoun and MEAG Power have entered into a PIA.

#### ***Southeastern Power Administration (SEPA)***

Effective October 1, 1996, the Participants entered into 20-year contracts with SEPA under which they are entitled to receive capacity and energy allocations of hydroelectric generation. Each contract remains in effect after September 30, 2016 until termination notice is given by either the Participant (with 25 months’ notice) or SEPA (with 24 months’ notice). In recent years, the average annual amount of energy received from SEPA has been approximately 700,000 MWh per year. During low-water years, such amounts could be as low as 424,000 MWh annually (the minimum contract amount). The amount of energy delivered by SEPA during 2017 was 662,900 MWh. The estimated amount of energy to be delivered by SEPA during 2018 through 2022 is 664,700 MWh annually, based on an average of recent years’ actual annual delivered energy. The amount of capacity currently received under these contracts is 431 MW. Each Participant receives its allotment of electric power and energy and pays SEPA directly for such power and energy. However, any Participant may assign its allotment of SEPA power to MEAG Power for delivery by MEAG Power to such Participant. Effective June 1, 1989, MEAG Power assumed responsibility for delivering the allotments of SEPA power through the ITS. MEAG Power charges the

Participants for such transmission service under the Project One power sales contracts based upon a rate provision set forth therein.

Pursuant to the 25-month notice provision described above, the Cities of Adel, Blakely, Sylvania and Washington have submitted their request to terminate their contracts with SEPA. The terminations will result in the release of 22.8 MW of SEPA capacity and energy. SEPA has acknowledged each of these notices and has begun efforts to allocate the capacity and energy released by these Cities to other SEPA customers.

MEAG Power includes the cost of SEPA power on its monthly bills submitted to the Participants for informational purposes only. However, the Participants, not MEAG Power, are responsible for making payments to SEPA.

On April 6, 2017, SEPA published a proposed capacity rate decrease in the Federal Register which became effective on October 1, 2017. The rate schedule was approved by FERC on January 25, 2018.

The 2019 Presidential Budget proposes to sell the transmission assets of federal power marketing agencies (“PMAs”) which may include SEPA. The Budget also proposes to authorize PMAs to charge rates based on comparable rates charged by for-profit investor-owned utilities, rather than cost based rates for electricity. There can be no assurances if these proposals will be approved or their ultimate effect on the Participants.

Under the Project One Power Sales Contracts and MEAG Power’s Supplemental Power Supply Policy adopted in March 1999, MEAG Power, if requested by a Participant, would be required to supply the amount of power previously supplied by SEPA if the Participant’s allotment of SEPA power is reduced in the future. This would include any Participant electing to discontinue purchasing power from SEPA because of the cost thereof or for any other reason.

### ***The Combined Cycle Project***

**General.** In 2002, MEAG Power entered into take-or-pay, “hell or high water” Combustion Turbine Power Sales Contracts (the “CT Contracts”) with 34 of the Participants (the “CT Participants”) relating to a combustion turbine project that was being developed by MEAG Power (the “CT Project”). The CT Project, the CT Bond Resolution, the CT Contracts and bonds to be issued under the CT Bond Resolution for the CT Project were validated by an order of the Superior Court of Fulton County, Georgia on May 1, 2002. The payment obligations of each CT Participant under its CT Contract were on a parity with its obligations under its contractual arrangements with MEAG Power with respect to each of MEAG Power’s other projects.

As originally contemplated, the CT Project was to be comprised of two distinct facilities: a combined cycle facility to be located at the existing Generation Station Wansley site located in Heard County, Georgia and designated as the “Wansley Combined Cycle Facility” (hereinafter, the “Wansley CC Unit”); and a simple cycle facility to be located near the City of Monroe in Walton County, Georgia and designated as the “W. R. Clayton CT Facility.”

A portion of the cost of acquisition and construction of the CT Project was financed through the issuance, under the CT Bond Resolution, of \$258,465,000 in aggregate principal amount of Combustion Turbine Project Revenue Bonds, Series 2002A (the “2002A CT Bonds”) and \$86,220,000 in aggregate principal amount of Variable Rate Combustion Turbine Project Revenue Bonds, Series 2002B (the “2002B CT Bonds” and, together with 2002A CT Bonds, the “CT Bonds”). As described herein, on May 11, 2010, all outstanding 2002B CT Bonds and certain outstanding 2002A CT Bonds were refunded through the issuance of the 2010A CC Bonds (hereinafter defined). Additionally, as described herein, on February 2, 2012, certain outstanding 2002A CT Bonds were advance refunded through the issuance of the 2012A CC Bonds (hereinafter defined). As a result, no 2002A CT Bonds remain outstanding.



In July 2003, 32 of the 34 CT Participants (hereinafter referred to as the “Initial CC Participants”) agreed to execute a take-or-pay, “hell or high water” Amended and Restated Combined Cycle Power Sales Contract (each, an “Initial CC Contract”) for the purpose of amending and restating their respective CT Contracts in order to effect a proposed reconfiguration of the CT Project that consisted of (a) deleting the simple cycle component, (b) increasing the combined cycle component to the entire nominal summer rating capacity (503 MW) of the Wansley CC Unit and (c) reallocating the shares of the two CT Participants that did not execute Initial CC Contracts. In addition, the two insurers of the CT Bonds consented to such Initial CC Contracts. As a result of the reconfiguration of the CT Project, the debt service responsibilities of the CT Participants for the outstanding CT Bonds were revised.

The Superior Court of Fulton County, Georgia, in a civil action styled *State of Georgia v. Municipal Electric Authority of Georgia, et al.*, Civil Action File No. 2003CV73437, entered a judgment on August 20, 2003, which confirmed and validated MEAG Power’s authorization to issue and deliver (a) Combined Cycle Project Revenue Bonds in the amounts of (i) \$175,315,000 to finance or refinance Costs of Acquisition and Construction of the CC Project, including generating capacity reserves for the CC Project, Embedded Simple Cycle Costs and Financing Costs (as defined in the CC Contracts), and (ii) \$200,000,000 to finance or refinance fuel for the CC Project, and (b) Combined Cycle Project Refunding Revenue Bonds in the amount of \$600,000,000 to provide for the refunding of Combined Cycle Project Revenue Bonds and/or CT Bonds. Each of the terms and provisions of the CC Contracts with the Initial CC Participants were declared to be valid and binding on each party thereto and were in each and every respect confirmed and validated.

Three additional Participants (Lawrenceville, Grantville and Palmetto) became CC Participants in 2007 and early 2008, one additional Participant (Albany) became a CC Participant effective as of January 1, 2011 and one additional Participant (Brinson) became a CC Participant effective as of January 1, 2012 (such additional Participants are collectively referred to herein as the “Additional CC Participants”), increasing the total number of participants in the CC Project to 37. The Additional CC Participants became participants in the CC Project through the execution of additional take-or-pay, “hell or high water” CC Contracts (the “Additional CC 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 (see “Bulk Power Supply Operations – *General*” above). The Initial CC Participants, together with the Additional CC Participants, are collectively referred to herein as the “CC Participants,” and the Initial CC Contracts, together with the Additional CC Contracts, are collectively referred to herein as the “CC Contracts.” The payment obligations of each CC Participant under its respective CC Contract are general obligations to the payment of which its full faith and credit are pledged. MEAG Power’s remedies under each such CC Contract include specific performance to compel the CC Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder. The Additional CC Contracts were entered into after the entry of the August 20, 2003 validation order referred to above and have not been so validated. See “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power’s CC Bonds – *The CC Contracts*” herein. For descriptions of the CC Contracts and the CC Bond Resolution, see “SUMMARY OF COMBINED CYCLE POWER SALES CONTRACTS” in APPENDIX H hereto and “SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION” in APPENDIX I hereto.

In October 2003, MEAG Power issued \$84,840,000 in aggregate principal amount of Combined Cycle Project Revenue Bonds, Series 2003A (the “2003A CC Bonds”) pursuant to the CC Bond Resolution to provide funds to finance the costs of completion of the acquisition and construction of the CC Project. The 2003A CC Bonds were on a parity with the CT Bonds. As described below, on May 11, 2010, certain outstanding 2003A CC Bonds were refunded through the issuance of the 2010A CC Bonds. In addition, on November 1, 2013, (a) \$44,280,000 in aggregate principal amount of the 2003A CC Bonds were redeemed with the proceeds of an advance under the CC Project Revolving Credit Agreement (hereinafter defined) and (b) \$3,665,000 in aggregate principal amount of the 2003A CC Bonds were paid at maturity. As a result, no 2003A CC Bonds remain outstanding. As more fully described under “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Financing Program – *Outstanding Indebtedness of MEAG Power – CC Project*” herein, on November 28, 2016, the aggregate principal amount of such

advance was repaid with revenues collected from the CC Participants and the proceeds of an advance under the CC Project 2012A BAN (hereinafter defined). At some point in the future, MEAG Power may refund such advance through the issuance of additional CC Bonds.

On May 11, 2010, MEAG Power issued \$128,410,000 in aggregate principal amount of Combined Cycle Project Revenue Bonds, Series 2010A (the “2010A CC Bonds”) to, among other things, provide a portion of the moneys required to refund all of the then outstanding 2002B CT Bonds and certain outstanding 2002A CT Bonds and 2003A CC Bonds, as well as make a required deposit to the debt service reserve account established under the CC Bond Resolution. The 2010A CC Bonds were outstanding as of both December 31, 2017 and April 30, 2018 in an aggregate principal amount of \$106,670,000.

On February 2, 2012, MEAG Power issued \$102,365,000 in aggregate principal amount of Combined Cycle Project Revenue Bonds, Series 2012A (the “2012A CC Bonds”) to, among other things, provide a portion of the moneys required to advance refund certain outstanding 2002A CT Bonds. The 2012A CC Bonds were outstanding as of both December 31, 2017 and April 30, 2018 in an aggregate principal amount of \$48,015,000.

See “CC PROJECT PARTICIPANTS ANNUAL GROSS DEBT SERVICE RESPONSIBILITIES” in APPENDIX Q hereto for the current debt service responsibilities of the CC Participants with respect to the 2010A CC Bonds and the 2012A CC Bonds and the CC Project 2012A BAN.

**Description of the CC Project.** The CC Project consists of the ownership of a GE gas-fired and steam driven combined cycle power plant (S207 FA) that has a nominal summer capacity of 503 MW. All major construction milestones were met and the CC Project began commercial operation on June 1, 2004. All contract guarantees were met or exceeded. The CC Project currently has all of the permits and licenses necessary for its operation, and the facility currently is in substantial compliance with all regulations, permits and licenses now in effect.

The CC Project is located at the existing Generation Station Wansley site, which is located in a rural area in Heard County, Georgia, approximately 40 miles southwest of Atlanta and which is co-owned by MEAG Power, GPC, OPC and Dalton. The real property on which the CC Project is located is owned solely by MEAG Power.

The CC Project is supported by common facilities that have been developed by MEAG Power, GPC and OPC. The common facilities necessary to support the operation of the CC Project include a natural gas pipeline, raw water lines, wastewater lines, fire water lines, potable water lines, backup power lines, telecommunication lines and site drainage facilities, and such facilities have been installed. MEAG Power and OPC shared the costs of construction of a new 230 kV substation and associated facilities to interconnect the generating facilities being constructed by OPC and MEAG Power to the ITS. OPC subsequently transferred its interest in this 230 kV substation to GTC. In September 2007, MEAG Power and GTC completed a joint ownership and operating agreement under which MEAG Power and GTC each have an initial 50 percent interest in the substation, with such interests subject to adjustment if the station is expanded in the future and both parties choose not to participate equally in such expansion.

The CC Project utilizes two Frame 7 FA combustion turbines in a combined cycle application where exhaust from each combustion turbine flows into a heat recovery steam generator (“HRSG”) to produce steam, which in turn is used to drive a GE double flow steam turbine. The combustion turbines have the capability to operate on natural gas fuel controlling NO<sub>x</sub> emissions to nine parts per million (“ppm”) at fifteen percent oxygen with dry low NO<sub>x</sub> combustors. The HRSGs contain duct burners, which have the capability to augment the production of steam, and selective catalytic reduction systems to further reduce stack NO<sub>x</sub> emission levels.

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 2008 and continues until January 2019, and MEAG Power has certain retention rights thereafter, 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 entered into a summer capacity release agreement with the Municipal Gas Authority of Georgia ("MGAG") for the period May 1 - September 30, 2018, to fill the bulk of this need for 2018.

TEA provides fuel management services for MEAG Power, including procurement, scheduling and risk management of the transportation and supply portfolio. See "*The Energy Authority*" below. In addition, MEAG Power has entered into a long-term gas purchase with Main Street Natural Gas, Inc. ("Main Street"), a Georgia nonprofit corporation formed by MGAG. The term of this transaction, which commenced on February 1, 2007, is fifteen years. From December 31, 2017 through the remaining term of the contract, MEAG Power will purchase from Main Street, on a "take-and-pay" basis, 1,958 million British thermal units ("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 percent of MEAG Power's natural gas requirements for its native load, based on the load forecast updated in November 2017. MEAG Power expects that the price to be paid by it for natural gas under the transaction will be substantially lower than the price of natural gas available to it on the spot market. For further information regarding this transaction, see Note 8 to MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A.

MEAG Power has entered into a Firm Storage Service Agreement and a Firm Transportation Service Agreement with Petal Gas Storage, L.L.C. (currently known as Gulf South Pipeline Company, LP) ("Petal") that provides for storage and associated transportation of 200,000 mmBtus of natural gas for a term of fifteen years that began in August 2008. MEAG Power has regularly utilized Petal under the terms of its original contract and under the FERC-approved tariff that the contract references. However, in a transaction that is expected to provide more value, MEAG Power has entered into a two-year release of the capacity that began on April 1, 2017 and ends on March 31, 2019.

In addition, effective February 28, 2013, MEAG Power revised a firm storage agreement with the Transco natural gas pipeline system for storage of 21,174 mmBtus of natural gas at Transco's Eminence gas storage facility. The revision was required to reflect MEAG Power's *pro rata* share of the reduced volume of storage available after FERC approved Transco's abandonment of a portion of the facility. The primary term of the Transco agreement began in July 2008 and continues until January 2019, and MEAG Power has certain retention rights thereafter, which ensure continued service. The agreements provide MEAG Power with storage rights for natural gas for the CC Project that may be drawn to manage daily gas supplies or to partially compensate for supply disruptions.

MEAG Power has contracted with North American Energy Services ("NAES") to perform the operation and maintenance of the CC Project. NAES has extensive experience in the operation of combined cycle facilities, including a number of facilities using Frame 7F technology similar to the CC Project. The contract was effective on October 31, 2013 and its initial term ends on October 31, 2018. The contract has provisions for automatic three-year renewal options thereafter, but may be terminated at any time by MEAG Power giving ninety days' notice to NAES.

In March 2015, MEAG Power contracted with PW Power Systems for long-term parts and outage services for the CC Project. The term of the contract is based on the operations of the unit and estimated to be in place through 2030.

### ***The Vogtle Units 3&4 Projects***

**General.** Each of MEAG Power, GPC, OPC and Dalton (collectively referred to herein as the "Original Vogtle Co-Owners") agreed to expand the facilities at Generation Station Vogtle by constructing Vogtle Units 3&4, each with a nominally rated generating capacity of 1,102 MW. The Original Vogtle Co-

Owners agreed to participate in Vogtle Units 3&4 at the same ownership shares as their participation in Generation Station Vogtle Unit Nos. 1 and 2, with (1) MEAG Power taking a 22.7 percent ownership interest, (2) GPC taking a 45.7 percent ownership interest, (3) OPC taking a 30.0 percent ownership interest and (4) Dalton taking a 1.6 percent ownership interest. MEAG Power's ownership interest in Vogtle Units 3&4 represented 500.308 MW of nominally rated generating capacity. A portion of the output and services of MEAG Power's ownership interest in Vogtle Units 3&4 was projected to be surplus initially to the requirements of the Participants in Vogtle Units 3&4. As a result, MEAG Power structured its interest in Vogtle Units 3&4 as three separate projects such that all of the output of Vogtle Units 3&4 was expected to be used as a baseload generation resource for load-serving entities during the entire projected useful life of Vogtle Units 3&4.

Project M initially comprised approximately 33.871 percent of MEAG Power's ownership interest, representing 169.458 MW of generating capacity based upon the nominal rating of the proposed Vogtle Units 3&4, which percentage interest has been transferred to the Project M Entity (see "INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*" herein). The output and services of Vogtle Units 3&4 related to Project M will be provided to the Project M Participants that executed Project M Power Sales Contracts commencing as of the commercial operation date of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively. MEAG Power has issued Project M Bonds pursuant to its Project M Bond Resolution to finance and refinance costs of acquisition and construction and financing costs of Project M, and has pledged payments to be made pursuant to the Project M Power Sales Contracts with the Project M Participants to the payment of the Project M Bonds. The payment obligations of each Project M Participant under its Project M Power Sales Contract are on parity with its obligations under its contractual arrangements with MEAG Power with respect to MEAG Power's other projects. See the final paragraph under "INTRODUCTORY STATEMENT – The Projects" herein for a discussion of the economic inter-relationship among MEAG Power's projects. For a description of the Project M Participants' payment obligations under their respective Project M Power Sales Contracts, see "SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay" in APPENDIX K hereto.

Project J initially comprised approximately 41.175 percent of MEAG Power's ownership interest, representing 206.000 MW of generating capacity based upon the nominal rating of the proposed Vogtle Units 3&4, which percentage interest has been transferred to the Project J Entity (see "INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*" herein). MEAG Power entered into the Project J PPA with JEA to sell the output and services of Vogtle Units 3&4 related to Project J for the first twenty years of commercial operation of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively. Following the twentieth anniversary of the commercial operation date of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively, the output and services of such unit related to Project J shall be provided to the Project J Participants. MEAG Power has issued Project J Bonds pursuant to its Project J Bond Resolution to finance and refinance costs of acquisition and construction and financing costs of Project J, and has pledged payments to be made pursuant to the Project J PPA and the Project J Power Sales Contracts to the payment of the Project J Bonds. The payment obligations of each Project J Participant under its Project J Power Sales Contract are on parity with its obligations under its contractual arrangements with MEAG Power with respect to MEAG Power's other projects. See the final paragraph under "INTRODUCTORY STATEMENT – The Projects" herein for a discussion of the economic inter-relationship among MEAG Power's projects. For a description of JEA's payment obligations under the Project J PPA, see "SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT J PPA – JEA's Payment Obligations" in APPENDIX J hereto and for a description of the Project J Participants' payment obligations under their respective Project J Power Sales Contracts, see "SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay" in APPENDIX K hereto.

Project P initially comprised approximately 24.955 percent of MEAG Power's ownership interest, representing 124.850 MW of generating capacity based upon the nominal rating of the proposed Vogtle Units 3&4, which percentage interest has been transferred to the Project P Entity (see "INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*" herein). MEAG Power entered into the Project P PPA

with PowerSouth to sell the output and services of Vogtle Units 3&4 related to Project P for the first twenty years of commercial operation of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively. Following the twentieth anniversary of the commercial operation date of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively, the output and services of such unit related to Project P shall be provided to the Project P Participants. MEAG Power has issued Project P Bonds pursuant to its Project P Bond Resolution to finance and refinance costs of acquisition and construction and financing costs of Project P, and has pledged payments to be made pursuant to the Project P PPA and the Project P Power Sales Contracts to the payment of the Project P Bonds. The payment obligations of each Project P Participant under its Project P Power Sales Contract are on parity with its obligations under its contractual arrangements with MEAG Power with respect to MEAG Power's other projects. See the final paragraph under "INTRODUCTORY STATEMENT – The Projects" herein for a discussion of the economic inter-relationship among MEAG Power's projects. For a description of PowerSouth's payment obligations under the Project P PPA, see "SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT P PPA – PowerSouth's Payment Obligations" in APPENDIX J hereto and for a description of the Project P Participants' payment obligations under their respective Project P Power Sales Contracts, see "SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay" in APPENDIX K hereto.

Each of the Vogtle Units 3&4 Power Sales Contracts as well as the Project J PPA and the Project P PPA require the Vogtle Units 3&4 Participants, JEA and PowerSouth, as applicable, to make their payments as required by the applicable contract whether or not the respective project is completed, operating or operable, and such payment obligations are unconditional.

The Superior Court of Fulton County, Georgia, in the case of *State of Georgia v. Municipal Electric Authority of Georgia, et al.*, Civil Action No. 2008CV159297, by judgment entered on November 18, 2008 (the "2008 Vogtle Validation Judgment"), validated and confirmed a total of (i) \$4,951,210,000 of Project M Bonds (a) to finance or refinance the costs of acquisition and construction and financing costs of Project M and (b) to refund all or any portion of any Outstanding Bonds (as that term was defined in the Original Project M Bond Resolution) or all or any portion of any outstanding subordinated bonds issued pursuant to the Project M Bond Resolution, (ii) \$6,010,140,000 of Project J Bonds (a) to finance or refinance the costs of acquisition and construction and financing costs of Project J and (b) to refund all or any portion of any Outstanding Bonds (as that term was defined in the Original Project J Bond Resolution) or all or any portion of any outstanding subordinated bonds issued pursuant to the Project J Bond Resolution, and (iii) \$3,390,780,000 of Project P Bonds (a) to finance or refinance the costs of acquisition and construction and financing costs of Project P and (b) to refund all or any portion of any Outstanding Bonds (as that term was defined in the Original Project P Bond Resolution) or all or any portion of any outstanding subordinated bonds issued pursuant to the Project P Bond Resolution. The 2008 Vogtle Validation Judgment provided that such validated bonds, when issued, will be the valid and binding obligations of MEAG Power in accordance with their terms and the terms of the Original Project M Bond Resolution, the Original Project J Bond Resolution or the Original Project P Bond Resolution, as applicable, and validated and confirmed (a) the security for the payment of such bonds and (b) all of the terms and provisions of each of the Original Vogtle Units 3&4 Power Sales Contracts, the Original Project J PPA and the Original Project P PPA.

Additionally, the Superior Court of Fulton County, Georgia, in the case of *State of Georgia v. Municipal Electric Authority of Georgia, et al.*, Civil Action No. 2009CV179503, by judgment entered on January 19, 2010 (the "2010 Vogtle Validation Judgment"), (x) validated and confirmed (i) the amendments to the Original Project M Bond Resolution provided for in the Amended and Restated Project M Bond Resolution, (ii) the amendments to the Original Project J Bond Resolution provided for in the Amended and Restated Project J Bond Resolution and (iii) the amendments to the Original Project P Bond Resolution provided for in the Amended and Restated Project P Bond Resolution and (y) confirmed that (i) the 2008 Vogtle Validation Judgment remained in full force and effect and (ii) the Vogtle Units 3&4 Bonds to be issued in accordance with the 2008 Vogtle Validation Judgment, as supplemented in the validation proceeding relating to the 2010 Vogtle Validation Judgment, and the respective security therefor, were, and remained, confirmed and validated.

**Financing of Vogtle Units 3&4 Projects.** In April 2009, MEAG Power issued (a) Project M Bonds in the form of tax-exempt bond anticipation notes that matured on May 7, 2010, in the aggregate principal amount of \$163,610,000 to finance costs of acquisition and construction and financing costs of Project M (the “Series 2009 Project M Notes”) and (b) Project J Bonds in the form of tax-exempt bond anticipation notes that matured on May 25, 2010, in the aggregate principal amount of \$200,960,000 to finance costs of acquisition and construction and financing costs of Project J (the “Series 2009 Project J Notes”). In May 2009, MEAG Power issued Project P Bonds in the form of both tax-exempt bond anticipation notes in the aggregate principal amount of \$63,990,000 (the “Series 2009A Project P Notes”) and taxable bond anticipation notes in the aggregate principal amount of \$64,995,000 (the “Series 2009B Project P Notes”) and, together with the Series 2009A Project P Notes, the “Series 2009 Project P Notes”) that matured on June 21, 2010, to finance costs of acquisition and construction and financing costs of Project P.

On March 11, 2010, MEAG Power issued Project J Bonds in the aggregate principal amounts of \$1,224,265,000 (the “Series 2010A Project J Bonds”) and \$24,170,000 (the “Series 2010B Project J Bonds”) and, together with the Series 2010A Project J Bonds, the “Series 2010A&B Project J Bonds”) to finance a portion of the costs of acquisition and construction and financing costs of Project J, to provide moneys to fund a debt service reserve account established under the Project J Bond Resolution, to fund certain capitalized interest on the Series 2010A&B Project J Bonds, and to refund the outstanding Series 2009 Project J Notes. On March 12, 2010, MEAG Power issued Project M Bonds in the aggregate principal amounts of \$1,012,235,000 (the “Series 2010A Project M Bonds”) and \$16,710,000 (the “Series 2010B Project M Bonds”) and, together with the Series 2010A Project M Bonds, the “Series 2010A&B Project M Bonds”) to finance a portion of the costs of acquisition and construction and financing costs of Project M, to provide moneys to fund a debt service reserve account established under the Project M Bond Resolution, to fund certain capitalized interest on the Series 2010A&B Project M Bonds, and to refund the outstanding Series 2009 Project M Notes. On March 16, 2010, MEAG Power issued Project P Bonds in the aggregate principal amounts of \$383,405,000 (the “Series 2010A Project P Bonds”) and \$7,090,000 (the “Series 2010B Project P Bonds”) and, together with the Series 2010A Project P Bonds, the “Series 2010A&B Project P Bonds”) to finance a portion of the costs of acquisition and construction and financing costs of Project P, to provide moneys to fund a debt service reserve account established under the Project P Bond Resolution, to fund certain capitalized interest on the Series 2010A&B Project P Bonds, and to refund the outstanding Series 2009A Project P Notes.

MEAG Power has designated the Series 2010A Project J Bonds, the Series 2010A Project M Bonds and the Series 2010A Project P Bonds as Build America Bonds for purposes of the Recovery Act. As a result, MEAG Power, provided it complies with the requirements of the Recovery Act, is entitled to receive cash subsidy payments rebating a portion of the interest on such Build America Bonds from the United States Treasury equal to 35 percent of the interest payable on such bonds. All cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Build America Bonds will constitute revenues for all purposes of the applicable Vogtle Units 3&4 Bond Resolution, subject to the provisions thereof permitting the application of the cash subsidy payments for the purposes and on the terms and conditions set forth therein. 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 of and interest on the Series 2010A Project J Bonds, the Series 2010A Project M Bonds and the Series 2010A Project P Bonds whether or not it receives such cash subsidy payments.

As a result of enactment of the Bipartisan Budget Act of 2013, sequester reduction on all subsidy payments owed to issuers of direct-pay Build America Bonds (including the Series 2010A Project J Bonds, the Series 2010A Project M Bonds and the Series 2010A Project P Bonds) was extended until 2023 (the “Sequester Reduction”). The Sequester Reduction for federal fiscal year 2017 was 6.9%. The Sequester Reduction for federal fiscal year 2018 is 6.6%. The 2019 Sequester Reduction percentage will be announced at the end of the current federal fiscal year, which is September 30, 2018.

MEAG Power has entered into a credit agreement with two commercial banks in order to finance a portion of the costs of acquisition and construction and financing costs of Project P (such agreement, as amended from time to time, is referred to herein as the “Project P Credit Agreement”). The initial borrowing

under the Project P Credit Agreement was made on June 21, 2010 in order to pay the maturing principal of the Series 2009B Project P Notes. In order to evidence its obligation to repay borrowings made and to be made by MEAG Power pursuant to the Project P Credit Agreement, and interest thereon, MEAG Power has issued its Plant Vogtle Units 3&4 Project P Bond Anticipation Notes, Taxable Series 2010A (the “Series 2010A Project P Notes”) to the banks that are parties to the Project P Credit Agreement. The Series 2010A Project P Notes constitute “Bonds” within the meaning of the Project P Bond Resolution and are on a parity with the Series 2010A&B Project P Bonds, the Series 2012A Project P Note hereinafter referred to and the Series 2015A Project P Bonds hereinafter referred to, except that the Series 2010A Project P Notes are not payable from amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Project P Bond Resolution. Each Series 2010A Project P Note is issued in a maximum aggregate principal amount equal to the bank’s commitment under the Project P Credit Agreement, and has a stated maturity date that is the same as the stated termination date of such bank’s commitment thereunder. However, the Series 2010A Project P Notes constitute “Option Bonds” within the meaning of the Project P Bond Resolution. As such, the maturity thereof may be extended at the option of the holder thereof.

In June 2013, the Project P Credit Agreement was amended to, among other things, increase the maximum aggregate principal amount of borrowings that may be made by MEAG Power thereunder to \$275,000,000. In conjunction with such amendment, MEAG Power adopted a supplemental resolution that amended the supplemental resolution that initially authorized the issuance of the Series 2010A Project P Notes in order to, among other things, increase the maximum aggregate principal amount of the Series 2010A Project P Notes that may be outstanding at any time to \$275,000,000. In April 2015, the Project P Credit Agreement was amended further to, among other things, extend the term thereof to July 31, 2015.

In June 2015, all borrowings under the Project P Credit Agreement were repaid from the proceeds of the Project P Entity’s initial advances under its DOE Guaranteed Loan. During 2017, an advance of \$70,675,000 was made and later repaid. As of the date of this Annual Information Statement, no Series 2010A Project P Notes are outstanding.

In September 2015, MEAG Power and the banks party thereto amended and restated the Project P Credit Agreement in order to (a) extend the term thereof to September 25, 2018, (b) convert the agreement into a revolving credit agreement (that is, an agreement that permits MEAG Power to borrow, prepay and reborrow thereunder) and (c) reduce the maximum aggregate principal amount of borrowings that may be made by MEAG Power thereunder to \$100,000,000. As a result, the maximum aggregate principal amount of the Series 2010A Project P Notes outstanding has been correspondingly reduced to \$100,000,000, and the maturity date of the Series 2010A Project P Notes and the Series 2012A Project P Note have been correspondingly extended to September 25, 2018.

MEAG Power may cause the term of the Project P Credit Agreement to be extended further from time to time. In the event, however, that the term of the Project P Credit Agreement is not extended for any reason, MEAG Power anticipates that any borrowings outstanding thereunder (which would be evidenced by the Series 2010A Project P Notes) will be refunded through the issuance of Project P Bonds (including Bond Anticipation Notes (as defined in the Project P Bond Resolution and referred to herein as “Project P Bond Anticipation Notes”)) and/or from proceeds of the Project P Entity’s DOE Guaranteed Loan.

On August 28, 2012, MEAG Power issued its Plant Vogtle Units 3&4 Project P Bond Anticipation Note, Taxable Series 2012A (the “Series 2012A Project P Note”) in a maximum aggregate principal amount to be outstanding from time to time not to exceed \$107,029,000. The Series 2012A Project P Note was issued to evidence MEAG Power’s obligation to repay advances made by the trustee of the Municipal Competitive Trust (hereinafter defined) to MEAG Power, as an investment of funds on deposit in the Municipal Competitive Trust, and the interest thereon. Such advances will be used by MEAG Power to finance a portion of the costs of acquisition and construction and financing costs of Project P. The Series 2012A Project P Note constitutes a “Bond” within the meaning of the Project P Bond Resolution and is on a parity with the Series 2010A&B Project P Bonds, the Series 2010A Project P Notes and the Series 2015A Project P Bonds, except that the Series 2012A Project P Note is not payable from amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Project P Bond

Resolution. As of December 31, 2017 and as of April 30, 2018, the aggregate principal amount of the Series 2012A Project P Note outstanding was \$0. The maturity date of the Series 2012A Project P Note currently is September 25, 2018. Upon any further extension of the term of the Project P Credit Agreement, the maturity date of the Series 2012A Project P Note will be correspondingly extended.

In September 2015, MEAG Power issued (a) its Plant Vogtle Units 3&4 Project J Bonds, Series 2015A (the “Series 2015A Project J Bonds”) in the aggregate principal amount of \$185,180,000 to finance a portion of the costs of acquisition and construction and financing costs of Project J, to provide moneys to fund a debt service reserve account established under the Project J Bond Resolution, and to fund certain capitalized interest on the Project J Bonds and (b) its Plant Vogtle Units 3&4 Project P Bonds, Series 2015A (the “Series 2015A Project P Bonds”) in the aggregate principal amount of \$69,245,000 to finance a portion of the costs of acquisition and construction and financing costs of Project P, to provide moneys to fund a debt service reserve account established under the Project P Bond Resolution, and to fund certain capitalized interest on the Project P Bonds.

**DOE Guaranteed Loans.** In order to provide a source of financing for its interest in Vogtle Units 3&4 and augment its financing alternatives, in 2008 MEAG Power submitted an application to DOE for loans guaranteed by DOE pursuant to the Federal loan guarantee solicitation for nuclear projects employing new or significantly improved technology (the “Solicitation”) issued under Title XVII of the 2005 Energy Policy Act (“Title XVII”). DOE selected Vogtle Units 3&4 as a nuclear-powered generation facility for which it would move forward with final due diligence and negotiations of the terms and conditions of a loan guarantee term sheet. DOE offered the term sheet to MEAG Power, and MEAG Power accepted the term sheet and paid the required portion of a facility fee to DOE and, as a result, the term sheet became a conditional commitment for the DOE Guaranteed Loans.

The Superior Court of Fulton County, Georgia, in the case of *State of Georgia v. Municipal Electric Authority of Georgia, et al.*, Civil Action No. 2015CV259189, by judgment entered on April 20, 2015 (the “2015 Vogtle Validation Judgment”), (x) validated and confirmed, among other things, (i) the amendments to the Project M Bond Resolution, as theretofore amended and restated, provided for in the Second Amended and Restated Project M Bond Resolution, (ii) the amendments to the Project J Bond Resolution, as theretofore amended and restated, provided for in the Second Amended and Restated Project J Bond Resolution, (iii) the amendments to the Project P Bond Resolution, as theretofore amended and restated, provided for in the Second Amended and Restated Project P Bond Resolution, (iv) the Federal Loan Documents (which term has the meaning assigned to the term “Loan Documents” in each of the Vogtle Units 3&4 Project Entity’s respective DOE Loan Guarantee Agreement), (v) the Vogtle Units 3&4 Power Purchase Agreements and (vi) the Amended and Restated Vogtle Units 3&4 Power Sales Contracts and the Amended and Restated Vogtle Units 3&4 PPAs and (y) confirmed that (i) the 2008 Vogtle Validation Judgment and the 2010 Vogtle Validation Judgment remain in full force and effect and (ii) the Vogtle Units 3&4 Bonds to be issued in accordance with the 2008 Vogtle Validation Judgment and the 2010 Vogtle Validation Judgment, as supplemented in the validation proceeding relating to the 2015 Vogtle Validation Judgment, and the respective security therefor, are, and remain, confirmed and validated. In addition, the 2015 Vogtle Validation Judgment includes approval of a formula that ensures that the utilization of the DOE Guaranteed Loans does not serve to increase the amount of debt that may be incurred to finance the Vogtle Units 3&4 Projects, either individually or in the aggregate.

On April 29, 2014, the NRC approved proposed conditional transfers of the respective portions of MEAG Power’s ownership interest in Vogtle Units 3&4 to each Vogtle Units 3&4 Project Entity after determining that the transfers would not significantly impact the financial qualifications of the licensees.

On June 24, 2015, (a) MEAG Power transferred its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities, (b) MEAG Power and each of the Vogtle Units 3&4 Project Entities entered into the various Federal Loan Documents to which it is a party and (c) each Vogtle Units 3&4 Project Entity borrowed the initial Advances (hereinafter defined) under its DOE Guaranteed Loan. See “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Financing Program – *Outstanding Indebtedness of Vogtle Units 3&4 Project Entities*” herein.



On July 27, 2017, each Vogtle Units 3&4 Project Entity entered into an amendment to its DOE Loan Guarantee Agreement (collectively, the “LGA Amendments”) in connection with DOE’s consent to GPC’s entry into the Vogtle Services Agreement (see “*Description of Vogtle Units 3&4*” below) and the related intellectual property licenses (“IP Licenses”), acting for itself and as agent for the other Vogtle Co-Owners.

Under the terms of the DOE Loan Guarantee Agreements, upon termination of the EPC Contract (hereinafter defined), further Advances are conditioned upon DOE’s approval of any agreements entered into in replacement of the EPC Contract. Under the terms of the LGA Amendments, the Vogtle Units 3&4 Project Entities will not request any Advances unless and until certain conditions are satisfied, including (i) receipt of DOE’s approval of the Construction Agreement (see “*Description of Vogtle Units 3&4*” below) (together with the Vogtle Services Agreement and the IP Licenses, the “Replacement EPC Arrangements”) and (ii) the Vogtle Units 3&4 Project Entities’ entry into further amendments to the DOE Loan Guarantee Agreements with DOE to reflect the Replacement EPC Arrangements.

On September 28, 2017, DOE offered MEAG Power and the Vogtle Units 3&4 Project Entities the Additional DOE Conditional Commitment. See “INTRODUCTORY STATEMENT – MEAG Power – *Additional DOE Guaranteed Loans*” herein.

Each DOE Loan Guarantee Agreement 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 Vogtle Units 3&4 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 Vogtle Units 3&4 Project Entities’ rights and obligations under the principal contracts relating to Vogtle Units 3&4.

In addition to the conditions described above, 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 DOE’s consulting engineer that proceeds of the Advances are used to reimburse Eligible Project Costs (as defined in the respective DOE Loan Guarantee Agreements).

Upon satisfaction of all conditions described above, Advances may be requested on a quarterly basis through 2020. The DOE Guaranteed Loans have a final maturity date of April 2, 2045. Each Advance to a Vogtle Units 3&4 Project Entity under its DOE Guaranteed Loan is evidenced by a promissory note issued to the Federal Financing Bank (“FFB”; each such note, an “FFB Promissory Note”). The maximum amount that a Vogtle Units 3&4 Project Entity may borrow under its DOE Guaranteed Loan and capitalized interest thereon has been allocated among the various FFB Promissory Notes of such Vogtle Units 3&4 Project Entity and the Advances evidenced by each such FFB Promissory Note will bear interest at the applicable United States Treasury rate plus a spread equal to 0.375%. Interest is payable quarterly, and principal payments will begin on October 2, 2019.

During 2017, the Vogtle Units 3&4 Project Entities obtained Advances for payment of certain capitalized interest pertaining to the DOE Guaranteed Loans totaling \$27.5 million. At December 31, 2017, the Vogtle Units 3&4 Project Entities had a total of \$1.2 billion of Advances outstanding.

Under each DOE Loan Guarantee Agreement, the applicable Vogtle Units 3&4 Project Entity is subject to customary borrower affirmative and negative covenants and events of default. In addition, each Vogtle Units 3&4 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 a DOE Loan Guarantee Agreement, FFB’s commitment to make further Advances to the applicable Vogtle Units 3&4 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 Vogtle Units 3&4 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 Vogtle Units 3&4 Project Entity does not maintain access to intellectual property rights under the IP Licenses and (b) if outstanding Advances exceed a specified percentage of Eligible Project Costs, net of the proceeds received by such Vogtle Units 3&4 Project Entity under the Guarantee Settlement Agreement, within 14 days of December 31, 2020, such Vogtle Units 3&4 Project Entity would be obligated to prepay a portion of the outstanding Advances. Each Vogtle Units 3&4 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, DOE may elect to continue construction of Vogtle Units 3&4. In such an event, DOE will have the right to assume the Vogtle Units 3&4 Project Entities' rights and obligations under the principal agreements relating to Vogtle Units 3&4 and to acquire all or a portion of the Vogtle Units 3&4 Project Entities' ownership interests in Vogtle Units 3&4.

**Description of Vogtle Units 3&4.** The Original Vogtle Co-Owners entered into the Plant Vogtle Owners' Agreement Authorizing Development, Construction, Licensing and Operation of Additional Generating Units, dated as of May 13, 2005, as amended (the "Vogtle Units 3&4 Development Agreement"), pursuant to which each Original Vogtle Co-Owner authorized the development, construction, licensing and operation of Vogtle Units 3&4. The Vogtle Units 3&4 Development Agreement provided each Original Vogtle Co-Owner with the right, but not the obligation, to participate in the ownership of Vogtle Units 3&4 in an amount up to such Original Vogtle Co-Owner's existing *pro rata* interest in Plant Vogtle Unit Nos. 1 and 2. The Original Vogtle Co-Owners finalized their ownership shares on July 2, 2008. See "SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Development Agreement" in APPENDIX L hereto. In contemplation of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities as described under "INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*" herein, in February 2014, the Original Vogtle Co-Owners amended the Vogtle Units 3&4 Development Agreement in certain respects, in order, among other things, to permit MEAG Power to assign to the Vogtle Units 3&4 Project Entities, and to permit the Vogtle Units 3&4 Project Entities to assume, MEAG Power's rights and obligations thereunder. Effective as of the date of such transfers, such amendments became effective and the Vogtle Units 3&4 Project Entities have assumed, in proportion to their respective undivided ownership interests in Vogtle Units 3&4, MEAG Power's rights and obligations under the Vogtle Units 3&4 Development Agreement, as well as its rights and obligations under the Vogtle Units 3&4 Ownership Agreement referred to below and its rights and obligations with respect to Vogtle Units 3&4 under the Vogtle Operating Agreement and the Nuclear Managing Board Agreement referred to below. See "*DOE Guaranteed Loans*" above. As a result of such assignment and assumption, for purposes of this Annual Information Statement, the term "Vogtle Co-Owners" includes GPC, OPC, Dalton and the Vogtle Units 3&4 Project Entities, and does not include MEAG Power. MEAG Power has, however, retained certain rights and obligations under the Vogtle Units 3&4 Project Agreements. See "SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Ownership Agreement – *Alienation and Assignment*" and "*– Remedies for Non-Payment*" in APPENDIX L hereto.

Additionally, the Original Vogtle Co-Owners entered into the Plant Alvin W. Vogtle Additional Units Ownership Participation Agreement, dated as of April 21, 2006, as amended (the "Vogtle Units 3&4 Ownership Agreement"), and the Plant Alvin W. Vogtle Nuclear Units Amended and Restated Operating Agreement, dated as of April 21, 2006, as amended (the "Vogtle Operating Agreement"). The Vogtle Operating Agreement amended and restated the operating agreement, dated as of August 27, 1976, as amended, which originally governed Generation Station Vogtle Unit Nos. 1 and 2, to include Vogtle Units 3&4. In contemplation of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the

Vogtle Units 3&4 Project Entities as described under “INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*” herein, in February 2014, the Original Vogtle Co-Owners amended the Vogtle Units 3&4 Ownership Agreement and the Vogtle Operating Agreement in certain respects, in order, among other things, to permit MEAG Power to assign to the Vogtle Units 3&4 Project Entities, and to permit the Vogtle Units 3&4 Project Entities to assume, MEAG Power’s rights and obligations thereunder with respect to Vogtle Units 3&4. Effective as of the date of such transfers, such amendments became effective and the Vogtle Units 3&4 Project Entities have assumed, in proportion to their respective undivided ownership interests in Vogtle Units 3&4, MEAG Power’s rights and obligations under the Vogtle Units 3&4 Ownership Agreement and the Vogtle Operating Agreement with respect to Vogtle Units 3&4. These agreements address, among other things, the Vogtle Co-Owners’ rights and obligations related to Vogtle Units 3&4, including the designation of GPC as agent, allocation of output and costs attributable to the Vogtle Co-Owners and oversight of Vogtle Units 3&4, including audit rights. As agent, GPC has the sole authority and responsibility to arrange for and acquire nuclear fuel for Vogtle Units 3&4. Each Vogtle Co-Owner may make its own financial arrangements for the discharge of its fuel payment obligations so long as such arrangements do not adversely affect the rights of the other Vogtle Co-Owners. See “SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Ownership Agreement” and “– Vogtle Operating Agreement” in APPENDIX L hereto.

In the Second Amended and Restated Nuclear Managing Board Agreement, entered into among the Original Vogtle Co-Owners on April 21, 2006, as amended (the “Nuclear Managing Board Agreement” and, together with the Vogtle Units 3&4 Development Agreement, the Vogtle Units 3&4 Ownership Agreement and the Vogtle Operating Agreement, the “Vogtle Units 3&4 Project Agreements”), MEAG Power and the other Original Vogtle Co-Owners amended and restated the nuclear managing board agreement, dated as of November 12, 1990, as amended, which established a nuclear managing board (the “Nuclear Managing Board”) to coordinate the implementation and administration of the Generation Station Hatch and Generation Station Vogtle ownership and operating agreements as well as provide executive level oversight of each of the facilities. The Nuclear Managing Board also will coordinate and oversee the administration of Vogtle Units 3&4 and the implementation of the Vogtle Units 3&4 Ownership Agreement and the Vogtle Operating Agreement. In contemplation of MEAG Power’s transfer of its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities as described under “INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*” herein, in February 2014, the Original Vogtle Co-Owners amended the Nuclear Managing Board Agreement in certain respects, in order, among other things, to permit MEAG Power to assign to the Vogtle Units 3&4 Project Entities, and to permit the Vogtle Units 3&4 Project Entities to assume, MEAG Power’s rights and obligations thereunder with respect to Vogtle Units 3&4. Effective as of the date of such transfers, such amendments became effective and the Vogtle Units 3&4 Project Entities have assumed, in proportion to their respective undivided ownership interests in Vogtle Units 3&4, MEAG Power’s rights and obligations under the Nuclear Managing Board Agreement with respect to Vogtle Units 3&4. See “SUMMARY OF PROJECT AGREEMENTS – General – *Nuclear Managing Board*” in APPENDIX E hereto and “SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Nuclear Managing Board Agreement” in APPENDIX L hereto.

As agent under the Vogtle Units 3&4 Development Agreement, GPC is authorized to apply for the issuance of licenses, permits, and other governmental approvals from the NRC and the State of Georgia, as necessary for the development of Vogtle Units 3&4. In 2006, Southern Nuclear filed an application with the NRC for an early site permit for Vogtle Units 3&4. On August 26, 2009, the NRC issued an Early Site Permit (“ESP”) and Limited Work Authorization (“LWA”) for Vogtle Units 3&4. The ESP addressed many site-related safety and environmental issues, and determined that the site is suitable for construction and operation of a nuclear power plant. The LWA allowed a limited scope of construction activities at the site such as placement of engineered backfill, retaining walls, lean concrete, mudmats, and a waterproof membrane.

On March 31, 2008, Southern Nuclear, on behalf of the Original Vogtle Co-Owners, filed an application with the NRC for the COLs for Vogtle Units 3&4, which authorize construction of a plant based on its completed design specifications and provide conditional authority for an application to operate the plant, subject to verification that the plant has been constructed in accordance with the licenses, the

approved design, and the NRC's regulations. As discussed above, on August 26, 2009, the NRC issued the ESP and LWA for Vogtle Units 3&4. Excavation of the foundation areas for both Vogtle Units 3&4 began in August 2009.

In 2008, GPC, acting for itself and as agent for the other Original Vogtle Co-Owners, entered into an Engineering, Procurement and Construction Contract (the "EPC Contract") with a consortium consisting of Westinghouse and Stone & Webster, Inc., a subsidiary of The Shaw Group Inc., which was acquired by Chicago Bridge & Iron Company N.V. ("CB&I"). Westinghouse subsequently acquired Stone & Webster, Inc. from CB&I and changed its name to WECTEC Global Project Services Inc. ("WECTEC"). Westinghouse and WECTEC are referred to herein collectively as the "Contractor." Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test Vogtle Units 3&4. As a result of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities as described under "INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*" herein, the Vogtle Units 3&4 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.

Under the terms of the EPC Contract, the Vogtle Co-Owners agreed to pay a purchase price subject to certain price escalations and adjustments, including fixed escalation amounts and certain index-based adjustments, as well as adjustments for change orders, and performance bonuses for early completion and unit performance. 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"; such guarantee is hereinafter referred to as the "Toshiba Guarantee").

In 2009, the GPSC voted to certify construction of Vogtle Units 3&4. See "Regulation – *Georgia Public Service Commission*" below.

The NRC certified Westinghouse's Design Control Document (as amended, the "DCD") for the AP1000 reactor design, effective December 30, 2011. In February 2012, the NRC issued the COLs for Vogtle Units 3&4 in accordance with its regulations. Receipt of the COLs on February 10, 2012 allowed full construction to begin on Vogtle Units 3&4. There have been technical and procedural challenges to the construction and licensing of Vogtle Units 3&4, at the federal and state level, and additional challenges may arise as construction proceeds. Legal challenges filed immediately after COL issuance have been dismissed by court order for lack of merit.

On December 20, 2016, the GPSC approved a settlement agreement with GPC (the "Vogtle Cost Settlement Agreement") resolving certain prudency matters in connection with the fifteenth Vogtle Construction Monitoring ("VCM") report.

On March 29, 2017, Westinghouse and WECTEC each 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 an Interim Assessment Agreement with the Contractor to allow construction to continue, which expired on July 27, 2017 when the Vogtle Services Agreement (as discussed below) became effective. In August 2017, following completion of comprehensive cost to complete and cancellation cost assessments, GPC filed the seventeenth VCM report (the "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, Westinghouse and WECTEC providing engineering services and Bechtel serving as the primary construction contractor. As more fully described below, on December 21, 2017, the GPSC approved GPC's recommendation to continue construction.

Subsequent to the Contractor bankruptcy filing, a number of subcontractors to the Contractor alleged non-payment by the Contractor for amounts owed for work performed on Vogtle Units 3&4. GPC, acting for itself and as agent for the Vogtle Co-Owners, has taken actions to remove liens filed by these subcontractors through the posting of surety bonds. All amounts associated with the removal of

subcontractor liens and other Contractor pre-petition accounts payable have been paid or accrued as of December 31, 2017, of which \$17.2 million pertained to the Vogtle Units 3&4 Project Entities.

On June 9, 2017, GPC and the other Vogtle Co-Owners and Toshiba entered into a settlement agreement regarding the Toshiba Guarantee (the “Guarantee Settlement Agreement”). Pursuant to the Guarantee Settlement Agreement, Toshiba acknowledged the amount of its obligation was \$3.68 billion (the “Guarantee Obligations”), of which the Vogtle Units 3&4 Project Entities’ proportionate share was \$835.4 million. The Guarantee Settlement Agreement provided for a schedule of payments for the Guarantee Obligations beginning in October 2017 and continuing through January 2021. Toshiba made the first three payments as scheduled. On December 8, 2017, MEAG Power, the Vogtle Units 3&4 Project Entities, the other Vogtle Co-Owners and Toshiba entered into an amendment to the Guarantee Settlement Agreement (the “Guarantee Settlement Agreement Amendment”). The Guarantee Settlement Agreement Amendment provided that Toshiba’s remaining payment obligations under the Guarantee Settlement Agreement were due and payable in full on December 15, 2017, which Toshiba satisfied on December 14, 2017. Pursuant to the Guarantee Settlement Agreement Amendment, Toshiba was deemed to be the owner of certain pre-petition bankruptcy claims of the Vogtle Units 3&4 Project Entities and the other Vogtle Co-Owners against Westinghouse (the “Assigned Rights”), and the Vogtle Units 3&4 Project Entities and other Vogtle Co-Owners surrendered \$920 million of letters of credit from financial institutions that had been delivered by Westinghouse to the Vogtle Co-Owners in January 2016 to secure a portion of the Contractor’s potential obligations under the EPC Contract (the “Westinghouse Letters of Credit”). Also on December 8, 2017, in connection with the separate DOE Loan Guarantee Agreement between each Vogtle Units 3&4 Project Entity and DOE, DOE consented to (i) such Vogtle Units 3&4 Project Entity’s entry into the Guarantee Settlement Agreement Amendment, (ii) the release of the Assigned Rights and (iii) the surrender of the Westinghouse Letters of Credit.

Additionally, on June 9, 2017, GPC, acting for itself and as agent for the other Vogtle Co-Owners, and the Contractor entered into a services agreement between the Vogtle Co-Owners and the Contractor, as amended and restated on July 20, 2017, for the Contractor to transition construction management of Vogtle Units 3&4 to Southern Nuclear and to provide ongoing design, engineering, and procurement services to Southern Nuclear (the “Vogtle Services Agreement”). The Vogtle Services Agreement provides that the Contractor generally will be compensated on a time and materials basis for services rendered. On July 20, 2017, the bankruptcy court approved the Contractor’s motion seeking authorization to (i) enter into the Vogtle Services Agreement, (ii) assume and assign to the Vogtle Co-Owners certain project-related contracts, (iii) join the Vogtle Co-Owners as counterparties to certain assumed project-related contracts, and (iv) reject the EPC Contract. The Vogtle Services Agreement, and the Contractor’s rejection of the EPC Contract, became effective upon approval by DOE on July 27, 2017. The Vogtle Services Agreement 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.

Effective October 23, 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 will serve as the primary contractor for the remaining construction activities for Vogtle Units 3&4. Facility design and engineering remains the responsibility of the Contractor under the Vogtle Services Agreement. The Construction Agreement is a cost reimbursable plus fee arrangement, whereby Bechtel will be 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 addition, pursuant to the separate DOE Loan

Guarantee Agreement between each of the Vogtle Units 3&4 Project Entities and DOE, each Vogtle Units 3&4 Project Entity was required to obtain approval of the Construction Agreement by DOE prior to obtaining any further advances under its respective DOE Loan Guarantee Agreement.

On November 2, 2017, the Vogtle Co-Owners amended their joint ownership agreements for Vogtle Units 3&4 (as amended, the “Vogtle Joint Ownership Agreements”) to provide for, among other conditions, additional Vogtle Co-Owner approval requirements. Pursuant to the Vogtle Joint Ownership Agreements, the holders of at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue 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 or the Construction Agreement; (iii) the GPSC or GPC determines that any of GPC’s costs relating to the construction of Vogtle Units 3&4 are deemed unreasonable or imprudent; or (iv) an increase in the construction budget contained in the VCM 17 Report of more than \$1 billion or extension of the project schedule contained in the VCM 17 Report of more than one year. 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 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.

On December 21, 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 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 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) it approved and deemed reasonable GPC’s revised schedule placing Vogtle Units 3&4 in service in November 2021 and November 2022, respectively; (v) it confirmed that the revised cost forecast 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 stated if other certain conditions and assumptions upon which GPC’s VCM 17 Report are based upon do not materialize, both GPC and the GPSC reserve the right to reconsider the decision to continue construction.

On February 12, 2018, Georgia Interfaith Power & Light, Inc. and Partnership for Southern Equity, Inc. filed a petition appealing the GPSC’s January 11, 2018 order with the Superior Court of Fulton County, Georgia. GPC has reported that it believes the appeal has no merit; however, an adverse outcome in this appeal could have a material impact on MEAG Power’s results of operations, financial condition, and liquidity. On March 8, 2018, Georgia Watch also requested judicial review of the GPSC’s January 11, 2018 order by the Superior Court of Fulton County, Georgia.

MEAG Power expects that, based on the current estimated in-service dates of November 2021 and November 2022 for Vogtle Unit No. 3 and Vogtle Unit No. 4, respectively, the Vogtle Units 3&4 Project Entities’ estimated in-service cost will be approximately \$5.8 billion, including construction costs, 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 \$6.2 billion, which will require approximately \$1.8 billion of additional funding. 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.

GPC, as agent, has recently commenced an analysis of the contingency amounts included in the project budget contained in the VCM 17 Report. This analysis has identified both construction costs already incurred and allocable to such contingency amounts and projected future construction costs that may be incurred and allocated to contingency. The total potential costs to be incurred, as addressed in the contingency analysis, are greater than what had been contemplated for this stage of project construction. This contingency analysis is ongoing and the estimated construction costs will be subject to continuing review and analysis throughout the construction period.

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.

As construction continues, challenges with management of contractors, subcontractors, and vendors; labor productivity and availability; fabrication, delivery, assembly, and installation of generating unit systems, structures, and components (some of which are based on new technology and have not yet operated in the global nuclear industry at this scale); or other issues could arise and change the projected schedule and estimated cost.

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 resolution of Inspections, Tests, Analyses, and Acceptance Criteria and the related approvals by the NRC, may arise as construction proceeds, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

Substantial risks remain that challenges with construction may further impact the Vogtle Units 3&4 project schedule and cost.

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

### ***The Energy Authority***

On April 16, 1997, the MEAG Power Board approved MEAG Power's participation with JEA and the South Carolina Public Service Authority ("Santee Cooper") in a joint power marketing alliance through TEA, a Georgia nonprofit corporation. Since that time, the Nebraska Public Power District ("NPPD"), the City of Gainesville, Florida, doing business as Gainesville Regional Utilities, the City Utilities of Springfield, Missouri, Public Utility District No. 1 of Cowlitz County, Washington and American Municipal Power, Inc. were added as members. The operating office of TEA is located in Jacksonville, Florida. Its Board of Directors currently consists of one representative from each of its eight members. TEA commenced operations on August 18, 1997, assuming the wholesale power marketing responsibilities of its members. In December 2000, TEA began providing natural gas services, including physical procurement and risk management services to participating members. See "Fuel Risk Management Policy" below.

TEA and its members have entered into both an operating agreement and a settlement agreement. TEA operates a 24-hour-a-day trading floor on behalf of its members. TEA has access to in excess of 30,000 MW of its members' and resource partners' generation resources. TEA provides energy products and resource management services to the power industry in five major categories: (1) standard short-term and mid-term energy products; (2) structured energy products designed to meet the unique needs of a group or class of customers; (3) customized energy products designed to meet a specific customer's unique short-, mid-, or long-term energy needs; (4) financial energy products to reduce volatility and manage market price risk; and (5) resource management services to enhance customers' asset management strategy or improve their energy acquisition processes. Participation in this joint venture has increased MEAG Power's access to the wholesale market, reduced wholesale costs and, in turn, improved the competitive position of the Participants. In addition, the conservative credit policies of TEA have proven to be a highly successful business strategy for the members in light of recent developments in the energy trading market.

TEA has two broad financial objectives: first, to promote and preserve the long-term value of the members' generating assets, and second, to maximize the short-term net margins or savings by leveraging the combined assets. TEA's capabilities include trading in the short-, intermediate-, and long-term energy markets, purchasing transmission capacity reservations for moving energy across other utilities' systems and using financial instruments to manage price risk.

As of December 31, 2017, MEAG Power had committed \$56.3 million for the purpose of providing credit support for TEA's trading of electric power and natural gas. As of April 30, 2018, MEAG Power had committed \$53.0 million for such purpose. Such commitment was secured by a combination of trade guarantees and bank guarantees. For certain financial information with respect to TEA, see Note 6 to MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A.

### ***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 Generation Station Scherer Unit No. 1 or Generation Station 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 14 MW and 35 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.

### ***Future Projects of MEAG Power***

MEAG Power is authorized to conduct studies and to negotiate with respect to the power supply of the Participants and with respect to future ownership of generation and transmission facilities not included in Project One, the Existing General Resolution Projects, the CC Project, Project M, Project J or Project P. The acquisition and construction of any such additional generation facilities and transmission facilities may be accomplished as an additional project.

MEAG Power may finance additional projects through issuance of bonds under the General Resolution Projects Resolution if certain conditions are met. Among such conditions are the requirements that MEAG Power and each of the Initial Participants enter into a power sales contract meeting the requirements of the General Resolution Projects Resolution, that MEAG Power adopt a supplemental resolution authorizing the acquisition and construction of an additional project and related issuance of bonds, that there be rendered certain opinions of counsel, and that there be rendered a certificate of an authorized officer of MEAG Power setting forth the estimated costs of acquisition and construction and



beneficial use of such proposed additional project. If all such conditions cannot be met, or if MEAG Power so elects, MEAG Power may finance additional projects under a separate financial arrangement.

## Power and Energy Requirements/Resources

Set forth below are the historical (during the period from 2008 through 2017) power and energy requirements of the Participants.

### Historical Demand and Energy Requirements of the Participants <sup>(1)</sup>

Year	Peak Demand		Annual Energy	
	(MW)	(% Change)	(GWh) <sup>(1)</sup>	(% Change)
2008	2,024	-4.4%	10,606	-1.5%
2009	1,903	-6.0%	10,226	-3.6%
2010	2,000	5.1%	10,956	7.1%
2011	2,031	1.6%	10,676	-2.6%
2012	1,920	-5.5%	10,470	-1.9%
2013	1,817	-5.4%	10,335	-1.3%
2014	1,926	6.0%	10,576	2.3%
2015	1,941	0.8%	10,565	-0.1%
2016	1,923	-0.9%	10,774	2.0%
2017	1,884	-2.1%	10,456	-3.0%
2008 – 2017				
Percent Change:		-6.9%	-1.4%	
Compound Average				
Annual Change:		-0.8%	-0.2%	

- (1) Total annual energy supplied by MEAG Power at the delivery point of all Participants, which excludes requirements of Crisp County and Calhoun supplied by sources other than MEAG Power.

Over the period 2008 through 2017, the peak demand decreased at a compound average annual rate of 0.8 percent per year, while the annual energy requirements of the Participants decreased by 0.2 percent.

The 2018 projections for peak demand and annual energy requirements are 5.6 percent higher and 4.5 percent higher than actual 2017 peak demand and annual energy requirements, respectively, which reflect MEAG Power's forecast assumption of normal weather and the economic recovery that began in Georgia in 2012. Such projections result in compound average annual growth rates in peak demand and annual energy requirements for the Participants of approximately 0.5 percent per year and 0.7 percent per year, respectively, for the period from 2018 through 2022. Such projections are included in the load forecast prepared by MEAG Power in November 2017, which was based on a number of assumptions. Actual growth in peak demand and energy requirements may be adversely affected by various factors, including those discussed under "COMPETITION" herein.

Under the PSSA, MEAG Power is responsible for procuring all of its future bulk power supply requirements and planning, operating and maintaining its system in accordance with prudent utility practice. MEAG Power has established a set of generating capacity planning reserve criteria which will result in its maintaining capacity at least fifteen percent greater than its forecast annual peak demand less firm capacity resources supplied by SEPA.

[remainder of page intentionally left blank]

## **Rates and Charges to Participants**

### ***Rate Covenants***

Pursuant to the rate covenants in the Project One Resolution, the General Resolution Projects Resolution, the CC Bond Resolution and the Vogtle Units 3&4 Bond Resolutions, MEAG Power is required to charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of the project or projects financed thereunder so as to produce revenues sufficient in each calendar year, together with other available funds, to pay all costs relating to such project or projects for such year payable from revenues, including debt service on bonds issued under each such resolution and, in the case of the Vogtle Units 3&4 Projects, to the extent not otherwise provided for, all amounts payable by MEAG Power to the applicable Vogtle Units 3&4 Project Entity pursuant to the applicable Vogtle Units 3&4 Power Purchase Agreement (which include, without limitation, amounts necessary to enable the applicable Vogtle Units 3&4 Project Entity to pay all amounts owed by it, and fund all accounts or reserves required to be funded by it, pursuant to its DOE Loan Guarantee Agreement and all of its other Federal Loan Documents) during such year. See “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Rate Covenant” in APPENDIX F hereto, “SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION – Rate Covenant” in APPENDIX I hereto and “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Rate Covenant” in APPENDIX M hereto.

### ***Allocation of Costs Among Participants***

The allocation of the costs of a project among the Participants in such project is determined according to the applicable power sales contracts or telecommunications contracts, as the case may be. Each such contract relating to a project obligates the contracting Participant to make its payments thereunder whether or not the applicable project is operating or operable. See “SUMMARY OF POWER SALES CONTRACTS – Participants’ Obligations to Pay” in APPENDIX D hereto, “SUMMARY OF COMBINED CYCLE POWER SALES CONTRACTS – CC Participants’ Obligations to Pay” in APPENDIX H hereto, “SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants’ Obligations to Pay” in APPENDIX K hereto, and “SUMMARY OF TELECOMMUNICATIONS CONTRACTS – Telecommunications Participants’ Obligations to Pay” in APPENDIX P hereto.

In the case of Project One, the costs of Project One are allocated to the Participants according to the Entitlement Shares referred to herein under “THE PARTICIPANTS – Generation and Transmission Entitlement Shares – Project One.” Such Entitlement Shares are used for billing purposes when Project One is operating and would likewise be used in the circumstance where Project One has become inoperable.

In the case of the General Resolution Projects, the power sales contracts relating to each Existing General Resolution Project require MEAG Power to establish and maintain fair and nondiscriminatory rates and charges which will provide revenues that are sufficient to pay the annual costs of such project. MEAG Power may combine the annual costs for the Existing General Resolution Projects and Supplemental Bulk Power Supply for the purpose of establishing rates and charges or, alternatively, MEAG Power at its discretion may establish for any of the Existing General Resolution Projects separate rates and charges sufficient to recover the respective costs of the individual project and the costs of Supplemental Bulk Power Supply. Pursuant to a resolution of the MEAG Power Board, MEAG Power is recovering the costs of Projects Two and Three separately based on an equal weighting of the average historical use for (i) the period of 24 months ended September 30, 1996 and (ii) the period beginning with the inception of each Project and ended September 30, 1996, which is based on the Obligation Shares formula contained in the applicable power sales contracts. Project Four is allocated based on the Project Four billing shares established for 1996 which are based on an average of each Participant’s bulk power demand ratio in 1994 and its Project One generation Entitlement Share. See “INTRODUCTORY STATEMENT – The

Participants” herein. Supplemental Bulk Power Supply for each Participant is provided at market rates, including related operating and administrative costs.

Pursuant to the CC Contracts, MEAG Power is obligated to collect from each CC Participant and each CC Participant is obligated to pay on a monthly basis its Combined Cycle Obligation Share of all annual fixed and variable costs relating to the CC Project and its Embedded Simple Cycle Obligation Share of Embedded Simple Cycle Debt Related Costs (as more fully described under “THE PARTICIPANTS – Obligation Shares of the Participants – CC Project” herein and in “SUMMARY OF COMBINED CYCLE POWER SALES CONTRACTS” in APPENDIX H hereto); *provided, however*, that with respect to fixed costs relating to debt service on the CC Bonds, each CC Participant’s obligation is determined based upon the elections made by the CC Participants as provided for in the CC Contracts. See “THE PARTICIPANTS – Obligation Shares of the Participants – CC Project” herein. MEAG Power will operate the CC Project to achieve the best operating economics in accordance with prudent utility practice, and may sell such of the output to others as it determines economically appropriate. Further, MEAG Power may use the CC Project to enter into, among other agreements, (a) capacity sales and swaps, (b) energy sales and swaps and (c) financial swaps and hedges, when such transactions are reasonably expected to economically benefit the CC Participants. The proceeds derived from any of such transactions will be credited to each CC Participant’s obligation to pay its share of annual CC Project costs on a ratable basis according to each CC Participant’s Combined Cycle Obligation Share. The proceeds from the sale or other transactions involving the assets acquired as a result of the Embedded Simple Cycle Costs will be credited to the CC Participants’ obligation to pay Embedded Simple Cycle Debt Related Costs or, in the event that a CC Participant has satisfied such obligation, as a direct payment to such CC Participant, in the proportion of the CC Participant’s respective Embedded Simple Cycle Obligation Share for other than Embedded Simple Cycle Debt Related Costs. See “SUMMARY OF COMBINED CYCLE POWER SALES CONTRACTS – CC Participants’ Obligations to Pay” in APPENDIX H hereto.

In general, pursuant to the Vogtle Units 3&4 Power Sales Contracts, during the term of each Vogtle Units 3&4 Power Sales Contract, MEAG Power is obligated to collect from each Vogtle Units 3&4 Participant, and each Vogtle Units 3&4 Participant is obligated to pay, on a monthly basis, its Obligation Share of all annual fixed and variable costs (excluding debt service for the periods during which JEA and PowerSouth are obligated to pay debt service under the Project J PPA and the Project P PPA, respectively) relating to the applicable Vogtle Units 3&4 Project (as more fully described under “THE PARTICIPANTS – Obligation Shares of the Participants – Vogtle Units 3&4 Projects” herein and in “SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS” in APPENDIX K hereto). MEAG Power will operate each Vogtle Units 3&4 Project to achieve the best operating economics in accordance with prudent utility practice, and may sell, during the period of time when the applicable Vogtle Units 3&4 Participants are entitled to receive output and services from a Vogtle Units 3&4 Project, the output to others as it determines economically appropriate. Further, during the same time period, MEAG Power may use a Vogtle Units 3&4 Project to enter into, among other agreements, (a) capacity sales and swaps, (b) energy sales and swaps and (c) financial swaps, hedges and risk management contracts and reliability exchanges with other utilities when such transactions are reasonably expected to economically benefit the applicable Vogtle Units 3&4 Participants. The proceeds derived from any of such transactions will be credited to each applicable Vogtle Units 3&4 Participant’s obligation to pay its share of the annual Vogtle Units 3&4 Project’s costs on a ratable basis according to each such Vogtle Units 3&4 Participant’s Obligation Share.

With respect to each of Project J and Project P, there may be certain circumstances relating to delay, cancellation or termination of either or both of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 whereby the Project J Participants’ payment obligations and the Project P Participants’ payment obligations will be adjusted with respect to JEA’s and PowerSouth’s respective payment commitments. See “SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT J PPA – JEA’s Payment Obligations” and “– PROJECT P PPA – PowerSouth’s Payment Obligations” in APPENDIX J hereto.

Pursuant to the Telecommunications Contracts, MEAG Power is obligated to collect from each Telecommunications Participant and each Telecommunications Participant is obligated to pay on a monthly basis its Obligation Share of all annual fixed and variable costs relating to the Telecommunications Project (as more fully described under “THE PARTICIPANTS – Obligation Shares of the Participants – Telecommunications Project” herein and in “SUMMARY OF TELECOMMUNICATIONS CONTRACTS” in APPENDIX P hereto); *provided, however*, that with respect to fixed costs relating to debt service on the Telecommunications Bonds (if any), each Telecommunications Participant’s obligation is determined as provided in the Telecommunications Contracts, as amended. See “COMPETITION – Certain Responses of MEAG Power to Competition – *Telecommunications Project*” and “THE PARTICIPANTS – Obligation Shares of the Participants – Telecommunications Project” herein. The Telecommunications Contracts require MEAG Power to establish and maintain fair and nondiscriminatory rates and charges which will provide revenues that are sufficient, but only sufficient, to pay the annual costs of the Telecommunications Project.

### ***Other Pricing Schedule***

In the past, MEAG Power has offered special rate schedules designed to assist the Participants in attracting large loads. While no such schedules currently are in effect, MEAG Power continues to review rates and other options that would aid the Participants in pursuing new large-load customers.

## **Regulation**

### ***Georgia Public Service Commission***

The Act provides that the rates, services and practices relating to the generation, transmission and sale by MEAG Power of power to be generated from Project One, the Existing General Resolution Projects or other projects authorized by the Act (including the CC Project and the Vogtle Units 3&4 Projects) are not subject to regulation by the GPSC. The provision of telecommunications service to the public for hire is subject to certification by the GPSC. See “COMPETITION – Certain Responses of MEAG Power to Competition – *Telecommunications Project*” herein. Pursuant to the State Constitution, rates for service provided by the electric systems of the Participants are exempt from regulation by the GPSC. Because of their volume of electric sales, not for resale, six Participants are subject to certain requirements under PURPA. GPC is subject to GPSC jurisdiction. For further information, see “CO-OWNERS OF THE GENERATING UNITS – Georgia Power Company” herein.

Although MEAG Power specifically does not require any approvals from the GPSC, GPC is required to obtain certification of the proposed construction of Vogtle Units 3&4 from the GPSC. GPC filed an application for certification to the GPSC on August 1, 2008. On March 17, 2009, the GPSC approved GPC’s application to certify Vogtle Units 3&4. The Certification Order (as defined in the EPC Contract) has been issued by the GPSC and the full notice to proceed was issued by Southern Nuclear to the Contractor on March 31, 2009.

### ***Environmental Regulations***

Generation Stations Hatch, Vogtle, Wansley and Scherer and the Wansley CC Unit are subject to federal, state and local air, water and other environmental quality laws, which govern, among other things, control of emissions of pollutants into the air; transportation, storage and disposal of hazardous and toxic wastes; and discharges of pollutants, including thermal discharges, into the waters of the United States. Compliance with these legal requirements requires MEAG Power and the co-owners of jointly-owned facilities to commit significant expenditures for installation of pollution control equipment, environmental monitoring, emissions fees, and permits at all of the respective facilities. These laws, rules and regulations require MEAG Power and/or the co-owners of the facilities to undertake considerable efforts and substantial costs to obtain licenses, permits and approvals from various federal, state and local agencies. Failure to

comply with these laws, regulations, licenses, permits or approvals, could lead to fines, sanctions, civil and criminal penalties and/or reduced operating levels or the complete shutdown of facilities that are not in compliance. These environmental laws and regulations are complex, change frequently due to continuing legislative, regulatory and judicial actions and have tended to become more stringent over time. The existing nuclear units, coal units, combustion turbine unit, and combined cycle facility currently have all of the environmental permits and licenses necessary for operation, and the facilities currently comply with environmental regulations, permits, and licenses now in effect. MEAG Power cannot predict at this time whether any additional legislation, regulations, permit requirements or other rules will be enacted which will affect its operations, or the cost of continuing compliance.

### ***Air Regulation***

Major source permits are required under the New Source Review (“NSR”) provisions of the federal Clean Air Act (“CAA”) before commencement of construction of new major stationary sources or major modifications of such sources. All air pollutants, including GHGs, that are regulated by actually controlling emissions under any CAA program must be taken into account when considering permits issued under other programs, such as the Prevention of Significant Deterioration (“PSD”) Permit Program or the Title V Permit Program. PSD permits are major source permits for sources located in attainment or unclassified areas and contain requirements including but not limited to the application of Best Available Control Technologies (“BACT”). Title V permits must be applied for within one year after a source becomes subject to the program. Title V permits are operating permits for major sources that consolidate all CAA requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document, provide for review of the documents by the EPA, state agencies and the public, and contain monitoring, reporting and certification requirements.

Under Section 114 of the CAA, the EPA has the authority to request from any person who owns or operates an emission source, information and records about operation, maintenance, emissions, and other data relating to such source for the purpose of developing regulatory programs, determining if a violation occurred (such as the failure to undergo NSR), or carrying out other statutory responsibilities. If such violations are found to have occurred, the EPA or other enforcement authorities could require the installation of new pollution control equipment in addition to modifications that have already been completed or planned and could require the payment of fines and penalties.

The existing nuclear units, coal units, combustion turbine unit, and combined cycle facility that are owned or jointly owned by MEAG Power currently comply with air regulations now in effect, including those under NSR provisions of the CAA.

### ***Greenhouse Gas Regulation***

On October 23, 2015, EPA published in the Federal Register a final regulation (referred to by EPA as the “Clean Power Plan” or “CPP”), “Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units,” that established emission guidelines for states to follow in developing plans to reduce CO<sub>2</sub> emissions from existing fossil-fueled electric generating units, by meeting rate-based (lb. CO<sub>2</sub> per megawatt-hour) or mass-based (tons of CO<sub>2</sub> emitted) limitations, beginning in 2022. Numerous Petitions for Review of the regulation were filed with the U.S. Court of Appeals for the District of Columbia Circuit (the “D.C. Circuit”). On February 9, 2016, the U.S. Supreme Court stayed the final CPP regulation pending disposition of the Petitions for Review filed in the D.C. Circuit, and continuing until the Supreme Court subsequently denies a petition for writ of certiorari or the Supreme Court decides the case after granting a petition for writ of certiorari. The D.C. Circuit has not issued a decision on the case and, on April 28, 2017, issued an order holding the case in abeyance as EPA considers repealing and replacing the CPP regulation.

On October 16, 2017, EPA published in the Federal Register a proposed regulation, “Repeal of Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units.” The public comment period for the proposal ended on April 26, 2018.

On December 28, 2017, EPA published in the Federal Register an advance notice of proposed rulemaking, “State Guidelines for Greenhouse Gas Emission from Existing Electric Utility Generating Units.” The public comment period for the notice ended on February 26, 2018.

Also on October 23, 2015, EPA published in the Federal Register a final regulation (referred to by EPA as the Carbon Pollution Standards or the New Source Rule), “Standards of Performance for Greenhouse Gas Emissions From New, Modified, and Reconstructed Stationary Sources: Electric Utility Generating Units,” that established standards for emissions of CO<sub>2</sub> for newly constructed, modified, and reconstructed fossil fuel-fired electric generating units. Petitions for Review were filed with the D.C. Circuit to contest this final regulation. On April 28, 2017, the D.C. Circuit issued an order temporarily holding the case in abeyance. On August 10, 2017, the D.C. Circuit extended the abeyance order indefinitely. The 2015 regulation remains in effect, however.

Prior to the Supreme Court’s stay of the CPP regulation, MEAG Power had been examining potential financial and operating impacts to its existing fossil generating units that could arise if the CPP regulation were fully implemented. Until legal challenges to the 2015 CPP and New Source Rule regulations are resolved, until the results of the EPA’s 2017 proposed actions that could repeal and replace the CPP are known, and until the Georgia Environmental Protection Division (“EPD”) submits and EPA approves a final state plan to implement the final federal regulation, it is not possible to make a final assessment of the financial and operational impacts on MEAG Power’s existing generating units.

### ***National Ambient Air Quality Standards and Regional Haze Regulations***

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

On November 16, 2017 and June 4, 2018, EPA published in the Federal Register final regulations establishing air quality designations for the 2015 ozone NAAQS. Seven counties in the metropolitan Atlanta area of Georgia were designated as nonattainment. All other counties in Georgia were designated as unclassifiable/attainment. For the seven counties in the metropolitan Atlanta area designated as nonattainment, EPD may be required to develop a 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.

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

On January 10, 2017, EPA published in the Federal Register a final revised regulation, “Protection of Visibility: Amendments to Requirements for State Plans.” The 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, on January 17, 2018, EPA announced on its internet site that it would revisit certain aspects of its 2017 regulation through a proposed rulemaking. 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.

### ***Startup, Shutdown and Malfunction Regulations***

On June 12, 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. On April 24, 2017, the D.C. Circuit issued an order holding the case in abeyance.

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

On February 16, 2012, EPA published a final regulation in the Federal Register, “National Emission Standards for Hazardous Air Pollutants From Coal and Oil-Fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial-Institutional Steam Generating Units.” The regulation set National Emissions Standards for Hazardous Air Pollutants (“NESHAP”) for both new and existing coal- and oil-fired electric utility steam generating units. MEAG Power’s 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 Generation Station Wansley Unit Nos. 1 and 2. MEAG Power’s coal units are in compliance with the regulation.

### ***Coal Combustion Residuals and Effluent Limitation Guidelines Regulations***

On April 17, 2015, EPA published a final regulation in the Federal Register: “Hazardous and Solid Waste Management System; Disposal of Coal Combustion Residuals From Electric Utilities,” regulating the disposal of CCR as solid waste under Subtitle D of the federal Resource Conservation and Recovery Act (“RCRA”). The regulation finalized national minimum criteria for existing and new CCR landfills and surface impoundments.

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

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

On December 16, 2016, President Obama signed into law the "Water Infrastructure Improvements for the Nation Act" ("WIIN Act"), which included a provision on the regulation of CCR as a non-hazardous waste under RCRA. This legislation authorized states to implement and enforce the requirements of the CCR regulation through state permitting programs. On August 15, 2017, EPA published in the Federal Register a notice of availability and request for comment, "Release of Interim Final Guidance for State Coal Combustion Residuals Permit Programs; Comment Request." EPD subsequently proposed amendments to its 2016 CCR permit regulations to fully conform them to the WIIN Act and EPA guidance. EPD's amended regulations were approved by the Georgia Board of Natural Resources on February 28, 2018.

On March 15, 2018, EPA published a proposed 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)." The proposal addresses four provisions of the 2015 CCR regulation that were remanded back to EPA by the D.C. Circuit; adds six provisions that pursuant to the WIIN Act establish alternate performance standards for CCR landfills and impoundments in states that have EPA-approved CCR permit programs or are subject to oversight by an EPA-administered permit program; and adds one provision based on public comments since the 2015 regulation, on using CCR during closures. In the notice, EPA states that it expects to sign a Phase Two proposal by September 2018 to address other CCR issues.

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

Petitions for Review of the ELG regulation were consolidated for action by the U.S. Court of Appeals for the Fifth Circuit (the "Fifth Circuit"). On April 24, 2017, the Fifth Circuit issued an order staying litigation proceedings.

On April 25, 2017, EPA published a notice in the Federal Register, stating that it was postponing certain of the ELG's regulation's compliance dates, consistent with its April 12, 2017 announcement that it would reconsider the regulation. On September 18, 2017, EPA published a final regulation in the Federal Register, announcing that it intends to conduct a rulemaking to potentially revise certain effluent limitations set in the 2015 ELG, and amending the 2015 regulation so as to revise the earliest compliance dates for those limitations by two years, to November 1, 2020.

In response to the final CCR and ELG regulations, GPC announced on September 28, 2015 that it was developing a closure schedule for all CCR impoundments (ash ponds) that it operates, including ash ponds serving the coal units at Generation Station Wansley and Generation Station Scherer. On June 13, 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 at Generation Station Wansley and Generation Station Scherer would be closed in place using advanced engineering methods. The Generation Station Wansley and Generation Station Scherer 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.

GPC is meeting CCR compliance requirements for Generation Station Scherer Unit Nos. 1 and 2 and Generation Station Wansley, including completion of fugitive dust control plans and annual reports, preparing initial closure and post-closure plans, conducting periodic structural inspections, initiating and reporting on groundwater monitoring programs, and placing required information on a publicly accessible internet site. In January 2018, GPC posted the initial annual groundwater monitoring and corrective action report for each CCR impoundment and landfill, documenting compliance activities to establish the groundwater monitoring programs and related actions through 2017. In May 2018, GPC posted notifications that groundwater assessment monitoring programs have been established for the impoundments at each generation station, based on statistically significant increases in groundwater constituents documented in the January 2018 report.

### ***Waters of the United States Regulation***

On June 29, 2015, EPA and the U.S. Department of the Army, Corps of Engineers (the “Army Corps”) published a final regulation in the Federal Register: “Clean Water Rule: Definition of ‘Waters of the United States’” defining the scope of waters protected under the Clean Water Act. The regulation revised definitions of “waters of the United States” (“WOTUS”) or “navigable waters” in twelve separate water regulatory programs.

Many states and industry groups filed court actions in various federal district and appellate courts. Georgia was one of the petitioners. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit, as a Judicial Panel on Multi-District Litigation, issued a nationwide stay of the regulation.

On February 6, 2018, EPA and the Army Corps published in the Federal Register a final regulation, “Definition of ‘Waters of the United States’ - Addition of an Applicability Date to 2015 Clean Water Rule,” that delayed the effective date of the rule until February 6, 2020. Consequently, the pre-2015 regulation would remain in effect until 2020 while the agencies continue a process to reconsider the 2015 regulation. This final regulation establishing a 2020 effective date for the pre-2015 regulations also has been challenged in federal court.

EPA also has announced in congressional hearings that it is in the process of writing a new regulation that would replace the 2015 rule which it anticipates issuing in 2018. Until court challenges are resolved, or EPA finalizes a regulation redefining WOTUS, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating units.

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

On January 11, 2017, EPA published in the Federal Register a notice of intent to proceed with rulemakings, “Financial Responsibility Requirements for Facilities in the Chemical, Petroleum and Electric Power Industries.” The Comprehensive Environmental Response, Compensation, and Liability Act addresses the promulgation of regulations that require classes of facilities to establish and maintain evidence of financial responsibility consistent with the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances. The EPA notice of intent states that it has not determined whether financial responsibility requirements are necessary for any or all of the classes of facilities within the three listed industries, or that EPA will propose such requirements – only that it

intends to move forward with a regulatory process, after which it will determine whether proposals of requirements for any or all of the classes of facilities are necessary. The notice of intent states that EPA must gather additional information, and must further evaluate the classes of facilities within the three industry sectors. If EPA moves forward with a regulatory process and determines that financial responsibility requirements are necessary for one or more of the sectors, a January 19, 2016 consent order discussed in the Federal Register notice of intent specifies schedules for proposed rulemakings beginning in 2019 and final actions beginning in 2020.

With respect to the electric power industry, EPA has not taken further action on the January 11, 2017 notice of intent. Until EPA takes further action, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating units.

### ***Nuclear Facilities***

MEAG Power is a co-owner of two nuclear generation stations, Generation Station Hatch, which is included in Project One, and Generation Station Vogtle, which is included in Projects One and Four. MEAG Power (through the Vogtle Units 3&4 Project Entities) is also a participant in the development of two additional nuclear generating units (Vogtle Units 3&4) to be located at Generation Station Vogtle. The Atomic Energy Act of 1954, as amended, vests jurisdiction in the NRC over the construction and operation of nuclear reactors, particularly with regard to certain public health and safety and antitrust matters.

In March 2011, a major earthquake and tsunami struck Japan and caused substantial damage to the nuclear generating units at the Fukushima Daiichi generation station. Following this event, the NRC conducted an independent assessment and ensured agency regulations reflected the lessons learned from the Fukushima events. The NRC completed additional operational and safety reviews of nuclear facilities in the U.S. focused on seismic and flooding protections, and the NRC has issued a series of orders requiring safety-related changes to U.S. nuclear facilities. These orders include physical modifications which are complete at Generation Station Vogtle Unit Nos. 1 and 2 and nearing completion at Generation Station Hatch Unit Nos. 1 and 2. The modifications at Generation Station Hatch are expected to be complete in 2018. These capital expenditures included upgrades to the hardened vent systems at Generation Station Hatch and special buildings at both generation stations to house equipment to mitigate the consequences of a beyond-design-basis event. The final form and the resulting impact of any additional changes to licensing or safety requirements for nuclear reactors will be dependent on further review and action by the NRC and cannot be determined at this time; however, MEAG Power does not currently anticipate that the associated compliance costs would have a material impact on its financial statements.

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 Generation Station Hatch Unit Nos. 1 and 2 and Generation Station Vogtle Unit Nos. 1 and 2. In addition, although GPC has no reason to anticipate a serious nuclear incident at such existing nuclear units, if an incident did occur, it could result in substantial costs to MEAG Power. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit that could result in substantial costs. Moreover, a major incident at any nuclear facility in the United States could require MEAG Power to make material contributory payments. In addition, potential terrorist threats and increased public scrutiny of utilities could result in increased nuclear licensing or compliance costs that are difficult to predict. See the discussion of MEAG Power's liability and insurance coverage for nuclear incidents below.

On August 26, 2014, the NRC approved a final rule on the environmental effects of continued storage of spent nuclear fuel. The rule (the “Continued Storage Rule”) adopted the findings of the Generic Environmental Impact Statement (“GEIS”) developed by NRC staff regarding the environmental impacts of storing spent fuel at any reactor site after the reactor’s licensed period of operations. As a result, those generic impacts do not need to be re-analyzed in the environmental reviews for individual licenses. The Continued Storage Rule provides analyses on long-term storage of spent nuclear fuel that can be relied upon as part of individual licensing actions. The Continued Storage Rule was published in the Federal Register on September 19, 2014 and became effective on October 20, 2014.

Under the Price-Anderson Act, which was renewed as part of the 2005 Energy Policy Act (see “COMPETITION – Certain Factors Affecting the Electric Utility Industry – *Energy Policy Act of 2005*” herein), MEAG Power maintains agreements of indemnity with the NRC which, together with private insurance, cover third party liability arising from any nuclear incident occurring at MEAG Power’s nuclear power units. This Act limits to \$13.4 billion public liability claims that could arise from a single nuclear incident. In addition, Congress could impose revenue raising measures on the nuclear industry to pay claims. Each nuclear generating unit is insured against this liability to a maximum of \$450 million by American Nuclear Insurers (“ANI”) with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of nuclear reactors. A company could be assessed up to \$127.3 million per incident for each licensed reactor it operates, but not more than \$19.0 million per reactor per incident would be paid in a calendar year. MEAG Power would be liable for its 22.7 percent share, adjusting for the long-term sale of output to GPC, of any such assessments with respect to Generation Station Vogtle and its 17.7 percent share of any such assessments with respect to Generation Station Hatch, which amounts to a total of \$14.9 million per year up to a total limit of \$100.0 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 September 2018.

GPC, on behalf of all the co-owners of Generation Stations Hatch and Vogtle, is a member of Nuclear Electric Insurance Limited (“NEIL”), a mutual insurer established to provide insurance for members’ nuclear generating facilities. NEIL provides three types of property coverage for the co-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 for nuclear losses up to \$1.25 billion per generating unit above the primary property coverage levels. These policies cover decontamination and debris removal, as well as excess property damage and premature decommissioning. These policies have a combined sublimit of \$1.5 billion for non-nuclear losses. The excess non-nuclear property insurance provides additional coverage limits for non-nuclear losses of \$750.0 million per generating unit above the primary policy.

MEAG Power is also a member of the mutual insurer NEIL, which provides insurance to cover members’ costs of replacement power and other costs related to a prolonged accidental outage of one of its 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 Generation Station Hatch Unit Nos. 1 and 2, as well as \$154.5 million per unit for Generation Station Vogtle Unit Nos. 1 and 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 Generation Station Hatch Unit Nos. 1 and 2, as well as \$103.3 million per unit for Generation Station Vogtle Unit Nos. 1 and 2. These policies, similar to the other NEIL policies, contain provisions for a retrospective premium adjustment for a member of up to ten times the annual premium under the applicable policy. 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 during construction. The policy has a natural catastrophe sublimit of \$300.0 million, and includes \$200.0 million in 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, 2017, could be as much as \$17.5 million for primary, excess property insurance and excess non-nuclear property and \$7.5 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 April 1, 2017, could be as much as \$9.2 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 power stations are covered under both the ANI and NEIL insurance 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.

For all on-site property damage insurance policies for commercial nuclear power generating units, the NRC has issued a final rule providing that for all policies issued on or after April 2, 1991, the proceeds of such policies 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 towards the costs of decontamination or debris removal operations ordered by the NRC, and 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.

In May 1990, pursuant to amendments to the NRC's regulations relating to the decommissioning of nuclear facilities, MEAG Power transferred all amounts then held in the Decommissioning Accounts under the Project One Resolution and the General Resolution Projects Resolution to two trusts outside the administrative control of MEAG Power for application to the payment of future decommissioning costs. All amounts subsequently derived by MEAG Power from the Participants have been similarly transferred to such trusts. Such trusts are not pledged to secure any indebtedness of MEAG Power. In 2000, MEAG Power determined that it is more efficient to combine the two trusts into one, and the funds in Decommissioning Trust No. 2 have been transferred to the Decommissioning Trust. Effective June 22, 2015, MEAG Power and the Vogtle Units 3&4 Project Entities entered into an Amended and Restated Nuclear Decommissioning Master Trust Agreement for the purpose of creating twelve (12) separate Trust Funds with respect to MEAG Power's ownership interest in Generation Station Hatch Unit Nos. 1 and 2 and Generation Station Vogtle Unit Nos. 1, 2, 3 and 4, as well as each Vogtle Units 3&4 Project Entity's Ownership Interest in Vogtle Units 3&4 (the Trust Funds relating to the Vogtle Units 3&4 Project Entities' Ownership Interests in Vogtle Units 3&4 are hereinafter referred to collectively as the "Vogtle Units 3&4 Decommissioning Trusts"). Each Trust Fund will contain the entire undistributed amount of all contributions and/or transferred assets placed with the trustee of the Decommissioning Trust, as adjusted for all income, expense, gain or loss on such amounts as may exist from time to time. Such trustee is required to maintain separate records for each Trust. For information regarding decommissioning costs, see Note 2(H) to MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A.

Westinghouse is a provider of fuel fabrication, outage support and other services for the nuclear industry, including Generation Stations Vogtle and Hatch operated by Southern Nuclear. While the

ultimate impact of the Westinghouse bankruptcy proceedings cannot be determined at this time (see “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – Description of Vogtle Units 3&4*” herein), to date no bankruptcy-related disruption of these services has occurred, and none is anticipated. Alternative suppliers for these nuclear services are available except for fuel fabrication for Generation Station Vogtle which would require a multi-year certification process to certify a new supplier. Southern Nuclear maintains an appropriate level of interaction with these suppliers should alternative sources be required.

## **Enterprise Risk Management**

During 2004, MEAG Power implemented an Enterprise Risk Management (“ERM”) program and adopted an ERM policy. The ERM policy established a risk management organizational structure, which in addition to the Risk Management Department, includes a MEAG Power Board-level Risk Management and Audit Committee (previously, the MEAG Power Board Audit Committee) and an executive-level Risk Oversight Committee. In December 2012, MEAG Power’s Risk Management and Internal Audit personnel began reporting to the Senior Vice President, Chief Financial Officer, as part of organizational changes implemented by MEAG Power. The Risk Management Department remains responsible for assessing risks throughout the organization and integrating mitigation activities for a more comprehensive approach to managing risks.

## **Asset/Liability Management Policy**

In January 1998, the MEAG Power Board adopted an Asset/Liability Management Policy in order to establish a framework to govern the management of MEAG Power’s financial assets and liabilities. The policy, as approved by the MEAG Power Board upon the recommendation of the Asset/Liability Committee of the MEAG Power Board and as amended from time to time, governs investment of funds, issuance and management of debt securities, use of derivative instruments, overall management of interest rate risk and all reporting requirements.

The Project One Resolution, the General Resolution Projects Resolution, the CC Bond Resolution and the Vogtle Units 3&4 Bond Resolutions each specifies the investments that MEAG Power may make with moneys held in the funds and accounts established thereunder. See the definitions of “Investment Securities” in APPENDIX F hereto, “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Definitions – *The Project One Resolution*,” in APPENDIX I hereto, “SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION – Definitions” and in APPENDIX M hereto, “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions – *The Project M Bond Resolution*,” “– *The Project J Bond Resolution*” and “– *The Project P Bond Resolution*.”

The Asset/Liability Management Policy permits the use of financial derivatives, such as interest rate swaps, as hedges against risks so long as the expected benefit of use is considered to outweigh any additional risks presented by such use. The policy provides that financial derivatives should not be used for trading speculation without specific approval of the MEAG Power Board and the Asset/Liability Committee and that highly leveraged derivatives are prohibited. Furthermore, the policy addresses counterparty risk by requiring that each counterparty have minimum credit ratings from recognized rating agencies of “A3/A-” or the equivalent thereof and by limiting MEAG Power’s credit exposure to counterparties to tiered dollar amounts based upon the counterparty’s credit ratings. See Notes 2(K), 2(L) and 5 to MEAG Power’s 2017 Financial Statements attached hereto as APPENDIX A for additional information.

Regulations implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) have imposed additional requirements on the use of over-the-counter derivatives, including clearing, margining, and reporting requirements on parties to financial instrument

transactions. MEAG Power is not subject to the clearing and margining requirements because it elected an end-user exemption from such requirements. In addition, since all counterparties to MEAG Power swap transactions are swap dealers and are responsible for the reporting requirements, MEAG Power is not subject to additional reporting requirements. As a result, MEAG Power does not consider the impact of Dodd-Frank Act regulations to be material.

### **Fuel Risk Management Policy**

In November 2003, the MEAG Power Board adopted a Natural Gas Risk Management Policy (the “Natural Gas Policy”) to govern hedging transactions related to MEAG Power’s procurement of natural gas in order to provide MEAG Power the flexibility to manage the specific risks associated with the procurement of natural gas. Another objective of the Natural Gas Policy is to place strategic and operational responsibility for gas hedging activities in the hands of MEAG Power’s power supply personnel. The Natural Gas Policy is intended to guide MEAG Power’s management and staff regarding all strategies used to manage exposure to market fluctuations in the price of natural gas. Strategies include hedging activities such as purchasing and selling NYMEX-based futures and forward contracts, put and call options, floors, caps, collars, other over-the-counter products and other means of managing natural gas acquisition or inventories.

The Natural Gas Policy and other policies and procedures related to management of coal and emissions were superseded by the Fuel Risk Management Policy (the “Fuel Risk Policy”) approved by the MEAG Power Board in December 2008. The Fuel Risk Policy consolidates the responsibilities of the MEAG Power Board and staff for all fuel purchase and risk management efforts. The Fuel Risk Policy provides that MEAG Power’s power supply personnel and a Fuel Risk Oversight Committee have, subject to the oversight of MEAG Power’s Risk Oversight Committee and the MEAG Power Board, the authority to execute and monitor hedging activities as well as implement the hedging strategy for natural gas and coal. The Policy provides that the tactical procedures for management of gas, coal and emissions allowances will be developed by the Fuel Risk Oversight Committee and approved by the Risk Oversight Committee. The Asset/Liability Committee of the MEAG Power Board is charged with oversight of the marking-to-market of all hedging instruments. See Notes 2(I), 2(J), 2(K) and 2(L) to MEAG Power’s 2017 Financial Statements attached hereto as APPENDIX A for additional information.

See the last paragraph under “Asset/Liability Management Policy” above for a discussion of the Dodd-Frank Act.

## **COMPETITION**

### **Current Competition in MEAG Power Service Area**

The Territorial Act, enacted in 1973, regulates the service rights of all retail electric suppliers in the state. Pursuant to the Territorial Act, the GPSC has assigned substantially all areas in the state to specified retail suppliers, and these areas cannot be changed without the consent of the GPSC. The territorial assignments under the Territorial Act are subject to certain exceptions, including an exception that permits the owner of any new facility (with limited exception for those locating within 1973 city limits) having a connected demand upon initial full operation of 900 kilowatts (“kW”) or greater to receive electric service from the retail supplier of its choice.

The Participants are actively engaged in competition with other retail electric suppliers for new industrial and commercial loads. An important factor in this competition is the price of power furnished by MEAG Power to the Participants. MEAG Power continually monitors its competitive position relative to other wholesale suppliers in the Georgia territory so that it can budget, plan and structure rates to assist the Participants in maintaining competitive pricing for these new industrial and commercial loads.

In 2015, Georgia enacted the Solar Power Free-Market Financing Act of 2015, O.C.G.A. § 46-3-60, *et. seq.*, allowing solar installers to offer third-party financing to Georgia property owners who want to install solar panels on their property. However, this legislation restricts the size of any such residential solar project to 10 kW and restricts the size of any such commercial solar project to 125 percent of the commercial customer's actual or expected maximum annual peak demand. Utilities in Georgia are required to buy excess power from distributed generation until the cumulative generating capacity of all renewable energy sources equals 0.2 percent of the utility's annual peak demand in the prior year. Also, a utility is not required to pay an amount above avoided energy costs. To date, this legislation has not had any material impact on MEAG Power.

## **Certain Responses of MEAG Power to Competition**

### ***General***

MEAG Power has been engaged in a program to reduce its costs and otherwise improve its competitive position. This program has included: (a) the establishment of the Municipal Competitive Trust (the "Municipal Competitive Trust") in order to accumulate and grow through common investment a substantial fund to assist MEAG Power and the Participants in maintaining competitive electric rates and in preparing for competition in the electric utility industry (see "*Municipal Competitive Trust*" below); (b) participation in a long-term lease transaction with an affiliate of a large investor-owned utility with respect to MEAG Power's ownership interests in Generation Station Scherer Unit Nos. 1 and 2 and Generation Station Wansley Unit Nos. 1 and 2 (see "*Lease Financing Arrangement*" below); (c) the construction of the Telecommunications Project (see "*Telecommunications Project*" below); (d) the construction and development of the Vogtle Units 3&4 Projects (see "*Planned Resources: Vogtle Units 3&4 Projects*" below); (e) the establishment of a power supply arrangement with GPC that affords MEAG Power greater control with respect to the commitment and dispatch of its generating facilities and more flexibility to make purchases and sales in external markets (see "MEAG POWER – Bulk Power Supply Operations – *Pseudo Scheduling and Services Agreement*" herein); and (f) participation in TEA, a joint power marketing alliance with certain other public power entities (see "MEAG POWER – Bulk Power Supply Operations – *The Energy Authority*" herein).

Notwithstanding the steps taken by MEAG Power to help maintain its competitive position, MEAG Power cautions that various factors, such as the ongoing evolution of the electric utility industry and the extent and timing of additional competition in the markets of MEAG Power and the Participants, could cause actual results to differ significantly from the projections contained herein of the Participants' power and energy requirements.

### ***Municipal Competitive Trust***

MEAG Power formed the Municipal Competitive Trust pursuant to a Declaration of Trust, The Municipal Competitive Trust, dated as of January 1, 1999, as amended (the "Trust Agreement"), for the benefit of its Participants and has funded the Municipal Competitive Trust with certain monies that had been accumulated in MEAG Power reserves, including certain rate stabilization monies and sums from the debt service reserves that were released following a successful effort to obtain bondholder consent to amend the Project One and General Resolution Projects Resolutions. The MBIA Surety Bond (hereinafter defined) was substituted for monies and investments on deposit in the debt service reserve accounts under the Project One and General Resolution Projects Resolutions to preserve the security of the bondholders, thus allowing the accumulated debt service reserves to be transferred to the Municipal Competitive Trust. Funds in the Municipal Competitive Trust have been retained and invested, and will be available to reduce future power supply costs of the Participants. See Note 1(E) to MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A.

As of December 31, 2017, the net value of the investments in the Municipal Competitive Trust was \$590.6 million, with all Participants participating in the Municipal Competitive Trust. As of April 30, 2018, the net value of the investments in the Municipal Competitive Trust was \$595.7 million, with all Participants participating in the Municipal Competitive Trust.

Except for the flexible account and for certain limited uses of the Credit Support Operating Trust Account (as defined in the Trust Agreement), the funds have been retained in the Municipal Competitive Trust and invested. Under the terms of the Municipal Competitive Trust, the investment earnings on the portions of the Municipal Competitive Trust funded by rate stabilization monies will be retained in the Municipal Competitive Trust. The Municipal Competitive Trust provides that the interest earnings on the funds deposited in the Municipal Competitive Trust from the amounts released from the debt service reserve accounts under the Project One and General Resolution Projects Resolutions will be retained in the Municipal Competitive Trust to the extent that MEAG Power reduces in each year its administrative, general or other controllable costs below the amounts budgeted for 1999, as adjusted for inflation, through direct efforts of MEAG Power.

In late 2008, the proposed First Amendment to the Municipal Competitive Trust (the “First Amendment”) became effective. The First Amendment authorizes MEAG Power to apply funds from the Reserve Funded Debt Trust Account (as defined in the Trust Agreement) and/or the Credit Support Operating Trust Account as a credit to the power sales contract billings of any Participant for the purpose of lowering said Participant’s annual generation charges from MEAG Power during the period from January 1, 2009 through December 31, 2018. The amount of any such withdrawals would be pursuant to a formula described in the First Amendment that is designed to reduce and levelize said Participant’s fixed production costs (exclusive of transmission, fuel and emission costs) pertaining to Project One and the Existing General Resolution Projects in a measured and prudent manner consistent with the original purpose of the Municipal Competitive Trust, to offset the Participant’s costs during the period from 2009 through 2018. Additionally, the First Amendment also authorizes MEAG Power, in its discretion, to utilize all or any portion of the funds contained in said accounts for the purpose of defeasing, redeeming, refunding or otherwise retiring outstanding revenue bonds issued by MEAG Power, provided that any such funds that are related to the reserve-funded portion of the Municipal Competitive Trust may be applied by MEAG Power only to defease, redeem, refund or retire Project One Senior Bonds and/or General Resolution Projects Senior Bonds, so long as any such senior bonds are outstanding. For the fiscal year ended December 31, 2017, funds from the Municipal Competitive Trust applied to offset expenses in Project One totaled \$43.0 million. Since January 2009, when MEAG Power commenced applying funds from the Municipal Competitive Trust to offset such expenses in Project One, as well as in the Existing General Resolution Projects in certain years, available funds of the Participants have been deposited to the Municipal Competitive Trust in an amount equal to 75% of the total credits paid to the Participants from the Municipal Competitive Trust through December 31, 2017.

Further, the First Amendment authorized the establishment of an additional account within the Municipal Competitive Trust entitled the “Generation Construction Trust Account” for the purpose of permitting any Participant to fund from its own funds or the flexible account of the Municipal Competitive Trust all or any portion of its share of the cost of acquisition and construction of any future generation project undertaken by MEAG Power in which such Participant elects to participate (including the Vogtle Units 3&4 Projects described herein).

In October 2008, MEAG Power distributed to the Participants for their consideration a proposed Second Amendment to the Municipal Competitive Trust (the “Second Amendment”) that had been approved by the MEAG Power Board. The Second Amendment modifies the provisions of the Municipal Competitive Trust to provide additional flexibility pertaining to the funding of new generation projects by MEAG Power by removing the “Generation Construction Trust Account” and creating the “New Generation Funding Account.” Additionally, the Second Amendment establishes a contractual process, consistent with current MEAG Power policy, whereby the Participants will confirm to MEAG Power the



authority and identity of the individuals authorized to make elections on behalf of the respective Participants concerning deposits and withdrawals involving the subaccounts established under the Municipal Competitive Trust. To date, the Second Amendment has been fully executed and taken effect with respect to 40 of the Participants. Unanimous approval by the Participants is not required respecting the Second Amendment.

On August 3, 2009, MEAG Power distributed to those Participants that had elected to execute the Second Amendment, a proposed Second Replacement Amendment to the Municipal Competitive Trust (the “Second Replacement Amendment”). The Second Replacement Amendment would provide additional flexibility to the Participants as to the funding of new generation projects and capacity purchases proposed by MEAG Power, the funding of the purchase of additional entitlement shares or obligation shares of existing MEAG Power projects and for mitigation of certain Bulk Power Supply cost increases.

On the same date, MEAG Power also distributed to those nine Participants that had elected not to execute the Second Amendment, a proposed Second Alternative Amendment to the Municipal Competitive Trust (the “Second Alternative Amendment”). The Second Alternative Amendment would have the same effect as the Second Replacement Amendment described above. As of the date hereof, 47 Participants have executed either the Second Replacement Amendment or Second Alternative Amendment. As a result of the execution of the Second Replacement Amendment and the Second Alternative Amendment, the New Generation Funding Account now is known as the “New Generation and Capacity Funding Account.”

The Municipal Competitive Trust will terminate when the purposes thereof have been substantially accomplished and MEAG Power and the Participants elect to terminate the Municipal Competitive Trust and direct how the funds in the Municipal Competitive Trust are to be applied. The Municipal Competitive Trust also may be terminated as to any individual Participant when it and MEAG Power elect to terminate after the purposes of the Municipal Competitive Trust have been substantially accomplished.

### ***Lease Financing Arrangement***

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

The Lessor subleased the Undivided Interest back to MEAG Power under a sublease for a term of approximately 30 years. Under the sublease, MEAG Power was required to pay the entire balance of the rent due thereunder six months after the commencement of the sublease. During the term of the sublease, MEAG Power was to continue to operate and maintain the Undivided Interest and was to continue to receive all the output from the Undivided Interest.

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

As a result of such termination, the Lease and all of the other related agreements, with the exception of certain provisions that MEAG Power does not believe will have any material adverse effect on MEAG

Power, automatically and irrevocably terminated and were discharged, and neither MEAG Power nor the Lessor has any further right, liability or obligation to the other with respect to the Lease and such other related agreements, except with respect to the provisions referenced above.

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

### ***Telecommunications Project***

In 1997, MEAG Power formed a separate project (referred to herein as the "Telecommunications Project" or "Telecom") to consist of those properties, telecommunications facilities, fibers and other equipment acquired, constructed and installed by MEAG Power (the "Telecommunications System"), in its discretion from time to time, for the following purposes: (1) providing telecommunications capabilities to Project One for the operation of MEAG Power's transmission system facilities and serving its other internal needs in the areas of load regulation, power system control, data collection, communications and conferencing, training, real-time pricing and other electric system functions; (2) providing telecommunications capabilities to the Participants for use in their electric distribution systems and communities, including economic development and educational purposes; and (3) in order to achieve economies of scale and improve the economics of the Telecommunications Project, providing telecommunications capabilities to others, including the public for hire. The Telecommunications System utilizes rights-of-way leased from Project One, as well as other leased rights-of-way acquired from third parties, and provides the telecommunications requirements for MEAG Power's internal needs to Project One as an operating expense of Project One.

In connection with the formation of the Telecommunications Project, MEAG Power established certain contractual and financing arrangements. It entered into take-or-pay, "hell or high water" telecommunications contracts (the "Telecommunications Contracts") with 32 of the Participants (the "Telecommunications Participants") generally providing for the allocation of MEAG Power's costs related to the Telecommunications Project among the Telecommunications Participants in accordance with their Obligation Shares. It also adopted the Telecommunications Bond Resolution, authorizing the issuance of Telecommunications Bonds to finance the cost of acquisition and construction of the Telecommunications Project. In an initial bond validation proceeding held on December 8, 1997, the Superior Court of Fulton County, Georgia confirmed and validated all of the terms and provisions of the Telecommunications Contracts as well as Telecommunications Bonds in the aggregate principal amount of \$35,000,000.

Following the formation of the Telecommunications Project, MEAG Power commenced acquisition and construction of the Telecommunications System, which is now in operation. Funding for the costs of acquisition and construction was provided initially from Project One financings, and those financings were retired with proceeds of MEAG Power's Variable Rate Telecommunications Project Revenue Bonds, Taxable Series 2003 (the "2003 Telecommunications Bonds").

Under the original plan for the Telecommunications System, MEAG Power itself was to operate the Telecommunications System, using the telecommunications capabilities thereof for its own internal needs and selling such capabilities to the Participants and to others. However, in a 1998 ruling of the GPSC, later upheld on appeal, the GPSC ruled that MEAG Power does not have legislative authorization to engage in the business of selling the excess capacity of the Telecommunications System to the public for hire. Although this ruling had no effect on MEAG Power's ability to utilize the Telecommunications System for its own internal needs and sell the telecommunications capabilities thereof to the Participants, it did prohibit MEAG Power from selling the excess capacity of the Telecommunications System to the public for hire. As set forth above, such sales are necessary to achieve economies of scale and improve the economics of the Telecommunications Project. Accordingly, in order to maximize the use of the Telecommunications System, MEAG Power entered into a Master Agreement, dated January 23, 2001 (the "Master Agreement"), with Georgia Public Web, Inc., a Georgia nonprofit corporation ("GPW") formed by the 32

Telecommunications Participants. The purpose of this arrangement was to facilitate the sale of excess capacity of the Telecommunications System to third parties by utilizing GPW's corporate status. Under the Master Agreement, GPW agreed, among other things, (i) to lease from MEAG Power certain dark fiber and electronic or optronic equipment, (ii) to assume certain MEAG Power rights and obligations in various infeasible right of use agreements, fiber leases and other agreements assigned to GPW by MEAG Power, (iii) to provide MEAG Power with telecommunications services in connection with MEAG Power's generation and transmission operations, (iv) to provide the Telecommunications Participants with telecommunications services and (v) to pay MEAG Power certain monthly lease payments. The GPSC agreed that the excess capacity could be sold by GPW to the public for hire under this arrangement and issued an interim certificate of authority to GPW on September 4, 2001. All 32 Telecommunications Participants are now capable of receiving telecommunications services and fifteen of them have received certificates of authority from the GPSC permitting them to re-sell such services to the public.

The 32 Telecommunications Participants, as members of GPW, have entered into an Intergovernmental Contract Agreement whereby each Telecommunications Participant has made certain commitments to the other Participants concerning the Master Agreement and the costs incurred and revenues received by GPW. Among other things, such agreement provides for monthly payments by each Telecommunications Participant of its Obligation Share of the excess, if any, of GPW's budgeted costs for the billing period over its revenues for such period and for annual distributions to the Telecommunications Participants (as members of GPW), in accordance with their respective Obligation Shares, of the net revenues of GPW, if any.

On November 5, 2009, MEAG Power issued its Variable Rate Telecommunications Project Revenue Bonds, Taxable Series 2009 in the aggregate principal amount of \$8,495,000 (the "2009 Telecommunications Bonds") for the purpose of providing the moneys required to refund all of the then outstanding 2003 Telecommunications Bonds. The 2009 Telecommunication Bonds were purchased by the trustee of the Municipal Competitive Trust, as an investment of funds on deposit in the Municipal Competitive Trust. The Telecommunications Bonds were payable only from revenues under the Telecommunications Contracts. The 2009 Telecommunications Bonds and the Master Agreement (discussed above) were validated by an order of the Superior Court of Fulton County, Georgia on September 29, 2009. On December 15, 2015, all of the 2009 Telecommunications Bonds then outstanding were paid at maturity. As a result, as of the date of this Annual Information Statement, no Telecommunications Bonds remain outstanding. MEAG Power may issue additional Telecommunications Bonds in the future to finance capital improvements to the Telecommunications Project, but it has no current plans to do so.

The Telecommunications Project operates independently of MEAG Power's generation and transmission functions; however, it is not legally separate from MEAG Power. Since the services offered by the Telecommunications Project are not an integral part of MEAG Power's generation and transmission functions, the costs incurred by the Telecommunications Project in providing the contract services are billed only to those Participants that elect to contract for such services.

Balance sheet information for the Telecommunications Project as of December 31, 2017 and 2016 is shown in the applicable Consolidated Balance Sheet in MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A. Revenue and expense information, and cash flow data for the Telecommunications Project for the years ended December 31, 2017 and 2016 are shown in the Consolidated Statement of Net Revenues and Consolidated Statement of Cash Flows, respectively, in MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A. Additional financial information related to the Telecommunications Project is included in Note 1(G), various parts of Note 2, as well as Notes 3, 4 and 5 to such financial statements.

The Telecommunications Participants' payment obligations under the Telecommunications Contracts are general obligations to the payment of which their full faith and credit are pledged, and MEAG Power's remedies under each Telecommunications Contract includes specific performance to compel the

Telecommunications Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder.

***Planned Resources: Vogtle Units 3&4 Projects***

In 2005, MEAG Power began certain investigations to develop power supply plans to meet the future needs of the Participants. These plans were developed to assure the continued reliable supply of power to the Participants in the most economic manner available. With the assistance of a consultant, MEAG Power conducted analyses and forecasts of wholesale market conditions, fuel and wholesale power commodity prices, Participant load growth, MEAG Power capacity needs, optimum generation capacity expansion plans and expansion plan risk analysis.

In addition to the capacity then available to MEAG Power, the analyses and forecasts determined that MEAG Power and the Participants would require an additional 65 MW of generating capacity beginning in 2008, increasing to 952 MW by 2026, in order to maintain reasonable planning and operating reliability of the MEAG Power electric system. MEAG Power investigated several viable generating resource alternatives that could be combined to serve forecasted growth in system need. As part of the analysis, MEAG Power also evaluated ways in which uncertain future conditions and prices might affect the economic value (measured by the net present value of total power costs) of each of the several plans. A risk-based analysis was performed to assess how variability in power and fuel prices could affect the relative economic merit of each plan. MEAG Power's current generation expansion plan is based, in part, on the results of this analysis, which determined that a plan consisting of simple-cycle combustion turbines and nuclear steam turbines provided the best balance of lowest cost and least risk of all of the potential plans.

The analysis also considered ways in which potential future GHG legislation and resulting emissions allowance costs could affect resource expansion decisions. The analysis determined that, because nuclear energy, unlike coal- and natural gas-fired generating units, does not emit GHGs, the implementation of any GHG legislation would increase the economic value of generation expansion plans containing nuclear generation resources. This value increases in direct proportion to the nuclear capacity included in the plan. At the same time, the value of plans including GHG-emitting resources decreases in proportion to the capacity and resulting projected generation of fossil-fuel resources included in such plan. As such, the investigation of GHG impacts further supported the selection of a capacity expansion plan including nuclear baseload and peaking resources.

In connection with these plans, MEAG Power also conducted a planning study covering the thirty-year period from 2008 to 2038, and evaluated each Participant's need for baseload, intermediate and peaking generating resources over this period. The planning studies anticipated, among other things, the retirement of the two nuclear units at Generation Station Hatch (collectively 286 MW) when the operating licenses for each unit expire in 2034 and 2037, respectively. Additionally, several of MEAG Power's other generating resources will be candidates for retirement by the end of the planning study period, including Generation Station Wansley Unit Nos. 1 and 2 (collectively, 261 MW) and Generation Station Scherer Unit Nos. 1 and 2 (collectively, 489 MW). The Wansley CC Unit (503 MW) will also reach retirement age by 2039. See "MEAG POWER – Bulk Power Supply Operations" herein for further discussion of these facilities.

MEAG Power also considered that the development of Vogtle Units 3&4 will benefit from the experience of more than three decades of joint ownership by the Original Vogtle Co-Owners of existing Generation Station Vogtle and Generation Station Hatch nuclear units. See "CO-OWNERS OF THE GENERATING UNITS" herein.

In light of the foregoing considerations, among others, MEAG Power acquired a 22.7 percent undivided ownership interest in Vogtle Units 3&4, representing 500.308 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. See "MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects*" herein for a description of how MEAG Power structured its ownership interest in Vogtle Units 3&4.

### **Certain Factors Affecting the Electric Utility Industry**

The following is a brief discussion of certain regulatory developments affecting competition. However, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof.

#### ***Energy Policy Act of 2005***

On July 29, 2005, Congress passed the 2005 Energy Policy Act and it was signed by President Bush on August 8, 2005. The 2005 Energy Policy Act made significant changes in the federal regulation of the electric utility industry. This legislation addressed, among other things, energy efficiency, renewable energy, nuclear energy and electricity related reforms; provided incentives for oil and gas production; and encouraged the deployment of clean coal technology through legislative reforms and directives to FERC relating to certain actions.

MEAG Power has implemented the requirements addressed in Title VI of the 2005 Energy Policy Act (nuclear energy and related issues) with regard to its existing nuclear power generating units and will continue to assess the potential impacts of the 2005 Energy Policy Act on any potential plans for the development of new nuclear power generating units and other generating resources.

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

#### ***FERC Initiatives***

While neither MEAG Power nor any of the Participants is a FERC-jurisdictional "public utility," MEAG Power and all of the Participants nonetheless are affected significantly, directly or indirectly, by certain FERC rulemakings. In addition, many provisions of the Federal Power Act ("FPA") apply to electric utilities, including MEAG Power, that are not FERC-jurisdictional "public utilities."

A non-FERC-jurisdictional utility, such as MEAG Power, that receives open access transmission service from a FERC-jurisdictional utility is required to provide open access service under terms and conditions comparable to the service it receives from the FERC-jurisdictional utility. MEAG Power has an Open Access Transmission Tariff ("OATT") in substantially the form of the pro forma OATT adopted by FERC in Order Nos. 888 and 888-A, which required all "public utilities" under the FPA that own, control or operate transmission facilities used in interstate commerce to file OATTs containing minimum terms and conditions of non-discriminatory transmission service with FERC. While MEAG Power is not a public utility under the FPA and therefore is not subject to the mandatory filing requirement, MEAG Power believes that its OATT satisfies the "reciprocity" requirements of Order Nos. 888 and 888-A inasmuch as

MEAG Power's eligibility to obtain OATT transmission service from public utilities never has been challenged.

MEAG Power's OATT offers firm and non-firm point-to-point transmission service and network integration transmission service, along with the ancillary services of scheduling, system control and dispatch service, reactive supply and voltage control service, regulation and frequency response service, energy imbalance service, operating reserve-spinning reserve service and operating reserve-supplemental reserve service. MEAG Power's OATT rates are stated rates, based on MEAG Power's budgeted transmission costs in effect at the time the rates were established, with certain adjustments to cover properly the cost of providing third-party transmission service. Adjustments include the use of taxable debt for transmission facilities, adjustments to cover equity in the transmission system and adjustments for specific facilities to be considered transmission facilities. MEAG Power also has a native load service obligation that is afforded the protections included in its existing OATT.

The establishment of TEA, discussed above under "MEAG POWER – Bulk Power Supply Operations – *The Energy Authority*," satisfied a standard of conduct requirement under FERC's Order No. 889, as amended, which has the effect of requiring MEAG Power to establish a wholesale marketing organization separate and apart from its operating group that controls operations of its generation and transmission facilities. In October 2008, FERC issued Order No. 717, which, among other things, amended FERC's Standards of Conduct for Transmission Providers to make them clearer and to refocus the rules on the areas where there is the greatest potential for abuse. MEAG Power believes that its participation in TEA and related procedures satisfies the reforms to the standards of conduct included in FERC's final rule without material impact on MEAG Power's costs.

In 2007, FERC issued Order No. 890 amending the regulations and the pro forma OATT adopted in Order Nos. 888 and 889. Order No. 890's requirements include: (i) greater consistency and transparency in available transfer capability calculations; (ii) open, coordinated and transparent planning; (iii) reforms of energy imbalance penalties; (iv) reform of rollover rights policy; (v) clarification of tariff ambiguities; and (vi) increased transparency and customer access to information. FERC reaffirmed many of the core elements of the Order No. 888 pro forma OATT in Order No. 890, including: (i) the comparability requirement wherein third-party users of the transmission system must receive service in a manner comparable to the transmission owner's use of the system; (ii) the continuance of the protection of native load customers' transmission service rights, with FERC determining that the protections included in the Order No. 888 pro forma OATT were consistent with FPA Section 217; and (iii) FERC's current approach to reciprocity for non-FERC-jurisdictional transmission owners, which include MEAG Power, was retained and broadened such that, if a Regional Transmission Organization ("RTO") or Independent System Operator ("ISO") is the transmission provider, reciprocity is owed to all members of the RTO or ISO. Under the pro forma OATT, a public utility may refuse to provide open access transmission service to a non-public utility if the non-public utility refuses to reciprocate.

Section 211A of the FPA, which was added by the 2005 Energy Policy Act, authorized FERC to order non-public utilities (or "unregulated transmitting utilities," which include MEAG Power) to provide transmission services at rates, and on terms and conditions, that are comparable to those under which such non-public utilities provide transmission service to themselves. In Order No. 890, FERC stated it would apply Section 211A provisions on a case-by-case basis. MEAG Power has participated in a joint transmission planning process for decades and is cosponsoring and participating in regional and interregional transmission planning processes, the proposed details of which were filed with FERC by Southern Company, as called for in Order No. 890 and subsequently expanded in Order No. 1000. The inter-regional transmission planning process is sponsored by many of the major transmission owners registered by SERC. MEAG Power believes that its current OATT coupled with its participation in regional planning satisfies the broadened "reciprocity" requirements of Order No. 890, and MEAG Power's eligibility to obtain OATT transmission service from public utilities never has been challenged.

The 2005 Energy Policy Act also added Section 215 of the FPA, which expanded FERC's jurisdiction to ensure the reliability of the Bulk Power System. In 2007, FERC issued Order No. 693 entitled "Mandatory Reliability Standards for the Bulk-Power System." In this order, FERC approved the majority of the proposed reliability standards developed by NERC, which FERC had certified as the Electric Reliability Organization ("ERO") responsible for developing and enforcing mandatory reliability standards. The order also added a new part to FERC's regulations, which applies to all users, owners and operators of the bulk power system within the United States (other than Alaska or Hawaii), including MEAG Power. NERC was also permitted to delegate certain enforcement authority to approved regional entities. SERC is the approved regional entity for most of the Southeast United States including MEAG Power's service territory. NERC is authorized to enforce its reliability standards, subject to FERC oversight, through the imposition of monetary and non-monetary penalties on NERC-registered entities that are found to be in violation of the standards. The monetary penalties can reach up to \$1 million per day per violation.

In 2008, FERC issued Order No. 706, entitled "Mandatory Reliability Standards for Critical Infrastructure Protection." In this order, FERC approved eight reliability standards (the "Cyber Security Standards") submitted by NERC which require certain users, owners, and operators of the Bulk Power System, including MEAG Power, to comply with specific requirements to identify and safeguard their critical cyber assets. In November 2013, FERC issued Order No. 791, approving "Version 5" of NERC's Cyber Security Standards and directing NERC to make further revisions. Version 5 includes new cyber security controls and extends the scope of the systems that are protected. In January 2016, FERC issued Order No. 822, approving a set of revised NERC Critical Infrastructure Protection standards. Of these revised standards, MEAG Power has successfully met the Medium Impact asset compliance set of requirements which had a July 1, 2016 deadline, and Low Impact asset compliance requirements which had an April 1, 2017 deadline. On April 19, 2018, FERC issued Order No. 843, approving NERC Critical Infrastructure Protection standard CIP-003-7. MEAG Power is working toward meeting the additional Low Impact asset compliance requirements under this new standard, which have a compliance deadline of January 1, 2020.

On March 7, 2014, FERC directed NERC to submit for its approval one or more reliability standards to address unspecified physical security risks and vulnerabilities to the electric grid. NERC submitted for FERC approval Reliability Standard CIP-014, which would require transmission owners, including MEAG Power, to perform risk assessments on a periodic basis to identify facilities that, if rendered inoperable or damaged, could have a significant and critical impact on the electric grid. Owners of such critical facilities would be required to develop and implement a security plan to address potential threats and vulnerabilities. On November 20, 2014, FERC issued a final order approving Reliability Standard CIP-014-1; FERC subsequently directed NERC to make certain modifications to Reliability Standard CIP-014-1 or, alternatively, to propose modifications to the Reliability Standard that would address FERC's concerns. The provisions of a revised standard became effective July 1, 2015. MEAG Power has completed its initial risk assessment and has found no MEAG Power-owned facilities to require a CIP-014 security plan. Reliability Standard CIP-014-2 requires entities to perform subsequent risk assessments on a periodic basis, and MEAG Power is prepared to comply with applicable provisions.

In 2011, FERC issued Order No. 1000, entitled "Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities." Order No. 1000 requires that, among other things, public utility transmission providers participate in a regional process that produces a regional transmission plan satisfying certain principles. Order No. 1000 also provides that public utility transmission providers amend their open access transmission tariffs to include a methodology for allocating the costs of new regional and inter-regional transmission facilities. Order No. 1000 does not, however, disturb the charges for transmission facilities that existed on such order's effective date.

As a non-public utility, MEAG Power is not directly subject to the requirements of Order No. 1000. However, in the order, FERC states 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 has intervened in the Order No. 1000 compliance filings of Southern Company and certain other FERC-jurisdictional utilities. MEAG Power is continuing to participate, voluntarily, in a regional transmission planning process with Southern Company and certain other southeast utilities. The effect of Order No. 1000 and related orders on MEAG Power, the Participants or the ITS cannot be determined at this time.

On October 17, 2013, FERC issued an Order approving TPL-001-4, which became effective on December 23, 2013. MEAG Power, in conjunction with Southern Company, performs an annual assessment required under TPL-001-4 requirements, which includes any necessary Corrective Action Plans required of MEAG Power.

On February 15, 2018, FERC issued Order No. 842, in which it revised its regulations to require newly interconnecting large and small generating facilities, both synchronous and non-synchronous, to install, maintain, and operate equipment capable of providing primary frequency response as a condition of interconnection. In this Order, FERC modified the pro forma Large Generator Interconnection Agreement (“LGIA”) and the pro forma Small Generator Interconnection Agreement (“SGIA”) to include these requirements. These revisions are designed to address the potential reliability impact of the evolving generation resource mix and to ensure that the relevant provisions of the LGIA and SGIA are just, reasonable, and not unduly discriminatory or preferential. MEAG Power is in the process of reviewing these new requirements; however, there are no expectations of a material impact to MEAG Power, the Participants or the ITS at this time.

On April 19, 2018, FERC issued Order No. 845, which amended the Large Generator Interconnection Procedures (“LGIP”) and LGIA. The amendments enacted by Order No. 845 are intended to improve certainty by: (i) giving interconnection customers the option to build a transmission provider’s interconnection facilities and standalone network upgrades, and (ii) establishing requirements for the transmission provider to establish interconnection dispute resolution procedures which allow for a disputing party to unilaterally seek a non-binding dispute resolution. Other goals of Order No. 845 are to promote more informed interconnection decisions by: (1) requiring transmission providers to outline and make public a method for determining contingent facilities, (2) requiring transmission providers to list the specific study processes and assumptions for forming the network models used for interconnection studies; (3) revising the definition of “Generator Facility” to explicitly include electric storage resources; and (4) establishing reporting requirements for aggregate interconnection study performance. In addition, Order No. 845 is intended to enhance interconnection process by: (i) allowing the interconnection customer to request a level of interconnection service which is lower than their generating facility capacity; (ii) requiring transmission providers to allow for provisional interconnection agreements which provide for limited operation of a generating facility prior to completion of the full interconnection process; (iii) requiring transmission providers to create a process for interconnection customers to use surplus interconnection service at existing points of interconnection; and (iv) requiring transmission providers to set forth a procedure to allow transmission providers to assess and, if necessary, study an interconnection customer’s technology changes without affecting the interconnection customer’s queued position. MEAG Power is in the process of reviewing these new requirements; however, there are no expectations of a material impact to MEAG Power, the Participants or the ITS at this time.

On September 22, 2016, FERC issued Order No. 830 approving Reliability Standard TPL-007-1 “Transmission System Planned Performance for Geomagnetic Disturbance Events”. Reliability Standard TPL-007-1 establishes requirements for certain registered entities, including MEAG Power, to assess the vulnerability of their transmission systems to geomagnetic disturbance events, which occur when the sun ejects charged particles that interact with and cause changes in the earth’s magnetic fields. Applicable entities that do not meet certain performance requirements, based on the results of their vulnerability assessments, must develop a plan to achieve the performance requirements. MEAG Power is currently



performing the vulnerability assessment for all of MEAG Power's assets and has not determined the impact on MEAG Power at this time for this new reliability standard.

In November 2010, SERC conducted an on-site audit of MEAG Power's compliance with certain NERC reliability standards (including cyber security standards then in effect) and found no evidence of non-compliance in the representative sample audited. During 2017, SERC performed a limited off-site audit of MEAG Power's compliance with three NERC reliability standards; these examinations found no evidence of noncompliance. Based in part on the 2010 and 2017 audits and spot check results, MEAG Power believes it generally is in compliance with NERC's current reliability standards, including those standards pertaining to cyber security.

### ***Other Federal Legislative Initiatives***

In recent sessions of Congress, various members have introduced legislation to address global climate change. In addition, various members have introduced legislation related to cyber security in Congress. Public input has been sought on the legislative proposals through hearings and other outreach efforts. MEAG Power has provided input to the legislative process through its participation in the Alliance for Fuel Options, Reliability and Diversity, the American Public Power Association, and the Large Public Power Council.

On February 9, 2018, President Trump signed into law the Bipartisan Budget Act of 2018, which, among other things, amended Section 45(j) of the Internal Revenue Code. Section 45(j) was added to the Internal Revenue Code by the 2005 Energy Policy Act to implement tax credits for production of electricity at advanced nuclear power facilities. The amendment permits non-tax paying entities that qualify for an allocation of Section 45(j) tax credits to monetize the credits through agreements with taxable entities as defined in the legislation. Further, the legislation has removed the deadline by which Vogtle Units 3&4 would have needed to be placed in service to be able to utilize the credits.

### ***Georgia Legislative Initiatives***

At present, there are no pending bills that would mandate restructuring of the electric industry in Georgia or amend the Territorial Act. In addition, the projections of MEAG Power's operations contained herein assume that there will not be any significant changes in the electric utility industry in Georgia and that the Territorial Act will remain unchanged and in effect.

Proposed legislation in recent years addressing distributed generation, CCRs, air quality, and eminent domain, among other issues, has not been successful. MEAG Power continues to work diligently with allied organizations and trade associations to monitor and have input on harmful legislative proposals.

[remainder of page intentionally left blank]

## SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA

The information in the table below provides a summary of selected financial and operating data for MEAG Power. See APPENDIX A hereto for MEAG Power's 2017 Financial Statements, including the Notes thereto and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" with respect thereto contained therein.

	For the year ended or as of December 31,		
	2015	2016	2017
	(Dollars in Thousands)		
Revenues .....	\$ 642,953	\$ 661,382	\$ 623,221
Expenses			
Operating Expenses <sup>(1)</sup> .....	\$ 594,125	\$ 628,218	\$ 583,133
Non-operating Expense, net .....	180,102	143,665	105,186
Change in net costs to be recovered from Participants or Competitive Trust obligations .....	(131,274)	(110,501)	(65,098)
Total Expenses .....	\$ 642,953	\$ 661,382	\$ 623,221
Total Assets and Deferred Outflows of Resources .....	\$ 9,441,898	\$ 9,115,995	\$ 8,995,122
Property, plant and equipment, net .....	\$ 4,913,961	\$ 5,255,928	\$ 5,070,174
Debt Outstanding (excluding defeased bonds) .....	\$ 7,543,321	\$ 7,146,111	\$ 6,781,075
Weighted average interest cost <sup>(2)</sup> .....	4.13%	4.09%	4.11%
Energy delivered to Participants – MWh			
By MEAG Power .....	9,883,650	10,076,270	9,809,777
By SEPA <sup>(3)</sup> .....	678,103	695,000	643,584
Total Delivered Energy <sup>(3)</sup> .....	10,561,753	10,771,270	10,453,361
Percentage Change .....	-0.1%	2.0%	-3.0%
Sales to Other Utilities – MWh .....	3,490,326	3,355,256	3,409,008
Cost to Participants – cents/kilowatt hour (kWh)			
Total Cost <sup>(3)(4)</sup> .....	6.68	6.63	6.76
Bulk Power Cost <sup>(4)</sup> .....	6.63	6.58	6.69
SEPA Cost <sup>(3)</sup> .....	7.29	7.34	7.80
Peak Demand – MW .....	1,941	1,923	1,884
Percentage Change .....	0.8%	-0.9%	-2.0%
Generating Capacity In Service – MW <sup>(5)(6)</sup>			
Utilized by MEAG Power .....	1,540	1,540	1,540
Generation Station Vogtle Sellbacks .....	26	26	26
Wansley CC Unit .....	503	503	503
Total Generating Capacity in Service .....	2,069	2,069	2,069

- (1) With respect to Generation Stations Hatch, Scherer, Vogtle (Unit Nos. 1 and 2 only) and Wansley, GPC has contracted to operate and maintain the jointly owned facilities as agent for the respective co-owners, including MEAG Power. MEAG Power's proportionate share of generating unit operating expenses with respect to years 2017 and 2016 is included in the corresponding operating expense items in the applicable Consolidated Statement of Net Revenues set forth in APPENDIX A hereto.
- (2) Excludes the impact of certain net non-operating expense components such as receipts and payments pertaining to interest rate swap agreements, amortization of debt discount and expense, investment income, the net change in the fair value of financial instruments, and interest capitalized. The rate is net of subsidies on the Build America Bonds. See "MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – Financing of Vogtle Units 3&4 Projects*" herein for a brief discussion of the Vogtle Units 3&4 Bonds that MEAG Power has designated as Build America Bonds under the Recovery Act and for which, provided MEAG Power complies with the requirements of the Recovery Act, MEAG Power is entitled to receive subsidy payments. Such section also describes a reduction in the amount of such subsidy payments being paid to MEAG Power as a result of the Sequester Reduction.
- (3) MEAG Power's Participants purchase hydro energy directly from SEPA. Such energy is included in these calculations.
- (4) Funds from the Municipal Competitive Trust were applied to lower the Participants' annual generation billings. See "COMPETITION – Certain Responses of MEAG Power to Competition – *Municipal Competitive Trust*" herein.
- (5) MW generating capacity is at nominal ratings.
- (6) Excludes SEPA capacity which is purchased by the Participants and capacity purchased by MEAG Power from others.

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

The audited consolidated financial statements of MEAG Power as of December 31, 2017 and 2016 and for the fiscal years then ended are contained in APPENDIX A hereto. Also included in such APPENDIX A is MEAG Power's "Management's Discussion and Analysis of Financial Condition and Results of Operations" with respect to such financial statements. Such financial statements should be read in their entirety, including the Notes thereto and such "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein.

### Rating Triggers and Other Factors That Could Affect MEAG Power's Liquidity, Results of Operations or Financial Condition

MEAG Power has entered into certain agreements that contain provisions giving the other parties thereto certain rights and remedies based upon downgrades in MEAG Power's credit ratings below specified levels and/or the occurrence of certain other events or circumstances. In addition, MEAG Power has entered into certain other agreements and arrangements that contain provisions giving other parties certain rights and remedies based upon downgrades in the credit ratings of certain financial institutions that provide credit enhancement in connection with such agreements and arrangements below specified levels and/or the occurrence of certain other events or circumstances.

The table below sets forth the current ratings for MEAG Power's Project One Senior Bonds, Project One Subordinated Bonds, General Resolution Projects Senior Bonds, General Resolution Projects Subordinated Bonds, CC Bonds, Project M Bonds, Project J Bonds and Project P Bonds as assigned by Fitch, Moody's and S&P. Given its current ratings levels, MEAG Power's management does not believe that the rating and other credit-related triggers relating to MEAG Power contained in any of its existing agreements will have a material adverse effect on its liquidity, results of operations or financial condition. However, MEAG Power's ratings reflect the views of the rating agencies and not of MEAG Power and, therefore, MEAG Power cannot give any assurance that its ratings will be maintained at current levels for any period of time. In addition, MEAG Power cannot give any assurance that the ratings of the financial institutions that provide credit enhancement in connection with such agreements and arrangements will be maintained at current levels for any period of time, or that the rating and other credit-related triggers relating to such financial institutions contained in any of such agreements and arrangements will not have a material adverse effect on MEAG Power's liquidity, results of operations or financial condition.

	<u>Fitch</u>	<u>Moody's</u>	<u>S&amp;P</u>
Project One Senior Bonds .....	A	A1	A+
Project One Subordinated Bonds.....	A	A2	A
General Resolution Projects Senior Bonds.....	A	A1	A+
General Resolution Projects Subordinated Bonds.....	A	A2	A
CC Bonds.....	A	A1	A
Project M Bonds .....	A	A2	A+
Project J Bonds .....	A	A2	A+
Project P Bonds.....	A-	Baa2	A-

On January 5, 2018, Moody's changed its outlook for Project M and Project P from negative to stable. Moody's currently maintains a stable outlook on all of MEAG Power's projects except for the negative outlook on Project J. On April 17, 2018, Fitch removed the Rating Watch Negative from all of MEAG Power's bonds. Fitch also affirmed the "A" rating and changed the outlook to stable on all MEAG Power projects except for Project P, which Fitch affirmed at "A-" and assigned a negative outlook. On May 1, 2018, S&P affirmed its ratings and negative outlook on all MEAG Power bonds.

The following paragraphs describe the provisions of those agreements and arrangements that could affect MEAG Power's liquidity, results of operations or financial condition:

***Interest Rate Swap Agreements.*** As of both December 31, 2017 and April 30, 2018, MEAG Power had entered into interest rate swap transactions outstanding under interest rate swap master agreements with four different counterparties. Currently, MEAG Power has interest rate swap transactions outstanding with respect only to Project One and the Existing General Resolution Projects. For additional information concerning those interest rate swap transactions, see Notes 2(K), 2(L) and 5 to MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A. MEAG Power may, however, enter into interest rate swaps with respect to the Vogtle Units 3&4 Projects in the future.

Under the master agreements, the exposure limit is (a) \$0 if MEAG Power's ratings are lower than "A3" or "A-" by Moody's or S&P, (b) \$25,000,000 if the lower of MEAG Power's ratings by Moody's and S&P is between "A3" and "A1" by Moody's or between "A-" and "A+" by S&P, (c) \$50,000,000 if the lower of MEAG Power's ratings by Moody's and S&P is between "Aa3" and "Aa1" by Moody's or between "AA-" and "AA+" by S&P and (d) \$75,000,000 if MEAG Power's ratings are "Aaa" by Moody's and "AAA" by S&P. Under one transaction confirmation, such exposure limit termination event is not applicable, and in lieu thereof, a termination event if MEAG Power's ratings are lower than "A3" or "A-" by Moody's or S&P applies.

All of the master agreements provide that, upon receipt by MEAG Power from the counterparty of notice to the effect that MEAG Power's credit exposure value exceeds the applicable exposure limit, the counterparty is permitted to terminate all of the transactions outstanding thereunder unless, within five business days, MEAG Power (i) causes its credit ratings to be upgraded, (ii) causes its obligations under any or all of the transactions thereunder to be guaranteed, insured or similarly supported by a credit enhancer acceptable to the counterparty whose credit exposure value is less than the exposure limit applicable to such credit enhancer or (iii) reduces MEAG Power's aggregate credit exposure value thereunder by causing one or more of the transactions thereunder to be terminated (and, in that event, MEAG Power pays to the counterparty any termination payment(s) resulting therefrom).

As of December 31, 2017, the aggregate fair market value of the various interest rate swap transactions relating to Project One and the Existing General Resolution Projects outstanding under the master agreement(s) with each particular counterparty ranged from approximately \$(898,000) to approximately \$(24,343,000), and the aggregate fair market value of the interest rate swap transactions outstanding under the master agreements with all counterparties was approximately \$(60,490,000). As of April 30, 2018, the aggregate fair market value of the various interest rate swap transactions relating to Project One and the Existing General Resolution Projects outstanding under the master agreement(s) with each particular counterparty ranged from approximately \$(602,000) to approximately \$(18,905,000), and the aggregate fair market value of the interest rate swap transactions outstanding under the master agreements with all counterparties was approximately \$(46,676,000). (Note: When noting the fair market value of an interest rate swap transaction or group of swap transactions, the number represents the amount that MEAG Power would pay (if negative) or receive (if positive) if the transaction(s) were terminated as of the specified date.)

MEAG Power has executed credit support annexes with the counterparties under the master agreements requiring the counterparties to post collateral under certain circumstances. Subject to certain adjustments, the amount of a counterparty's posted collateral at any time must be equal to the amount, if any, it would be required to pay if its transactions with MEAG Power were terminated at such time, reduced by the following thresholds: (a) \$0 if the counterparty's ratings are lower than "A3" or "A-" by Moody's or S&P, (b) \$25,000,000 if the lower of the counterparty's ratings by Moody's and S&P is between "A3" and "A1" by Moody's or between "A-" and "A+" by S&P, (c) \$50,000,000 if the lower of the counterparty's ratings by Moody's and S&P is between "Aa3" and "Aa1" by Moody's or between "AA-" and "AA+" by S&P and (d) \$75,000,000 if the counterparty's ratings are "Aaa" by Moody's and "AAA" by S&P, and the minimum transfer amount is \$100,000; *provided, however*, that the threshold for Wells Fargo Bank, National Association ("Wells Fargo") is \$2,000,000 if its ratings are lower than "A3" or "A-" by Moody's or S&P.

***Credit and Liquidity Support for MEAG Power's Commercial Paper Notes.*** Credit and liquidity support for MEAG Power's Project One commercial paper notes and its General Resolution Projects commercial paper notes, issued and outstanding in the amount of \$105.5 million, currently are being provided pursuant to two separate letters of credit issued by the indicated banks as follows: (a) a letter of credit (the "TD Project One Letter of Credit") issued by TD Bank, N.A. with respect to the Project One Series B commercial paper notes in the current stated amount of \$103,945,206; and (b) a letter of credit (the "PNC General Resolution Projects Letter of Credit" and, together with the TD Project One Letter of Credit, the "CP Letters of Credit") issued by PNC Bank, National Association with respect to the General Resolution Projects Series B commercial paper notes in the current stated amount of \$51,972,603. 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 respective bank's (each, a "CP LOC Bank") interest rates. The maximum amount of commercial paper notes authorized to be issued is \$410.0 million, but in no event can the aggregate principal amount of all commercial paper 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 bond anticipation notes ("BANs") is required and was maintained as of both December 31, 2017 and April 30, 2018.

If, on any date on which a commercial paper note matures, MEAG Power is not able to issue additional commercial paper note(s) to pay such maturing commercial paper note, subject to the satisfaction of certain conditions, the applicable CP LOC Bank is obligated to honor a drawing under the applicable CP Letter of Credit in an amount sufficient to pay such maturing commercial paper note. Any such drawing is required to be repaid by MEAG Power on the first business day of the first month that is not less than six months after the date of such drawing, and on the first business day of each sixth month thereafter, in amounts sufficient, with interest thereon at the rates specified in the related reimbursement agreement, to amortize the amount of the principal portion of such drawing in approximately equal semi-annual payments over the period ending on the third anniversary of the date of such drawing, with the remaining outstanding amount of the principal portion of such drawing together with interest thereon as provided in the reimbursement agreement being due and payable on such third anniversary of the date of such drawing.

As of both December 31, 2017 and April 30, 2018, there were no unreimbursed drawings outstanding under either CP Letter of Credit.

Each reimbursement agreement provides that, upon the occurrence and continuation of any event of default on the part of MEAG Power thereunder, the applicable CP LOC Bank may, among other things, (a) deliver a "no-issuance notice" to the paying agent for the applicable commercial paper notes, instructing such paying agent not to issue any additional commercial paper notes supported by such CP Letter of Credit thereafter or (b) deliver to such paying agent a notice to the effect that the applicable CP Letter of Credit will terminate ten days after such paying agent's receipt of such notice. In either such event, the principal of and interest on all outstanding commercial paper notes supported by such CP Letter of Credit will be paid with the proceeds of a drawing on such CP Letter of Credit, and all amounts drawn on such CP Letter of Credit in respect of the principal of commercial paper notes are required to be repaid by MEAG Power on the first business day of the first month that is not less than six months after the date of such drawing, and on the first business day of each sixth month thereafter, in amounts sufficient, with interest thereon at the rates specified in the related reimbursement agreement, to amortize the amount of the principal portion of such drawing in approximately equal semi-annual payments over the period ending on the third anniversary of the date of such drawing, with the remaining outstanding amount of the principal portion of such drawing being due and payable on such third anniversary of the date of such drawing. Among others, it is an event of default on the part of MEAG Power under each reimbursement agreement if the rating assigned to any of MEAG Power's long-term debt obligations (excluding debt obligations incurred in connection with any of the Vogtle Units 3&4 Projects, other than debt obligations incurred in connection with Project M) by Moody's and S&P is withdrawn, suspended, reduced below "Baa2" or "BBB," respectively, or revoked.

Any drawing made under a CP Letter of Credit bears interest at the rate per annum set forth in the reimbursement agreement pursuant to which such CP Letter of Credit was issued, which rate may be significantly higher than the market rates of interest borne by MEAG Power's commercial paper notes.

See "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Financing Program – *Outstanding Indebtedness of MEAG Power – Project One and Existing General Resolution Projects*" herein for a discussion of the principal amounts of the Project One and General Resolution Projects commercial paper notes outstanding as of December 31, 2017 and as of April 30, 2018.

***Credit and Liquidity Support for MEAG Power's Variable Rate Subordinated Bonds.***

(a) *MEAG Power's General Resolution Projects Subordinated Bonds, Series 1985A, 1985B and 1985C*

MEAG Power has caused Barclays Bank PLC to issue two separate letters of credit (collectively, the "Barclays Letters of Credit") to provide credit and liquidity support for MEAG Power's General Resolution Projects Subordinated Bonds, Series 1985A and Series 1985B (collectively, the "1985A&B Subordinated Bonds"), respectively. As of both December 31, 2017 and April 30, 2018, there were \$48,370,000 in aggregate principal amount of the 1985A&B Subordinated Bonds outstanding.

In addition, MEAG Power has caused TD Bank, N.A. to issue its letter of credit to provide credit and liquidity support for MEAG Power's General Resolution Projects Subordinated Bonds, Series 1985C (the "1985C Subordinated Bonds" and, together with the 1985A&B Subordinated Bonds, the "1985 Subordinated Bonds"). As of both December 31, 2017 and April 30, 2018, there were \$24,805,000 in aggregate principal amount of the 1985C Subordinated Bonds outstanding.

If a 1985 Subordinated Bond that is subject to tender for purchase by the owner thereof is not remarketed, subject to the satisfaction of certain conditions, the applicable bank is obligated to honor a drawing under its letter of credit in an amount sufficient to pay the purchase price of such 1985 Subordinated Bond. Any such 1985 Subordinated Bond purchased with the proceeds of such a drawing is required to be redeemed by MEAG Power in equal semiannual installments over an approximately two- to five-year period, commencing on the date that is six months following the date of such purchase. As of both December 31, 2017 and April 30, 2018, no 1985 Subordinated Bonds had been tendered for purchase by the owners thereof and not remarketed.

The reimbursement agreement pursuant to which each such letter of credit was issued provides that, upon the occurrence and continuation of any event of default on the part of MEAG Power thereunder, the applicable bank may, among other things, deliver written notice causing the 1985 Subordinated Bonds of the applicable series to become subject to mandatory tender for purchase, and such bank is required to purchase all of the 1985 Subordinated Bonds of such series upon such mandatory tender. In that event, such 1985 Subordinated Bonds are required to be redeemed by MEAG Power in equal semiannual installments over an approximately two- to five-year period, commencing on the date that is six months following the date of such purchase. Among others, it is an event of default on the part of MEAG Power under the reimbursement agreements relating to the 1985A&B Subordinated Bonds, respectively, if (i) the unenhanced rating of such Bonds or any other obligations of MEAG Power secured on a parity basis with such Bonds ("Parity Debt") is withdrawn, suspended or reduced below "Baa1" by Moody's or "BBB+" by S&P, or (ii) either of Moody's or S&P have not issued, or no longer provide, an unenhanced rating on such Bonds or any Parity Debt. Among others, it is an event of default on the part of MEAG Power under the reimbursement agreement relating to the 1985C Subordinated Bonds if the rating assigned to any of MEAG Power's long-term debt obligations (excluding debt obligations incurred in connection with any of the Vogtle Units 3&4 Projects) by Moody's and S&P is withdrawn, suspended, reduced below "Baa3" or "BBB-," respectively, or revoked.

Any 1985 Subordinated Bonds purchased with the proceeds of a drawing under a letter of credit bear interest at the rate per annum set forth in the reimbursement agreement pursuant to which such letter of credit was issued, which rate may be significantly higher than the market rates of interest borne by 1985 Subordinated Bonds held by investors.

In addition, the supplemental resolution authorizing the 1985 Subordinated Bonds provides that in the event that any 1985 Subordinated Bonds are tendered or deemed tendered for purchase and the proceeds of remarketing or drawing under the applicable letter of credit are not sufficient to pay the full amount of the purchase price therefor, such 1985 Subordinated Bonds are required to be redeemed by MEAG Power in lieu of such purchase.

*(b) MEAG Power's Project One Subordinated Bonds, Series 2008B*

MEAG Power has caused The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New York Branch ("BTMU") to issue a letter of credit (the "BTMU Letter of Credit") to provide credit and liquidity support for MEAG Power's Project One Subordinated Bonds, Series 2008B (the "Project One Series 2008B Subordinated Bonds"). As of both December 31, 2017 and April 30, 2018, there were \$148,065,000 in aggregate principal amount of the Project One Series 2008B Subordinated Bonds outstanding.

If a Project One Series 2008B Subordinated Bond that is subject to tender for purchase by the owner thereof is not remarketed, subject to the satisfaction of certain conditions, BTMU is obligated to honor a drawing under the BTMU Letter of Credit in an amount sufficient to pay the purchase price of such Project One Series 2008B Subordinated Bond. Any such Project One Series 2008B Subordinated Bond purchased with the proceeds of such a drawing is required to be redeemed by MEAG Power in equal semiannual installments over a period of approximately five years. As of both December 31, 2017 and April 30, 2018, no Project One Series 2008B Subordinated Bonds had been tendered for purchase by the owners thereof and not remarketed.

The reimbursement agreement pursuant to which the BTMU Letter of Credit was issued provides that, upon the occurrence and continuation of any event of default on the part of MEAG Power thereunder, BTMU may, among other things, deliver written notice causing the Project One Series 2008B Subordinated Bonds to become subject to mandatory tender for purchase, and BTMU is required to purchase all of the Project One Series 2008B Subordinated Bonds upon such mandatory tender. In that event, the Project One Series 2008B Subordinated Bonds are required to be redeemed by MEAG Power in equal semiannual installments over a period of approximately five years. Among others, it is an event of default on the part of MEAG Power under such reimbursement agreement if the ratings on the Project One Subordinated Bonds (without giving effect to any third-party credit enhancement) by Moody's, S&P or Fitch shall be withdrawn, suspended, reduced below "Baa2," "BBB" and "BBB," respectively, or revoked.

Any Project One Series 2008B Subordinated Bonds purchased with the proceeds of a drawing under the BTMU Letter of Credit bear interest at the rate per annum set forth in the reimbursement agreement pursuant to which such letter of credit was issued, which rate may be significantly higher than the market rates of interest borne by Project One Series 2008B Subordinated Bonds held by investors.

***Revolving Credit Agreements.*** MEAG Power has entered into three revolving credit agreements with certain commercial banks, one for Project One, one for the Existing General Resolution Projects and one for the CC Project (respectively, the "Project One Revolving Credit Agreement," the "General Resolution Projects Revolving Credit Agreement" and the "CC Project Revolving Credit Agreement" and, collectively, the "Revolving Credit Agreements"). All loans under the Revolving Credit Agreements are evidenced by notes that constitute bond anticipation notes in accordance with the Act. Under each Revolving Credit Agreement, prior to the "termination date" thereof (which currently is March 6, 2020, but is subject to extension from time to time at the sole discretion of the banks), MEAG Power is required to issue and sell Project One Senior Bonds, General Resolution Projects Senior Bonds or CC Bonds, as

applicable, in an amount sufficient to repay the notes in full at their maturity, unless other funds have been provided therefor. Each Revolving Credit Agreement provides that, upon the occurrence and continuation of any event of default on the part of MEAG Power thereunder, the banks may, among other things, require MEAG Power to issue a series of Project One Senior Bonds, General Resolution Projects Senior Bonds or CC Bonds, as applicable, in exchange for the notes, which bonds shall mature in three, five, or ten years, at the option of the banks. In addition, upon the occurrence and continuance of a default by MEAG Power in the payment of principal of or interest on any of its bonds or certain other items of debt described in the Revolving Credit Agreements, such notes shall become due and payable forthwith. It is an event of default on the part of MEAG Power under each Revolving Credit Agreement if the rating assigned to any of MEAG Power's long-term debt obligations by Moody's and S&P is withdrawn, suspended, reduced below "Baa3" or "BBB-," respectively, or revoked.

In addition, on December 28, 2016, in order to replace the borrowing capacity previously provided by commercial paper notes that were able to be supported by the letters of credit that were terminated on such date, MEAG Power and two commercial banks entered into revolving credit agreements for Project One and the General Resolution Projects that permit MEAG Power to borrow from such banks, until the end of the "revolving credit period" thereunder (initially, until December 28, 2019 unless earlier terminated, and subject to extension at the sole discretion of the applicable bank), in the aggregate, not to exceed \$225.0 million. Any amounts borrowed under such revolving credit agreements 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, 2017 and April 30, 2018.

***Gas Transportation Agreement.*** MEAG Power has an agreement in effect for the transportation of natural gas for the CC Project that contains provisions entitling the other party thereto to exercise certain rights based upon MEAG Power's creditworthiness. Pursuant to the agreement, the other party has the right to terminate the agreement and seek any other legal remedies available to it if (i) MEAG Power, in the other party's reasonable judgment, fails to demonstrate creditworthiness and (ii) MEAG Power fails to provide adequate security as determined by the other party. In the event that the agreement is terminated, MEAG Power would have to acquire gas transportation capacity at market rates, which rates could be in excess of the rates provided for in the agreement.

***Natural Gas Hedging Contracts.*** 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 Policy (see "MEAG POWER – Fuel Risk Management Policy" herein) and primarily include hedging transactions used to manage MEAG Power's natural gas cost. As of both December 31, 2017 and April 30, 2018, MEAG Power had entered into natural gas hedging transactions outstanding under International Swaps and Derivatives Association, Inc. master agreements with two different counterparties. For additional information concerning those natural gas hedging transactions, see Notes 2(I), 2(J), 2(K) and 2(L) to MEAG Power's 2017 Financial Statements attached hereto as APPENDIX A.

Under the master agreements, the exposure limit is (a) \$0 if MEAG Power's ratings are lower than "A3" or "A-" by Moody's or S&P, (b) \$25,000,000 if the lower of MEAG Power's ratings by Moody's and S&P is between "A3" and "A1" by Moody's or between "A-" and "A+" by S&P, (c) \$50,000,000 if the lower of MEAG Power's ratings by Moody's and S&P is between "Aa3" and "Aa1" by Moody's or between "AA-" and "AA+" by S&P and (d) \$75,000,000 if MEAG Power's ratings are "Aaa" by Moody's and "AAA" by S&P.

Each master agreement provides that, upon receipt by MEAG Power from the counterparty of notice to the effect that MEAG Power's credit exposure value exceeds the applicable exposure limit, the



counterparty is permitted to terminate all of the transactions outstanding thereunder unless, within five business days, MEAG Power (i) causes its credit ratings to be upgraded, (ii) causes its obligations under any or all of the transactions thereunder to be guaranteed, insured or similarly supported by a credit enhancer acceptable to the counterparty whose credit exposure value is less than the exposure limit applicable to such credit enhancer or (iii) reduces MEAG Power's aggregate credit exposure value thereunder by causing one or more of the transactions thereunder to be terminated (and, in that event, MEAG Power pays to the counterparty any termination payment(s) resulting therefrom).

As of December 31, 2017, the aggregate fair market value of the various natural gas hedging transactions outstanding under the master agreement with each particular counterparty was approximately \$(261,000) and approximately \$(749,000), respectively, and the aggregate fair market value of the natural gas hedging transactions outstanding under the master agreements with both counterparties was approximately \$(1,010,000). As of April 30, 2018, the aggregate fair market value of the various natural gas hedging transactions outstanding under the master agreement with each particular counterparty was approximately \$(1,089,000) and approximately \$(751,000), respectively, and the aggregate fair market value of the natural gas hedging transactions outstanding under the master agreements with both counterparties was approximately \$(1,840,000). (Note: When noting the fair market value of a natural gas hedging transaction or group of natural gas hedging transactions, the number represents the amount that MEAG Power would pay (if negative) or receive (if positive) if the transaction(s) were terminated as of the specified date.)

MEAG Power has executed credit support annexes with the counterparties under the master agreements requiring the counterparties to post collateral under certain circumstances. Subject to certain adjustments, the amount of a counterparty's posted collateral at any time must be equal to the amount, if any, it would be required to pay if its transactions with MEAG Power were terminated at such time, reduced by the following thresholds: (a) \$0 if the counterparty's ratings are lower than "A3" or "A-" by Moody's or S&P, (b) \$25,000,000 if the lower of the counterparty's ratings by Moody's and S&P is between "A3" and "A1" by Moody's or between "A-" and "A+" by S&P, (c) \$50,000,000 if the lower of the counterparty's ratings by Moody's and S&P is between "Aa3" and "Aa1" by Moody's or between "AA-" and "AA+" by S&P and (d) \$75,000,000 if the counterparty's ratings are "Aaa" by Moody's and "AAA" by S&P, and the minimum transfer amount is \$100,000.

## **CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS**

### **Capital Improvements Program**

MEAG Power is obligated to pay its share of the costs of acquisition and construction of Capital Improvements for its projects. At December 31, 2017, the estimated direct costs for Capital Improvements for Project One and the Existing General Resolution Projects that were reflected in MEAG Power's capital budget total \$576.0 million over the period 2018 through 2022, including a portion of the estimated costs of certain improvements relating to environmental compliance with respect to the coal units described below. Of such total amount, \$375.8 million is related to MEAG Power's ownership interests in the generating facilities included in such Projects (assuming that no additional nuclear fuel will need to be acquired) and \$200.2 million is for transmission facilities. For information concerning the amount of future financing that will be required in order to pay the remainder of such direct costs, see "Financing Program – *Future Financing by MEAG Power*" below. The direct cost estimates have been prepared by MEAG Power based on current budgets of GPC. For a number of reasons, including unforeseen inflationary pressures and compliance with governmental regulations, actual costs may vary substantially from such direct cost estimates.

As described herein under the caption "MEAG POWER – Bulk Power Supply Operations – *Facilities in Project One and the General Resolution Projects*," to achieve compliance with certain federal

and state emissions limitations and requirements, in recent years, MEAG Power and the other owners of Generation Station Wansley Unit Nos. 1 and 2 and Generation Station Scherer Unit Nos. 1 and 2 have made significant investments in environmental enhancements at such units. For these coal units, MEAG Power has invested \$579.1 million from 2000 through 2017 in environmental enhancements, including a switch to lower sulfur coal at Generation Station Scherer Unit Nos. 1 and 2 and installing control technologies to reduce emissions of mercury, SO<sub>2</sub>, NO<sub>x</sub>, non-mercury metals, and acid gases at Generation Station Scherer Unit Nos. 1 and 2 and at Generation Station Wansley Unit Nos. 1 and 2.

MEAG Power anticipates that the total capital investment for environmental equipment additions at its coal units for the years 2018 through 2022 will be \$121.5 million, of which \$56.3 million is attributable to MEAG Power's interests in the coal units included in Project One and \$65.2 million is attributable to MEAG Power's interests in the coal units included in the Existing General Resolution Projects.

MEAG Power's current capital budget does not provide for any capital improvements to the Telecommunications Project over the period 2018 through 2022. MEAG Power anticipates that any capital improvements to the Telecommunications Project that it determines to be necessary or desirable during such period will be paid for from revenues of the Telecommunications Project.

MEAG Power's current capital budget provides for \$7.6 million of capital improvements to the CC Project over the period 2018 through 2022. MEAG Power anticipates that the costs of those capital improvements during such period will be paid from revenues of the CC Project.

MEAG Power's projected costs of Capital Improvements, which are assumed to be funded from a combination of Senior Bonds, Subordinated Bonds and Revenues, are summarized in the following table for Project One and the Existing General Resolution Projects for the period 2018 through 2022.

Projected Capital Improvements <sup>(1)</sup>						
\$(000)						
Year	Project One			General Resolution Projects		
	Bond Funded <sup>(2)</sup>	Revenue Funded <sup>(3)</sup>	Total	Bond Funded <sup>(2)</sup>	Revenue Funded <sup>(3)</sup>	Total
2018	\$ 62,379	\$ 47,317	\$ 109,696	\$ 20,510	\$ 22,661	\$ 43,171
2019	71,134	40,752	111,886	6,233	20,644	26,877
2020	41,369	45,780	87,149	3,527	20,830	24,357
2021	24,060	40,894	64,954	4,137	18,480	22,617
2022	25,172	39,826	64,998	4,010	16,272	20,282
Total	<u>\$ 224,114</u>	<u>\$ 214,569</u>	<u>\$ 438,683</u>	<u>\$ 38,417</u>	<u>\$ 98,887</u>	<u>\$ 137,304</u>

(1) There are no assumed issuances for nuclear fuel.

(2) Amounts shown reflect capital expenditures to be paid from the respective Construction Fund and funded from bond issues.

(3) Amounts shown reflect capital expenditures to be paid from the respective Renewal and Replacement Account in the respective Reserve and Contingency Fund and funded from Revenues.

MEAG Power continually reviews its construction budget and, when necessary, makes revisions thereto to reflect changes in assumptions with respect to construction cost estimates, construction expenditure schedules, interest rates, and other factors. MEAG Power has projected that additional financing in the total amount of approximately \$224.1 million will be required to fund the estimated costs of Project One Capital Improvements, including additional transmission facilities and environmental compliance costs from 2018 through 2022, which may be funded from either Senior Bonds or Subordinated Bonds. For the General Resolution Projects, MEAG Power has projected that additional financing in the total amount of approximately \$38.4 million will be required to provide for Capital Improvements, including environmental compliance costs from 2018 through 2022, which may be funded from either Senior Bonds or Subordinated Bonds.

## Financing Program

### *Outstanding Indebtedness of MEAG Power*

**Project One and Existing General Resolution Projects.** As of December 31, 2017, MEAG Power had issued Project One Senior Bonds in the aggregate principal amount (net of refunded amounts) of \$1,847,365,998 and Project One Subordinated Bonds other than commercial paper notes in the aggregate principal amount (net of refunded amounts) of \$2,238,906,105; including commercial paper notes issued (net of refunded amounts), the amount of such Project One Subordinated Bonds issued was \$2,382,113,438. Of such principal amounts, \$290,525,000 and \$1,458,601,105 of Project One Senior Bonds and Project One Subordinated Bonds (excluding accretion of capital appreciation bonds (“CABs”) in the amount of \$2.0 million), other than commercial paper notes, were outstanding as of December 31, 2017, and \$60,231,000 in aggregate principal amount of Project One commercial paper notes were outstanding as of such date. The Project One Subordinated Bonds included \$148,065,000 principal amount of variable rate bonds that are subject to optional or mandatory tender for purchase from time to time and are supported by letters of credit provided by one or more banks.

On January 2, 2018, MEAG Power paid at maturity and redeemed through scheduled sinking fund installments Project One Senior Bonds and Project One Subordinated Bonds in aggregate principal amounts of \$26,680,000 and \$78,045,000, respectively. As a result, as of April 30, 2018, \$263,845,000 in aggregate principal amount of Project One Senior Bonds and \$1,380,556,105 in aggregate principal amount of Project One Subordinated Bonds (excluding accretion of CABs in the amount of \$2.2 million), other than commercial paper notes, were outstanding.

As of December 31, 2017, MEAG Power had issued General Resolution Projects Senior Bonds in the aggregate principal amount (net of refunded amounts) of \$772,625,588 and General Resolution Projects Subordinated Bonds other than commercial paper notes in the aggregate principal amount (net of refunded amounts) of \$735,049,910; including commercial paper notes issued (net of refunded amounts), the amount of such General Resolution Projects Subordinated Bonds issued was \$851,428,910. Of such principal amounts, \$119,000,000 and \$418,815,000 of General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds, other than commercial paper notes, were outstanding as of December 31, 2017, and \$45,277,000 in aggregate principal amount of General Resolution Projects commercial paper notes were outstanding as of such date. The General Resolution Projects Subordinated Bonds included \$73,175,000 principal amount of variable rate bonds that are subject to optional or mandatory tender for purchase from time to time and are supported by letters of credit provided by one or more banks.

On January 2, 2018, MEAG Power paid at maturity and redeemed through scheduled sinking fund installments General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds in aggregate principal amounts of \$38,495,000 and \$13,515,000, respectively. As a result, as of the date of this Annual Information Statement, \$80,505,000 in aggregate principal amount of General Resolution Projects Senior Bonds and \$405,300,000 in aggregate principal amount of General Resolution Projects Subordinated Bonds, other than commercial paper notes, are outstanding.

In December 1997, MEAG Power established a commercial paper program for Project One and the Existing General Resolution Projects in an aggregate authorized amount of \$300,000,000. In December 2002, the program was increased to \$360,000,000; in September 2004 it was further increased to \$410,000,000. The purpose of the program is to finance the purchase or redemption of outstanding Senior Bonds and to finance certain capital improvements and ongoing required investments in transmission system facilities.

Commercial paper notes currently outstanding are supported by irrevocable letters of credit issued by commercial banks. The commercial paper notes and the notes issued by MEAG Power to evidence its

reimbursement obligations to the letter of credit banks constitute “Project One Subordinated Bonds” or “General Resolution Projects Subordinated Bonds” for purposes of the applicable bond resolution. As such, they are subordinated to MEAG Power’s Project One Senior Bonds and General Resolution Projects Senior Bonds, respectively, and are secured on a parity with its variable rate and fixed rate Project One Subordinated Bonds and General Resolution Projects Subordinated Bonds.

For a discussion of the credit and liquidity support arrangements currently in effect for the Project One and General Resolution Projects commercial paper notes, see “SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA – Rating Triggers and Other Factors That Could Affect MEAG Power’s Liquidity, Results of Operations or Financial Condition – *Credit and Liquidity Support for MEAG Power’s Commercial Paper Notes*” herein.

As of both December 31, 2017 and as of the date of this Annual Information Statement, MEAG Power had an aggregate principal amount of \$60,231,000 of Project One commercial paper notes outstanding and an aggregate principal amount of \$45,277,000 of General Resolution Projects commercial paper notes outstanding.

On August 28, 2012, MEAG Power issued its Project One Bond Anticipation Note, Taxable Series 2012A (the “Project One 2012A BAN”) in a maximum aggregate principal amount outstanding at any time not to exceed \$100,000,000 pursuant to the provisions of the Act and under and pursuant to a resolution of MEAG Power adopted on August 16, 2012 entitled “Resolution Authorizing the Issuance of Project One Bond Anticipation Notes, Taxable Series 2012A” (as amended, the “Project One 2012 BAN Resolution”). The Project One 2012A BAN was issued to evidence MEAG Power’s obligation to repay advances made by the trustee of the Municipal Competitive Trust to MEAG Power, as an investment of funds on deposit in the Municipal Competitive Trust, and the interest thereon. Such advances will be used by MEAG Power to finance and refinance a portion of the costs of acquisition and construction of Project One. The Project One 2012A BAN does not constitute a Project One Senior Bond or a Project One Subordinated Bond, and is not secured by a pledge of the revenues of Project One. The Project One 2012A BAN had an initial stated maturity date of December 6, 2014. The trustee of the Municipal Competitive Trust, however, has been granted the option to extend the maturity of the Project One 2012A BAN in the manner set forth in the Project One 2012 BAN Resolution. As a result of the extension of the term of the Project One Revolving Credit Agreement (see “*Revolving Credit Agreements*” below), the stated maturity date of the Project One 2012A BAN likewise has been extended to March 6, 2020. The trustee of the Municipal Competitive Trust has the right to exchange the Project One 2012A BAN for Project One Senior Bonds under the same circumstances, and to the same extent, as the banks are entitled under the Project One Revolving Credit Agreement. See “SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA – Rating Triggers and Other Factors That Could Affect MEAG Power’s Liquidity, Results of Operations or Financial Condition – *Revolving Credit Agreements*” herein. As of both December 31, 2017 and April 30, 2018, the aggregate principal amount of the Project One 2012A BAN outstanding was \$28,075,000.

On August 28, 2012, MEAG Power issued its General Resolution Projects Bond Anticipation Note, Taxable Series 2012A (the “General Resolution Projects 2012A BAN”) in a maximum aggregate principal amount outstanding at any time not to exceed \$100,000,000 pursuant to the provisions of the Act and under and pursuant to a resolution of MEAG Power adopted on August 16, 2012 entitled “Resolution Authorizing the Issuance of General Resolution Projects Bond Anticipation Notes, Taxable Series 2012A” (as amended, the “General Resolution Projects 2012 BAN Resolution”). The General Resolution Projects 2012A BAN was issued to evidence MEAG Power’s obligation to repay advances made by the trustee of the Municipal Competitive Trust to MEAG Power, as an investment of funds on deposit in the Municipal Competitive Trust, and the interest thereon. Such advances will be used by MEAG Power to finance and refinance a portion of the costs of acquisition and construction of the Existing General Resolution Projects. The General Resolution Projects 2012A BAN does not constitute a General Resolution Projects Senior Bond or a General Resolution Projects Subordinated Bond, and is not secured by a pledge of the revenues of the General Resolution Projects. The General Resolution Projects 2012A BAN had an initial stated maturity

date of December 6, 2014. The trustee of the Municipal Competitive Trust, however, has been granted the option to extend the maturity of the General Resolution Projects 2012A BAN in the manner set forth in the General Resolution Projects 2012 BAN Resolution. As a result of the extension of the term of the General Resolution Projects Revolving Credit Agreement (see “*Revolving Credit Agreements*” below), the stated maturity date of the General Resolution Projects 2012A BAN likewise has been extended to March 6, 2020. The trustee of the Municipal Competitive Trust has the right to exchange the General Resolution Projects 2012A BAN for General Resolution Projects Senior Bonds under the same circumstances, and to the same extent, as the banks are entitled under the General Resolution Projects Revolving Credit Agreement. See “SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA – Rating Triggers and Other Factors That Could Affect MEAG Power’s Liquidity, Results of Operations or Financial Condition – *Revolving Credit Agreements*” herein. As of both December 31, 2017 and April 30, 2018, the aggregate principal amount of the General Resolution Projects 2012A BAN outstanding was \$4,670,000.

On March 31, 2016, MEAG Power issued its \$194,125,000 Project One Bond Anticipation Notes, Series 2016A (the “Project One Series 2016A BANs”) and its \$80,875,000 General Resolution Projects Bond Anticipation Notes, Series 2016A (the “General Resolution Projects Series 2016A BANs” and, together with the Project One Series 2016A BANs, the “Series 2016A BANs”) in order to provide, together with the amounts then on deposit in the Environmental Facilities Reserve Accounts (see “*Environmental Facilities Reserve Accounts*” below), the moneys required to redeem MEAG Power’s Project One Subordinated Bonds, Taxable Series 2006A in the aggregate principal amount of \$75,626,086.65 (the “Project One Series 2006A Subordinated Bonds”) and its General Resolution Projects Subordinated Bonds, Taxable Series 2006A in the aggregate principal amount of \$97,539,167.80 (the “General Resolution Projects Series 2006A Subordinated Bonds” and, together with the Project One Series 2006A Subordinated Bonds, the “Series 2006A Subordinated Bonds”) and thereby provide, together with a portion of the proceeds of the Series 2016A BANs, the moneys required to pay the termination payment to the Lessor in connection with the termination of the Lease Transaction (see “COMPETITION – Certain Responses of MEAG Power to Competition – *Lease Financing Arrangement*” herein). On June 7, 2016, (a) \$49,125,000 in aggregate principal amount of the Project One Series 2016A BANs were refunded with proceeds of MEAG Power’s Project One Subordinated Bonds, Series 2016A and (b) \$74,870,000 in aggregate principal amount of the General Resolution Projects Series 2016A BANs were refunded with proceeds of MEAG Power’s General Resolution Projects Subordinated Bonds, Series 2016A. On June 1, 2017, all of the Series 2016A BANs that remained outstanding were redeemed from the remaining proceeds of such Series 2016A BANs.

**Telecommunications Project.** On December 15, 2015, all of the Telecommunications Bonds then outstanding were paid at maturity. As a result, as of the date of this Annual Information Statement, no Telecommunications Bonds remain outstanding and the Telecommunications Bond Resolution has been cancelled and discharged. MEAG Power may issue additional Telecommunications Bonds in the future to finance capital improvements to the Telecommunications Project, but it has no current plans to do so.

**CC Project.** In September 2002 and October 2003, MEAG Power issued CC Bonds in the aggregate principal amount of \$429,525,000 for the construction of the CC Project. In May 2010, MEAG Power issued the 2010A CC Bonds in the aggregate principal amount of \$128,410,000 to, among other things, provide a portion of the moneys required to refund all of the then outstanding 2002B CT Bonds and certain outstanding 2002A CT Bonds and 2003A CC Bonds, as well as make a required deposit to the debt service reserve account established under the CC Bond Resolution. In February 2012, MEAG Power issued the 2012A CC Bonds in the aggregate principal amount of \$102,365,000 to, among other things, provide a portion of the moneys required to advance refund certain outstanding 2002A CT Bonds. None of the 2002A CT Bonds remain outstanding. On November 1, 2013, \$44,280,000 in aggregate principal amount of the 2003A CC Bonds, which consisted of all of the 2003A CC Bonds then outstanding, were redeemed with the proceeds of an advance under the CC Project Revolving Credit Agreement. On November 28, 2016, the balance outstanding under the CC Project Revolving Credit Agreement, \$36,590,000, was repaid with revenues collected from the CC Participants of \$4,095,000 and the proceeds of an advance under the CC

Project 2012A BAN in the amount of \$32,495,000. At some point in the future, MEAG Power may refund the then outstanding principal amount of such advance under the CC Project 2012A BAN through the issuance of additional CC Bonds.

The CC Bonds were outstanding as of both December 31, 2017 and April 30, 2018 in an aggregate principal amount of \$154,685,000.

On August 28, 2012, MEAG Power issued its Combined Cycle Project Bond Anticipation Note, Taxable Series 2012A (the “CC Project 2012A BAN”) in a maximum aggregate principal amount outstanding at any time not to exceed \$100,000,000 pursuant to the provisions of the Act and under and pursuant to a resolution of MEAG Power adopted on August 16, 2012 entitled “Resolution Authorizing the Issuance of CC Project Bond Anticipation Notes, Taxable Series 2012A” (as amended, the “CC Project 2012 BAN Resolution”). The CC Project 2012A BAN was issued to evidence MEAG Power’s obligation to repay advances made by the trustee of the Municipal Competitive Trust to MEAG Power, as an investment of funds on deposit in the Municipal Competitive Trust, and the interest thereon. Such advances will be used by MEAG Power to finance and refinance a portion of the costs of acquisition and construction of the CC Project. The CC Project 2012A BAN does not constitute a CC Bond, and is not secured by a pledge of the revenues of the CC Project. The CC Project 2012A BAN had an initial stated maturity date of December 6, 2014. The trustee of the Municipal Competitive Trust, however, has been granted the option to extend the maturity of the CC Project 2012A BAN in the manner set forth in the CC Project 2012 BAN Resolution. As a result of the extension of the term of the CC Project Revolving Credit Agreement (see “*Revolving Credit Agreements*” below), the stated maturity date of the CC Project 2012A BAN likewise has been extended to March 6, 2020. The trustee of the Municipal Competitive Trust has the right to exchange the CC Project 2012A BAN for CC Bonds under the same circumstances, and to the same extent, as the banks are entitled under the CC Project Revolving Credit Agreement. See “SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA – Rating Triggers and Other Factors That Could Affect MEAG Power’s Liquidity, Results of Operations or Financial Condition – *Revolving Credit Agreements*” herein. On November 28, 2016, an advance under the CC Project 2012A BAN in the amount of \$32,495,000 was made to repay a portion of the balance then outstanding under the CC Project Revolving Credit Agreement. As of both December 31, 2017 and April 30, 2018, the aggregate principal amount of the CC Project 2012A BAN outstanding was \$28,215,000.

**Project M.** In April 2009, MEAG Power issued the Series 2009 Project M Notes in the aggregate principal amount of \$163,610,000 to finance a portion of the costs of acquisition and construction and financing costs of Project M. In March 2010, MEAG Power issued the Series 2010A&B Project M Bonds in the aggregate principal amount of \$1,028,945,000 to finance a portion of the costs of acquisition and construction and financing costs of Project M, to provide moneys to fund a debt service reserve account established under the Project M Bond Resolution, to fund certain capitalized interest on the Project M Bonds, and to refund the outstanding Series 2009 Project M Notes. The Project M Bonds were outstanding as of December 31, 2017 in an aggregate principal amount of \$1,023,940,000. On April 2, 2018, principal payments on the Series 2010A&B Project M Bonds were made in the aggregate amount of \$9,400,000. As a result, the Project M Bonds were outstanding as of April 30, 2018 in an aggregate principal amount of \$1,014,540,000.

**Project J.** In April 2009, MEAG Power issued the Series 2009 Project J Notes in the aggregate principal amount of \$200,960,000 to finance a portion of the costs of acquisition and construction and financing costs of Project J. In March 2010, MEAG Power issued the Series 2010A&B Project J Bonds in the aggregate principal amount of \$1,248,435,000 to finance a portion of the costs of acquisition and construction and financing costs of Project J, to provide moneys to fund a debt service reserve account established under the Project J Bond Resolution, to fund certain capitalized interest on the Project J Bonds, and to refund the outstanding Series 2009 Project J Notes. In September 2015, MEAG Power issued the Series 2015A Project J Bonds in the aggregate principal amount of \$185,180,000 to finance a portion of the costs of acquisition and construction and financing costs of Project J, to provide moneys to fund a debt

service reserve account established under the Project J Bond Resolution, and to fund certain capitalized interest on the Project J Bonds. The Project J Bonds were outstanding as of December 31, 2017 in an aggregate principal amount of \$1,427,440,000. On April 2, 2018, principal payments on the Series 2010A&B Project J Bonds were made in the aggregate amount of \$11,415,000. As a result, the Project J Bonds were outstanding as of April 30, 2018 in an aggregate principal amount of \$1,416,025,000.

**Project P.** In May 2009, MEAG Power issued the Series 2009 Project P Notes in the aggregate principal amount of \$128,985,000 to finance a portion of the costs of acquisition and construction and financing costs of Project P. In March 2010, MEAG Power issued the Series 2010A&B Project P Bonds in the aggregate principal amount of \$390,495,000 to finance a portion of the costs of acquisition and construction and financing costs of Project P, to provide moneys to fund a debt service reserve account established under the Project P Bond Resolution, to fund certain capitalized interest on the Project P Bonds, and to refund the outstanding Series 2009A Project P Notes. In June 2010, MEAG Power borrowed \$61,444,000 under the Project P Credit Agreement, which amount was applied to the payment of the maturing principal of the outstanding Series 2009B Project P Notes. See “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – Financing of Vogtle Units 3&4 Projects*” herein for a discussion of the Project P Credit Agreement.

On August 28, 2012, MEAG Power issued the Series 2012A Project P Note in a maximum aggregate principal amount to be outstanding from time to time not to exceed \$107,029,000. The Series 2012A Project P Note was issued to evidence MEAG Power’s obligation to repay advances made by the trustee of the Municipal Competitive Trust to MEAG Power, as an investment of funds on deposit in the Municipal Competitive Trust, and the interest thereon. Such advances will be used by MEAG Power to finance a portion of the costs of acquisition and construction and financing costs of Project P. On August 29, 2017, the balance of the Series 2012A Project P Note was refunded from the proceeds of a drawing under the Project P Credit Agreement. As of December 31, 2017 and as of April 30, 2018, there was no balance outstanding on the Series 2012A Project P Note.

As of December 31, 2017, \$457,920,000 in aggregate principal amount of Project P Bonds were outstanding. On April 2, 2018, principal payments on the Series 2010A&B Project P Bonds were made in the aggregate amount of \$3,355,000. As a result, the Project P Bonds were outstanding as of April 30, 2018 in an aggregate principal amount of \$454,565,000.

---

For further information concerning MEAG Power’s outstanding indebtedness, see (a) the three-page diagram that follows, which depicts MEAG Power’s bond resolutions, validated bonds, indebtedness and certain bank credit facilities as of December 31, 2017 and (b) Table I of “Summary of Annual Debt Service Billings on Outstanding Bonds and DOE Guaranteed Loans” in APPENDIX B hereto, which provides a summary of the expected annual debt service billings of MEAG Power, as of December 31, 2017, for its Project One Senior Bonds, Project One Subordinated Bonds, General Resolution Projects Senior Bonds, General Resolution Projects Subordinated Bonds, CC Bonds, Project M Bonds, Project J Bonds and Project P Bonds.

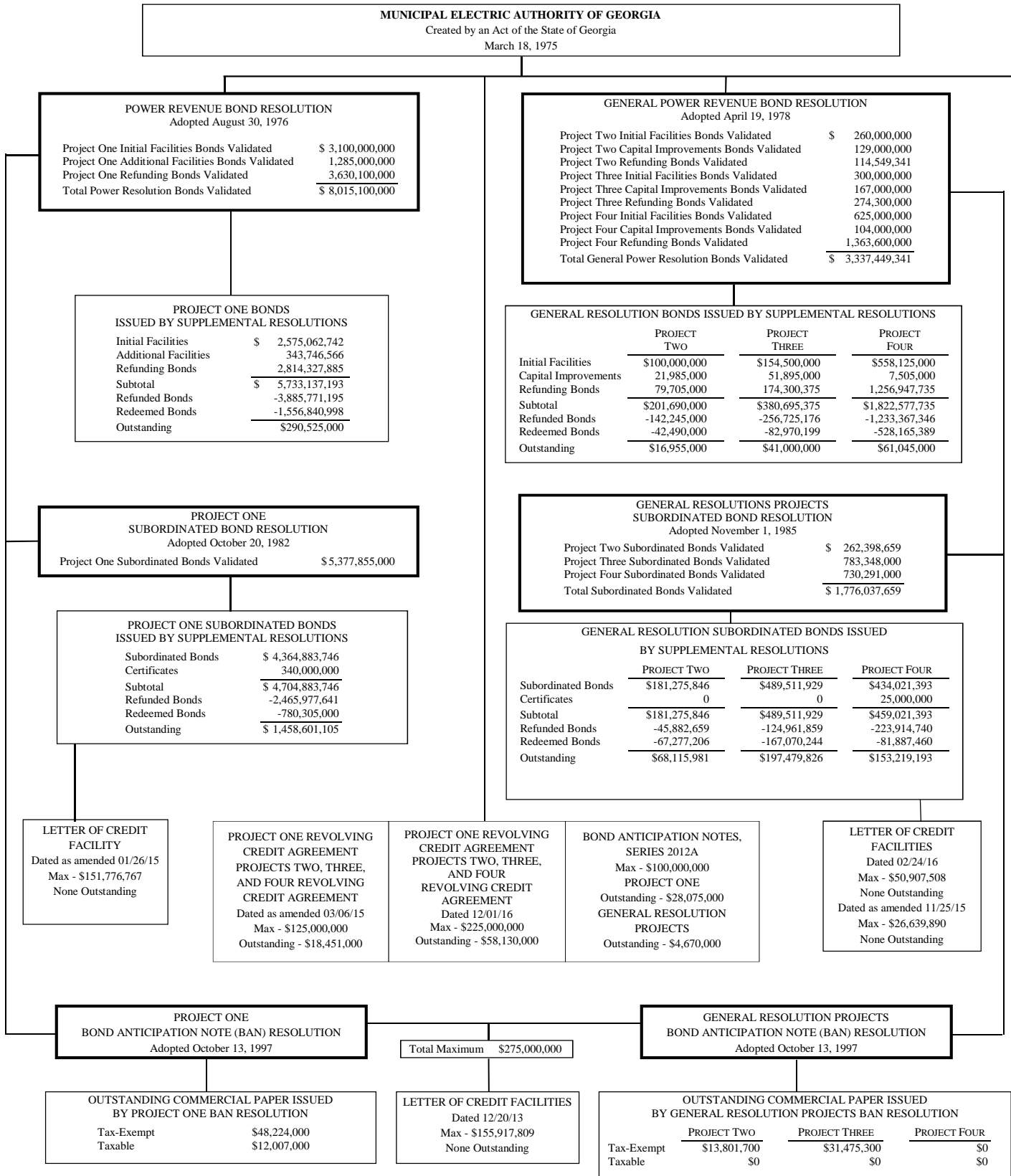
In addition, for information concerning borrowings by each Vogtle Units 3&4 Project Entity under its respective DOE Guaranteed Loan, see “*Outstanding Indebtedness of Vogtle Units 3&4 Project Entities*” below.

[remainder of page intentionally left blank]

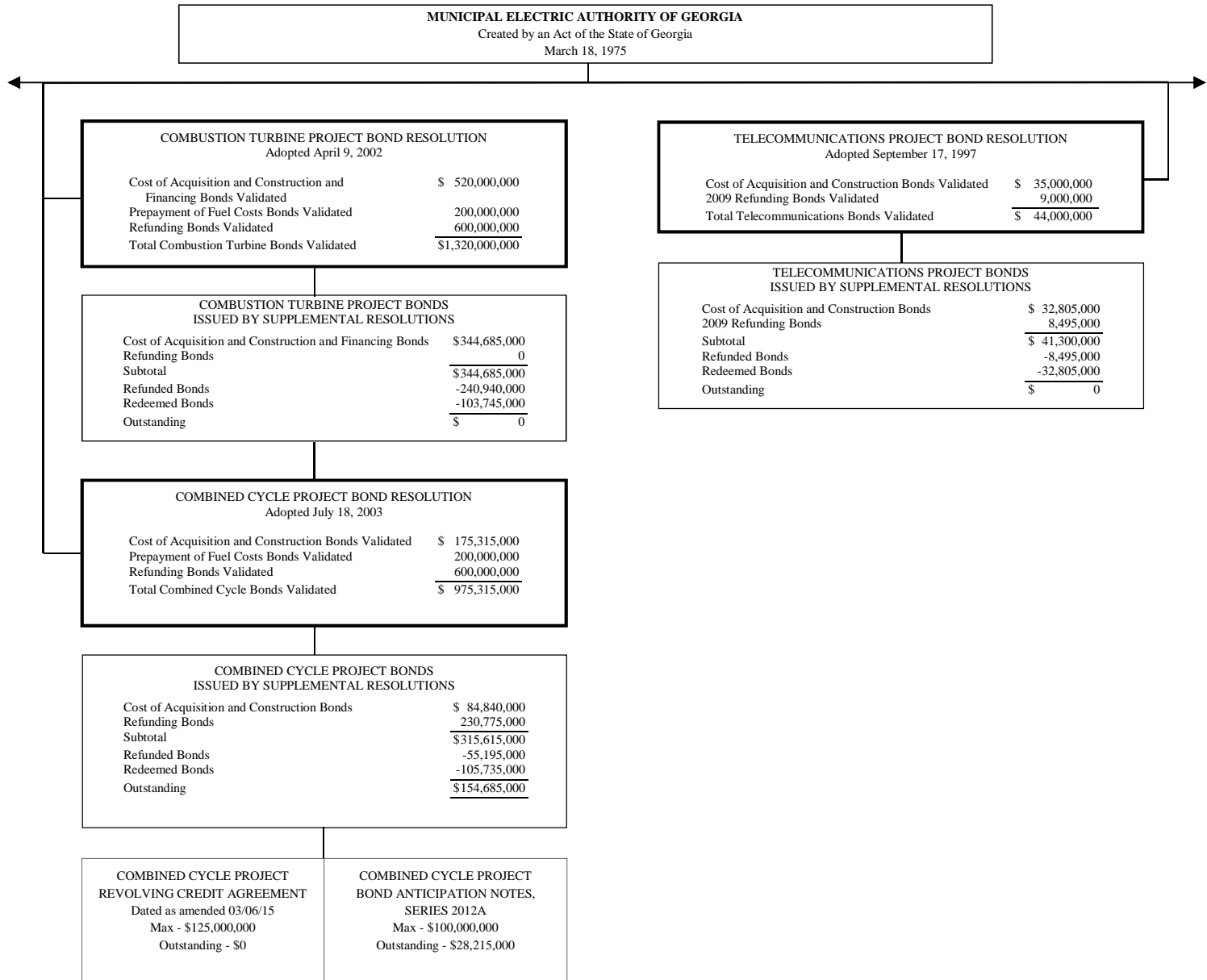
[This page intentionally left blank]



**MEAG POWER**  
**PROJECT ONE AND GENERAL RESOLUTION PROJECTS**  
**Resolutions and Indebtedness**  
**As of December 31, 2017**



**MEAG POWER**  
**CC PROJECT AND TELECOMMUNICATIONS PROJECT**  
**Resolutions and Indebtedness**  
**As of December 31, 2017**



**MEAG POWER**  
**VOGTLE UNITS 3&4 PROJECTS**  
**Resolutions/DOE Loan Guarantee Agreements and Indebtedness**  
**As of December 31, 2017**

**MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**

Created by an Act of the State of Georgia  
March 18, 1975

PROJECT M BOND RESOLUTION Adopted November 18, 2008	
Cost of Acquisition and Construction Bonds Validated	\$ 4,951,210,000*
Total Project M Bonds Validated	\$ 4,951,210,000*

PROJECT M BONDS ISSUED BY SUPPLEMENTAL RESOLUTIONS	
Cost of Acquisition and Construction Bonds	\$ 1,192,555,000
Refunded Bonds	-163,610,000
Redeemed Bonds	-5,005,000
Outstanding	\$ 1,023,940,000

PROJECT M ENTITY DOE LOAN GUARANTEE AGREEMENT Dated as of June 24, 2015	
Authorized Advances for Payment of Eligible Project Costs	\$ 532,173,503
Authorized Advances for Payment of Capitalized Interest	38,483,629
Total Authorized Advances	\$ 570,657,132

PROJECT M ENTITY ADVANCES MADE	
Advances for Payment of Eligible Project Costs	\$473,363,221
Advances for Payment of Capitalized Interest	23,838,254
Subtotal	\$497,201,475
Repaid Advances	0
Prepaid Advances	0
Outstanding	\$497,201,475

PROJECT J BOND RESOLUTION Adopted November 18, 2008	
Cost of Acquisition and Construction Bonds Validated	\$ 6,010,140,000*
Total Project J Bonds Validated	\$ 6,010,140,000*

PROJECT J BONDS ISSUED BY SUPPLEMENTAL RESOLUTIONS	
Cost of Acquisition and Construction Bonds	\$1,634,575,000
Refunded Bonds	-200,960,000
Redeemed Bonds	-6,175,000
Outstanding	\$1,427,440,000

PROJECT J ENTITY DOE LOAN GUARANTEE AGREEMENT Dated as of June 24, 2015	
Authorized Advances for Payment of Eligible Project Costs	\$ 553,261,098
Authorized Advances for Payment of Capitalized Interest	24,482,348
Total Authorized Advances	\$ 577,743,446

PROJECT J ENTITY ADVANCES MADE	
Advances for Payment of Eligible Project Costs	\$327,442,591
Advances for Payment of Capitalized Interest	10,409,815
Subtotal	\$337,852,406
Repaid Advances	0
Prepaid Advances	0
Outstanding	\$337,852,406

PROJECT P BOND RESOLUTION Adopted November 18, 2008	
Cost of Acquisition and Construction Bonds Validated	\$ 3,390,780,000*
Total Project P Bonds Validated	\$ 3,390,780,000*

PROJECT P BONDS ISSUED BY SUPPLEMENTAL RESOLUTIONS	
Cost of Acquisition and Construction Bonds	\$ 822,467,000
Refunded Bonds	-344,652,000
Redeemed Bonds	-19,895,000
Outstanding	\$ 457,920,000

PROJECT P ENTITY DOE LOAN GUARANTEE AGREEMENT Dated as of June 24, 2015	
Authorized Advances for Payment of Eligible Project Costs	\$ 605,802,134
Authorized Advances for Payment of Capitalized Interest	51,999,426
Total Authorized Advances	\$ 657,801,560

PROJECT P ENTITY ADVANCES MADE	
Advances for Payment of Eligible Project Costs	\$336,035,004
Advances for Payment of Capitalized Interest	27,200,139
Subtotal	\$363,235,143
Repaid Advances	0
Prepaid Advances	0
Outstanding	\$363,235,143

\* Advances made under the related DOE Loan Guarantee Agreement reduce, dollar-for-dollar, the amount of validated Vogtle Units 3&4 Bonds that may be issued under the applicable Vogtle Units 3&4 Bond Resolution.

### ***Outstanding Indebtedness of Vogtle Units 3&4 Project Entities***

As described under “INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*” herein, in order to permit the Vogtle Units 3&4 Project Entities to obtain their respective DOE Guaranteed Loans, on June 24, 2015, MEAG Power transferred its ownership interest in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities. Concurrently with such transfers, each Vogtle Units 3&4 Project Entity entered into, among other agreements, (a) a Loan Guarantee Agreement with DOE, dated as of June 24, 2015 (respectively, the “Project M DOE Loan Guarantee Agreement,” the “Project J DOE Loan Guarantee Agreement” and the “Project P DOE Loan Guarantee Agreement” and, collectively, the “DOE Loan Guarantee Agreements”) and (b) its other Federal Loan Documents (as such term is defined in each Vogtle Units 3&4 Project Entity’s DOE Loan Guarantee Agreement). Under its respective DOE Loan Guarantee Agreement:

(i) the Project M Entity is permitted to borrow from FFB an aggregate amount of \$570,657,132, of which \$38,483,629 is available to pay capitalized interest on certain Advances made thereunder,

(ii) the Project J Entity is permitted to borrow from FFB an aggregate amount of \$577,743,446, of which \$24,482,348 is available to pay capitalized interest on certain Advances made thereunder and

(iii) the Project P Entity is permitted to borrow from FFB an aggregate amount of \$657,801,560, of which \$51,999,426 is available to pay capitalized interest on certain Advances made thereunder.

On June 24, 2015, (a) DOE issued its respective loan guarantees and (b) FFB funded the initial Advances for each Vogtle Units 3&4 Project Entity under its respective DOE Loan Guarantee Agreement as follows:

(i) the Project M Entity received proceeds of Advances in an aggregate principal amount of \$473,363,221,

(ii) the Project J Entity received proceeds of Advances in an aggregate principal amount of \$327,442,591 and

(iii) the Project P Entity received proceeds of Advances in an aggregate principal amount of \$336,035,004.

As a result, (x) the Project M Entity is permitted to obtain additional Advances under its DOE Loan Guarantee Agreement (exclusive of amounts set aside for the payment of capitalized interest on Advances) in an aggregate principal amount of \$58,810,282, (y) the Project J Entity is permitted to obtain additional Advances under its DOE Loan Guarantee Agreement (exclusive of amounts set aside for the payment of capitalized interest on Advances) in an aggregate principal amount of \$225,818,507 and (z) the Project P Entity is permitted to obtain additional Advances under its DOE Loan Guarantee Agreement (exclusive of amounts set aside for the payment of capitalized interest on Advances) in an aggregate principal amount of \$269,767,130, in each such case, in order to pay (or to reimburse MEAG Power for the payment of) Eligible Project Costs.

See Table II of “Summary of Annual Debt Service Billings on Outstanding Bonds and DOE Guaranteed Loans” in APPENDIX B hereto, which provides a summary of the expected annual debt service billings on each Vogtle Units 3&4 Project Entity’s DOE Guaranteed Loan outstanding as of December 31, 2017. Amounts payable by each Vogtle Units 3&4 Project Entity in respect of debt service on such Vogtle Units 3&4 Project Entity’s DOE Guaranteed Loan are passed through to MEAG Power under the applicable

Vogtle Units 3&4 Power Purchase Agreement and, as a result, are passed through to the applicable Vogtle Units 3&4 Participants under their respective Vogtle Units 3&4 Power Sales Contracts (and, in the case of Project J, are passed through to JEA under the Project J PPA and, in the case of Project P, are passed through to PowerSouth under the Project P PPA). See, also, (a) Table III of “Summary of Annual Debt Service Payments on Outstanding Bonds and DOE Guaranteed Loans Relating to Vogtle Units 3&4” in APPENDIX B hereto, which provides a summary of the expected aggregate annual debt service payments for each Vogtle Units 3&4 Project, including, in each case, both MEAG Power’s expected annual debt service payments, as of December 31, 2017, for the applicable Vogtle Units 3&4 Bonds and the applicable Vogtle Units 3&4 Project Entity’s expected annual debt service payments, as of December 31, 2017, for its DOE Guaranteed Loan and (b) Table IV of “Summary of Annual Debt Service Payments on Outstanding DOE Guaranteed Loans Relating to Vogtle Units 3&4” in APPENDIX B hereto, which provides a summary of the expected aggregate annual debt service payments for each Vogtle Units 3&4 Project Entity, as of December 31, 2017, for its DOE Guaranteed Loan.

### ***Future Financing by MEAG Power***

MEAG Power anticipates that on average 56.55 percent of the direct costs of Capital Improvements for Project One and the Existing General Resolution Projects, exclusive of nuclear fuel, will be paid from revenues for the period 2018 through 2022.

Based on MEAG Power’s capital budget projections prepared in October 2017, and taking into account a nuclear fuel projection that was prepared in October 2017, the future financing requirements for Project One Capital Improvements were estimated to total \$295,098,000 principal amount of senior and/or subordinated debt, but after giving effect to amounts financed for 2017 Project One Capital Improvements of \$70,983,000, the remaining future financing requirements over the period 2018 through 2022 are estimated to total \$224,114,000. Such requirements include \$246,751,000 for transmission facilities and \$48,347,000 for generating unit improvements.

Based on MEAG Power’s capital budget projections prepared in October 2017, and taking into account a nuclear fuel projection that was prepared in October 2017, the future financing requirements for Existing General Resolution Projects Capital Improvements were estimated to total \$38,417,000 principal amount of senior and/or subordinated debt. Of such amount, the projected financing requirement is \$9,307,000 for Project Two, \$27,554,000 for Project Three and \$1,556,000 for Project Four, for generating unit improvements.

Nuclear fuel costs for Project One and Project Four are paid from proceeds of Subordinated Bonds and revenues. During the period that nuclear fuel financed by Subordinated Bonds is being burned in the reactors, MEAG Power bills the Participants in amounts sufficient to amortize the costs thereof (billed as nuclear fuel costs). The revenues from nuclear fuel amortization, together with proceeds from additional Subordinated Bonds (to the extent that such revenues are not sufficient), are deposited in the Construction Fund and used to pay the additional cost of acquisition of nuclear fuel. In the future, as the last batch of fuel in a nuclear unit is amortized, the associated revenues will be used to retire the Subordinated Bonds allocable to such nuclear unit. The interest on the Subordinated Bonds used to finance nuclear fuel in process is capitalized and paid from moneys in the Construction Fund. The interest on the Subordinated Bonds allocable to nuclear fuel in stock and in the reactor is paid from revenues and is not included in annual debt service shown in Table I of APPENDIX B hereto. The amount of interest on nuclear fuel in stock and in the reactor paid from revenues during the period 2018 through 2022 is estimated to be \$24.2 million associated with Project One and \$2.6 million associated with Project Four.

### ***Revolving Credit Agreements***

MEAG Power is a party to the three Revolving Credit Agreements which provide for revolving credit lines aggregating \$125,000,000 for Project One, the Existing General Resolution Projects and the CC

Project. Currently, the term of each Revolving Credit Agreement expires on March 6, 2020, subject to earlier termination under certain circumstances and to extension in the sole and absolute discretion of the banks party thereto.

As of December 31, 2017, the amount outstanding under the Project One Revolving Credit Agreement was \$15,850,000. As of April 30, 2018, the amount outstanding under the Project One Revolving Credit Agreement was \$27,250,000. As of December 31, 2017, the amount outstanding under the General Resolution Projects Revolving Credit Agreement was \$2,601,000. As of April 30, 2018, the amount outstanding under the General Resolution Projects Revolving Credit Agreement was \$3,001,000. As of December 31, 2017 and as of April 30, 2018, the amount outstanding under the CC Project Revolving Credit Agreement was \$0.

### ***Environmental Facilities Reserve Accounts***

In August 2006, MEAG Power established separate Environmental Facilities Reserve Accounts, one under the Project One Resolution and the others under the General Resolution Projects Resolution. These Accounts were established in order to mitigate future planned environmental costs involving the coal units. These Accounts were funded initially with \$77.9 million of the proceeds received by MEAG Power in connection with the Lease Transaction referred to under the caption “COMPETITION – Certain Responses of MEAG Power to Competition – *Lease Financing Arrangement*” herein, and additional funding is being provided from billings to the Participants. Amounts on deposit in the Environmental Facilities Reserve Accounts may be applied to any lawful purpose of MEAG Power related to the coal units or, to the extent not so applied, to the payment of debt service on any Senior Bonds or Subordinated Bonds issued with respect to the coal units. See “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Environmental Facilities Reserve Accounts” in APPENDIX F hereto.

On March 31, 2016, the amounts then on deposit in the Environmental Facilities Reserve Accounts were applied, together with a portion of the proceeds of the Series 2016A BANs, to provide the moneys required to redeem the Series 2006A Subordinated Bonds and thereby provide, together with a portion of the proceeds of the Series 2016A BANs, the moneys required to pay the termination payment to the Lessor in connection with the termination of the Lease Transaction (see “COMPETITION – Certain Responses of MEAG Power to Competition – *Lease Financing Arrangement*” herein). MEAG Power will continue to deposit amounts to the Environmental Facilities Reserve Accounts in accordance with the funding schedules set forth in the supplemental resolutions pursuant to which the Environmental Facilities Reserve Accounts were established, which amounts may be applied to any lawful purpose of MEAG Power related to the coal units or, to the extent not so applied, to the payment of debt service on any Senior Bonds or Subordinated Bonds issued with respect to the coal units.

### ***Vogtle Units 3&4 Projects Financing***

**Project M Financing.** In April 2009, MEAG Power issued the Series 2009 Project M Notes in order to provide funds to finance a portion of the costs of acquisition and construction and financing costs of Project M. In March 2010, MEAG Power issued the Series 2010A&B Project M Bonds in the aggregate principal amount of \$1,028,945,000 to finance a portion of the costs of acquisition and construction and financing costs of Project M, to provide moneys to fund a debt service reserve account established under the Project M Bond Resolution, to fund certain capitalized interest on the Series 2010A&B Project M Bonds, and to refund the outstanding Series 2009 Project M Notes. In accordance with the provisions of the Project M Bond Resolution, (1) \$78,980,000 of the principal amount of the Series 2010A Project M Bonds and (2) the Series 2010B Project M Bonds maturing on April 1, 2040 initially constitute “Refundable Principal Installments” within the meaning of the Project M Bond Resolution (see “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto). As such, it is the intention of MEAG Power that such respective principal amounts constituting Refundable Principal

Installments will be paid from moneys which are not Revenues. The Project M Bond Resolution provides that, for purposes of estimating future debt service on Project M Bonds, certain adjustments are made in the calculation of debt service for Refundable Principal Installments. See the definition of “Adjusted Aggregate Debt Service” in “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto.

In addition, as described under “*Outstanding Indebtedness of Vogtle Units 3&4 Project Entities*” above, on June 24, 2015, FFB funded the initial Advances under the Project M DOE Loan Guarantee Agreement in an aggregate principal amount of \$473,363,221.

**Project J Financing.** In April 2009, MEAG Power issued the Series 2009 Project J Notes in order to provide funds to finance a portion of the costs of acquisition and construction and financing costs of Project J. In March 2010, MEAG Power issued the Series 2010A&B Project J Bonds in the aggregate principal amount of \$1,248,435,000 to finance a portion of the costs of acquisition and construction and financing costs of Project J, to provide moneys to fund a debt service reserve account established under the Project J Bond Resolution, to fund certain capitalized interest on the Series 2010A&B Project J Bonds, and to refund the outstanding Series 2009 Project J Notes. In September 2015, MEAG Power issued the Series 2015A Project J Bonds in the aggregate principal amount of \$185,180,000 to finance a portion of the costs of acquisition and construction and financing costs of Project J, to provide moneys to fund a debt service reserve account established under the Project J Bond Resolution, and to fund certain capitalized interest on the Project J Bonds. In accordance with the provisions of the Project J Bond Resolution, (1) \$95,590,000 of the principal amount of the Series 2010A Project J Bonds, (2) the Series 2010B Project J Bonds maturing on April 1, 2040 and (3) \$2,145,000 of the principal amount of the Series 2015A Project J Bonds maturing on July 1, 2060 initially constitute “Refundable Principal Installments” within the meaning of the Project J Bond Resolution (see “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto). As such, it is the intention of MEAG Power that such respective principal amounts constituting Refundable Principal Installments will be paid from moneys which are not Revenues. The Project J Bond Resolution provides that, for purposes of estimating future debt service on Project J Bonds, certain adjustments are made in the calculation of debt service for Refundable Principal Installments. See the definition of “Adjusted Aggregate Debt Service” in “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto.

In addition, as described under “*Outstanding Indebtedness of Vogtle Units 3&4 Project Entities*” above, on June 24, 2015, FFB funded the initial Advances under the Project J DOE Loan Guarantee Agreement in an aggregate principal amount of \$327,442,591.

**Project P Financing.** In May 2009, MEAG Power issued the Series 2009 Project P Notes in order to provide funds to finance a portion of the costs of acquisition and construction and financing costs of Project P. On March 16, 2010, MEAG Power issued the Series 2010A&B Project P Bonds in the aggregate principal amount of \$390,495,000 to finance a portion of the costs of acquisition and construction and financing costs of Project P, to provide moneys to fund a debt service reserve account established under the Project P Bond Resolution, to fund certain capitalized interest on the Series 2010A&B Project P Bonds, and to refund the outstanding Series 2009A Project P Notes.

MEAG Power has entered into the Project P Credit Agreement in order to finance a portion of the costs of acquisition and construction and financing costs of Project P. In order to evidence its obligation to repay borrowings made and to be made by MEAG Power pursuant to the Project P Credit Agreement, and interest thereon, MEAG Power issued the Series 2010A Project P Notes to the banks that are parties to the Project P Credit Agreement. The Series 2010A Project P Notes constitute “Bonds” within the meaning of the Project P Bond Resolution and are on a parity with the Series 2010A&B Project P Bonds, the Series 2012A Project P Note and the Series 2015A Project P Bonds, except that the Series 2010A Project P Notes are not payable from amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Project P Bond Resolution. Each Series 2010A Project P Note is issued in a

maximum aggregate principal amount equal to the bank's commitment under the Project P Credit Agreement, and has a stated maturity date that is the same as the stated termination date of such bank's commitment thereunder. However, the Series 2010A Project P Notes constitute "Option Bonds" within the meaning of the Project P Bond Resolution. As such, the maturity thereof may be extended at the option of the holder thereof.

During 2018, MEAG Power has received advances under the Project P Credit Agreement in the aggregate amount of \$80,000,000. As a result, as of the date of this Annual Information Statement, the aggregate principal amount of the Series 2010A Project P Notes outstanding was \$80,000,000. See "MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – Financing of Vogtle Units 3&4 Projects*" herein for a discussion of the Project P Credit Agreement and the Series 2010A Project P Notes.

The term of the Project P Credit Agreement currently terminates on September 25, 2018. MEAG Power may cause the term of the Project P Credit Agreement to be extended further from time to time. In the event, however, that the term of the Project P Credit Agreement is not extended for any reason, MEAG Power anticipates that any additional borrowings under the Project P Credit Agreement will be refunded through the issuance of Project P Bonds (including Project P Bond Anticipation Notes) and/or from proceeds of the Project P Entity's DOE Guaranteed Loan.

On August 28, 2012, MEAG Power issued the Series 2012A Project P Note in a maximum aggregate principal amount to be outstanding from time to time not to exceed \$107,029,000. The Series 2012A Project P Note was issued to evidence MEAG Power's obligation to repay advances made by the trustee of the Municipal Competitive Trust to MEAG Power, as an investment of funds on deposit in the Municipal Competitive Trust, and the interest thereon. Such advances will be used by MEAG Power to finance a portion of the costs of acquisition and construction and financing costs of Project P. The Series 2012A Project P Note constitutes a "Bond" within the meaning of the Project P Bond Resolution and is on a parity with the Series 2010A&B Project P Bonds, the Series 2010A Project P Notes and the Series 2015A Project P Bonds, except that the Series 2012A Project P Note is not payable from amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Project P Bond Resolution. In conjunction with the amendments to the Project P Credit Agreement described under "MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – Financing of Vogtle Units 3&4 Projects*" herein, the maturity date of the Series 2012A Project P Note has been extended to September 25, 2018 and the maximum aggregate principal amount thereof has been reduced to \$100,000,000. In August 2017, MEAG Power repaid the outstanding principal amount of the Series 2012A Project P Note in the aggregate principal amount of \$49,194,000 with proceeds of a borrowing under the Project P Credit Agreement. Such borrowing under the Project P Credit Agreement subsequently was repaid with a portion of the payments received from Toshiba under the Guarantee Settlement Agreement Amendment. As a result, as of December 31, 2017 and as of April 30, 2018, the aggregate principal amount of the Series 2012A Project P Note outstanding was \$0.

In September 2015, MEAG Power issued the Series 2015A Project P Bonds in the aggregate principal amount of \$69,245,000 to finance a portion of the costs of acquisition and construction and financing costs of Project P, to provide moneys to fund a debt service reserve established under the Project P Bond Resolution, and to fund certain capitalized interest on the Project P Bonds.

In accordance with the provisions of the Project P Bond Resolution, (a) \$30,440,000 of the principal amount of the Series 2010A Project P Bonds, (b) the Series 2010B Project P Bonds maturing on April 1, 2040, (c) the Series 2010A Project P Notes, (d) the Series 2012A Project P Note and (e) \$695,000 of the principal amount of the Series 2015A Project P Bonds maturing on July 1, 2060 initially constitute "Refundable Principal Installments" within the meaning of the Project P Bond Resolution (see "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions" in APPENDIX M hereto). As such, it is the intention of MEAG Power that such respective principal amounts constituting



Refundable Principal Installments will be paid from moneys which are not Revenues. The Project P Bond Resolution provides that, for purposes of estimating future debt service on Project P Bonds, certain adjustments are made in the calculation of debt service for Refundable Principal Installments. See the definition of “Adjusted Aggregate Debt Service” in “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto.

In addition, as described under “*Outstanding Indebtedness of Vogtle Units 3&4 Project Entities*” above, on June 24, 2015, FFB funded the initial Advances under the Project P DOE Loan Guarantee Agreement in an aggregate principal amount of \$336,035,004.

### **DOE Guaranteed Loans.**

**Background.** As more fully described under “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – DOE Guaranteed Loans*” herein, in order to obtain an assured source of financing at a locked-in spread over United States Treasury securities for its undivided ownership interest in Vogtle Units 3&4 and augment its financing alternatives, MEAG Power submitted an application to DOE for the Guaranteed Loans in 2008 pursuant to the Solicitation issued under Title XVII. DOE selected Vogtle Units 3&4 as a nuclear-powered generation facility for final due diligence and negotiations of the terms and conditions of a conditional loan guarantee commitment under the Solicitation. DOE offered the term sheet to MEAG Power, and MEAG Power accepted the term sheet and paid the required portion of a facility fee to DOE and, as a result, the term sheet became the conditional commitment for the Guaranteed Loans. In addition to its positive effect on the cost of financing, the availability of the Guaranteed Loans has substantially mitigated MEAG Power’s need to access the capital markets.

Pursuant to the conditional commitment, on June 24, 2015, each of the Vogtle Units 3&4 Project Entities entered into its DOE Loan Guarantee Agreement and MEAG Power and each Vogtle Units 3&4 Project Entity entered into certain other Federal Loan Documents. As described under “INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*” and “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects*” herein, in connection with the entry into such Agreements and Documents, (a) MEAG Power divided its undivided ownership interest in Vogtle Units 3&4 into three separate undivided interests and transferred such interests to the respective Vogtle Units 3&4 Project Entities and (b) MEAG Power and the Vogtle Units 3&4 Project Entities entered into the Vogtle Units 3&4 Power Purchase Agreements. In addition, in order to permit the Vogtle Units 3&4 Project Entities to obtain the DOE Guaranteed Loans, certain other actions were required, each of which became effective on June 24, 2015. Certain of such actions are described below:

- the Project M Bond Resolution, as theretofore amended and restated, the Project J Bond Resolution, as theretofore amended and restated, and the Project P Bond Resolution, as theretofore amended and restated, were further amended and restated by the Second Amended and Restated Project M Bond Resolution, the Second Amended and Restated Project J Bond Resolution and the Second Amended and Restated Project P Bond Resolution, respectively, in order to, among other things:
  - (a) reflect the fact that each Vogtle Units 3&4 Project Entity, and not MEAG Power, is the owner of the applicable undivided interest in Vogtle Units 3&4 included in the applicable Vogtle Units 3&4 Project, and that MEAG Power is entitled to all of the output and services thereof under the applicable Vogtle Units 3&4 Power Purchase Agreement;
  - (b) provide that accruals of debt service and related reserve requirements on the respective DOE Guaranteed Loans and accruals of debt service and related reserve requirements on the related Vogtle Units 3&4 Bonds, as well as deposits to various other funds established to secure DOE and the holders of the Vogtle Units 3&4 Bonds, be made on a parity basis;

(c) divide the “Trust Estate” established thereunder into a “Bondholders’ Trust Estate,” which is pledged solely to the holders of the applicable Vogtle Units 3&4 Bonds, and a “Shared Trust Estate,” which is pledged on a parity basis to both (i) DOE and PNC Bank, National Association, doing business as Midland Loan Services, a division of PNC Bank, National Association, as Collateral Agent for DOE (the “DOE Collateral Agent”; DOE and the DOE Collateral are referred to herein collectively as the “DOE Secured Parties”) and (ii) the holders of the applicable Vogtle Units 3&4 Bonds; and

(d) establish DOE’s rights and remedies under each Vogtle Units 3&4 Bond Resolution upon a default by MEAG Power thereunder.

- The Vogtle Units 3&4 Power Sales Contracts and the JEA PPA and the PowerSouth PPA, as theretofore amended, were amended and restated in order to, among other things:

(a) reflect the fact that each Vogtle Units 3&4 Project Entity, and not MEAG Power, is the owner of the applicable undivided interest in Vogtle Units 3&4 included in the applicable Vogtle Units 3&4 Project, and that MEAG Power is entitled to all of the output and services thereof under the applicable Vogtle Units 3&4 Power Purchase Agreement; and

(b) provide for inclusion in the amounts payable by the Participants, JEA and PowerSouth, respectively, thereunder of all of the applicable Vogtle Units 3&4 Project Entity’s costs in connection with the applicable Vogtle Units 3&4 Project, including (without limitation) debt service and related reserve requirements on the related DOE Guaranteed Loan.

- The Vogtle Units 3&4 Project Agreements, as theretofore amended, were further amended in order to, among other things, permit MEAG Power to assign to the Vogtle Units 3&4 Project Entities, and permit the Vogtle Units 3&4 Project Entities to assume, MEAG Power’s rights and obligations thereunder with respect to Vogtle Units 3&4.

- In order to secure the DOE Guaranteed Loans:

(a) pursuant to its respective Federal Loan Documents, each Vogtle Units 3&4 Project Entity granted to the DOE Collateral Agent a security interest in and lien on all of such Vogtle Units 3&4 Project Entity’s assets, including its undivided ownership interest in Vogtle Units 3&4; and

(b) pursuant to (i) an Equity Pledge Agreement (the “Project M Equity Pledge Agreement”), executed among MEAG Power, the Project M Entity and the DOE Collateral Agent, (ii) an Equity Pledge Agreement (the “Project J Equity Pledge Agreement”), executed among MEAG Power, the Project J Entity and the DOE Collateral Agent and (iii) an Equity Pledge Agreement (the “Project P Equity Pledge Agreement” and, together with the Project M Equity Pledge Agreement and the Project J Equity Pledge Agreement, the “DOE Equity Pledge Agreements” and each individually, a “DOE Equity Pledge Agreement”), executed among MEAG Power, the Project P Entity and the DOE Collateral Agent, MEAG Power granted to the DOE Collateral Agent, for the benefit of DOE and the DOE Collateral Agent, all of MEAG Power’s right, title and interest in the applicable Vogtle Units 3&4 Project Entity, including its 100 percent membership interest therein and all rights to receive income, dividends or other distributions allocated or distributed to MEAG Power, and all of MEAG Power’s voting rights in or rights to control or direct the affairs of the applicable Vogtle Units 3&4 Project Entity, subject to the limitations set forth

therein (see “SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS – DOE EQUITY PLEDGE AGREEMENTS” in APPENDIX O hereto).

In consideration of the other Original Vogtle Co-Owners’ agreement to amend the Vogtle Units 3&4 Project Agreements as described above, on June 24, 2015, MEAG Power entered into a Guaranty Agreement with respect to each of the Vogtle Units 3&4 Project Entities in favor of GPC, OPC and Dalton (each, a “Vogtle Units 3&4 Guaranty” and, collectively, the “Vogtle Units 3&4 Guaranties”), pursuant to which MEAG Power guaranteed the respective obligations of each Vogtle Units 3&4 Project Entity under each of the Vogtle Units 3&4 Project Agreements. See “SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Guaranties” in APPENDIX L hereto.

As described under “INTRODUCTORY STATEMENT – MEAG Power – *Vogtle Units 3&4*” herein, in May 2015, Fitch, Moody’s and S&P each notified MEAG Power in writing to the effect that such transfers and other actions will not result in a reduction, withdrawal or suspension of each such rating agency’s ratings on the outstanding Vogtle Units 3&4 Bonds then in effect (without regard to any third-party credit enhancement).

#### **DOE Loan Guarantee Agreements.**

Advances Under the DOE Loan Guarantee Agreements. Under each DOE Loan Guarantee Agreement, the applicable Vogtle Units 3&4 Project Entity may, from time to time during the “Availability Period” thereunder, and provided that certain conditions have been satisfied and that no “Event of Default” (as defined therein and hereinafter referred to as a “DOE Event of Default”) or event that, with the giving of notice or passage of time or both, would become a DOE Event of Default has occurred and is continuing thereunder, request a borrowing under its DOE Guaranteed Loan (an “Advance”) in an amount that, together with all Advances theretofore made by it, does not exceed (a) in the case of the Project M Entity, \$570,657,132, of which \$38,483,629 is available to pay capitalized interest on certain Advances made thereunder, (b) in the case of the Project J Entity, \$577,743,446, of which \$24,482,348 is available to pay capitalized interest on certain Advances made thereunder and (c) in the case of the Project P Entity, \$657,801,560, of which \$51,999,426 is available to pay capitalized interest on certain Advances made thereunder.

“Availability Period” is defined in each DOE Loan Guarantee Agreement to mean the period from June 24, 2015 (the “Guarantee Issuance Date”) until the earliest to occur of (i) December 31, 2020 (the “Last Day for an Advance”), (ii) the date on which the undrawn FFB Credit Facility Commitment (hereinafter defined) is reduced to zero, (iii) the date of termination of the FFB Credit Facility Commitment or (iv) termination of the applicable Vogtle Units 3&4 Project Entity’s right to request Advances under the FFB Credit Facility Documents (as such term is defined in the DOE Loan Guarantee Agreements).

For a discussion of the conditions precedent to the making of Advances under the DOE Loan Guarantee Agreements, see “SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS – DOE LOAN GUARANTEE AGREEMENTS – Conditions Precedent to Advances” in APPENDIX O hereto. For a discussion of the DOE Events of Default, see “SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS – DOE LOAN GUARANTEE AGREEMENTS – Events of Default” in APPENDIX O hereto. In addition, for a discussion of the aggregate amount of Advances heretofore made by each Vogtle Units 3&4 Project Entity under its DOE Loan Guarantee Agreement, see “*Outstanding Indebtedness of Vogtle Units 3&4 Project Entities*” above. See, also, the sixth paragraph under “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – DOE Guaranteed Loans*” herein for a discussion of certain other conditions precedent to the making of Advances under the DOE Loan Guarantee Agreements provided for in the LGA Amendments.

Terms of DOE Guaranteed Loans. Each DOE Guaranteed Loan has a final maturity date of April 2, 2045. Each Advance to a Vogtle Units 3&4 Project Entity under its DOE Guaranteed Loan is evidenced

by a promissory note issued by such Vogtle Units 3&4 Project Entity to, and purchased by, FFB on the Guarantee Issuance Date (each, an “FFB Promissory Note”), each of which FFB Promissory Notes has been guaranteed by DOE. The maximum amount that a Vogtle Units 3&4 Project Entity may borrow under its DOE Guaranteed Loan and capitalized interest thereon (the “FFB Credit Facility Commitment”) has been allocated among the various FFB Promissory Notes of such Vogtle Units 3&4 Project Entity and the Advances evidenced by each such FFB Promissory Note will bear interest as specified therein at a rate that either (a) is fixed to maturity or (b) may be reset not more frequently than quarterly, in each such case, at a rate determined by FFB equal to the sum of (i) a rate based on a United States Treasury yield for a comparable maturity, plus (ii) a spread equal to three-eighths of 1 percent per annum (0.375%).

Principal of the Advances and capitalized interest thereon, if applicable, evidenced by a particular FFB Promissory Note is, as specified in such FFB Promissory Note, payable (a) in quarterly installments on a fully amortizing level debt service basis during the period commencing (i) in the case of principal and capitalized interest (if applicable) allocable to Generation Station Vogtle Unit No. 3, on October 2, 2019 and (ii) in the case of principal and capitalized interest (if applicable) allocable to Generation Station Vogtle Unit No. 4, on October 2, 2020 and, in each such case, ending on the maturity date thereof, (b) as a “bullet” maturity due on the maturity date thereof or (c) in quarterly installments on an amortizing, pre-determined principal payment basis that was intended to provide level debt service over an assumed 40-year period (and was calculated prior to the Guarantee Issuance Date, before the interest rates on the initial Advances were determined), during the period commencing (i) in the case of principal and capitalized interest (if applicable) allocable to Generation Station Vogtle Unit No. 3, on October 2, 2019 and (ii) in the case of principal and capitalized interest (if applicable) allocable to Generation Station Vogtle Unit No. 4, on October 2, 2020 and, in each such case, ending on the maturity date thereof, with the remaining principal due in a “bullet” at the maturity date of the DOE Guarantee Loan. All overdue amounts on a DOE Guaranteed Loan will accrue interest at a late charge rate equal to one and one-half times the rate to be determined by the Secretary of the Treasury taking into consideration the prevailing market yield on the remaining maturity of the most recently auctioned 13-week United States Treasury bills.

The DOE Guaranteed Loans are subject to mandatory and voluntary prepayment provisions. Each Vogtle Units 3&4 Project Entity is obligated to make mandatory prepayments of its DOE Guaranteed Loan upon the occurrence of certain events, including (i) at DOE’s request, in the event of (and pro-rata to) any prepayment of any of the applicable Vogtle Units 3&4 Bonds, other than (x) a refunding or refinancing of the applicable Vogtle Units 3&4 Bonds, (y) any repayment of the portion of the applicable Vogtle Units 3&4 Bonds whose proceeds were used to finance financing and operating costs during or attributable to the period of a delay in Vogtle Units 3&4 for which delay damages were paid, or to reimburse MEAG Power or the applicable Vogtle Units 3&4 Project Entity for financing and operating costs paid by MEAG Power or the applicable Vogtle Units 3&4 Project Entity (in the case of MEAG Power, from sources other than applicable Vogtle Units 3&4 Bonds) during or attributable to the period of such delay (without any double-counting between amounts) or (z) after commercial operation of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation, a redemption of the applicable Vogtle Units 3&4 Bonds with the proceeds of such Vogtle Units 3&4 Bonds that are not needed to satisfy any remaining Project Costs, with the proceeds of insurance to the extent such proceeds are not used to rebuild or restore Vogtle Units 3&4 or upon a total loss to either unit, (ii) after the Last Day for an Advance, if the amount of Advances Made (as defined in the applicable DOE Loan Guarantee Agreement) exceeds the principal amount of any previously made prepayments plus the applicable DOE Leverage Percentage of Eligible Project Costs Paid (each as defined in the applicable DOE Loan Guarantee Agreement) and (iii) cash reimbursements of disputed amounts of Eligible Project Costs Paid under the EPC Contract following the resolution of such dispute or cash proceeds from Toshiba under the Toshiba Guarantee or the Guarantee Settlement Agreement. See “SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS –DOE LOAN GUARANTEE AGREEMENTS – Mandatory Prepayment of DOE Guaranteed Loans” in APPENDIX O hereto.

*Collateral.* Each DOE Loan Guarantee Agreement provides that the DOE Guaranteed Loan thereunder is secured by various assets (collectively, the “Collateral”), including, among other things, the applicable Vogtle Units 3&4 Project Entity’s rights or interests in: (i) Vogtle Units 3&4, (ii) all governmental approvals and permits for Vogtle Units 3&4, (iii) the project documents and other contracts and agreements relating to Vogtle Units 3&4, (iv) nuclear fuel purchased for Vogtle Units 3&4, (v) all revenues, accounts receivable, investment property of or equity contributions to such Vogtle Units 3&4 Project Entity, including the Project Accounts established pursuant to the Collateral Agency and Accounts Agreement, dated as of June 24, 2015, among such Vogtle Units 3&4 Project Entity, DOE and the DOE Collateral Agent (such Agreements are referred to herein respectively as the “Project M DOE Accounts Agreement,” the “Project J DOE Accounts Agreement” and the “Project P DOE Accounts Agreement” and, collectively, as the “DOE Accounts Agreements”), (vi) subject to certain requirements of the NRC and other limitations, the accounts in the Decommissioning Trust established with respect to the applicable Vogtle Units 3&4 Project (the “Vogtle Units 3&4 Decommissioning Trusts”), and (vii) the Shared Trust Estate established under the applicable Vogtle Units 3&4 Bond Resolution. Each DOE Guaranteed Loan also is secured by MEAG Power’s pledge of its equity interest in the applicable Vogtle Units 3&4 Project Entity.

For a discussion of the Project Accounts established pursuant to each DOE Accounts Agreement and the application of amounts on deposit therein, see “SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS – DOE COLLATERAL AGENCY AND ACCOUNTS AGREEMENTS” in APPENDIX O hereto.

Security interests in each Vogtle Units 3&4 Project Entity’s Collateral have been granted in favor of the DOE Collateral Agent. The DOE Guaranteed Loans are not subordinate to any loan or other debt obligation and DOE has a first-priority perfected security interest in the Collateral, subject only to customary permitted liens, the arrangements relating to the flow of funds and, in the case of the Shared Trust Estate, the shared pledge thereof and lien thereon in favor of the holders of the related Vogtle Units 3&4 Bonds.

*Covenants and Agreements of the Vogtle Units 3&4 Project Entities.* Each Vogtle Units 3&4 Project Entity has made certain covenants and agreements with DOE in its DOE Loan Guarantee Agreement. For a discussion of certain of such covenants and agreements, see “SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS –DOE LOAN GUARANTEE AGREEMENTS – Affirmative Covenants Under DOE Loan Guarantee Agreements” and “– Negative Covenants Under DOE Loan Guarantee Agreements” in APPENDIX O hereto.

*DOE Events of Default and Remedies.* Upon the occurrence and continuance of a DOE Event of Default under a DOE Loan Guarantee Agreement, DOE is permitted to exercise any or all rights and remedies at law or in equity (in any combination or order that DOE may elect), including, without prejudice to DOE’s other rights and remedies, the remedies described under “SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS –DOE LOAN GUARANTEE AGREEMENTS – Rights and Remedies of DOE” in APPENDIX O hereto. A default under one DOE Loan Guarantee Agreement does not constitute a default under either other DOE Loan Guarantee Agreement.

In the case of the Project J DOE Loan Guarantee Agreement and the Project P DOE Loan Guarantee Agreement, the rights of DOE following the occurrence and during the continuance of a DOE Event of Default thereunder are subject to several limitations and restrictions during a specified standstill period (the “Standstill Period”). In general, for purposes of the applicable Federal Loan Documents, “Standstill Period” means any period after the occurrence and during the continuance of a DOE Event of Default that results from (i) the failure of JEA (in the case of the Project J DOE Loan Guarantee Agreement) or PowerSouth (in the case of the Project P DOE Loan Guarantee Agreement) to satisfy its payment obligations under its Vogtle Units 3&4 PPA, (ii) the premature termination of the applicable Vogtle Units 3&4 PPA as a result of an insolvency proceeding of JEA or PowerSouth, as applicable, (iii) an insolvency proceeding having been commenced by or against JEA or PowerSouth, as applicable, or (iv) a failure of the applicable Vogtle

Units 3&4 Project Entity to comply with covenants under its DOE Loan Guarantee Agreement requiring the payment or deposit of funds (including deposits to or transfers from the Project Accounts, the Local Account, the Vogtle Units 3&4 Decommissioning Trusts and the Shared Collateral Accounts) as a result of an insufficiency of funds resulting from a payment default of JEA or PowerSouth, as the case may be.

During the Standstill Period, DOE agrees not to exercise certain of the remedies specified in the applicable DOE Loan Guarantee Agreement, including (a) its right to accelerate the maturity of the applicable Vogtle Units 3&4 Project Entity's DOE Guaranteed Loan and (b) its right to enter into possession of the Collateral (or any portion thereof). For a further discussion of (i) the circumstances under which a Standstill Period may arise, (ii) the limitations on the exercise of DOE's rights and remedies during a Standstill Period and (iii) the circumstances under which a Standstill Period shall terminate, see "SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS –DOE LOAN GUARANTEE AGREEMENTS – Rights and Remedies of DOE – *Rights and Remedies of DOE Under Project J DOE Loan Guarantee Agreement During a Standstill Period*" and "– *Rights and Remedies of DOE Under Project P DOE Loan Guarantee Agreement During a Standstill Period*" in APPENDIX O hereto.

## **Security for MEAG Power's Senior Bonds**

### ***Project One Senior Bonds***

**Pledge.** The Project One Senior Bonds are payable from and secured by a pledge of the revenues of MEAG Power attributable to Project One after payment of operating expenses relating thereto, as well as by a pledge of the Construction Fund, the Debt Service Fund and all other funds established by the Project One Resolution. The Project One Resolution permits the issuance of additional Project One Senior Bonds for certain purposes relating to Project One.

**Power Sales Contracts.** Under the separate Project One Power Sales Contract with each Initial Participant, MEAG Power has agreed to provide to such Participant, and such Participant has agreed to take from MEAG Power, output and services from Project One and related reserve, emergency and interchange service as may be available for the useful life thereof. Each Project One Power Sales Contract provides that a specified percentage of the net power and energy produced by Project One is to be delivered to the Initial Participant and that such Participant is to pay a corresponding percentage of MEAG Power's costs (including scheduled debt service, unless paid or provided for from the proceeds of Project One Senior Bonds or Project One Subordinated Bonds) resulting from the ownership, operation and maintenance of, and renewals and replacements to, Project One. Such payments are required to be made by the Initial Participant whether or not Project One or any part thereof is operating or operable or its output is suspended, interrupted, interfered with, reduced, curtailed or terminated in whole or in part. Such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatever. Payments made for power and energy from Project One sold to others, including GPC, are credited to the accounts of the Initial Participants. As a result of the Term Extension Amendments, each power sales contract for Project One will continue in full force and effect until June 1, 2054. As more fully discussed under "INTRODUCTORY STATEMENT – The Participants" herein, (a) each of the Initial Participants has agreed to provide a portion of its Project One Entitlement Share to Oxford and (b) Sylvania has agreed to provide a portion of its Project One Entitlement Share to Acworth, but each Initial Participant remains obligated for the payment of all costs associated with the portion(s) of its Entitlement Share so provided. The Project One power sales contracts between MEAG Power and Oxford and Acworth are substantially identical to the Project One Power Sales Contracts between MEAG Power and the Initial Participants.

In the court proceedings relating to the initial validation of the Project One Senior Bonds, the Georgia Supreme Court affirmed the lower court's decision that each of the Initial Participant's payment obligations under its Project One Power Sales Contract are general obligations to the payment of which its full faith and credit are pledged, that all terms and provisions of the Project One Power Sales Contracts are

valid and binding upon the Initial Participants and that the Project One Power Sales Contracts are enforceable. So long as electric power and energy are actually received by a Participant from any facility of Project One, payments are required to be made as a cost of power and energy of the Participant's electric system and as an expense of operation and maintenance thereof. Each Participant has covenanted to maintain and collect rates to provide revenues sufficient, together with available electric system reserves, to make such payments. If payment is not made from the revenues of the electric system of the Participant or from other funds thereof, the Participant is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make the payments required under its Project One power sales contract. If any such provision or appropriation is not made for a fiscal year, then the chief fiscal officer of the Participant is required, in accordance with the provisions of the Act, to set up as an appropriation on the accounts of the Participant the amounts required to pay its obligations under its Project One power sales contract, and such appropriation will have the same legal status as if the Participant had included the amount of the appropriation in its general revenue or appropriation measure. MEAG Power's remedies under each Project One power sales contract include specific performance to compel the Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder.

**Debt Service Reserve Account.** The Project One Resolution establishes a Debt Service Reserve Account in the Debt Service Fund and requires that such Account be funded in an amount equal to the Debt Service Reserve Requirement, which is defined to mean, as of any date of calculation, an amount equal to the greatest amount of the Aggregate Debt Service (as defined in "SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Definitions – *The Project One Resolution*" in APPENDIX F hereto) on the Project One Senior Bonds for the current or any future calendar year. The Project One Resolution provides that, in lieu of depositing monies in the Debt Service Reserve Account, or in substitution for monies previously deposited in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty (as such term is defined in the Project One Resolution) for deposit into the Debt Service Reserve Account. See "SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Debt Service Reserve Accounts – Deposit of Financial Guaranty" in APPENDIX F hereto. The Debt Service Reserve Account was funded with a Financial Guaranty in the form of a Debt Service Reserve Surety Bond (the "MBIA Surety Bond") issued by MBIA Insurance Corporation ("MBIA"). The MBIA Surety Bond also funded the Debt Service Reserve Account in the Debt Service Fund established under the General Resolution Projects Resolution. See "*General Resolution Projects Senior Bonds – Debt Service Reserve Account*" below. As a result of Moody's downgrade of the insurance financial strength rating of MBIA, MEAG Power was required to replace the MBIA Surety Bond. In September 2008, MEAG Power borrowed approximately \$168,350,000 pursuant to two credit agreements entered into between MEAG Power and a commercial bank with respect to Project One and the General Resolution Projects, respectively (together, the "DSRA Credit Agreements") in order to fund, in part, the amount required to replace the MBIA Surety Bond. The balance of the funds required to replace the MBIA Surety Bond was provided from a portion of the proceeds of the Project One Series 2008D Subordinated Bonds and the General Resolution Projects Series 2008C Subordinated Bonds (collectively, the "Series 2008D&C Subordinated Bonds") issued by MEAG Power in November 2008.

**Rate Covenant.** MEAG Power has covenanted in the Project One Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of Project One as required to provide revenues at least sufficient in each calendar year, together with other available funds, for the payment during such calendar year of operating expenses, scheduled debt service on Project One Senior Bonds and Project One Subordinated Bonds, amounts required for reserves under the Project One Resolution, and all other charges or liens payable from such revenues.

**Nature of Obligation.** The Project One Senior Bonds do not constitute a debt or a loan or pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, other than MEAG Power. The issuance of Project One Senior Bonds does not obligate the State of Georgia or any political subdivision thereof to levy or pledge any form of taxation for the payment thereof. No person has the right

to enforce payment of any Project One Senior Bond against any property of the State of Georgia or of any political subdivision thereof, other than MEAG Power, nor does any Project One Senior Bond constitute a charge, lien or encumbrance upon any such property. However, in the Project One Resolution, MEAG Power has covenanted to enforce the obligation of any Participant to pay the amounts required by its Project One Power Sales Contract, which is an obligation of the Participant to the payment of which its full faith and credit are pledged.

**Additional Project One Senior Bonds.** The issuance of any series of Project One Senior Bonds is conditioned upon the deposit of an amount in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Project One Resolution such that, giving effect to the issuance of such series of Project One Senior Bonds, the balance in such Account equals the Debt Service Reserve Requirement therefor. The Project One Resolution also provides that an irrevocable and unconditional policy of insurance or surety bond meeting certain requirements set forth in the Project One Resolution may be deposited in the Debt Service Reserve Account to satisfy the Debt Service Reserve Requirement. See “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Debt Service Reserve Accounts – Deposit of Financial Guaranty” in APPENDIX F hereto.

**Proposed Amendments to the Project One Resolution.** On December 16, 2011, MEAG Power adopted the Project One Amendatory Supplemental Resolution for the purpose of making certain amendments to the Project One Resolution. For a description of such amendments and the conditions to the effectiveness thereof, see “*Proposed Amendments to the Project One Resolution and the General Resolution Projects Resolution*” below. At such time as such amendments become effective, they will apply to all Project One Senior Bonds then Outstanding.

### ***General Resolution Projects Senior Bonds***

**Pledge.** The General Resolution Projects Senior Bonds are payable from and secured by a pledge of the revenues of MEAG Power attributable to the General Resolution Projects after payment of operating expenses relating thereto, as well as by a pledge of the Construction Fund, the Debt Service Fund and all other funds established by the General Resolution Projects Resolution. The General Resolution Projects Resolution permits the issuance of additional General Resolution Projects Senior Bonds for certain purposes relating to the Existing General Resolution Projects and, upon satisfaction of the conditions described under “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Additional Senior Bonds – *The General Resolution Projects Resolution*” in APPENDIX F hereto, to finance additional projects (“Additional General Resolution Projects”).

**Power Sales Contracts.** Under the separate Power Sales Contracts for each of the Existing General Resolution Projects with each Initial Participant, and under the separate Power Sales Contracts for Project Two and Project Three with Oxford, MEAG Power has agreed to provide to such Participant, and such Participant has agreed to take from MEAG Power, such output and services from the applicable Project and related reserve, emergency and interchange service as may be available for the useful life thereof. Such Participants are required to make payments therefor according to rates and charges established by MEAG Power to produce revenues sufficient to pay MEAG Power’s costs attributable to the applicable Project, including scheduled debt service on General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds issued to finance such Project. In general, the Power Sales Contracts for each Existing General Resolution Project provide that if, at any time, (i) such Project is declared by MEAG Power to be totally and permanently retired from service or (ii) such Project is totally, but not permanently, out of service and MEAG Power is unable to provide service from alternate sources, then each such Participant will remain liable to pay a fixed percentage, referred to as an “Obligation Share,” of MEAG Power’s costs attributable to such Project. In case of a default by such a Participant under its Power Sales Contract relating to any Existing General Resolution Project, such Participant would remain liable to pay the greater of its Obligation Share of MEAG Power’s costs attributable to such Project or the amount



determined to be due under the rates and charges established by MEAG Power. A Participant's Obligation Share with respect to either Project Two or Project Three would be fixed by MEAG Power under a formula based generally upon such Participant's historical demand in excess of capacity delivered by MEAG Power from Project One relative to such historical demands for all Participants. An Initial Participant's Obligation Share with respect to Project Four is a percentage specified in its Project Four Power Sales Contract. If at any time an Existing General Resolution Project is totally and permanently retired from service, or is totally out of service but not permanently retired and MEAG Power is unable to provide service from alternate sources, the sum of all Participants' Obligation Shares for such Project is required to equal 100 percent. As more fully discussed under "INTRODUCTORY STATEMENT – The Participants" herein, each of the Initial Participants has agreed to provide a portion of its Project Four Obligation Share to Oxford, but each Initial Participant remains obligated for the payment of all costs associated with the portion of its Obligation Share so provided. The Project Four power sales contract between MEAG Power and Oxford is substantially identical to the Project Four Power Sales Contracts between MEAG Power and the Initial Participants.

Payments under the Existing General Resolution Projects Power Sales Contracts are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatever. Payments made for power and energy from the Existing General Resolution Projects sold to others, including GPC, are credited to the accounts of the Participants. As a result of the Term Extension Amendments, each power sales contract for the Existing General Resolution Projects will continue in full force and effect until June 1, 2054. See "INTRODUCTORY STATEMENT – The Participants" herein for a discussion of the allocation among the Participants of the output and services and the costs of the Existing General Resolution Projects during the term extension period under the Term Extension Amendments.

In the separate court proceedings relating to validation of the General Resolution Project Senior Bonds authorized to finance each of the Existing General Resolution Projects, the Superior Court of Fulton County, Georgia ruled that each of the Initial Participant's payment obligations under its Existing General Resolution Projects Power Sales Contracts are general obligations to the payment of which its full faith and credit is pledged, that all terms and provisions thereof are valid and binding upon the Initial Participants and that the Existing General Resolution Projects Power Sales Contracts are enforceable. The Power Sales Contracts relating to each Existing General Resolution Project provide that, so long as electric power and energy are actually received by a Participant from any facility of such Project, payments are required to be made as a cost of purchased power and energy of the Participant's electric system and as an expense of operation and maintenance thereof. Each Participant has covenanted to maintain and collect rates to provide revenues sufficient, together with available electric system reserves, to make such payments. If payments required for any such Project are not made from revenues of the electric system of the Participant or from other funds thereof, the Participant is required under its applicable power sales contract to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make the required payments. If any such provision or appropriation is not made for a fiscal year, then the chief fiscal officer of the Participant is required, in accordance with the provisions of the Act, to set up as an appropriation on the accounts of the Participant the amounts required to pay its obligation under its applicable power sales contract, and such appropriation will have the same legal status as if the Participant had included the amount of the appropriation in its general revenue or appropriation measure. MEAG Power's remedies under each Existing General Resolution Projects power sales contract include specific performance to compel the Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder.

**Debt Service Reserve Account.** The General Resolution Projects Resolution establishes a Debt Service Reserve Account in the Debt Service Fund and requires that such Account be funded in an amount equal to the Debt Service Reserve Requirement, which is defined to mean, as of any date of calculation, an amount equal to the greatest amount of the Aggregate Debt Service (as defined in "SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Definitions – *The Project One Resolution*" in APPENDIX F hereto) on the General Resolution Projects

Senior Bonds for the current or any future calendar year. The General Resolution Projects Resolution provides that, in lieu of depositing monies in the Debt Service Reserve Account, or in substitution for monies previously deposited in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty (as such term is defined in the General Resolution Projects Resolution) for deposit into the Debt Service Reserve Account. See “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Debt Service Reserve Accounts – Deposit of Financial Guaranty” in APPENDIX F hereto. The Debt Service Reserve Account was funded with the MBIA Surety Bond. The MBIA Surety Bond also funded the Debt Service Reserve Account in the Debt Service Fund established under the Project One Resolution. See “*Project One Senior Bonds – Debt Service Reserve Account*” above. As a result of Moody’s downgrade of the insurance financial strength rating of MBIA, MEAG Power was required to replace the MBIA Surety Bond. In September 2008, MEAG Power borrowed approximately \$168,350,000 pursuant to the DSRA Credit Agreements in order to fund, in part, the amount required to replace the MBIA Surety Bond. The balance of the funds required to replace the MBIA Surety Bond was provided from a portion of the proceeds of the Series 2008D&C Subordinated Bonds issued by MEAG Power in November 2008.

**Rate Covenant.** MEAG Power has covenanted in the General Resolution Projects Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of all General Resolution Projects as required to provide revenues at least sufficient in each calendar year, together with other available funds, for the payment during such calendar year of operating expenses, scheduled debt service on all General Resolution Projects Senior Bonds and General Resolution Projects Subordinated Bonds, amounts required for reserves under the General Resolution Projects Resolution, and all other charges or liens payable from such revenues.

**Nature of Obligation.** The General Resolution Projects Senior Bonds do not constitute a debt or a loan or pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, other than MEAG Power. The issuance of General Resolution Projects Senior Bonds does not obligate the State of Georgia or any political subdivision thereof to levy or pledge any form of taxation for the payment thereof. No person has the right to enforce payment of any General Resolution Projects Senior Bond against any property of the State of Georgia or of any political subdivision thereof, other than MEAG Power, nor does any General Resolution Projects Senior Bond constitute a charge, lien or encumbrance upon any such property. However, in the General Resolution Projects Resolution, MEAG Power has covenanted to enforce the obligation of any Participant to pay the amounts required under any Power Sales Contract the revenues of which are pledged under the General Resolution Projects Resolution, which is an obligation of the Participant to the payment of which its full faith and credit are pledged.

**Additional General Resolution Projects Senior Bonds.** The issuance of any series of General Resolution Projects Senior Bonds is conditioned upon the deposit of an amount in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the General Resolution Projects Resolution such that, giving effect to the issuance of such series of General Resolution Projects Senior Bonds, the balance in such Account equals the Debt Service Reserve Requirement therefor. The General Resolution Projects Resolution also provides that an irrevocable and unconditional policy of insurance or surety bond meeting certain requirements set forth in the General Resolution Projects Resolution may be deposited in the Debt Service Reserve Account to satisfy the Debt Service Reserve Requirement. See “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Debt Service Reserve Accounts – Deposit of Financial Guaranty” in APPENDIX F hereto.

**Proposed Amendments to the General Resolution Projects Resolution.** On December 16, 2011, MEAG Power adopted the General Resolution Projects Amendatory Supplemental Resolution for the purpose of making certain amendments to the General Resolution Projects Resolution. For a description of such amendments and the conditions to the effectiveness thereof, see “*Proposed Amendments to the Project One Resolution and the General Resolution Projects Resolution*” below. At such time as such

amendments become effective, they will apply to all General Resolution Projects Senior Bonds then Outstanding.

***Proposed Amendments to the Project One Resolution  
and the General Resolution Projects Resolution***

**General.** On December 16, 2011, MEAG Power adopted the Amendatory Supplemental Resolutions for the purpose of making certain amendments to the Project One Resolution and the General Resolution Projects Resolution, respectively. The Project One Resolution and the General Resolution Projects Resolution are referred to herein collectively as the “Resolutions,” and the Project One Senior Bonds and the General Resolution Project Senior Bonds are referred to herein collectively as the “Senior Bonds.” See “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Amendatory Supplemental Resolutions” in APPENDIX F hereto.

**Description of Proposed Amendments.** The Amendatory Supplemental Resolutions contain amendments to certain provisions of the applicable Resolution that will become effective on the date on which all Senior Bonds Outstanding under the applicable Resolution at December 16, 2011 (the date of adoption of the Amendatory Supplemental Resolutions) cease to be Outstanding thereunder. The latest maturity date of any such Project One Senior Bonds is January 1, 2026, and the latest maturity date of any such General Resolution Projects Senior Bonds is January 1, 2025. Set forth below is a description of the proposed amendments to the Resolutions contained in the Amendatory Supplemental Resolutions. Upon their effectiveness, such amendments will apply to all Senior Bonds then Outstanding under the applicable Resolution and will be binding upon the Holders thereof. Although the description below refers to the proposed amendments to only one Resolution, it is equally applicable to the proposed amendments to both Resolutions, which are substantially the same.

**Amendments Relating  
to Redemptions**

- Allow MEAG Power to reserve the right to revoke any notice of redemption given at its election or direction and provide that the obligation of MEAG Power to redeem Senior Bonds called for redemption will be conditioned on sufficient moneys being available to pay the redemption price

**Amendments Relating  
to Certain Future  
Amendments**

- Allow the Trustee to consent to any amendment it determines will not have a material adverse effect on the interests of bondholders
- In the case of any amendment that currently would require the consent of the Holders of two-thirds in principal amount of all Senior Bonds Outstanding, reduce such requirement to a majority in principal amount of the Senior Bonds affected by such amendment
- Permit MEAG Power to provide, in connection with the initial issuance of a Series of Senior Bonds, that the Holders of such Senior Bonds are deemed to have consented to a particular amendment, so that such Holders will not have the right to revoke such consent

**Effectiveness of Amendments Contained in the Amendatory Supplemental Resolutions.** The various amendments to the Project One Resolution and the General Resolution Projects Resolution contained in the Amendatory Supplemental Resolutions, respectively, will become effective upon the satisfaction of the conditions to the effectiveness thereof contained in the Project One Resolution and the General Resolution Projects Resolution, respectively. Such conditions include: (1) all Project One Senior Bonds or General Resolution Projects Senior Bonds, as applicable, Outstanding under the applicable Resolution at December 16, 2011 (the date of adoption of the Amendatory Supplemental Resolutions) shall cease to be Outstanding thereunder and (2) there shall have been filed with the Trustee an opinion of counsel to the effect that the applicable Amendatory Supplemental Resolution has been duly and lawfully adopted

by MEAG Power in accordance with the provisions of the Project One Resolution or the General Resolution Projects Resolution, as applicable, is authorized or permitted by such resolution, and is valid and binding upon MEAG Power and enforceable in accordance with its terms (which opinion was filed with the Trustee on December 21, 2011). At such time as such amendments become effective, they will apply to all Outstanding Project One Senior Bonds and all Outstanding General Resolution Projects Senior Bonds, as applicable. The latest maturity date of any Project One Senior Bonds Outstanding at the date of adoption of the Project One Amendatory Supplemental Resolution was January 1, 2026, and the latest maturity date of any General Resolution Projects Senior Bonds Outstanding at the date of adoption of the General Resolution Projects Amendatory Supplemental Resolution was January 1, 2025.

## **Security for MEAG Power's Subordinated Bonds**

### ***Project One Subordinated Bonds***

The Project One Subordinated Bonds are direct and general obligations of MEAG Power subject, however, to the prior pledge of any revenues or funds of MEAG Power to holders of the Project One Senior Bonds or other evidences of indebtedness. The Project One Subordinated Bonds are payable from available funds of MEAG Power, including the proceeds of Project One Subordinated Bonds and other indebtedness and revenues from Project One after payment of operating expenses and debt service on Project One Senior Bonds, but prior to the payment of amounts required to be deposited in the Reserve and Contingency Fund established pursuant to the Project One Resolution. Pursuant to the Project One Resolution, the Subordinated Bond Fund established thereunder, including the investments, if any, thereof, is pledged and assigned for the payment of the principal of and premium, if any, and interest on the Project One Subordinated Bonds provided that any debt service reserve established therein in respect of any series of Project One Subordinated Bonds will secure only such Project One Subordinated Bonds. Such pledge and assignment is subordinate in all respects to the pledge under the Project One Resolution of all funds thereunder as security for the Project One Senior Bonds. Except as described in the next paragraph, MEAG Power has agreed that it will not create or permit to exist any lien on any proceeds of Project One Senior Bonds to secure any bonds, notes or other evidences of indebtedness, other than Project One Senior Bonds, unless the Project One Subordinated Bonds are secured by such proceeds on a parity with or superior to such lien.

Under the Project One Subordinated Resolution, MEAG Power may create or permit to exist a lien on proceeds of Project One Senior Bonds to secure indebtedness owing to one or more banks which is not evidenced by Project One Subordinated Bonds and the aggregate principal amount of which does not at any time exceed \$150,000,000. As of December 31, 2017, \$15,850,000 was outstanding under the Project One Revolving Credit Agreement. As of April 30, 2018, \$27,250,000 was outstanding under the Project One Revolving Credit Agreement. Any indebtedness outstanding from time to time under the Project One Revolving Credit Agreement is secured by a pledge of proceeds of any Project One Senior Bonds issued from and after the earlier of any default under the Project One Revolving Credit Agreement or the date 90 days prior to the termination date until such notes are repaid in full. Total borrowings under the Project One Revolving Credit Agreement, the General Resolution Projects Revolving Credit Agreement and the CC Project Revolving Credit Agreement may not exceed \$125,000,000 at any one time. See “*General Resolution Projects Subordinated Bonds*” and “*Security for MEAG Power's CC Bonds – CC Project Revolving Credit Agreement*” below. Following an event of default under the Project One Revolving Credit Agreement, the banks have the right, subject to certain conditions, to exchange notes held thereunder for Project One Senior Bonds. See “SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA – Rating Triggers and Other Factors That Could Affect MEAG Power's Liquidity, Results of Operations or Financial Condition – *Revolving Credit Agreements*” herein.

The Project One Subordinated Bonds do not constitute a debt or a loan or pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, other than MEAG Power. The issuance of Project One Subordinated Bonds does not obligate the State of Georgia or any political subdivision

thereof to levy or pledge any form of taxation for the payment thereof. No person has the right to enforce payment of any Project One Subordinated Bond against any property of the State of Georgia or of any political subdivision thereof, other than MEAG Power, nor does any Project One Subordinated Bond constitute a charge, lien or encumbrance upon any such property. However, in the Project One Resolution, MEAG Power has covenanted to enforce the obligation of any Participant to pay the amounts required by its Project One power sales contract, which is an obligation of the Participant to the payment of which its full faith and credit are pledged.

### ***General Resolution Projects Subordinated Bonds***

The General Resolution Projects Subordinated Bonds are direct and general obligations of MEAG Power subject, however, to the prior pledge of any revenues or funds of MEAG Power to holders of the General Resolution Projects Senior Bonds or other evidences of indebtedness. The General Resolution Projects Subordinated Bonds are payable from available funds of MEAG Power, including the proceeds of General Resolution Projects Subordinated Bonds and other indebtedness and revenues from Existing General Resolution Projects after payment of operating expenses and debt service on General Resolution Projects Senior Bonds, but prior to the payment of amounts required to be deposited in the Reserve and Contingency Fund established pursuant to the General Resolution Projects Resolution. Pursuant to the General Resolution Projects Resolution, the Subordinated Bond Fund established thereunder, including the investments, if any, thereof, is pledged and assigned for the payment of the principal of and premium, if any, and interest on the General Resolution Projects Subordinated Bonds provided that any debt service reserve established therein in respect of any series of General Resolution Projects Subordinated Bonds will secure only such General Resolution Projects Subordinated Bonds. Such pledge and assignment is subordinate in all respects to the pledge under the General Resolution Projects Resolution of all funds thereunder as security for the General Resolution Projects Senior Bonds.

Under the General Resolution Projects Subordinated Resolution, MEAG Power may create or permit to exist a lien on proceeds of General Resolution Projects Senior Bonds to secure indebtedness owing to one or more banks which is not evidenced by General Resolution Projects Subordinated Bonds. As of December 31, 2017, \$2,601,000 was outstanding under the General Resolution Projects Revolving Credit Agreement. As of April 30, 2018, \$3,001,000 was outstanding under the General Resolution Projects Revolving Credit Agreement. Any indebtedness outstanding from time to time under the General Resolution Projects Revolving Credit Agreement is secured by a pledge of proceeds of any General Resolution Projects Senior Bonds issued from and after the earlier of any default under the General Resolution Projects Revolving Credit Agreement or the date 90 days prior to the termination date until such notes are repaid in full. Total borrowings under the General Resolution Projects Revolving Credit Agreement, the Project One Revolving Credit Agreement and the CC Project Revolving Credit Agreement may not exceed \$125,000,000 at any one time. See “*Project One Subordinated Bonds*” above and “*Security for MEAG Power’s CC Bonds – CC Project Revolving Credit Agreement*” below. Following an event of default under the General Resolution Projects Revolving Credit Agreement, the banks have the right, subject to certain conditions, to exchange notes held thereunder for General Resolution Projects Senior Bonds. See “*SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA – Rating Triggers and Other Factors That Could Affect MEAG Power’s Liquidity, Results of Operations or Financial Condition – Revolving Credit Agreements*” herein.

The General Resolution Projects Subordinated Bonds do not constitute a debt or a loan or pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, other than MEAG Power. The issuance of General Resolution Projects Subordinated Bonds does not obligate the State of Georgia or any political subdivision thereof to levy or pledge any form of taxation for the payment thereof. No person has the right to enforce payment of any General Resolution Projects Subordinated Bond against any property of the State of Georgia or of any political subdivision thereof, other than MEAG Power, nor does any General Resolution Projects Subordinated Bond constitute a charge, lien or encumbrance upon any such property. However, in the General Resolution Projects Resolution, MEAG Power has covenanted

to enforce the obligation of any Participant to pay the amounts required by its Existing General Resolution Projects power sales contract, which is an obligation of the Participant to the payment of which its full faith and credit are pledged.

### **Security for MEAG Power's CC Bonds**

**The CC Contracts.** Under the separate CC Contracts with each CC Participant, MEAG Power has agreed to provide to such CC Participant, and such CC Participant has agreed to take from MEAG Power, output and services from the CC Project. Each CC Contract provides that a specified percentage of the power and energy produced by the CC Project is to be delivered to the CC Participant and that such CC Participant is to pay a corresponding percentage of MEAG Power's costs (including scheduled debt service, except as provided in the third following paragraph and unless paid or provided for from the proceeds of CC Bonds) resulting from the ownership, operation and maintenance of, and renewals and replacements to, the CC Project. Each CC Participant also is obligated to pay its Embedded Simple Cycle Obligation Share of Embedded Simple Cycle Debt Related Costs. All such payments are required to be made by the CC Participant whether or not the CC Project has been completed or is operating or operable or its output is suspended, interrupted, interfered with, reduced, curtailed or terminated in whole or in part. Such payments are not subject to reduction whether by offset or otherwise and are not conditioned upon the performance or nonperformance by any party of any agreement for any cause whatever. Payments made for power and energy from the CC Project sold to others are to be credited to the accounts of the CC Participants. Each of the CC Contracts with the Initial Participants became effective on July 15, 2003 and will continue in full force and effect until such time as all CC Bonds have been paid or provision has been made for their payment or until such time as the CC Project is retired from service or disposed of by MEAG Power, whichever is later, but in no event longer than 50 years from July 15, 2003 (unless extended either through amendment or replacement with another contract; see the fourth paragraph under "INTRODUCTORY STATEMENT – The Participants" herein). Each of the Additional CC Contracts will continue in full force and effect until the termination of the CC Contracts with the Initial Participants.

Each CC Participant is obligated to pay only its own share of Debt Service on the CC Bonds of each series (determined as provided in the CC Contracts), with no "step-up" provisions obligating it to pay additional amounts in the event of a default by another CC Participant. As a result, any failure by a CC Participant to pay in full any billing statement rendered to it by MEAG Power may result in insufficient funds being available to pay the full amount of Debt Service due on the CC Bonds, and would require MEAG Power to pursue its remedies under such CC Participant's CC Contract to obtain sufficient funds. Pursuant to Section 702 of the CC Project power sales contracts, each Participant in the CC Project may assign a portion of its CC Project output to other Participants in the CC Project. As discussed herein, these transactions are facilitated by MEAG Power through the execution of additional power sales contracts, if applicable, and assignment agreements. In the event that the assignee defaults in connection with its obligations under its respective CC Project power sales contract pertaining to the assigned amounts, the assigning Participant shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. During the period of such default, the assigning Participant shall be entitled to the output associated with the assigned rights of the defaulting party.

As is discussed more fully below, each CC Participant's payment obligations under its CC Contract are general obligations to the payment of which its full faith and credit are pledged, and MEAG Power's remedies under each CC Contract include specific performance to compel the CC Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder. In addition, MEAG Power currently maintains certain reserves under the CC Bond Resolution (including, without limitation, amounts on deposit in the sub-subaccount in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund established with respect to each CC Participant (see "Pledge" below) and at least 45 days of working capital) which are available to be used to pay Debt Service on the CC Bonds during any period during which MEAG Power is pursuing remedies against any non-paying CC Participant. Under the CC Bond Resolution, MEAG Power has covenanted to enforce the payment of any and all amounts owing to it

under the CC Contracts with the CC Participants by discontinuing the supply of the output, capacity, use or service of the CC Project to any non-paying CC Participant, or by filing suit therefor within 60 days after any such accounts are due, or by both such discontinuance and by filing suit.

In the event of any such discontinuance, each non-defaulting CC Participant will have a right of first refusal to purchase a *pro rata* amount of the defaulting CC Participant's Obligation Share of the output, capacity, use and service of the CC Project for the period of the discontinuance. Upon a non-defaulting CC Participant's exercise of the right of first refusal, it will be obligated to pay for the transferred output as if it had been part of its obligation share. To the extent the defaulting CC Participant's Obligation Share of the output, capacity, use and service of the CC Project is not acquired by non-defaulting CC Participants pursuant to such rights of first refusal, MEAG Power is authorized to sell such output, capacity, use or service of the CC Project so discontinued to any other person. Although MEAG Power believes it would be able to market such excess output, capacity, use or service under those circumstances, MEAG Power cannot give any assurance it will be able to make any such sales on terms that will produce revenues sufficient to enable MEAG Power to meet all of its obligations with respect to the CC Project, including debt service on the CC Bonds.

Pursuant to the CC Contracts, each CC Participant, prior to the issuance of any series of CC Bonds, may prepay all or any portion of the amounts owed by it in respect of its interest in the output of the CC Project or Embedded Simple Cycle Costs by paying a capital contribution (a "CC Capital Contribution") to MEAG Power in an amount equal to all or any portion of the non-financing costs associated with the acquisition and construction of the CC Project, which include, but are not limited to, all construction, acquisition and installation costs, reserves for the CC Project, costs related to the transportation and storage of fuel, and other related costs or in connection with its Embedded Simple Cycle Costs. CC Capital Contribution payments made by any CC Participant will reduce the principal amount of CC Bonds that MEAG Power is required to issue in connection with the CC Project or Embedded Simple Cycle Costs and therefore will decrease the percentage share of debt service on the CC Bonds that would otherwise have to be paid by each CC Participant providing a CC Capital Contribution. In addition, pursuant to the CC Contracts, while the CC Bonds are outstanding the CC Participants may pay to MEAG Power an amount (a "CC Defeasance Payment"), which may be in the form of monies or certain securities (or rights to payment of such securities) of, or which are guaranteed by, the United States of America, sufficient to provide for the defeasance of CC Bonds allocable to such CC Participant. The CC Participant is prohibited from making a CC Capital Contribution from the proceeds of tax-exempt bonds or other tax-exempt borrowings of such CC Participant. For a discussion of the manner in which CC Capital Contributions and CC Defeasance Payments are treated under the CC Bond Resolution, see the final paragraph under "*Pledge*" below.

In the court proceedings relating to the validation of the CC Bonds, the Superior Court of Fulton County, Georgia held that each of the Initial CC Participant's payment obligations under its CC Contract are general obligations to the payment of which its full faith and credit are pledged, that all terms and provisions of the CC Contracts with the Initial CC Participants are valid and binding upon the Initial CC Participants and that such CC Contracts are enforceable. In the CC Contracts, each CC Participant has agreed that amounts payable by it thereunder will be paid as a cost of purchased power and energy of such CC Participant's electric system and otherwise as an expense of operation and maintenance thereof. In the validation proceedings relating to the CC Bonds, the Superior Court of Fulton County, Georgia held that so long as electric power and energy is actually received by any Initial CC Participant from any facility or facilities of the CC Project, the Obligation Share of such Initial CC Participant of MEAG Power's costs relating to the CC Project will be paid by such Initial CC Participant as a cost of purchased electric power and energy for such Initial CC Participant's electric system and as an expense of operation and maintenance thereof. The Additional CC Contracts were entered into after the entry of the validation order and have not been so validated. In connection with the issuance of the 2010A CC Bonds and the 2012A CC Bonds, respectively, general counsel to MEAG Power rendered an opinion to the effect that the Additional CC Contracts that were in effect as of the date of such opinion are valid and binding obligations of MEAG

Power and each of the applicable Additional CC Participants, enforceable in accordance with their terms, except as enforcement may be limited by any applicable bankruptcy, moratorium or other laws relating to enforcement of creditors' rights and subject to customary qualifications and exceptions. Each CC Participant has covenanted to maintain and collect rates to provide revenues sufficient, together with available electric system reserves, to make such payments. If payment is not made from the revenues of the electric system of the CC Participant or from other funds thereof, the CC Participant is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make the payments required under its CC Contract, whether or not electric power and energy is actually received by such CC Participant. If any such provision or appropriation is not made for a fiscal year, then the chief fiscal officer of the CC Participant is required, in accordance with the provisions of the Act, to set up as an appropriation on the accounts of the CC Participant the amounts required to pay its obligations under its CC Contract, and such appropriation will have the same legal status as if the CC Participant had included the amount of the appropriation in its general revenue or appropriation measure. MEAG Power's remedies under each CC Contract include specific performance to compel the CC Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder.

**Pledge.** The CC Bonds are direct and special obligations of MEAG Power. The CC Bonds are payable from and secured by a pledge of the Trust Estate, which is defined in the CC Bond Resolution to include (i) the proceeds of the sale of the CC Bonds, (ii) the Revenues, (iii) all rights, title and interest of MEAG Power under any CC Participant Credit Enhancement (as such term is defined in the CC Bond Resolution) and (iv) all Funds established by the CC Bond Resolution, including the investments, if any, thereof; *provided, however*, that the Trust Estate does not include the Debt Service Reserve Account in the Debt Service Fund; and *provided, further*, that the Trust Estate does not include the "Segregated Funds" referred to below or any investments thereof nor does it include any Revenues deposited or required to be deposited in the Segregated Funds pursuant to the CC Bond Resolution.

"Revenues" is defined in the CC Bond Resolution to mean (a) all revenues, income, rents and receipts derived by MEAG Power from or attributable to the ownership and operation of the CC Project or from or attributable to the Embedded Simple Cycle Costs, including all revenues attributable to the CC Project or to the payment of the costs thereof and all revenues attributable to the Embedded Simple Cycle Costs received by MEAG Power under the CC Contracts or under any other contract for the sale of power, energy or other service from the CC Project or any part thereof or any contractual arrangement with respect to the use of the CC Project or any portion thereof or the services, output or capacity thereof, but does not include any such revenues, income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation (as such term is defined in the CC Bond Resolution), (b) the proceeds of any insurance covering business interruption loss relating to the CC Project and (c) interest accrued on any moneys or securities held pursuant to the CC Bond Resolution and paid or required to be paid into the Revenue and Operating Fund established pursuant to the CC Bond Resolution.

The CC Bond Resolution provides for the establishment of a Segregated Construction Fund, a Segregated Revenue and Operating Fund and a Segregated Reserve and Contingency Fund thereunder (collectively, the "Segregated Funds"). Amounts on deposit in any Segregated Fund are not available to make payments on the CC Bonds or included in the Trust Estate or otherwise pledged to secure the CC Bonds. In the event any CC Participant makes a CC Capital Contribution or CC Defeasance Payment as described in the penultimate paragraph under "*The CC Contracts*" above, MEAG Power is required to divide each payment made by such CC Participant under its CC Contract into two portions, with one portion (the "Non-Pledged Portion") to be deposited in the Segregated Revenue and Operating Fund established pursuant to the CC Bond Resolution and the balance to be deposited in the Revenue and Operating Fund established pursuant to the CC Bond Resolution. With respect to each CC Participant, the Non-Pledged Portion of each payment made by such CC Participant under its CC Contract is calculated in the manner described in the second paragraph under "SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION – Segregated Funds" in APPENDIX I hereto.



**Additional CC Bonds.** The CC Bond Resolution permits the issuance of additional CC Bonds for certain purposes relating to the CC Project. In addition, under the CC Bond Resolution, upon satisfaction of the conditions contained therein, MEAG Power is permitted to issue or incur certain Parity Obligations (as such term is defined in the CC Bond Resolution) which may be secured by a pledge of, and a lien on, the Trust Estate on a parity with the pledge and lien created by the CC Bond Resolution to secure the CC Bonds. See “SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION – Definitions” in APPENDIX I hereto for a definition of the term “Parity Obligation.” See also “SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION – Credit Facilities, Liquidity Facilities and Qualified Hedging Contracts” and “– Commercial Paper Notes” in APPENDIX I hereto.

**Debt Service Reserve Account.** In the Second Supplemental Combustion Turbine Project Bond Resolution adopted by MEAG Power on August 22, 2002 (the “Second Supplemental CT Bond Resolution”), MEAG Power has established a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the CC Bond Resolution entitled the “Initial Subaccount.” Within the Initial Subaccount, MEAG Power has established a separate sub-subaccount with respect to each CC Participant. The 2010A CC Bonds and the 2012A CC Bonds are, and any additional CC Bonds as may be determined by MEAG Power will be, additionally secured by amounts on deposit in (and any reserve fund credit instrument(s) (hereinafter defined) credited to) the Initial Subaccount.

As provided in the CC Bond Resolution, the Debt Service Reserve Requirement for each sub-subaccount in the Initial Subaccount at any time will be equal to the sum of the maximum amounts of the Debt Service on the CC Bonds of each series that are additionally secured by the Initial Subaccount that are allocable to the CC Participant for whom such sub-subaccount has been established (determined as provided in the CC Contracts) in the then current or any future twelve-month period ending on October 31, determined as of the respective dates of issuance of the CC Bonds of such series and, with respect to any variable rate CC Bonds, calculating the Debt Service on such variable rate CC Bonds at such rate of interest as MEAG Power shall determine; *provided, however*, that in the event that any CC Participant shall make a CC Defeasance Payment as described above, the Debt Service Reserve Requirement for the sub-subaccount in the Initial Subaccount established with respect to such CC Participant shall be redetermined as of the date of the making of such CC Defeasance Payment, and will be equal to the sum of the maximum amounts of Debt Service that are allocable to such CC Participant in the then current or any future twelve-month period ending on October 31 with respect to the CC Bonds of each series secured by the Initial Subaccount that remain outstanding following the making of such CC Defeasance Payment; and *provided, further*, that in the event that MEAG Power shall refund any of the CC Bonds of any such series, the Debt Service Reserve Requirement for each sub-subaccount in the Initial Subaccount will be redetermined as of the date of such refunding, and will be equal to the sum of the maximum amounts of Debt Service that are allocable to the CC Participant for whom such sub-subaccount has been established in the then current or any future twelve-month period ending on October 31 with respect to the CC Bonds of each series secured by the Initial Subaccount that remain outstanding following such refunding.

The Second Supplemental CT Bond Resolution authorizes MEAG Power to substitute one or more irrevocable surety bonds, insurance policies or letters of credit (as more particularly defined in the Second Supplemental CT Bond Resolution, “reserve fund credit instruments”) for all or any portion of the moneys on deposit in any sub-subaccount in the Initial Subaccount. See “SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION – Initial Subaccount in the Debt Service Reserve Account” in APPENDIX I hereto.

If there is a deficiency in the Debt Service Account in the Debt Service Fund on any day on which principal or interest on the 2010A CC Bonds or the 2012A CC Bonds is due, amounts from each CC Participant’s sub-subaccount in the Initial Subaccount will be transferred to the Debt Service Account on a *pro rata* basis to cure such deficiency; *provided, however*, that if the deficiency is caused by a default of a CC Participant to make a payment required under such CC Participant’s CC Contract, the amount to be

transferred to the Debt Service Account will be derived only from the sub-subaccount applicable to such defaulting CC Participant.

**Rate Covenant.** MEAG Power has covenanted in the CC Bond Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of the CC Project as required to provide revenues at least sufficient in each calendar year, together with other available funds, for the payment during such calendar year of operating expenses, scheduled debt service on CC Bonds, amounts required for reserves under the CC Bond Resolution, and all other charges or liens payable from such revenues.

**Nature of Obligation.** The CC Bonds do not constitute a debt of, a loan by or a pledge of the faith and credit of the State of Georgia or of any political subdivision thereof. The issuance of CC Bonds does not obligate the State of Georgia or any political subdivision thereof to levy or pledge any form of taxation for the payment thereof. No person has the right to enforce payment of any CC Bond against any property of the State of Georgia or of any political subdivision thereof nor does any CC Bond constitute a charge, lien or encumbrance upon any such property. However, in the CC Bond Resolution, MEAG Power has covenanted to enforce the obligation of any CC Participant to pay the amounts required by its CC Contract, which is an obligation of the CC Participant to the payment of which its full faith and credit are pledged.

**Allocation of Costs Among CC Participants.** Pursuant to the CC Contracts, MEAG Power is obligated to collect from each CC Participant and each CC Participant is obligated to pay on a monthly basis its Combined Cycle Obligation Share of all annual fixed and variable costs relating to the CC Project and its Embedded Simple Cycle Obligation Share of Embedded Simple Cycle Debt Related Costs; *provided, however*, that with respect to fixed costs relating to debt service on the CC Bonds, each CC Participant's obligation is determined based upon the elections made by the CC Participants as provided for in the CC Contracts. MEAG Power will operate the CC Project to achieve the best operating economics in accordance with prudent utility practice, and may sell such of the output to others as it determines economically appropriate. Further, MEAG Power may use the CC Project to enter into, among other agreements, (a) capacity sales and swaps, (b) energy sales and swaps and (c) financial swaps and hedges, when such transactions are reasonably expected to economically benefit the CC Participants. The proceeds derived from any of such transactions will be credited to each CC Participant's obligation to pay its share of annual CC Project costs on an allocable basis according to each CC Participant's Combined Cycle Obligation Share. The proceeds from the sale or other transactions involving the assets acquired as a result of the Embedded Simple Cycle Costs will be credited to the CC Participants' obligation to pay Embedded Simple Cycle Debt Related Costs or, in the event that a CC Participant has satisfied such obligation, as a direct payment to such CC Participant, in the proportion of the CC Participant's respective Embedded Simple Cycle Obligation Share for other than Embedded Simple Cycle Debt Related Costs. See "SUMMARY OF COMBINED CYCLE POWER SALES CONTRACTS – CC Participants' Obligations to Pay" in APPENDIX H hereto.

**CC Project Revolving Credit Agreement.** In December 2009, MEAG Power entered into the CC Project Revolving Credit Agreement for the purpose of funding, on an interim basis, certain CC Project costs, including fuel costs, capital costs and working capital requirements. Any indebtedness outstanding from time to time under the CC Project Revolving Credit Agreement is secured by a pledge of proceeds of any CC Bonds issued from and after the earlier of any default under the CC Project Revolving Credit Agreement or the date 90 days prior to the termination date until such notes are repaid in full. Total borrowings under the CC Project Revolving Credit Agreement, the Project One Revolving Credit Agreement and the General Resolution Projects Revolving Credit Agreement may not exceed \$125,000,000 at any one time. See "Security for MEAG Power's Subordinated Bonds – *Project One Subordinated Bonds*" and "– *General Resolution Projects Subordinated Bonds*" above. Following an event of default under the CC Project Revolving Credit Agreement, the banks have the right, subject to certain conditions, to exchange notes held thereunder for CC Bonds. See "SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA – Rating Triggers and Other Factors That Could Affect MEAG Power's Liquidity,

Results of Operations or Financial Condition – *Revolving Credit Agreements*” herein. As of December 31, 2017 and as of the date of this Annual Information Statement, no amount was outstanding under the CC Project Revolving Credit Agreement.

## **Security for MEAG Power’s Project M Bonds**

### **The Project M Power Sales Contracts.**

General. Under the separate Project M Power Sales Contracts with each Project M Participant, MEAG Power has agreed to provide to each Project M Participant, and each Project M Participant has agreed to take from MEAG Power, output and services from the Project M Entity’s Ownership Interest and related reserve, emergency and interchange service as may be available for the term of the Project M Power Sales Contracts. Each Project M Power Sales Contract provides that a specified percentage of the net power and energy produced by Project M is to be delivered to each Project M Participant and that each Project M Participant is to pay a corresponding percentage of MEAG Power’s costs (including scheduled debt service, unless paid or provided for from the proceeds of Project M Bonds) resulting from the ownership, operation and maintenance of, and renewals and replacements to, Project M. Each Project M Power Sales Contract will continue to be in full force and effect at least until such time as all Project M Bonds have been paid or provision has been made for their payment and all obligations of the Project M Entity under the Project M Federal Loan Documents have been satisfied and all lending commitments thereunder have been terminated or until such time as Project M is retired from service or disposed of by MEAG Power or the Project M Entity, as applicable, whichever is later, but in no event longer than fifty (50) years from December 31, 2014, the execution date of the Amended and Restated Project M Power Sales Contracts (unless extended either through amendment or replacement with another contract; see the fourth paragraph under “INTRODUCTORY STATEMENT – The Participants” herein).

Project M Participants’ Payment Obligations Under the Project M Power Sales Contracts. Each Project M Participant is obligated to pay its Obligation Share of Project M’s annual costs and any other costs that become due and owing during the term of the Project M Power Sales Contracts. Such payments are required to be made by the Project M Participant whether or not the Project M Entity’s Ownership Interest is completed, is operating or operable or its output is suspended, interrupted, interfered with, reduced, curtailed or terminated in whole or in part. Such payments are not subject to reduction, whether by offset or otherwise, and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Event of Default by a Project M Participant Under a Project M Power Sales Contract. Failure by a Project M Participant to make any payment due under its Project M Power Sales Contract will constitute a default thereunder. In such event, MEAG Power may proceed to enforce payment by action at law or equity and may, upon 60 days’ written notice to the defaulting Project M Participant, cease and discontinue providing services to such Project M Participant under such Project M Power Sales Contract. If the default continues for more than 180 days or if a non-defaulting Project M Participant exercises a right of first refusal to purchase a *pro rata* share of such defaulting Project M Participant’s Obligation Share of the output and services of the Project M Entity’s Ownership Interest, whichever occurs first, MEAG Power may permanently discontinue providing service from the Project M Entity’s Ownership Interest to the defaulting Project M Participant. Each Project M Participant expressly waives any claim to interest payments recovered by MEAG Power as a result of a default under its Project M Power Sales Contract. The Project M Power Sales Contracts also provide that in the event of default in any payment by a Project M Participant, such Project M Participant must provide for the assessment and collection of an annual tax sufficient to make all payments due under the Project M Power Sales Contract in each year over the remainder of the term of the Project M Power Sales Contract. In addition to any suit in law or equity, MEAG Power has the right to request specific performance as a remedy to enforce such provision.

In the event of a default by a Project M Participant under a Project M Power Sales Contract and discontinuation of such Project M Participant's service from Project M, MEAG Power shall first offer to transfer a *pro rata* portion of the defaulting Project M Participant's Obligation Share to all other non-defaulting Project M Participants. Any such portion of the defaulting Project M Participant's Obligation Share which is declined by any non-defaulting Project M Participant will be reoffered *pro rata* to the non-defaulting Project M Participants which have accepted in full the first offer. Such reoffering will be repeated until such defaulting Project M Participant's Obligation Share has been reallocated in full or until all non-defaulting Project M Participants have declined to take any additional portion of such defaulting Project M Participant's Obligation Share. If less than all of the defaulting Project M Participant's Obligation Share is accepted by the non-defaulting Project M Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Project M Participant's Obligation Share for the remaining term of the associated Project M Power Sales Contract to any person, firm, association or corporation, public or private; *provided*, that such sales may not adversely affect the tax-exempt status of the Project M Bonds intended to be tax-exempt or the security for such Project M Bonds and all amounts owing by the Project M Entity or MEAG Power to FFB or the DOE Secured Parties under the Project M Federal Loan Documents (the "Project M DOE Secured Obligations"). If less than all of the defaulting Project M Participant's Obligation Share is transferred to non-defaulting Project M Participants or otherwise sold, MEAG Power shall transfer the remaining portion of such defaulting Project M Participant's Obligation Share, on a *pro rata* basis (based on the respective original Obligation Shares of the Project M Participants), to all other non-defaulting Project M Participants. Notwithstanding the foregoing, no Project M Participant may, as a result of such transfer, have an Obligation Share in excess of 130 percent of its Obligation Share in effect on the execution date of its Amended and Restated Project M Power Sales Contract. After such transfer, each non-defaulting Project M Participant shall be obligated to pay for its increased Obligation Share. In the event that less than all of the defaulting Project M Participant's Obligation Share has been sold or transferred to non-defaulting Project M Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Project M Participant's Obligation Share or the energy associated therewith to any person, firm, association or corporation, public or private, on terms and conditions acceptable to MEAG Power; *provided*, that such sales may not adversely affect the tax-exempt status of the Project M Bonds intended to be tax-exempt or the security for such Project M Bonds and the Project M DOE Secured Obligations. The defaulting Project M Participant shall remain liable under its Project M Power Sales Contract, except that its obligations will be reduced to the extent that payment has been received by MEAG Power for the portion of the defaulting Project M Participant's Obligation Share that has been sold or transferred.

**Pledge.** The Project M Bonds are direct and special obligations of MEAG Power. The Project M Bonds are payable from and secured by pledges of the Shared Trust Estate and the Bondholders' Trust Estate, the former of which is defined in the Project M Bond Resolution to include (i) the Revenues, other than any cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project M Build America Bonds, (ii) the Revenue Fund established by the Project M Bond Resolution, including the investments, if any, thereof and (iii) all of MEAG Power's rights under the Project M Power Sales Contracts, including, without limitation, (a) the right to receive and collect all of the payments from the Project M Participants under the Project M Power Sales Contracts, (b) the right to receive and collect any proceeds of any insurance maintained thereunder, (c) the right to take all actions and give all consents under the Project M Power Sales Contracts and (d) the right to exercise such rights and remedies conferred on MEAG Power under the Project M Power Sales Contracts; *provided, however*, that, as to each Project M Power Sales Contract, the Trustee shall be entitled to exercise the rights described in the foregoing subclauses (c) and (d) only following the occurrence and continuance of a Bondholders' Event of Default or a Federal Loan Event of Default under the Project M Bond Resolution; and the latter of which is defined in the Project M Bond Resolution to include (i) the proceeds of the sale of the Project M Bonds, (ii) all Funds established by the Project M Bond Resolution, including the investments, if any, thereof, other than the Revenue Fund and (iii) all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project M Build America Bonds. (For

a discussion of the Debt Service Reserve Account in the Debt Service Fund, see “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Debt Service Fund—Debt Service Reserve Account” in APPENDIX M hereto.)

“Revenues” is defined in the Project M Bond Resolution to mean (a) all revenues, income, rents and receipts received by MEAG Power from or attributable to Project M, including, without limitation, all revenues attributable to Project M or to the payment of the costs thereof and received by MEAG Power under the Project M Power Sales Contracts (including any amounts received as a result of the enforcement of such contracts) or under any other contract for the sale of power, energy or other service from the Project M Entity’s Ownership Interest or any part thereof or any contractual arrangement with respect to the use of the Project M Entity’s Ownership Interest or any portion thereof or the services, output or capacity thereof, but will not include any such revenues, income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation (as such term is defined in the Project M Bond Resolution), (b) the proceeds of any insurance covering business interruption loss relating to the Project M Entity’s Ownership Interest or Project M and received by MEAG Power, (c) the proceeds of any liquidated damages payable by a contractor for delay relating to the Project M Entity’s Ownership Interest and received by MEAG Power and (d) interest accrued on any moneys or securities held pursuant to the Project M Bond Resolution and paid or required to be paid into the Revenue Fund established pursuant to the Project M Bond Resolution. Without limiting the generality of the foregoing, all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project M Build America Bonds will constitute Revenues for all purposes of the Project M Bond Resolution.

**Additional Project M Bonds.** The Project M Bond Resolution permits the issuance of additional Project M Bonds, including Bond Anticipation Notes (as defined in the Project M Bond Resolution and referred to herein as “Project M Bond Anticipation Notes”), for certain purposes relating to Project M. In addition, under the Project M Bond Resolution, upon satisfaction of the conditions contained therein, MEAG Power is permitted to issue or incur certain Parity Obligations which may be secured by pledges of, and liens on, the Shared Trust Estate and the Bondholders’ Trust Estate on a parity with the pledges and liens created by the Project M Bond Resolution to secure the Project M Bonds. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto for a definition of the term “Parity Obligation.” The Project M Bond Resolution also permits, upon satisfaction of the conditions contained therein, MEAG Power to issue or incur certain Subordinated Obligations which may be secured by a pledge of the Subordinated Bond Fund created pursuant to the Project M Bond Resolution, which pledge will be subordinate in all respects to the pledges of (a) the Shared Trust Estate discussed above created by the Project M Bond Resolution in favor of the Project M Bonds and Parity Obligations and the Project M Federal Loan Debt Service Payments and (b) the Bondholders’ Trust Estate discussed above and created by the Project M Bond Resolution in favor of the Project M Bonds and Parity Obligations. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto for a definition of the term “Subordinated Obligation.” See also “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Subordinated Bonds,” “– Credit Facilities, Liquidity Facilities and Qualified Hedging Contracts” and “– Commercial Paper Notes” in APPENDIX M hereto.

**Debt Service Reserve Account.** The Project M Bond Resolution establishes a Debt Service Reserve Account in the Debt Service Fund and requires that such Account be funded in an amount equal to the Debt Service Reserve Requirement, which is defined to mean, as of any date of calculation, an amount equal to the greatest amount of the Adjusted Aggregate Debt Service (as defined in “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions” in APPENDIX M hereto) on the Project M Bonds for the current or any future calendar year; *provided, however*, that in the event that, in the opinion of tax counsel to MEAG Power, the amount of the proceeds of the Project M Bonds of any series that may be used to fund an increase in the Debt Service Reserve Requirement is limited under applicable federal income tax laws and regulations, then in no event may the increase in the Debt Service Reserve Requirement resulting from the issuance of such Project M Bonds exceed the maximum amount of the proceeds of such Project M Bonds that may, in the opinion of tax counsel to MEAG Power, be deposited to the Debt Service

Reserve Account under such applicable federal income tax laws and regulations. For purposes of calculating the Debt Service Reserve Requirement: (a) the Debt Service Reserve Requirement will take into account any series of Project M Bonds only for so long as any Project M Bonds of such series remain outstanding, but Project M Bond Anticipation Notes will not be deemed to be Project M Bonds for purposes of this provision; (b) in the event that the Project M Bonds of any series (or any portion thereof) constitute Build America Bonds, then until such time, if any, as MEAG Power, for whatever reason, no longer receives cash subsidy payments from the United States Treasury in respect of the interest payable on such Project M Bonds, for purposes of calculating the Debt Service Reserve Requirement, the interest on the Project M Bonds of such series will be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Project M Bonds represented by such subsidy will be permanently reduced, then the amount of the Debt Service Reserve Requirement will be increased to reflect the amount of interest payable on such Project M Bonds that no longer is payable to MEAG Power by the United States Treasury, and such increase will be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which such specified percentage is so reduced; and *provided, further*, that in the event that MEAG Power, for whatever reason, ceases to receive cash subsidy payments from the United States Treasury in respect of the interest payable on any such Project M Bonds, then the amount of the Debt Service Reserve Requirement will be increased to reflect the full amount of interest payable on such Project M Bonds, and such increase will be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which MEAG Power does not receive the first such cash subsidy payment that it theretofore was qualified to receive; (c) except as provided in the following clause (d), the Debt Service for the Project M Bonds of any series will be calculated as of the date of original issuance of the Project M Bonds of such series; and (d) in the event that the Project M Bonds of any series will be refunded in whole or in part, the Debt Service Reserve Requirement will be recalculated, assuming that the refunding Project M Bonds and the Project M Bonds (if any) of the refunded series to remain outstanding upon the issuance of the refunding Project M Bonds are part of the same series.

The Project M Bond Resolution provides that, in lieu of depositing monies in the Debt Service Reserve Account, or in substitution for monies previously deposited in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty for deposit into the Debt Service Reserve Account. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Debt Service Fund–Debt Service Reserve Account” in APPENDIX M hereto.

If at any time the amount in the Debt Service Account in the Debt Service Fund will be less than the requirement of such Account under the Project M Bond Resolution, or the amount in the Debt Service Reserve Account in the Debt Service Fund will be less than the Debt Service Reserve Requirement, then MEAG Power, upon requisition by the Trustee, will transfer from the Reserve and Contingency Fund to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency (or, if the amount in the Reserve and Contingency Fund will be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and the Debt Service Reserve Account, then the amount in the Reserve and Contingency Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied to make up the deficiency with respect to the Debt Service Reserve Account). No transfers will be made pursuant to the above in any calendar month until all amounts required to be transferred pursuant to the Project M Bond Resolution in such calendar month have been so transferred, except to the extent that any such transfer is necessary in order to avoid a default in the payment of the principal or the redemption price of, or interest on, the Project M Bonds or the principal of, or interest or prepayment premiums, if any, on, or other amounts due with respect to, the Project M DOE Guaranteed Loan when due.

If on the last day of any calendar year the balance of moneys and securities in the Reserve and Contingency Fund exceeds MEAG Power’s Reserve and Contingency Requirement (as defined in the Project M Bond Resolution), all or a portion of the amount of such excess will be transferred to the Trustee

for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, in the Debt Service Fund if and to the extent such amount is required to make up any deficiency in either such Account; and the balance, if any, of such excess will be transferred to the Revenue Fund.

**Rate Covenant.** MEAG Power has covenanted in the Project M Bond Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of Project M as required to provide revenues at least sufficient in each calendar year, together with other available funds, for the payment during such calendar year of operating expenses, scheduled debt service on the Project M Bonds, amounts required for reserves under the Project M Bond Resolution, and all other charges or liens payable from such revenues during such calendar year, including, without limitation, to the extent not otherwise provided for, all amounts payable by MEAG Power to the Project M Entity pursuant to the Project M Power Purchase Agreement (which include, without limitation, amounts necessary to enable the Project M Entity to pay all amounts owed by it, and fund all accounts or reserves required to be funded by it, pursuant to the Project M DOE Loan Guarantee Agreement and all other Project M Federal Loan Documents) during such calendar year and all amounts payable on Project M Subordinated Bonds and Project M Subordinated Obligations during such calendar year.

**Nature of Obligation.** The Project M Bonds do not constitute a debt of, a loan by, or a pledge of the faith and credit of the State of Georgia or of any political subdivision thereof. Rather, the Project M Bonds are payable from the Shared Trust Estate and the Bondholders' Trust Estate as provided in the Project M Bond Resolution. The issuance of any Project M Bonds does not obligate the State of Georgia or any political subdivision thereof to levy or pledge any form of taxation whatever for the payment thereof. No bondholder, and no receiver or trustee in connection therewith, has the right to enforce the payment of any Project M Bond against any property of the State of Georgia or any political subdivision thereof, nor does any Project M Bond constitute a charge, lien or encumbrance, whether legal or equitable, upon any such property. However, in the Project M Bond Resolution, MEAG Power has covenanted to enforce the obligation of any Project M Participant to pay the amounts required by its Project M Power Sales Contract, which is an obligation of the Project M Participant to the payment of which its full faith and credit are pledged. In the Project M Power Sales Contracts, each Project M Participant has agreed that amounts payable by it thereunder will be paid as a cost of purchased power and energy of such Project M Participant's electric system and otherwise as an expense of operation and maintenance thereof.

## **Security for MEAG Power's Project J Bonds**

### **The Project J PPA.**

**General.** For a period of twenty years, commencing on the commercial operation date of the first unit of Vogtle Units 3&4 to achieve commercial operation, MEAG Power is obligated to provide, and JEA is obligated to take from MEAG Power, all of the output and services from the Project J Entity's Ownership Interest and related reserve, emergency and interchange service from such unit which are purchased by MEAG Power from the Project J Entity. Separately, for a period of twenty years, commencing on the commercial operation date of the second unit of Vogtle Units 3&4 to achieve commercial operation, MEAG Power is obligated to provide, and JEA is obligated to take from MEAG Power, all of the output and services from the Project J Entity's Ownership Interest and related reserve, emergency and interchange service from such unit which are purchased by MEAG Power from the Project J Entity. JEA shall have no right to dispatch or schedule the operation of Project J or any facility thereof.

**JEA's Payments in Respect of Debt Service.** Except in the case of (x) Project J Bonds issued after the commercial operation date of Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 to finance Costs of Acquisition and Construction of capital improvements to Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4, as applicable, (y) refunding Project J Bonds and (z) Project J BANs and Project J Take-Out Bonds, JEA's obligation to pay (i) the interest component of Debt Service of each Series of Project J Bonds and of each Project J Advance attributable to each of

Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation commences and (ii) the principal component of Debt Service of each Series of Project J Bonds and of each Project J Advance attributable to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation commences. As used under this heading “*The Project J PPA*,” the term “Debt Service” has the meaning set forth in the Project J PPA. See “SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT J PPA – Project J Annual Budgets” in APPENDIX J hereto. Debt Service does not include any acceleration of the maturity of Project J Bonds or the Project J DOE Guaranteed Loan.

In the event that MEAG Power issues Project J Bonds for Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 after its commercial operation date, issues refunding Project J Bonds or issues Project J BANs or Project J Take-Out Bonds, the time periods during which JEA is obligated under the Project J PPA in respect of Debt Service on such Project J Bonds may differ from the time periods described in the preceding paragraph. See “SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT J PPA – JEA’s Payment Obligations” in APPENDIX J hereto. In any such case, as more fully described under “*The Project J Power Sales Contracts – Project J Participants’ Payments in Respect of Debt Service*” below, the obligations of the Project J Participants in respect of such Debt Service will begin immediately upon expiration of the respective time periods during which JEA is obligated therefor.

*JEA’s Payments in Respect of Annual Costs Other than Debt Service.* With regard to Project J Annual Costs (as defined under “SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT J PPA – Project J Annual Budget” in APPENDIX J hereto) other than Debt Service, JEA is obligated to pay all such Project J Annual Costs (a) with respect to Generation Station Vogtle Unit No. 3, for a period of twenty years beginning with its commercial operation date and (b) with respect to Generation Station Vogtle Unit No. 4, for a period of twenty years beginning with its commercial operation date.

*JEA’s Payment Obligations in the Event of Project J Delay or Termination.* In the event of a delay in the scheduled commercial operation date of either or both of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, the payment obligations of JEA in respect of Debt Service related to Project J and other Project J Annual Costs, as described above, will not be affected. However, with respect to costs of acquisition and construction in the event of cancellation or termination of either or both of such units before the commercial operation date or dates, JEA will be obligated under the Project J PPA to pay 50 percent of any remaining costs of acquisition and construction, including decommissioning or disposal costs, that have not been financed with Project J Bonds or with Project J Advances. In the event of cancellation or termination of either or both such units after the commercial operation date or dates, JEA will be obligated under the Project J PPA to pay Project J Annual Costs allocated to the cancelled unit or units for a period of twenty years following the commercial operation date of such cancelled unit, including a portion of the decommissioning or disposal costs but no more than 50 percent of such costs. See “SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT J PPA – JEA’s Payment Obligations – *JEA’s Payment Obligations in the Event of Project J Delay or Termination*” in APPENDIX J hereto.

*JEA’s Rate Covenant.* JEA has covenanted in the Project J PPA to maintain and collect rates and charges for the electric service of its electric system so as to provide revenues sufficient, together with available electric system reserves, to enable JEA to pay MEAG Power all amounts payable under the Project J PPA and to pay all other amounts payable from and all lawful charges against or liens on the revenues of its electric system.

*Payments Made by JEA will Constitute a Contract Debt.* The Project J PPA also provides that amounts owed by JEA under the Project J PPA will constitute a Contract Debt (as defined below), which is payable from revenues of JEA’s Electric System (as defined below) as a Cost of Operation and Maintenance (as defined in the resolution adopted by JEA on March 30, 1982 (as supplemented and amended, the “Electric System Resolution”)). Such payments are payable from the revenues of JEA’s



Electric System prior to any payments from such revenues for indebtedness of the Electric System not constituting Contract Debts. For purposes of this provision only, the following terms will have the definitions set forth below.

The term “Contract Debt” is defined in Electric System Resolution to mean any obligations of JEA under a contract, lease, installment sale agreement, bulk electric power purchase agreement or otherwise to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received, but does not include (a) payments required to be made in respect of (i) debt service on any obligations incurred by JEA in connection with the financing of any separate bulk power supply utility or system undertaken by JEA and any additional amounts relating to “debt service coverage” with respect thereto and (ii) deposits into any renewal and replacement or other similar fund or account established with respect to any such separate bulk power supply utility or system (in each such case, other than (x) the Power Park (as defined in the Electric System Resolution) and (y) the Bulk Power Supply System Projects (as defined in the Electric System Resolution)) and (b) payments required to be made in respect of any other arrangement(s) for the supply of power and/or energy to the Electric System for resale as may be determined by JEA to be payable on a parity with subordinated bonds that may be issued in accordance with the provisions of the Electric System Resolution.

The term “Electric System” is defined in the Electric System Resolution to mean the existing electric generating, transmission and distribution system consisting of the existing generating plants and transmission and distribution lines and facilities together with any and all improvements, extensions and additions thereto hereafter constructed or acquired, and all lands or interests therein, including buildings, machinery, equipment and all property, real or personal, tangible or intangible, now or hereafter owned and constructed or acquired by JEA as part of said existing electric system; such Electric System will not be deemed to include (a) any facilities or property now or hereafter constructed, owned or operated by JEA as a part of the St. Johns River Power Park System (as defined in the Electric System Resolution) or the Bulk Power Supply System Projects or any other separate non-competing electric utility or system which JEA elects to acquire, construct and operate as a separate bulk power supply utility or system, (b) the existing water and sewer system owned by JEA or any additional utility functions hereafter added to such water and sewer system or (c) any properties or interests in properties of JEA (i) which JEA determines do not constitute a part of the Electric System for the purpose of the Electric System Resolution at the time of the acquisition thereof by JEA or (ii) as to which JEA shall determine by resolution that the exclusion of such properties or interests in properties from the Electric System will not materially impair the ability of JEA to comply during the current or any future fiscal year with the provisions of the Electric System Resolution.

The term “Revenues” or “Gross Revenues” is defined in the Electric System Resolution to mean all income or earnings, including any income from the investment of funds which is deposited in a revenue fund (referred to herein as the “Electric System’s Revenue Fund”) as provided in the Electric System Resolution, derived by JEA from the ownership or operation of the Electric System. “Gross Revenues” or “Revenues” does not include customers’ deposits and any other deposits subject to refund unless such deposits have become property of JEA. For any purpose of the Electric System Resolution that requires the computation of Gross Revenues or Revenues with respect to any period of time, “Gross Revenues” or “Revenues” includes such amounts derived by JEA from the ownership or operation of the Electric System during such period plus (x) the amounts, if any, paid from the “Rate Stabilization Fund” established pursuant to the Electric System Resolution into the Electric System’s Revenue Fund during such period (excluding from (x) amounts, if any, included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Fund to the Electric System’s Revenue Fund pursuant to the Electric System Resolution) and minus (y) the amounts, if any, paid from the Electric System’s Revenue Fund into the Rate Stabilization Fund during such period.

*Project J BANs and Project J Take-Out Bonds.* In the event that MEAG Power does not have sufficient funds to pay in full the principal of or interest on any Project J BANs or Project J Take-Out Bonds when due (including as a result of the inability of MEAG Power or the Project J Entity, for any reason, to borrow funds in an amount sufficient to refund any Project J BANs or Project J Take-Out Bonds at or prior to their respective maturity dates (whether through the issuance of other Project J Bonds (including other Project J BANs or Project J Take-Out Bonds) or otherwise), JEA will be obligated, pursuant to the terms of the Project J PPA, to pay to MEAG Power 50 percent of the amount of such shortfall, which amount will be payable on or before the due date of such principal and/or interest, whether before or after the applicable commercial operation date. Project J BANs are defined in the Project J PPA as Project J Bonds that are issued to finance or refinance the costs of acquisition and construction of the Project J Entity's Ownership Interest and financing costs of Project J on an interim basis prior to the issuance of other Project J Bonds or the making of Project J Advances under the Project J DOE Guaranteed Loan, in either such case, satisfying the structuring requirements of the Project J PPA. Project J Take-Out Bonds are defined as Bonds issued to refund Project J BANs that (a) are designated by MEAG Power as such in the applicable supplemental resolution authorizing such Project J Take-Out Bonds, (b) are intended to be amortized over a period not to exceed ten (10) years following the date of issuance thereof and (c) are not intended to be payable from, or secured by, amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund.

In the event that JEA pays to MEAG Power any amount in respect of the principal of maturing Project J BANs or Project J Take-Out Bonds as provided in the preceding paragraph, MEAG Power has agreed in the Project J PPA that, on the first date thereafter on which it or the Project J Entity is able to borrow funds to pay costs of acquisition and construction and financing costs of Project P, it will include in such borrowing an amount sufficient to reimburse JEA and the Project J Participants for all amounts paid by them in respect of the principal of such maturing Project J BANs or Project J Take-Out Bonds that have not theretofore been reimbursed by MEAG Power, but without interest thereon.

#### *The Project J Power Sales Contracts.*

*General.* As more fully described below, under the Project J Power Sales Contracts, beginning with the expiration of the respective twenty-year periods during which JEA is obligated to take all of the output and services of the Project J Entity's Ownership Interest, MEAG Power has agreed to provide to each Project J Participant, and each Project J Participant has agreed to take from MEAG Power, its respective Obligation Share of all of the output and services of Vogtle Units 3&4 related to the Project J Entity's Ownership Interest and related reserve, emergency and interchange service, and each Project J Participant is obligated to pay its respective Obligation Share of all of MEAG Power's costs related to Project J. Each Project J Power Sales Contract will continue to be in full force and effect at least until such time as all Project J Bonds have been paid or provision has been made for their payment and all obligations of the Project J Entity under the Project J Federal Loan Documents have been satisfied and all lending commitments thereunder have been terminated or until such time as Project J is retired from service or disposed of by MEAG Power or the Project M Entity, as applicable, whichever is later, but in no event longer than fifty (50) years from December 31, 2014, the execution date of the Amended and Restated Project J Power Sales Contracts (unless extended either through amendment or replacement with another contract; see the fourth paragraph under "INTRODUCTORY STATEMENT – The Participants" herein).

*Project J Participants' Payments in Respect of Debt Service.* With respect to the Project J Bonds of any series or any Project J Advance attributable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, (a) the Project J Participants are obligated to pay their respective Obligation Shares of the interest and principal components of Debt Service beginning, in each case, at the time JEA ceases to be obligated for such interest component or principal component, that is, upon the expiration of the applicable 240-month period during which JEA is obligated for such interest component or principal component. As used under this heading "*The Project J Power Sales Contracts*," the term "Debt Service"

has the meaning set forth in the Project J Power Sales Contracts. See “SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Annual Budgets” in APPENDIX K hereto.

As described under “*Project J PPA – JEA’s Payments in Respect of Debt Service*” above, in the event that MEAG Power issues Project J Bonds for one of the units after its commercial operation date, issues refunding Project J Bonds, or issues Project J BANs or Project J Take-Out Bonds, the time periods during which JEA is obligated under the Project J PPA in respect of Debt Service on such Project J Bonds may differ from the time periods described therein. In any such case, the obligations of the Project J Participants in respect of the principal and interest components of such Debt Service will begin immediately upon expiration of the applicable time period during which JEA is obligated therefor.

*Project J Participants’ Payments in Respect of Annual Costs Other than Debt Service.* With regard to Project J Annual Costs other than Debt Service, the Project J Participants are obligated to pay their respective Obligation Shares of all such Project J Annual Costs (a) for the entire period during which JEA is obligated therefor, provided that their respective obligations shall be discharged to the extent MEAG Power receives payment therefor from JEA and (b) from and after the expiration of such period.

*Project J Participants’ Payment Obligations in the Event of Project J Delay or Termination.* In the event of a delay in the scheduled commercial operation date of either or both of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, the payment obligations of the Project J Participants in respect of Debt Service related to Project J and other Project J Annual Costs, as described above, will not be affected. However, with respect to costs of acquisition and construction in the event of cancellation or termination of either or both of such units, whether before or after the commercial operation date or dates, the Project J Participants will be obligated under their respective Project J Power Sales Contracts to pay their respective Obligation Shares of 50 percent of any remaining costs of acquisition and construction, including decommissioning or disposal costs, that have not been financed with Project J Bonds or with Project J Advances.

*Event of Default by a Project J Participant Under a Project J Power Sales Contract.* Failure by a Project J Participant to make any payment due under its Project J Power Sales Contract will constitute a default thereunder. In such event, MEAG Power may proceed to enforce payment by action at law or equity and may, upon 60 days’ written notice to the defaulting Project J Participant, cease and discontinue providing services to such Project J Participant under such Project J Power Sales Contract. If the default continues for more than 180 days or if a non-defaulting Project J Participant exercises a right of first refusal to purchase a *pro rata* share of such defaulting Project J Participant’s Obligation Share of the output and services of the Project J Entity’s Ownership Interest, whichever occurs first, MEAG Power may permanently discontinue providing service from the Project J Entity’s Ownership Interest to the defaulting Project J Participant. Each Project J Participant expressly waives any claim to interest payments recovered by MEAG Power as a result of a default under its Project J Power Sales Contract. The Project J Power Sales Contracts also provide that in the event of default in any payment by a Project J Participant, such Project J Participant must provide for the assessment and collection of an annual tax sufficient to make all payments due under the Project J Power Sales Contract in each year over the remainder of the term of the Project J Power Sales Contract. In addition to any suit in law or equity, MEAG Power has the right to request specific performance as a remedy to enforce such provision.

In the event of a default by a Project J Participant under a Project J Power Sales Contract and discontinuation of such Project J Participant’s service from Project J, MEAG Power shall first offer to transfer a *pro rata* portion of the defaulting Project J Participant’s Obligation Share to all other non-defaulting Project J Participants. Any such portion of the defaulting Project J Participant’s Obligation Share which is declined by any non-defaulting Project J Participant will be reoffered *pro rata* to the non-defaulting Project J Participants which have accepted in full the first offer. Such reoffering will be repeated until such defaulting Project J Participant’s Obligation Share has been reallocated in full or until all non-defaulting Project J Participants have declined to take any additional portion of such defaulting Project J Participant’s

Obligation Share. If less than all of the defaulting Project J Participant's Obligation Share is accepted by the non-defaulting Project J Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Project J Participant's Obligation Share for the remaining term of the associated Project J Power Sales Contract to any person, firm, association or corporation, public or private; *provided*, that such sales may not adversely affect the tax-exempt status of the Project J Bonds intended to be tax-exempt or the security for such Project J Bonds and all amounts owing by the Project J Entity or MEAG Power to FFB or the DOE Secured Parties under the Project J Federal Loan Documents (the "Project J DOE Secured Obligations"). If less than all of the defaulting Project J Participant's Obligation Share is transferred to non-defaulting Project J Participants or otherwise sold, MEAG Power shall transfer the remaining portion of such defaulting Project J Participant's Obligation Share, on a *pro rata* basis (based on the respective original Obligation Shares of the Project J Participants), to all other non-defaulting Project J Participants. Notwithstanding the foregoing, no Project J Participant may, as a result of such transfer, have an Obligation Share in excess of 130 percent of its Obligation Share in effect on the execution date of its Amended and Restated Project J Power Sales Contract. After such transfer, each non-defaulting Project J Participant shall be obligated to pay for its increased Obligation Share. In the event that less than all of the defaulting Project J Participant's Obligation Share has been sold or transferred to non-defaulting Project J Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Project J Participant's Obligation Share or the energy associated therewith to any person, firm, association or corporation, public or private, on terms and conditions acceptable to MEAG Power; *provided*, that such sales may not adversely affect the tax-exempt status of the Project J Bonds intended to be tax-exempt or the security for such Project J Bonds and the Project J DOE Secured Obligations. The defaulting Project J Participant shall remain liable under its Project J Power Sales Contract, except that its obligations will be reduced to the extent that payment has been received by MEAG Power for the portion of the defaulting Project J Participant's Obligation Share that has been sold or transferred.

**Pledge.** The Project J Bonds are direct and special obligations of MEAG Power. The Project J Bonds are payable from and secured by pledges of the Shared Trust Estate and the Bondholders' Trust Estate, the former of which is defined in the Project J Bond Resolution to include (i) the Revenues, other than any cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project J Build America Bonds, (ii) the Initial Power Purchaser Arrearages Payments and the Initial Power Purchaser Resale Revenues, (iii) the Project J Participant Arrearages Payments and the Project J Participant Resale Revenues, (iv) the Revenue Fund, the Initial Power Purchaser Arrearages Fund and the Project J Participant Arrearages Fund established by the Project J Bond Resolution, including the investments, if any, thereof and (v) except for the right to receive payment of the Additional Compensation Obligation, all of MEAG Power's rights under the Project J Power Contracts, including, without limitation, (a) the right to receive and collect all of the payments from the Project J Power Purchasers under the Project J Power Contracts (other than the Additional Compensation Obligation), (b) the right to receive and collect any proceeds of any insurance maintained thereunder, (c) the right to take all actions and give all consents under the Project J Power Contracts and (d) the right to exercise such rights and remedies conferred on MEAG Power under the Project J Power Contracts; *provided, however*, that, as to each Project J Power Contract, the Trustee shall be entitled to exercise the rights described in the foregoing subclauses (c) and (d) only following the occurrence and continuance of a Bondholders' Event of Default or a Federal Loan Event of Default under the Project J Bond Resolution; and the latter of which is defined in the Project J Bond Resolution to include (i) the proceeds of the sale of the Project J Bonds, (ii) all Funds established by the Project J Bond Resolution, including the investments, if any, thereof, other than the Revenue Fund, the Initial Power Purchaser Arrearages Fund and the Project J Participant Arrearages Fund and (iii) all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project J Build America Bonds. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions – *The Project J Bond Resolution*" in APPENDIX M hereto for definitions of the terms "Initial Power Purchaser Arrearages Payment," "Initial Power Purchaser Resale Revenues," "Parity Obligation," "Project J Participant Arrearages Payment" and "Project J Participant Resale Revenues." (For a discussion of the Debt Service Reserve Account in the

Debt Service Fund, see “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Debt Service Fund—Debt Service Reserve Account” in APPENDIX M hereto.)

“Revenues” is defined in the Project J Bond Resolution to mean (i) all revenues, income, rents and receipts received by MEAG Power from or attributable to Project J, including, without limitation, all revenues attributable to Project J or to the payment of the costs thereof and received by MEAG Power under the Project J Power Contracts (including any amounts received as a result of the enforcement of such contracts) or under any other contract for the sale of power, energy or other service from the Project J Entity’s Ownership Interest or any part thereof or any contractual arrangement with respect to the use of the Project J Entity’s Ownership Interest or any portion thereof or the services, output or capacity thereof, but will not include (X) any such revenues, income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation (as such term is defined in the Project J Bond Resolution) and (Y) any amount payable by JEA under the Project J PPA in respect of the Additional Compensation Obligation; (ii) the proceeds of any insurance covering business interruption loss relating to the Project J Entity’s Ownership Interest or Project J and received by MEAG Power; (iii) the proceeds of any liquidated damages payable by a contractor for delay relating to the Project J Entity’s Ownership Interest and received by MEAG Power; and (iv) interest accrued on any moneys or securities held pursuant to the Project J Bond Resolution and paid or required to be paid into the Revenue Fund established pursuant to the Project J Bond Resolution; *provided, however*, that (a) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, all Initial Power Purchaser Arrearages Payments and all Initial Power Purchaser Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project J Bond Resolution and (b) during the period from and including the Project J Participants’ Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, all Project J Participant Arrearages Payments and all Project J Participant Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project J Bond Resolution. Without limiting the generality of the foregoing, all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project J Build America Bonds will constitute Revenues for all purposes of the Project J Bond Resolution. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions – *The Project J Bond Resolution*” in APPENDIX M hereto for definitions of the terms “Initial Power Purchaser Arrearages Fund Establishment Date,” “Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date,” “Project J Participants’ Debt Service Commencement Date” and “Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date.”

The Project J Bond Resolution provides that the Project J Participants are not responsible for debt service that remains unpaid by JEA and JEA is not responsible for any new or additional debt service that goes unpaid by the Project J Participants after the Project J Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date. JEA will remain responsible for any debt service that remains unpaid by JEA, and each Project J Participant will remain responsible for any amount that goes unpaid under its Project J Power Sales Contract. Amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund under the Project J Bond Resolution will be used to make up a deficiency in the Debt Service Account in the Debt Service Fund as a result of any such non-payment. However, neither JEA nor the Project J Participants are responsible for replenishment of the Debt Service Reserve Account or the Project J DOE Debt Service Reserve Account as a result of the default of the other party. As a result, should either JEA, on the one hand, or the Project J Participants, on the other hand, default on their respective debt service-related responsibilities, bondholders will not be able to look to the non-defaulting party to make up such deficiency.

**Additional Project J Bonds.** The Project J Bond Resolution permits the issuance of additional Project J Bonds, including Project J BANs and Project J Take-Out Bonds, for certain purposes relating to Project J. In addition, under the Project J Bond Resolution, upon satisfaction of the conditions contained

therein, MEAG Power is permitted to issue or incur certain Parity Obligations which may be secured by pledges of, and liens on, the Shared Trust Estate and the Bondholders' Trust Estate on a parity with the pledges and liens created by the Project J Bond Resolution to secure the Project J Bonds. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions" in APPENDIX M hereto for a definition of the term "Parity Obligation." The Project J Bond Resolution also permits, upon satisfaction of the conditions contained therein, MEAG Power to issue or incur certain Subordinated Obligations which may be secured by a pledge of the Subordinated Bond Fund created pursuant to the Project J Bond Resolution, which pledge will be subordinate in all respects to the pledges of (a) the Shared Trust Estate discussed above created by the Project J Bond Resolution in favor of the Project J Bonds and Parity Obligations and the Project J Federal Loan Debt Service Payments and (b) the Bondholders' Trust Estate discussed above and created by the Project J Bond Resolution in favor of the Project J Bonds and Parity Obligations. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions" in APPENDIX M hereto for a definition of the term "Subordinated Obligation." See also "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Subordinated Bonds," "– Credit Facilities, Liquidity Facilities and Qualified Hedging Contracts" and "– Commercial Paper Notes" in APPENDIX M hereto.

**Debt Service Reserve Account.** The Project J Bond Resolution establishes a Debt Service Reserve Account in the Debt Service Fund and requires that such Account be funded in an amount equal to the Debt Service Reserve Requirement, which is defined to mean, as of any date of calculation, an amount equal to the greatest amount of the Adjusted Aggregate Debt Service (as defined in "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions" in APPENDIX M hereto) on the Project J Bonds for the current or any future calendar year; *provided, however*, that in the event that, in the opinion of tax counsel to MEAG Power, the amount of the proceeds of the Project J Bonds of any series that may be used to fund an increase in the Debt Service Reserve Requirement is limited under applicable federal income tax laws and regulations, then in no event may the increase in the Debt Service Reserve Requirement resulting from the issuance of such Project J Bonds exceed the maximum amount of the proceeds of such Project J Bonds that may, in the opinion of tax counsel to MEAG Power, be deposited to the Debt Service Reserve Account under such applicable federal income tax laws and regulations. For purposes of calculating the Debt Service Reserve Requirement: (a) the Debt Service Reserve Requirement will take into account any series of Project J Bonds only for so long as any Project J Bonds of such series remain outstanding, but Project J BANs and Project J Take-Out Bonds will not be deemed to be Project J Bonds for purposes of this provision; (b) in the event that the Project J Bonds of any series (or any portion thereof) constitute Build America Bonds, then until such time, if any, as MEAG Power, for whatever reason, no longer receives cash subsidy payments from the United States Treasury in respect of the interest payable on such Project J Bonds, for purposes of calculating the Debt Service Reserve Requirement, the interest on the Project J Bonds of such series will be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Project J Bonds represented by such subsidy will be permanently reduced, then the amount of the Debt Service Reserve Requirement will be increased to reflect the amount of interest payable on such Project J Bonds that no longer is payable to MEAG Power by the United States Treasury, and such increase will be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which such specified percentage is so reduced; and *provided, further*, that in the event that MEAG Power, for whatever reason, ceases to receive cash subsidy payments from the United States Treasury in respect of the interest payable on any such Project J Bonds, then the amount of the Debt Service Reserve Requirement will be increased to reflect the full amount of interest payable on such Project J Bonds, and such increase will be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which MEAG Power does not receive the first such cash subsidy payment that it theretofore was qualified to receive; (c) except as provided in the following clause (d), the Debt Service for the Project J Bonds of any series will be calculated as of the date of original issuance of the Project J Bonds of such series; and (d) in the event that the Project J Bonds of any series will be refunded in whole or in part, the Debt Service Reserve Requirement will be recalculated, assuming that the refunding

Project J Bonds and the Project J Bonds (if any) of the refunded series to remain outstanding upon the issuance of the refunding Project J Bonds are part of the same series.

The Project J Bond Resolution provides that, in lieu of depositing monies in the Debt Service Reserve Account, or in substitution for monies previously deposited in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty for deposit into the Debt Service Reserve Account. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Debt Service Fund–Debt Service Reserve Account” in APPENDIX M hereto.

If at any time the amount in the Debt Service Account in the Debt Service Fund will be less than the requirement of such Account under the Project J Bond Resolution, or the amount in the Debt Service Reserve Account in the Debt Service Fund will be less than the Debt Service Reserve Requirement, then MEAG Power, upon requisition by the Trustee, will transfer from the Reserve and Contingency Fund to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency (or, if the amount in the Reserve and Contingency Fund will be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and the Debt Service Reserve Account, then the amount in the Reserve and Contingency Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied to make up the deficiency with respect to the Debt Service Reserve Account); *provided, however*, that (x) during the period from and including the Project J Participants’ Debt Service Commencement Date to and including the Project J Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by the Project J Participants pursuant to certain provisions of the Project J Bond Resolution must not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by JEA in the making of any payment due under the Project J PPA and (y) during the period from and including the Project J Initial Power Purchaser Arrearages Fund Establishment Date to and including the Project J Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by JEA pursuant to certain provisions of the Project J Bond Resolution must not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract. No transfers will be made pursuant to the above in any calendar month until all amounts required to be transferred pursuant to the Project J Bond Resolution in such calendar month have been so transferred, except to the extent that any such transfer is necessary in order to avoid a default in the payment of the principal or the redemption price of, or interest on, the Project J Bonds or the principal of, or interest or prepayment premiums, if any, on, or other amounts due with respect to, the Project J DOE Guaranteed Loan when due.

If on the last day of any calendar year the balance of moneys and securities in the Reserve and Contingency Fund exceeds MEAG Power’s Reserve and Contingency Requirement (as defined in the Project J Bond Resolution), all or a portion of the amount of such excess will be transferred to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, in the Debt Service Fund if and to the extent such amount is required to make up any deficiency in either such Account; *provided, however*, that (x) during the period from and including the Project J Initial Power Purchaser Arrearages Fund Establishment Date to and including the Project J Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by the Project J Participants pursuant to certain provisions of the Project J Bond Resolution must not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by JEA in the making of any payment due under the Project J PPA and (y) during the period from and including the Project J Participants’ Debt Service Commencement Date to and including the Project J Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by JEA pursuant to certain provisions of the Project J PPA must not be so withdrawn if the purpose for

such withdrawal is to make up any such deficiency that resulted from a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract; and the balance, if any, of such excess will be transferred to the Revenue Fund (or, as applicable, transferred to MEAG Power for deposit to the Revenue Fund).

**Arrearage Funds.** By not later than the Project J Initial Power Purchaser Arrearages Fund Establishment Date, there shall be established a Project J Initial Power Purchaser Arrearages Fund, to be held by the Trustee, which shall consist of (a) an Initial Power Purchaser Resale Revenue Account, into which all Initial Power Purchaser Resale Revenues shall be deposited and (b) a Project J Initial Power Purchaser Arrearages Payment Account, into which all Initial Power Purchaser Arrearages Payments shall be deposited. Amounts on deposit in the Project J Initial Power Purchaser Resale Revenue Account in the Project J Initial Power Purchaser Arrearages Fund shall be applied as provided in the Project J Bond Resolution. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Project J Initial Power Purchaser Arrearages Fund” in APPENDIX M hereto.

On the first date (if any) on or after the Project J Participants’ Debt Service Commencement Date on which any of (a) amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund, the Subordinated Bond Fund or the Reserve and Contingency Fund are applied to cure a deficiency in the Debt Service Account in said Debt Service Fund pursuant the Project J Bond Resolution, (b) the principal or redemption price of, or interest on, any Project J Bond is due and unpaid, (c) amounts on deposit in the DOE Debt Service Reserve Account or the DOE Reserve & Contingency Account are applied to cure a deficiency in the DOE Debt Service Payment Account, (d) the principal of, or interest or prepayment premiums, if any, on, or any other amounts due with respect to the Project J DOE Guaranteed Loan are due and unpaid or (e) there shall not be on deposit in the Revenue Fund amounts sufficient to make the transfers provided for in the Project J Bond Resolution at the time required thereby as a result of a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract (or on such earlier date as an Authorized Officer of MEAG Power shall determine), there will be established a Project J Participant Arrearages Fund, to be held by the Trustee, into which all Project J Participant Arrearages Payments and all Project J Participant Resale Revenues will be deposited and from which, among other things, (1) amounts owed by MEAG Power to the Project J Entity under the Project J Power Purchase Agreement in respect of Debt Service (as defined in the Project J Power Purchase Agreement) and (2) unpaid principal or redemption price of, or interest on, the Project J Bonds will be paid, as more fully provided in the Project J Bond Resolution. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Participant Arrearages Funds” in APPENDIX M hereto.

**Rate Covenant.** MEAG Power has covenanted in the Project J Bond Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of Project J as required to provide revenues at least sufficient in each calendar year, together with other available funds, for the payment during such calendar year of operating expenses, scheduled debt service on the Project J Bonds, amounts required for reserves under the Project J Bond Resolution, and all other charges or liens payable from such revenues during such calendar year, including, without limitation, to the extent not otherwise provided for, all amounts payable by MEAG Power to the Project J Entity pursuant to the Project J Power Purchase Agreement (which include, without limitation, amounts necessary to enable the Project J Entity to pay all amounts owed by it, and fund all accounts or reserves required to be funded by it, pursuant to the Project J DOE Loan Guarantee Agreement and all other Project J Federal Loan Documents) during such calendar year and all amounts payable on Project J Subordinated Bonds and Project J Subordinated Obligations during such calendar year.

**Nature of Obligation.** The Project J Bonds, including Project J BANs and Project J Take-Out Bonds, do not constitute a debt of, a loan by, or a pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, or of JEA or any Project J Participant. Rather, the Project J Bonds are payable from the Shared Trust Estate and the Bondholders’ Trust Estate as provided in the Project J Bond Resolution. The issuance of any Project J Bonds does not obligate the State of Georgia or any political



subdivision thereof, or JEA or any Project J Participant, to levy or pledge any form of taxation whatever for the payment thereof. No bondholder, and no receiver or trustee in connection therewith, has the right to enforce the payment of any Project J Bond against any property of the State of Georgia or any political subdivision thereof, or of JEA or any Project J Participant, nor does any Project J Bond constitute a charge, lien or encumbrance, whether legal or equitable, upon any such property. However, in the Project J Bond Resolution, MEAG Power has covenanted to enforce the obligation of any Project J Participant to pay the amounts required by its Project J Power Sales Contract, which is an obligation of the Project J Participant to the payment of which its full faith and credit are pledged. In the Project J Power Sales Contracts, each Project J Participant has agreed that amounts payable by it thereunder will be paid as a cost of purchased power and energy of such Project J Participant's electric system and otherwise as an expense of operation and maintenance thereof.

## **Security for MEAG Power's Project P Bonds**

### **The Project P PPA.**

**General.** For a period of twenty years, commencing on the commercial operation date of the first unit of Vogtle Units 3&4 to achieve commercial operation, MEAG Power is obligated to provide, and PowerSouth is obligated to take from MEAG Power, all of the output and services from the Project P Entity's Ownership Interest and related reserve, emergency and interchange service from such unit which are purchased by MEAG Power from the Project P Entity. Separately, for a period of twenty years, commencing on the commercial operation date of the second unit of Vogtle Units 3&4 to achieve commercial operation, MEAG Power is obligated to provide, and PowerSouth is obligated to take from MEAG Power, all of the output and services from the Project P Entity's Ownership Interest and related reserve, emergency and interchange service from such unit which are purchased by MEAG Power from the Project P Entity. PowerSouth shall have no right to dispatch or schedule the operation of Project P or any facility thereof.

**PowerSouth's Payment Obligations Under the Project P PPA.** The payment obligations of PowerSouth under the Project P PPA are comparable to those of JEA under the Project J PPA. See "Security for MEAG Power's Project J Bonds – *The Project J PPA – JEA's Payments in Respect of Debt Service,*" "*– JEA's Payments in Respect of Annual Costs Other than Debt Service*" and "*– JEA's Payment Obligations in the Event of Project J Delay or Termination*" herein. For a description of PowerSouth's payment obligations under the Project P PPA, including its obligation to pay Project P annual costs and debt service in the case of a Project P delay or Project P termination, see "SUMMARY OF VOGTLE UNITS 3&4 PPAs – PROJECT P PPA – PowerSouth's Payment Obligation," in APPENDIX J hereto.

**PowerSouth's Rate Covenant.** PowerSouth has covenanted in the Project P PPA to maintain and collect rates and charges for the electric service of its wholesale load so as to provide revenues sufficient, together with available reserves, to enable PowerSouth to pay MEAG Power all amounts payable under the Project P PPA and to pay all other amounts payable from and all lawful charges against or liens on the revenues of its electric system.

**Project P Bond Anticipation Notes.** In the event that MEAG Power does not have sufficient funds to pay in full the principal of or interest on any Project P Bond Anticipation Notes when due (including as a result of the inability of MEAG Power or the Project P Entity, for any reason, to borrow funds in an amount sufficient to refund any Project P Bond Anticipation Notes at or prior to their respective maturity dates (whether through the issuance of other Project P Bonds (including other Project P Bond Anticipation Notes) or otherwise), PowerSouth will be obligated, pursuant to the terms of the Project P PPA, to pay to MEAG Power 50 percent of the amount of such shortfall, which amount will be payable on or before the due date of such principal and/or interest, whether before or after the applicable commercial operation date. Project P Bond Anticipation Notes are defined in the Project P PPA as Project P Bonds that are issued to finance or refinance the costs of acquisition and construction of the Project P Entity's Ownership Interest

and financing costs of Project P on an interim basis prior to the issuance of other Project P Bonds or the making of Project P Advances under the Project P DOE Guaranteed Loan, in either such case, satisfying the structuring requirements of the Project P PPA.

In the event that PowerSouth pays to MEAG Power any amount in respect of the principal of maturing Project P Bond Anticipation Notes as provided in the preceding paragraph, MEAG Power has agreed in the Project P PPA that, on the first date thereafter on which it or the Project P Entity is able to borrow funds to pay costs of acquisition and construction and financing costs of Project P, it will include in such borrowing an amount sufficient to reimburse PowerSouth and the Project P Participants for all amounts paid by them in respect of the principal of such maturing Project P Bond Anticipation Notes that have not theretofore been reimbursed by MEAG Power, but without interest thereon.

### **The Project P Power Sales Contracts.**

*General.* As more fully described below, under the Project P Power Sales Contracts, beginning with the expiration of the respective twenty-year periods during which PowerSouth is obligated to take all of the output and services of the Project P Entity's Ownership Interest, MEAG Power has agreed to provide to each Project P Participant, and each Project P Participant has agreed to take from MEAG Power, its respective Obligation Share of all of the output and services of Vogtle Units 3&4 related to the Project P Entity's Ownership Interest and related reserve, emergency and interchange service, and each Project P Participant is obligated to pay its respective Obligation Share of all of MEAG Power's costs related to Project P. Each Project P Power Sales Contract will continue to be in full force and effect at least until such time as all Project P Bonds have been paid or provision has been made for their payment and all obligations of the Project P Entity under the Project P Federal Loan Documents have been satisfied and all lending commitments thereunder have been terminated or until such time as Project P is retired from service or disposed of by MEAG Power or the Project P Entity, as applicable, whichever is later, but in no event longer than fifty (50) years from December 31, 2014, the execution date of the Amended and Restated Project P Power Sales Contracts (unless extended either through amendment or replacement with another contract; see the fourth paragraph under "INTRODUCTORY STATEMENT – The Participants" herein).

*Project P Participants' Payment Obligations Under the Project P Power Sales Contracts.* The payment obligations of the Project P Participants under the Project P Power Sales Contracts are comparable to those of the Project J Participants under the Project J Power Sales Contracts. See "Security for MEAG Power's Project J Bonds – *The Project J Power Sales Contracts – Project J Participants' Payments in Respect of Debt Service,*" "*– Project J Participants' Payments in Respect of Annual Costs Other than Debt Service*" and "*– Project J Participants' Payment Obligations in the Event of Project J Delay or Termination*" herein. For a discussion of the Project P Participants' payment obligations, see "SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay" in APPENDIX K hereto.

*Event of Default by a Project P Participant Under a Project P Power Sales Contract.* Failure by a Project P Participant to make any payment due under its Project P Power Sales Contract will constitute a default thereunder. In such event, MEAG Power may proceed to enforce payment by action at law or equity and may, upon 60 days' written notice to the defaulting Project P Participant, cease and discontinue providing services to such Project P Participant under such Project P Power Sales Contract. If the default continues for more than 180 days or if a non-defaulting Project P Participant exercises a right of first refusal to purchase a *pro rata* share of such defaulting Project P Participant's Obligation Share of the output and services of the Project P Entity's Ownership Interest, whichever occurs first, MEAG Power may permanently discontinue providing service from the Project P Entity's Ownership Interest to the defaulting Project P Participant. Each Project P Participant expressly waives any claim to interest payments recovered by MEAG Power as a result of a default under its Project P Power Sales Contract. The Project P Power Sales Contracts also provide that in the event of default in any payment by a Project P Participant, such Project P Participant must provide for the assessment and collection of an annual tax sufficient to make all

payments due under the Project P Power Sales Contract in each year over the remainder of the term of the Project P Power Sales Contract. In addition to any suit in law or equity, MEAG Power has the right to request specific performance as a remedy to enforce such provision.

In the event of a default by a Project P Participant under a Project P Power Sales Contract and discontinuation of such Project P Participant's service from Project P, MEAG Power shall first offer to transfer a *pro rata* portion of the defaulting Project P Participant's Obligation Share to all other non-defaulting Project P Participants. Any such portion of the defaulting Project P Participant's Obligation Share which is declined by any non-defaulting Project P Participant will be reoffered *pro rata* to the non-defaulting Project P Participants which have accepted in full the first offer. Such reoffering will be repeated until such defaulting Project P Participant's Obligation Share has been reallocated in full or until all non-defaulting Project P Participants have declined to take any additional portion of such defaulting Project P Participant's Obligation Share. If less than all of the defaulting Project P Participant's Obligation Share is accepted by the non-defaulting Project P Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Project P Participant's Obligation Share for the remaining term of the associated Project P Power Sales Contract to any person, firm, association or corporation, public or private; *provided*, that such sales may not adversely affect the tax-exempt status of the Project P Bonds intended to be tax-exempt or the security for such Project P Bonds and all amounts owing by the Project P Entity or MEAG Power to FFB or the DOE Secured Parties under the Project P Federal Loan Documents (the "Project P DOE Secured Obligations"). If less than all of the defaulting Project P Participant's Obligation Share is transferred to non-defaulting Project P Participants or otherwise sold, MEAG Power shall transfer the remaining portion of such defaulting Project P Participant's Obligation Share, on a *pro rata* basis (based on the respective original Obligation Shares of the Project P Participants), to all other non-defaulting Project P Participants. Notwithstanding the foregoing, no Project P Participant may, as a result of such transfer, have an Obligation Share in excess of 130 percent of its Obligation Share in effect on the execution date of its Amended and Restated Project P Power Sales Contract. After such transfer, each non-defaulting Project P Participant shall be obligated to pay for its increased Obligation Share. In the event that less than all of the defaulting Project P Participant's Obligation Share has been sold or transferred to non-defaulting Project P Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Project P Participant's Obligation Share or the energy associated therewith to any person, firm, association or corporation, public or private, on terms and conditions acceptable to MEAG Power; *provided*, that such sales may not adversely affect the tax-exempt status of the Project P Bonds intended to be tax-exempt or the security for such Project P Bonds and the Project P DOE Secured Obligations. The defaulting Project P Participant shall remain liable under its Project P Power Sales Contract, except that its obligations will be reduced to the extent that payment has been received by MEAG Power for the portion of the defaulting Project P Participant's Obligation Share that has been sold or transferred.

**Pledge.** The Project P Bonds are direct and special obligations of MEAG Power. The Project P Bonds are payable from and secured by pledges of the Shared Trust Estate and the Bondholders' Trust Estate, the former of which is defined in the Project P Bond Resolution to include (i) the Revenues, other than any cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project P Build America Bonds, (ii) the Initial Power Purchaser Arrearages Payments and the Initial Power Purchaser Resale Revenues, (iii) the Project P Participant Arrearages Payments and the Project P Participant Resale Revenues, (iv) the Revenue Fund, the Initial Power Purchaser Arrearages Fund and the Project P Participant Arrearages Fund established by the Project P Bond Resolution, including the investments, if any, thereof and (v) except for the right to receive payment of the Additional Compensation Obligation, all of MEAG Power's rights under the Project P Power Contracts, including, without limitation, (a) the right to receive and collect all of the payments from the Project P Power Purchasers under the Project P Power Contracts (other than the Additional Compensation Obligation), (b) the right to receive and collect any proceeds of any insurance maintained thereunder, (c) the right to take all actions and give all consents under the Project P Power Contracts and (d) the right to exercise such rights and remedies conferred on MEAG Power under the Project P Power Contracts;

*provided, however*, that, as to each Project P Power Contract, the Trustee shall be entitled to exercise the rights described in the foregoing subclauses (c) and (d) only following the occurrence and continuance of a Bondholders' Event of Default or a Federal Loan Event of Default under the Project P Bond Resolution; and the latter of which is defined in the Project P Bond Resolution to include (i) the proceeds of the sale of the Project P Bonds, (ii) all Funds established by the Project P Bond Resolution, including the investments, if any, thereof, other than the Revenue Fund, the Initial Power Purchaser Arrearages Fund and the Project P Participant Arrearages Fund and (iii) all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project P Build America Bonds. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions – *The Project P Bond Resolution*" in APPENDIX M hereto for definitions of the terms "Initial Power Purchaser Arrearages Payment," "Initial Power Purchaser Resale Revenues," "Parity Obligation," "Project P Participant Arrearages Payment," and "Project P Participant Resale Revenues." (For a discussion of the Debt Service Reserve Account in the Debt Service Fund, see "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Debt Service Fund—Debt Service Reserve Account" in APPENDIX M hereto.)

"Revenues" is defined in the Project P Bond Resolution to mean (i) all revenues, income, rents and receipts received by MEAG Power from or attributable to Project P, including, without limitation, all revenues attributable to Project P or to the payment of the costs thereof and received by MEAG Power under the Project P Power Contracts (including any amounts received as a result of the enforcement of such contracts) or under any other contract for the sale of power, energy or other service from the Project P Entity's Ownership Interest or any part thereof or any contractual arrangement with respect to the use of the Project P Entity's Ownership Interest or any portion thereof or the services, output or capacity thereof, but will not include (X) any such revenues, income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation (as such term is defined in the Project P Bond Resolution) and (Y) any amount payable by PowerSouth under the Project P PPA in respect of the Additional Compensation Obligation; (ii) the proceeds of any insurance covering business interruption loss relating to the Project P Entity's Ownership Interest or Project P and received by MEAG Power; (iii) the proceeds of any liquidated damages payable by a contractor for delay relating to the Project P Entity's Ownership Interest and received by MEAG Power; and (iv) interest accrued on any moneys or securities held pursuant to the Project P Bond Resolution and paid or required to be paid into the Revenue Fund established pursuant to the Project P Bond Resolution; *provided, however*, that (a) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, all Initial Power Purchaser Arrearages Payments and all Initial Power Purchaser Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project P Bond Resolution and (b) during the period from and including the Project P Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, all Project P Participant Arrearages Payments and all Project P Participant Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project P Bond Resolution. Without limiting the generality of the foregoing, all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project P Build America Bonds will constitute Revenues for all purposes of the Project P Bond Resolution. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions – *The Project P Bond Resolution*" in APPENDIX M hereto for definitions of the terms "Initial Power Purchaser Arrearages Fund Establishment Date," "Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date," "Project P Participants' Debt Service Commencement Date" and "Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date."

The Project P Bond Resolution provides that the Project P Participants are not responsible for debt service that remains unpaid by PowerSouth and PowerSouth is not responsible for any new or additional debt service that goes unpaid by the Project P Participants after the Project P Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date. PowerSouth will remain responsible for any debt service that remains unpaid by PowerSouth, and each Project P Participant will remain responsible for any amount

that goes unpaid under its Project P Power Sales Contract. Amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund under the Project P Bond Resolution will be used to make up a deficiency in the Debt Service Account in the Debt Service Fund as a result of any such non-payment. However, neither PowerSouth nor the Project P Participants are responsible for replenishment of the Debt Service Reserve Account or the Project P DOE Debt Service Reserve Account as a result of the default of the other party. As a result, should either PowerSouth, on the one hand, or the Project P Participants, on the other hand, default on their respective debt service-related responsibilities, bondholders will not be able to look to the non-defaulting party to make up such deficiency.

**Additional Project P Bonds.** The Project P Bond Resolution permits the issuance of additional Project P Bonds, including Project P Bond Anticipation Notes, for certain purposes relating to Project P. In addition, under the Project P Bond Resolution, upon satisfaction of the conditions contained therein, MEAG Power is permitted to issue or incur certain Parity Obligations which may be secured by pledges of, and liens on, the Shared Trust Estate and the Bondholders' Trust Estate on a parity with the pledges and liens created by the Project P Bond Resolution to secure the Project P Bonds. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions" in APPENDIX M hereto for a definition of the term "Parity Obligation." The Project P Bond Resolution also permits, upon satisfaction of the conditions contained therein, MEAG Power to issue or incur certain Subordinated Obligations which may be secured by a pledge of the Subordinated Bond Fund created pursuant to the Project P Bond Resolution, which pledge will be subordinate in all respects to the pledges of (a) the Shared Trust Estate discussed above created by the Project P Bond Resolution in favor of the Project P Bonds and Parity Obligations and the Project P Federal Loan Debt Service Payments and (b) the Bondholders' Trust Estate discussed above and created by the Project P Bond Resolution in favor of the Project P Bonds and Parity Obligations. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions" in APPENDIX M hereto for a definition of the term "Subordinated Obligation." See also "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Subordinated Bonds," "– Credit Facilities, Liquidity Facilities and Qualified Hedging Contracts" and "– Commercial Paper Notes" in APPENDIX M hereto.

**Debt Service Reserve Account.** The Project P Bond Resolution establishes a Debt Service Reserve Account in the Debt Service Fund and requires that such Account be funded in an amount equal to the Debt Service Reserve Requirement, which is defined to mean, as of any date of calculation, an amount equal to the greatest amount of the Adjusted Aggregate Debt Service (as defined in "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Definitions" in APPENDIX M hereto) on the Project P Bonds for the current or any future calendar year; *provided, however*, that in the event that, in the opinion of tax counsel to MEAG Power, the amount of the proceeds of the Project P Bonds of any series that may be used to fund an increase in the Debt Service Reserve Requirement is limited under applicable federal income tax laws and regulations, then in no event may the increase in the Debt Service Reserve Requirement resulting from the issuance of such Project P Bonds exceed the maximum amount of the proceeds of such Project P Bonds that may, in the opinion of tax counsel to MEAG Power, be deposited to the Debt Service Reserve Account under such applicable federal income tax laws and regulations. For purposes of calculating the Debt Service Reserve Requirement: (a) the Debt Service Reserve Requirement will take into account any series of Project P Bonds only for so long as any Project P Bonds of such series remain outstanding, but Project P Bond Anticipation Notes will not be deemed to be Project P Bonds for purposes of this provision; (b) in the event that the Project P Bonds of any series (or any portion thereof) constitute Build America Bonds, then until such time, if any, as MEAG Power, for whatever reason, no longer receives cash subsidy payments from the United States Treasury in respect of the interest payable on such Project P Bonds, for purposes of calculating the Debt Service Reserve Requirement, the interest on the Project P Bonds of such series will be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Project P Bonds represented by such subsidy will be permanently reduced, then the amount of the Debt Service Reserve Requirement will be increased to reflect the amount of interest payable on such Project P Bonds that no longer is payable to MEAG Power by the United States Treasury, and such increase will be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which such specified

percentage is so reduced; and *provided, further*, that in the event that MEAG Power, for whatever reason, ceases to receive cash subsidy payments from the United States Treasury in respect of the interest payable on any such Project P Bonds, then the amount of the Debt Service Reserve Requirement will be increased to reflect the full amount of interest payable on such Project P Bonds, and such increase will be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which MEAG Power does not receive the first such cash subsidy payment that it theretofore was qualified to receive; (c) except as provided in the following clause (d), the Debt Service for the Project P Bonds of any series will be calculated as of the date of original issuance of the Project P Bonds of such series; and (d) in the event that the Project P Bonds of any series will be refunded in whole or in part, the Debt Service Reserve Requirement will be recalculated, assuming that the refunding Project P Bonds and the Project P Bonds (if any) of the refunded series to remain outstanding upon the issuance of the refunding Project P Bonds are part of the same series.

The Project P Bond Resolution provides that, in lieu of depositing monies in the Debt Service Reserve Account, or in substitution for monies previously deposited in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty for deposit into the Debt Service Reserve Account. See “SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Debt Service Fund–Debt Service Reserve Account” in APPENDIX M hereto.

If at any time the amount in the Debt Service Account in the Debt Service Fund will be less than the requirement of such Account under the Project P Bond Resolution, or the amount in the Debt Service Reserve Account in the Debt Service Fund will be less than the Debt Service Reserve Requirement, then MEAG Power, upon requisition by the Trustee, will transfer from the Reserve and Contingency Fund to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency (or, if the amount in the Reserve and Contingency Fund will be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and the Debt Service Reserve Account, then the amount in the Reserve and Contingency Fund will be applied first to make up the deficiency in the Debt Service Account, and any balance remaining will be applied to make up the deficiency with respect to the Debt Service Reserve Account); *provided, however*, that (x) during the period from and including the Project P Participants’ Debt Service Commencement Date to and including the Project P Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by the Project P Participants pursuant to certain provisions of the Project P Bond Resolution must not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by PowerSouth in the making of any payment due under the Project P PPA and (y) during the period from and including the Project P Initial Power Purchaser Arrearages Fund Establishment Date to and including the Project P Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by PowerSouth pursuant to certain provisions of the Project P Bond Resolution must not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by any Project P Participant in the making of any payment due under its Project P Power Sales Contract. No transfers will be made pursuant to the above in any calendar month until all amounts required to be transferred pursuant to the Project P Bond Resolution in such calendar month have been so transferred, except to the extent that any such transfer is necessary in order to avoid a default in the payment of the principal or the redemption price of, or interest on, the Project P Bonds or the principal of, or interest or prepayment premiums, if any, on, or other amounts due with respect to, the Project P DOE Guaranteed Loan when due.

If on the last day of any calendar year the balance of moneys and securities in the Reserve and Contingency Fund exceeds MEAG Power’s Reserve and Contingency Requirement (as defined in the Project P Bond Resolution), all or a portion of the amount of such excess will be transferred to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, in the Debt Service Fund if and to the extent such amount is required to make up any deficiency in either such

Account; *provided, however*, that (x) during the period from and including the Project P Initial Power Purchaser Arrearages Fund Establishment Date to and including the Project P Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by the Project P Participants pursuant to certain provisions of the Project P Bond Resolution must not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by PowerSouth in the making of any payment due under the Project P PPA and (y) during the period from and including the Project P Participants' Debt Service Commencement Date to and including the Project P Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by PowerSouth pursuant to certain provisions of the Project P PPA must not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by any Project P Participant in the making of any payment due under its Project P Power Sales Contract; and the balance, if any, of such excess will be transferred to the Revenue Fund.

**Arrearage Funds.** By not later than the Project P Initial Power Purchaser Arrearages Fund Establishment Date, there shall be established a Project P Initial Power Purchaser Arrearages Fund, to be held by the Trustee, which shall consist of (a) an Initial Power Purchaser Resale Revenue Account, into which all Initial Power Purchaser Resale Revenues shall be deposited and (b) a Project P Initial Power Purchaser Arrearages Payment Account, into which all Initial Power Purchaser Arrearages Payments shall be deposited. Amounts on deposit in the Project P Initial Power Purchaser Resale Revenue Account in the Project P Initial Power Purchaser Arrearages Fund shall be applied as provided in the Project P Bond Resolution. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Project P Initial Power Purchaser Arrearages Fund" in APPENDIX M hereto.

On the first date (if any) on or after the Project P Participants' Debt Service Commencement Date on which any of (a) amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund, the Subordinated Bond Fund or the Reserve and Contingency Fund are applied to cure a deficiency in the Debt Service Account in said Debt Service Fund pursuant the Project P Bond Resolution, (b) the principal or redemption price of, or interest on, any Project P Bond is due and unpaid, (c) amounts on deposit in the DOE Debt Service Reserve Account or the DOE Reserve & Contingency Account are applied to cure a deficiency in the DOE Debt Service Payment Account, (d) the principal of, or interest or prepayment premiums, if any, on, or any other amounts due with respect to the Project P DOE Guaranteed Loan are due and unpaid or (e) there shall not be on deposit in the Revenue Fund amounts sufficient to make the transfers provided for in the Project P Bond Resolution at the time required thereby as a result of a default by any Project P Participant in the making of any payment due under its Project P Power Sales Contract (or on such earlier date as an Authorized Officer of MEAG Power shall determine), there will be established a Project P Participant Arrearages Fund, to be held by the Trustee, into which all Project P Participant Arrearages Payments and all Project P Participant Resale Revenues will be deposited and from which, among other things, (1) amounts owed by MEAG Power to the Project P Entity under the Project P Power Purchase Agreement in respect of Debt Service (as defined in the Project P Power Purchase Agreement) and (2) unpaid principal or redemption price of, or interest on, the Project P Bonds will be paid, as more fully provided in the Project P Bond Resolution. See "SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS – Participant Arrearages Funds" in APPENDIX M hereto.

**Rate Covenant.** MEAG Power has covenanted in the Project P Bond Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of Project P as required to provide revenues at least sufficient in each calendar year, together with other available funds, for the payment during such calendar year of operating expenses, scheduled debt service on the Project P Bonds, amounts required for reserves under the Project P Bond Resolution, and all other charges or liens payable from such revenues during such calendar year, including, without limitation, to the extent not otherwise provided for, all amounts payable by MEAG Power to the Project P Entity pursuant to the Project P Power Purchase Agreement (which include, without limitation, amounts necessary to enable the Project P Entity to pay all amounts owed by it, and fund all accounts or reserves required to be funded

by it, pursuant to the Project P DOE Loan Guarantee Agreement and all other Project P Federal Loan Documents) during such calendar year and all amounts payable on Project P Subordinated Bonds and Project P Subordinated Obligations during such calendar year.

**Nature of Obligation.** The Project P Bonds, including Project P Bond Anticipation Notes, do not constitute a debt of, a loan by, or a pledge of the faith and credit of the State of Georgia or of any political subdivision thereof, or of PowerSouth or any Project P Participant. Rather, the Project P Bonds are payable from the Shared Trust Estate and the Bondholders' Trust Estate as provided in the Project P Bond Resolution. The issuance of any Project P Bonds does not obligate the State of Georgia or any political subdivision thereof, or PowerSouth or any Project P Participant, to levy or pledge any form of taxation whatever for the payment thereof. No bondholder, and no receiver or trustee in connection therewith, has the right to enforce the payment of any Project P Bond against any property of the State of Georgia or any political subdivision thereof, or of PowerSouth or any Project P Participant, nor does any Project P Bond constitute a charge, lien or encumbrance, whether legal or equitable, upon any such property. However, in the Project P Bond Resolution, MEAG Power has covenanted to enforce the obligation of any Project P Participant to pay the amounts required by its Project P Power Sales Contract, which is an obligation of the Project P Participant to the payment of which its full faith and credit are pledged. In the Project P Power Sales Contracts, each Project P Participant has agreed that amounts payable by it thereunder will be paid as a cost of purchased power and energy of such Project P Participant's electric system and otherwise as an expense of operation and maintenance thereof.

## **THE PARTICIPANTS**

### **General**

The Participants consist of 48 cities and one county, all political subdivisions of the State of Georgia. See "INTRODUCTORY STATEMENT – The Participants" herein. Geographically, the Participants are located throughout the State in 39 of its 159 counties. Collectively, the Participants serve approximately 312,000 customer accounts, representing a total population of approximately 635,000 based on the U.S. Census Bureau's 2015 population estimates. The electric distribution systems of most of the Participants have been in operation for 100 years or more. Many of the Participants owned generating facilities in the past, but as technology improved in the electric utility industry and as economies of scale became more important, the local generating facilities were phased out of service, and Calhoun and Crisp County are the only Participants that now own generating facilities that are connected to the ITS. Until February 1977, the Initial Participants were dependent upon GPC for their wholesale electric requirements in excess of allotments of power from federally owned facilities through SEPA and, in the case of Crisp County, self-owned generation. Since that time, MEAG Power has furnished, from the output of Project One, the Existing General Resolution Projects and the CC Project and through purchases from other suppliers, all of the Participants' requirements formerly supplied by GPC, except for certain transactions between Crisp County and GPC. MEAG Power has served all of the requirements of Oxford and Acworth since they became Participants in 1986 and 2002, respectively, and has provided firm bulk power supply to Acworth through wholesale power contracts since 1995. See "MEAG POWER – Bulk Power Supply Operations – *Supplemental Bulk Power Supply*" herein.

On January 31, 2011, MEAG Power purchased all but a defined portion of the electric distribution system of the City of Hogansville ("Hogansville") (excluding customer meters and electrical service contracts with customers and certain described lines and equipment previously transferred to MEAG Power and leased to Hogansville by MEAG Power) pursuant to the terms of an installment sales agreement dated January 31, 2011 (the "Installment Sales Agreement"). Pursuant thereto, MEAG Power, as purchaser, agreed to pay the purchase price of \$5,980,000 in 26 semi-annual installments from February 2011 through April 2023. MEAG Power took title to Hogansville's distribution system, under the terms of the Installment Sales Agreement, upon the execution of such agreement, in order to facilitate the lease of the distribution



system back to Hogansville (the “Lease”). MEAG Power is obligated to pay the purchase price as provided for in the Installment Sales Agreement unless and until there has been an Event of Default (as defined in the Installment Sales Agreement) by Hogansville under the Lease, which event would trigger a termination of the Lease.

The Lease has a term of thirty years, and Hogansville’s payment obligations thereunder are its general obligation, to which its full faith and credit are pledged. Payments under the Lease, which began in October 2012 and will continue through October 2040, are structured to fully reimburse MEAG Power for the purchase price paid to Hogansville under the Installment Sales Agreement. The Lease payments are operation and maintenance expenses of Hogansville’s combined water and sewerage, gas distribution and electric distribution system, payable prior to debt service on Hogansville’s obligations payable from the net revenues of such system. The Lease contains a rate covenant obligating Hogansville to charge rates and fees for the services and facilities of the electric distribution system sufficient to pay all costs of such system, including the operation and maintenance of such system and all other obligations of such system. For more information, as well as information about certain other Participant-related financings, see Note 8 to MEAG Power’s 2017 Financial Statements attached hereto as APPENDIX A.

[remainder of page intentionally left blank]

## Generation and Transmission Entitlement Shares – Project One

The following table sets forth the Entitlement Shares of each of the Participants for the output and services of the generating units and transmission system facilities included in Project One. During the term of the Project One Power Sales Contracts, each Participant's Entitlement Share of the retained output and services of the generating units included in Project One will be as shown.

The Transmission Entitlement Shares are estimated each year for purposes of MEAG Power's Annual System Budget and are adjusted retroactively to reflect the relative demands which each Participant actually placed upon the system at the time of MEAG Power's peak demand.

Participant	Project One Generation Entitlement Shares	Project One Budgeted 2018 Transmission Entitlement Shares	Participant	Project One Generation Entitlement Shares	Project One Budgeted 2018 Transmission Entitlement Shares
Acworth	0.000% <sup>(1)</sup>	1.375%	Griffin	2.950%	4.482%
Adel	1.164	0.930	Hogansville	0.296	0.256
Albany	10.105	8.463	Jackson	0.499	0.491
Barnesville	0.415	0.986	LaFayette	1.615	0.900
Blakely	0.814	0.751	LaGrange	3.213	5.936
Brinson	0.033	0.013	Lawrenceville	2.161 <sup>(2)</sup>	3.987
Buford	0.570	2.478	Mansfield	0.027	0.081
Cairo	1.783	1.470	Marietta	12.761	11.014
Calhoun	2.810	4.501	Monroe	1.462	1.755
Camilla	1.093 <sup>(2)</sup>	1.444	Monticello	0.405	0.222
Cartersville	5.205	5.889	Moultrie	3.070	1.590
College Park	7.707	2.454	Newnan	1.605	4.472
Commerce	0.641	0.511	Norcross	0.846	1.463
Covington	2.694	5.145	Oxford	0.000 <sup>(3)</sup>	0.223
Crisp County	3.431	3.579	Palmetto	0.331	0.372
Doerun	0.119	0.053	Quitman	0.634	0.410
Douglas	2.625	2.837	Sandersville	0.780 <sup>(2)</sup>	1.150
East Point	7.019	2.530	Sylvania	3.118	0.723
Elberton	1.358	1.111	Sylvester	0.979	0.979
Ellaville	0.307	0.358	Thomaston	1.227	1.135
Fairburn	0.568	1.045	Thomasville	4.359	5.191
Fitzgerald	2.950	1.738	Washington	1.059	0.798
Forsyth	0.994	1.006	West Point	0.426	0.472
Fort Valley	1.564	0.998	Whigham	0.125 <sup>(2)</sup>	0.075
Grantville	0.083	0.158			
			<i>Total</i>	100.000%	100.000%

- (1) Acworth has entered into a Project One power sales contract with MEAG Power that provides for a portion of Sylvania's Project One Entitlement Share to be transferred to Acworth and for MEAG Power to supply Acworth's Supplemental Bulk Power Supply. The agreement between Sylvania and Acworth provides for a transfer of 9 MW of Project One capacity. The take-or-pay obligation of Sylvania is not affected. See "INTRODUCTORY STATEMENT – The Participants" herein.
- (2) The Cities of Camilla, Lawrenceville and Sandersville also have entered into IPT contracts with certain other Initial Participants pursuant to which they have purchased portions of the Obligation Shares of such other Initial Participants for a term that is coterminous with the term of such other Initial Participants' Project One Power Sales Contracts. The take-or-pay obligations of such other Initial Participants are not affected. See "MEAG POWER – Bulk Power Supply Operations – General" herein.
- (3) Oxford has entered into power sales contracts relating to MEAG Power's Projects, and the Initial Participants agreed that Oxford would take a 0.191 percent Entitlement Share pro rata from the Entitlement Shares of the Initial Participants. The take-or-pay obligations of the Initial Participants are not affected. See "INTRODUCTORY STATEMENT – The Participants" herein.

See “MEAG POWER – Bulk Power Supply Operations – *General*” herein for a discussion of certain inter-Participant transfers of Project One capacity among the Participants in Project One.

#### **Obligation Shares of the Participants – Existing General Resolution Projects**

Each Participant will remain liable, in the event that any of the Existing General Resolution Projects is totally and permanently retired from service, or is out of service totally, but not permanently, and MEAG Power is unable to provide power from alternate sources, to pay a fixed percentage, called an Obligation Share, of MEAG Power’s costs attributable to such Project (to the extent not paid from proceeds of bonds).

MEAG Power will fix the Project Two or Project Three Obligation Share for each Participant (other than Acworth, which has not entered into a power sales contract for Project Two or Project Three) at such time, if any, as the applicable Project becomes inoperable under a formula contained in the applicable power sales contracts based generally upon such Participant’s historical demand for Bulk Power Supply in excess of capacity delivered by MEAG Power from Project One relative to such historical demand of all Participants. The sum of all Obligation Shares of the applicable Project must equal 100 percent. As of any date of calculation, each Participant’s Obligation Share for Project Two may differ from its Obligation Share for Project Three because the historical period used for calculation of the former is longer than the historical period used for calculation of the latter.

Each Participant (other than Acworth, which has not entered into a power sales contract for Project Four) has a fixed Obligation Share for Project Four that will not change through the end of the original term of the power sales contracts for Project Four (November 16, 2033), as shown in the table below. After November 16, 2033, as a result of the Term Extension Amendments, each such Participant’s Project Four Obligation Share will equal its Project Four Billing Share through the remainder of the term of the Project Four power sales contracts. See “INTRODUCTORY STATEMENT – The Participants” herein. The sum of all Participants’ Obligation Shares for Project Four equals 100 percent.

[remainder of page intentionally left blank]

The Participants' Obligation Shares for Project Four until November 16, 2033, and their Obligation Shares for Project Two and Project Three as of December 31, 2017 are as follows:

Participant	Project Two Obligation Share	Project Three Obligation Share	Project Four Obligation Share	Participant	Project Two Obligation Share	Project Three Obligation Share	Project Four Obligation Share
Adel	0.766%	0.710%	1.164%	Hogansville	0.269%	0.266%	0.296%
Albany	14.532	14.036	10.105	Jackson	0.597	0.622	0.499
Barnesville	1.039	1.138	0.415	LaFayette	1.174	1.076	1.615
Blakely	0.837	0.800	0.814	LaGrange	7.829	8.553	3.213
Brinson	0.016	0.014	0.033	Lawrenceville	5.045	5.661	2.161
Buford	1.205	1.341	0.570	Mansfield	0.093	0.105	0.027
Cairo	1.637	1.592	1.783	Marietta	13.341	13.842	12.761
Calhoun	3.784	4.189	2.810	Monroe	1.475	1.465	1.462
Camilla	0.693	0.651	1.093	Monticello	0.249	0.238	0.405
Cartersville	2.417	2.166	5.205	Moultrie	1.684	1.414	3.070
College Park	2.125	1.675	7.707	Newnan	1.539	1.511	1.605
Commerce	0.524	0.479	0.641	Norcross	1.406	1.589	0.846
Covington	3.344	3.466	2.694	Oxford	0.197	0.240	0.000 <sup>(1)</sup>
Crisp County	0.204	0.089	3.431	Palmetto	0.339	0.373	0.331
Doerun	0.118	0.111	0.119	Quitman	0.731	0.729	0.634
Douglas	2.865	3.066	2.625	Sandersville	1.237	1.268	0.780
East Point	2.167	1.182	7.019	Sylvania	0.626	0.428	3.118
Elberton	1.571	1.558	1.358	Sylvester	1.214	1.218	0.979
Ellaville	0.288	0.297	0.307	Thomaston	1.474	1.436	1.227
Fairburn	0.650	0.633	0.568	Thomasville	6.356	6.351	4.359
Fitzgerald	1.953	1.868	2.950	Washington	1.417	1.464	1.059
Forsyth	0.840	0.843	0.994	West Point	0.453	0.415	0.426
Fort Valley	1.445	1.335	1.564	Whigham	0.104	0.100	0.125
Grantville	0.048	0.043	0.083				
Griffin	6.083	6.354	2.950	<i>Total</i>	100.000%	100.000%	100.000%

- (1) Oxford and the Initial Participants agreed that Oxford will take a 0.191 percent Project Four Obligation Share *pro rata* from the Project Four Obligation Shares of the Initial Participants. The take-or-pay obligations of the Initial Participants are not affected.

The Existing General Resolution Projects Power Sales Contracts also provide that, in the event of a default by a Participant, MEAG Power is to determine the Participant's Obligation Share for each Project and, while the default continues, the Participant is to continue to remain liable for the greater of its Obligation Share of MEAG Power's costs attributable to the applicable Project or amounts due under the rates and charges established by MEAG Power.

### Obligation Shares of the Participants – CC Project

The following table shows the Participants in the CC Project and their respective Combined Cycle Obligation Shares. The Combined Cycle Obligation Share is a percentage set forth in each CC Participant's CC Contract that reflects both (a) such CC Participant's percentage share of output and services of the CC Project and (b) the percentage of the CC Project Annual Costs (as such term is defined in the CC Contracts) that such CC Participant is obligated to pay under its CC Contract, except that, with respect to the portion of the CC Project Annual Costs comprised of MEAG Power's Debt Related Costs (as such term is defined in the CC Contracts) pertaining to each series of CC Bonds, "Combined Cycle Obligation Share" means the dollar amount, calculated in accordance with the applicable elections in the CC Contracts, for which the CC Participant is obligated based upon the elections made with respect to the applicable series of CC Bonds. See "CC PROJECT PARTICIPANTS ANNUAL GROSS DEBT SERVICE RESPONSIBILITIES" in APPENDIX Q hereto for the current debt service responsibilities of the CC Participants. With respect to that portion of the CC Project Annual Costs comprised of MEAG Power's Debt Related Costs pertaining to new CC Bonds, "Combined Cycle Obligation Share" means the dollar amount of each series of CC Bonds for which the CC Participant is obligated pursuant to the CC Contracts related to such series of CC Bonds.

CC Participant	Combined Cycle Obligation Share	CC Participant	Combined Cycle Obligation Share
Acworth	2.34858%	Fort Valley	0.79287%
Adel	1.89067	Grantville	0.19881
Albany	1.98807	Griffin	8.02783 <sup>(2)</sup>
Barnesville	0.68904	Hogansville	0.39342
Blakely	0.93787	LaGrange	10.16460
Brinson	0.01988	Lawrenceville	0.79523
Buford	5.08235	Marietta	14.04938
Cairo	1.15649	Monroe	1.22406
Calhoun	3.21209	Newnan	4.89689 <sup>(3)</sup>
Camilla	1.62642	Norcross	2.43958
Cartersville	8.42916	Palmetto	0.39761
Commerce	0.30103	Quitman	0.20336
Covington	5.08232	Sandersville	1.23767
Crisp County	4.29921	Sylvester	0.83492
Douglas	3.07170 <sup>(1)</sup>	Thomaston	0.78551
Elberton	1.50391	Thomasville	7.11521
Ellaville	0.28299	Washington	0.93550
Fairburn	0.84163	West Point	0.71127
Fitzgerald	2.03287		
		<i>Total</i>	100.00000%

- (1) Pursuant to Section 702 of its CC Contract, the City of Douglas (“Douglas”) assigned to Grantville 0.19881 percentage points of the CC Project output and further assigned to Lawrenceville 0.79523 percentage points of the CC Project output. The Combined Cycle Obligation Share for Douglas set forth in this table is net of these two transactions. However, in the event that either Grantville or Lawrenceville defaults in connection with its obligations under its respective CC Contract pertaining to the assigned amounts, Douglas shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. Moreover, during the period of such default, Douglas shall be entitled to the output associated with the assigned rights of the defaulting party.
- (2) Pursuant to Section 702 of its CC Contract, the City of Griffin (“Griffin”) assigned to Albany 1.98807 percentage points of the CC Project output and further assigned to Brinson 0.01988 percentage points of the CC Project output. The Combined Cycle Obligation Share for Griffin set forth in this table is net of these two transactions. However, in the event that either Albany or Brinson defaults in connection with its obligations under its respective CC Contract pertaining to the assigned amounts, Griffin shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. Moreover, during the period of such default, Griffin shall be entitled to the output associated with the assigned rights of the defaulting party.
- (3) Pursuant to Section 702 of its CC Contract, the City of Newnan (“Newnan”) assigned to the City of Fairburn (“Fairburn”) 0.39761 percentage points of the CC Project output and further assigned to Palmetto 0.39761 percentage points of the CC Project output. The Combined Cycle Obligation Share for Newnan set forth in this table is net of these two transactions. However, in the event that either Fairburn or Palmetto defaults in connection with its obligations under its respective CC Contract pertaining to the assigned amounts, Newnan shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. Moreover, during the period of such default, Newnan shall be entitled to the output associated with the assigned rights of the defaulting party.

[remainder of page intentionally left blank]

The CC Contracts also require the CC Participants to pay their respective Embedded Simple Cycle Obligation Share of all costs incurred by MEAG Power relating or pertaining to the W. R. Clayton CT Facility (hereinafter the “Embedded Simple Cycle Costs”). The following table shows the Participants in the CC Project and their respective Embedded Simple Cycle Obligation Shares.

CC Participant	Embedded Simple Cycle Obligation Share	CC Participant	Embedded Simple Cycle Obligation Share
Acworth	2.72830%	Fort Valley	0.92110%
Adel	2.19640	Grantville	0.23095
Albany	2.30954	Griffin	9.32586 <sup>(2)</sup>
Barnesville	0.80050	Hogansville	0.45700
Blakely	1.08950	LaGrange	11.80820
Brinson	0.02310	Lawrenceville	0.92380
Buford	5.90420	Marietta	2.46390
Cairo	1.34350	Monroe	1.18720
Calhoun	3.73150	Newnan	5.68868 <sup>(3)</sup>
Camilla	1.88940	Norcross	2.83410
Cartersville	9.44650	Palmetto	0.46191
Commerce	0.34970	Quitman	0.23620
Covington	5.90410	Sandersville	1.43780
Crisp County	3.26220	Sylvester	0.96990
Douglas	3.56845 <sup>(1)</sup>	Thomaston	0.91250
Elberton	1.74710	Thomasville	8.26570
Ellaville	0.32880	Washington	1.08680
Fairburn	0.97771	West Point	0.82630
Fitzgerald	2.36160		
		<i>Total</i>	100.00000%

- (1) Pursuant to Section 702 of its CC Contract, Douglas assigned to Grantville its obligation to pay 0.23095 percentage points of the CC Project’s Embedded Simple Cycle Costs and further assigned to Lawrenceville its obligation to pay 0.92380 percentage points of the CC Project’s Embedded Simple Cycle Costs. The Embedded Simple Cycle Obligation Share for Douglas set forth in this table is net of these two transactions. However, in the event that either Grantville or Lawrenceville defaults in connection with its obligation to pay the assigned Embedded Simple Cycle Obligation Share, Douglas shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. Moreover, during the period of such default, Douglas shall be entitled to the output associated with the assigned rights of the defaulting party.
- (2) Pursuant to Section 702 of its CC Contract, Griffin assigned to Albany its obligation to pay 2.30954 percentage points of the CC Project Embedded Simple Cycle Costs and further assigned to Brinson its obligation to pay 0.02310 percentage points of the CC Project Embedded Simple Cycle Costs. The Embedded Simple Cycle Obligation Share for Griffin set forth in this table is net of these two transactions. However, in the event that either Albany or Brinson defaults in connection with its obligation to pay the assigned Embedded Simple Cycle Obligation Share, Griffin shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. Moreover, during the period of such default, Griffin shall be entitled to the output associated with the assigned rights of the defaulting party.
- (3) Pursuant to Section 702 of its CC Contract, Newnan assigned to Fairburn its obligation to pay 0.46191 percentage points of the CC Project’s Embedded Simple Cycle Costs and further assigned to Palmetto 0.46191 percentage points of its obligation to pay the CC Project’s Embedded Simple Cycle Costs. The Embedded Simple Cycle Obligation Share for Newnan set forth in this table is net of these two transactions. However, in the event that either Fairburn or Palmetto defaults in connection with its obligation to pay the assigned Embedded Simple Cycle Obligation Share, Newnan shall be required to pay to MEAG Power whatever sums are necessary in order to cure such default. Moreover, during the period of such default, Newnan shall be entitled to the output associated with the assigned rights of the defaulting party.

In accordance with the provisions of the CC Contracts, each of the CC Participants may, with respect to each Series of CC Bonds, elect to make a CC Capital Contribution to finance all or any portion of its Combined Cycle Obligation Share of the Costs of Acquisition and Construction of the CC Project or all or any portion of its Embedded Simple Cycle Obligation Share of the Embedded Simple Cycle Costs. The Embedded Simple Cycle Costs were financed through the issuance of the 2002A CT Bonds and the 2002B CT Bonds. In connection with the issuance of the CT Bonds, two of the CT Participants, the City of Cartersville and Ellaville, elected to make CC Capital Contributions. In addition, Marietta elected to pay interest during the construction period. The CC Contracts also provide that each of the CC Participants may select the number of years over which CC Bonds of each Series allocable to its Obligation Share of the CC Project may be amortized and whether such CC Bonds will be amortized on a level debt service or level principal basis. See “SUMMARY OF COMBINED CYCLE POWER SALES CONTRACTS” in APPENDIX H hereto. See also “CC PROJECT PARTICIPANTS ANNUAL GROSS DEBT SERVICE RESPONSIBILITIES” in APPENDIX Q hereto for the current debt service responsibilities of the CC Participants. The CC Contracts also contain provisions that permit each CC Participant to pay to MEAG

Power money or Defeasance Securities (as defined in the CC Bond Resolution) in amounts sufficient to enable MEAG Power to defease all or a portion of such CC Participant's allocable share of the CC Bonds, thereby reducing the debt service responsibility of such CC Participant. As a result of the exercise of these elections, each CC Participant's responsibility for the payment of debt service coming due on the CC Bonds, including the 2010A CC Bonds and the 2012A CC Bonds and the CC Project Series 2012A Note, may change in any year from that shown in APPENDIX Q hereto.

See "MEAG POWER – Bulk Power Supply Operations – *General*" herein for a discussion of certain inter-Participant transfers of CC Project capacity among the Participants in the CC Project.

### **Obligation Shares of the Participants – Vogtle Units 3&4 Projects**

The following table shows the Vogtle Units 3&4 Participants and their respective Obligation Shares in Project M, Project J and Project P, respectively. Each Vogtle Units 3&4 Participant's Obligation Share is a percentage set forth in its Vogtle Units 3&4 Power Sales Contract that determines both (a) the percentage share of output and services of each project to which such Vogtle Units 3&4 Participant is entitled and (b) the percentage of each project's annual costs that such Vogtle Units 3&4 Participant is obligated to pay.

<b>Participant</b>	<b>Project M Obligation Share</b>	<b>Project J Obligation Share</b>	<b>Project P Obligation Share</b>
Acworth	3.89477%	0.11214%	0.11214%
Adel	2.36047	1.93985	1.93985
Albany	-	7.55629	7.55629
Barnesville	0.88518	0.75563	0.75563
Blakely	0.40954	1.17576	1.17576
Buford	3.55014	-	-
Cairo	1.67888	1.81351	1.81351
Calhoun	5.90117	4.53378	4.53378
Camilla	3.08867	1.69896	1.69896
Cartersville	8.85175	7.55629	7.55629
College Park	-	3.14342	3.14342
Commerce	2.95058	0.26145	0.26145
Covington	11.80234	1.89331	1.89331
Crisp County	16.22822	0.54677	0.54677
Douglas	1.38382	3.32477	3.32477
Elberton	1.88837	1.60193	1.60193
Ellaville	-	0.30225	0.30225
Fairburn	1.88837	0.61297	0.61297
Fitzgerald	-	2.41801	2.41801
Forsyth	-	1.81351	1.81351
Fort Valley	-	1.57443	1.57443
Grantville	0.17704	0.06045	0.06045
Griffin	10.62210	3.64757	3.64757
Hogansville	0.29506	0.30225	0.30225
Jackson	-	0.60450	0.60450
LaFayette	0.59012	1.20901	1.20901
LaGrange	4.72093	6.64954	6.64954
Lawrenceville	-	4.53378	4.53378
Mansfield	0.18235	-	-
Marietta	-	19.75971	19.75971
Monroe	1.41628	2.05531	2.05531
Moultrie	2.95058	1.51126	1.51126
Newnan	4.72093	2.06498	2.06498
Norcross	2.24244	1.26946	1.26946
Oxford	-	-	-
Palmetto	0.06786	0.39293	0.39293
Sylvania	-	1.20901	1.20901
Sylvester	-	1.51126	1.51126
Thomaston	0.59012	2.29711	2.29711
Thomasville	3.54070	4.53378	4.53378
Washington	-	1.17878	1.17878
West Point	1.12122	0.57428	0.57428
<i>Total</i>	100.00000%	100.00000%	100.00000%

## Obligation Shares of the Participants – Telecommunications Project

The following table shows the Telecommunications Participants and their respective Obligation Shares in the Telecommunications Project. The Obligation Share is a percentage set forth in each Telecommunications Participant's Telecommunications Contract that reflects the percentage of the Annual Telecommunications Project Costs (as such term is defined in the Telecommunications Contracts) that such Telecommunications Participant is obligated to pay under its Telecommunications Contract, except that, with respect to the portion of the Annual Telecommunications Project Costs comprised of MEAG Power's Debt Related Costs (as such term is defined in the Telecommunications Contracts) pertaining to any Outstanding Telecommunications Bonds, "Obligation Share" means the dollar amount, calculated in accordance with the Telecommunications Contracts, for which the Telecommunications Participant is obligated.

The Obligation Shares set forth in the Telecommunications Contracts are taken to only two decimal places and total 99.99 percent. For billing purposes, MEAG Power has extended the percentages to four decimal places, which total 100 percent. MEAG Power has been billing the Telecommunications Participants based on these extended percentages since commencing billing under the Telecommunications Contracts in 1997. The billing percentages are set forth below:

Telecommunications Participant	Obligation Share	Telecommunications Participant	Obligation Share
Adel	3.18%	Forsyth	1.54%
Albany	11.58	Fort Valley	2.32
Barnesville	1.16	Griffin	5.02
Blakely	1.54	LaGrange	0.64
Cairo	2.32	Marietta	11.96
Calhoun	4.24	Monticello	2.55
Camilla	1.54	Moultrie	3.09
Cartersville	5.40	Newnan	5.09
Commerce	1.54	Norcross	1.54
Covington	3.47	Palmetto	1.16
Crisp County	2.70	Quitman	1.54
Douglas	3.08	Sandersville	1.54
Elberton	2.32	Sylvania	1.93
Ellaville	1.16	Thomaston	1.93
Fairburn	2.55	Thomasville	5.73
Fitzgerald	2.70	Washington	1.93

## Power and Energy Requirements

For information concerning historical demand and energy requirements of the Participants, see "MEAG POWER – Power and Energy Requirements/Resources" herein.

## Costs of Power to Participants

Historical costs to the Participants for Bulk Power Supply and SEPA power for the years 2015 through 2017 are shown under "SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA" herein.

## Selected Historical Information

Information relating to certain of the Participants, determined as described in the next paragraph, is set forth in APPENDIX C hereto. Tables I, II and III of APPENDIX C hereto provide certain data about such Participants, including information regarding population, assessed valuations, tax millages, levies and collections and bonded debt. Tables IV and V of APPENDIX C hereto provide certain data about the electric systems of such Participants, including information on customers, power sales and financial results.



The Participants for which information is set forth include any Participant with (i) a Project One Generation Entitlement Share, a Project One Budgeted 2018 Transmission Entitlement Share, a Project Two Obligation Share (as of December 2017), a Project Three Obligation Share (as of December 2017) or a Project Four Obligation Share of 3.0 percent or greater, or (ii) a Project M Obligation Share, a Project J Obligation Share or a Project P Obligation Share of 3.5 percent or greater. Such Participants for which information is set forth together have Project One Generation Entitlement Shares totaling approximately 75 percent, Project One Budgeted 2018 Transmission Entitlement Shares totaling approximately 73 percent, Project Two Obligation Shares (as of December 2017) totaling approximately 74 percent, Project Three Obligation Shares (as of December 2017) totaling approximately 74 percent, Project Four Obligation Shares totaling approximately 75 percent, or together have Project M Obligation Shares totaling approximately 74 percent, Project J Obligation Shares totaling approximately 63 percent and Project P Obligation Shares totaling approximately 63 percent. In addition, information also is set forth for any CC Participant whose debt service responsibility with respect to the CC Bonds is five percent or greater for any twelve-month period ending on October 31, commencing with the twelve-month period ending October 31, 2018.

## **VOGTLE UNITS 3&4 INITIAL POWER PURCHASERS**

### **JEA**

#### ***General***

As set forth under “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects*” herein, in connection with the establishment of Project J, MEAG Power entered into the Project J PPA with JEA pursuant to which, for the initial twenty years of commercial operation of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively, MEAG Power will provide, and JEA will take, the output and services of Project J, corresponding to 41.175 percent of MEAG Power’s interest in Vogtle Units 3&4.

JEA is a body politic and corporate organized and existing under the laws of the State of Florida and is an independent agency of the City of Jacksonville, Florida (the “City”). JEA was established in 1968 to own and manage an electric system (the “Electric System”) which had been owned by the City since 1895. In 2016, the latest year for which such information is available, JEA was the eighth largest municipally-owned electric utility in the United States in terms of number of customers. During its Fiscal Year ended September 30, 2017, the Electric System served an average of 458.953 customer accounts in a service area which covers virtually the entire City and parts of neighboring counties. Total revenues, including investment income, for its Electric System for its Fiscal Year ended September 30, 2017, net of revenues received by JEA pursuant to a long-term sale of power and associated energy to Florida Power & Light Company, were approximately \$1,312,176,000.

#### ***Available Information***

In accordance with the provisions of Rule 15c2-12, JEA has agreed, pursuant to continuing disclosure agreements entered into in connection with the issuance by MEAG Power of the Series 2010A&B Project J Bonds and the Series 2015A Project J Bonds, to file annually certain financial information and operating data relating to JEA (“JEA’s Annual Information”) by no later than June 1st following the end of each of JEA’s fiscal years, and to file notices of certain specified events. JEA’s Annual Information and the notices of specified events will be filed by or on behalf of JEA with the MSRB through the MSRB’s EMMA website.

## **PowerSouth**

### ***General***

As set forth under “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects*” herein, in connection with the establishment of Project P, MEAG Power entered into the Project P PPA with PowerSouth pursuant to which, for the initial twenty years of commercial operation of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively, MEAG Power will provide, and PowerSouth will take, the output and services of Project P, corresponding to 24.955 percent of MEAG Power’s interest in Vogtle Units 3&4.

Incorporated in 1941, PowerSouth is a tax-exempt, wholesale electric power generation and transmission cooperative corporation, operating on a cooperative basis providing electricity to its 20 member distribution systems (the “PowerSouth Members”) serving in 39 counties located in the central and southern portions of the State of Alabama and in ten counties in the northwest panhandle of Florida. The PowerSouth Members consist of 16 electric distribution system cooperatives and 4 municipal electric distribution systems, providing retail electric service to residences, businesses and industries. PowerSouth supplies energy to the PowerSouth Members from a combination of owned generating facilities and power purchased under power purchase contracts. PowerSouth currently owns generating facilities with an aggregate capacity (based on accredited winter capacity) of 2,207 MW. In 2017, the Members average consumers served measured at approximately 442,430 over a 33,156 square-mile service area.

### ***Available Information***

In accordance with the provisions of Rule 15c2-12, PowerSouth has agreed, pursuant to continuing disclosure agreements entered into in connection with the issuance by MEAG Power of the Series 2010A&B Project P Bonds and the Series 2015A Project P Bonds, to file annually certain financial information and operating data relating to PowerSouth (“PowerSouth’s Annual Information”) by no later than September 30th following the end of each of PowerSouth’s fiscal years, and to file notices of certain specified events. PowerSouth’s Annual Information and the notices of specified events will be filed by or on behalf of PowerSouth with the MSRB through the MSRB’s EMMA website.

## **CO-OWNERS OF THE GENERATING UNITS**

### **General**

The following table shows the aggregate ownership interests of MEAG Power (or, in the case of Vogtle Units 3&4, the Vogtle Units 3&4 Project Entities) and each of the co-owners in Generation Station Hatch, Generation Station Wansley, Generation Station Vogtle and Generation Station Scherer Unit Nos. 1 and 2. See “SUMMARY OF PROJECT AGREEMENTS – Summary of Ownership Agreements” in APPENDIX E hereto and “SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Ownership Agreement” in APPENDIX L hereto, particularly with respect to the rights of GPC to transfer interests in the generation stations and units.

	Nuclear				Coal-Fired				Total MW
	Generation Station Hatch		Generation Station Vogtle		Generation Station Scherer Unit Nos. 1 and 2		Generation Station Wansley		
	%	MW <sup>(1)</sup>	%	MW <sup>(1)(7)</sup>	%	MW <sup>(1)</sup>	%	MW <sup>(1)</sup>	
MEAG Power .....	17.7 <sup>(2)</sup>	286	22.7 <sup>(3)</sup>	1,022.4	30.2 <sup>(4)</sup>	489	15.1 <sup>(5)</sup>	261	2,058.4
GPC .....	50.1	809	45.7	2,058.3	8.4	136	53.5	926	3,929.3
OPC .....	30.0	484	30.0	1,351.2	60.0 <sup>(6)</sup>	972	30.0	519	3,326.2
Dalton .....	2.2	35	1.6	72.1	1.4	23	1.4	24	154.1
Total .....	100.0	1,614	100.0	4,504.0	100.0	1,620	100.0	1,730	9,468.0

- (1) Amounts shown represent the nominal ratings. Excluded is the nominally rated 50 MW combustion turbine unit at Generation Station Wansley.
- (2) All of MEAG Power's 17.7 percent ownership interest in Generation Station Hatch is included in Project One.
- (3) Amounts shown include MEAG Power's 17.7 percent ownership interest included in Project One and MEAG Power's 5.0 percent ownership interest included in Project Four.
- (4) Amounts shown include MEAG Power's 10.0 percent ownership interest included in Project One, MEAG Power's 5.1 percent ownership interest included in Project Two and MEAG Power's 15.1 percent ownership interest included in Project Three.
- (5) Amounts shown include MEAG Power's 10.0 percent ownership interest included in Project One and MEAG Power's 5.1 percent ownership interest included in Project Two. MEAG Power also owns a 15.1 percent interest in an oil-fired, nominally rated 50 MW combustion turbine unit at Generation Station Wansley.
- (6) For information regarding OPC's sale and leaseback of its interest in Generation Station Scherer Unit No. 2, see "SUMMARY OF PROJECT AGREEMENTS – General" in APPENDIX E hereto.
- (7) Amounts shown include 2,204 MW of nominally rated generating capacity from Vogtle Units 3&4. The in-service dates of Vogtle Units 3&4 currently are estimated to be November 2021 and November 2022, respectively.

In the case of Generation Stations Hatch, Vogtle and Wansley, each co-owner owns percentage interests in the common facilities of such Generation Stations equal to its percentage ownership interests in the units. In the case of the common facilities at Generation Station Scherer (those that are common to all four units), MEAG Power owns a 15.1 percent interest, GPC owns a 23.0 percent interest, OPC owns a 30.0 percent interest, Dalton owns a 0.7 percent interest, Gulf Power Company owns a 6.25 percent interest and Florida Power & Light Company and JEA own interests representing the balance of such properties.

See the tenth paragraph under "MEAG POWER – Bulk Power Supply Operations – *General*" herein for a discussion of the status of the terms of the Operating Agreements for Generation Station Wansley and for Generation Station Scherer Units No. 1 and No. 2.

### Georgia Power Company

As set forth under "MEAG POWER – Bulk Power Supply Operations" herein, GPC has an ownership interest in each generating unit included in MEAG Power's Project One and its Existing General Resolution Projects, as well as in Vogtle Units 3&4, and is obligated to purchase from MEAG Power specified amounts of power and energy from certain of such Projects. In addition, GPC is serving as the agent of the co-owners in the management and operation of such generating units and as the agent of the co-owners in the development of Vogtle Units 3&4.

### Available Information

GPC is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports and other information with the SEC. Such reports and other information can be inspected at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. Certain securities of GPC are listed on the New York Stock Exchange, and reports and other information concerning GPC can be inspected at the office of such Exchange.

*GPC has made no representation as to the adequacy or accuracy of any information concerning GPC or its affiliated companies set forth in this Annual Information Statement for the purposes for which such information is used in this Annual Information Statement.*

## **Oglethorpe Power Corporation**

As set forth under “MEAG POWER – Bulk Power Supply Operations” herein, OPC has an ownership interest in each generating unit included in MEAG Power’s Project One and its Existing General Resolution Projects, as well as in Vogtle Units 3&4.

### ***Available Information***

OPC is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports and other information with the SEC. Such reports and other information can be inspected at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. Certain securities of OPC are listed on the New York Stock Exchange, and reports and other information concerning OPC can be inspected at the office of such Exchange.

*OPC has made no representation as to the adequacy or accuracy of any information concerning OPC or its affiliated companies set forth in this Annual Information Statement for the purposes for which such information is used in this Annual Information Statement.*

## **LITIGATION**

Prior to July 2012, several federal lawsuits were pending that may have had an impact on water storage and related issues at Lake Lanier, Georgia. These lawsuits related to over 20 years of litigation and periodic settlement discussions pertaining to water allocations, including for drinking water and hydropower, of the Apalachicola-Chattahoochee-Flint River Basin (“ACF”) and the Alabama-Coosa-Tallapoosa River Basin (“ACT”). Parties involved in these proceedings included Southeastern Federal Power Customers, Inc., a coalition of municipal and cooperative utilities, the Army Corps, as well as the States of Georgia (“Georgia”), Florida (“Florida”) and 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 U.S. Supreme Court’s original jurisdiction, asking the U.S. Supreme Court to equitably apportion the waters of the ACF. On November 3, 2014, the U.S. Supreme Court granted Florida’s motion, and Florida filed its complaint against Georgia. A special master was appointed by the U.S. 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 U.S. 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 recommended denial of Florida’s request for relief because the Army Corps was not a party to the proceedings before the U.S. Supreme Court, and without the ability to bind the Corps, the special master was not persuaded that the U.S. Supreme Court could provide Florida with the relief it sought. On January 8, 2018, the U.S. Supreme Court heard oral arguments from Florida and Georgia attorneys.

On June 27, 2018, the U.S. Supreme Court ruled that the special master had erred by applying a “clear and convincing evidence” standard in arriving at his recommendation that the 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 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.

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.

Except as described under “MEAG POWER – Bulk Power Supply Operations – *The Vogtle Units 3&4 Projects – Description of Vogtle Units 3&4*” herein, no other litigation or proceeding is pending that could have any material adverse effect on the financial condition of MEAG Power.

## **SOURCES OF CERTAIN INFORMATION**

Information in this Annual Information Statement concerning the Participants and their electric systems has been prepared by MEAG Power based upon information furnished by the Participants. Information herein concerning Project One, the Existing General Resolution Projects, the CC Project, the Vogtle Units 3&4 Projects and the Telecommunications Project has been prepared by MEAG Power. None of GPC, JEA or PowerSouth has made any representation that information it has furnished to MEAG Power is accurate and none of GPC, JEA, PowerSouth or any Participant has made any representation as to the adequacy of any information for the purposes for which it is used in this Annual Information Statement or the manner of its presentation. The inclusion in this Annual Information Statement of information with respect to GPC and its affiliated companies, JEA and PowerSouth does not imply that the obligations of MEAG Power to make payments in respect of its outstanding indebtedness or of the Participants to perform their obligations under their power sales contracts are contingent upon the accuracy of such information or upon the performance by GPC, JEA or PowerSouth, as applicable, of its contractual obligations to MEAG Power described herein. While MEAG Power makes no representation as to the accuracy of information in this Annual Information Statement concerning the Participants, GPC and its affiliated companies, JEA and PowerSouth, it believes such information to be reliable.

[remainder of page intentionally left blank]

## **MISCELLANEOUS**

Any statements made in this Annual Information Statement or in the Appendices attached hereto involving matters of opinion or of estimates or projections, whether or not expressly so stated, are set forth as such and not as representations of fact and no representation is made that any of the estimates or projections will be realized.

The delivery of this Annual Information Statement has been duly authorized by MEAG Power.

**MUNICIPAL ELECTRIC AUTHORITY OF  
GEORGIA**

By: /s/ JAMES E. FULLER  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

[This page intentionally left blank]

# SCHEDULE I <sup>(1), (2)</sup>

## MEAG POWER BONDS SUBJECT TO CONTINUING DISCLOSURE UNDERTAKINGS

As of the Date of the Annual Information Statement

### Power Revenue Bonds *Federally Taxable*

#### Power Revenue Bonds, Taxable Series Four

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 27,435,000	3.570%	373541X30		2024	\$ 3,020,000	4.480%	373541X89	
2020	30,125,000	3.780%	373541X48		2025	3,155,000	4.630%	373541X97	
2021	3,235,000	3.980%	373541X55		2026	3,300,000	4.780%	373541Y21	
2022	3,360,000	4.180%	373541X63		2027	3,460,000	4.880%	373541Y39	
2023	2,895,000	4.330%	373541X71		2028	3,625,000	4.980%	373541Y47	

### Power Revenue Bonds *Tax-Exempt*

#### Power Revenue Bonds, Series GG

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 3,440,000	5.000%	373541X37		2027	\$ 2,810,000	5.000%	3735414F5	
2020	3,525,000	5.000%	373541Y5		2030	9,315,000	5.000%	3735414G3	
2021	3,670,000	5.000%	373541Z22		2031	3,410,000	3.375%	3735414H1	
2022	27,910,000	5.000%	3735414A6		2032	3,545,000	3.375%	3735414M0	
2023	9,405,000	5.000%	3735414B4		2033	3,665,000	3.375%	3735414J7	
2024	12,925,000	5.000%	3735414C2		2039	20,195,000	5.000%	3735414K4	
2025	2,550,000	5.000%	3735414D0		2043	7,015,000	5.000%	3735414L2	
2026	10,790,000	5.000%	3735414E8						

### Project One Subordinated Bonds *Federally Taxable*

#### Project One Subordinated Bonds, Taxable Series 2005A-1

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 4,070,000	5.070%	626207MV3		2030	\$ 55,440,000	5.430%	626207MW1	

#### Project One Subordinated Bonds, Taxable Series 2007B

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2024	\$ 3,045,000	5.700%	373541P96		2035	\$ 9,180,000	6.000%	373541Q20	

#### Project One Subordinated Bonds, Taxable Series 2012A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2020	\$ 18,615,000	4.030%	373541W31		2022	\$ 40,960,000	4.430%	373541W49	

(1) The CUSIP numbers listed in this SCHEDULE I are provided for the convenience of bondholders. MEAG Power is not responsible for the accuracy or completeness of such numbers.

(2) The bonds of certain specific maturities of certain Series listed in the tables have been refunded in part and constitute only a portion of each such maturity of each such Series, and new bond certificates bearing a different CUSIP number have been issued. For those specific maturities, the CUSIP numbers prior to the refunding are shown under the column headed Original CUSIP Number, and the CUSIP numbers after the refunding are shown under the column headed Additional CUSIP Number.



# MEAG POWER BONDS SUBJECT TO CONTINUING DISCLOSURE UNDERTAKINGS

As of the Date of the Annual Information Statement

## Project One Subordinated Bonds *Tax-Exempt*

### Project One Subordinated Bonds, Series 2005A-2

Maturity Date (January 1)		Principal Amount	Yield	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)		Principal Amount	Yield	Original CUSIP Number	Additional CUSIP Number
2033	(3)	\$ 139,060	5.760%	626207MM3		2034	(3)	\$ 1,036,572	5.760%	626207MN1	

(3) These bonds are Capital Appreciation Subordinated Bonds.

### Project One Subordinated Bonds, Series 2007A-1

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2021	\$ 385,000	4.000%	373541M65	3735417J4	2026	\$ 645,000	4.250%	373541N31	3735417K1

### Project One Subordinated Bonds, Series 2007A-2

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 9,135,000	Variable	373541M40		2023	\$ 3,380,000	5.000%	373541M99	3735417R6
2020	19,515,000	Variable	373541M57		2025	2,860,000	5.000%	373541N23	3735417S4
2021	7,475,000	Variable	373541M73		2026	3,450,000	5.000%	373541N49	3735417T2
2022	10,600,000	Variable	373541M81						

### Project One Subordinated Bonds, Series 2008A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 13,785,000	5.250%	626207UU6		2021	\$ 7,395,000	5.250%	626207UW2	
2020	3,625,000	5.250%	626207UV4						

### Project One Subordinated Bonds, Series 2008D

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 46,030,000	5.750%	626207WR1	626207T53	2026	\$ 1,520,000	5.625%	626207WU4	626207T87
2020	9,610,000	5.750%	626207WS9	626207T61	2026	10,045,000	5.500%	626207WV2	626207T95
2023	14,515,000	6.000%	626207WT7	626207T79					

### Project One Subordinated Bonds, Series 2009B

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 2,920,000	4.000%	626207XS8		2020	\$ 214,830,000	5.000%	626207XT6	

### Project One Subordinated Bonds, Series 2011A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 3,585,000	5.000%	626207A61		2021	\$ 160,125,000	5.000%	626207A87	
2020	25,575,000	5.000%	626207A79						

### Project One Subordinated Bonds, Series 2011B

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 1,600,000	3.500%	626207B86		2021	\$ 21,775,000	5.000%	626207C28	
2020	1,060,000	3.750%	626207B94						

# MEAG POWER BONDS SUBJECT TO CONTINUING DISCLOSURE UNDERTAKINGS

As of the Date of the Annual Information Statement

## Project One Subordinated Bonds, Series 2012C

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2020	\$ 4,950,000	5.000%	3735415K3		2022	\$ 36,005,000	5.000%	3735415M9	
2021	4,300,000	5.000%	3735415L1						

## Project One Subordinated Bonds, Series 2015A

Maturity Date (January 1)	Principal Amount	Interest Rate / Yield	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate / Yield	Original CUSIP Number	Additional CUSIP Number
2019	\$ 5,590,000	5.000%	626207H80		2029	\$ 5,950,000	3.000%	626207K29	
2020	6,185,000	5.000%	626207H98		2030	6,100,000	5.000%	626207K37	
2021	8,080,000	5.000%	626207J21		2030 (4)	842,125	3.500%	626207L28	
2022	1,865,000	2.000%	626207J39		2031	6,345,000	5.000%	626207K45	
2023	8,235,000	5.000%	626207J47		2031 (4)	4,723,720	3.550%	626207L36	
2024	5,620,000	5.000%	626207J54		2032	6,655,000	5.000%	626207K52	
2025	11,730,000	5.000%	626207J62		2032 (4)	4,524,628	3.600%	626207L44	
2026	8,970,000	5.000%	626207J70		2033	4,815,000	5.000%	626207K60	
2027	6,355,000	5.000%	626207J88		2034	5,000,000	5.000%	626207K78	
2028	5,725,000	5.000%	626207J96		2035	42,390,000	5.000%	626207K86	

(4) These bonds are Capital Appreciation Subordinated Bonds.

## Project One Subordinated Bonds, Series 2016A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 19,515,000	5.000%	626207N83		2026	\$ 24,775,000	5.000%	626207P73	
2020	2,195,000	5.000%	626207N91		2027	5,040,000	5.000%	626207P81	
2021	22,505,000	4.000%	626207P24		2028	1,000,000	2.250%	626207P99	
2022	21,280,000	5.000%	626207P32		2028	2,500,000	4.000%	626207Q56	
2023	15,140,000	5.000%	626207P40		2028	156,170,000	5.000%	626207Q49	
2024	3,625,000	5.000%	626207P57		2029	3,390,000	5.000%	626207Q23	
2025	4,040,000	5.000%	626207P65		2030	2,880,000	5.000%	626207Q31	

## General Power Revenue Bonds *Federally Taxable*

### General Power Revenue Bonds, Taxable Series 2012A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 4,435,000	3.570%	373541Z38		2024	\$ 5,390,000	4.480%	373541Z87	
2020	4,595,000	3.780%	373541Z46		2025	5,635,000	4.630%	373541Z95	
2021	4,770,000	3.980%	373541Z53		2026	5,895,000	4.780%	373541Z88	
2022	4,960,000	4.180%	373541Z61		2027	6,170,000	4.880%	373541ZB6	
2023	5,165,000	4.330%	373541Z79		2028	6,475,000	4.980%	373541ZC4	

## General Power Revenue Bonds *Tax-Exempt*

### General Power Revenue Bonds, Series 2012B

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 340,000	3.000%	3735414T5		2027	\$ 230,000	3.000%	3735415B3	
2020	340,000	3.000%	3735414U2		2028	235,000	3.125%	3735415C1	
2021	350,000	3.000%	3735414V0		2029	250,000	3.250%	3735415D9	
2022	350,000	3.000%	3735414W8		2030	260,000	3.250%	3735415E7	
2023	360,000	3.000%	3735414X6		2031	265,000	3.375%	3735415F4	
2024	280,000	3.000%	3735414Y4		2032	275,000	3.375%	3735415G2	
2025	230,000	3.000%	3735414Z1		2033	290,000	3.500%	3735415H0	
2026	230,000	3.000%	3735415A5		2039	1,700,000	3.750%	3735415J6	

# MEAG POWER BONDS SUBJECT TO CONTINUING DISCLOSURE UNDERTAKINGS

As of the Date of the Annual Information Statement

## General Resolution Projects Subordinated Bonds *Federally Taxable*

### General Resolution Projects Subordinated Bonds, Taxable Series 2007A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2035	\$ 24,555,000	5.95%	373541Q38						

### General Resolution Projects Subordinated Bonds, Taxable Series 2012A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 1,030,000	3.770%	3735412E0		2021	\$ 775,000	4.230%	3735412G5	
2020	1,480,000	4.030%	3735412F7		2022	73,465,000	4.430%	3735412H3	

## General Resolution Projects Subordinated Bonds *Tax-Exempt*

### General Resolution Projects Subordinated Bonds, Series 2008A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 24,495,000	5.250%	626207VM3		2021	\$ 11,240,000	5.250%	626207VP6	
2020	700,000	4.375%	626207VN1						

### General Resolution Projects Subordinated Bonds, Series 2008C

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 2,570,000	5.500%	626207VZ4	626207T38	2020	\$ 300,000	5.250%	626207WA8	626207T46

### General Resolution Projects Subordinated Bonds, Series 2009B

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 260,000	4.000%	626207YC2		2020	\$ 6,735,000	5.000%	626207YE8	
2020	920,000	4.000%	626207YD0						

### General Resolution Projects Subordinated Bonds, Series 2011A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 290,000	3.500%	626207C93		2021	\$ 4,215,000	4.000%	626207D35	
2020	190,000	3.750%	626207D27						

### General Resolution Projects Subordinated Bonds, Series 2011B

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 2,835,000	4.000%	626207D92		2021	\$ 39,495,000	5.000%	626207E34	
2020	1,925,000	4.000%	626207E26						

# MEAG POWER BONDS SUBJECT TO CONTINUING DISCLOSURE UNDERTAKINGS

As of the Date of the Annual Information Statement

## General Resolution Projects Subordinated Bonds, Series 2015A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 225,000	4.000%	626207L51		2028	\$ 470,000	2.875%	626207M68	
2020	235,000	5.000%	626207L69		2029	475,000	3.000%	626207M76	
2021	245,000	3.000%	626207L77		2030	485,000	3.125%	626207M84	
2022	255,000	4.000%	626207L85		2031	500,000	3.250%	626207M92	
2023	455,000	5.000%	626207L93		2032	505,000	3.250%	626207N26	
2024	465,000	3.000%	626207M27		2033	520,000	3.375%	626207N34	
2025	485,000	3.000%	626207M35		2034	535,000	3.375%	626207N42	
2026	360,000	5.000%	626207M43		2035	2,890,000	3.500%	626207N59	
2027	500,000	2.750%	626207M50						

## General Resolution Projects Subordinated Bonds, Series 2016A

Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (January 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 2,520,000	4.000%	626207Q80		2025	\$ 5,670,000	5.000%	626207R63	
2020	3,725,000	5.000%	626207Q98		2026	6,395,000	5.000%	626207R71	
2021	3,360,000	5.000%	626207R22		2027	7,155,000	5.000%	626207R89	
2022	3,885,000	5.000%	626207R30		2028	18,485,000	5.000%	626207R97	
2023	4,450,000	5.000%	626207R48		2029	5,170,000	5.000%	626207S21	
2024	5,060,000	5.000%	626207R55		2030	4,390,000	5.000%	626207S39	

## Combined Cycle Project Revenue Bonds *Tax-Exempt*

### Combined Cycle Project Revenue Bonds, Series 2010A

Maturity Date (November 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (November 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2018	\$ 3,555,000	5.000%	626207ZG2		2023	\$ 24,105,000	5.000%	626207ZM9	
2019	16,780,000	5.000%	626207ZH0		2024	25,000,000	5.000%	626207ZN7	
2020	3,770,000	5.000%	626207ZJ6		2025	4,670,000	4.100%	626207ZP2	
2021	2,105,000	3.700%	626207ZK3		2026	4,850,000	4.125%	626207ZQ0	
2021	1,840,000	5.000%	626207ZU1		2027	5,040,000	5.000%	626207ZR8	
2022	4,125,000	3.750%	626207ZL1		2028	5,285,000	5.000%	626207ZS6	
					2029	5,545,000	4.375%	626207ZT4	

### Combined Cycle Project Revenue Bonds, Series 2012A

Maturity Date (November 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (November 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2018	\$ 2,395,000	2.250%	626207F25		2020	\$ 8,900,000	5.000%	626207G24	
2018	9,350,000	5.000%	626207F90		2021	12,080,000	5.000%	626207G32	
2020	2,095,000	3.000%	626207F33		2022	1,865,000	3.000%	626207F41	
2020	750,000	3.750%	626207G57		2022	10,580,000	5.000%	626207G40	

## Plant Vogtle Units 3&4 Project M Bonds *Federally Taxable*

### Plant Vogtle Units 3&4 Project M Bonds, Series 2010A Build America Bonds

Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2057	\$ 1,012,235,000	6.655%	626207YM0						

## Plant Vogtle Units 3&4 Project M Bonds *Tax-Exempt*

### Plant Vogtle Units 3&4 Project M Bonds, Series 2010B

Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019	\$ 3,160,000	5.000%	626207YQ1		2040	\$ 980,000	5.000%	626207YR9	

**MEAG POWER BONDS SUBJECT TO  
CONTINUING DISCLOSURE UNDERTAKINGS**

**As of the Date of the Annual Information Statement**

**Plant Vogtle Units 3&4 Project J Bonds**  
*Federally Taxable*

**Plant Vogtle Units 3&4 Project J Bonds, Series 2010A**  
**Build America Bonds**

Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2057	\$ 1,224,265,000	6.637%	626207YF5						

**Plant Vogtle Units 3&4 Project J Bonds**  
*Tax-Exempt*

**Plant Vogtle Units 3&4 Project J Bonds, Series 2010B**

Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019 2020	\$ 5,175,000 460,000	5.000% 5.000%	626207YJ7 626207YL2		2040	\$ 1,410,000	5.000%	626207YK4	

**Plant Vogtle Units 3&4 Project J Bonds, Series 2015A**

Maturity Date (July 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (July 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2060	\$ 117,180,000	5.000%	626207H23		2060	\$ 68,000,000	5.500%	626207H31	

**Plant Vogtle Units 3&4 Project P Bonds**  
*Federally Taxable*

**Plant Vogtle Units 3&4 Project P Bonds, Series 2010A**  
**Build America Bonds**

Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2057	\$ 383,405,000	7.055%	626207YS7						

**Plant Vogtle Units 3&4 Project P Bonds**  
*Tax-Exempt*

**Plant Vogtle Units 3&4 Project P Bonds, Series 2010B**

Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (April 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2019 2020	\$ 1,520,000 70,000	5.000% 4.000%	626207YV0 626207YV8		2040	\$ 440,000	5.000%	626207YX6	

**Plant Vogtle Units 3&4 Project P Bonds, Series 2015A**

Maturity Date (July 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number	Maturity Date (July 1)	Principal Amount	Interest Rate	Original CUSIP Number	Additional CUSIP Number
2060	\$ 59,245,000	5.000%	626207H49		2060	\$ 10,000,000	5.500%	626207H56	

**APPENDIX A**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

[This page intentionally left blank]

# Report of Independent Auditors

## TO THE BOARD OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

We have audited the accompanying financial statements of the business-type activities, Project One major fund, the General Resolution Projects major fund, the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund, the Trust Funds major fund, and the Telecommunications Project aggregate nonmajor fund of Municipal Electric Authority of Georgia ("MEAG Power"), which consist of the balance sheets as of December 31, 2017 and 2016, and the related statements of net revenues and of cash flows for the years then ended.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, Project One major fund, the General Resolution Projects major fund, the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund, the Trust Funds major fund, and the Telecommunications Project aggregate nonmajor fund of Municipal Electric Authority of Georgia as of December 31, 2017 and 2016, 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 A-2 through A-11, schedule of changes in net pension liability and related ratios, and schedule of employer contributions to the pension plan on page A-61 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Atlanta, Georgia  
April 27, 2018



# 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 reporting components, as discussed in the Notes to Consolidated Financial Statements (Notes) Note 1 (A), "The Organization — Reporting Entity":

- Project One;
- General Resolution Projects;
- Combined Cycle Project (CC Project);
- Vogtle Units 3&4 Projects and Project Entities;

- The Municipal Competitive Trust (Competitive Trust) and the Deferred Lease Financing Trust, herein collectively referred to as the Trust Funds; 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, 2017, 2016 and 2015 is summarized below (in thousands). Significant 2017 transactions include:

- Receipt of \$835.4 million by the Vogtle Units 3&4 Project Entities from Toshiba under the Guarantee Settlement Agreement (Settlement Receipts) (see "Vogtle Units 3&4 Projects and Project Entities" and Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — EPC Contract, Bankruptcy and Construction").
- Construction work in progress (CWIP) additions totaling \$605.9 million pertaining to Vogtle Units 3&4.
- Payoff of \$151.0 million in bond anticipation notes (BANs) in addition to normal maturities (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Credit Agreements and Other Short-Term Debt — Other Short-Term Debt").

	2017	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Property, plant and equipment, net	<b>\$5,070,174</b>	\$5,255,928	\$4,913,961
Other non-current assets	<b>2,911,907</b>	2,682,344	3,524,718
Current assets	<b>920,373</b>	1,076,261	904,048
Total assets	<b>8,902,454</b>	9,014,533	9,342,727
Deferred outflows of resources	<b>92,668</b>	101,462	99,171
Total Assets and Deferred Outflows of Resources	<b>\$8,995,122</b>	\$9,115,995	\$9,441,898
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Long-term debt	<b>\$6,568,586</b>	\$6,772,670	\$6,833,409
Non-current liabilities	<b>844,840</b>	855,906	1,258,358
Current liabilities	<b>884,954</b>	984,836	985,544
Total liabilities	<b>8,298,380</b>	8,613,412	9,077,311
Deferred inflows of resources	<b>696,742</b>	502,583	364,587
Total Liabilities and Deferred Inflows of Resources	<b>\$8,995,122</b>	\$9,115,995	\$9,441,898

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

The primary changes in MEAG Power's consolidated financial condition as of December 31, 2017 and 2016 were as follows:

## 2017 COMPARED WITH 2016

### Assets and Deferred Outflows of Resources

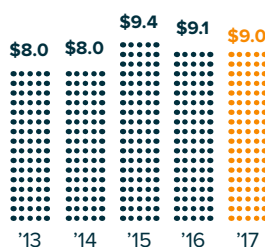
Total assets and deferred outflows of resources decreased \$120.9 million, or 1.3%, in 2017. Within asset components:

- Property, plant and equipment (PP&E) decreased \$185.8 million due primarily to the Settlement Receipts and an increase of \$64.1 million in accumulated depreciation, which were partially offset by the CWIP additions, as discussed above.
- Other non-current assets increased \$229.6 million due mainly to special funds related to the Settlement Receipts, which were partially offset by payment of the CWIP additions and Vogtle Units 3&4 Projects and Project Entities' interest expense. Net costs to be recovered from Participants increased \$22.0 million due to Vogtle Units 3&4 Projects and Project Entities' net non-operating expense (see "Results of Operations — 2017 Compared with 2016 — Non-operating expense (income), net"), which was partially offset by timing differences between amounts billed and expenses determined in accordance with accounting principles generally accepted in the United States (Timing Differences) (see Note 2 (A), "Summary of Significant Accounting Policies and Practices — Basis of Accounting").
- A decrease of \$155.9 million in current assets was primarily related to the payoff of the BANs, as discussed above.

Deferred outflows of resources decreased \$8.8 million due primarily to normal amortization of unamortized loss on refunded debt.

### Total Assets & Deferred Outflows

(in billions of dollars)



Total assets and deferred outflows of resources decreased \$121 million during 2017 due primarily to payoff of debt prior to maturity.

### Liabilities and Deferred Inflows of Resources

During 2017, total liabilities decreased \$315.0 million, or 3.7%, as follows:

- A decrease of \$204.1 million in long-term debt was primarily due to principal payments.
- Non-current liabilities decreased \$11.1 million due mainly to fund transfers from the Competitive Trust applied to lower Participant billings (Competitive Trust Funding) (see "Results of Operations — 2017 Compared with 2016 — Revenues"), as well as decreases of \$30.3 million in accruals for Vogtle Units 3&4 and \$7.4 million in pension obligations (see Note 7, "Retirement Plan and Other Postemployment Benefits — Net Pension Liability"). These factors were partially offset by an increase of \$27.2 million in asset retirement obligations (ARO).
- A decrease of \$99.9 million in current liabilities was primarily related to lines of credit and other short-term debt, which decreased \$140.3 million due mainly to payoff of the BANs, as discussed above. Accounts payable decreased \$18.5 million due primarily to a decrease in 2017 year-end settlement refunds due to the Participants (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Year-End Settlement"). These factors were partially offset by an increase of \$94.5 million in construction liabilities mainly related to accruals for Vogtle Units 3&4.

An increase of \$194.2 million in deferred inflows of resources was primarily due to Timing Differences.

## 2016 COMPARED WITH 2015

### Assets and Deferred Outflows of Resources

During 2016, total assets and deferred outflows of resources decreased \$325.9 million, or 3.5%. Within asset components:

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

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

## 2016 COMPARED WITH 2015 (CONTINUED)

- Also within other non-current assets, net costs to be recovered from Participants decreased \$45.5 million due primarily to a \$95.2 million decrease in the Trust Funds (see Note 1 (F), "The Organization — Deferred Lease Financing Trust") pertaining to the Termination Agreement. This factor was partially offset by a \$49.7 million increase in the Vogtle Units 3&4 Projects and Project Entities due to net non-operating expense of \$59.5 million (see "Results of Operations — 2016 Compared with 2015 — Non-operating expense (income), net"), which was partially offset by \$9.8 million in Timing Differences.
- An increase of \$342.0 million in PP&E was primarily due to CWIP, which increased \$301.0 million due mainly to additions at Vogtle Units 3&4 totaling \$292.4 million. In-service additions increased \$107.5 million due mainly to equipment upgrades and replacements at generating units of \$35.0 million, updated costs pertaining to retirement of long-lived assets of \$32.8 million, as well as transmission and distribution additions of \$30.4 million. These increases in PP&E were partially offset by accumulated depreciation increases totaling \$62.3 million. Nuclear fuel net of amortization decreased \$4.3 million due to amortization of fuel in the reactors exceeding expenditures related to fuel in process, which was partially offset by the cost of the initial core nuclear fuel for Vogtle Units 3&4.
- In addition to the increase in current special funds, current assets also increased due to an increase of \$4.7 million in receivables from Participants, due mainly to higher December 2016 billings for certain fuel costs. Fuel stocks decreased \$7.2 million due mainly to lower inventory levels and lower average cost of coal.
- Deferred outflows of resources increased \$2.3 million primarily due to an increase of \$13.4 million in unamortized loss on refunded debt related to bond issuances during 2016, which was partially offset by decreases in normal amortization. A decrease of \$10.4 million in the accumulated decrease in fair market value of hedging derivatives was due to interest rate swap obligations and natural gas hedges, which increased in fair value by \$5.7 million and \$4.7 million, respectively.
- A decrease of \$402.5 million in non-current liabilities was primarily due to the Termination Agreement. Competitive Trust obligations also decreased \$24.2 million due to \$42.5 million in Competitive Trust Funding, which was partially offset by an increase of \$18.3 million in Participant deposits to defray the future costs of new generation projects. Other non-current liabilities had decreases of \$20.1 million in accruals related to Vogtle Units 3&4 and \$6.4 million in interest rate swap obligations. These factors were partially offset by an increase of \$56.9 million in ARO, of which \$32.8 million pertained to updated ARO estimates for retirement of long-lived assets (see "Assets and Deferred Outflows of Resources") and \$24.6 million was for normal accretion (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning").
- Within current liabilities, construction liabilities decreased \$75.9 million due mainly to accruals for Vogtle Units 3&4. Competitive Trust obligations decreased due to a decrease of \$18.5 million in the current portion of Competitive Trust Funding, which was partially offset by an increase of \$18.0 million in the Flexible Trust (see "Assets and Deferred Outflows of Resources"). These factors were partially offset by a \$120.5 million increase in lines of credit and other short-term debt, which was primarily due to \$275.0 million of Series 2016A BANs (Series 2016A BANs) issued in March 2016 (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Credit Agreements and Other Short-Term Debt — Other Short-Term Debt") to refund a portion of the bonds paid off with the Termination Agreement. In June 2016, \$124.0 million of the Series 2016A BANs were paid down with proceeds from the Series 2016A Bonds (see the "Subordinated Debt" section of Note 5). Also during 2016, \$6.1 million (net of payments) in other line of credit draws were made. The issuance of the Series 2016A BANs was partially offset by a pay down of \$36.6 million on the CC Project line of credit using advances of \$32.5 million from the Competitive Trust (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Competitive Trust"). Accrued interest increased \$4.0 million due primarily to debt issued in the second half of 2015, as well as in June 2016.

## Liabilities and Deferred Inflows of Resources

Total liabilities decreased \$463.9 million, or 5.1%, during 2016 as follows:

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

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

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

## RESULTS OF OPERATIONS

MEAG Power's Statement of Net Revenues for each of the years ended December 31, 2017, 2016 and 2015 is summarized below (in thousands):

	2017	2016	2015
Revenues:			
Participant	\$492,351	\$ 544,127	\$ 523,710
Other	130,870	117,255	119,243
Total revenues	623,221	661,382	642,953
Operating expenses	583,133	628,218	594,125
Net operating revenues	40,088	33,164	48,828
Non-operating expense, net	105,186	143,665	180,102
Change in net costs to be recovered from Participants or Competitive Trust obligations	(65,098)	(110,501)	(131,274)
Net Revenues	\$ —	\$ —	\$ —

The primary changes in MEAG Power's results of operations for the years ended December 31, 2017 and 2016 were as follows:

### 2017 COMPARED WITH 2016

#### Revenues

Total revenues were \$623.2 million during 2017 compared with total revenues of \$661.4 million for 2016, a decrease of 5.8%:

- Participant revenues decreased \$51.8 million, or 9.5%, due primarily to a \$53.1 million increase in deferred inflows of resources. In comparison with 2016, when the Termination Agreement resulted in a significant decrease in deferred inflows of resources, 2017 activity was primarily related to normal Timing Differences. A reduction in debt service billings and certain operating expenses, due in part to a 3.0% decrease in energy delivered to the Participants, also reduced Participant revenue requirements. These factors were partially offset by a planned reduction of \$18.8 million in Competitive Trust Funding in Project One, which increased Participant revenues (see Note 1 (E), "The Organization — Municipal Competitive Trust").
- An increase of \$13.6 million, or 11.6%, in other revenues was mainly due to contract energy sales under the Pseudo Scheduling and Services Agreement (PSSA) (see Note 2 (G) "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities — Pseudo Scheduling and Services Agreement"), which increased \$11.3 million, as well as an increase of \$7.1 million in billings to JEA and PowerSouth pertaining to scheduled debt principal payments for Project J and Project P of the Vogtle Units 3&4 Projects (see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure and DOE Guaranteed Loans — Vogtle Units 3&4 Projects"). These factors were partially offset by a decrease of \$3.7 million in off-system energy sales due to lower volume.

#### Operating Expenses

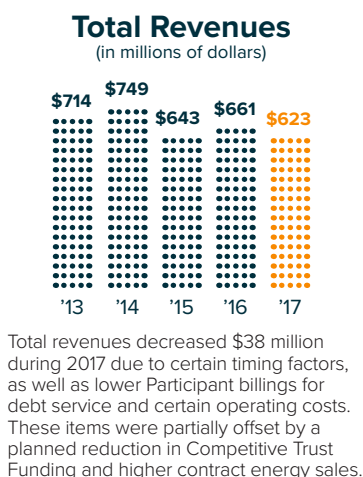
Operating expenses decreased 7.2% to \$583.1 million during 2017, compared with \$628.2 million for 2016:

- Other generating and operating expense decreased \$52.9 million compared with 2016 when expenses related to the Termination Agreement occurred (see "2016 Compared with 2015 — Operating Expenses"). Such expenses were not incurred during 2017. Lower maintenance costs at the generating units were also a factor.
- A decrease of \$5.0 million in total fuel expense was mainly due to decreases of \$6.1 million in nuclear fuel and \$3.3 million in coal expenses, which were partially offset by an increase of \$4.1 million in natural gas expense:
  - Nuclear fuel expense decreased due mainly to lower on-site storage costs, as well as a 2.4% decrease in generation related to planned refueling outages and a 1.5% decrease in amortization rates.
  - The decrease in coal expense was due to a 4.1% decrease in coal generation.
  - Natural gas expense increased due to a significant increase in gas prices when compared with near all-time low prices in early 2016, which was partially offset by a 2.8% decrease in generation from the CC Project. The decrease in CC Project generation was primarily related to higher natural gas prices.
- Transmission expense increased \$5.3 million due mainly to higher maintenance related to vegetation management. A decrease in receipts pertaining to MEAG Power's joint-ownership investment in the Integrated Transmission System was also a factor.
- An increase of \$3.2 million in purchased power expense was mainly due to volume and higher average purchase prices.
- Depreciation expense increased \$4.3 million due primarily to accretion of ARO.



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

## 2017 COMPARED WITH 2016 (CONTINUED)



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

During 2017, 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 \$105.2 million. This 26.8% decrease from the total of \$143.7 million for 2016 was due primarily to changes in these components of Net Non-operating Expense:

- A decrease of \$9.1 million in amortization of debt discount and expense was primarily related to lower accretion as a result of the Termination Agreement, as well as premium amortization on certain 2016 bond issuances.
- Investment income decreased \$9.0 million due mainly to comparison with 2016 activity related to the Termination Agreement.
- An increase of \$19.5 million in the fair value of financial instruments was primarily due to an increase in equity securities held, as well as normal repositioning of fixed-income securities held during 2017 within the decommissioning trust account. Comparison with 2016 activity related to the Termination Agreement was also a factor in certain other accounts.
- Interest capitalized increased \$16.2 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 \$65.1 million and \$110.5 million for the years ended December 31, 2017 and 2016, respectively. For both years, the Vogtle Units 3&4 Projects and Project Entities' 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" section in "Results of Operations — 2017 Compared with 2016" and "2016 Compared with 2015").

## 2016 COMPARED WITH 2015

### Revenues

During 2016, total revenues were \$661.4 million compared with \$643.0 million for 2015, an increase of 2.9%:

- Participant revenues increased \$20.4 million, due primarily to a decrease of \$17.9 million in deferred inflows of resources pertaining mainly to the Termination Agreement and ARO-related items, a planned reduction of \$15.4 million in Competitive Trust Funding in Project One, as well as \$3.8 million in revenue pertaining to debt principal collected for Project M of the Vogtle Units 3&4 Projects and Project Entities. These items were partially offset by lower Participant billings for fuel and certain variable costs.
- Other revenues decreased \$2.0 million, or 1.7%. In comparison with 2015, other revenues decreased \$6.6 million due to a damage award received in 2015 related to the permanent disposal of spent nuclear fuel. Other revenues were also reduced by a scheduled \$1.2 million reduction in a long-term sales agreement. These factors were partially offset by \$6.0 million in revenue pertaining to debt principal collected for Project J and Project P of the Vogtle Units 3&4 Projects and Project Entities.

### Operating Expenses

2016 operating expenses increased 5.7% to \$628.2 million, compared with \$594.1 million for 2015:

- An increase of \$34.6 million in other generating and operating expense was primarily due to expenses totaling \$42.3 million related to the Termination Agreement, which was partially offset by a decrease of \$3.5 million in purchases under the PSSA.
- Depreciation expense increased \$4.7 million due primarily to accretion of ARO.
- A decrease of \$7.9 million in purchased power expense was due to the expiration of a power purchase agreement, which was partially offset by higher volume in off-system energy purchases.

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

## 2016 COMPARED WITH 2015 (CONTINUED)

- Total fuel expense decreased slightly due to a \$9.7 million decrease in coal expense, which was partially offset by increases of \$5.8 million and \$4.1 million in nuclear fuel and natural gas, respectively. The decrease in coal expense was due to a 2% decrease in consumption and a 9% decrease in price. Nuclear fuel expense increased due to higher on-site storage costs and a 2% increase in generation, which were partially offset by a 2% decrease in amortization rates. The increase in natural gas expense was due to a 1% increase in generation from the CC Project and a reduction in margins on gas sales to third parties, which were partially offset by a 3% decrease in gas prices. Both the decrease in coal consumption and the increase in CC Project generation were related to lower natural gas prices, which resulted in economic dispatch of Wansley Unit 9 (see Note 1 (C), "The Organization — Combined Cycle Project") ahead of MEAG Power's coal resources.

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

During 2016, Net Non-operating Expense totaled \$143.7 million. This 20.2% decrease from the total of \$180.1 million for 2015 was due primarily to changes in these components of Net Non-operating Expense:

- Amortization of debt discount and expense decreased \$17.7 million due primarily to lower accretion as a result of the Termination Agreement, as well as recent bond issuances.
- An increase of \$16.5 million in interest capitalized was due mainly to additional capital investment in Vogtle Units 3&4.
- The fair value of financial instruments increased \$13.2 million due primarily to an increase in equity fair market values and an increase in the market value of fixed-income holdings, which were partially offset by a reduction in certain investment balances related to sales of securities.
- Investment income increased \$12.2 million due mainly to gains on sales of securities.
- An increase of \$23.4 million in interest expense was due primarily to DOE Guaranteed Loans issued during 2015 and other debt issued in the second half of 2015, as well as in June 2016. The impact of these debt issuances was partially offset by a lower average debt balance on other bonds outstanding during the period due to scheduled principal payments and bond refundings.

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

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

## VOGTLE UNITS 3&4 PROJECTS AND PROJECT ENTITIES

Key recent developments pertaining to Vogtle Units 3&4 are outlined below. For additional information and definitions of certain terms, see the "Structure and DOE Guaranteed Loans," "EPC Contract, Bankruptcy and Construction" and "Cost and Other Matters" sections of Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities."

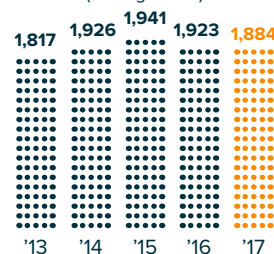
- On March 29, 2017, Westinghouse and WEC TEC each filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.
- Utilizing interim agreements between the Contractor and the Vogtle Co-Owners, construction continued while a comprehensive schedule, cost-to-complete and cancellation assessment was completed by Georgia Power Company (GPC) and the other Vogtle Co-Owners.
- Toshiba paid its full obligation under the Guarantee Settlement Agreement of \$3.68 billion during the Fourth Quarter 2017, of which the Vogtle Units 3&4 Project Entities received their aggregate share of \$835.4 million.
- MEAG Power, along with the other Vogtle Co-Owners, supports completion of the Vogtle Units 3&4 project with Southern Nuclear as the project manager, Westinghouse and WEC TEC providing engineering services and Bechtel as the primary construction contractor.
- On December 21, 2017, the Georgia Public Service Commission (GPSC) unanimously approved (and issued its related order on January 11, 2018) GPC's recommendation to complete construction of Vogtle Units 3&4.

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

- MEAG Power expects that, based on the current estimated 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 approximately \$5.7 billion, including construction costs, 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 \$6.1 billion, of which approximately \$1.8 billion of additional funding will be required. These amounts reflect the Vogtle Units 3&4 Project Entities' aggregate share of the payments received from Toshiba under the Guarantee Settlement Agreement.
- On November 2, 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. Under the amended agreements, the holders of at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue construction if certain events occur, including an increase in the construction budget contained in the VCM 17 Report of more than \$1 billion or extension of the project schedule contained in the VCM 17 Report of more than one year. 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 Vogtle Services Agreement with Westinghouse and WECTEC entered into by GPC, acting for itself and as agent for the other Vogtle Co-Owners, became effective on July 27, 2017. Under the Vogtle Services Agreement, Westinghouse and WECTEC will provide design engineering and other services to support completion of Vogtle Units 3&4.
- The Construction Agreement with Bechtel entered into by GPC, acting for itself and as agent for the other Vogtle Co-Owners, became effective on October 23, 2017. Under the Construction Agreement, Bechtel will serve as the primary contractor for the remaining construction activities for Vogtle Units 3&4.
- On September 28, 2017, the DOE offered MEAG Power and the Vogtle Units 3&4 Project Entities a conditional commitment of up to \$414.7 million in additional loan guarantees, which expires on June 30, 2018, toward construction of the Vogtle Units 3&4 Project Entities' respective shares of Vogtle Units 3&4.
- The U.S. Internal Revenue Service allocated production tax credits (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 hundreds of millions of dollars of tax credits to reduce the cost of the output of the Vogtle Units 3&4 Project Entities' ownership shares of the project.
- On February 12, 2018, Georgia Interfaith Power & Light, Inc. and Partnership for Southern Equity, Inc. filed a petition appealing the GPSC's January 11, 2018 order with the Fulton County Superior Court. GPC has reported that it believes the appeal has no merit; however, an adverse outcome in this appeal could have a material impact on MEAG Power's results of operations, financial condition, and liquidity. On March 8, 2018, Georgia Watch also requested judicial review of the GPSC's January 11, 2018 order by the Fulton County Superior Court.

## Peak Demand

(in megawatts)



In 2017, peak demand decreased 2% due to milder summer weather compared to 2016.

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

- PowerSouth has expressed its full support for MEAG Power staff's position that construction of Vogtle Units 3&4 should be completed. In recent correspondence, JEA affirmed that it would continue to perform its obligations under Project J PPA. MEAG Power responded by letter dated March 15, 2018 indicating that it was pleased with JEA's reaffirmation and advising JEA that MEAG Power would proceed with completion financing for Project J. On April 11, 2018, MEAG Power posted a filing with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access website, that describes in detail its recent communications with JEA on this issue.

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."

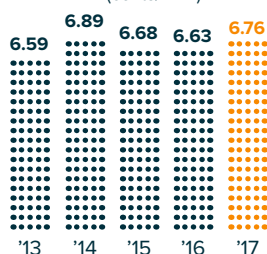
## CAPITAL PROGRAM

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, 2017, was as follows (in thousands):

	Net Plant in service	Total CWIP
Nuclear	\$1,053,930	\$2,249,591
Coal	691,357	85,024
Natural gas	202,044	181
Transmission	280,775	12,596
Distribution	164,283	8,037
Telecom	5,100	—
General/other plant	29,167	14,236
<b>Total</b>	<b>\$2,426,656</b>	<b>\$2,369,665</b>

## Cost to Participants

(cents/kWh)



Total cents per kWh was 6.76 in 2017 compared with 6.63 in 2016. The increase was due to decreases in energy delivered and Competitive Trust Funding, which were partially offset by reduced billings to Participants for certain operating expenses.



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

## FINANCING ACTIVITIES

Funds generated from operations are estimated to provide approximately 46%, 45% and 60% of construction expenditures in the years 2018, 2019 and 2020, respectively, 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. To meet short-term cash needs and contingencies, \$356.9 million of unused credit was available through the Project P Credit Agreement and arrangements with banks (collectively, the Credit Arrangements) as of December 31, 2017, as described in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities" and "— Credit Agreements and Other Short-Term Debt — Credit Agreements" within that Note. As discussed in "Vogtle Units 3&4 Projects and Project Entities," on September 28, 2017, the DOE offered MEAG Power and the Vogtle Units 3&4 Project Entities a conditional commitment of up to \$414.7 million in additional loan guarantees, which expires on June 30, 2018.

The unenhanced ratings and outlook assigned to MEAG Power's senior lien and subordinated debt obligations are listed in the table below. All information is as of December 31, 2017 except as follows:

- On January 5, 2018, Moody's Investors Service changed its outlook for Project M and Project P from Negative to Stable.
- On April 17, 2018, Fitch Ratings (Fitch) removed the Rating Watch Negative from all of MEAG Power's bonds. Fitch also affirmed the "A" rating and changed the outlook to Stable, except for Project P, which Fitch affirmed at "A-" and assigned a Negative outlook.

Project	Lien	Fitch Ratings		Moody's Investors Service		Standard & Poor's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
Project One	Senior	A	Stable	A1	Stable	A+	Negative
	Subordinated	A	Stable	A2	Stable	A	Negative
General Resolution Projects	Senior	A	Stable	A1	Stable	A+	Negative
	Subordinated	A	Stable	A2	Stable	A	Negative
Combined Cycle Project	Senior	A	Stable	A1	Stable	A	Negative
Vogtle Units 3&4 Projects:							
Project M	Senior	A	Stable	A2	Stable	A+	Negative
Project J	Senior	A	Stable	A2	Negative	A+	Negative
Project P	Senior	A-	Negative	Baa2	Stable	A-	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, 2017, MEAG Power had \$3.2 billion of special funds deposits, of which \$2.2 billion was available to fund various operating, construction, debt service and contingency requirements. Within the Competitive Trust, \$590.6 million was invested and may be used by Participants to mitigate future billings. Investments in the Decommissioning Trust funds (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning") totaled \$478.0 million. Committed Credit Arrangements with banks at December 31, 2017 totaled \$835.2 million, of which \$229.3 million provided liquidity support to \$221.2 million of outstanding variable-rate demand obligations, \$111.4 million supported \$105.5 million of outstanding CP balances, \$76.6 million was drawn on the Credit Arrangements and \$61.0 million supported obligations to the Competitive Trust, with the remaining \$356.9 million available. The Credit Arrangements mature at various dates in 2018 through 2020, and management expects to renew or replace the facilities as needed prior to expiration. For additional information regarding available credit, see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities" and "— Credit Agreements and Other Short-Term Debt" within that Note.

During 2018 through 2020, maturities of long-term debt and sinking fund redemptions are expected to total \$570.1 million. These requirements will be included in the appropriate year's budgeted revenue requirements, as applicable, and collected from the Participants, as well as from JEA and PowerSouth, in the case of Project J and Project P, respectively.

When considering the risks associated with liquidity and capital, MEAG Power is susceptible to changes in the interest rate environment. In rising interest rate markets, MEAG Power may be impacted by increases in costs associated with variable-rate subordinated debt and new debt issuances. These increases would be somewhat offset by increases in 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 a relatively high credit rating and strong liquidity position, which provide access to competitive funding options.

Estimated construction and financing expenditures for Project One, the General Resolution Projects and the CC Project in total are estimated to be \$154.2 million, \$140.0 million and \$113.2 million for the years 2018, 2019 and 2020, 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 2018 through 2020 are \$2.2 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, 2017 totaled \$2.4 billion.

# 2017 Consolidated Balance Sheet

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
<b>December 31, 2017</b>								
ASSETS (in thousands)								
Property, plant and equipment, at cost:								
In service	\$ 3,361,895	\$ 1,219,315	\$ 331,484	\$ —	\$ —	\$ 28,841	\$ —	\$ 4,941,535
Less accumulated depreciation	(1,767,383)	(594,315)	(129,440)	—	—	(23,741)	—	(2,514,879)
Property in service, net	1,594,512	625,000	202,044	—	—	5,100	—	2,426,656
Construction work in progress	130,681	47,452	180	2,191,352	—	—	—	2,369,665
Nuclear fuel, net of accumulated amortization	178,526	24,563	—	70,764	—	—	—	273,853
Total property, plant and equipment, net	1,903,719	697,015	202,224	2,262,116	—	5,100	—	5,070,174
Other non-current assets:								
Investment in Alliance	6,220	—	104	—	—	—	—	6,324
Special funds, including cash and cash equivalents	580,382	168,957	48,607	1,454,323	326,379	—	(135,295)	2,443,353
Other receivables	—	—	—	1,252,671	3,063	—	(1,219,854)	35,880
Net costs to be recovered from Participants	—	—	—	368,615	—	—	—	368,615
Unamortized bond issuance costs	6,774	1,491	687	48,783	—	—	—	57,735
Total other non-current assets	593,376	170,448	49,398	3,124,392	329,442	—	(1,355,149)	2,911,907
Current assets:								
Special funds, including cash and cash equivalents	208,115	125,269	26,681	87,922	264,185	531	(5,505)	707,198
Supplemental power account, including cash and cash equivalents	4,781	—	—	—	—	—	—	4,781
Securities lending collateral	379	44	—	—	—	—	—	423
Receivables from Participants	40,280	15,638	1,258	(2)	2,767	14	—	59,955
Other receivables	12,524	1,985	4,308	15,674	162	109	(10,812)	23,950
Fuel stocks, at average cost	9,156	11,419	—	—	—	—	—	20,575
Materials, supplies and other assets	78,182	15,433	9,668	208	—	—	—	103,491
Total current assets	353,417	169,788	41,915	103,802	267,114	654	(16,317)	920,373
Total assets	2,850,512	1,037,251	293,537	5,490,310	596,556	5,754	(1,371,466)	8,902,454
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivatives	59,669	—	1,009	—	—	—	—	60,678
Unamortized loss on refunded debt	22,299	2,467	4,164	—	—	—	—	28,930
Pensions	2,569	243	73	175	—	—	—	3,060
Total deferred outflows of resources	84,537	2,710	5,246	175	—	—	—	92,668
Total Assets and Deferred Outflow of Resources	\$ 2,935,049	\$ 1,039,961	\$ 298,783	\$ 5,490,485	\$ 596,556	\$ 5,754	\$(1,371,466)	\$ 8,995,122

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

# 2017 Consolidated Balance Sheet

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
<b>December 31, 2017</b>								
LIABILITIES (in thousands)								
Long-term debt:								
Power Revenue bonds	\$ 263,845	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 263,845
General Power Revenue bonds	—	80,505	—	—	—	—	—	80,505
Combined Cycle Project Revenue bonds	—	—	139,385	—	—	—	—	139,385
Vogle Units 3&4 Projects' Revenue bonds	—	—	—	2,885,130	—	—	—	2,885,130
DOE Guaranteed Loans	—	—	—	1,198,289	—	—	—	1,198,289
Unamortized (discount) premium, net	12,668	(29)	5,559	10,905	—	—	—	29,103
Total Revenue bonds and DOE Guaranteed Loans	276,513	80,476	144,944	4,094,324	—	—	—	4,596,257
Subordinated debt	1,457,578	490,604	—	—	—	—	(74,335)	1,873,847
Unamortized (discount) premium, net	83,732	14,750	—	—	—	—	—	98,482
Total subordinated debt	1,541,310	505,354	—	—	—	—	(74,335)	1,972,329
Bond anticipation notes (unsecured)	28,075	4,670	28,215	—	—	—	(60,960)	—
Total long-term debt	1,845,898	590,500	173,159	4,094,324	—	—	(135,295)	6,568,586
Non-current liabilities:								
Asset retirement obligations	489,331	81,680	—	—	—	—	—	571,011
Competitive Trust obligations	—	—	—	—	218,470	—	—	218,470
Other	57,127	(513)	(400)	1,218,902	97	—	(1,219,854)	55,359
Total non-current liabilities	546,458	81,167	(400)	1,218,902	218,567	—	(1,219,854)	844,840
Current liabilities:								
Accounts payable	48,918	12,439	14,198	14,430	3,585	203	(10,812)	82,961
Construction liabilities	17,714	7,734	—	78,780	—	—	—	104,228
Securities lending collateral	396	46	—	—	—	—	—	442
Current portion of long-term debt	106,905	53,168	15,300	24,170	—	—	(5,505)	194,038
Lines of credit and other short-term debt	15,850	2,601	—	—	—	—	—	18,451
Competitive Trust obligations	—	—	—	—	374,404	—	—	374,404
Accrued interest	38,765	11,035	1,269	59,361	—	—	—	110,430
Total current liabilities	228,548	87,023	30,767	176,741	377,989	203	(16,317)	884,954
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	2,620,904	758,690	203,526	5,489,967	596,556	203	(1,371,466)	8,298,380
Deferred inflows of resources	314,145	281,271	95,257	518	—	5,551	—	696,742
Total Liabilities and Deferred Inflows of Resources	\$2,935,049	\$1,039,961	\$298,783	\$5,490,485	\$596,556	\$5,754	\$(1,371,466)	\$8,995,122

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

# 2017 Consolidated Statement of Net Revenues

<b>For the Year Ended December 31, 2017</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Revenues:								
Participant	\$296,500	\$105,470	\$81,270	\$ 8,268	\$ —	\$843	\$ —	\$492,351
Other	59,689	43,902	14,155	13,024	—	100	—	130,870
Total revenues	356,189	149,372	95,425	21,292	—	943	—	623,221
Operating expenses:								
Fuel	88,685	55,641	56,853	—	—	—	—	201,179
Purchased power	27,644	—	—	—	—	—	—	27,644
Other generating and operating expense	140,352	51,739	22,342	(24)	49	222	—	214,680
Transmission	22,847	—	—	—	—	—	—	22,847
Depreciation and amortization	81,414	25,578	9,065	—	—	726	—	116,783
Competitive Trust funding	(43,022)	—	—	—	43,022	—	—	—
Total operating expenses	317,920	132,958	88,260	(24)	43,071	948	—	583,133
Net operating revenues (loss)	38,269	16,414	7,165	21,316	(43,071)	(5)	—	40,088
Non-operating expense (income), net:								
Interest expense	94,922	25,738	9,624	224,258	—	—	(157)	354,385
Amortization of debt discount and expense	(15,702)	(3,034)	(1,793)	(7)	—	—	—	(20,536)
Investment income	(14,711)	(3,547)	(771)	(10,060)	(668)	(5)	157	(29,605)
Net change in the fair value of financial instruments	(20,037)	(2,310)	105	439	193	—	—	(21,610)
Interest capitalized	(6,203)	(433)	—	(113,525)	—	—	—	(120,161)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	(57,287)	—	—	—	(57,287)
Total non-operating expense (income), net	38,269	16,414	7,165	43,818	(475)	(5)	—	105,186
Change in:								
Net costs to be recovered from Participants	—	—	—	(22,502)	—	—	—	(22,502)
Competitive Trust obligations	—	—	—	—	(42,596)	—	—	(42,596)
Total change in net costs to be recovered from Participants or Competitive Trust obligations	—	—	—	(22,502)	(42,596)	—	—	(65,098)
Net Revenues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

# 2017 Consolidated Statement of Cash Flows

<b>For the Year Ended December 31, 2017</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	\$ 382,928	\$ 167,675	\$ 99,367	\$ 8,278	\$ (234)	\$(382)	\$ —	\$ 657,632
Cash received from others	52,395	44,858	13,044	13,042	—	103	—	123,442
Cash paid for operating expenses	(221,379)	(101,704)	(77,740)	1,046	(247)	(115)	—	(400,139)
Competitive Trust funding	43,022	—	—	—	(43,022)	—	—	—
Net cash provided by (used in) operating activities	256,966	110,829	34,671	22,366	(43,503)	(394)	—	380,935
Cash flows from investing activities:								
Sales and maturities of investment securities	444,629	116,237	29,770	949,799	245,216	—	—	1,785,651
Purchase of investment securities	(377,109)	(123,320)	(21,757)	(589,124)	(174,542)	—	—	(1,285,852)
Investment income receipts	9,495	2,329	600	5,552	8,412	5	(157)	26,236
Distribution from Alliance	7,899	—	—	—	—	—	—	7,899
Contributions from Participants	—	—	—	—	17,998	—	—	17,998
Net cash provided by (used in) investing activities	84,914	(4,754)	8,613	366,227	97,084	5	(157)	551,932
Cash flows from capital and related financing activities:								
Property additions	(121,756)	(37,501)	(54)	(484,443)	—	—	—	(643,754)
Proceeds from the Guarantee Settlement Agreement	—	—	—	835,360	—	—	—	835,360
Net payments on lines of credit and other short-term debt	(136,150)	(4,155)	—	—	—	—	—	(140,305)
Proceeds from issuance of long-term debt	—	—	—	26,256	—	—	—	26,256
Retirement of long-term debt	(133,925)	(66,436)	(19,115)	(31,172)	—	—	—	(250,648)
Interest payments	(92,001)	(25,664)	(8,510)	(223,430)	—	—	157	(349,448)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	57,241	—	—	—	57,241
Advance payments from Participants for New Generation and Capacity Funding	—	—	—	—	20,047	—	—	20,047
Net cash (used in) provided by capital and related financing activities	(483,832)	(133,756)	(27,679)	179,812	20,047	—	157	(445,251)
Increase (decrease) in cash and cash equivalents	(141,952)	(27,681)	15,605	568,405	73,628	(389)	—	487,616
Cash and cash equivalents at beginning of year	418,624	200,492	34,928	679,716	191,852	920	—	1,526,532
Cash and cash equivalents at end of year	276,672	172,811	50,533	1,248,121	265,480	531	—	2,014,148
Other investment securities and accrued interest receivable at end of year	516,985	121,459	24,755	294,124	325,084	—	(140,800)	1,141,607
Special funds, Supplemental power account and Securities lending collateral at end of year	\$ 793,657	\$ 294,270	\$ 75,288	\$ 1,542,245	\$ 590,564	\$ 531	\$(140,800)	\$ 3,155,755
Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities:								
Net operating revenues (loss)	\$ 38,269	\$ 16,414	\$ 7,165	\$ 21,316	\$ (43,071)	\$ (5)	\$ —	\$ 40,088
Adjustments to reconcile net operating revenues (loss) to net cash from operating activities:								
Depreciation and amortization	133,419	33,239	9,065	—	—	726	—	176,449
Pensions	(119)	(33)	(10)	(24)	—	—	—	(186)
Deferred inflows of resources	105,549	69,353	15,697	—	—	(726)	—	189,873
Share of net revenues from Alliance	(7,704)	—	—	—	—	—	—	(7,704)
Change in current assets and liabilities:								
Accounts receivable	1,660	855	(362)	2	(233)	4	—	1,926
Fuel stocks	1,781	10	—	—	—	—	—	1,791
Materials, supplies and other assets	1,228	19	601	—	—	—	—	1,848
Accounts payable and other liabilities	(17,117)	(9,028)	2,515	1,072	(199)	(393)	—	(23,150)
Net cash provided by (used in) operating activities	\$ 256,966	\$ 110,829	\$ 34,671	\$ 22,366	\$ (43,503)	\$(394)	\$ —	\$ 380,935

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

# 2016 Consolidated Balance Sheet

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

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

# 2016 Consolidated Balance Sheet

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

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



# 2016 Consolidated Statement of Net Revenues

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

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

# 2016 Consolidated Statement of Cash Flows

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

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

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

## 1. THE ORGANIZATION

### (A) REPORTING ENTITY

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

MEAG Power's assets include ownership interests in 10 electric generating units, which all have been placed in service. In addition, MEAG Power may purchase from, sell to or exchange with other bulk electric suppliers additional capacity and energy in order to enhance the Participants' bulk power supply. MEAG Power's ownership interests in those 10 generating units represent 2,069 megawatts (MW) of nominally rated generating capacity, consisting of 808 MW of nuclear-fueled capacity, 750 MW of coal-fired capacity, 503 MW of combined cycle capacity and 8 MW of combustion turbine capacity. MEAG Power also has an ownership interest, through the Project Entities, as discussed herein, in two additional nuclear generating units under construction at 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 reporting components, all defined herein:

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

### (B) PROJECT ONE AND THE GENERAL RESOLUTION PROJECTS

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

The resolutions require that payments by the Participants for electric power be deposited in special funds and be used only for operating costs, debt service and other stipulated purposes.

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

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

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

Inter-Participant agreements (IP agreements) are utilized by the Participants to improve their respective power supply resource mix. Four Participants have entered into long-term, life-of-the-facility IP agreements to sell the rights to a portion of their Project One output (Selling Participants) to three other Participants. The obligation of the Selling Participants to pay their share of the operating and debt service costs under their 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### (D) VOGTLE UNITS 3&4 PROJECTS AND PROJECT ENTITIES

#### Key Recent Developments

Key recent developments pertaining to Vogtle Units 3&4 are outlined below. For additional information and definitions of certain terms, see the “Structure and DOE Guaranteed Loans,” “EPC Contract, Bankruptcy and Construction” and “Cost and Other Matters” sections within this Note of these Notes to Consolidated Financial Statements (Notes).

- On March 29, 2017, Westinghouse and WEC TEC each filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.
- Utilizing interim agreements between the Contractor and the Vogtle Co-Owners, construction continued while a comprehensive schedule, cost-to-complete and cancellation assessment was completed by Georgia Power Company (GPC) and the other Vogtle Co-Owners.
- Toshiba paid its full obligation under the Guarantee Settlement Agreement of \$3.68 billion during the Fourth Quarter 2017, of which the Vogtle Units 3&4 Project Entities received their aggregate share of \$835.4 million.
- MEAG Power, along with the other Vogtle Co-Owners, supports completion of the Vogtle Units 3&4 project with Southern Nuclear as the project manager, Westinghouse and WEC TEC providing engineering services and Bechtel as the primary construction contractor.
- On December 21, 2017, the Georgia Public Service Commission (GPSC) unanimously approved (and issued its related order on January 11, 2018) GPC’s recommendation to complete construction of Vogtle Units 3&4.
- MEAG Power expects that, based on the current estimated 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 approximately \$5.7 billion, including construction costs, 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 \$6.1 billion, of which approximately \$1.8 billion of additional funding will be required. These amounts reflect the Vogtle Units 3&4 Project Entities’ aggregate share of the payments received from Toshiba under the Guarantee Settlement Agreement.
- On November 2, 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. Under the amended agreements, the holders of at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue construction if certain events occur, including an increase in the construction budget contained in the VCM 17 Report of more than \$1 billion or extension of the project schedule contained in the VCM 17 Report of more than one year. 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 Vogtle Services Agreement with Westinghouse and WEC TEC entered into by GPC, acting for itself and as agent for the other Vogtle Co-Owners, became effective on July 27, 2017. Under the Vogtle Services Agreement, Westinghouse and WEC TEC will provide design engineering and other services to support completion of Vogtle Units 3&4.
- The Construction Agreement with Bechtel entered into by GPC, acting for itself and as agent for the other Vogtle Co-Owners, became effective on October 23, 2017. Under the Construction Agreement, Bechtel will serve as the primary contractor for the remaining construction activities for Vogtle Units 3&4.
- On September 28, 2017, the DOE offered MEAG Power and the Vogtle Units 3&4 Project Entities a conditional commitment of up to \$414.7 million in additional loan guarantees, which expires on June 30, 2018, toward construction of the Vogtle Units 3&4 Project Entities’ respective shares of Vogtle Units 3&4.
- The U.S. Internal Revenue Service allocated production tax credits (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.
- On February 12, 2018, Georgia Interfaith Power & Light, Inc. and Partnership for Southern Equity, Inc. filed a petition appealing the GPSC’s January 11, 2018 order with the Fulton County Superior Court. GPC has reported that it believes the appeal has no merit; however, an adverse outcome in this appeal could have a material impact on MEAG Power’s results of operations, financial condition, and liquidity. On March 8, 2018, Georgia Watch also requested judicial review of the GPSC’s January 11, 2018 order by the Fulton County Superior Court.
- PowerSouth has expressed its full support for MEAG Power staff’s position that construction of Vogtle Units 3&4 should be completed. In recent correspondence, JEA affirmed that it would continue to perform its obligations under Project J PPA. MEAG Power responded by letter dated March 15, 2018 indicating that it was pleased with JEA’s reaffirmation and advising JEA that MEAG Power would proceed with completion financing for Project J.

#### 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

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.

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 Nuclear Regulatory Commission (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 and DOE Guaranteed Loans

#### Vogtle Units 3&4 Projects

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

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

(1) The output and services of Project M will be provided to the 29 Participants who have executed take-or-pay Project M Power Sales Contracts (Project M Participants) commencing as of the commercial operation date of each of Vogtle Units 3&4. The Project M Participants shall be responsible for payment of their respective shares of all of MEAG Power's costs relating to Project M. The payment obligations of each of the Project M Participants are general obligations to which its full faith and credit are pledged. Each Project M Power Sales Contract, as amended and discussed below, will continue in full force and effect for a term not to exceed 50 years from December 31, 2014.

(2) The output and services of Project J will be provided to JEA, a publicly owned electric, water and wastewater (sewer) utility and an independent agency of the City of Jacksonville, Florida, and the Project J Participants, and the output and services of Project P will be provided to PowerSouth Energy Cooperative (PowerSouth), a rural electric generation and transmission cooperative located in Andalusia, Alabama, and the Project P Participants. The Project J and Project P Participants are defined below. The Project J PPA and the Project P PPA require: (a) MEAG Power to sell to JEA and PowerSouth all of the capacity, energy and related services of Project J and Project P, respectively, for the first 20 years of commercial operation of each of Vogtle Units 3&4 and (b) JEA and PowerSouth to pay to MEAG Power the following related to its purchased share of output: (i) 100% of the interest and principal (Project J and Project P Debt Service) on Project J Bonds or Project P Bonds, as applicable (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities"), and on the respective Project Entity's DOE Guaranteed Loan (see "DOE Loan Guarantee" 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 commercial operation date 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 commercial operation dates, or issues refunding bonds for Project J or Project P, the time periods during which JEA or PowerSouth, respectively, is obligated under the applicable PPA regarding Project J and Project P Debt Service on such bonds may differ from the 20-year time periods described above.

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

PowerSouth has expressed its full support for MEAG Power staff's position that construction of Vogtle Units 3&4 should be completed, whereas JEA has voiced its view that the project should be canceled rather than completed. JEA has communicated to MEAG Power that it contends that there are certain identified issues that would alleviate its responsibility under the Project J PPA, and has requested that MEAG Power or a third party be substituted for JEA thereunder. In recent correspondence, JEA affirmed that it would continue to perform its obligations under Project J PPA. MEAG Power responded by letter dated March 15, 2018 indicating that it was pleased with JEA's reaffirmation and advising JEA that MEAG Power would proceed with completion financing for Project J. The ultimate outcome of these matters cannot be determined at this time.



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### 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 U.S. Department of Energy (DOE) for loans guaranteed by DOE pursuant to the Federal loan guarantee solicitation for nuclear projects employing new or significantly improved technology issued under Title XVII of the Energy Policy Act of 2005 (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 (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 (LGA) with DOE. Under each 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).

On July 27, 2017, each Project Entity entered into an amendment to its LGA (collectively, the LGA Amendments) in connection with the DOE's consent to GPC's entry into the Vogtle Services Agreement (see the "EPC Contract, Bankruptcy and Construction" section of this Note) and the related intellectual property licenses (IP Licenses), acting for itself and as agent for the other Vogtle Co-Owners.

Under the terms of the LGA, upon termination of the EPC Contract, further Advances are conditioned upon the DOE's approval of any agreements entered into in replacement of the EPC Contract. Under the terms of the LGA Amendments, the Project Entities will not request any Advances unless and until certain conditions are satisfied, including (i) receipt of the DOE's approval of the Construction Agreement (see the "EPC Contract, Bankruptcy and Construction" section of this Note) (together with the Vogtle Services Agreement and the IP Licenses, the Replacement EPC Arrangements) and (ii) the Project Entities' entry into further amendments to the LGAs with the DOE to reflect the Replacement EPC Arrangements.

On September 28, 2017, the DOE offered MEAG Power and the Project Entities a conditional commitment of up to \$414.7 million in additional loan guarantees toward construction of the Project Entities' respective shares of Vogtle Units 3&4. This conditional commitment expires on June 30, 2018, subject to any further extension approved by the DOE. Final approval and issuance of these additional loan guarantees by the DOE cannot be assured and are subject to the negotiation of definitive agreements, completion of due diligence by the DOE, receipt of any necessary regulatory approvals, and satisfaction of other conditions.

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.

In addition to the conditions described above, 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.

Upon satisfaction of all conditions described above, Advances may be requested on a quarterly basis through 2020. 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 will begin on October 2, 2019.

During 2017 and 2016, the Project Entities obtained Advances for payment of certain capitalized interest pertaining to the DOE Guaranteed Loans totaling \$27.5 million and \$26.8 million, respectively. At both December 31, 2017 and 2016, the Project Entities had a total of \$1.2 billion of Advances outstanding.

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 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, within 14 days of December 31, 2020, 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

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.

### Vogtle Units 3&4 Project Entities

On June 24, 2015, in order to permit each Vogtle Units 3&4 Project Entity to secure its DOE Guaranteed Loan by a first-priority perfected security interest in, among other things, such Project Entity's undivided ownership interest in Vogtle Units 3&4, and thereby permit the Vogtle Units 3&4 Project Entities to obtain \$1.1 billion in initial advances of DOE Guaranteed Loans from the FFB, 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.

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.

### **EPC Contract, Bankruptcy 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 Stone & Webster, Inc., a subsidiary of The Shaw Group Inc., which was acquired by Chicago Bridge & Iron Company N.V. (CB&I). Westinghouse subsequently acquired Stone & Webster, Inc. from CB&I and changed its name to WECTEC Global Project Services Inc. (WECTEC). Westinghouse and WECTEC are referred to herein collectively as the Contractor. Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test Vogtle Units 3&4. 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.

Under the terms of the EPC Contract, the Vogtle Co-Owners agreed to pay a purchase price subject to certain price escalations and adjustments, including fixed escalation amounts and certain index-based adjustments, as well as adjustments for change orders, and performance bonuses for early completion and unit performance. 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). In January 2016, Westinghouse delivered to the Vogtle Co-Owners \$920 million of letters of credit from financial institutions (Westinghouse Letters of Credit) to secure a portion of the Contractor's potential obligations under the EPC Contract.

On March 29, 2017, Westinghouse and WECTEC each 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 an Interim Assessment Agreement with the Contractor to allow construction to continue, which expired on July 27, 2017 when the Vogtle Services Agreement (as discussed herein) became effective. 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

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

continue construction of Vogtle Units 3&4, with Southern Nuclear Operating Company, Inc., an affiliate of GPC and the operating agent for Vogtle Units 3&4 (Southern Nuclear), serving as project manager, Westinghouse and WECTEC providing engineering services and Bechtel Power Corporation (Bechtel) serving as the primary construction contractor. On December 21, 2017, the GPSC approved GPC's recommendation to continue construction.

Subsequent to the Contractor bankruptcy filing, a number of subcontractors to the Contractor alleged non-payment by the Contractor for amounts owed for work performed on Vogtle Units 3&4. GPC, acting for itself and as agent for the Vogtle Co-Owners, has taken actions to remove liens filed by these subcontractors through the posting of surety bonds. All amounts associated with the removal of subcontractor liens and other Contractor pre-petition accounts payable have been paid or accrued as of December 31, 2017, of which \$17.2 million pertained to the Project Entities.

On June 9, 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 (Guarantee Obligations), of which the Project Entities' proportionate share was \$835.4 million. The Guarantee Settlement Agreement provided for a schedule of payments for the Guarantee Obligations beginning in October 2017 and continuing through January 2021. Toshiba made the first three payments as scheduled. On December 8, 2017, MEAG Power, the Vogtle Units 3&4 Project Entities, the other Vogtle Co-Owners and Toshiba entered into an amendment to the Guarantee Settlement Agreement (Guarantee Settlement Agreement Amendment). The Guarantee Settlement Agreement Amendment provided that Toshiba's remaining payment obligations under the Guarantee Settlement Agreement were due and payable in full on December 15, 2017, which Toshiba satisfied on December 14, 2017. Pursuant to the Guarantee Settlement Agreement Amendment, Toshiba was deemed to be the owner of certain pre-petition bankruptcy claims of the Vogtle Units 3&4 Project Entities and the other Vogtle Co-Owners against Westinghouse (the Assigned Rights), and the Vogtle Units 3&4 Project Entities and other Vogtle Co-Owners surrendered the Westinghouse Letters of Credit. Also on December 8, 2017, in connection with the separate LGA between each Vogtle Units 3&4 Project Entity and the DOE, the DOE consented to (i) such Vogtle Units 3&4 Project Entity's entry into the Guarantee Settlement Agreement Amendment, (ii) the release of the Assigned Rights and (iii) the surrender of the Westinghouse Letters of Credit.

Additionally, on June 9, 2017, GPC, acting for itself and as agent for the other Vogtle Co-Owners, and the Contractor entered into a services agreement between the Vogtle Co-Owners and the Contractor, as amended and restated on July 20, 2017, for the Contractor to transition construction management of Vogtle Units 3&4 to Southern Nuclear and to provide ongoing design, engineering, and procurement services to Southern Nuclear (the Vogtle Services Agreement). The Vogtle Services Agreement provides for the Contractor to transition construction management of Vogtle Units 3&4 to Southern Nuclear and to provide ongoing design, engineering, and procurement services to Southern Nuclear. The Services Agreement provides that the Contractor will generally be compensated on a time and materials basis for services rendered. On July 20, 2017, the bankruptcy court approved the Contractor's motion seeking

authorization to (i) enter into the Vogtle Services Agreement, (ii) assume and assign to the Vogtle Co-Owners certain project-related contracts, (iii) join the Vogtle Co-Owners as counterparties to certain assumed project-related contracts, and (iv) reject the EPC Contract. The Vogtle Services Agreement, and the Contractor's rejection of the EPC Contract, became effective upon approval by the DOE on July 27, 2017. The Vogtle Services Agreement 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.

Effective October 23, 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 will serve as the primary contractor for the remaining construction activities for Vogtle Units 3&4. Facility design and engineering remains the responsibility of the Contractor under the Vogtle Services Agreement. The Construction Agreement is a cost reimbursable plus fee arrangement, whereby Bechtel will be 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 addition, pursuant to the separate LGA between each of the Vogtle Units 3&4 Project Entities and the DOE, each Vogtle Units 3&4 Project Entity is required to obtain approval of the Construction Agreement by the DOE prior to obtaining any further advances under its respective DOE LGA.

On November 2, 2017, the Vogtle Co-Owners amended their joint ownership agreements for Vogtle Units 3&4 (as amended, Vogtle Joint Ownership Agreements) to provide for, among other conditions, additional Vogtle Co-Owner approval requirements. Pursuant to the Vogtle Joint Ownership Agreements, the holders of at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue 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 or the Construction Agreement; (iii) the GPSC or GPC determines that any of GPC's costs relating to the construction of Vogtle Units 3&4 are deemed unreasonable or imprudent; or (iv) an increase in the construction budget contained in the VCM 17 Report of more than \$1 billion or extension of the project schedule contained in the VCM 17 Report of more than one year. 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



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

Southern Nuclear or the primary construction contractor, including the Construction Agreement. 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.

### Cost and Other Matters

On December 20, 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. On December 21, 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 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 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) approved and deemed reasonable GPC's revised schedule placing Vogtle Units 3&4 in service in November 2021 and November 2022, respectively; (v) confirmed that the revised cost forecast 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 stated if other certain conditions and assumptions upon which GPC's VCM 17 Report are based upon do not materialize, both GPC and the GPSC reserve the right to reconsider the decision to continue construction.

On February 12, 2018, Georgia Interfaith Power & Light, Inc. and Partnership for Southern Equity, Inc. filed a petition appealing the GPSC's January 11, 2018 order with the Fulton County Superior Court. GPC has reported that it believes the appeal has no merit; however, an adverse outcome in this appeal could have a material impact on MEAG Power's results of operations, financial condition, and liquidity. On March 8, 2018, Georgia Watch also requested judicial review of the GPSC's January 11, 2018 order by the Fulton County Superior Court.

MEAG Power expects that, based on the current estimated 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 approximately \$5.7 billion, including construction costs, 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 \$6.1 billion, of which approximately \$1.8 billion of additional funding will be required. 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.

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.

As construction continues, challenges with management of contractors, subcontractors, and vendors; labor productivity and availability; fabrication, delivery, assembly, and installation of generating unit systems, structures, and components (some of which are based on new technology and have not yet operated in the global nuclear industry at this scale); or other issues could arise and change the projected schedule and estimated cost.

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.

There have been technical and procedural challenges to the construction and licensing of Vogtle Units 3&4, at the federal and state level, and additional challenges may arise as construction proceeds. 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 resolution of Inspections, Tests, Analyses, and Acceptance Criteria and the related approvals by the NRC, may arise as construction proceeds, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

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

The Project Entities' investment in property, plant and equipment (PP&E), including nuclear fuel, for Vogtle Units 3&4 as of December 31, 2017 totaled \$2.3 billion.

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

### (E) 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

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

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 \$590.6 million at December 31, 2017. Changes impacting the balance in the Competitive Trust result from investment earnings and additional Participants' contributions, which are offset by scheduled distributions to the Participants.

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

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

If not otherwise expended, monies in the Credit Support Operating account and Reserve Funded Debt account may be withdrawn on or after December 31, 2018 and 2025, respectively, and monies in the New Generation and Capacity Funding account may be withdrawn after January 1, 2037. An external trustee holds the funds in the Competitive Trust and maintains balances on an individual Participant basis. All of the Participants participate in the Competitive Trust. Competitive Trust Funding totaled \$43.0 million and \$61.8 million for the years ended December 31, 2017 and 2016, respectively.

The Competitive Trust is not fiduciary in nature and is not considered a trust fund in the context of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments" (Statement 34).

### (F) DEFERRED LEASE FINANCING TRUST

In 2000, MEAG Power completed a long-term lease transaction (Lease) with a third party (Lessor) with respect to MEAG Power's total 30.2% undivided interest in Generation Station Scherer, Unit Nos. 1 and 2 (Scherer Units 1&2) and its total 15.1% undivided interest in Generation Station Wansley, Unit Nos. 1 and 2 (Wansley Units 1&2) and related common facilities at each of these generating stations (together, the Undivided Interest or the Coal Units). Under the Lease, MEAG Power leased the Undivided Interest for a term of approximately 50 years. All rent under the Lease was paid by the Lessor at the commencement of the Lease. The Undivided Interest did not include the coal stockpile, inventories, intangibles and unit trains owned by MEAG Power at the sites.

The Lessor subleased the Undivided Interest back to MEAG Power under a sublease for a term of approximately 30 years. Under the

sublease, MEAG Power was required to pay the entire balance of the rent due thereunder six months after the commencement of the sublease.

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

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

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

In conjunction with the Termination Agreement, certain bonds previously issued by Project One and Projects Two and Three of the General Resolution Projects to finance environmental improvements at the Coal Units, that had been purchased as an investment by the Deferred Lease Financing Trust, were redeemed on March 31, 2016 with proceeds of the Series 2016A bond anticipation notes (BANs) (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Credit Agreements and Other Short-Term Debt — Other Short-Term Debt"), as well as with funds on deposit in the Environmental Facilities Reserve Account (EFRA).

During 2016, the Competitive Trust and the Deferred Lease Financing Trust comprised the Trust Funds. Due to the Termination Agreement, only the Competitive Trust was included in the Trust Funds in 2017.

### (G) 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, 2017 and 2016, 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

### (A) BASIS OF ACCOUNTING

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

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

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

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

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

### (B) STATEMENT OF CASH FLOWS

In accordance with Statement 34, the Consolidated Statement of Cash Flows (Statement of Cash Flows) is presented using the direct method. For reporting cash flows, highly liquid investments purchased

with a maturity of three months or less are considered to be cash equivalents except for securities lending investments, as discussed in Note 4, "Special Funds and Supplemental Power Account — Securities Lending." For the years ended December 31, 2017 and 2016, cash and cash equivalents totaled \$2.0 billion and \$1.5 billion, respectively. Amounts presented in the Statement of Cash Flows for property additions are net of changes in the related liability accounts payable. For the years ended December 31, 2017 and 2016, such changes were \$94.5 million and \$(75.9) million, respectively.

### (C) REVENUES

#### Participant

Wholesale electric sales to the Participants are recorded as Participant revenues on an accrual basis. Billings to the Participants for delivered energy are designed to recover certain costs, as defined by the bond resolutions and Power Sales Contracts, and principally include current operating costs, scheduled debt principal and interest payments, and deposits in certain funds. Beginning in 2016, Participant revenues also include billings to Project M Participants for scheduled debt principal payments. Billings to Participants of Project One, the General Resolution Projects, the CC Project, as well as Project M, accounted for 78.9% and 82.1% of total revenues for the years ended December 31, 2017 and 2016, respectively. Three Participants collectively accounted for approximately 26% of Participant revenues in both 2017 and 2016, with one Participant accounting for 11.7% of these revenues in 2017 and 12.0% in 2016.

#### 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, 2017 and 2016, the excess revenues received and included in accounts payable on MEAG Power's Consolidated Balance Sheet (Balance Sheet) were as follows (in thousands):

Year-end Settlement	2017	2016
Project One	\$17,887	\$31,707
General Resolution Projects	9,369	15,743
CC Project	1,225	(583)
Vogtle Units 3&4	29	3
Telecom	54	528
Total	\$28,564	\$47,398

Refunds for 2017 excess revenues will be processed beginning in the first quarter of 2018.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### Other Revenues

Sales to other utilities and power marketers, which are also recorded on an accrual basis, comprise other revenues. Such sales are primarily to The Energy Authority, as discussed in Note 6, "Investment in Alliance," and GPC, as discussed in "Generation and Transmission Facilities — Jointly Owned Generation Facilities," as well as "— Pseudo Scheduling and Services Agreement," section (G) of this Note. Beginning in 2016, other revenues also include billings to JEA and PowerSouth pertaining to scheduled debt principal payments for Project J and Project P.

### (D) NET COSTS TO BE RECOVERED AND DEFERRED INFLOWS OF RESOURCES

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

At December 31, 2017 and 2016, 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	Trust Funds	Telecom Project	Total
<b>December 31, 2017</b>							
Timing Differences	\$ —	\$ —	\$ —	\$ (31,127)	\$ —	\$ —	\$ (31,127)
Certain investment income	—	—	—	—	—	—	—
Vogle Units 3&4 Projects' and Project Entities' net non-operating expense	—	—	—	400,350	—	—	400,350
Other, net	—	—	—	(608)	—	—	(608)
<b>Total net costs to be recovered from Participants</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$368,615</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$368,615</b>

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
<b>December 31, 2016</b>							
Timing Differences	\$ —	\$ —	\$ —	\$ (9,750)	\$ —	\$ —	\$ (9,750)
Certain investment income	—	—	—	—	—	—	—
Vogle Units 3&4 Projects' and Project Entities' net non-operating expense	—	—	—	356,447	—	—	356,447
Other, net	—	—	—	(64)	—	—	(64)
<b>Total net costs to be recovered from Participants</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$346,633</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$346,633</b>

#### Deferred Inflows of Resources

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
<b>December 31, 2017</b>							
Timing Differences	\$ (54,788)	\$227,303	\$67,736	\$ —	\$ —	\$5,961	\$246,212
Certain investment income	355,727	61,482	15,386	—	—	180	432,775
Asset retirement obligations	22,495	(8,626)	—	—	—	—	13,869
Other, net	(9,289)	1,112	12,135	518	—	(590)	3,886
<b>Total deferred inflows of resources</b>	<b>\$314,145</b>	<b>\$281,271</b>	<b>\$95,257</b>	<b>\$518</b>	<b>\$ —</b>	<b>\$5,551</b>	<b>\$696,742</b>

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



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

## (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, 2017 and 2016, respectively, was total interest expense of \$354.4 million and \$357.0 million, of which \$120.2 million and \$104.0 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, 2017 and 2016 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 \$87.2 million and \$84.9 million for the years ended December 31, 2017 and 2016, 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, 2017 and 2016. Depreciation expense is computed using the straight-line method over the expected life of the plant. The composite depreciation rates for both 2017 and 2016 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, 2017, MEAG Power's ownership percentages in jointly owned generation facilities in service were as follows:

Facility	Ownership Percent		Total Ownership
	Project One	General Resolution Projects	
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, 2017 and 2016

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 \$10.4 million in 2017 and \$11.8 million in 2016 for Project One, and \$3.0 million in 2017 and \$3.3 million in 2016 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).

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 October 10, 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. All of these lawsuits are still pending before the Federal Claims Court. No amounts have been recognized in MEAG Power's financial statements as of December 31, 2017 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 Scherer Units 1&2 and its 15.1% ownership in Wansley Units 1&2 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 to perform the operation and maintenance of the CC Project. After the initial five-year term (ending in October 2018), the agreement provides for a three-year automatic renewal thereafter, unless a 90-day notice is provided by either party. MEAG Power has contracted with 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, an Electric Membership Corporation; and Dalton each own transmission system facilities, which together comprise a statewide ITS. MEAG Power and each other entity may use all transmission system facilities included in the ITS, regardless of ownership, in serving its customers. Bulk power supply is furnished by MEAG Power to the Participants through the ITS. MEAG Power's ITS facilities are included in Project One.

MEAG Power and GPC entered into a Second Revised and Restated Integrated Transmission System Operation Agreement (the 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 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, 2019; (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. These revisions enabled MEAG Power, with GPC's agreement and consent, to request that SERC relieve

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

MEAG Power of a number of obligations of certain mandatory federal reliability standards pertaining to transmission systems, which relief is now effective in accordance with NERC's compliance registry ([www.nerc.com](http://www.nerc.com)). Neither party has given the required 24 months' prior notice of cancellation.

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, 2018. Neither party has given the required 12 months' prior notice of cancellation.

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

### Pseudo Scheduling and Services Agreement

MEAG Power and GPC are parties to a Pseudo Scheduling and Services Agreement (PSSA) that addresses unit scheduling and dispatch and system services required for MEAG Power to manage its resources and effectuate off-system sales and purchases within the Southern Company (parent company of GPC) system. Under this agreement, MEAG Power's schedule for the output from the Coal Units may differ from the actual output of its ownership share and will result in sales to or purchases from GPC to reconcile the difference. During the years ended December 31, 2017 and 2016, sales and purchases with GPC under this agreement were (in thousands):

PSSA	2017	2016
Sales	\$62,583	\$51,302
Purchases	\$ 7,836	\$ 6,330

### (H) ASSET RETIREMENT OBLIGATIONS AND DECOMMISSIONING

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

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

Future costs of decommissioning are recognized through the accretion of ARO as part of depreciation expense. As discussed in "Generation and Transmission Facilities — Jointly Owned Generation Facilities," section (G) of this Note, GPC is the operator of the existing Nuclear Units.

Details of the ARO included in non-current liabilities on the Balance Sheet as of December 31, 2017 and 2016 are (in thousands):

Asset Retirement Obligations	2017	2016
Balance January 1	\$543,770	\$486,879
Liabilities settled	(931)	(518)
Accretion	26,741	24,572
ARO adjustments	1,431	32,837
Balance December 31	\$571,011	\$543,770

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 (2015 dollars)	\$318,653	\$399,525
Amount expensed in 2017	\$ 12,353	\$ 11,994
Accumulated provision in external funds	\$239,843	\$236,707

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

Actual decommissioning costs may vary due to changes in the assumed dates of decommissioning, NRC funding requirements, regulatory requirements, costs of labor and equipment, or other assumptions used in determining the estimates. Earnings and inflation assumptions of 4.9% and 2.9%, respectively, were used to determine decommissioning-related billings to the Participants for 2018 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 2017 or 2016, and expensed immaterial amounts in both years. Amortization of nuclear fuel is calculated on a units-of-production basis.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

Natural gas expense for the CC Project totaled \$56.9 million and \$52.7 million for 2017 and 2016, 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 \$(1.0) million and \$(0.5) million as of December 31, 2017 and 2016, respectively, is recorded on the Balance Sheet in materials, supplies and other assets. The (decrease) increase in fair value of \$(0.5) million for 2017 and \$4.7 million for 2016 is recorded in deferred outflows of resources on the Balance Sheet.

Summary information pertaining to natural gas hedges as of December 31, 2017 and 2016 is as follows (dollars in thousands):

Contract Year	Notional Amount* December 31, 2017	Fair Value December 31, 2017	Latest Maturity Date
2018	<b>5,030,000</b>	<b>\$ (650)</b>	<b>Dec. 2018</b>
2019	<b>4,400,000</b>	<b>(327)</b>	<b>Dec. 2019</b>
2020	<b>3,360,000</b>	<b>(114)</b>	<b>Dec. 2020</b>
2021	<b>2,160,000</b>	<b>34</b>	<b>Oct. 2021</b>
2022	<b>1,210,000</b>	<b>48</b>	<b>Sept. 2022</b>
<b>Total</b>	<b>16,160,000</b>	<b>\$(1,009)</b>	

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

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

The above natural gas hedges were entered into between April 2013 and December 2017, with total cash paid at inception of \$0.3 million and \$0.4 million for natural gas hedges outstanding at December 31, 2017 and 2016, respectively. The price index for all of MEAG Power's natural gas hedges is the New York Mercantile Exchange Natural Gas Futures Contract at Henry Hub (Henry Hub Contract). All of MEAG Power's natural gas hedges are with one of two counterparties and had credit ratings with Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's (S&P) at December 31, 2017 and 2016 as follows:

	Counterparty Credit Rating		
	Fitch	Moody's	S&P
<b>December 31, 2017</b>	<b>AA-/A</b>	<b>Aa2/A3</b>	<b>A+/BBB+</b>
December 31, 2016	AA-/A	Aa3/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 derivatives are not held or issued for trading purposes and MEAG Power's management has designated the swaps as hedge instruments. Under Statement 53, the swap agreements and natural gas hedges are marked-to-market monthly with the effective portion included in deferred outflows of resources. If the instrument is terminated before the end of the agreement's term, any gain or loss is amortized over a period consistent with the underlying liability.

Information about natural gas hedges and interest rate swap agreements outstanding as of December 31, 2017 and 2016 is included in "Fuel Costs," section (I) of this Note and Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Other Financing Transactions," respectively.

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

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

#### Credit Risk

MEAG Power is exposed to credit risk on all interest rate swaps and all natural gas hedges, with the largest potential for risk on swaps and hedges that are in a significant asset position and to a lesser extent through the possibility of non-performance under the swap by the counterparty. In order to minimize this risk, the ALCO Policy, which governs interest rate swaps, and the Fuel Risk Management Policy, which governs natural gas hedges, restrict potential counterparties to major financial institutions with either high



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

investment-grade credit ratings or agreements to collateralize their net positions. In addition, the ALCO Policy and the individual agreements with the natural gas hedging counterparties limit the amount of exposure to the counterparty to certain amounts that decrease as the counterparty's credit rating decreases.

Finally, MEAG Power requires each counterparty to post collateral based on the exposure of the swap or hedge. The eight outstanding interest rate swaps and \$1.2 million of the outstanding natural gas hedges were in the counterparty's favor in a liability position as of December 31, 2017, thereby minimizing the credit risk to MEAG Power.

### Interest Rate Risk

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

### Basis Risk

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

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

### Termination Risk

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

### Rollover Risk

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

### Market-Access Risk

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

### (L) FAIR VALUE MEASUREMENTS

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 both active and inactive markets, which places them at Level 2 in the fair value hierarchy. For additional information pertaining to MEAG Power's natural gas hedges, see "Fuel Costs," section (I) of this Note.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

MEAG Power's fair value measurements and their levels within the fair value hierarchy as of December 31, 2017 and 2016 were as follows (in thousands):

December 31, 2017	Total	Level 1	Level 2	Level 3
<i>Investments by fair value level:</i>				
U.S. Treasury securities	\$ 217,665	\$217,665	\$ —	\$ —
U.S. government agency and agency-backed securities	2,020,200	—	2,020,200	—
Corporate notes	136,446	—	136,446	—
Municipal bonds	24,036	—	24,036	—
Total investments by fair value level	2,398,347	\$217,665	\$2,180,682	\$ —
<i>Investments measured at the net asset value (NAV):</i>				
Common equity investment trusts	161,491			
<i>Investments measured at cost:</i>				
Money market mutual funds	597,437			
Cash/Other	(1,520)			
Total investments measured at cost	595,917			
Total special funds, supplemental power account and securities lending collateral	\$3,155,755			
<i>Derivative financial instruments:</i>				
Interest rate swaps	\$ 54,528	\$ —	\$54,528	\$ —
Natural gas hedges	1,009	—	1,009	—
Total derivative financial instruments	\$ 55,537	\$ —	\$55,537	\$ —
December 31, 2016	Total	Level 1	Level 2	Level 3
<i>Investments by fair value level:</i>				
U.S. Treasury securities	\$ 133,179	\$133,179	\$ —	\$ —
U.S. government agency and agency-backed securities	2,100,607	—	2,100,607	—
Corporate notes	134,885	—	134,885	—
Municipal bonds	21,071	—	21,071	—
Total investments by fair value level	2,389,742	\$133,179	\$2,256,563	\$ —
<i>Investments measured at NAV:</i>				
Common equity investment trusts	145,000			
<i>Investments measured at cost:</i>				
Money market mutual funds	593,840			
Cash/Other	226			
Total investments measured at cost	594,066			
Total special funds, supplemental power account and securities lending collateral	\$3,128,808			
<i>Derivative financial instruments:</i>				
Interest rate swaps	\$ (49,772)	\$ —	\$ (49,772)	\$ —
Natural gas hedges	(526)	—	(526)	—
Total derivative financial instruments	\$ (50,298)	\$ —	\$ (50,298)	\$ —

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, 2017</b>	<b>\$161,491</b>	<b>\$ —</b>	<b>Daily, monthly</b>	<b>1–30 days</b>
December 31, 2016	\$145,000	\$ —	Daily, monthly	1–30 days

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

## (M) ENTERPRISE RISK MANAGEMENT

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

## (N) RECENT ACCOUNTING PRONOUNCEMENTS

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 OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement 75 is effective for MEAG Power beginning in 2018. The impact to MEAG Power's financial reporting has not been determined.

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

In March 2016, GASB issued:

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

In November 2016, GASB issued Statement No. 83, "Certain Asset Retirement Obligations" (Statement 83). Statement 83 addresses accounting and financial reporting for certain ARO. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets

should recognize a liability based on the guidance in Statement 83, which is effective for MEAG Power beginning in 2019. MEAG Power currently follows ARO guidance in ASC 410, "Asset Retirement and Environmental Obligations" (see "Asset Retirement Obligations and Decommissioning," section (H) of this Note). As a minority owner (less than 50%) of applicable jointly owned generation facilities (see "Generation and Transmission Facilities — Jointly Owned Generation Facilities," section (G) of this Note), Statement 83 is not expected to have a significant impact on MEAG Power's financial reporting.

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

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

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 is effective for MEAG Power beginning in 2018. The impact to MEAG Power's financial reporting has not been determined.

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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### 3. PROPERTY, PLANT AND EQUIPMENT

PP&E activity for the years ended December 31, 2017 and 2016 is shown (in thousands) in the following table. Land is included in the electric component at a non-depreciable cost basis of \$43.5 million and \$37.9 million as of December 31, 2017 and 2016, respectively. In 2017, capital additions totaled \$643.8 million, primarily pertaining to manufacturing of major components such as the reactor vessels' internal parts and other related components, reactor coolant pumps, squib valves, polar cranes, fuel handling machines, iso-phase bus work, UPS system and passive residual heat removal heat exchangers, fabrication and assembly of structural and mechanical modules, and site construction in the nuclear islands, turbine islands and balance of generation unit areas at Vogtle Units 3&4. As discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — EPC Contract, Bankruptcy and Construction," during the Fourth Quarter 2017, the Vogtle Units 3&4 Project Entities received their aggregate share of \$835.4 million from the Guarantee Settlement Agreement Amendment. Capital improvements at existing generating units and transmission facilities, as well as purchases of initial core nuclear fuel for Vogtle Units 3&4, were also a factor.

Property, Plant and Equipment	As of December 31, 2015	Increases	Decreases	As of December 31, 2016	Increases	Decreases	As of December 31, 2017
<i>Project One</i>							
Electric utility plant in service	\$3,197,046	\$104,024	\$(18,159)	\$3,282,911	\$ 93,947	\$ (14,963)	<b>\$ 3,361,895</b>
Less accumulated depreciation	(1,692,008)	(55,059)	18,159	(1,728,908)	(53,438)	14,963	<b>(1,767,383)</b>
Electric utility depreciable plant, net	1,505,038	48,965	—	1,554,003	40,509	—	<b>1,594,512</b>
CWIP	121,385	111,508	(105,741)	127,152	102,410	(98,881)	<b>130,681</b>
Nuclear fuel, net	191,381	—	(3,993)	187,388	—	(8,862)	<b>178,526</b>
Total Project One	1,817,804	160,473	(109,734)	1,868,543	142,919	(107,743)	<b>1,903,719</b>
<i>General Resolution Projects</i>							
Electric utility plant in service	1,184,616	25,865	(4,804)	1,205,677	17,485	(3,847)	<b>1,219,315</b>
Less accumulated depreciation	(562,825)	(20,421)	4,804	(578,442)	(19,720)	3,847	<b>(594,315)</b>
Electric utility depreciable plant, net	621,791	5,444	—	627,235	(2,235)	—	<b>625,000</b>
CWIP	27,410	29,613	(26,769)	30,254	36,840	(19,642)	<b>47,452</b>
Nuclear fuel, net	27,575	—	(3,183)	24,392	171	—	<b>24,563</b>
Total General Resolution Projects	676,776	35,057	(29,952)	681,881	34,776	(19,642)	<b>697,015</b>
<i>Combined Cycle Project</i>							
Electric utility plant in service	330,918	566	—	331,484	—	—	<b>331,484</b>
Less accumulated depreciation	(111,317)	(9,058)	—	(120,375)	(9,065)	—	<b>(129,440)</b>
Electric utility depreciable plant, net	219,601	(8,492)	—	211,109	(9,065)	—	<b>202,044</b>
CWIP	139	553	(566)	126	54	—	<b>180</b>
Total Combined Cycle Project	219,740	(7,939)	(566)	211,235	(9,011)	—	<b>202,224</b>
<i>Vogtle Units 3&amp;4 Projects and Project Entities</i>							
CWIP	2,128,424	292,435	—	2,420,859	605,882	(835,389)	<b>2,191,352</b>
Nuclear fuel, net	64,664	2,920	—	67,584	3,180	—	<b>70,764</b>
Total Vogtle Units 3&4 Projects and Project Entities	2,193,088	295,355	—	2,488,443	609,062	(835,389)	<b>2,262,116</b>
<i>Telecom Project</i>							
Telecommunications plant in service	28,841	—	—	28,841	—	—	<b>28,841</b>
Less accumulated depreciation	(22,288)	(727)	—	(23,015)	(726)	—	<b>(23,741)</b>
Total Telecom Project	6,553	(727)	—	5,826	(726)	—	<b>5,100</b>
Total property, plant and equipment, net	\$4,913,961	\$482,219	\$(140,252)	\$5,255,928	\$777,020	\$(962,774)	<b>\$ 5,070,174</b>

As of December 31, 2017 and 2016, 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, 2017 and 2016

## 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, 2017, substantially all of MEAG Power's investments in mortgage-backed securities and U.S. government agency bonds and notes were rated AAA by Moody's and AA+ by S&P, and/or guaranteed by the issuer, which carries the AAA/AA+ ratings. Common equity investment trusts are not rated. Credit risk considerations for the securities lending program are discussed in "Securities Lending" below.

The ALCO Policy establishes a framework to govern the management of MEAG Power's financial assets and seeks to obtain reasonable investment returns within prudent levels of risk, including credit risk. The primary objective of the ALCO Policy is to meet all cash flow requirements and reduce the revenue requirements of Participants without exposing MEAG Power to undue or inappropriate risks. The ALCO Policy is consistent with the requirements for state and local governments contained within State statutes, as well as applicable MEAG Power bond resolutions. As such, the following investment credit risk components are derived directly from the

ALCO Policy: (1) U.S. Treasury securities held in the portfolio are direct obligations of the U.S. Treasury that carry the full faith and credit backing of the U.S. government; (2) U.S. government agency and agency-backed securities held are issued or otherwise guaranteed by agencies created pursuant to an Act of the U.S. Congress (Congress) as an agency, corporation, or instrumentality of the U.S. government; (3) Municipal bonds held are general or special obligations of states carrying at least a AA rating by two nationally recognized rating agencies or other State obligations, including political subdivisions or public authorities created by the State legislature; (4) Corporate notes and common equity investment trusts are held only in the Decommissioning Trust managed by external money managers and are subject to the "Prudent Investor" standard established by FERC, as well as the NRC, related to the Decommissioning Trust; and (5) Money market mutual funds are U.S. Treasury or government agency class-only funds rated AAAM by S&P and Aaa-mf by Moody's.

### Custodial Credit Risk

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

### Concentration of Credit Risk

Concentration of credit risk is the chance of a loss due to the magnitude of MEAG Power's investment in a single issuer. Under the ALCO Policy, MEAG Power restricts possible concentration of credit risk by placing maximum exposure restrictions by security type. The ALCO Policy also requires diversification to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer or bank. External investments with one issuer that comprised 5% or more of MEAG Power's portfolio (excluding those issued or explicitly guaranteed by the U.S. government, as well as mutual funds) as of December 31, 2017 were (dollars in thousands):

Issuer	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$1,410,951	42.8%
Federal Farm Credit Bank	\$ 196,918	6.0%

### Securities Lending

The Board has approved a securities lending program (the program), which allows MEAG Power to lend securities held in the Decommissioning Trust in return for collateral in the form of cash or authorized security types, with a simultaneous agreement to return collateral for the same securities in the future. All investments in the program are considered other investment securities for reporting cash flows. During 2016, the program was discontinued in the Competitive Trust for portfolio management purposes.

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, 2017, MEAG Power and the lending agent had no credit risk exposure to borrowers for direct lending activity because

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

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

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

### Interest Rate Risk

All fixed-income investments are exposed to interest rate risk. MEAG Power's investments would be subject to changes in fair value due to potential changes in interest rates. The ALCO Policy describes the maximum maturity limitations and performance benchmarks for each account in the funds established under the various bond resolutions and agreements pertaining to the 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, 2017, maturities of special funds, the supplemental power account and securities lending were as follows (in thousands):

	Maturities (in years)						
Investment Type	Under One	One-Three	Three-Seven	Seven-Ten	Over Ten	No Specific Maturity	Total
U.S. Treasury securities	\$ 70,067	\$ 16,258	\$ 95,317	\$ 31,064	\$ —	\$ 4,959	\$ 217,665
U.S. government agency and agency-backed securities	1,745,790	75,724	103,270	58,703	15,929	20,784	2,020,200
Corporate notes	13,782	38,067	65,244	16,894	2,459	—	136,446
Common equity investment trusts	—	—	—	—	—	161,491	161,491
Municipal bonds	66,622	42,395	13,106	34,563	8,150	—	164,836
Eliminations*	(66,622)	(42,395)	(13,106)	(18,677)	—	—	(140,800)
Money market mutual funds	591,442	—	1,471	—	30	4,494	597,437
Cash/Other	—	—	—	—	—	(1,520)	(1,520)
Total special funds, supplemental power account and securities lending collateral	\$2,421,081	\$130,049	\$265,302	\$122,547	\$26,568	\$190,208	\$3,155,755

\* 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 separate EFRA, one for Project One and the others with respect to the General Resolution Projects. 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, 2017 and 2016

At December 31, 2017 and 2016, investments in special funds, the supplemental power account and securities lending were classified on the Balance Sheet as follows (in thousands):

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations*	Total
<b>December 31, 2017</b>								
Special funds, non-current:								
Decommissioning Trust	\$428,145	\$ 49,867	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 478,012
Construction fund	85,574	51,002	3	1,288,033	—	—	—	1,424,612
Debt Service fund —								
Reserve and Retirement accounts	47,647	57,371	33,473	166,290	—	—	—	304,781
Revenue and Operating fund	—	—	11,516	—	—	—	—	11,516
Reserve and Contingency fund	19,016	10,717	3,615	—	—	—	—	33,348
Environmental Facilities Reserve account	—	—	—	—	—	—	—	—
Competitive Trust:								
Credit Support Operating account	—	—	—	—	—	—	—	—
New Generation and Capacity								
Funding account	—	—	—	—	216,650	—	(46,781)	169,869
Reserve Funded Debt account	—	—	—	—	21,215	—	—	21,215
Flexible Operating account	—	—	—	—	88,514	—	(88,514)	—
Total special funds, non-current	580,382	168,957	48,607	1,454,323	326,379	—	(135,295)	2,443,353
Special funds, current:								
Revenue and Operating fund	60,876	49,117	22,115	67,770	—	531	—	200,409
Debt Service fund —								
Debt Service account	33,736	41,366	4,564	20,149	—	—	—	99,815
Subordinated Debt Service fund —								
Debt Service accounts	109,936	23,042	—	—	—	—	—	132,978
Construction fund	3,567	11,744	2	3	—	—	—	15,316
Competitive Trust —								
Reserve Funded Debt account	—	—	—	—	5,505	—	(5,505)	—
Flexible Operating account	—	—	—	—	258,680	—	—	258,680
Total special funds, current	208,115	125,269	26,681	87,922	264,185	531	(5,505)	707,198
Supplemental power account	4,781	—	—	—	—	—	—	4,781
Securities lending collateral	379	44	—	—	—	—	—	423
Total special funds, supplemental power account and securities lending collateral	\$793,657	\$294,270	\$75,288	\$1,542,245	\$590,564	\$531	\$(140,800)	\$3,155,755

\* 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, 2017 and 2016

December 31, 2016	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	\$393,828	\$ 45,941	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 439,769
Construction fund	106,735	55,026	3	1,072,963	—	—	—	1,234,727
Debt Service fund –								
Reserve and Retirement accounts	66,149	63,496	33,142	166,309	—	—	—	329,096
Revenue and Operating fund	—	—	7,370	—	—	—	—	7,370
Reserve and Contingency fund	23,052	13,628	2,787	—	—	—	—	39,467
Environmental Facilities Reserve account	(3)	(3)	—	—	—	—	—	(6)
Competitive Trust:								
Credit Support Operating account	—	—	—	—	10	—	—	10
New Generation and Capacity								
Funding account	—	—	—	—	196,800	—	(44,992)	151,808
Reserve Funded Debt account	—	—	—	—	70,869	—	(5,505)	65,364
Flexible Operating account	—	—	—	—	112,658	—	(112,658)	—
<b>Total special funds, non-current</b>	<b>589,761</b>	<b>178,088</b>	<b>43,302</b>	<b>1,239,272</b>	<b>380,337</b>	<b>—</b>	<b>(163,155)</b>	<b>2,267,605</b>
Special funds, current:								
Revenue and Operating fund	204,355	51,921	19,768	2,662	—	620	—	279,326
Debt Service fund –								
Debt Service account	57,446	46,123	4,560	10,852	—	—	—	118,981
Subordinated Debt Service fund –								
Debt Service accounts	116,739	19,426	—	—	—	—	—	136,165
Construction fund	4,707	16,227	—	77,658	—	300	—	98,892
Competitive Trust –								
Flexible Operating account	—	—	—	—	222,065	—	—	222,065
<b>Total special funds, current</b>	<b>383,247</b>	<b>133,697</b>	<b>24,328</b>	<b>91,172</b>	<b>222,065</b>	<b>920</b>	<b>—</b>	<b>855,429</b>
Supplemental power account	4,489	—	—	—	—	—	—	4,489
Securities lending collateral	1,151	134	—	—	—	—	—	1,285
<b>Total special funds, supplemental power account and securities lending collateral</b>	<b>\$978,648</b>	<b>\$311,919</b>	<b>\$67,630</b>	<b>\$1,330,444</b>	<b>\$602,402</b>	<b>\$920</b>	<b>\$(163,155)</b>	<b>\$3,128,808</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, 2017 and 2016

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

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

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

#### Power Revenue Bonds and General Power Revenue Bonds

As of December 31, 2017, MEAG Power had \$8.0 billion in Power Revenue Bonds and \$3.3 billion in General Power Revenue Bonds validated by court judgments. Reference to "court judgments" for these bonds, as well as for the bonds described below, indicates that MEAG Power is authorized to issue such bonds up to the validated amount. The resolutions permit the issuance of bonds in the future for certain purposes. No scheduled debt maturity for Project One or the General Resolution Projects extends beyond June 2054, the expiration of the Power Sales Contracts for the respective project – see Note 1 (B), "The Organization — Project One and the General Resolution Projects."

On December 16, 2011, MEAG Power adopted the Amended and Restated Resolutions (the Amending Resolutions) for the purpose of making certain amendments (the Proposed Amendments) to the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution (collectively, the Senior Resolutions). As a result of changes in market conditions and standard practices, MEAG Power undertook this process to modernize the Senior Resolutions via a "springing lien" amendment to the Senior Resolutions. The Amending Resolutions allow MEAG Power to, among other things, more easily issue Power Revenue Bonds and General Power Revenue Bonds, as well as be more consistent with the bond resolutions of the CC Project and the Vogtle Units 3&4 Projects. 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.

Various bond issues have been defeased by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in such trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called

or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Balance Sheet of Project One and the General Resolution Projects. As of December 31, 2017, the amount held in escrow to defease Power Revenue Bonds and General Power Revenue Bonds removed from the Balance Sheet amounted to \$20.7 million.

#### Subordinated Debt

As of December 31, 2017, MEAG Power had validated by court judgments subordinated bonds totaling \$5.4 billion for Project One and \$1.8 billion for the General Resolution Projects. The resolutions permit the issuance of bonds in the future for certain purposes. Debt issued under the subordinated bond resolutions is subordinate in all respects to the Power Revenue Bonds and the General Power Revenue Bonds.

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

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

#### Combined Cycle Project Revenue Bonds

As of December 31, 2017, MEAG Power had validated by court judgments \$1.3 billion of CC Project bonds, which includes \$200.0 million for prepayment of fuel costs.

#### Financing of Vogtle Units 3&4 Projects and Project Entities

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

As of December 31, 2017, 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 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 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 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

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

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 federal fiscal year 2017 was 6.9%. The Sequester Reduction percentage for the federal fiscal year ending September 30, 2018 is 6.6%.

MEAG Power and two commercial banks have entered into a credit agreement to finance a portion of the costs of acquisition and construction and financing costs of Project P (the Project P Credit Agreement). In order to evidence its obligation to repay borrowings made and to be made by MEAG Power pursuant to the Project P Credit Agreement, and interest thereon, in 2010, MEAG Power issued its Project P BANs, Taxable Series 2010A (the Series 2010A Project P Notes) to the banks that are parties to the Project P Credit

Agreement. In September 2015, MEAG Power and the banks party thereto amended and restated the Project P Credit Agreement in order to extend the term thereof to September 25, 2018, and convert the agreement into a revolving credit agreement.

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

Changes in the Series 2010A Project P Notes and Series 2012A Project P Note during the years ended December 31, 2017 and 2016 were (in thousands):

	Balance December 31, 2015			Balance December 31, 2016			Balance December 31, 2017
	Proceeds	Payments		Proceeds	Payments		
Series 2010A Project P Notes	\$ —	\$ —	\$ —	\$ —	\$ 70,675	\$ 70,675	\$ —
Series 2012A Project P Note	90,771	15,546	88,242	18,075	31,119	49,194	—
Total	\$90,771	\$15,546	\$88,242	\$18,075	\$101,794	\$119,869	\$ —

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

### Telecommunications Project Revenue Bonds

As of December 31, 2017, 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

#### Credit Agreements

On December 28, 2016, in connection with the entry by MEAG Power and certain commercial banks into the revolving credit agreements described in the following paragraph, MEAG Power caused \$129.9 million in aggregate amount of direct pay letters of credit to be terminated. As of both December 31, 2017 and 2016, \$155.9 million in aggregate amount of letters of credit remained in effect to support CP notes which, as of such dates, were issued and outstanding in the amount of \$105.5 million and \$107.3 million, respectively. 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, 2017 and December 31, 2016.

On December 28, 2016, in order to replace the borrowing capacity previously provided by CP notes that were able to be supported by the letters of credit that were terminated on such date, MEAG Power and two commercial banks entered into revolving credit agreements (RCAs) for Project One and the General Resolution Projects that permit MEAG Power to borrow from such banks, until the end of the "revolving credit period" thereunder (initially, until December 28, 2019 unless earlier terminated, and subject to extension at the sole discretion of the applicable bank), in the aggregate, not to exceed \$225.0 million. Any amounts borrowed under the RCAs would be payable by MEAG Power following the end of the revolving credit period on a quarterly basis over a three-year period using the bank's interest rates. Since the notes evidencing such banks' right to be repaid for such borrowings constitute subordinated bonds issued as BANs, a principal amount of validated but unissued Power Revenue Bonds and General Power Revenue Bonds of not less than the amount of such subordinated bonds is required and was maintained as of both December 31, 2017 and 2016.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

Subordinated bonds issued as variable-rate demand obligations and outstanding as of December 31, 2017 totaled \$221.2 million. Bondholders may require repurchase of these subordinated bonds at the time of periodic interest rate adjustments. Agreements have been entered into to provide for the remarketing of the subordinated bonds if such repurchase is required. Agreements have also been entered into with certain banks, which generally provide for the purchase by those banks of subordinated bonds which are not remarketed. As of December 31, 2017, 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, 2017, MEAG Power and two banks had entered into committed credit agreements providing for lines of credit (LOC) available to Project One, the General Resolution Projects and the CC Project for \$125.0 million individually, but not to exceed \$125.0 million in the aggregate. The agreements expire in December 2019. The LOC generally provide for interest at taxable rates.

### Other Short-Term Debt

In March 2016, MEAG Power issued \$194.1 million of its Project One BANs, Series 2016A and \$80.9 million of its General Resolution Projects BANs, Series 2016A (collectively, the Series 2016A BANs) in order to, among other things, provide, together with a portion of the amounts on deposit in the EFRA, the funds required to redeem Capital Appreciation Bonds (CABs) issued in 2006 and thereby provide, together with the balance of the amounts on deposit in the EFRA, the amount needed to pay the early termination amount under the Termination Agreement (see Note 1 (F), "The Organization — Deferred Lease Financing Trust"). The Series 2016A BANs, as previously extended, matured on June 23, 2017. In June 2016, \$49.1 million of the Project One Series 2016A BANs and \$74.9 million of the General Resolution Projects Series 2016A BANs were repaid with proceeds from the Series 2016A Bonds. On June 1, 2017, \$145.0 million of the Project One Series 2016A BANs and \$6.0 million of the General Resolution Projects Series 2016A BANs were repaid with proceeds from the Series 2016A Bonds.

Changes in LOC and the Series 2016A BANs during the years ended December 31, 2017 and 2016 were (in thousands):

Lines of Credit and Other Short-term Debt	Balance December 31, 2015			Balance December 31, 2016			Balance December 31, 2017	
	Proceeds	Payments	Proceeds	Payments	Proceeds	Payments		
Project One	\$ —	\$ 201,125	\$ 49,125	\$ 152,000	\$ 15,850	\$ 152,000	<b>\$15,850</b>	
General Resolution Projects	1,651	80,875	75,770	6,756	1,850	6,005	<b>2,601</b>	
CC Project	36,590	—	36,590	—	—	—	<b>—</b>	
<b>Total</b>	<b>\$38,241</b>	<b>\$282,000</b>	<b>\$161,485</b>	<b>\$158,756</b>	<b>\$17,700</b>	<b>\$158,005</b>	<b>\$18,451</b>	

### **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 are unsecured debt.

The Series 2012A BANs, as well as the Series 2012A Project P Note (see the "Financing of Vogtle Units 3&4 Projects and Project Entities" section of this Note), were issued to evidence MEAG Power's obligation to repay loans made by the trustee of the Competitive Trust to MEAG Power, as an investment of funds on deposit in the Competitive Trust, and the interest thereon. Such loans are used by MEAG Power to finance a portion of the costs of acquisition and construction and working capital needs of the applicable project(s), as well as financing costs for Project P. Changes in the Series 2012A BANs and the Series 2012A Project P Note during the years ended December 31, 2017 and 2016 were (in thousands):

Description		Balance December 31, 2015			Balance December 31, 2016			Balance December 31, 2017	
		Proceeds	Payments	Proceeds	Payments	Proceeds	Payments		
Project One	Series 2012A BANs	\$ 28,075	\$ —	\$ —	\$ 28,075	\$ —	\$ —	<b>\$28,075</b>	
General Resolution Projects	Series 2012A BANs	4,670	—	—	4,670	—	—	<b>4,670</b>	
CC Project	Series 2012A BANs	—	32,495	—	32,495	—	4,280	<b>28,215</b>	
Project P	Series 2012A Project P Note	90,771	15,546	88,242	18,075	31,119	49,194	<b>—</b>	
<b>Total</b>		<b>\$123,516</b>	<b>\$48,041</b>	<b>\$88,242</b>	<b>\$83,315</b>	<b>\$31,119</b>	<b>\$53,474</b>	<b>\$60,960</b>	

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

In December 2012, MEAG Power issued \$67.7 million of Project One subordinated bonds and \$54.8 million of General Resolution Projects subordinated bonds (collectively, Series 2012B) to refund previously issued bonds outstanding in the same amount. The Series 2012B bonds were purchased by the Competitive Trust as an investment and were outstanding as of both December 31, 2017 and 2016 in the amount of \$25.1 million for Project One and in the amount as issued for the General Resolution Projects.

As such, the investments of the Competitive Trust that were also liabilities of the various project(s), along with interest expense paid on the bonds and interest earned by the Competitive Trust, were eliminated as applicable from MEAG Power's 2017 and 2016 consolidated financial statements.

### Other Financing Transactions

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

Under certain circumstances, a swap transaction is subject to early termination prior to its scheduled termination and prior to the maturity of the related bonds, in which event MEAG Power may be

obligated to make or receive a substantial payment to or from the counterparty. As of both December 31, 2017 and 2016, 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 \$60.5 million and \$58.8 million as of December 31, 2017 and 2016, 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, 2017 and 2016, a fair value (decrease) increase of \$(2.2) million and \$5.7 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, 2017 of \$15.6 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 \$0.5 million and \$0.7 million for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 were as follows (dollars in thousands):

Project(s)	Notional Amount Outstanding December 31, 2017	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	AA-
One	49,225	4.32%	SIFMA	Jan. 2005	Jan. 2048	AA-	Aa3	A+
One	46,725	3.81%–3.90%	CPI + 1.05%	Jan. 2007	Jan. 2019–2022	A+	A3	A-
Total Project One	194,375							
General Resolution	15,565	3.78%	SIFMA	Jan. 2007	Jan. 2020	A	A3	A-
Total	\$209,940							

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

\*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, 2017 and 2016

### Long-Term Debt Activity

Changes in long-term debt during the years ended December 31, 2017 and 2016 were (in thousands):

	As of December 31, 2015	Increases	Decreases	As of December 31, 2016	Increases	Decreases	As of December 31, 2017
<b>Project One</b>							
Power Revenue bonds	\$ 416,365	\$ —	\$ (76,860)	\$ 339,505	\$ —	\$ (48,980)	\$ 290,525
Unamortized (discount) premium, net	17,112	83	(2,353)	14,842	50	(2,224)	12,668
Subordinated debt	1,889,665	328,630	(595,819)	1,622,476	512	(85,185)	1,537,803
Unamortized (discount) premium, net	51,470	94,357	(46,443)	99,384	42	(15,694)	83,732
Bond anticipation notes (unsecured)	28,075	—	—	28,075	—	—	28,075
Total Project One	2,402,687	423,070	(721,475)	2,104,282	604	(152,083)	1,952,803
<b>General Resolution Projects</b>							
General Power Revenue bonds	205,860	—	(44,775)	161,085	—	(42,085)	119,000
Unamortized (discount) premium, net	2,617	35	(1,623)	1,029	22	(1,080)	(29)
Subordinated debt	661,775	196,490	(328,638)	529,627	—	(24,350)	505,277
Unamortized (discount) premium, net	2,982	16,406	(1,970)	17,418	10	(2,678)	14,750
Bond anticipation notes (unsecured)	4,670	—	—	4,670	—	—	4,670
Total General Resolution Projects	877,904	212,931	(377,006)	713,829	32	(70,193)	643,668
<b>Combined Cycle Project</b>							
Combined Cycle Project Revenue bonds	183,825	—	(14,305)	169,520	—	(14,835)	154,685
Unamortized (discount) premium, net	9,903	25	(2,405)	7,523	25	(1,989)	5,559
Bond anticipation notes (unsecured)	—	32,495	—	32,495	—	(4,280)	28,215
Total Combined Cycle Project	193,728	32,520	(16,710)	209,538	25	(21,104)	188,459
<b>Vogtle Units 3&amp;4 Projects and Project Entities</b>							
Vogtle Units 3&4 Projects' Revenue bonds	3,013,071	15,546	(88,242)	2,940,375	101,794	(132,869)	2,909,300
Unamortized (discount) premium, net	12,676	—	(976)	11,700	—	(795)	10,905
DOE Guaranteed Loans	1,143,987	26,799	—	1,170,786	27,503	—	1,198,289
Total Vogtle Units 3&4 Projects and Project Entities	4,169,734	42,345	(89,218)	4,122,861	129,297	(133,664)	4,118,494
Total senior and subordinated debt	\$7,644,053	\$710,866	\$(1,204,409)	\$7,150,510	\$129,958	\$(377,044)	\$6,903,424



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### 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, 2017 and 2016, MEAG Power's long-term debt consisted of the following (in thousands):

Project One	2017	2016
<i>Power Revenue Bonds (senior):</i>		
Series V	\$ 2,165	\$ 8,910
Series W	2,190	11,525
Series X	—	3,390
Series Z	—	21,095
Series BB	20,030	22,005
Series EE	38,125	38,125
Series GG	127,575	130,840
Taxable Series Three	—	3,130
Taxable Series Four	100,440	100,485
Total	290,525	339,505
Unamortized (discount) premium, net	12,668	14,842
Total Power Revenue Bonds outstanding	303,193	354,347
<i>Subordinated debt:</i>		
Series 2005A-1 – Taxable fixed rate	63,130	67,895
Series 2005A-2 – Fixed rate CABs	1,176	1,176
Series 2007A-1 and A-2 – Fixed rate	13,280	17,865
Series 2007A-2 – Variable rate	46,725	46,725
Series 2007B – Taxable fixed rate	12,640	13,035
Series 2008A – Fixed rate	64,425	108,365
Series 2008B – Variable rate	148,065	148,065
Series 2008D – Fixed rate	86,060	88,435
Series 2009B – Fixed rate	220,560	224,110
Series 2011A – Fixed rate	201,070	213,520
Series 2011B – Fixed rate	25,740	27,450
Series 2011D – Taxable fixed rate	—	8,575
Series 2012A – Taxable fixed rate	59,575	59,575
Series 2012B – Taxable fixed rate	25,060	25,060
Series 2012C – Fixed rate	45,255	45,255
Series 2015A – Fixed rate	149,370	150,185
Series 2015A – Fixed rate CABs	10,090	10,090
Series 2016A – Fixed rate	286,380	288,405
<i>Series A and B BANs:</i>		
Tax-exempt variable rate CP	48,224	48,224
Taxable variable rate CP	12,007	12,007
Revolving credit note – Taxable variable rate	16,945	16,945
Total	1,535,777	1,620,962
Accretion of CABs	2,026	1,515
Unamortized (discount) premium, net	83,732	99,384
Total subordinated debt	1,621,535	1,721,861
Total senior and subordinated debt	1,924,728	2,076,208
<i>Bond anticipation notes (unsecured) – Series 2012A</i>		
BANs – Taxable variable rate	28,075	28,075
Current portion of long-term debt	(106,905)	(134,165)
Total Project One long-term debt	\$1,845,898	\$1,970,118
<i>Combined Cycle Project</i>		
<i>Revenue bonds (senior):</i>		
Series 2010A	\$106,670	\$110,065
Series 2012A	48,015	59,455
Total	154,685	169,520
Unamortized (discount) premium, net	5,559	7,523
Total senior bonds outstanding	160,244	177,043
<i>Bond anticipation notes (unsecured) – Series 2012A</i>		
BANs – Taxable variable rate	28,215	32,495
Total	188,459	209,538
Current portion of long-term debt	(15,300)	(14,835)
Total Combined Cycle Project long-term debt	\$173,159	\$194,703

General Resolution Projects	2017	2016
<i>General Power Revenue Bonds (senior):</i>		
1992A Series	\$ 13,780	\$ 17,820
1992B Series	—	19,065
1993B Series	170	175
1993C Series	12,425	13,400
2012B Series	34,840	48,665
Taxable 2011A Series	—	4,120
Taxable 2012A Series	57,785	57,840
Total	119,000	161,085
Unamortized (discount) premium, net	(29)	1,029
Total General Power Revenue Bonds outstanding	118,971	162,114
<i>Subordinated debt:</i>		
Series 1985A – Variable rate	23,050	23,050
Series 1985B – Variable rate	25,320	31,270
Series 1985C – Variable rate	24,805	30,815
Series 2007A – Taxable fixed rate	25,380	26,160
Series 2008A – Fixed rate	39,795	43,185
Series 2008C – Fixed rate	2,870	2,870
Series 2009B – Fixed rate	8,165	8,410
Series 2011A – Fixed rate	4,935	5,295
Series 2011B – Fixed rate	46,570	49,545
Series 2011D – Taxable fixed rate	—	330
Series 2012A – Taxable fixed rate	81,160	81,160
Series 2012B – Taxable fixed rate	54,780	54,780
Series 2015A – Fixed rate	9,605	9,605
Series 2016A – Fixed rate	72,380	74,900
Series A and B BANs – Tax-exempt variable rate CP	45,277	47,067
Revolving credit note – Variable rate	29,605	29,605
Revolving credit note – Taxable variable rate	11,580	11,580
Total	505,277	529,627
Unamortized (discount) premium, net	14,750	17,418
Total subordinated debt	520,027	547,045
Total senior and subordinated debt	638,998	709,159
<i>Bond anticipation notes (unsecured) – Series 2012A</i>		
BANs – Taxable variable rate	4,670	4,670
Current portion of long-term debt	(53,168)	(52,685)
Total General Resolution Projects long-term debt	\$590,500	\$661,144
<i>Vogtle Units 3&amp;4 Projects and Project Entities</i>		
<i>Revenue bonds (senior):</i>		
Series 2010A, Project J – Taxable (Build America Bonds)	\$1,224,265	\$1,224,265
Series 2010B, Project J	17,995	24,170
Series 2015A, Project J	185,180	185,180
Series 2010A, Project M – Taxable (Build America Bonds)	1,012,235	1,012,235
Series 2010B, Project M	11,705	16,710
Series 2010A, Project P – Taxable (Build America Bonds)	383,405	383,405
Series 2010B, Project P	5,270	7,090
Series 2012A Project P Note – Taxable variable rate	—	18,075
Series 2015A, Project P	69,245	69,245
Total	2,909,300	2,940,375
Unamortized (discount) premium, net	10,905	11,700
Current portion of long-term debt	(24,170)	(13,000)
Total Vogtle Units 3&4 Bonds long-term debt	2,896,035	2,939,075
<i>DOE Guaranteed Loans:</i>		
Federal Financing Bank, SPVJ – Fixed rate	143,922	139,266
Federal Financing Bank, SPVJ – Variable rate	193,931	193,931
Federal Financing Bank, SPVM – Fixed rate	317,307	306,635
Federal Financing Bank, SPVM – Variable rate	179,894	179,894
Federal Financing Bank, SPVP – Fixed rate	363,235	351,060
Total DOE Guaranteed Loans	1,198,289	1,170,786
Total Vogtle Units 3&4 Projects and Project Entities long-term debt	\$4,094,324	\$4,109,861

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

## Debt Service

At December 31, 2017, 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 are shown in the table below (in thousands). The amounts are net of applicable subsidy payments on the Build America Bonds and capitalized interest payments totaling \$2.3 billion collectively for the Vogtle Units 3&4 Bonds and DOE Guaranteed Loans. The amounts also exclude debt service on all financings purchased by the Competitive Trust and on all BANs, but include debt service on scheduled DOE Guaranteed Loan draws for capitalized interest of \$674.3 million. Also excluded are amounts scheduled to be paid by JEA and PowerSouth totaling \$768.8 million for principal and \$3.0 billion for interest (net of subsidy payments on the Build America Bonds).

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	
2018	\$ 32,885	\$12,983	\$17,590	\$ 3,817	\$ 15,547	\$ 7,265	\$ 9,741	\$ —	\$ 99,828
2019	35,985	11,717	10,600	2,882	16,569	6,543	12,783	—	97,079
2020	9,365	10,279	5,940	2,339	15,600	5,723	17,069	—	66,315
2021	33,855	9,838	6,170	2,096	16,116	4,990	18,913	5,598	97,576
2022	15,025	8,166	6,380	1,833	17,826	4,222	19,562	35,103	108,117
2023–2027	92,545	21,581	30,785	5,077	60,528	8,358	108,674	265,919	593,467
2028–2032	16,975	8,725	1,340	458	9,949	665	129,633	246,177	413,922
2033–2037	18,180	5,004	1,570	205	—	—	200,482	220,271	445,712
2038–2042	9,030	1,350	130	5	—	—	461,073	232,771	704,359
2043–2047	—	—	—	—	—	—	583,652	445,219	1,028,871
2048–2052	—	—	—	—	—	—	714,914	327,931	1,042,845
2053–2057	—	—	—	—	—	—	915,902	149,351	1,065,253
2058–2060	—	—	—	—	—	—	175,730	9,041	184,771
Total	\$263,845	\$89,643	\$80,505	\$18,712	\$152,135	\$37,766	\$3,368,128	\$1,937,381	\$5,948,115

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, 2017, scheduled debt service payments, including CABs, which are accreted through December 31, 2017, for the subordinated debt were as follows (in thousands):

Year	Project One			General Resolution Projects			Total
	Principal	Interest	Net Swap Cash Flows	Principal	Interest	Net Swap Cash Flows	
2018	\$ 62,613	\$ 62,890	\$ 4,071	\$ 60,631	\$ 15,720	\$269	\$ 206,194
2019	93,794	67,213	4,006	21,530	13,922	215	200,680
2020	83,860	55,415	3,858	47,996	13,971	—	205,100
2021	81,756	48,596	3,799	6,446	12,208	—	152,805
2022	71,409	45,632	3,713	7,171	12,413	—	140,338
2023–2027	188,878	195,562	18,565	48,020	58,299	—	509,324
2028–2032	156,359	157,415	18,565	104,441	42,230	—	479,010
2033–2037	247,070	115,869	17,080	76,830	20,510	—	477,359
2038–2042	106,144	78,618	11,518	19,711	11,115	—	227,106
2043–2047	165,352	61,967	4,445	17,559	8,252	—	257,575
2048–2052	156,184	21,840	—	14,491	1,888	—	194,403
2053–2057	24,613	827	—	11,000	232	—	36,672
2058–2060	—	—	—	—	—	—	—
Total	\$1,438,032	\$911,844	\$89,620	\$435,826	\$210,760	\$484	\$3,086,566

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, 2017 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, 2017 and 2016

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 2017 and 2016, 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 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>2017</b>					
Total revenues	\$ 356,189	\$ 149,372	\$ 95,425	\$ 21,292	\$ 622,278
Deferred inflows of resources <sup>(1)</sup>	105,549	69,353	15,697	—	190,599
Adjusted revenues	\$ 461,738	\$ 218,725	\$ 111,122	\$ 21,292	\$ 812,877
Operating expenses (excluding depreciation and amortization)	\$ 236,506	\$ 107,380	\$ 79,195	\$ (24)	\$ 423,057
Total investment income	\$ 14,711	\$ 3,547	\$ 771	\$ 10,060	\$ 29,089
Excluding Decommissioning Trust income <sup>(2)</sup>	(7,397)	(912)	—	—	(8,309)
Including subsidy received on Build America Bonds	—	—	—	57,287	57,287
Total other income	\$ 7,314	\$ 2,635	\$ 771	\$ 67,347	\$ 78,067
Available amounts to pay debt service	\$ 232,546	\$ 113,980	\$ 32,698	\$ 88,663	\$ 467,887
Amounts released from DSRA <sup>(3)</sup>	18,675	6,484	289	—	25,448
Amounts drawn for capitalized interest <sup>(4)</sup>	6,203	433	—	138,673	145,309
Total amounts available to pay debt service	\$ 257,424	\$ 120,897	\$ 32,987	\$ 227,336	\$ 638,644
Total Senior Debt Service <sup>(5)</sup>	\$ 40,790	\$ 44,235	\$ 27,520	\$ 212,807	\$ 325,352
Senior Debt Service Coverage	6.31	2.73	1.20	1.07	1.96
Total Subordinated Debt Service <sup>(5)</sup>	150,718	45,565	—	—	196,283
Total Debt Service <sup>(5)</sup>	\$ 191,508	\$ 89,800	\$ 27,520	\$ 212,807	\$ 521,635
Debt Service Coverage on Total Debt Service	1.34	1.35	1.20	1.07	1.22

(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 the 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, 2017 and 2016

2016	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Total
Total revenues	\$ 373,826	\$183,814	\$ 93,066	\$ 9,739	\$660,445
Deferred inflows of resources <sup>(1)</sup>	94,831	28,675	14,465	—	137,971
Adjusted revenues	\$ 468,657	\$212,489	\$107,531	\$ 9,739	\$ 798,416
Operating Expenses (excluding depreciation and amortization)	\$ 239,708	\$137,882	\$ 75,928	\$ 190	\$453,708
Total investment income	\$ 20,810	\$ 8,167	\$ 399	\$ 8,448	\$ 37,824
Excluding Decommissioning Trust income <sup>(2)</sup>	(7,559)	(938)	—	—	(8,497)
Including subsidy received on Build America Bonds	—	—	—	57,287	57,287
Total other income	\$ 13,251	\$ 7,229	\$ 399	\$ 65,735	\$ 86,614
Available amounts to pay debt service	\$ 242,200	\$ 81,836	\$ 32,002	\$ 75,284	\$431,322
Amounts released from DSRA <sup>(3)</sup>	33,574	6,190	357	—	40,121
Amounts drawn for capitalized interest <sup>(4)</sup>	6,312	326	—	134,056	140,694
Total amounts available to pay debt service	\$ 282,086	\$ 88,352	\$ 32,359	\$209,340	\$612,137
Total Senior Debt Service <sup>(5)</sup>	\$ 65,909	\$ 50,160	\$ 27,068	\$203,848	\$346,985
Senior Debt Service Coverage	4.28	1.76	1.20	1.03	1.76
Total Subordinated Debt Service <sup>(5)</sup>	161,155	35,086	—	—	196,241
Total Debt Service <sup>(5)</sup>	\$ 227,064	\$ 85,246	\$ 27,068	\$203,848	\$543,226
Debt Service Coverage on Total Debt Service	1.24	1.04	1.20	1.03	1.13

(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 the 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 16.7% ownership interest in The Energy Authority (TEA), a governmental nonprofit power marketing corporation. As of December 31, 2017, eight members (Members) including MEAG Power comprised TEA: American Municipal Power, Inc.; City Utilities of Springfield; Gainesville Regional Utilities; JEA; Nebraska Public Power District; Public Utility District No. 1 of Cowlitz County; and South Carolina Public Service Authority. TEA provides energy products and resource management services to Members and non-members and allocates transaction savings and operating expenses to Members pursuant to Settlement Procedures under the Operating Agreement. TEA has access to more than 30,000 MW of its Members' and non-members' generation resources.

In the Statement of Net Revenues, certain portions of MEAG Power's sales to TEA are recorded in either other revenues or netted against related fuel expense. Purchases from TEA are recorded in purchased power expense. For the years ended December 31, 2017 and 2016, sales to TEA totaled \$42.1 million and \$45.8 million, with net purchases from TEA totaling \$14.2 million and \$11.5 million, respectively. During 2017 and 2016, an aggregate of \$3.9 million and \$2.8 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)	2017	2016
One	<b>\$1,219</b>	\$2,195
General Resolution	<b>2,061</b>	2,833
CC	<b>2,880</b>	3,417
Total	<b>\$6,160</b>	\$8,445

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

In addition to \$2.7 million of contributed capital, MEAG Power has committed up to an additional \$56.3 million through a combination of guarantees as of December 31, 2017. TEA evaluates its credit needs periodically and requests Members to adjust their guarantees accordingly. The guarantee agreements are authorized by the Board and intended to provide credit support for TEA when entering into transactions on behalf of its Members. Such guarantees would require the Members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity or natural gas as required by contract with a counterparty, or if TEA failed to make payment for purchases of such commodities. If guaranty payments are required, MEAG Power has rights with other Members that such payments would be apportioned based on certain criteria.

The guarantees generally have indefinite terms; however, MEAG Power can terminate its guaranty obligations by providing notice to counterparties and others, as required by the agreements. Such termination would not pertain to any transactions TEA entered into prior to notice being given. As of December 31, 2017 and 2016, MEAG Power had no liability related to these guarantees outstanding.

As of December 31, 2017 and 2016, MEAG Power's current other receivables due from TEA totaled \$6.4 million and \$5.2 million, respectively.

## 7. RETIREMENT PLAN AND OTHER POSTEMPLOYMENT BENEFITS

### Retirement Plan Description

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

### Benefits Provided

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

A Plan participant who retires on their 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 their 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 their 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, 2017 and 2016, the following Plan participants were covered by Retirement Plan benefits:

Plan Participants	2017	2016
Active	97	104
Inactive, vested	89	92
Retirees and beneficiaries	107	98
<b>Total</b>	<b>293</b>	<b>294</b>

### 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, 2017 and 2016, MEAG Power contributed 28.8% and 8.3% respectively, of covered payroll. No contributions by Plan participants are required.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### Net Pension Liability

MEAG Power's net pension liability was measured as of December 31, 2017 and 2016, 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, 2017 and 2016 (in thousands):

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)-(b)
Balance at December 31, 2016	\$55,840	\$55,886	\$ (46)
<i>Changes for the year:</i>			
Service cost	795	—	795
Interest on the total pension liability	4,152	—	4,152
Difference between expected and actual experience	(212)	—	(212)
Assumption changes	(915)	—	(915)
MEAG Power contributions	—	3,141	(3,141)
Net investment income	—	8,098	(8,098)
Benefit payments	(2,540)	(2,540)	—
Administrative expenses	—	—	—
Net change	1,280	8,699	(7,419)
<b>Balance at December 31, 2017</b>	<b>\$57,120</b>	<b>\$64,585</b>	<b>\$ (7,465)</b>

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

### Actuarial Assumptions and Methods

The assumptions used to measure the total pension liability as of December 31, 2017 include a 7.5% investment rate of return, an inflation assumption of 2.5% per year and salary increases of 4.0% per year. Mortality rates were based on the RP-2014 Mortality table, male and female, with rates adjusted to 2006 and projected generationally using the MP-2017 Projection Scale.

The long-term expected rates of return on Retirement Plan investments, valued as of December 31, 2017, were determined using geometric mean methodology, including measures of standard deviation and correlation, in which best-estimate ranges of expected future rates of returns were derived for each investment asset class. Analysis included information on past, current, and future capital market performance, key economic indicators and inflation expectations. A 10-year period was chosen for analysis to capture a full market cycle. These best estimate ranges, net of assumed long-term inflation and investment expenses, are combined to produce the long-term

expected rate of return. Factors likely to produce additional higher returns for Retirement Plan assets such as active portfolio management (35% of assets), a longer-term investment cycle (30 years), flexibility in the annual budgeting of voluntary contributions, and anticipated changes in asset allocation are considered in the overall management of the Retirement Plan, but were not included in the expected rates of return methodology. The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Large Cap Equity	35%	6.75%
Domestic Mid Cap/Small Cap Equity	15%	7.00%
International Equity	10%	6.75%
Domestic Fixed Income	40%	3.00%
<b>Total</b>	<b>100%</b>	

\*10-Year Horizon, Passively-Managed

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### 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, 2017 and 2016, were as follows (in thousands):

	2017	2016
<b>Mutual Funds:</b>		
U.S. Equity Index Fund	<b>\$23,149</b>	\$19,421
Mid-Cap Index Fund	<b>6,742</b>	5,550
Small Cap Index Fund	<b>3,419</b>	2,816
Diversified International Fund	<b>6,433</b>	5,607
Aggregate Bond Fund	<b>16,434</b>	14,380
Total Bond Fund	<b>8,384</b>	8,095
Institutional Government Portfolio	<b>3</b>	4
Cash	<b>21</b>	13
<b>Total</b>	<b>\$64,585</b>	\$55,886

### Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2017 and 2016 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%)
<b>Net Pension Liability</b>			
<b>December 31, 2017</b>	<b>\$ 303</b>	<b>\$(7,465)</b>	<b>\$(13,794)</b>
December 31, 2016	\$7,877	\$ (46)	\$ (6,461)

### 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, 2017 and 2016, MEAG Power recognized pension expense of \$(0.2) million and \$1.5 million, respectively. At December 31, 2017 and 2016, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

Deferred Outflows of Resources	2017	2016
Differences between expected and actual experience	\$ —	\$ —
Assumption changes	—	—
Net difference between projected and actual earnings on Retirement Plan investments	<b>1,359</b>	2,039
<b>Total</b>	<b>\$1,359</b>	\$2,039

Deferred Inflows of Resources	2017	2016
Differences between expected and actual experience	\$ (324)	\$ (428)
Assumption changes	(637)	(177)
Net difference between projected and actual earnings on Retirement Plan investments	<b>(3,102)</b>	(45)
<b>Total</b>	<b>\$(4,063)</b>	\$ (650)

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
2018	\$679	\$(1,498)
2019	680	(1,020)
2020	—	(778)
2021	—	(767)
2022	—	—
<b>Total</b>	<b>\$1,359</b>	<b>\$(4,063)</b>

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

## Other Retirement Benefits

MEAG Power also offers a 403(b) Plan to all employees and matches regular employee contributions at the rate of 100% of the first 5% of compensation contributed by the employee, as well as 50% of certain additional contributions. Total matching contributions made by MEAG Power to the 403(b) Plan were \$0.8 million and \$0.9 million for 2017 and 2016, respectively. Employees hired after December 31, 2013 are eligible to receive a non-matching contribution equal to a specified percentage of the employees' compensation based on years of service.

In addition to the retirement benefits described above, MEAG Power offers limited medical benefits to its retirees, based on years of service and age requirements. The MEAG Power Retiree Medical Premium Reimbursement Plan reimburses eligible retirees for a defined amount of the cost of their eligible health care premiums. These reimbursements paid through MEAG Power's operating fund were \$0.1 million and \$0.2 million, respectively, for the years ended December 31, 2017 and 2016. Based on actuarial calculations, MEAG Power's estimated liability for such reimbursements as of December 31, 2017 and 2016 were \$10.7 million and \$10.0 million, respectively.

## 8. COMMITMENTS AND CONTINGENCIES

### Nuclear Insurance

Under the Price-Anderson Amendments Act (the Amendments Act), MEAG Power is afforded certain indemnities, and has certain obligations, as an owner of nuclear 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 \$13.4 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 \$127.3 million per incident for each licensed reactor they operate, but not more than an aggregate of \$19.0 million per reactor, per incident, to be paid in a calendar year. MEAG Power's share of the potential ANI deferred premiums could be up to \$100.0 million, with an annual limit of \$14.9 million. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years. The next scheduled adjustment is due in September 2018.

GPC, on behalf of all the joint owners of the existing Nuclear Units, is a member of the Nuclear Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance for members' nuclear generating facilities. NEIL provides three types of property coverage for the joint owners through GPC, primary property insurance, excess property insurance and excess non-nuclear property insurance. The primary property insurance provides coverage limits of \$1.5 billion per 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, 2017, could be as much as \$17.5 million for primary, excess property insurance and excess non-nuclear property, \$7.5 million per incident for replacement power and other costs, and \$9.2 million during each policy year for the Vogtle Units 3&4 builders' risk policy. All retrospective assessments, whether generated for liability, property or replacement power may be subject to applicable state premium taxes.

Claims resulting from terrorist acts against commercial nuclear 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, 2017 and 2016

### 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 2018–2020 total \$20.3 million. For the years beginning 2018 through 2022, nuclear fuel commitments total \$122.2 million. Commitments for nuclear fuel are calculated based on MEAG Power's ownership percentage of jointly owned generation facilities per operating agreements with GPC, as discussed in Note 2 (G), "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities — Jointly Owned Generation Facilities." With respect to its long-term coal commitments, MEAG Power manages its own coal stockpile inventory including selection of fuel sources, contract arrangements and coal inventory levels. GPC, as the coal agent for MEAG Power, has contracted with Southern Company Fuel Services to act as coal procurement agent, and it is responsible for issuance of requests for proposals for coal supply, contract negotiations and scheduling coal delivery. Also discussed within that Note is information regarding sales by MEAG Power to GPC of a portion of the output of Vogtle Units 1&2, which have the effect of reducing MEAG Power's gross commitments for nuclear fuel. Railcar lease commitments through 2019 total \$0.1 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, 2017 through the remaining term of the contract, MEAG Power will purchase from Main Street, on a "take-and-pay" basis, 1,958 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, 2017 market prices, the commitment, net of a prepaid discount, totals \$7.2 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 2008 and continues until January 2019, and MEAG Power has certain retention rights thereafter, 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 entered into a summer capacity release agreement with the Municipal Gas Authority of Georgia for the period May 1–September 30, 2018, to fill the bulk of this need for 2018.

MEAG Power has entered into agreements with Petal Gas Storage, L.L.C. (Petal), providing for storage and associated transportation of 200,000 mmBtus of natural gas for a term of 15 years that began in 2008. In addition, effective February 28, 2013, MEAG Power revised a firm storage agreement with Transco for storage of 21,174 mmBtus of natural gas at Transco's Eminence gas storage facility. The revision was required to reflect MEAG Power's pro rata share of the reduced volume of storage available after FERC approved Transco's abandonment of a portion of the facility. The primary term of the Transco agreement began in 2008 and continues until January 2019, and MEAG Power has certain retention rights thereafter, which ensure continued service. The agreements provide MEAG Power with storage rights for natural gas for the CC Project that may be drawn to manage daily gas supplies or to partially compensate for supply disruptions. Natural gas pipeline and storage commitments through August 2023 total \$12.3 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 the Southeastern Power Administration (SEPA) and include provisions for MEAG Power to sell additional capacity. The Hartford and Evergreen sales will be 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 their resources from SEPA and includes provisions for MEAG Power to sell additional capacity. This sale will be 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

## Environmental Regulation

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

Compliance with environmental regulatory requirements requires owners/operators of affected facilities, including MEAG Power, to commit significant expenditures for installation, 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 \$579.1 million from 2000 through 2017 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, nitrogen oxides (NOx), non-mercury metals, and acid gases at the Coal Units. MEAG Power anticipates that the total capital investment for environmental improvements at the Coal Units for the years 2018 through 2022, including additions to comply with CCR and ELG regulations (see “Coal Combustion Residuals and Effluent Limitations Guidelines Regulations” within this Note), will be approximately \$121.5 million.

## Greenhouse Gas Regulation

On October 23, 2015, EPA published in the Federal Register a final regulation (referred to by EPA as the Clean Power Plan (CPP)), “Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units,” that established emission guidelines for states to follow in developing plans to reduce carbon dioxide (CO<sub>2</sub>) emissions from existing fossil-fueled electric generating units, by meeting rate-based (lb. CO<sub>2</sub> per megawatt-hour) or mass-based (tons of CO<sub>2</sub> emitted) limitations, beginning in 2022. Numerous Petitions for Review of the regulation were filed with the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit). On February 9, 2016, the U.S. Supreme Court (Supreme Court) stayed the final CPP regulation pending disposition of the Petitions for Review filed in the D.C. Circuit, and continuing until the Supreme Court subsequently denies a petition for writ of certiorari or the Supreme Court decides the case after granting a petition for writ of certiorari. The D.C. Circuit has not issued a decision on the case and, on April 28, 2017, issued an order holding the case in abeyance as EPA considers repealing and replacing the CPP regulation.

On October 16, 2017, EPA published in the Federal Register a proposed regulation, “Repeal of Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units.” The public comment period for the proposal ended on April 26, 2018.

On December 28, 2017, EPA published in the Federal Register an advance notice of proposed rulemaking (ANPR), “State Guidelines for Greenhouse Gas Emission from Existing Electric Utility Generating Units.” The public comment period for the notice ended on February 26, 2018.

Also on October 23, 2015, EPA published in the Federal Register a final regulation (referred to by EPA as the Carbon Pollution Standards or the New Source Rule), “Standards of Performance for Greenhouse Gas Emissions From New, Modified, and Reconstructed Stationary Sources: Electric Utility Generating Units,” that established standards for emissions of CO<sub>2</sub> for newly constructed, modified, and reconstructed fossil fuel-fired electric generating units. Petitions for Review were filed with the D.C. Circuit to contest this final regulation. On April 28, 2017, the D.C. Circuit issued an order temporarily holding the case in abeyance. On August 10, 2017, the D.C. Circuit extended the abeyance order indefinitely. The 2015 regulation remains in effect, however.

Prior to the Supreme Court’s stay of the CPP regulation, MEAG Power had been examining potential financial and operating impacts to its existing fossil fuel-fired generating units that could arise if the CPP regulation were fully implemented. Until legal challenges to the 2015 CPP and New Source Rule regulations are resolved, until the results of the EPA’s 2017 proposed actions that could repeal and replace the CPP are known, and until EPD submits and EPA approves a final state plan to implement a CPP regulation, it is not possible to make a final assessment of the financial and operational impacts on MEAG Power’s existing generating units.

## National Ambient Air Quality Standards and Regional Haze Regulations

### **2015 Ozone National Ambient Air Quality Standards**

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

On December 20, 2017, EPA notified the Governor of Georgia that it agreed with Georgia EPD’s September 23, 2016 recommendation to EPA that eight counties in the metropolitan Atlanta area be designated as nonattainment areas for the 2015 ozone NAAQS. On November 16, 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

### **Regional Haze Regulations**

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

On January 10, 2017, EPA published in the Federal Register a final revised regulation, “Protection of Visibility: Amendments to Requirements for State Plans.” The 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, on January 17, 2018, EPA announced on its internet site that it would revisit certain aspects of its 2017 regulation through a proposed rulemaking. 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.

### **Startup, Shutdown, and Malfunction Regulations**

On June 12, 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. On April 24, 2017, the D.C. Circuit issued an order holding the case in abeyance.

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

On February 16, 2012, EPA published a final regulation in the Federal Register, “National Emission Standards for Hazardous Air Pollutants From Coal and Oil-Fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial- Commercial-Institutional Steam Generating Units.” The regulation 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**

On April 17, 2015, EPA published a final regulation in the Federal Register: “Hazardous and Solid Waste Management System; Disposal of Coal Combustion Residuals From Electric Utilities,” regulating the disposal of CCR as solid waste under Subtitle D of the RCRA. The regulation finalized national minimum criteria for existing and new CCR landfills and surface impoundments.

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

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

On December 16, 2016, President Obama signed into law the “Water Infrastructure Improvements for the Nation Act” (WIIN Act), which included a provision on the regulation of CCR as a non-hazardous waste under RCRA. This legislation authorized states to implement and enforce the requirements of the CCR regulation through state permitting programs. On August 15, 2017, EPA published in the Federal Register a notice of availability and request for comment, “Release of Interim Final Guidance for State Coal Combustion Residuals Permit Programs; Comment Request.” EPD subsequently proposed amendments to its 2016 CCR permit regulations to fully conform them to the WIIN Act and EPA guidance. The EPD’s amended regulations were adopted by the Georgia Board of Natural Resources on February 28, 2018.



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

On November 3, 2015, EPA published a final regulation in the Federal Register: “Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category.” The regulation strengthened the technology-based ELG for the steam electric power generating industry. The regulation set effluent limits for arsenic, mercury, selenium and nitrogen for wastewater discharged from wet flue gas desulfurization waste streams and requires zero discharge of pollutants in fly ash and bottom ash transport waters. The new requirements must be incorporated into National Pollutant Discharge Elimination System permits. Petitions for Review of the ELG regulation were consolidated for action by the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit). On April 24, 2017, the Fifth Circuit issued an order staying litigation proceedings. On April 25, 2017, EPA published a notice in the Federal Register, stating that it was postponing certain of the ELG regulation’s compliance dates, consistent with its April 12, 2017 announcement that it would reconsider the regulation. On September 18, 2017, EPA published a final regulation in the Federal Register, announcing that it intends to conduct a rulemaking to potentially revise certain effluent limitations set in the 2015 ELG regulation, and amending the 2015 regulation so as to revise the earliest compliance dates for those limitations by two years, to November 1, 2020.

In response to the final CCR and ELG regulations, GPC announced on September 28, 2015, that it was developing a closure schedule for all CCR impoundments (ash ponds) that it operates, including ash ponds serving the Coal Units. On June 13, 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.”

### **Waters of the United States Regulation**

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

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

On February 22, 2016, the Sixth Circuit issued a further order finding that it has the requisite jurisdiction to review the challenges presented, but did not modify the stay. On January 22, 2018, in response to a petition for writ of certiorari on the question of whether federal district or appellate courts have jurisdiction, the Supreme Court held that challenges to the WOTUS regulation must be filed in federal district courts.

On February 6, 2018, EPA and the Army Corps published in the Federal Register a final regulation, “Definition of ‘Waters of the United States’ — Addition of an Applicability Date to 2015 Clean Water Rule,” adding an applicability date of February 6, 2020 to the 2015 regulation. As a result, the pre-2015 regulation would remain in effect until 2020 while the agencies continue a process to reconsider the 2015 regulation.

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

On January 11, 2017, EPA published in the Federal Register a notice of intent to proceed with rulemakings, “Financial Responsibility Requirements for Facilities in the Chemical, Petroleum and Electric Power Industries.” The EPA notice of intent states that it has not determined whether financial responsibility requirements are necessary for any or all of the classes of facilities within the three listed industries, or that EPA will propose such requirements — only that it intends to move forward with a regulatory process, after which it will determine whether proposals of requirements for any or all of the classes of facilities are necessary. The notice of intent states that EPA must gather additional information, and must further evaluate the classes of facilities within the three industry sectors. If EPA moves forward with a regulatory process and determines that financial responsibility requirements are necessary for one or more of the sectors, a January 29, 2016 consent order discussed in the Federal Register notice of intent specifies schedules for proposed rulemakings beginning in 2019 and final actions beginning in 2020.

With respect to the electric power industry, EPA has not taken further action on the January 11, 2017 notice of intent.

### **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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

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 January 2016, FERC issued Order No. 822 approving a set of revised NERC Critical Infrastructure Protection standards. Of these revised standards, MEAG Power has successfully met the medium impact asset compliance set of requirements, which had a July 1, 2016 deadline, and low impact asset compliance requirements, which had an April 1, 2017 deadline. On April 19, 2018, FERC issued Order No. 843 approving NERC Critical Infrastructure Protection standard CIP-003-7. As such, MEAG Power is working toward successfully meeting the additional low impact asset compliance requirements under this new standard, which have a compliance deadline of January 1, 2020.

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

As a non-public utility, MEAG Power is not directly subject to the requirements of Order No. 1000. However, in the order, FERC stated that non-public utilities that decline to bear their assigned share of the costs for new regional facilities may be denied tariff-based transmission service from public utilities and that FERC will consider using the authority it has under Section 211A of the FPA against such non-public utilities. 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, the State of Florida (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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2017 and 2016

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 Corps, the special master was not persuaded that the Supreme Court could provide Florida with the relief it sought. On January 8, 2018, the Supreme Court heard oral arguments from Florida and Georgia attorneys. A decision from the Supreme Court is anticipated later in 2018. 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.

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 three 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, 2017, the balance outstanding pertaining to the lease transactions totaled \$1.9 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 26, 2018 and reports that certain 2018 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," and Note 8, "Commitments and Contingencies."

# 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):

	2017	2016	2015
<b>Total pension liability</b>			
Service cost	\$ 795	\$ 904	\$ 1,012
Interest on the total pension liability	4,152	4,040	3,738
Difference between expected and actual experience	(212)	(661)	362
Assumption changes	(915)	(273)	(134)
Benefit payments	(2,540)	(2,269)	(1,938)
Net change in total pension liability	1,280	1,741	3,040
Total pension liability — beginning of year	55,840	54,099	51,059
Total pension liability — end of year (a)	57,120	55,840	54,099
<b>Plan fiduciary net position</b>			
MEAG Power contributions	3,141	934	8,500
Net investment income	8,098	3,969	325
Benefit payments	(2,540)	(2,269)	(1,938)
Administrative expenses	—	—	—
Net change in plan fiduciary net position	8,699	2,634	6,887
Plan fiduciary net position — beginning of year	55,886	53,252	46,365
Plan fiduciary net position — end of year (b)	64,585	55,886	53,252
Net pension liability — ending (a) — (b)	\$ (7,465)	\$ (46)	\$ 847
Plan fiduciary net position as a percentage of total pension liability	113.07%	100.08%	98.43%
Covered payroll	\$10,922	\$11,230	\$11,013
Net pension liability as a percentage of covered payroll	-68.35%	-0.41%	7.69%

#### Schedule of Employer Contributions to the Pension Plan

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

Year	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percent of Covered Payroll
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.

[This page intentionally left blank]

## Summary of Annual Debt Service Billings on Outstanding Bonds and DOE Guaranteed Loans

(Accrual Basis)  
(Dollars in Thousands)

Table I (As of December 31, 2017)

Year Ending December 31,	Project One Bonds			General Resolution Projects Bonds			CC Bonds Senior <sup>(3)</sup>	Vogtle Units 3&4 Bonds			Total Table I
	Senior <sup>(1)</sup>	Subordinate <sup>(1)(2)</sup>	Total	Senior <sup>(1)</sup>	Subordinate <sup>(1)(2)</sup>	Total		Project M Bonds Senior <sup>(1)</sup>	Project J Bonds Senior <sup>(1)</sup>	Project P Bonds Senior <sup>(1)</sup>	
2018	\$45,868	\$120,133	\$166,001	\$21,407	\$77,819	\$99,226	\$22,812	\$9,741	—	—	\$297,780
2019	47,702	155,553	203,255	13,482	36,158	49,640	23,112	10,189	—	—	286,196
2020	19,644	141,204	160,848	8,279	61,408	69,687	21,323	10,638	—	—	262,496
2021	43,693	113,675	157,368	8,266	18,306	26,572	21,106	16,500	—	—	221,546
2022	23,191	96,887	120,078	8,213	22,555	30,768	22,048	34,432	—	—	207,326
2023	36,637	75,602	112,239	7,229	22,440	29,669	27,659	49,419	—	—	218,986
2024	42,132	84,271	126,403	7,179	22,053	29,232	23,804	52,637	—	—	232,076
2025	17,462	100,412	117,874	7,160	21,790	28,950	5,818	52,637	—	—	205,279
2026	8,945	77,886	86,831	7,146	29,041	36,187	5,807	52,637	—	—	181,462
2027	8,950	76,793	85,743	7,148	29,024	36,172	5,798	52,638	—	—	180,351
2028	5,142	75,983	81,125	359	26,646	27,005	5,791	52,638	—	—	166,559
2029	5,131	75,484	80,615	361	25,576	25,937	4,823	52,640	—	—	164,015
2030	5,129	74,048	79,177	357	23,093	23,450	—	52,640	—	—	155,267
2031	5,149	74,240	79,389	358	23,185	23,543	—	52,640	—	—	155,572
2032	5,149	65,170	70,319	364	23,248	23,612	—	52,636	—	—	146,567
2033	5,191	73,793	78,984	354	23,357	23,711	—	52,640	—	—	155,335
2034	4,499	51,360	55,859	358	22,676	23,034	—	52,637	—	—	131,530
2035	4,493	48,750	53,243	356	20,074	20,430	—	52,635	—	—	126,308
2036	4,503	34,040	38,543	355	16,087	16,442	—	52,636	\$10,916	\$ 3,371	121,908
2037	4,499	29,646	34,145	352	7,521	7,873	—	52,637	23,743	7,330	125,728
2038	2,467	29,226	31,693	135	7,652	7,787	—	52,637	27,675	8,560	128,352
2039	1,981	27,704	29,685	—	6,217	6,217	—	52,640	28,869	10,281	127,692
2040	1,979	26,440	28,419	—	5,562	5,562	—	52,604	30,119	12,448	129,152
2041	1,974	23,094	25,068	—	744	744	—	52,589	37,822	14,407	130,630
2042	1,979	23,150	25,129	—	741	741	—	52,587	56,431	19,089	153,977
2043	—	23,183	23,183	—	743	743	—	52,586	70,427	23,281	170,220
2044	—	23,249	23,249	—	745	745	—	52,589	74,387	24,663	175,633
2045	—	18,358	18,358	—	440	440	—	52,587	78,805	26,320	176,510
2046	—	18,411	18,411	—	440	440	—	52,586	82,123	27,568	181,128
2047	—	13,178	13,178	—	440	440	—	52,587	82,124	27,567	175,896
2048	—	3,421	3,421	—	440	440	—	52,589	82,126	27,572	166,148
2049	—	3,387	3,387	—	440	440	—	52,588	82,124	27,568	166,107
2050	—	3,431	3,431	—	440	440	—	52,590	82,122	27,563	166,146
2051	—	3,480	3,480	—	440	440	—	52,590	82,122	27,567	166,199
2052	—	3,530	3,530	—	440	440	—	52,588	82,121	27,571	166,250
2053	—	3,583	3,583	—	440	440	—	52,585	82,120	27,574	166,302
2054	—	—	—	—	—	—	—	52,588	82,120	27,570	162,278
2055	—	—	—	—	—	—	—	52,588	82,119	27,569	162,276
2056	—	—	—	—	—	—	—	31,943	56,715	19,303	107,961
2057	—	—	—	—	—	—	—	6,265	25,890	9,262	41,417
2058	—	—	—	—	—	—	—	—	18,436	6,834	25,270
2059	—	—	—	—	—	—	—	—	10,877	4,224	15,101
2060	—	—	—	—	—	—	—	—	1,660	808	2,468

(footnotes on second following page)

(Accrual Basis)  
(Dollars in Thousands)

Table II (As of December 31, 2017)

Year Ending December 31,	DOE Guaranteed Loans <sup>(4)</sup>			Total Table II	Total Table I & Table II
	Project M Entity	Project J Entity	Project P Entity		
2018	—	—	—	—	\$297,780
2019	\$ 2,655	—	—	\$ 2,655	288,851
2020	6,760	—	—	6,760	269,256
2021	9,300	—	—	9,300	230,846
2022	20,027	—	—	20,027	227,353
2023	22,318	—	—	22,318	241,304
2024	24,079	—	—	24,079	256,155
2025	23,984	—	—	23,984	229,263
2026	23,915	—	—	23,915	205,377
2027	23,842	—	—	23,842	204,193
2028	23,795	—	—	23,795	190,354
2029	23,699	—	—	23,699	187,714
2030	23,626	—	—	23,626	178,893
2031	23,552	—	—	23,552	179,124
2032	23,504	—	—	23,504	170,071
2033	23,403	—	—	23,403	178,738
2034	23,324	—	—	23,324	154,854
2035	23,250	—	—	23,250	149,558
2036	23,196	—	—	23,196	145,104
2037	23,102	—	—	23,102	148,830
2038	23,012	—	—	23,012	151,364
2039	22,936	\$ 4,247	\$ 6,106	33,289	160,981
2040	22,873	10,108	15,574	48,555	177,707
2041	22,773	13,236	18,937	54,947	185,577
2042	22,691	15,484	18,937	57,112	211,089
2043	22,621	16,217	18,934	57,772	227,992
2044	22,540	16,118	18,955	57,613	233,246
2045	18,111	7,957	13,555	39,623	216,133
2046	21,574	5,267	17,014	43,855	224,983
2047	21,562	5,266	17,000	43,828	219,724
2048	21,555	5,266	16,987	43,808	209,956
2049	21,544	5,265	16,972	43,780	209,887
2050	21,531	5,265	16,961	43,757	209,903
2051	21,513	5,265	16,946	43,723	209,922
2052	21,505	5,264	16,930	43,700	209,950
2053	21,484	5,264	16,913	43,661	209,963
2054	21,471	5,264	16,892	43,626	205,904
2055	21,458	5,264	16,876	43,597	205,873
2056	21,444	5,264	16,857	43,565	151,526
2057	21,422	5,263	16,839	43,525	84,942
2058	21,406	5,263	16,818	43,487	68,757
2059	19,884	3,688	16,715	40,287	55,388
2060	4,566	1,056	6,446	12,068	14,536

(footnotes on following page)

(footnotes from preceding two pages)

(1) Amounts shown in this table:

(a) reflect estimates of interest costs on variable rate subordinated bonds (including commercial paper) based on MEAG Power's internal projections of interest rates. Assumed interest rates range from 1.00 percent per annum to 2.50 percent per annum for unhedged tax-exempt variable rate debt and from 1.50 percent per annum to 3.00 percent per annum for unhedged taxable variable rate debt. Hedged variable rate bonds, Project One Subordinated Bonds, Series 2007A-2 and 2008B, are shown at the rates of the associated swaps;

(b) reflect MEAG Power's current expectations as to the timing of the amortization of certain debt for which no specific amortization requirements have been established;

(c) exclude debt service on the General Resolution Projects Subordinated Bonds, Series 1985A in the aggregate principal amount of \$23,050,000 that were issued to finance nuclear fuel; interest on such bonds is capitalized and is assumed to be paid from amounts received by MEAG Power in respect of the consumption of such fuel and carrying charges with respect thereto, and the principal of such bonds, or any future bonds issued to refund such bonds, is assumed to be paid from revenues received by MEAG Power in respect of the final batches of nuclear fuel consumed prior to the retirement of the respective nuclear units;

(d) include interest on, but not principal of, the bonds listed in the following tables:

Project One Subordinated Bonds				General Resolution Projects Subordinated Bonds			
Series	Maturity	Interest Rate	Principal	Series	Maturity	Interest Rate	Principal
2008D	1/1/2026	5.500%	\$ 3,953,300	2011A	1/1/2021	4.000%	\$ 25,000
2011A	1/1/2021	5.000	355,000	2011B	1/1/2021	5.000	245,000
2011B	1/1/2021	5.000	140,000	2012B	1/1/2019	3.186	27,545,000
2012B	1/1/2021	3.739	420,000	2012B	1/1/2020	3.489	13,940,000
2012B	1/1/2026	4.589	9,255,000	2012B	1/1/2021	3.739	4,495,000
2012B	1/1/2027	4.739	9,880,000	2012B	1/1/2022	3.989	355,000
2016A	1/1/2026	5.000	9,770,000	2012B	1/1/2023	4.139	1,165,000
				2012B	1/1/2024	4.289	1,205,000
				2012B	1/1/2025	4.439	790,000
				2012B	1/1/2027	4.739	5,285,000
				2016A	1/1/2020	5.000	810,000
Total Principal:			\$33,773,300	Total Principal:			\$55,860,000
Project M Bonds				Project J Bonds			
Series	Maturity	Interest Rate	Principal	Series	Maturity	Interest Rate	Principal
2010A	4/1/2057	6.655%	\$52,865,000	2010A	4/1/2057	6.637%	\$63,840,000
2010B	4/1/2040	5.000	980,000	2010B	4/1/2040	5.000	1,410,000
Total Principal:			\$53,845,000	2015A	7/1/2060	5.000	2,145,000
				Total Principal:			\$67,395,000
Project P Bonds							
Series	Maturity	Interest Rate	Principal				
2010A	4/1/2057	7.055%	\$20,820,000				
2010B	4/1/2040	5.000	440,000				
2015A	7/1/2060	5.000	695,000				
Total Principal:			\$21,955,000				

Such principal amounts are intended to be paid with moneys which are not Revenues and are expected to be paid from amounts expected to be released from the Debt Service Reserve Accounts in the Debt Service Funds established pursuant to the Project One Resolution, the General Resolution Projects Resolution and the Vogtle Units 3&4 Bond Resolutions;

(e) exclude debt service on the bonds listed in the following tables that were issued to finance nuclear fuel:

Project One Subordinated Bonds				General Resolution Projects Subordinated Bonds			
Series	Maturity	Interest Rate	Principal	Series	Maturity	Interest Rate	Principal
2008D	1/1/2019	5.750%	\$ 42,302,984	2008C	1/1/2019	5.500%	\$2,570,000
2008D	1/1/2021	6.000	3,055,000	2016A	1/1/2028	5.000	6,430,000
2008D	1/1/2025	5.500	3,610,000				
2012C	1/1/2022	5.000	28,935,000				
2016A	1/1/2028	2.250	1,000,000				
2016A	1/1/2028	4.000	2,500,000				
2016A	1/1/2028	5.000	120,290,000				
Total Principal:			\$201,692,984	Total Principal:			\$9,000,000



Project M Bonds				Project J Bonds			
Series	Maturity	Interest Rate	Principal	Series	Maturity	Interest Rate	Principal
2010A	4/1/2056	6.655%	\$26,115,000	2010A	4/1/2056	6.637%	\$31,750,000
Total Principal:			\$26,115,000	Total Principal:			\$31,750,000

Project P Bonds			
Series	Maturity	Interest Rate	Principal
2010A	4/1/2056	7.055%	\$9,620,000
Total Principal:			\$9,620,000

The principal of the bonds listed in the tables above constitutes “Refundable Principal Installments” within the meaning of the Project One Subordinated Resolution, the General Resolution Projects Subordinated Resolution and the applicable Vogtle Units 3&4 Bond Resolutions, respectively, and such bonds are assumed to be refunded on the respective due dates thereof from the proceeds of additional bonds issued under the applicable resolutions. The interest on the bonds listed in the tables above, together with the interest on the bonds assumed to be issued to refund the bonds listed in such tables, is assumed to be paid from amounts received by MEAG Power in respect of the consumption of such fuel and carrying charges with respect thereto, and the principal of such refunding bonds is assumed to be paid from revenues received by MEAG Power in respect of the final batches of nuclear fuel consumed prior to the retirement of the respective nuclear units;

(f) include interest on, but not principal of, the bonds listed in the following tables:

Project One Subordinated Bonds				General Resolution Projects Subordinated Bonds			
Series	Maturity	Interest Rate	Principal	Series	Maturity	Interest Rate	Principal
2009B	1/1/2020	5.000%	\$213,705,000	2009B	1/1/2020	5.000%	\$ 6,735,000
2011A	1/1/2021	5.000	133,350,000	2009B	1/1/2020	4.000	815,000
2011B	1/1/2021	5.000	20,770,000	2011A	1/1/2021	4.000	4,035,000
2012A	1/1/2022	4.430	40,960,000	2011B	1/1/2021	5.000	37,620,000
2015A	1/1/2035	5.000	38,155,000	2012A	1/1/2022	4.430	72,655,000
2016A	1/1/2019	5.000	1,900,000	2015A	1/1/2035	3.500	2,345,000
2016A	1/1/2020	5.000	2,195,000	2016A	1/1/2019	4.000	2,520,000
2016A	1/1/2021	4.000	2,505,000	2016A	1/1/2020	5.000	2,915,000
2016A	1/1/2022	5.000	2,835,000	2016A	1/1/2021	5.000	3,360,000
2016A	1/1/2023	5.000	3,230,000	2016A	1/1/2022	5.000	3,885,000
2016A	1/1/2024	5.000	3,625,000	2016A	1/1/2023	5.000	4,450,000
2016A	1/1/2025	5.000	4,040,000	2016A	1/1/2024	5.000	5,060,000
2016A	1/1/2026	5.000	4,530,000	2016A	1/1/2025	5.000	5,670,000
2016A	1/1/2028	5.000	30,265,000	2016A	1/1/2026	5.000	6,395,000
Total Principal:			\$502,065,000	Total Principal:			\$162,735,000

Such principal amounts constitute “Refundable Principal Installments” within the meaning of the Project One Subordinated Resolution and the General Resolution Projects Subordinated Resolution, respectively, are intended to be paid with moneys which are not Revenues and are assumed to be refunded on the respective due dates thereof from the proceeds of additional subordinated bonds with principal, reflected in the columns, amortizing from January 1, 2021 to January 1, 2045. The subordinated bonds assumed to be issued to refund the bonds in the above tables are assumed to bear interest at 5.00 percent per annum;

(g) are net of (i) capitalized interest funded from the proceeds of the Series 2010A&B Project M Bonds and initial Advances under the Project M DOE Loan Guarantee Agreement and (ii) cash subsidy payments from the United States Treasury in respect of interest on the Series 2010A Project M Bonds (excluding the impacts of sequestration, if any);

(h) are net of (i) capitalized interest funded from the proceeds of the Series 2010A&B Project J Bonds and initial Advances under the Project J DOE Loan Guarantee Agreement and (ii) cash subsidy payments from the United States Treasury in respect of interest on the Series 2010A Project J Bonds (excluding the impacts of sequestration, if any);

(i) are net of (i) capitalized interest funded from the proceeds of the Series 2010A&B Project P Bonds and initial Advances under the Project P DOE Loan Guarantee Agreement and (ii) cash subsidy payments from the United States Treasury in respect of interest on the Series 2010A Project P Bonds (excluding the impacts of sequestration, if any). Also exclude debt service on the Series 2010A Project P Notes, which were issued to evidence MEAG Power’s obligation to repay borrowings under the Project P Credit Agreement, and interest thereon; interest on the Series 2010A Project P Notes is capitalized from borrowings under the Project P Credit Agreement, and the principal of the Series 2010A Project P Notes is expected to be refunded through the issuance of Project P Bonds or from advances under the Project P DOE Guaranteed Loan;

(j) reflect only the debt service to be paid from revenues received by MEAG Power from the Vogtle Units 3&4 Participants and do not reflect debt service to be paid from revenues received by MEAG Power from JEA with respect to the outstanding Project J Bonds or from PowerSouth with respect to the outstanding Project P Bonds; and

(k) include interest on, but not principal of, certain commercial paper notes issued to fund working capital. The principal of such commercial paper notes is assumed to be paid from such working capital upon the termination of the respective Projects.

- (2) The aggregate outstanding principal amount of variable rate subordinated bonds reflected in the table, after giving effect to the commercial paper notes issued to fund working capital discussed in (1)(k) above, is \$264,086,000 for Project One and \$148,637,000 for the Existing General Resolution Projects, of which \$52,351,000 for Project One and \$34,277,000 for the Existing General Resolution Projects are commercial paper notes that are supported by letters of credit issued by one or more banks.
- (3) Amounts shown in this column exclude debt service on \$28,215,000 in aggregate principal amount of MEAG Power's Combined Cycle Project Revenue Bonds, Series 2003A that were outstanding as of October 31, 2013 (the "Redeemed 2003A CC Bonds"). As described in "MEAG POWER – Bulk Power Supply Operations – *The Combined Cycle Project – General*" in the Annual Information Statement, on November 1, 2013, the Redeemed 2003A CC Bonds were redeemed with the proceeds of an advance under the CC Project Revolving Credit Agreement. In November, 2016, such advance under the CC Project Revolving Credit Agreement was refunded with proceeds advanced under the CC Project 2012A BAN. MEAG Power may issue additional CC Bonds (the "Additional CC Bonds") in order to refund such advance, and intends that, if issued, the principal of the Additional CC Bonds will be due on the same dates and in the same amounts as the principal of the Redeemed 2003A CC Bonds. As a result, if the Additional CC Bonds are issued, MEAG Power expects that the debt service on all CC Bonds to be outstanding will be lower than the respective amounts shown in this column.
- (4) Amounts shown in this table:
- (a) reflect estimates of interest costs on variable rate Advances of 3.00%;
  - (b) reflect principal amounts intended to be paid with moneys which are not Revenues and are assumed to be refunded on the respective due dates thereof from the proceeds of taxable or tax-exempt bonds with principal, reflected in the columns, amortizing from July 1, 2045 to July 1, 2060. The bonds assumed to be issued to refund the Advances are assumed to bear interest at rates of 5.00 percent per annum for tax-exempt fixed rate debt and 5.50 percent per annum for taxable fixed rate debt. These assumed interest rates are based on MEAG Power's internal projections of market interest rates prevailing at the time of the refunding;
  - (c) are net of capitalized interest funded from the proceeds of Project M Bonds and initial Advances under the Project M DOE Loan Guarantee Agreement;
  - (d) are net of capitalized interest funded from the proceeds of Project J Bonds and initial Advances under the Project J DOE Loan Guarantee Agreement;
  - (e) are net of capitalized interest funded from the proceeds of Project P Bonds and initial Advances under the Project P DOE Loan Guarantee Agreement; and
  - (f) reflect only the debt service to be paid from revenues received by MEAG Power from the Vogtle Units 3&4 Participants and do not reflect debt service to be paid from revenues received from JEA with respect to the Advances under the Project J DOE Loan Guarantee Agreement or from PowerSouth with respect to the Advances under the Project P DOE Loan Guarantee Agreement.

# Summary of Annual Debt Service Payments on Outstanding Bonds and DOE Guaranteed Loans Relating to Vogtle Units 3&4<sup>(1)</sup>

(Accrual Basis)  
Table III (Dollars in Thousands)  
(As of December 31, 2017)

Year Ending December 31,	Project M and Project M Entity				Project J and Project J Entity					Project P and Project P Entity					Grand Total
	Series 2010A Bonds	Series 2010B Bonds	DOE Guaranteed Loan	Total	Series 2010A Bonds	Series 2010B Bonds	Series 2015A Bonds	DOE Guaranteed Loan	Total	Series 2010A Bonds	Series 2010B Bonds	Series 2015A Bonds	DOE Guaranteed Loan	Total	
2018	\$49,207	\$4,563	\$ 5,397	\$59,167	\$58,020	\$7,108	\$9,599	\$10,584	\$85,311	\$19,111	\$2,091	\$3,512	\$12,471	\$37,185	\$181,662
2019	52,889	879	12,880	66,647	63,333	1,797	9,599	11,566	86,294	20,724	476	3,512	12,471	37,183	190,124
2020	53,721	49	18,607	72,377	64,936	191	9,599	13,196	87,922	21,164	40	3,512	12,505	37,221	197,521
2021	53,718	49	23,045	76,812	65,057	71	9,599	15,935	90,661	21,182	22	3,512	14,603	39,319	206,793
2022	53,721	49	23,218	76,988	65,058	71	9,599	17,020	91,747	21,181	22	3,512	16,389	41,105	209,840
2023	53,718	49	23,854	77,620	65,059	71	9,599	17,201	91,930	21,182	22	3,512	17,992	42,708	212,258
2024	53,718	49	23,783	77,550	65,059	71	9,599	17,642	92,370	21,181	22	3,512	18,528	43,243	213,163
2025	53,718	49	23,703	77,470	65,057	71	9,599	17,563	92,289	21,178	22	3,512	18,513	43,226	212,985
2026	53,718	49	23,608	77,375	65,055	71	9,599	17,471	92,195	21,181	22	3,512	18,481	43,196	212,766
2027	53,719	49	23,575	77,342	65,057	71	9,599	17,435	92,161	21,184	22	3,512	18,530	43,248	212,752
2028	53,719	49	23,513	77,281	65,055	71	9,599	17,373	92,097	21,183	22	3,512	18,544	43,261	212,639
2029	53,721	49	23,418	77,188	65,058	71	9,599	17,281	92,008	21,179	22	3,512	18,513	43,227	212,422
2030	53,721	49	23,345	77,115	65,055	71	9,599	17,208	91,933	21,178	22	3,512	18,513	43,226	212,273
2031	53,721	49	23,271	77,041	65,057	71	9,599	17,135	91,862	21,181	22	3,512	18,513	43,228	212,130
2032	53,716	49	23,200	76,965	65,056	71	9,599	17,063	91,789	21,177	22	3,512	18,517	43,228	211,982
2033	53,720	49	23,123	76,892	65,054	71	9,599	16,989	91,713	21,178	22	3,512	18,514	43,226	211,831
2034	53,718	49	23,055	76,821	65,056	71	9,599	16,921	91,647	21,180	22	3,512	18,524	43,239	211,707
2035	53,715	49	22,970	76,734	65,058	71	9,599	16,837	91,565	21,183	22	3,512	18,513	43,231	211,529
2036	53,717	49	22,905	76,671	65,056	71	9,599	16,769	91,494	21,183	22	3,512	18,528	43,245	211,410
2037	53,718	49	22,803	76,569	65,053	71	9,599	16,673	91,395	21,180	22	3,512	18,498	43,212	211,176
2038	53,717	49	22,740	76,507	65,054	71	9,599	16,610	91,334	21,179	22	3,512	18,522	43,235	211,076
2039	53,720	784	22,656	77,160	65,054	1,128	9,599	16,527	92,308	21,182	352	3,512	18,514	43,560	213,028
2040	53,722	257	22,591	76,570	65,059	370	9,599	16,457	91,485	21,183	116	3,512	18,534	43,344	211,399
2041	53,718	—	22,493	76,211	65,054	—	9,599	16,365	91,019	21,179	—	3,512	18,513	43,205	210,435
2042	53,716	—	22,410	76,127	65,053	—	9,599	16,283	90,935	21,183	—	3,512	18,513	43,208	210,270
2043	53,716	—	22,325	76,041	65,054	—	9,599	16,202	90,856	21,184	—	3,512	18,510	43,207	210,103
2044	53,719	—	22,259	75,978	65,055	—	10,702	16,126	91,883	21,179	—	3,925	18,531	43,635	211,495
2045	53,717	—	21,969	75,686	65,055	—	15,119	9,409	89,583	21,178	—	5,584	16,236	42,997	208,266
2046	53,716	—	21,132	74,848	65,058	—	18,435	7,111	90,604	21,179	—	6,830	16,271	44,280	209,732
2047	53,717	—	21,109	74,826	65,058	—	18,436	7,025	90,519	21,177	—	6,830	16,269	44,277	209,622
2048	53,719	—	21,021	74,740	65,058	—	18,438	6,941	90,437	21,181	—	6,832	16,318	44,331	209,508
2049	53,718	—	20,941	74,660	65,057	—	18,436	6,850	90,343	21,178	—	6,831	16,369	44,378	209,381
2050	53,720	—	20,955	74,674	65,057	—	18,434	6,762	90,253	21,176	—	6,828	16,370	44,375	209,302
2051	53,720	—	20,828	74,548	65,055	—	18,436	6,673	90,164	21,180	—	6,828	16,370	44,378	209,090
2052	53,717	—	20,704	74,421	65,055	—	18,436	6,585	90,076	21,181	—	6,832	16,356	44,369	208,865
2053	53,715	—	20,700	74,415	65,056	—	18,433	6,491	89,980	21,182	—	6,834	16,277	44,293	208,687
2054	53,718	—	21,151	74,869	65,058	—	18,432	6,399	89,889	21,180	—	6,832	16,055	44,066	208,825
2055	73,304	—	21,091	94,395	88,869	—	18,431	6,306	113,607	28,395	—	6,830	15,870	51,095	259,098
2056	78,403	—	20,455	98,858	94,442	—	18,434	6,215	119,090	30,604	—	6,829	15,706	53,140	271,088
2057	19,482	—	20,140	39,622	23,413	—	18,437	6,118	47,968	7,635	—	6,833	15,573	30,040	117,629
2058	—	—	20,198	20,198	—	—	19,291	6,021	25,313	—	—	7,099	15,420	22,519	68,030
2059	—	—	17,021	17,021	—	—	11,950	21,104	33,054	—	—	4,571	10,652	15,223	65,299
2060	—	—	16,297	16,297	—	—	1,877	17,602	19,480	—	—	890	3,020	3,910	39,687

<sup>(1)</sup> Amounts shown in this table:

- (a) reflect estimates of interest costs on variable rate Advances of 3.00%;
- (b) reflect principal amounts intended to be paid with moneys which are not Revenues and are assumed to be refunded on the respective due dates thereof from the proceeds of taxable or tax-exempt bonds with principal, reflected in the columns, amortizing from July 1, 2045 to July 1, 2060. The bonds assumed to be issued to refund the Advances are assumed to bear interest at rates of 5.00 percent per annum for tax-exempt fixed rate debt and 5.50 percent per annum for taxable fixed rate debt;
- (c) in the case of the Project M, J and P Bonds and initial Advances under the Project M, J and P DOE Loan Guarantee Agreements, are net of capitalized interest funded from the proceeds of such Bonds and Advances; and
- (d) Grand Total represents the total debt service for Project M and the Project M Entity, Project J and the Project J Entity and Project P and the Project P Entity.

# Summary of Annual Debt Service Payments on Outstanding DOE Guaranteed Loans Relating to Vogtle Units 3&4<sup>(1)</sup>

(Accrual Basis)  
(Dollars in Thousands)

Table IV (As of December 31, 2017)

Year Ending December 31,	Project M Entity			Project J Entity			Project P Entity		
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
2018	—	\$16,329	\$ 16,329	—	\$10,584	\$ 10,584	—	\$12,471	\$ 12,471
2019	\$ 938	16,325	17,264	\$ 986	10,580	11,566	—	12,471	12,471
2020	2,859	16,321	19,181	2,638	10,558	13,196	—	12,505	12,505
2021	6,913	16,132	23,045	5,513	10,422	15,935	\$ 2,144	12,459	14,603
2022	7,305	15,913	23,218	6,797	10,223	17,020	4,039	12,350	16,389
2023	8,186	15,667	23,853	7,196	10,005	17,201	5,791	12,201	17,992
2024	8,349	15,447	23,797	7,848	9,794	17,642	6,502	12,026	18,528
2025	8,567	15,136	23,703	8,048	9,515	17,563	6,739	11,775	18,513
2026	8,746	14,862	23,608	8,214	9,257	17,471	6,932	11,549	18,481
2027	8,994	14,580	23,575	8,441	8,993	17,435	7,214	11,316	18,530
2028	9,194	14,331	23,526	8,626	8,747	17,373	7,439	11,105	18,544
2029	9,422	13,995	23,418	8,835	8,445	17,281	7,689	10,824	18,513
2030	9,652	13,692	23,345	9,047	8,161	17,208	7,947	10,566	18,513
2031	9,889	13,381	23,271	9,265	7,870	17,135	8,214	10,299	18,513
2032	10,111	13,100	23,211	9,469	7,594	17,063	8,464	10,052	18,517
2033	10,384	12,739	23,123	9,720	7,269	16,989	8,773	9,741	18,514
2034	10,652	12,402	23,055	9,966	6,955	16,921	9,079	9,445	18,524
2035	10,911	12,058	22,969	10,204	6,633	16,837	9,373	9,140	18,513
2036	11,176	11,739	22,914	10,447	6,322	16,769	9,678	8,850	18,528
2037	11,457	11,345	22,803	10,706	5,967	16,673	9,997	8,501	18,498
2038	11,765	10,975	22,740	10,988	5,622	16,610	10,356	8,166	18,522
2039	12,060	10,596	22,656	14,759	5,268	20,027	10,694	7,820	18,514
2040	12,368	10,232	22,600	25,041	4,916	29,957	11,054	7,480	18,534
2041	12,689	9,803	22,493	11,836	4,529	16,365	11,425	7,088	18,513
2042	13,018	9,392	22,410	12,137	4,146	16,283	11,809	6,704	18,513
2043	13,354	8,971	22,325	12,446	3,754	16,199	12,202	6,309	18,510
2044	13,703	8,563	22,267	12,766	3,362	16,128	12,614	5,917	18,531
2045	244,536	2,060	246,596	85,914	14,570	100,483	157,066	1,405	158,472
2046	—	—	—	—	—	—	—	—	—
2047	—	—	—	—	—	—	—	—	—
2048	—	—	—	—	—	—	—	—	—
2049	—	—	—	—	—	—	—	—	—
2050	—	—	—	—	—	—	—	—	—
2051	—	—	—	—	—	—	—	—	—
2052	—	—	—	—	—	—	—	—	—
2053	—	—	—	—	—	—	—	—	—
2054	—	—	—	—	—	—	—	—	—
2055	—	—	—	—	—	—	—	—	—
2056	—	—	—	—	—	—	—	—	—
2057	—	—	—	—	—	—	—	—	—
2058	—	—	—	—	—	—	—	—	—
2059	—	—	—	—	—	—	—	—	—
2060	—	—	—	—	—	—	—	—	—
	<u>\$497,201</u>	<u>\$356,089</u>	<u>\$853,291</u>	<u>\$337,852</u>	<u>\$220,062</u>	<u>\$557,914</u>	<u>\$363,235</u>	<u>\$270,535</u>	<u>\$633,770</u>

<sup>(1)</sup> Amounts shown in this table:

- (a) reflect estimates of interest costs on variable rate Advances of 3.00%; and
- (b) reflect principal amounts and the current amortization of outstanding Advances under the Project M DOE Loan Guarantee Agreement, the Project J DOE Loan Guarantee Agreement, and the Project P DOE Loan Guarantee Agreement at December 31, 2017.

[This page intentionally left blank]

## **APPENDIX C**

### **SELECTED HISTORICAL INFORMATION ON CERTAIN PARTICIPANTS OF MEAG POWER**

Information relating to certain of the Participants, determined as described in the next paragraph, is set forth in this APPENDIX C. Tables I, II and III of this APPENDIX C provide certain data about such Participants, including information regarding population, assessed valuations, tax millages, levies and collections and bonded debt. Tables IV and V of this APPENDIX C provide certain data about the electric systems of such Participants, including information on customers, power sales and financial results.

The Participants for which information is set forth include any Participant with (i) a Project One Generation Entitlement Share, a Project One Budgeted 2018 Transmission Entitlement Share, a Project Two Obligation Share (as of December 2017), a Project Three Obligation Share (as of December 2017) or a Project Four Obligation Share of 3.0 percent or greater, or (ii) a Project M Obligation Share, a Project J Obligation Share or a Project P Obligation Share of 3.5 percent or greater. Such Participants for which information is set forth together have Project One Generation Entitlement Shares totaling approximately 75 percent, Project One Budgeted 2018 Transmission Entitlement Shares totaling approximately 73 percent, Project Two Obligation Shares (as of December 2017) totaling approximately 74 percent, Project Three Obligation Shares (as of December 2017) totaling approximately 74 percent, Project Four Obligation Shares totaling approximately 75 percent, or together have Project M Obligation Shares totaling approximately 74 percent, Project J Obligation Shares totaling approximately 63 percent and Project P Obligation Shares totaling approximately 63 percent. In addition, information also is set forth for any CC Participant whose debt service responsibility with respect to the CC Bonds is five percent or greater for any twelve-month period ending on October 31, commencing with the twelve-month period ending October 31, 2018.

Table I  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Area, Population and Assessed Valuation (1)*

	Acworth	Albany	Buford	Calhoun	Cartersville	College Park	Covington	Crisp County	Douglas
Incorporated Area Square Miles	7.5	57.0	15.0	13.0	27.3	9.4	14.0	281.0	14.0
Population (2):									
2015 U. S. Census estimate	22,131	74,843	13,748	16,309	20,319	14,601	13,916	22,881	11,718
2010 U. S. Census	20,425	77,434	12,225	15,650	19,731	13,942	13,118	23,439	11,589
2000 U. S. Census	13,422	76,939	10,668	10,667	15,925	20,382	11,547	21,996	10,639
1990 U. S. Census	4,519	78,122	8,771	7,135	12,035	20,457	10,026	20,011	10,464
1980 U. S. Census	3,648	73,934	6,697	5,335	9,508	24,632	10,586	19,489	10,980
1970 U. S. Census	3,929	72,623	4,640	4,748	9,929	18,203	10,267	18,087	10,195
1960 U. S. Census	2,359	55,890	3,908	3,587	8,668	23,469	8,167	17,768	8,736
Fiscal Year-end	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30
Assessed Valuation - 2017 (3):									
Real Estate	\$ 583,825,684	\$ 1,037,662,306	\$ 715,952,906	\$ 448,745,141	\$ 600,882,504	\$ 428,242,388	\$ 387,324,118	\$ 452,864,197	\$ 202,380,941
Public Utilities	18,943,448	23,663,660	31,925,034	5,553,244	11,762,498	130,483,567	9,813,808	21,055,679	3,057,158
Personal Property	49,732,094	233,005,365	174,035,374	246,595,458	276,397,158	211,859,328	220,580,741	73,198,251	80,682,773
Motor Vehicles & Mobile Homes	19,752,856	63,078,225	17,880,196	15,489,072	21,548,480	135,865,902	9,814,384	29,836,641	10,599,609
Total	\$ 672,254,082	\$ 1,357,409,556	\$ 939,793,510	\$ 716,382,915	\$ 910,590,640	\$ 906,451,185	\$ 627,533,051	\$ 576,954,768	\$ 296,720,481
Basis of Assessment - 2017	40%	40%	40%	40%	40%	40%	40%	40%	40%
Estimated Actual Value - 2017	\$ 1,680,635,205	\$ 3,393,523,890	\$ 2,349,483,775	\$ 1,790,957,288	\$ 2,276,476,600	\$ 2,266,127,963	\$ 1,568,832,628	\$ 1,442,386,920	\$ 741,801,203
Ten Largest Taxpayers - 2017 Assessed Value as % of Total Assessment	10.46%	5.55%	13.95%	30.96%	19.66%	36.43%	42.63%	14.36%	22.28%
Assessed Valuation - 2016 (3):									
Real Estate	\$ 550,533,268	\$ 1,150,557,931	\$ 624,529,051	\$ 422,931,504	\$ 589,603,425	\$ 479,812,672	\$ 370,456,800	\$ 436,021,739	\$ 202,347,529
Public Utilities	16,589,303	25,541,834	30,810,223	6,177,294	9,837,474	123,491,059	10,641,354	13,079,761	3,246,433
Personal Property	47,326,173	234,027,327	175,259,890	267,865,661	287,912,148	225,980,462	210,747,724	82,241,939	83,995,710
Motor Vehicles & Mobile Homes	27,249,939	81,415,760	23,268,135	19,660,902	28,271,212	149,570,208	12,633,377	38,166,991	14,106,849
Total	\$ 641,698,683	\$ 1,491,542,852	\$ 853,867,299	\$ 716,635,361	\$ 915,624,259	\$ 978,854,401	\$ 604,479,255	\$ 569,510,430	\$ 303,696,521
Basis of Assessment - 2016	40%	40%	40%	40%	40%	40%	40%	40%	40%
Estimated Actual Value - 2016	\$ 1,604,246,708	\$ 3,728,857,130	\$ 2,134,668,248	\$ 1,791,588,403	\$ 2,289,060,648	\$ 2,447,136,003	\$ 1,511,198,138	\$ 1,423,776,075	\$ 759,241,303
Assessed Valuation - 2015 (3):									
Real Estate	\$ 514,888,110	\$ 1,123,564,972	\$ 596,142,328	\$ 405,601,856	\$ 527,303,644	\$ 442,880,254	\$ 354,898,676	\$ 434,468,570	\$ 200,328,240
Public Utilities	9,878,058	25,452,700	29,193,907	6,104,642	10,833,820	115,126,482	10,178,600	13,079,761	2,734,404
Personal Property	45,291,200	236,182,950	149,017,799	282,502,139	261,693,592	222,047,543	194,596,385	78,548,557	78,161,930
Motor Vehicles & Mobile Homes	39,077,345	114,632,798	31,511,509	25,861,752	39,454,908	174,492,955	16,245,813	49,991,633	19,514,526
Total	\$ 609,134,713	\$ 1,499,833,420	\$ 805,865,543	\$ 720,070,389	\$ 839,285,964	\$ 954,547,234	\$ 575,919,474	\$ 576,088,521	\$ 300,739,100
Basis of Assessment - 2015	40%	40%	40%	40%	40%	40%	40%	40%	40%
Estimated Actual Value - 2015	\$ 1,522,836,783	\$ 3,749,583,550	\$ 2,014,663,858	\$ 1,800,175,973	\$ 2,098,214,910	\$ 2,386,368,085	\$ 1,439,798,685	\$ 1,440,221,303	\$ 751,847,750

(1) The State of Georgia (the "State") requires all cities to use county assessed valuations for real estate and personal property and all counties to assess real estate and personal property at a rate of at least 40% of fair market value (except for certain agricultural property, which is assessed at less than 40% of fair market value). The State assesses the value of motor vehicles and mobile homes at 40% of fair market value. The State provides to each county the assessed value of public utilities which the county may use or the county may make its own determination of the assessed value of public utilities real and personal property located within its boundaries. Municipally-owned public utilities are tax-exempt.

State law allows, among other things, voters in a county to authorize levy of a 1% local option sales tax. Local option sales tax may only be imposed countywide and the distribution formula for revenues received from local option sales tax must be agreed to by the county and municipalities within the county.

State law requires the county and its municipalities to reduce budgeted property taxes each year following the first year of sales tax revenue by the annualized amount of sales tax revenues from the preceding year. Basically, the municipality or county is to prepare its budget without consideration of sales tax revenues, determine the property tax levy required to meet the budget, and then reduce the property tax levy by the annualized amount of sales tax revenues from the preceding year. As of January 1, 2018, all Major Participants have a local option sales tax.

In 1985, the State of Georgia General Assembly enacted a law authorizing voters in a county to approve levy of a special purpose 1% sales tax for roads and other capital projects. The tax may only be collected for as long as required to provide the amount specified in the election notice or for four years for roads and five years for other capital projects, whichever is the lesser period of time. Several counties in which Participants are located have voted to impose this sales tax.

(2) Per U. S. Census Bureau.

(3) Assessed valuations are based on the Participant's fiscal year. Motor vehicles and mobile homes assessed valuations are for the calendar year.

Table I  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Area, Population and Assessed Valuation (1)*

(continued)

	East Point	Griffin	LaGrange	Lawrenceville	Marietta	Moultrie	Newnan	Sylvania	Thomasville
Incorporated Area Square Miles	18.1	15.3	45.5	13.7	23.4	16.5	19.5	5.1	17.0
Population (2):									
2015 U. S. Census estimate	35,467	23,211	30,695	30,493	59,067	14,377	37,291	2,538	18,742
2010 U. S. Census	33,712	23,643	29,588	28,546	56,579	14,268	33,039	2,956	18,413
2000 U. S. Census	39,595	23,451	25,998	22,397	58,748	14,387	16,242	2,675	18,162
1990 U. S. Census	34,402	21,347	25,597	17,588	44,129	14,865	12,497	2,871	17,457
1980 U. S. Census	37,486	20,728	24,204	8,928	30,805	15,708	11,449	3,352	18,463
1970 U. S. Census	39,315	22,734	23,301	5,115	27,216	14,302	11,205	3,199	18,155
1960 U. S. Census	35,633	21,735	23,632	3,804	25,565	15,764	12,169	3,469	18,246
Fiscal Year-end	June 30	June 30	June 30	August 31	June 30	September 30	December 31	December 31	December 31
Assessed Valuation - 2017 (3):									
Real Estate	\$ 662,590,522	\$ 423,746,292	\$ 711,351,388	\$ 907,759,570	\$ 2,463,630,996	\$ 235,954,322	\$ 1,171,653,897	\$ 36,749,338	\$ 535,915,811
Public Utilities	19,447,858	6,451,016	9,442,533	19,617,280	35,136,701	5,366,978	20,251,987	591,779	4,088,209
Personal Property	126,700,560	96,105,920	276,694,642	177,767,856	338,987,893	62,716,355	106,711,131	5,802,674	88,779,345
Motor Vehicles & Mobile Homes	15,190,185	15,472,561	15,938,110	23,273,770	70,018,233	8,048,911	20,606,520	1,015,265	14,032,581
Total	\$ 823,929,125	\$ 541,775,789	\$ 1,013,426,673	\$ 1,128,418,476	\$ 2,907,773,823	\$ 312,086,566	\$ 1,319,223,535	\$ 44,159,056	\$ 642,815,946
Basis of Assessment - 2017	40%	40%	40%	40%	40%	40%	40%	40%	40%
Estimated Actual Value - 2017	\$ 2,059,822,813	\$ 1,354,439,473	\$ 2,533,566,683	\$ 2,821,046,190	\$ 7,269,434,558	\$ 780,216,415	\$ 3,298,058,838	\$ 110,397,640	\$ 1,607,039,865
Ten Largest Taxpayers - 2017 Assessed Value as % of Total Assessment	-	38.81%	29.62%	7.29%	3.83%	19.75%	10.89%	13.42%	11.60%
Assessed Valuation - 2016 (3):									
Real Estate	\$ 631,211,848	\$ 411,049,087	\$ 687,321,035	\$ 709,903,556	\$ 2,353,111,324	\$ 231,223,014	\$ 1,074,620,079	\$ 36,691,971	\$ 539,872,384
Public Utilities	42,009,836	6,929,842	8,755,732	19,476,560	37,213,498	5,509,186	17,652,958	-	4,658,531
Personal Property	117,586,100	85,598,718	255,613,735	170,347,472	321,842,534	59,169,433	105,025,402	6,081,316	97,682,628
Motor Vehicles & Mobile Homes	20,844,569	20,442,910	21,528,814	30,808,970	97,002,822	10,743,270	28,360,230	2,093,218	18,550,113
Total	\$ 811,652,353	\$ 524,020,557	\$ 973,219,316	\$ 930,536,558	\$ 2,809,170,178	\$ 306,644,903	\$ 1,225,658,669	\$ 44,866,505	\$ 660,763,656
Basis of Assessment - 2016	40%	40%	40%	40%	40%	40%	40%	40%	40%
Estimated Actual Value - 2016	\$ 2,029,130,883	\$ 1,310,051,393	\$ 2,433,048,290	\$ 2,326,341,395	\$ 7,022,925,445	\$ 766,612,258	\$ 3,064,146,673	\$ 112,166,263	\$ 1,651,909,140
Assessed Valuation - 2015 (3):									
Real Estate	\$ 564,116,888	\$ 381,079,928	\$ 659,463,504	\$ 649,775,803	\$ 2,238,796,883	\$ 228,918,693	\$ 1,008,580,733	\$ 36,685,677	\$ 531,215,754
Public Utilities	43,952,308	6,928,736	9,168,130	20,216,880	38,595,098	5,790,284	18,187,010	712,422	6,147,631
Personal Property	127,881,900	81,028,076	246,218,946	171,083,951	305,177,564	53,347,612	104,657,860	6,264,150	99,184,694
Motor Vehicles & Mobile Homes	38,171,659	28,543,840	28,512,733	41,031,440	165,637,041	14,591,982	39,862,510	2,080,237	25,268,439
Total	\$ 774,122,755	\$ 497,580,580	\$ 943,363,313	\$ 882,108,074	\$ 2,748,206,586	\$ 302,648,571	\$ 1,171,288,113	\$ 45,742,486	\$ 661,816,518
Basis of Assessment - 2015	40%	40%	40%	40%	40%	40%	40%	40%	40%
Estimated Actual Value - 2015	\$ 1,935,306,888	\$ 1,243,951,450	\$ 2,358,408,283	\$ 2,205,270,185	\$ 6,870,516,465	\$ 756,621,428	\$ 2,928,220,283	\$ 114,356,215	\$ 1,654,541,295



Table II  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Tax Millages, Levies and Collections*

	Acworth	Albany	Buford	Calhoun	Cartersville	College Park	Covington	Crisp County	Douglas
Fiscal Year-end	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30
Tax Millage - <b>2017</b> (1):									
City	7.60	9.80	12.80	19.97	19.52	12.62	7.65	-	8.45
County	6.89	12.57	7.40	9.83	10.30	10.63	13.44	12.13	7.79
County School District (2)	18.90	18.43	-	-	-	18.55	20.00	17.45	16.09
Other	-	-	0.95	-	-	-	-	-	0.50
<b>Total</b>	<b>33.39</b>	<b>40.80</b>	<b>21.15</b>	<b>29.80</b>	<b>29.82</b>	<b>41.80</b>	<b>41.09</b>	<b>29.58</b>	<b>32.83</b>
Tax Millage - <b>2016</b> (1):									
City	7.60	9.81	12.85	19.97	20.01	12.62	7.65	-	8.46
County	6.89	12.58	7.07	9.85	10.30	10.70	12.99	12.12	7.79
County School District (2)	18.90	18.45	-	-	-	18.48	20.00	17.45	16.11
Other	-	-	0.95	-	-	-	0.45	-	0.50
<b>Total</b>	<b>33.39</b>	<b>40.84</b>	<b>20.87</b>	<b>29.82</b>	<b>30.31</b>	<b>41.80</b>	<b>41.09</b>	<b>29.57</b>	<b>32.86</b>
Tax Millage - <b>2015</b> (1):									
City	7.60	9.85	12.90	19.97	19.30	12.62	7.65	-	8.50
County	7.45	12.59	7.47	9.93	10.30	10.75	12.99	12.11	7.82
County School District (2)	18.90	18.45	-	-	-	18.50	20.00	17.45	16.16
Other	0.05	0.05	1.00	0.05	0.05	0.05	0.50	0.05	0.55
<b>Total</b>	<b>34.00</b>	<b>40.94</b>	<b>21.37</b>	<b>29.95</b>	<b>29.65</b>	<b>41.92</b>	<b>41.15</b>	<b>29.61</b>	<b>33.03</b>
Tax Levies (3):									
2017	\$ 4,814,790	\$ 13,740,103	\$ 11,495,980	\$ 13,493,924	\$ 17,234,325	\$ 9,549,495	\$ 4,803,138	\$ 6,613,392	\$ 2,152,640
2016	4,543,730	13,888,567	10,482,003	13,505,793	16,368,905	10,423,136	4,626,684	6,813,477	2,206,605
2015	4,257,241	13,834,365	9,649,824	13,568,494	15,285,307	9,843,505	4,439,187	6,073,226	2,118,271
<b>Total</b>	<b>\$ 13,615,761</b>	<b>\$ 41,463,035</b>	<b>\$ 31,627,807</b>	<b>\$ 40,568,211</b>	<b>\$ 48,888,537</b>	<b>\$ 29,816,136</b>	<b>\$ 13,869,009</b>	<b>\$ 19,500,095</b>	<b>\$ 6,477,516</b>
Tax Collections (3):									
2017	\$ 4,798,417	\$ 13,359,040	\$ 11,410,433	\$ 13,561,786	\$ 16,901,627	\$ 10,463,042	\$ 4,866,635	\$ 6,980,644	\$ 2,207,884
2016	4,537,381	13,838,034	10,637,770	13,779,071	16,233,810	9,891,831	4,697,367	6,669,239	2,188,675
2015	4,232,772	13,746,132	9,063,955	13,300,253	15,355,551	10,275,120	4,701,692	6,233,315	2,168,799
<b>Total</b>	<b>\$ 13,568,570</b>	<b>\$ 40,943,206</b>	<b>\$ 31,112,158</b>	<b>\$ 40,641,110</b>	<b>\$ 48,490,988</b>	<b>\$ 30,629,993</b>	<b>\$ 14,265,694</b>	<b>\$ 19,883,198</b>	<b>\$ 6,565,358</b>
Ratio of Aggregate Tax Collections									
to Aggregate Tax Levies 2015 - 2017	99.7%	98.7%	98.4%	100.2%	99.2%	102.7%	102.9%	102.0%	101.4%

(1) Tax millages are for the calendar year as per the State of Georgia's tax digest records.

(2) No county school system taxes are levied on property within the Participant's boundary for Buford, Calhoun, Cartersville, Marietta or Thomasville (except for taxes levied to pay bonds issued prior to any annexation of property by the Participant) due to the fact that the Participant has its own independent school system, which is supported, in part, by city taxes included in the city millage.

(3) Tax Levies and Tax Collections are compiled from questionnaires completed by either the Participant's auditor or chief financial officer.

Table II  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Tax Millages, Levies and Collections*  
(continued)

	East Point	Griffin	LaGrange	Lawrenceville	Marietta	Moultrie	Newnan	Sylvania	Thomasville
Fiscal Year-end	June 30	June 30	June 30	August 31	June 30	September 30	December 31	December 31	December 31
Tax Millage - <b>2017</b> (1):									
City	15.00	7.77	-	1.91	23.59	9.94	3.87	7.50	17.87
County	10.63	15.36	10.83	7.40	6.89	16.67	7.63	13.48	9.20
County School District (2)	18.55	18.20	18.85	21.85	-	10.24	18.59	15.63	-
Other	-	-	0.49	0.95	-	-	-	0.78	1.76
<b>Total</b>	<b>44.18</b>	<b>41.33</b>	<b>30.17</b>	<b>32.11</b>	<b>30.48</b>	<b>36.85</b>	<b>30.09</b>	<b>37.39</b>	<b>28.83</b>
Tax Millage - <b>2016</b> (1):									
City	15.00	7.77	-	2.03	23.59	12.82	4.05	6.46	17.87
County	10.70	15.66	10.88	7.07	6.89	16.84	7.47	13.27	9.21
County School District (2)	18.48	18.57	18.85	21.85	-	10.28	18.59	15.47	-
Other	-	-	0.43	0.95	-	-	-	0.84	1.77
<b>Total</b>	<b>44.18</b>	<b>42.00</b>	<b>30.16</b>	<b>31.90</b>	<b>30.48</b>	<b>39.94</b>	<b>30.11</b>	<b>36.04</b>	<b>28.85</b>
Tax Millage - <b>2015</b> (1):									
City	15.00	7.89	-	2.03	24.02	12.82	4.05	6.50	17.99
County	10.75	16.01	10.57	7.47	7.45	16.88	7.47	12.30	9.26
County School District (2)	18.50	18.74	18.85	21.85	-	10.30	18.59	15.50	-
Other	0.05	0.05	0.79	1.00	0.05	0.05	0.05	0.88	1.84
<b>Total</b>	<b>44.30</b>	<b>42.69</b>	<b>30.21</b>	<b>32.35</b>	<b>31.52</b>	<b>40.05</b>	<b>30.16</b>	<b>35.18</b>	<b>29.09</b>
Tax Levies (3):									
2017	\$ 12,358,937	\$ 4,210,139	\$ -	\$ 1,839,028	\$ 61,522,567	\$ 3,100,580	\$ 5,025,648	\$ 331,193	\$ 11,124,760
2016	12,174,785	4,133,998	-	1,783,325	59,543,684	3,930,574	4,849,058	293,661	11,363,645
2015	11,611,841	4,284,666	-	1,663,599	56,846,103	3,618,830	4,516,294	297,326	11,343,389
<b>Total</b>	<b>\$ 36,145,563</b>	<b>\$ 12,628,803</b>	<b>\$ -</b>	<b>\$ 5,285,952</b>	<b>\$ 177,912,354</b>	<b>\$ 10,649,984</b>	<b>\$ 14,391,000</b>	<b>\$ 922,180</b>	<b>\$ 33,831,794</b>
Tax Collections (3):									
2017	\$ 11,102,243	\$ 3,930,660	\$ -	\$ 1,838,484	\$ 58,987,732	\$ 3,792,742	\$ 5,040,379	\$ 326,216	\$ 11,491,197
2016	11,775,939	3,982,477	-	1,722,690	59,231,956	3,682,625	4,847,524	306,061	11,321,007
2015	9,258,068	3,986,217	-	1,734,616	56,425,286	3,617,000	4,312,877	297,524	11,178,039
<b>Total</b>	<b>\$ 32,136,250</b>	<b>\$ 11,899,354</b>	<b>\$ -</b>	<b>\$ 5,295,790</b>	<b>\$ 174,644,974</b>	<b>\$ 11,092,367</b>	<b>\$ 14,200,780</b>	<b>\$ 929,801</b>	<b>\$ 33,990,243</b>
Ratio of Aggregate Tax Collections to Aggregate Tax Levies 2015 - 2017	88.9%	94.2%	-	100.2%	98.2%	104.2%	98.7%	100.8%	100.5%

Table III  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Outstanding and Overlapping Debt and Selected Debt Ratios (1)*

As of June 1, 2018

	Acworth	Albany	Buford	Calhoun	Cartersville	College Park	Covington	Crisp County	Douglas
<b>General Obligation Bonded Debt:</b>									
Direct	\$ 1,770,000	\$ 1,830,000	\$ 70,523,236	\$ 33,000,000	\$ 5,930,000	\$ -	\$ -	\$ -	\$ -
Overlapping (2)	10,794,680	37,832,243	10,282,000	3,840,712	6,491,250	4,113,075	11,289,911	-	2,951,865
Contractual Revenue (3)	12,945,000	-	-	-	-	123,059,540	-	-	-
<b>Total</b>	<b>\$ 25,509,680</b>	<b>\$ 39,662,243</b>	<b>\$ 80,805,236</b>	<b>\$ 36,840,712</b>	<b>\$ 12,421,250</b>	<b>\$ 127,172,615</b>	<b>\$ 11,289,911</b>	<b>\$ -</b>	<b>\$ 2,951,865</b>
<b>Utility Revenue Bonded Debt (4):</b>									
Electric	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-
Water & Sewer	-	\$ 12,920,000	-	\$ 9,315,000	\$ 6,620,000	\$ 8,285,000	\$ 6,810,000	\$ 1,353,639	-
Combined Public Utilities	-	-	-	-	-	-	-	-	-
<b>Selected General Obligation Bonded Debt Ratios (5):</b>									
Per Capita	\$ 1,153	\$ 530	\$ 5,878	\$ 2,259	\$ 611	\$ 8,710	\$ 811	\$ -	\$ 252
% of Assessed Valuations	3.30%	2.50%	7.24%	4.21%	1.21%	6.19%	1.49%	0.00%	0.84%
% of Estimated Actual Value	1.32%	1.00%	2.90%	1.69%	0.48%	2.48%	0.59%	0.00%	0.33%

(1) Data compiled by MEAG Power from official statements of identified Participant-related bond issuances and/or audited financial statements of the Participants.

(2) Overlapping debt is bond debt not issued by the Participant for the payment of which a tax is levied on property within the Participant's boundary.

(3) Contractual Revenue debt is that overlapping bond debt of issuers other than the Participant (such as water and sewer, hospital and office building authorities) payable from revenue producing projects which have, as additional security, a pledge of payments pursuant to a contractual obligation between such issuer and the Participant or another political subdivision with boundaries overlapping that of the Participant. Such contractual obligation could require the levy of a tax on property located within the Participant's boundary. No investigation has been made by MEAG Power as to the amount of tax currently being levied, if any, or that which may be required to be levied to meet any such contractual obligations. Not included in these totals is debt attributable to the Participant's payment obligations to MEAG Power.

(4) Utility revenue debt outstanding is secured by a pledge of the net revenues of the water and sewer system and/or electric and/or natural gas system.

(5) Based on the U.S. Census Bureau's 2015 estimated population data from Table I and 2017 or 2016 (most recent available) calendar year assessed valuations.

Table III  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Outstanding and Overlapping Debt and Selected Debt Ratios (1)*

(continued)  
As of June 1, 2018

	East Point	Griffin	LaGrange	Lawrenceville	Marietta	Moultrie	Newnan	Sylvania	Thomasville
General Obligation Bonded Debt:									
Direct	\$ -	\$ 8,776,899	\$ -	\$ -	\$ 78,882,605	\$ -	\$ -	\$ -	\$ -
Overlapping (2)	5,235,444	3,300,000	2,073,521	52,826,152	57,994,124	1,294,066	-	-	-
Contractual Revenue (3)	40,975,000	2,292,902	29,438,774	54,780,000	30,060,000	1,515,000	-	-	-
Total	\$ 46,210,444	\$ 14,369,801	\$ 31,512,295	\$ 107,606,152	\$ 166,936,729	\$ 2,809,066	\$ -	\$ -	\$ -
Utility Revenue Bonded Debt (4):									
Electric	-	-	-	-	-	-	-	-	-
Gas	-	-	\$ 5,740,000	-	-	-	-	-	-
Water & Sewer	-	-	-	-	-	-	-	-	-
Combined Public Utilities	-	\$ 51,945,964	-	-	-	\$ 10,645,000	\$ 21,856,933	-	-
Selected General Obligation Bonded Debt Ratios (5):									
Per Capita	\$ 1,303	\$ 619	\$ 1,027	\$ 3,529	\$ 2,826	\$ 195	\$ -	\$ -	\$ -
% of Assessed Valuations	5.22%	2.49%	2.72%	7.43%	5.25%	0.88%	0.00%	0.00%	0.00%
% of Estimated Actual Value	2.09%	1.00%	1.09%	2.97%	2.10%	0.35%	0.00%	0.00%	0.00%

Table IV  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Electric System Descriptions, Customers and Power Sales*

	Acworth	Albany	Buford	Calhoun	Cartersville	College Park	Covington	Crisp County (3)	Douglas
Year System Established	1907	1900	1913	1900	1905	1912	1900	1926	1903
Miles of Lines	95	747	100	261	212	152	290	843	165
Employees	16	36	12	17	28	12	23	62	11
Service Area (square miles) (1)	10	59	11	13	16	10	72	310	17
Fiscal Year-end	June 30	June 30	June 30	June 30	June 30	June 30	June 30	December 31	June 30
Peak (kW) (2):									
2017	26,936	183,412	41,197	74,947	102,394	51,095	84,935	83,059	53,533
2016	27,476	189,899	39,644	77,494	101,904	52,142	88,195	86,584	52,976
2015	27,431	196,580	38,195	79,154	98,777	57,763	86,899	88,782	54,315
Customers--2017:									
Residential	5,917	29,107	2,508	4,165	6,484	6,325	9,916	9,147	3,966
Industrial	-	-	4	19	16	-	10	52	-
Commercial	490	5,619	927	1,188	1,854	723	1,846	2,583	1,620
Other	58	-	-	-	81	101	-	166	-
Total	6,465	34,726	3,439	5,372	8,435	7,149	11,772	11,948	5,586
Customers--2016:									
Residential	5,898	29,355	2,428	4,150	6,358	6,839	9,835	9,220	3,985
Industrial	-	-	4	22	21	-	10	52	-
Commercial	478	5,631	907	1,166	1,808	782	1,853	2,612	1,575
Other	58	-	-	-	83	100	-	173	-
Total	6,434	34,986	3,339	5,338	8,270	7,721	11,698	12,057	5,560
Customers--2015:									
Residential	5,788	29,431	2,400	4,067	6,231	6,859	9,749	9,194	3,997
Industrial	-	-	4	22	27	-	10	50	-
Commercial	543	5,640	894	1,152	1,657	801	1,897	2,597	1,565
Other	65	-	-	-	83	95	-	176	-
Total	6,396	35,071	3,298	5,241	7,998	7,755	11,656	12,017	5,562

(1) Territorial electric service areas for retail electric suppliers within the State of Georgia are determined in accordance with the Georgia Territorial Electric Service Act. The service areas of practically all of the 49 municipal Participants include some unincorporated areas as well as the areas within their municipal corporate limits. The figures included herein for service areas of the Participants have been provided by the Participants via questionnaires received as of the filing of this Quarterly Participant Report. The combined service of all of the Initial Participants as of the time of assignment in 1976 included approximately 627 square miles of area within their respective political boundaries and 550 square miles of other area.

(2) Peak for the calendar year in kilowatts (kW).

(3) The Crisp County Power Commission has a December 31 fiscal year-end. Crisp County has a June 30 fiscal year-end.

Table IV  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Electric System Descriptions, Customers and Power Sales*

(continued)

	East Point	Griffin	LaGrange	Lawrenceville	Marietta	Moultrie	Newnan	Sylvania	Thomasville
Year System Established	1905	1895	1905	1915	1906	1898	1904	1910	1906
Miles of Lines	215	388	217	170	590	201	202	213	535
Employees	30	61	18	14	88	19	15	5	26
Service Area (square miles) (1)	15	63	30	24	37	25	12	38	250
Fiscal Year-end	June 30	June 30	June 30	August 31	June 30	September 30	December 31	December 31	December 31
Peak (kW) (2):									
2017	75,857	89,795	99,456	71,444	221,892	41,062	94,650	99,242	108,485
2016	76,080	92,696	101,463	74,241	224,447	40,715	90,003	99,932	108,496
2015	76,102	94,224	103,154	73,703	232,194	44,352	95,046	97,499	114,936
Customers--2017:									
Residential	-	12,922	11,359	9,173	35,397	5,654	8,301	2,058	13,098
Industrial	-	18	56	-	-	10	1	2	-
Commercial	-	2,166	1,647	1,683	6,288	928	1,662	495	2,356
Other	-	-	194	-	5,012	35	819	-	166
Total	-	15,106	13,256	10,856	46,697	6,627	10,783	2,555	15,620
Customers--2016:									
Residential	14,106	12,791	11,336	9,267	35,155	5,673	8,250	2,037	12,936
Industrial	-	16	54	-	-	10	1	2	-
Commercial	1,345	2,191	1,651	1,696	6,301	953	1,653	496	2,358
Other	-	-	190	-	4,977	38	820	-	137
Total	15,451	14,998	13,231	10,963	46,433	6,674	10,724	2,535	15,431
Customers--2015:									
Residential	14,063	12,184	11,353	9,224	35,390	5,715	7,958	2,051	12,857
Industrial	-	18	55	-	-	11	1	2	-
Commercial	1,316	2,181	1,638	1,733	6,466	948	1,624	507	2,362
Other	-	-	188	-	4,968	38	821	-	150
Total	15,379	14,383	13,234	10,957	46,824	6,712	10,404	2,560	15,369

Table IV  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Electric System Descriptions, Customers and Power Sales*  
 (continued)

	Acworth	Albany	Buford	Calhoun	Cartersville	College Park	Covington	Crisp County (3)	Douglas
Power Sales--2017 (MWh) (4):									
Residential	63,003	348,049	31,557	46,918	80,324	63,982	134,860	133,540	54,389
Industrial	-	-	89,917	307,254	331,147	-	132,207	167,624	-
Commercial	31,404	550,332	77,659	76,650	144,482	176,848	156,868	90,481	219,149
Other	4,677	-	705	-	14,407	5,030	-	29,532	-
Total	99,084	898,381	199,838	430,822	570,360	245,860	423,935	421,177	273,538
Power Sales--2016 (MWh) (4):									
Residential	60,011	351,723	29,986	44,497	74,804	68,916	146,255	142,144	55,682
Industrial	-	-	83,956	317,879	326,451	-	122,040	162,552	-
Commercial	30,927	555,065	71,552	74,070	136,874	187,706	171,324	102,796	223,874
Other	4,605	-	721	-	14,821	7,125	-	29,756	-
Total	95,543	906,788	186,215	436,446	552,950	263,747	439,619	437,248	279,556
Power Sales--2015 (MWh) (4):									
Residential	59,770	378,614	30,057	44,564	77,525	72,918	291,961	143,518	59,474
Industrial	-	-	78,411	320,444	323,824	-	27,521	156,928	-
Commercial	30,846	570,408	67,833	72,295	130,350	190,013	338,865	95,746	227,878
Other	4,624	-	685	-	15,194	7,450	-	30,407	-
Total	95,240	949,022	176,986	437,303	546,893	270,381	658,347	426,599	287,352
Power Sales--2017 (\$) (5):									
Residential	\$ 9,031,345	\$ 37,253,286	\$ 3,708,926	\$ 5,147,754	\$ 9,231,739	\$ 7,269,775	\$ 15,379,922	\$ 14,667,300	\$ 5,716,962
Industrial	-	-	7,650,896	22,133,325	19,495,556	-	9,669,702	11,383,991	-
Commercial	4,024,969	56,157,102	9,121,022	8,746,979	14,626,269	18,627,908	18,486,030	10,938,588	23,267,556
Other	645,886	-	66,800	-	1,978,124	1,207,071	-	3,640,710	-
Total	\$ 13,702,200	\$ 93,410,388	\$ 20,547,644	\$ 36,028,058	\$ 45,331,688	\$ 27,104,754	\$ 43,535,654	\$ 40,630,589	\$ 28,984,518
Power Sales--2016 (\$) (5):									
Residential	\$ 8,628,492	\$ 40,748,369	\$ 3,498,080	\$ 4,999,520	\$ 8,915,639	\$ 7,756,148	\$ 13,559,869	\$ 15,448,910	\$ 5,799,663
Industrial	-	-	7,158,286	23,956,883	22,645,066	-	7,420,217	11,001,495	-
Commercial	3,974,575	54,569,824	8,584,220	8,629,076	15,417,392	18,920,301	16,667,040	11,687,431	23,552,110
Other	644,844	-	68,145	-	1,919,805	1,738,847	-	3,602,058	-
Total	\$ 13,247,911	\$ 95,318,193	\$ 19,308,731	\$ 37,585,479	\$ 48,897,902	\$ 28,415,296	\$ 37,647,126	\$ 41,739,894	\$ 29,351,773
Power Sales--2015 (\$) (5):									
Residential	\$ 8,815,897	\$ 41,436,568	\$ 3,461,858	\$ 5,169,118	\$ 9,021,545	\$ 8,076,832	\$ 15,282,721	\$ 15,230,388	\$ 6,124,441
Industrial	-	-	6,803,483	24,745,842	20,521,972	-	10,122,364	10,575,792	-
Commercial	4,121,051	58,628,145	8,211,231	8,631,933	13,731,427	19,013,310	18,196,446	11,000,761	23,510,685
Other	676,343	-	64,905	-	1,905,352	2,112,355	-	3,588,238	-
Total	\$ 13,613,291	\$ 100,064,713	\$ 18,541,477	\$ 38,546,893	\$ 45,180,296	\$ 29,202,497	\$ 43,601,531	\$ 40,395,179	\$ 29,635,126

(4) Power Sales for Participants' fiscal year not including power used for public purposes and not billed by the Participant.

(5) Figures for Power Sales are provided by the Participants. In some cases, Participants used figures from audit reports resulting in Power Sales in Table V being identical to those in Table IV. In other cases, Participants provided figures from other unaudited records. These figures may include such things as sales tax and adjustments for unbilled service for public use and may differ from the corresponding Power Sales figures in Table V.

Table IV  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Electric System Descriptions, Customers and Power Sales*

(continued)

	East Point	Griffin	LaGrange	Lawrenceville	Marietta	Moultrie	Newnan	Sylvania	Thomasville
Power Sales--2017 (MWh) (4):									
Residential	-	148,066	130,989	103,756	349,603	68,764	81,884	20,290	174,073
Industrial	-	84,342	234,815	-	-	22,761	32,597	670,963	-
Commercial	-	164,996	123,568	219,988	670,827	78,662	175,278	25,109	283,629
Other	-	-	42,693	-	11,733	5,722	3,562	-	22,328
Total	-	397,404	532,065	323,744	1,032,163	175,909	293,321	716,362	480,030
Power Sales--2016 (MWh) (4):									
Residential	140,520	142,414	128,969	104,796	339,675	72,159	85,552	21,668	182,138
Industrial	-	82,750	238,715	-	-	22,966	37,559	673,868	-
Commercial	214,527	166,584	122,923	214,731	648,709	81,292	169,999	25,173	297,150
Other	-	-	43,872	-	11,428	5,700	3,585	-	23,104
Total	355,047	391,748	534,479	319,527	999,812	182,117	296,695	720,709	502,392
Power Sales--2015 (MWh) (4):									
Residential	143,366	147,456	134,054	106,199	343,630	75,475	84,058	21,766	184,950
Industrial	-	92,064	234,056	-	-	24,821	55,778	628,705	-
Commercial	210,148	165,824	120,809	210,993	641,390	81,830	160,382	25,121	297,777
Other	-	-	43,588	-	11,267	5,500	3,536	-	22,860
Total	353,514	405,344	532,507	317,192	996,287	187,626	303,754	675,592	505,587
Power Sales--2017 (\$) (5):									
Residential	\$ -	\$ 15,204,487	\$ 13,772,877	\$ 11,785,868	\$ 41,420,582	\$ 9,018,793	\$ 9,931,547	\$ 2,658,020	\$ 21,195,737
Industrial	-	7,394,711	14,758,703	-	-	2,590,487	4,701,236	21,901,515	-
Commercial	-	21,543,428	11,442,422	20,293,551	74,453,022	10,533,522	17,107,794	3,503,499	30,922,434
Other	-	-	3,926,910	-	2,410,842	631,581	516,982	-	2,741,898
Total	\$ -	\$ 44,142,626	\$ 43,900,912	\$ 32,079,419	\$ 118,284,446	\$ 22,774,383	\$ 32,257,559	\$ 28,063,034	\$ 54,860,069
Power Sales--2016 (\$) (5):									
Residential	\$ 19,243,479	\$ 15,021,930	\$ 13,952,296	\$ 11,409,559	\$ 40,293,367	\$ 8,847,536	\$ 10,272,082	\$ 2,816,005	\$ 21,930,683
Industrial	-	7,629,396	15,577,403	-	-	2,495,275	4,910,416	20,299,103	-
Commercial	24,489,519	21,145,740	11,701,434	19,614,747	74,041,724	10,312,389	17,005,752	3,588,251	31,863,729
Other	-	-	4,071,880	-	2,355,682	581,316	504,978	-	2,685,362
Total	\$ 43,732,998	\$ 43,797,066	\$ 45,303,013	\$ 31,024,306	\$ 116,690,773	\$ 22,236,516	\$ 32,693,228	\$ 26,703,359	\$ 56,479,774
Power Sales--2015 (\$) (5):									
Residential	\$ 19,407,643	\$ 16,943,438	\$ 14,976,263	\$ 11,469,422	\$ 40,382,197	\$ 9,971,138	\$ 9,835,014	\$ 2,631,736	\$ 22,145,632
Industrial	-	7,906,322	16,741,686	-	-	2,527,639	5,675,657	21,182,752	-
Commercial	24,288,447	20,663,426	12,137,359	19,404,205	73,109,689	10,097,360	16,406,781	3,222,615	32,115,449
Other	-	-	4,339,156	-	2,299,744	554,598	477,246	-	2,634,018
Total	\$ 43,696,090	\$ 45,513,186	\$ 48,194,464	\$ 30,873,627	\$ 115,791,630	\$ 23,150,735	\$ 32,394,698	\$ 27,037,103	\$ 56,895,099



Table V  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Electric System Financial Operations (1)*

	Acworth	Albany	Buford	Calhoun (7)	Cartersville	College Park	Covington	Crisp County (7) (8)	Douglas
Fiscal Year-end	June 30	June 30	June 30	June 30	June 30	June 30	June 30	December 31	June 30
<b>2017</b>									
Power Sales (2)	\$ 12,980,245	\$ 93,410,388	\$ 20,455,795	\$ 36,211,755	\$ 47,562,250	\$ 21,641,498	\$ 43,322,721	\$ 41,033,063	\$ 26,353,527
Other Operating Revenues	606,785	14,192,248	556,409	299,106	626,946	2,986,095	4,319,105	949,763	3,097,991
Total Operating Revenues	13,587,030	107,602,636	21,012,204	36,510,861	48,189,196	24,627,593	47,641,826	41,982,826	29,451,518
Cost of Purchased Power	6,976,979	76,303,584	12,911,965	26,960,724	38,792,078	23,252,234	30,061,052	24,212,986	20,326,171
Other Operating and Maintenance expenses (excluding depreciation) (3)	3,300,736	16,594,014	2,061,582	4,107,245	5,249,005	4,465,250	13,866,180	10,394,110	2,606,028
Total Operating Expenses	10,277,715	92,897,597	14,973,547	31,067,969	44,041,083	27,717,484	43,927,232	34,607,096	22,932,199
Net Operating Revenues (Loss)	3,309,315	14,705,038	6,038,657	5,442,892	4,148,113	(3,089,891)	3,714,594	7,375,730	6,519,319
Other revenues (expense) (4)	(102,032)	-	844,145	290,014	39,086	-	-	788,851	-
Total	3,207,283	14,705,038	6,882,802	5,732,906	4,187,199	(3,089,891)	3,714,594	8,164,581	6,519,319
Debt Service (5)	93,573	-	-	-	-	-	-	-	-
Amount Supplied to Other Purposes (6)	\$ 3,113,710	\$ 14,705,038	\$ 6,882,802	\$ 5,732,906	\$ 4,187,199	\$ (3,089,891)	\$ 3,714,594	\$ 8,164,581	\$ 6,519,319
<b>2016</b>									
Power Sales (2)	\$ 12,602,848	\$ 95,318,193	\$ 19,270,119	\$ 37,810,552	\$ 48,983,290	\$ 24,079,384	\$ 43,696,028	\$ 41,739,894	\$ 26,857,754
Other Operating Revenues	407,441	7,038,090	653,496	360,837	524,857	3,359,570	4,797,438	721,371	3,122,101
Total Operating Revenues	13,010,289	102,356,283	19,923,615	38,171,389	49,508,147	27,438,953	48,493,466	42,461,265	29,979,855
Cost of Purchased Power	6,592,120	78,984,705	12,735,159	28,510,775	38,975,244	21,690,501	30,330,132	24,597,694	20,180,716
Other Operating and Maintenance expenses (excluding depreciation) (3)	2,860,279	9,313,551	1,868,880	4,034,096	5,152,011	1,983,156	13,884,677	9,322,297	2,856,478
Total Operating Expenses	9,452,399	88,298,256	14,604,039	32,544,871	44,127,255	23,673,657	44,214,809	33,919,991	23,037,194
Net Operating Revenues	3,557,890	14,058,027	5,319,576	5,626,518	5,380,892	3,765,296	4,278,657	8,541,274	6,942,661
Other revenues (expense) (4)	115,888	-	869,899	442,548	99,346	-	-	413,373	-
Total	3,673,778	14,058,027	6,189,475	6,069,066	5,480,238	3,765,296	4,278,657	8,954,647	6,942,661
Debt Service (5)	50,401	-	-	-	-	-	-	-	-
Amount Supplied to Other Purposes (6)	\$ 3,623,377	\$ 14,058,027	\$ 6,189,475	\$ 6,069,066	\$ 5,480,238	\$ 3,765,296	\$ 4,278,657	\$ 8,954,647	\$ 6,942,661
<b>2015</b>									
Power Sales (2)	\$ 13,217,375	\$ 100,064,713	\$ 18,470,105	\$ 39,534,351	\$ 48,242,355	\$ 26,140,269	\$ 43,442,773	\$ 40,395,179	\$ 27,305,304
Other Operating Revenues	404,872	6,983,108	411,484	450,630	573,257	2,875,964	3,409,323	835,721	1,234,647
Total Operating Revenues	13,622,247	107,047,821	18,881,589	39,984,981	48,815,612	29,016,233	46,852,096	41,230,900	28,539,951
Cost of Purchased Power	7,812,562	82,944,732	13,881,227	30,066,420	40,143,020	22,040,092	32,416,914	25,458,348	20,116,009
Other Operating and Maintenance expenses (excluding depreciation) (3)	2,646,650	11,086,289	1,745,379	3,970,702	5,098,910	3,294,838	11,299,646	8,892,347	2,678,343
Total Operating Expenses	10,459,212	94,031,021	15,626,606	34,037,122	45,241,930	25,334,930	43,716,560	34,350,695	22,794,352
Net Operating Revenues	3,163,035	13,016,800	3,254,983	5,947,859	3,573,682	3,681,303	3,135,536	6,880,205	5,745,599
Other revenues (expense) (4)	(9,939)	-	785,108	239,553	70,933	-	-	387,453	(301,603)
Total	3,153,096	13,016,800	4,040,091	6,187,412	3,644,615	3,681,303	3,135,536	7,267,658	5,443,995
Debt Service (5)	41,766	-	-	-	-	-	-	-	929
Amount Supplied to Other Purposes (6)	\$ 3,111,330	\$ 13,016,800	\$ 4,040,091	\$ 6,187,412	\$ 3,644,615	\$ 3,681,303	\$ 3,135,536	\$ 7,267,658	\$ 5,443,066

(1) Extracted from audited financial statements or other supplementary information from the Participants.

(2) Power Sales are net after billing adjustments and adjustments for unbilled services for public use.

(3) Other Operating and Maintenance expenses do not include interest on electric revenue bonds, which is reflected in Debt Service, and depreciation and capital expenditures which are reflected in Amount Supplied to Other Purposes.

(4) Other Revenues includes investment income, inventory adjustments, change in fair value of investments and, in applicable years, MEAG Power's calendar year-end refunds resulting from revenue collections from Participants in excess of MEAG Power's revenue requirements. Every Participant, in applicable years, received MEAG Power's calendar year-end settlement but not all show these refunds as revenues attributable to the electric system. Deducted from Other Revenues are such things as reimbursements to customers for prior year overcharges, amortization of debt expense, other interest expense, loss on investments, and paying agent fees.

(5) Debt Service consists of principal and interest payments on the Participants' electric system revenue bonds and that portion of public utility revenue bonds allocated to the electric system.

(6) Such purposes include any transfer of funds to the Participant's general fund, school fund, other utility funds and community contributions. In addition, other purposes include renewals, replacements, capital additions to plant, depreciation expenses, working capital and contingencies.

(7) Both Calhoun and Crisp County have a generating facility connected to the integrated transmission system. The cost of power generated by these Participants' own electric system facility is in Other Operating and Maintenance expenses.

(8) The Crisp County Power Commission has a December 31 fiscal year-end. Crisp County has a June 30 fiscal year-end.

Table V  
**PARTICIPANTS OF MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA**  
*Electric System Financial Operations (1)*

(continued)

	East Point	Griffin	LaGrange	Lawrenceville	Marietta	Moultrie	Newnan	Sylvania	Thomasville
Fiscal Year-end	June 30	June 30	June 30	August 31	June 30	September 30	December 31	December 31	December 31
<b>2017</b>									
Power Sales (2)	\$ -	\$ 44,142,626	\$ 43,864,242	\$ 33,295,602	\$ 116,143,961	\$ 22,774,383	\$ 34,572,514	\$ 28,242,668	\$ 54,829,324
Other Operating Revenues	-	3,866,903	2,933,745	165,265	1,002,114	3,444,846	-	34,547	5,258,950
Total Operating Revenues	-	48,009,529	46,797,987	33,460,867	117,146,075	26,219,229	34,572,514	28,277,215	60,088,274
Cost of Purchased Power	-	30,430,121	38,307,713	22,713,356	93,836,745	17,307,123	19,112,948	25,135,343	40,421,851
Other Operating and Maintenance expenses (excluding depreciation) (3)	-	6,751,437	2,073,423	1,955,509	10,462,860	1,734,236	8,200,589	883,816	8,512,208
Total Operating Expenses	-	37,181,558	40,381,136	24,668,865	104,299,605	19,041,359	27,313,537	26,019,159	48,934,059
Net Operating Revenues	-	10,827,971	6,416,851	8,792,002	12,846,470	7,177,870	7,258,977	2,258,056	11,154,215
Other revenues (expense) (4)	-	199,360	(1,941,257)	-	10,909,704	124,481	834,718	(194,187)	2,340,453
Total	-	11,027,331	4,475,594	8,792,002	23,756,174	7,302,351	8,093,695	2,063,869	13,494,668
Debt Service (5)	-	-	-	-	-	-	-	-	-
Amount Supplied to Other Purposes (6)	\$ -	\$ 11,027,331	\$ 4,475,594	\$ 8,792,002	\$ 23,756,174	\$ 7,302,351	\$ 8,093,695	\$ 2,063,869	\$ 13,494,668
<b>2016</b>									
Power Sales (2)	\$ 44,386,682	\$ 43,797,066	\$ 45,217,045	\$ 33,409,738	\$ 115,524,224	\$ 22,236,516	\$ 34,497,339	\$ 27,598,553	\$ 56,467,020
Other Operating Revenues	25,272	2,831,909	2,605,331	105,432	1,004,509	3,712,781	-	4,590	6,062,465
Total Operating Revenues	44,411,954	46,628,975	47,822,376	33,515,170	116,528,733	25,949,297	34,497,339	27,603,143	62,529,485
Cost of Purchased Power	36,190,814	29,567,861	38,043,672	23,437,882	90,840,773	18,664,091	20,012,407	25,843,650	42,597,956
Other Operating and Maintenance expenses (excluding depreciation) (3)	7,619,007	6,473,090	1,962,607	1,916,968	10,714,823	1,610,051	7,546,710	840,995	8,028,739
Total Operating Expenses	43,809,821	36,040,951	40,006,279	25,354,850	101,555,596	20,274,142	27,559,117	26,684,645	50,626,695
Net Operating Revenues	602,133	10,588,024	7,816,097	8,160,320	14,973,137	5,675,155	6,938,222	918,498	11,902,790
Other revenues (expense) (4)	4,472,709	1,212,415	(1,244,628)	-	11,189,341	151,795	413,166	(335,087)	3,105,276
Total	5,074,842	11,800,439	6,571,469	8,160,320	26,162,478	5,826,950	7,351,388	583,411	15,008,066
Debt Service (5)	-	-	-	-	-	-	-	-	-
Amount Supplied to Other Purposes (6)	\$ 5,074,842	\$ 11,800,439	\$ 6,571,469	\$ 8,160,320	\$ 26,162,478	\$ 5,826,950	\$ 7,351,388	\$ 583,411	\$ 15,008,066
<b>2015</b>									
Power Sales (2)	\$ 45,262,862	\$ 45,513,186	\$ 48,090,261	\$ 32,510,057	\$ 114,789,426	\$ 23,150,735	\$ 34,195,815	\$ 27,086,460	\$ 56,882,101
Other Operating Revenues	165,102	3,041,229	2,567,243	69,864	1,300,183	3,360,915	-	9,978	6,867,454
Total Operating Revenues	45,427,964	48,554,415	50,657,504	32,579,921	116,089,609	26,511,650	34,195,815	27,096,438	63,749,555
Cost of Purchased Power	33,570,311	31,328,849	41,098,297	23,914,838	90,904,202	18,570,669	20,092,336	26,051,926	43,220,630
Other Operating and Maintenance expenses (excluding depreciation) (3)	6,840,941	6,429,793	1,891,019	1,613,308	10,247,794	1,751,359	7,208,027	844,853	6,289,797
Total Operating Expenses	40,411,252	37,758,642	42,989,316	25,528,146	101,151,996	20,322,028	27,300,363	26,896,779	49,510,427
Net Operating Revenues	5,016,712	10,795,773	7,668,188	7,051,775	14,937,613	6,189,622	6,895,452	199,659	14,239,128
Other revenues (expense) (4)	2,250,244	521,604	(1,191,171)	(2,400)	13,473,313	765,195	442,859	(158,930)	3,809,710
Total	7,266,956	11,317,377	6,477,017	7,049,375	28,410,926	6,954,817	7,338,311	40,729	18,048,838
Debt Service (5)	-	-	-	-	-	-	-	-	-
Amount Supplied to Other Purposes (6)	\$ 7,266,956	\$ 11,317,377	\$ 6,477,017	\$ 7,049,375	\$ 28,410,926	\$ 6,954,817	\$ 7,338,311	\$ 40,729	\$ 18,048,838

[This page intentionally left blank]

**SUMMARY OF POWER SALES CONTRACTS**

The following is a description of certain of the provisions of the Project One Power Sales Contracts and the Existing General Resolution Projects Power Sales Contracts executed between MEAG Power and the Initial Participants. All of the Power Sales Contracts for each Project are identical in all material respects. In addition, the Project One and Project Four power sales contracts between MEAG Power and Oxford and the Project One power sales contract between MEAG Power and Acworth are substantially identical to the Power Sales Contracts for each such Project. The Project One Power Sales Contracts became effective on March 1, 1976, the Project Two Power Sales Contracts (other than the Project Two Power Sales Contract between MEAG Power and Oxford) became effective on February 1, 1978, the Project Three Power Sales Contracts (other than the Project Three Power Sales Contract between MEAG Power and Oxford) became effective on May 1, 1980 and the Project Four Power Sales Contracts became effective on November 6, 1983. The Project Two and Project Three Power Sales Contracts between MEAG Power and Oxford became effective on January 1, 1986, the Project One and Project Four power sales contract between MEAG Power and Oxford became effective on January 1, 1986 and the Project One power sales contract between MEAG Power and Acworth became effective on May 16, 2002.

As a result of the Term Extension Amendments (see the fifth paragraph under “INTRODUCTORY STATEMENT – The Participants” in the Annual Information Statement), the power sales contracts relating to each Project will continue in full force and effect until June 1, 2054.

MEAG Power is obligated to provide, and the Participants are obligated to take from MEAG Power, all of the Participants’ Bulk Power Supply requirements. See “MEAG POWER – Bulk Power Supply Operations” in the Annual Information Statement for information regarding the establishment by MEAG Power of rates and charges, and the Participants’ rights and obligations, with respect to power and energy from Project One, Project Two, Project Three and Project Four.

Capitalized terms not otherwise defined herein or defined in the Annual Information Statement shall be as defined in the Power Sales Contracts.

**Annual Budgets**

MEAG Power is required to adopt an Annual System Budget for Project One, an Annual Project Two Budget, an Annual Project Three Budget and an Annual Project Four Budget sufficient to recover all of its costs in providing output and services from the related Project to the Participants including overhead, working capital, debt service and all other amounts required to be paid or deposited in funds by the Project One Resolution or the General Resolution Projects Resolution. The Project One Power Sales Contracts provide that an appropriate share of MEAG Power’s administrative and general expenses will be allocated between Project One and any other projects including the Existing General Resolution Projects. MEAG Power is required to establish rates and charges for the output and services of Project Two, Project Three and Project Four which will provide revenues sufficient, but only sufficient, to pay its costs attributable to each such Project. For purposes of establishing such rates and charges, MEAG Power may combine the costs of any such projects with the costs of any other such project and with the costs relating to Supplemental Bulk Power Supply (which will continue to be recovered under the authority of the Project One Power Sales Contracts) and with its costs attributable to any future projects for the output and services of which a Participant executes a contract, in which case a portion of the revenues derived from such Participant under such rates and charges would be allocated to payment of costs attributable to the applicable Existing General Resolution Project. MEAG Power may also establish separate rates and charges for the output and services of Project Two, Project Three and Project Four.

MEAG Power is authorized to amend the Annual System Budget for Project One, the Annual Project Two Budget, the Annual Project Three Budget and the Annual Project Four Budget upon 30 days' notice to the Participants and to adjust its rates and charges as required to meet all of its costs. MEAG Power submits and each Participant is obligated to pay a monthly Billing Statement for each Project based upon the applicable Budget. At the end of each Power Supply Year MEAG Power determines if the aggregate amounts collected from the monthly Billing Statements, together with any other income, was in the proper amount. Any excess collected is appropriately credited to the Participants on their monthly Billing Statements for the remaining month or months of the then current Power Supply Year, or may be paid to the Participants entitled thereto if available in the General Reserve Fund (which, in the case of both the Project One Resolution and the General Resolution Projects Resolution, has been consolidated into the Revenue and Operating Fund established thereunder). Any deficiencies found to exist are recovered by adding ten percent of each Participant's aggregate deficiency to each of its ten succeeding monthly Billing Statements.

### **Participants' Obligations to Pay**

Each Participant is obligated to make its payments for Project One power under its Project One Power Sales Contract whether or not Project One, or any portion thereof, is completed, operating or operable, and such payments are unconditional. The Project One Power Sales Contracts acknowledge that all such payments are to be pledged as security for MEAG Power's Project One Senior Bonds.

Each Participant is unconditionally obligated to pay for output and services from the Existing General Resolution Projects pursuant to the rates and charges established by MEAG Power under the Existing General Resolution Projects Power Sales Contracts, whether or not any portion of such Projects is completed, operating or operable. The Existing General Resolution Projects Power Sales Contracts acknowledge that all such payments are to be pledged as security for MEAG Power's General Resolution Projects Senior Bonds.

For further information with respect to the obligations of the Participants under the Project One Power Sales Contracts and the Existing General Resolution Projects Power Sales Contracts and remedies of MEAG Power thereunder, see "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power's Senior Bonds" and "THE PARTICIPANTS" in the Annual Information Statement.

### **Procurement of Alternative Bulk Power Supply Resources**

Each Project One Power Sales Contract provides that each Participant may procure sources of supplemental bulk power supply other than that provided by MEAG Power. This right is subject to certain notice requirements varying from two years to nine years depending upon the ratio that the amount of such alternate source bears to the Participant's total peak demand less SEPA power and less its Entitlement Share of the output and services of Project One. Both parties may mutually agree to some other notice provision if no burden or cost would be imposed upon MEAG Power. The Project Two, Project Three and Project Four Power Sales Contracts further limit the right of Participants to procure alternate supplemental bulk power supply sources, providing that, in the event that such a source were procured by a Participant, such Participant's Bulk Power Supply would be deemed to be not less than such Participant's Entitlement Share of the capacity related output and services of Project One, multiplied by a fraction, the numerator of which is combined capacity related output and services of Project One, Project Two, Project Three and Project Four delivered to all Participants and the denominator of which is the capacity related output and services of Project One delivered to all Participants provided that the Participants must continue to take their allocated shares of the output of Project Two, Project Three and Project Four. Further, procurement of such alternate sources does not relieve a Participant of its obligation to pay its Entitlement Share of costs relating to Project One or its allocated share of the costs of the Existing General Resolution Projects. See the final

paragraph under “MEAG POWER – Bulk Power Supply Operations – *Provisions for Participants to Obtain Supplemental Power from Alternative Sources*” in the Annual Information Statement for information concerning the adoption by MEAG Power of a policy with respect to the supplemental power requirements of the Participants.

## **Remedies**

Failure by a Participant to make any payment due under its Project One Power Sales Contract and each Existing General Resolution Projects Power Sales Contract will constitute a default thereunder. In such event MEAG Power may proceed to enforce payment by action at law or equity and may, upon 60 days’ written notice to the Participant, discontinue output and services from the applicable Project to such Participant. Also, each Power Sales Contract provides that in the event of default in any payment by the Participant, such Participant must provide for the assessment and collection of an annual tax sufficient to meet its obligations under the applicable Power Sales Contract, and specific performance is provided as one remedy to enforce such provision.

## **Sale or Exchange of Power and Energy**

Under Section 311(b) of the Project One Power Sales Contracts, MEAG Power may utilize, sell, and exchange electric capacity and energy from the Participant’s Entitlement Share of Project One whenever, in its discretion, any such transaction can reasonably be expected to result in a more reliable or economical overall Bulk Power Supply to the Participants. This provision was added to give MEAG Power more flexibility in discharging its responsibility to provide an economical overall Bulk Power Supply to all of the Participants. Any action taken by MEAG Power under this section does not require approval by the Participants; however, MEAG Power must be able to demonstrate that any such action can be expected to result in a more reliable or economical overall Bulk Power Supply to the Participants.

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

With respect to Project One, any such sale will not relieve a Participant of its obligation on its Entitlement Share, but it will receive credit for the amounts that are actually paid for such excess by the transferees.

## **Termination or Amendment**

The Project One Power Sales Contracts may not be terminated or amended in any manner which would adversely affect the rights of the owners of the Project One Senior and Subordinated Bonds or reduce the payments pledged as security for any of the Project One Senior and Subordinated Bonds. Similarly, the Existing General Resolution Projects Power Sales Contracts may not be terminated or amended in any manner which would adversely affect the rights of the owners of the General Resolution Projects Senior and Subordinated Bonds or reduce the payments pledged as security for the General Resolution Projects Senior and Subordinated Bonds.

Effective May 31, 1989, MEAG Power executed an amendment to the Project One Power Sales Contracts to permit MEAG Power to acquire, construct, and finance transmission system facilities under the Integrated Transmission System Agreement (the predecessor agreement to the Integrated Transmission System Operation and Maintenance Agreement referred to under the caption “Summary of Agreements Relating to Integrated Transmission System – *Integrated Transmission System Operation and Maintenance*”).

*Agreements*” in APPENDIX E, “SUMMARY OF PROJECT AGREEMENTS”) subsequent to the achievement of commercial operation of the last of the generating facilities on Project One. Under the amendment, MEAG Power is authorized by the Power Sales Contracts to finance additional transmission system facilities as Additional Facilities of Project One. Such amendment to the Project One Power Sales Contracts also provides, among other things, for the delivery of SEPA power by MEAG Power to the Participants, which began in June 1989.

## SUMMARY OF PROJECT AGREEMENTS

**General**

MEAG Power's rights and obligations with respect to Generation Station Hatch, Generation Station Wansley, Generation Station Vogtle Unit Nos. 1 and 2 and those facilities at Generation Station Vogtle intended to be used in common by Generation Station Vogtle Unit Nos. 1 and 2 (such facilities together with Generation Station Vogtle Unit Nos. 1 and 2 are collectively referred to as, "Vogtle Units 1&2"), Generation Station Scherer Unit Nos. 1 and 2 and those facilities at Generation Station Scherer intended to be used in common by Generation Station Scherer Unit No. 1 or Generation Station Scherer Unit No. 2, or both, and one or both of Generation Station Scherer Unit No. 3 or Generation Station Scherer Unit No. 4 (such facilities are collectively referred to herein as the "Generation Station Scherer Common Facilities") are contained in a number of agreements between MEAG Power and GPC, in the case of Generation Station Hatch, Generation Station Wansley and a portion of MEAG Power's ownership interest in Vogtle Units 1&2, and among MEAG Power, GPC, OPC and Dalton, in the case of Vogtle Units 1&2 and Generation Station Scherer Unit Nos. 1 and 2 and the Generation Station Scherer Common Facilities.

***Generation Station Wansley.*** MEAG Power and GPC are parties to a Purchase and Ownership Participation Agreement, dated as of August 27, 1976, as amended (the "Wansley Ownership Agreement"), under which MEAG Power has acquired from GPC, and as described below is obligated in respect of, a 15.1 percent ownership interest in Generation Station Wansley (consisting of the 10.0 percent undivided interest included in Project One and the 5.1 percent undivided interest included in Project Two). MEAG Power is also a party to an Operating Agreement, dated as of August 27, 1976, as amended (the "Wansley Operating Agreement"), relating to the operation and maintenance of Generation Station Wansley. In addition, MEAG Power and GPC have entered into an Agreement of Construction, dated as of August 27, 1976, to construe certain terms and conditions of the Wansley Ownership Agreement and Wansley Operating Agreement.

***Generation Station Hatch.*** MEAG Power is party to a Purchase and Ownership Participation Agreement, dated as of August 27, 1976, as amended (the "Hatch Ownership Agreement"), under which it acquired from GPC, and is obligated in respect of, a 17.7 percent ownership interest in Generation Station Hatch. MEAG Power is also a party to an Operating Agreement, dated as of August 27, 1976, as amended (the "Hatch Operating Agreement"), relating to the operation and maintenance of Generation Station Hatch. In addition, MEAG Power and GPC have entered into an Agreement of Construction, dated as of August 27, 1976, to construe certain terms and conditions of the Hatch Ownership Agreement and Hatch Operating Agreement.

***Generation Station Scherer Unit Nos. 1 and 2.*** MEAG Power, GPC, OPC and Dalton are parties to a Purchase and Ownership Participation Agreement, dated as of May 15, 1980 (the "Scherer Ownership Agreement"), under which MEAG Power is obligated in respect of its aggregate 30.2 percent ownership interest in Generation Station Scherer Unit Nos. 1 and 2 (consisting of the 10.0 percent ownership interest included in Project One, the 5.1 percent ownership interest included in Project Two and the 15.1 percent ownership interest included in Project Three), and in respect of its 15.1 percent ownership interest in the Generation Station Scherer Common Facilities (consisting of the 5.0 percent interest in Project One, the 2.55 percent interest in Project Two and the 7.55 percent interest in Project Three). MEAG Power, GPC, OPC and Dalton are also parties to an Operating Agreement, dated as of May 15, 1980 (the "Scherer Operating Agreement"), relating to the operation and maintenance of Generation Station Scherer Unit Nos. 1 and 2 and the Generation Station Scherer Common Facilities. Both the Scherer Ownership Agreement and the Scherer Operating Agreement were amended in December 1985 to accommodate a sale and leaseback financing arrangement by OPC of its interest in Generation Station Scherer Unit No. 2.



In connection with OPC's sale and leaseback financing arrangement of its interest in Generation Station Scherer Unit No. 2, MEAG Power, GPC, OPC, Dalton and Gulf Power Company entered into Consent, Amendment and Assumption Agreements, each dated as of December 30, 1985, with each of four Owner Trustees (those involved in the OPC financing arrangement) pursuant to which the Consenting Co-Owners (GPC, OPC, MEAG Power and Dalton) consented to the transfers and to the related assignments and assumptions required in the OPC sale and leaseback financing arrangement.

The co-owners of Generation Station Scherer Unit Nos. 1 and 2 entered into an amendment to the Scherer Ownership Agreement and an amendment to the Scherer Operating Agreement, both amendments dated as of December 31, 1990. The amendments, among other things, permit each such party and each co-owner of Generation Station Scherer Unit No. 3 or Generation Station Scherer Unit No. 4, under certain conditions, to elect to maintain a separate coal stockpile for accounting and other purposes and for purposes of payment of costs relating thereto; to procure coal for use in connection with their undivided ownership interests; and to cause GPC to use its reasonable best efforts to dispatch the undivided ownership interest of such party, if it has a separate coal stockpile, to match such party's schedule. GPC and MEAG Power have made similar amendments to the Wansley Ownership Agreement and the Wansley Operating Agreement.

The parties to the Scherer Ownership Agreement, along with the other co-owners of Generation Station Scherer Unit Nos. 3 and 4, entered into a Generation Station Scherer Managing Board Agreement (the "Scherer Managing Board Agreement") which, among other things, established a managing board to coordinate the implementation and administration of the various agreements referred to above relating to Generation Station Scherer and similar agreements relating to Generation Station Scherer Unit Nos. 3 and 4, including the establishment of standards, rules and policies for fuel and fuel procurement and the method of voting on issues affecting the various components of Generation Station Scherer in which all co-owners of the Generation Station have an interest.

As a result of the amendments to the Scherer Ownership Agreement and the Scherer Operating Agreement described above and the Scherer Managing Board Agreement, and the sale by GPC of undivided ownership interests in Generation Station Scherer Unit No. 4 to Florida Power & Light Company ("FP&L") and JEA, the co-owners of Generation Station Scherer amended the Consent, Amendment and Assumption Agreements with each of the four Owner Trustees, dated as of August 16, 1993, to (1) address the rights and obligations of OPC and the Owner Trustees with respect to the Scherer Managing Board Agreement, (2) amend the Co-Owners' Consent relating to the purchase of the coal stockpile and Generation Station Scherer Unit No. 2 coal inventories, and (3) allow the Owner Trustees, subject to certain conditions, the right to elect to succeed to certain then existing rights of OPC under the Scherer Ownership Agreement and the Scherer Operating Agreement.

***Vogtle Units 1&2.*** MEAG Power, GPC, OPC and Dalton are parties to (1) a Purchase and Ownership Participation Agreement, dated as of August 27, 1976, as amended (the "Vogtle Units 1&2 Ownership Agreement" which is referred to herein collectively with the Hatch Ownership Agreement, the Wansley Ownership Agreement and the Scherer Ownership Agreement, as the "Ownership Agreements"), under which MEAG Power has acquired from GPC, and as described below is obligated in respect of, its 17.7 percent ownership interest in Vogtle Units 1&2 included in MEAG Power's Project One and under which MEAG Power is obligated in respect of the additional 5.0 percent ownership interest in Vogtle Units 1&2 included in Project Four and (2) an Amended and Restated Operating Agreement, dated as of April 21, 2006, as amended (the "Vogtle Operating Agreement" which is referred to herein collectively with the Hatch Operating Agreement, the Wansley Operating Agreement and the Scherer Operating Agreement, as the "Operating Agreements"), relating to the operation and maintenance of Generation Station Vogtle. The Vogtle Operating Agreement amended and restated the operating agreement, dated as of August 27, 1976, as amended, which originally governed Vogtle Units 1&2, to include two additional nuclear units at Generation Station Vogtle ("Vogtle Units 3&4"). For a discussion of the provisions of the Vogtle Operating

Agreement, see APPENDIX L, “SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Operating Agreement.” MEAG Power and GPC are parties to a purchase agreement (the “Vogtle Units 1&2 Purchase Agreement”), which provided for, among other things, the purchase by MEAG Power from GPC of an additional 5.0 percent ownership interest in Vogtle Units 1&2 which is included in Project Four, and the amendment thereto dated as of April 9, 1985 revising the terms of the sellback by MEAG Power to GPC of output from MEAG Power’s interests in Vogtle Units 1&2 (the “Amended Vogtle Units 1&2 Purchase Agreement”). See “Summary of Operating Agreements – *Sell-Back Arrangements with GPC*” herein.

***Nuclear Managing Board.*** MEAG Power, GPC, OPC and Dalton entered into a Nuclear Managing Board Agreement, dated as of November 12, 1990, which established a nuclear managing board to coordinate the implementation and administration of the various agreements referred to above relating to Generation Station Hatch and Vogtle Units 1&2. Subsequently, the parties entered into an Amended and Restated Nuclear Managing Board Agreement, dated as of July 1, 1993 (the “Amended and Restated Nuclear Managing Board Agreement”), which authorized GPC to enter into a Nuclear Operating Agreement for Generation Station Hatch and Vogtle Units 1&2 with Southern Nuclear. This amended agreement established Southern Nuclear as the Operating Agent responsible for the operation and maintenance and decommissioning of Generation Station Hatch and Vogtle Units 1&2 as the agent of GPC, subject to receiving the approval of the NRC. That approval was received on March 17, 1997 and Southern Nuclear now is functioning as the Operating Agent. As a result of the foregoing, the nuclear services agreement previously entered into among MEAG Power, GPC, OPC and Dalton has been terminated and GPC has acknowledged (a) that the Nuclear Operating Agreement is a subcontract only and does not relieve GPC of any of its responsibilities to the co-owners of Generation Station Hatch and Vogtle Units 1&2 and (b) that it shall continue to be responsible to the other co-owners for its agency functions, including, but without limitation, the operation and maintenance and decommissioning of Generation Station Hatch and Vogtle Units 1&2 pursuant to the applicable Agreements and shall be responsible for the performance of the Operating Agent. The Operating Agent, in turn, is obligated to comply with the applicable terms of the Amended and Restated Nuclear Managing Board Agreement.

On April 21, 2006, GPC, MEAG Power, OPC and Dalton entered into a Second Amended and Restated Nuclear Managing Board Agreement (the “Nuclear Managing Board Agreement”) for Generation Station Hatch and Generation Station Vogtle for the purpose of providing that Southern Nuclear also will serve as the Operating Agent with respect to the proposed expansion at Generation Station Vogtle involving the construction of Vogtle Units 3&4 in addition to Vogtle Units 1&2. The Second Amended and Restated Nuclear Managing Board Agreement was further amended by Amendment No. 1 thereto, dated as of April 8, 2008, to clarify the identity of Dalton as a party to the Second Amended and Restated Nuclear Managing Board Agreement. The Second Amended and Restated Nuclear Managing Board Agreement was further amended by Amendment No. 2 thereto, dated as of February 20, 2014 to, among other things, (1) permit MEAG Power to assign to the Vogtle Units 3&4 Project Entities, and permit the Vogtle Units 3&4 Project Entities to assume, MEAG Power’s rights and obligations under the Second Amended and Restated Nuclear Managing Board Agreement and (2) provide for a guaranty given by MEAG Power in favor of GPC, OPC and Dalton of the respective obligations of each Vogtle Units 3&4 Project Entity under the Second Amended and Restated Nuclear Managing Board Agreement. See APPENDIX L, “SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Guaranties.”

***Other Matters.*** MEAG Power’s ownership interests in Generation Station Wansley and Generation Station Scherer Unit Nos. 1 and 2 and the Generation Station Scherer Common Facilities included in Project Two, its ownership interests in Generation Station Scherer Unit Nos. 1 and 2 and the Generation Station Scherer Common Facilities included in Project Three, its ownership interests in Vogtle Units 1&2 included in Project Four, and its ownership interests in Vogtle Units 3&4 included in the Vogtle Units 3&4 Projects may not be financed under the Project One Resolution. MEAG Power’s ownership interests in such facilities included as part of Project One may not be financed under the General Resolution Projects

Resolution or the Vogtle Units 3&4 Bond Resolutions. Revenues from the sale of capacity and energy attributable to MEAG Power's ownership interests in such facilities included as part of Project One have been pledged by MEAG Power as security for Project One Senior Bonds; revenues from the sale of capacity and energy attributable to MEAG Power's ownership interests therein included as part of Project Two, Project Three and Project Four are pledged by MEAG Power as security for General Resolution Projects Senior Bonds issued under the General Resolution Projects Resolution; and revenues from the sale of capacity and energy attributable to MEAG Power's ownership interests therein included as part of Project M, Project J and Project P are pledged by MEAG Power as security for Project M Bonds, Project J Bonds and Project P Bonds, respectively, issued under the applicable Vogtle Units 3&4 Bond Resolution. However, MEAG Power's obligations under the Project Agreements extend to MEAG Power's interests, as a whole, in such facilities, except that the ownership interest of each Vogtle Units 3&4 Project Entity in Vogtle Units 3&4 is treated separately for purposes of the Vogtle Units 3&4 Project Agreements. Failure of MEAG Power to meet any obligation in respect of its ownership interest in any Generation Station included as part of a Project would entitle the other co-owners to invoke their remedies in respect of MEAG Power's entire interest therein and consequently may adversely affect the rights of MEAG Power with respect to its ownership interest in such Generation Station, if any, included in another Project. See APPENDIX L, "SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS" for a description of the project agreements that govern the Vogtle Units 3&4 Projects.

MEAG Power and GPC have entered into three letter agreements dated May 8, 1979, August 8, 1983 and October 31, 1988 relating to the interpretation of certain provisions of the Project Agreements.

### **Summary of Ownership Agreements**

***GPC's Responsibilities as Agent.*** The Ownership Agreements appoint GPC as agent with sole authority for, among other things, the planning, licensing, design, construction and disposal of Generation Station Hatch, Generation Station Wansley, Vogtle Units 1&2, Generation Station Scherer Unit Nos. 1 and 2 and the Generation Station Scherer Common Facilities. As agent, GPC has the sole authority and responsibility to arrange for and acquire nuclear fuel for Generation Station Hatch and Vogtle Units 1&2 and fossil fuel for Generation Station Scherer Unit Nos. 1 and 2 and Generation Station Wansley, except that under certain circumstances the other co-owners of Generation Station Wansley and Generation Station Scherer Unit Nos. 1 and 2 may acquire fossil fuel for those units. However, each co-owner of the respective Generation Stations or units may make its own financial arrangements for the discharge of its fuel payment obligations so long as such arrangements do not adversely affect the rights of the other co-owners.

In performing its responsibilities under the Ownership Agreements, GPC is required to comply with prudent utility practices. GPC's liabilities with respect to its duties under the Ownership Agreements are limited by the terms thereof.

***Costs of Repairs and Reconstruction.*** Under certain circumstances, MEAG Power may be required to make payment for repair or reconstruction resulting from damage to or destruction of any portion of Generation Station Hatch, Generation Station Wansley, Vogtle Units 1&2, Generation Station Scherer Unit No. 1, Generation Station Scherer Unit No. 2 or the Generation Station Scherer Common Facilities.

***Remedies for Non-Payment.*** The Hatch Ownership Agreement and Wansley Ownership Agreement provide that, should MEAG Power fail to make payment when due, interest will be added to the overdue amount and MEAG Power will indemnify GPC for any damages arising out of MEAG Power's failure to make timely payment. In addition, GPC has the right, but not the obligation, to make any payment of principal or interest due from MEAG Power in respect of bonds for financing MEAG Power's obligations under the respective Ownership Agreements and to be reimbursed therefor by MEAG Power.

The Scherer Ownership Agreement and the Vogtle Units 1&2 Ownership Agreement provide that, should a co-owner fail to make any payment when due, among other things, such non-paying co-owner's rights to output capacity and energy would be suspended, and, in certain circumstances, the other co-owners would have the right to acquire all or a part of the non-paying co-owner's ownership interest in the Generation Station or the units and common facilities involved.

***Alienation and Assignment of Ownership Interests.*** The parties to the Hatch Ownership Agreement, the Vogtle Units 1&2 Ownership Agreement and the Wansley Ownership Agreement have rights to transfer ownership interests subject to first refusal rights of the other parties, subject to certain conditions. This right of first refusal is activated by an offer to the co-owners in proportion to their respective ownership interests. The offer, in the form of a contract with a firm price, must be accepted within 90 days. If the offer is not accepted, the seller may (within one year) sell to other entities upon the same conditions contained in the offer. In addition, with respect to Vogtle Units 1&2, GPC has reserved the right to sell undivided ownership interests to electric membership corporations or public bodies. Any such sale would not affect the obligation of GPC to continue as agent for the co-owners. GPC has retained the right to sell additional interests in Generation Station Wansley to co-owners of Generation Station Hatch, provided that, except for sales to OPC or MEAG Power as a result of certain options available under specified conditions, it must maintain a majority interest.

Except with the consent of co-owners owning at least an aggregate 95 percent interest in Generation Station Scherer Unit Nos. 1 and 2, no co-owner of such units may sell or otherwise transfer any portion of its interest in such units or the Generation Station Scherer Common Facilities without first offering such portion to the other co-owners (on a *pro rata* basis). However, such consent is not required in certain circumstances, including sales or transfers in connection with pollution control or fuel financing arrangements. No such sale or transfer by GPC shall relieve it of its obligation to act as agent under the Scherer Ownership Agreement and Scherer Operating Agreement; furthermore, no such sale or transfer by MEAG Power, GPC or OPC shall relieve GPC of its obligations under the sellback arrangements with respect to Generation Station Scherer Unit Nos. 1 and 2.

***The Generation Station Scherer Common Facilities.*** Under the Scherer Ownership Agreement, each of the co-owners of the Generation Station Scherer units is required to own a percentage interest in the Generation Station Scherer Common Facilities equivalent to its percentage entitlement to the total output from all units constructed (based on its ownership interest in each unit and the units' nominal ratings).

***No Warranties by GPC.*** Each Ownership Agreement contains a provision to the effect that GPC makes no representation or warranty as to, among other things, the value, quality, condition, saleability, merchantability, fitness or suitability for use of the applicable facilities, and that GPC makes no representation or warranty that the use or operation of such facilities will not violate patent, trademark or service mark rights of any third parties. However, MEAG Power has the benefit under the Ownership Agreements, in proportion to its interest in such facilities, of all manufacturers' and vendors' warranties and all patent, trademark and service mark rights running to GPC in connection therewith.

For a summary of the provisions of the Vogtle Units 3&4 Ownership Agreement, see APPENDIX L, "SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Ownership Agreement."

### **Summary of Operating Agreements**

The Operating Agreements give GPC, as agent, sole authority for the management, control, maintenance and operation of Generation Station Hatch, Generation Station Wansley, Generation Station Scherer Unit Nos. 1 and 2 and the Generation Station Scherer Common Facilities and provide for the use of capacity and energy from such facilities and the sharing of the costs thereof by the parties thereto in

accordance with their respective interests. For a summary of the provisions of the Vogtle Operating Agreement, see APPENDIX L, “SUMMARY OF VOGTLE UNITS 3&4 PROJECT AGREEMENTS – Vogtle Units 3&4 Operating Agreement.”

The Wansley Operating Agreement will remain in effect with respect to Generation Station Wansley Units No. 1 and No. 2 until April 30, 2019. Thereafter as long as the units are in commercial operation the Wansley Operating Agreement shall be automatically extended for successive one-year periods under the same terms unless one of the parties provides notice 180 days in advance of the current renewal period that they will seek either to amend or not extend the term. The Scherer Operating Agreement will remain in effect with respect to Scherer Units No. 1 and No. 2 until 2022 and 2024, respectively. Upon termination of each Operating Agreement (as the same may be extended from time to time), GPC’s appointment as agent for the co-owners will terminate, except that GPC will retain such powers as are necessary in connection with the disposition of the property of the applicable facilities, and the rights and obligations of the parties shall continue with respect to actions and expenses taken or incurred in connection with such disposition. Also, for a period of fifteen years after the expiration of the term of the Wansley Operating Agreement, the parties retain their right of first refusal as set forth in the Wansley Ownership Agreement with respect to any sale or conveyance of the Wansley facility.

***MEAG Power’s Entitlement to Output.*** With respect to availability of output, MEAG Power is entitled to a percentage of the net capacity and net energy output of each Generation Station or unit equal to its percentage undivided interest in such Generation Station or unit, subject to its obligation to sell capacity and energy to GPC as described below. GPC has sole authority for the scheduling and dispatching of generation from each Generation Station or unit. In the case of Generation Station Hatch and Generation Station Wansley, GPC follows its standard scheduling and dispatching procedures. Except as described in the next sentence, in the case of Generation Station Scherer Unit Nos. 1 and 2, GPC will schedule and dispatch the output of each unit for a specified period on a continuous economic dispatch basis in accordance with GPC’s standard scheduling and dispatching procedures and will notify each of the co-owners in advance of such specified period of the estimated operating level for each unit based upon the economic dispatch of such unit; and any such co-owner may, under certain conditions, increase its entitlement to energy from any such unit up to a maximum of such co-owner’s proportionate share of the energy which could be generated by such unit operating at its maximum practicable capability at any given time. As previously noted, under the amendments to the dispatching provisions of the Wansley and Scherer Operating Agreements, a co-owner of Generation Station Scherer Unit Nos. 1 and 2 and the units at Generation Station Wansley may independently dispatch the output of its share of such units under certain conditions. If GPC voluntarily ceases to operate, or reduces output, from Generation Station Hatch or Generation Station Wansley because GPC has access to less expensive energy sources, GPC is required to make available to MEAG Power the amount of capacity and energy reasonably anticipated to have been available to MEAG Power from such Generation Station at a cost equal to the estimated cost to MEAG Power if such Generation Station were continued in operation at its maximum practicable operating level.

***Responsibility for Operating Costs.*** Except as otherwise provided, each party is responsible for a percentage of Operating Costs (as defined) and fuel costs of each Generation Station or unit equal to the percentage of its undivided interest in such Generation Station or unit. GPC is required to furnish budgets for Operating Costs, fuel plans and scheduled maintenance plans. In the case of Generation Station Scherer Unit Nos. 1 and 2, Operating Costs and fuel costs are paid by the co-owners in proportion to their respective shares of the energy output of the units.

***Sell-Back Arrangements with GPC.*** GPC was entitled to a declining fractional portion of MEAG Power’s capacity and energy from Generation Station Hatch Unit Nos. 1 and 2, from Generation Station Wansley Unit Nos. 1 and 2, from Generation Station Scherer Unit Nos. 1 and 2, and from Generation Station Vogtle Unit Nos. 1 and 2. Such sales by MEAG Power to GPC have been completed.

As previously noted, as of April 9, 1985 MEAG Power and GPC entered into the Amended Vogtle Units 1&2 Purchase Agreement to change certain provisions therein for the sale to GPC of output of MEAG Power's Project One interest and Project Four interest in Vogtle Units 1&2.

For purposes of the capacity and energy sales to GPC under the Amended Vogtle Units 1&2 Purchase Agreement, MEAG Power's 17.7 percent Project One interest in Vogtle Units 1&2 is divided into two components, (i) the "Project One Declining Portion," which consists of 77.966 percent of MEAG Power's Project One interest or a 13.80 percent interest in Vogtle Units 1&2; and (ii) the "Project One Long-Term Portion" which consists of the remaining 22.034 percent of MEAG Power's Project One interest or a 3.90 percent interest in Vogtle Units 1&2. MEAG Power's 5.0 percent Project Four interest in Vogtle Units 1&2 is also divided into two components, (i) the "Project Four Declining Portion," which consists of 78.000 percent of MEAG Power's Project Four interest or a 3.900 percent interest in Vogtle Units 1&2; and (ii) the "Project Four Long-Term Portion," which consists of the remaining 22.000 percent of MEAG Power's Project Four interest or a 1.100 percent interest in Vogtle Units 1&2. The Amended Vogtle Units 1&2 Purchase Agreement provides that sales will be made by MEAG Power to GPC from the Long-Term Portions of MEAG Power's Project One and Project Four interests in Vogtle Units 1&2 generally in accordance with the following table (sales from the Declining Portion row (a) below and a portion of the Long-Term Portion row (b) below have been completed):

	<b>Project One Interest</b>	<b>Project Four Interest</b>	<b>Total</b>	<b>% of Total Ownership</b>
<b>Declining Portion<sup>(1)</sup></b>				
(a) First Year of Commercial Operation and Following Seven Years .....	13.800%	3.900%	17.700%	77.970%
<b>Long-Term Portion<sup>(2)</sup></b>				
(b) First Month of Commercial Operation and Following 305 Months	3.015	0.850	3.865	17.030
(c) First Month of Commercial Operation and Continuing Until Retirement.....	<u>0.885</u>	<u>0.250</u>	<u>1.135</u>	<u>5.000</u>
Total Declining and Long-Term.....	17.700%	5.000%	22.700%	100.000%

<sup>(1)</sup> The declining sales from Vogtle Unit Nos. 1 and 2 are completed.

<sup>(2)</sup> Percentages shown have been rounded for presentation purposes. Actual percentages are slightly larger than the amounts shown in part (b) of the Long-Term Portion and slightly smaller than the amounts shown in part (c) of the Long-Term Portion.

Under the Amended Vogtle Units 1&2 Purchase Agreement, in the aggregate MEAG Power will sell to GPC approximately 20.37 percent and 20.35 percent, respectively, of the output and services of its Project One interest and Project Four interest in Vogtle Units 1&2 through 2024.

The percentage sales to GPC by MEAG Power from its Project One Long-Term Portion are (i) with respect to the 3.015 percent portion of MEAG Power's Project One interest in Vogtle Units 1&2 and the 0.850 percent portion of MEAG Power's Project Four interest in Vogtle Units 1&2, 100 percent of the output of such interests commencing with the month of commercial operation of Generation Station Vogtle Unit No. 1 or Generation Station Vogtle Unit No. 2, as the case may be, and continuing until the end of the 305th month following such month or months of commercial operation; and (ii) with respect to the 0.885 percent portion of MEAG Power's Project One interest and the 0.250 percent portion of MEAG Power's Project Four interest, 100 percent of the output of such interests commencing with the year of commercial operation of Generation Station Vogtle Unit No. 1 or Generation Station Vogtle Unit No. 2, as the case may be, and continuing until the later to occur of (x) the retirement of the applicable unit, or (y) the last principal installment of MEAG Power's Project One Senior Bonds and Project One Subordinated Bonds or Project

Four Senior Bonds and Project Four Subordinated Bonds allocable to the Project One Long-Term Portion or the Project Four Long-Term Portion.

If the sell-back provisions of the Vogtle Units 1&2 Purchase Agreement would result in the purchase by GPC of more than 25 percent of the “subparagraph 5 output” (as that term was defined in United States Treasury Regulations when the Vogtle Units 1&2 Purchase Agreement was executed) of the facilities financed with a particular issue of Project One Senior Bonds under the Project One Resolution or General Resolution Projects Senior Bonds for Project Four Bonds under the General Resolution Projects Resolution, then the sales by MEAG Power from its Project One interest or Project Four interest, as the case may be, will be reduced to the extent necessary to result in no more than 25 percent of such subparagraph 5 output being purchased by GPC. Any such reduction would be made in the capacity and energy to be purchased from the Declining Portion or the Long-Term Portion, or both, and in the years, as MEAG Power and GPC shall agree at the time of such reduction.

With respect to the Project One Long-Term Portion and the Project Four Long-Term Portion, the price to be paid by GPC to MEAG Power for the percentage sales therefrom is to be equal to the costs of such portions including the cost of funds (as defined in the Vogtle Units 1&2 Purchase Agreement) and principal installments on MEAG Power’s Project One Senior Bonds and Project One Subordinated Bonds or Project Four Senior Bonds and Project Four Subordinated Bonds allocable to such portions, depreciation expense on renewals and replacements paid from revenues, decommissioning costs, taxes or payments in lieu thereof, operation and maintenance costs and nuclear fuel costs.

In addition, upon the first to occur of the retirement from service of Generation Station Vogtle Unit No. 1 or Generation Station Vogtle Unit No. 2, as the case may be, or the payment of the last principal installment of MEAG Power’s Project Four Senior Bonds and Project Four Subordinated Bonds allocable to such unit, MEAG Power is required to pay GPC 22.70 percent of the amounts in (or required to be in) the Decommissioning Account established under the General Resolution Projects Resolution that are applicable to such unit, and thereafter GPC shall be responsible for paying 22.70 percent, excluding fuel costs, of the Cost of Construction (which is defined in the Vogtle Units 1&2 Ownership Agreement and Vogtle Operating Agreement to include disposal costs) of MEAG Power’s Project Four interest in such unit.

Commencing with the commercial operation date, GPC is required to take or pay for the respective required amounts of capacity and energy from the Project One and Project Four Long-Term Portions regardless of whether or not the output of Generation Station Vogtle Unit No. 1 or Generation Station Vogtle Unit No. 2, as the case may be, is thereafter suspended, interrupted, interfered with, reduced, curtailed or terminated in whole or in part. The term of the Vogtle Units 1&2 Purchase Agreement is the same as that contained in the Ownership Agreements and Operating Agreements except that such term may be extended until such later time as all of MEAG Power’s and GPC’s obligations under the Vogtle Units 1&2 Purchase Agreement have been paid, performed or duly provided for.

**Remedies.** GPC’s liability as agent under the Operating Agreements is limited by the terms thereof. Remedies against MEAG Power for failure to make any payments when due under the Operating Agreements includes the option to withhold MEAG Power’s proportionate share of the capacity.

### **Summary of Agreements Relating to Integrated Transmission System**

**Integrated Transmission System Operation and Maintenance Agreements.** MEAG Power and GPC entered into an Integrated Transmission System Operation and Maintenance Agreement, dated as of August 27, 1976, which gave GPC sole authority and responsibility to manage, operate and maintain the transmission system facilities owned by MEAG Power. Pursuant to notice given by MEAG Power, the Integrated Transmission System Operation and Maintenance Agreement was terminated on December 31, 1999, and was replaced by three agreements: (i) the Integrated Transmission System Operation Agreement,

(ii) the Integrated Transmission System Maintenance Agreement (the “Maintenance Agreement”), and (iii) the Integrated Transmission System Inventory of Substation Spare Parts, Spare Substation Capital Equipment and Spare Transmission Line Equipment Agreement (the “Inventory Agreement”). All of these three agreements became effective on January 1, 2000. MEAG Power and GPC entered into a Revised and Restated Integrated Transmission System Operation Agreement (the “Operation Agreement”), effective as of January 1, 2009.

***The Operation Agreement.*** Under the Operation Agreement, MEAG Power has appointed GPC as its agent for the management and operation of MEAG Power’s transmission system facilities. With specified notice to the agent, MEAG Power may manage and operate certain transmission system facilities described in the Operation Agreement. The revisions to the Operation Agreement that took effect on January 1, 2009, included: an extension of the initial term through December 31, 2011, with automatic two-year renewals thereafter, with the current renewal term extending through December 31, 2019; an increase in the advance notice of cancellation requirement, which notice must be given by either party at least 24 months prior to the date of cancellation; the addition of a specification of the parties’ respective roles with respect to certain mandatory federal reliability standards that pertain to transmission systems; an additional indemnification for GPC in the event of claims arising out of GPC’s compliance with such reliability standards; and a covenant that MEAG Power will not sue GPC for its performance with respect to such reliability standards except in certain specified circumstances. In the event the Operation Agreement is cancelled, MEAG Power would make other arrangements for the day-to-day operation of its transmission system facilities. However, cancellation of the Operation Agreement would not affect the ITS Agreement between MEAG Power and GPC. As of December 31, 2017, neither party had given the required notice of cancellation to the other. Certain of the Operation Agreement revisions enabled MEAG Power, with GPC’s agreement and consent, to request that SERC Reliability Corporation relieve MEAG Power of a number of obligations in certain mandatory federal reliability standards pertaining to transmission systems. The North American Electric Reliability Corporation granted MEAG Power’s request for such relief, effective November 10, 2009, in accordance with the NERC Compliance Registry (at [www.nerc.com](http://www.nerc.com)). See “COMPETITION – Certain Factors Affecting the Electric Utility Industry – *FERC Initiatives*” in the Annual Information Statement.

***The Maintenance Agreement.*** Under the Maintenance Agreement, GPC maintains certain of MEAG Power’s transmission system facilities. The specific facilities to be maintained for preventive and corrective purposes are identified in an Annual Facility Maintenance Schedule provided by MEAG Power to GPC 90 days prior to each Contract Year, and GPC provides MEAG Power with a monthly maintenance plan which may be modified during the Contract Year in the manner provided in the Maintenance Agreement. The Maintenance Agreement also authorizes GPC as agent for MEAG Power to perform emergency response to restore service, and switching services. The term of the Maintenance Agreement has renewed annually since 2002 and requires a minimum of twelve months’ prior notice of cancellation. As of December 31, 2017, neither party had given the required twelve months’ prior notice of cancellation to the other.

***The Inventory Agreement.*** Under the Inventory Agreement, GPC maintains and manages an inventory of Spare Parts for the transmission system facilities of GPC and MEAG Power. The term of the Inventory Agreement is the same as the Maintenance Agreement.

### **Joint Committee Agreement**

MEAG Power, GPC, OPC and Dalton are parties to a Joint Committee Agreement, dated as of August 27, 1976 (the “Joint Committee Agreement”), for the purpose of coordinating the implementation and administration of the various ITS agreements and ITS operation and maintenance agreements among the parties. The Joint Committee consists of two members from each party and the chairmanship of the Joint Committee rotates among the members of the parties. Any action taken by the Joint Committee must



be pursuant to unanimous vote of all members present, provided each party has at least one member present, except that, in the implementation and administration of contracts, actions by the Joint Committee are by vote of members of parties who are signatories to such contracts.

The Nuclear Managing Board Agreement superseded the Joint Committee Agreement with respect to all matters affecting Generation Station Hatch and Vogtle Units 1&2. The Scherer Managing Board Agreement superseded the Joint Committee Agreement with respect to all matters affecting Generation Station Scherer.

**SUMMARY OF PROJECT ONE RESOLUTION  
AND GENERAL RESOLUTION PROJECTS RESOLUTION**

The following is a general summary of certain provisions of the Project One Resolution, as supplemented, amended and restated, including as supplemented, amended and restated by the Amended and Restated Project One Resolution, and the General Resolution Projects Resolution, as supplemented, amended and restated, including as supplemented, amended and restated by the Amended and Restated General Resolution Projects Resolution. A summary of the amendments to the Project One Resolution and the General Resolution Projects Resolution, respectively, that are set forth in the Amendatory Supplemental Resolutions is also included herein under the caption “Amendatory Supplemental Resolutions” below. Summaries of certain definitions are set forth in this APPENDIX F under the caption “Definitions.” Other terms defined in these resolutions for which summary definitions are not set forth are indicated by capitalization.

The amendments to the respective Resolutions provided for in the Amendatory Supplemental Resolutions will not become effective until the date on which all Senior Bonds outstanding under the applicable Resolution at December 16, 2011 (the date of adoption of the Amendatory Supplemental Resolutions) cease to be outstanding thereunder.

The amendments contained in the Amendatory Supplemental Resolutions, respectively, will apply to all Senior Bonds then outstanding under the applicable Resolution and will be binding upon the holders thereof.

**Pledge Effected by the Resolutions**

The Trust Estate under the Project One Resolution is pledged by the Project One Resolution to payment of principal of and interest and redemption premium on Project One Senior Bonds of all series, subject to the provisions of the Project One Resolution permitting application for other purposes. Amounts on deposit in any separate sub-account established in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the Project One Resolution, including the investments, if any, thereof, are pledged as additional security for the payment of principal or sinking fund Redemption Price, if any, of, and interest on, the Project One Senior Bonds of each Additionally Secured Series secured thereby, subject to the provisions of the Project One Resolution permitting application for other purposes.

The Trust Estate under the General Resolution Projects Resolution is pledged by the General Resolution Projects Resolution to payment of principal of and interest and redemption premium on General Resolution Projects Senior Bonds of all series, subject to the provisions of the General Resolution Projects Resolution permitting application for other purposes. Amounts on deposit in any separate sub-account established in the Debt Service Reserve Account in the Debt Service Fund established pursuant to the General Resolution Projects Resolution, including the investments, if any, thereof, are pledged as additional security for the payment of principal or sinking fund Redemption Price, if any, of, and interest on, the General Resolution Projects Senior Bonds of each Additionally Secured Series secured thereby, subject to the provisions of the General Resolution Projects Resolution permitting application for other purposes.

**Application of Revenues**

For the application of Revenues, each of the Resolutions establishes a Revenue and Operating Fund and a Reserve and Contingency Fund, held by MEAG Power, and a Debt Service Fund and a Subordinated Bond Fund, held by the Trustee.

With respect to the Project One Resolution, the Trustee and MEAG Power may deposit moneys in such Funds in banks or trust companies (“Depositories”). All moneys held under the Project One Resolution by the Trustee or any Depository must be either (1) (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by the lodging with the Trustee or any Federal Reserve Bank, as collateral security, Collateral Securities having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable laws and regulations; *provided, however*, that it is not necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys held in trust with them and set aside by them for the payment of the principal or Redemption Price of or interest on any Project One Senior Bonds, or for the Trustee or any Depository to give security for any moneys which are represented by Investment Securities purchased as an investment of such moneys. The foregoing is the same for moneys held under the General Resolution Projects Resolution.

All Revenues received under the Project One Resolution are deposited promptly in the Project One Revenue and Operating Fund. Amounts in the Project One Revenue and Operating Fund are paid out from time to time for application therefrom as follows:

1. Amounts in the Revenue and Operating Fund shall be paid out from time to time for reasonable and necessary Operating Expenses.

2. No later than the last business day of each month, amounts shall be withdrawn from the Revenue and Operating Fund and deposited in the following Funds and Accounts in the following order in the amounts set forth below:

- (1) In the Debt Service Fund (i) for credit to the Debt Service Account, the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service; and (ii) for credit to each separate sub-account in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such sub-account shall equal the Debt Service Reserve Requirement related thereto, including, without limitation, any amount required to reimburse the issuer of a Financial Guaranty in order to reinstate the maximum limits of such Financial Guaranty (or, if the amount on deposit in the Revenue and Operating Fund shall not be sufficient to make the deposits required to be made pursuant to this clause (ii) with respect to all of the separate sub-accounts in the Debt Service Reserve Account, then such amount on deposit in the Revenue and Operating Fund shall be applied ratably, in proportion to the amount necessary for deposit into each such sub-account); *provided, however*, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all outstanding Project One Senior Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund (see “Debt Service Reserve Accounts – *Deposit of Financial Guaranty*” below for a discussion of the ability to deposit a Financial Guaranty in any separate sub-account in the Debt Service Reserve Account);

- (2) In the Subordinated Bond Fund, such amounts as shall be required to pay principal or sinking fund installments of and interest on each issue of Project One Subordinated Bonds and reserves therefor, as required by the supplemental resolution authorizing such issue of Project One Subordinated Bonds; and

- (3) In the Reserve and Contingency Fund for credit to (i) the Renewal and Replacement Account in said Fund the amount equal to (A) one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the total amount provided in the then current Annual Budget to be deposited in said Account during the then

current calendar year of (B) the amount equal to ten percent of the Debt Service with respect to all series of Project One Senior Bonds accruing during such month, whichever is greater; (ii) the Decommissioning Account in said Fund the amount equal to one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the total amount provided in the then current Annual Budget to be deposited in said Account during the then current calendar year; and (iii) the Reserve Account in said Fund the amount, if any, necessary to make up, within a period not exceeding 24 months, any deficiency in the requirement of said Account as shall be set forth in the then current Annual Budget; *provided, however*, that such requirement shall at least equal one-half of one percent of the principal amount of all Project One Senior Bonds theretofore issued to finance the Cost of Acquisition and Construction of facilities of Project One that shall have been placed in commercial operation and shall not have been retired from service prior to the first day of such month;

*provided, however*, no amount in the Revenue and Operating Fund shall be applied to any purpose other than payment of Operating Expenses unless after such application the amount remaining in the Revenue and Operating Fund is at least equal to the “Working Capital Requirement for Operating Expenses.” The term “Working Capital Requirement for Operating Expenses” is defined in the Project One Resolution to mean such dollar amount as MEAG Power shall establish from time to time, which at any time shall not be less than the amount of Operating Expenses that are budgeted to accrue over the next succeeding 45 days. (Funds for decommissioning are being held apart from the Decommissioning Account in a separate trust pursuant to federal requirements. See the final paragraph under “MEAG POWER – Regulation – *Nuclear Facilities*” in the Annual Information Statement.)

Amounts in the Renewal and Replacement Account are applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to Project One necessary, in the opinion of MEAG Power, to keep the same in good operating condition or to prevent a loss of revenues therefrom, or required by any governmental agency having jurisdiction over Project One or any part thereof or for which MEAG Power is responsible by virtue of any obligation of MEAG Power arising out of any contract to which MEAG Power is a party relating to ownership of Project One or any part thereof.

There is accumulated in the Decommissioning Account as provided by the Annual Budget a reserve for the retirement from service, decommissioning or disposal of the generation facilities of Project One. Amounts in such Account are applied as needed for such purposes.

Amounts in the Reserve Account are applied to the costs of major renewals, replacements, repairs, additions, betterments, and improvements with respect to Project One, to the extent amounts in the Renewal and Replacement Account are not sufficient therefor, and to the payment of extraordinary operation and maintenance costs, and contingencies.

If at any time the amount in the Debt Service Account is less than the amount required by the Project One Resolution or the amount in any separate sub-account in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement related thereto, then MEAG Power, upon requisition by the Trustee, shall transfer from the Reserve and Contingency Fund (from Accounts therein in such order as MEAG Power shall determine) to the Trustee for deposit in the Debt Service Account or such separate sub-account(s) in the Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency (or, if the amount in the Reserve and Contingency Fund shall be less than the amount necessary to make up the deficiencies with respect to the Debt Service Account and all of the separate sub-accounts in the Debt Service Reserve Account, then the amount in said Fund shall be applied first to make up the deficiency in

the Debt Service Account, and any balance remaining shall be applied ratably to make up the deficiencies with respect to the separate sub-accounts in the Debt Service Reserve Account, in proportion to the deficiency in each such sub-account).

Amounts in the Reserve and Contingency Fund not required for any of the above purposes will be transferred to the Revenue and Operating Fund.

Subject to the provisions of subsections 1 and 2 above, amounts in the Revenue and Operating Fund may be applied as set forth in the following paragraph, *provided, however*, no such amount shall be so applied unless after such application the amount remaining in the Revenue and Operating Fund is at least equal to the "Working Capital Requirement for Fund Deposits." The term "Working Capital Requirement for Fund Deposits" is defined in the Project One Resolution to mean such dollar amount as MEAG Power shall establish from time to time, which at any time shall not be less than the sum of (i) the Working Capital Requirement for Operating Expenses and (ii) the amount, as estimated by MEAG Power, required to be deposited during the next 30 days into the Debt Service Fund, the Subordinated Bond Fund and the Reserve and Contingency Fund. Application of amounts in the Revenue and Operating Fund shall include, without limitation, payment to an issuer of a Financial Guaranty of interest on amounts advanced under such Financial Guaranty.

Amounts in the Revenue and Operating Fund not required for the purposes set forth above shall upon determination of MEAG Power be applied to or set aside for any one or more of the following: (a) the purchase or redemption of any Project One Senior Bonds, and expenses in connection with the purchase or redemption of any Project One Senior Bonds or any reserves which MEAG Power determines shall be required for such purposes; (b) payments of principal or redemption price of and interest on any Project One Subordinated Bonds or any reserves which MEAG Power determines shall be required for such purposes; (c) payments into any separate account or accounts established in the Construction Fund for application to the purposes of such account; (d) improvements, extensions, betterments, renewals and replacements of any properties of Project One; (e) to reduce the cost of Project One power and energy to political subdivisions of the State of Georgia under the Project One Power Sales Contracts; and (f) any other lawful purposes of MEAG Power related to Project One; *provided, however*, any proceeds from the sale or exchange of any part of Project One deposited in the Revenue and Operating Fund pursuant to the second paragraph set forth under "Encumbrances; Disposition of Properties" herein, and any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the Project deposited in the Revenue and Operating Fund pursuant to the provisions of the Project One Resolution shall be used only for the purposes specified in clauses (a) to (d) above; and *provided, further*, that, subject to the provisions of the Project One Resolution, amounts deposited in the Revenue and Operating Fund and required by the Project One Resolution to be applied to the purchase or redemption of Project One Senior Bonds shall be applied to such purpose.

The Project One Resolution provides that upon (a) any purchase or redemption with amounts in the Revenue and Operating Fund or (b) any defeasance of Project One Senior Bonds of any series, maturity and interest rate for which Sinking Fund Installments shall have been established, *provided, however*, that in the case of any such defeasance, MEAG Power shall have given the Trustee irrevocable instructions to redeem such Project One Senior Bonds on or prior to the due date of the Sinking Fund Installment to be credited under this provision, there shall be credited toward such Sinking Fund Installment or Sinking Fund Installments thereafter to become due as MEAG Power shall select in its sole discretion the total principal amount of such Project One Senior Bonds so purchased, redeemed or defeased. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited

toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

MEAG Power may issue Project One Subordinated Bonds for the purposes set forth in the second preceding paragraph. Project One Subordinated Bonds will be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Bond Fund or the Revenue and Operating Fund as may from time to time be available therefor. Such pledge, however, will be subordinate in all respects to the pledge of the Trust Estate created by the Project One Resolution as security for the Project One Senior Bonds.

All Revenues received under the General Resolution Projects Resolution are deposited promptly in the General Resolution Projects Revenue and Operating Fund. Amounts in the General Resolution Projects Revenue and Operating Fund are paid monthly to the Funds held under the General Resolution Projects Resolution and applied generally for the same purposes and requirements of the Existing General Resolution Projects as that described above for Project One under the Project One Resolution, except as follows:

Revenues are applied to the General Resolution Projects Reserve and Contingency Fund, for credit to the sub-account established for each General Resolution Project in the Renewal and Replacement Account and the Reserve Account and for Project Four in the Decommissioning Account, the Reserve and Contingency Fund Requirement applicable to such sub-account for the applicable Project. For the sub-accounts established for Projects Two, Three and Four in the Renewal and Replacement Account, such Reserve and Contingency Fund Requirement is equal to (A) one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the total amount provided in the then current Annual General Budget for the applicable Project to be deposited in said sub-account in said Account during the then current Power Supply Year or (B) the amount equal to ten percent of the Debt Service with respect to all series of General Resolution Projects Senior Bonds issued to finance the Cost of Acquisition and Construction of the applicable Project and accruing during such month, whichever is the greater. For the sub-accounts established for Projects Two, Three and Four in the Reserve Account, the Reserve and Contingency Fund Requirement is the amount, if any, necessary to make up, within a period of not exceeding 24 months, any deficiency in the requirements of said sub-account in said Account as shall be set forth in the then current Annual General Budget for the applicable Project; *provided, however*, that, for each Project, such requirement shall be at least equal one-half of one percent of the principal amount of all applicable General Resolution Projects Senior Bonds theretofore issued to finance the Cost of Acquisition and Construction of facilities of such Project that shall have been placed in commercial operation and shall not have been retired from service prior to the first day of such month. For the Decommissioning Account for Project Four, such Reserve and Contingency Fund Requirement is equal to one-twelfth (or such greater fraction as may be appropriate if the period is less than 12 months) of the total amount provided in the then current Annual General Budget to be deposited in said Account during the then current calendar year. (Funds for decommissioning are being held apart from the Decommissioning Account in a separate trust pursuant to federal requirements. See the final paragraph under “MEAG POWER – Regulation – *Nuclear Facilities*” in the Annual Information Statement.)

Amounts in the sub-accounts established for Projects Two, Three and Four in the Renewal and Replacement Account are applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to the applicable Project necessary, in the opinion of MEAG Power, to keep the same in good operating condition or to prevent a loss of Revenues therefrom, or required by any governmental agency having jurisdiction over such Project or any part thereof or for which MEAG Power is responsible by virtue of any obligation of MEAG

Power arising out of any contract to which MEAG Power is a party relating to ownership of such Project or any part thereof.

Amounts in the sub-accounts established for Projects Two, Three and Four in the Reserve Account are applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to the applicable Project, to the extent amounts in the applicable sub-account in the Renewal and Replacement Account are not sufficient therefor, and to the payment of extraordinary operation and maintenance costs, and contingencies.

Amounts accumulated in the sub-account established for Project Four in the Decommissioning Account as a reserve for the retirement from service, decommissioning or disposal of the generation facilities of Project Four are applied as needed for such purposes.

The General Resolution Projects Resolution provides that amounts in the sub-accounts established for any Additional General Resolution Project in the Renewal and Replacement Account, the Decommissioning Account and the Reserve Account are to be applied in accordance with the supplemental resolution authorizing the acquisition and construction of such Additional General Resolution Project.

Amounts in the Revenue and Operating Fund not required for any of the above purposes shall upon determination of MEAG Power be applied to or set aside for any one or more of the following: (a) the purchase or redemption of any General Resolution Projects Senior Bonds, and expenses in connection therewith; (b) payment of principal or redemption price of and interest on any General Resolution Projects Subordinated Bonds or any reserves which MEAG Power determines shall be required for such purposes, (c) payments into any separate account or accounts established in any Project Account in the Construction Fund; (d) improvements, extensions, betterments, renewals and replacements of any properties of any General Resolution Project; (e) to reduce the cost to the Participants of power and energy from any General Resolution Project; and (f) any other lawful purposes of MEAG Power related to any General Resolution Project; *provided, however*, any proceeds from the sale or exchange of any part of any General Resolution Project deposited in the Revenue and Operating Fund pursuant to the second paragraph set forth under “Encumbrances; Disposition of Properties” herein, and any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the Project deposited in the Revenue and Operating Fund pursuant to the provisions of the General Resolution Projects Resolution shall be used only for the purposes specified in clauses (a) to (d) above; and *provided, further*, that, subject to the provisions of General Resolution Projects Resolution, amounts deposited in the Revenue and Operating Fund and required by the General Resolution Projects Resolution to be applied to the purchase or redemption of General Resolution Projects Senior Bonds shall be applied to such purpose.

MEAG Power may issue General Resolution Projects Subordinated Bonds for the purposes set forth in the preceding paragraph. General Resolution Projects Subordinated Bonds will be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Bond Fund or the Revenue and Operating Fund as may from time to time be available therefor. Such pledge, however, will be subordinate in all respects to the pledge of the Trust Estate created by the General Resolution Projects Resolution as security for the General Resolution Projects Senior Bonds.

## **Debt Service Reserve Accounts**

### ***General***

Both Resolutions create a separate sub-account in the Debt Service Reserve Account designated as the “Initial Sub-Account”, for the benefit of (1) all Senior Bonds outstanding on the Effective Date and (2) all Senior Bonds of any series issued after the Effective Date, but only to the extent that the supplemental resolution authorizing the Senior Bonds of such series specifies that such Senior Bonds will be an Additionally Secured Series secured thereby.

MEAG Power may, by supplemental resolution, create within the applicable Debt Service Reserve Account one or more additional sub-accounts, for the benefit of such series of Senior Bonds as may be specified in, or determined pursuant to, such supplemental resolution. In lieu of maintaining moneys or investments in any such sub-account, MEAG Power at any time may cause to be deposited into such sub-account for the benefit of the holders of the Senior Bonds of the Additionally Secured Series secured thereby a Financial Guaranty satisfying the requirements set forth in such supplemental resolution in an amount equal to the difference between the Debt Service Reserve Requirement for such sub-account and the sum of moneys or value of Investment Securities then on deposit therein, if any.

If on the final day of any month the amount in the Debt Service Account is less than the amount required to be in such Account, the Trustee will apply amounts from each separate sub-account in the Debt Service Reserve Account to the extent necessary to make good the deficiency that exists with respect to the Additionally Secured Series of the Senior Bonds secured thereby. If a Financial Guaranty has been deposited in any such separate sub-account in the Debt Service Reserve Account, amounts deposited therein not required to make good such deficiency will be applied, first, to reimburse the issuer of the Financial Guaranty for any unreimbursed drawings thereunder and then to fund such separate sub-account in the Debt Service Reserve Account to satisfy the Debt Service Reserve Requirement related thereto.

Whenever the moneys on deposit in any separate sub-account in the Debt Service Reserve Account exceeds the Debt Service Reserve Requirement related thereto, such excess shall be allocated and applied in the same manner as Revenues under the applicable Resolution.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all outstanding Senior Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account. Unless otherwise required under the applicable Resolution, so long as there is held in the Debt Service Fund an amount sufficient to pay in full all of the applicable outstanding Senior Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits will be required to be made into the Debt Service Reserve Account.

### ***Deposit of Financial Guaranty***

Both Resolutions provide that in lieu of depositing moneys in any separate sub-account in the Debt Service Reserve Account, or in substitution for moneys previously deposited in any separate sub-account in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty for deposit into such separate sub-account in the Debt Service Reserve Account. Any such Financial Guaranty shall, together with the moneys and Investment Securities, if any, held in such separate sub-account in the Debt Service Reserve Account, be in an amount equal to the Debt Service Reserve Requirement related thereto and shall be payable or available to be drawn upon, as the case may be (upon the giving of notice of at least one business day pursuant to a demand for payment by the Trustee as required thereunder), on any date on which moneys will be required to be withdrawn from such separate sub-account in the Debt



Service Reserve Account pursuant to the provisions of the applicable Resolution. Any such Financial Guaranty shall have a term not less than the final maturity date of any Additionally Secured Series of Senior Bonds then outstanding under the terms of the applicable Resolution secured thereby or shall provide that it may be drawn upon if, prior to the termination thereof, a substitute Financial Guaranty is not delivered to the Trustee pursuant to the applicable Resolution. Following a drawing under a Financial Guaranty, MEAG Power shall be obligated to reimburse the issuer of such Financial Guaranty in order to reinstate the maximum limits of such Financial Guaranty, such reimbursement to be made from amounts to be deposited in such separate sub-account in the Debt Service Reserve Account from the Revenue and Operating Fund.

The Project One Resolution provides that the financial strength of the issuer of the initial Financial Guaranty (the "Initial Surety") shall be rated on the date of deposit in a particular separate sub-account in the Debt Service Reserve Account in the highest rating category by Moody's Investors Service, Standard & Poor's, Fitch Ratings, and if rated by A.M. Best & Company, A.M. Best & Company. The financial strength of the issuer of any other Financial Guaranty shall be rated on the date of deposit in such separate sub-account in the Debt Service Reserve Account not less than that of the Initial Surety on such date. The foregoing provisions of the Project One Resolution regarding the Financial Guaranty are substantially similar to those contained in the General Resolution Projects Resolution except that Fitch Ratings is not mentioned as a rating agency. In the event the Initial Surety has ceased to provide a Financial Guaranty, the rating of the financial strength of the issuer of the Financial Guaranty which provides for the largest percentage of the Debt Service Reserve Requirement related to such separate sub-account shall be the minimum rating required for any Financial Guaranty on the date of deposit in such separate sub-account. In the event the rating of the financial strength of the issuer of a Financial Guaranty shall fall below (i) "Aa2" as rated by Moody's Investors Service, Inc., (ii) "AA" as rated by Standard & Poor's, (iii) "AA" as rated by Fitch Ratings, or (iv) if rated by A.M. Best & Company, "A+" as rated by A.M. Best & Company, MEAG Power will replace the Financial Guaranty with (a) a substitute Financial Guaranty issued by an issuer (1) which, if another Financial Guaranty is on deposit in such separate sub-account, satisfies the ratings requirements set forth in this paragraph, or (2) whose financial strength is rated in the highest rating category which can be obtained by MEAG Power, using MEAG Power's best efforts, at commercially reasonable rates (but in no event less than the ratings described in clauses (i), (ii), (iii) and (iv) of this sentence), or (b) cash.

Each of the Resolutions provides that prior to providing the Trustee with a Financial Guaranty for deposit into any separate sub-account in the Debt Service Reserve Account, there shall be filed with MEAG Power an opinion of tax counsel to MEAG Power to the effect that such deposit will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any outstanding Senior Bonds of the Additionally Secured Series secured thereby.

In connection with furnishing a Financial Guaranty to the Trustee, MEAG Power shall also furnish to the Trustee (i) an opinion of counsel to the issuer of such Financial Guaranty, satisfactory to the Trustee, to the effect that such Financial Guaranty is a valid and binding obligation of the issuer thereof, enforceable in accordance with its terms, subject to usual bankruptcy exceptions, and (ii) a certificate of an Authorized Officer of MEAG Power to the effect that there has not occurred any Event of Default or any event which, with the giving of notice or the passage of time or both, would constitute an Event of Default. Upon receipt of such Financial Guaranty and the other items required by the applicable Resolution, the Trustee shall, to the extent that amounts held in such separate sub-account in the Debt Service Reserve Account, taking into account any Financial Guaranty on deposit in such separate sub-account in the Debt Service Reserve Account, are in excess of the Debt Service Reserve Requirement related thereto, transfer such moneys (or any investments held therein) to or upon the order of MEAG Power, as MEAG Power shall direct in writing.

Each Resolution provides that the Trustee shall maintain adequate records, verified with the issuer of any Financial Guaranty, as to: the amounts available to be drawn under such Financial Guaranty at any given time, the amounts drawn by the Trustee thereunder and the amounts paid by the Trustee to such issuer

with respect to any such drawings; *provided, however*, the Trustee shall not be responsible for maintaining records of any other amounts paid and owing by MEAG Power to the issuer of any such Financial Guaranty with respect to any reimbursement agreement between such parties except for drawings under such Financial Guaranty. In the event that (i) cash and (ii) a Financial Guaranty are on deposit in a particular separate sub-account in the Debt Service Reserve Account, the Trustee shall first use such cash to make any required deposit to the Debt Service Account prior to drawing on such Financial Guaranty.

In the event more than one Financial Guaranty is on deposit in any particular separate sub-account in the Debt Service Reserve Account, any drawings thereunder and payments made in the reinstatement thereof shall be on a pro-rata basis.

Notwithstanding anything in the applicable Resolution to the contrary, each Resolution provides that there shall be no optional redemption of the Senior Bonds of an Additionally Secured Series by MEAG Power unless all amounts owed to the issuer of any Financial Guaranty securing the Senior Bonds of such Additionally Secured Series have been paid in full.

For purposes of determining the amount on deposit in any particular separate sub-account in the Debt Service Reserve Account, the amount available to be drawn under any Financial Guaranty deposited thereto shall be deemed to be on deposit therein.

### **Construction Funds**

The Project One Resolution establishes a Construction Fund, held by the Trustee, into which are paid amounts required by the provisions of the Project One Resolution and any supplemental resolution and, at the option of MEAG Power, any moneys received for or in connection with Project One by MEAG Power, unless required to be otherwise applied as provided in the Project One Resolution. In addition, proceeds of insurance for physical loss or damage to Project One, or of contractors' performance bonds, pertaining to the period of construction will be paid into the Construction Fund.

The Trustee pays to MEAG Power, upon its requisitions therefor, from the Construction Fund amounts in payment of the Cost of Acquisition and Construction of Project One. Upon completion of the Initial Facilities or any Additional Facilities, any amount remaining not required to complete payment of the Cost of Acquisition and Construction will be deposited in each separate sub-account in the Debt Service Reserve Account in the Debt Service Fund to the extent necessary to make the amount in each such sub-account equal to the Debt Service Reserve Requirement related thereto (or, if the amount of such excess shall be less than the amount necessary to make up the deficiencies with respect to all of the separate sub-accounts in the Debt Service Reserve Account, then the amount of such excess shall be applied ratably to make up the deficiencies with respect to each separate sub-account in the Debt Service Reserve Account, in proportion to the deficiency in each such sub-account), and any balance will be either (i) paid to MEAG Power to be deposited in the Revenue and Operating Fund for application to the retirement of Bonds for purchase or redemption or (ii) paid to MEAG Power to be deposited in the Decommissioning Account or the Reserve Account in the Reserve and Contingency Fund, as MEAG Power determines. To the extent that other moneys are not available therefor, amounts in the Construction Fund will be applied to the payment of principal of and interest on Project One Senior Bonds when due.

The General Resolution Projects Resolution establishes a Construction Fund, held by the Trustee. The General Resolution Projects Resolution establishes a separate Project Account for each Project into which will be paid amounts required by the provisions of the General Resolution Projects Resolution and any supplemental resolution and, at the option of MEAG Power, any moneys received for in connection with such Project by MEAG Power, unless required to be otherwise applied as provided in the General Resolution Projects Resolution. In addition, proceeds of insurance for physical loss or damage to any

General Resolution Project, or of contractors' performance bonds, pertaining to the period of construction will be paid into the appropriate Project Account in the Construction Fund.

The Trustee will pay to MEAG Power, upon its requisitions therefor, from the Project Account established for each General Resolution Project in the Construction Fund amounts in payment of the Cost of Acquisition and Construction of such Project. Upon completion of any General Resolution Project, any amount remaining in the Project Account established therefor not required to complete payment of the Cost of Acquisition and Construction thereof will be deposited in each separate sub-account in the Debt Service Reserve Account in the Debt Service Fund to the extent necessary to make the amount in each such sub-account equal to the Debt Service Reserve Requirement related thereto (or, if the amount of such excess shall be less than the amount necessary to make up the deficiencies with respect to all of the separate sub-accounts in the Debt Service Reserve Account, then the amount of such excess shall be applied ratably to make up the deficiencies with respect to each separate sub-account in the Debt Service Reserve Account, in proportion to the deficiency in each such sub-account), and any balance will be deposited either (i) in the Revenue and Operating Fund and applied to the retirement of, first, General Resolution Projects Senior Bonds issued with respect to such Project and, thereafter, any other General Resolution Projects Senior Bonds, or (ii) in the appropriate sub-accounts in the Decommissioning Account or the Reserve Account in the Reserve and Contingency Fund, or (iii) in Project Accounts for other General Resolution Projects, as MEAG Power shall determine. To the extent that other moneys are not available therefor, amounts in the Construction Fund will be applied to the payment of principal of and interest on General Resolution Projects Senior Bonds when due.

#### **Environmental Facilities Reserve Accounts**

The Project One Resolution establishes an Environmental Facilities Reserve Account, held by MEAG Power, into which are paid certain amounts accumulated by MEAG Power (including amounts collected from the Participants) to pay the cost of or to provide reserves for, among other things, (a) extraordinary operating and maintenance costs of Project One, (b) the prevention or correction of any unusual loss or damage to keep the generating facilities of Project One in good operating condition or to prevent a loss of revenue therefrom and (c) certain specified major renewals, replacements, repairs, additions, betterments and improvements to Project One. Without limiting the generality of the foregoing, amounts in the Environmental Facilities Reserve Account may be applied by MEAG Power to any lawful purpose of MEAG Power related to MEAG Power's interests in the Coal Units (as defined in "MEAG POWER – Regulation – *Environmental Regulations*" in the Annual Information Statement) included in Project One, including the payment of debt service on any Project One Senior Bonds or Project One Subordinated Bonds issued with respect thereto when due.

The Environmental Facilities Reserve Account shall not be or be deemed to be a Fund established by the Project One Resolution, and shall not be subject to the pledge and assignment of the Project One Resolution in favor of the holders of the Project One Senior Bonds. If and to the extent that MEAG Power determines that it is advantageous to do so, MEAG Power may pledge the Environmental Facilities Reserve Account to secure any of its obligations to any party relating to any transaction in respect of its interests in the Coal Units included in Project One.

The General Resolution Projects Resolution establishes Environmental Facilities Reserve Accounts with respect to Project Two and Project Three, held by MEAG Power, into which are paid certain amounts accumulated by MEAG Power (including amounts collected from the Participants) to pay the cost of or to provide reserves for, among other things, (a) extraordinary operating and maintenance costs of the applicable Project, (b) the prevention or correction of any unusual loss or damage to keep the generating facilities of the applicable Project in good operating condition or to prevent a loss of revenue therefrom and (c) certain specified major renewals, replacements, repairs, additions, betterments and improvements to the applicable Project. Without limiting the generality of the foregoing, amounts in each Environmental

Facilities Reserve Account may be applied by MEAG Power to any lawful purpose of MEAG Power related to MEAG Power's interests in the Coal Units included in the applicable Project, including the payment of debt service on any General Resolution Projects Senior Bonds or General Resolution Projects Subordinated Bonds issued with respect thereto when due.

The Environmental Facilities Reserve Accounts shall not be or be deemed to be a Fund established by the General Resolution Projects Resolution, and shall not be subject to the pledge and assignment of the General Resolution Projects Resolution in favor of the holders of the General Resolution Projects Senior Bonds. If and to the extent that MEAG Power determines that it is advantageous to do so, MEAG Power may pledge an Environmental Facilities Reserve Account to secure any of its obligations to any party relating to any transaction in respect of its interests in the Coal Units included in the applicable Project.

## **Certain Conditions to Issuance of Senior Bonds**

### ***The Project One Resolution***

***Debt Service Reserve.*** The issuance of any series of Project One Senior Bonds that will be an Additionally Secured Series is conditioned upon the deposit in the separate sub-account in the Debt Service Reserve Account designated therefor of the amount, if any, necessary to make the amount on deposit in such sub-account equal the Debt Service Reserve Requirement related thereto calculated immediately after delivery of such series of Project One Senior Bonds; *provided, however*, that a supplemental resolution establishing a separate sub-account in the Debt Service Reserve Account may provide that, in lieu of maintaining all or a portion of the moneys or investments required to be maintained in such separate sub-account, there may be credited to said sub-account at any time a Financial Guaranty satisfying the requirements set forth in such supplemental resolution.

***No Default.*** Additional Project One Senior Bonds may be issued only if MEAG Power certifies that it is not in default under any of the provisions of the Project One Resolution.

***Limitations on the Types of Project One Senior Bonds Issued.*** In the event that any Project One Senior Bonds authenticated and delivered upon original issuance prior to December 16, 2011 remain outstanding, then no series of Project One Senior Bonds shall contain Option Bonds or Variable Rate Bonds, and no Principal Installment for a series of Project One Senior Bonds initially shall be a Refundable Principal Installment, unless the Project One Senior Bonds of such series shall not be additionally secured by the Initial Sub-Account in the Debt Service Reserve Account.

### ***The General Resolution Projects Resolution***

The following conditions, among other things, apply to the issuance of all General Resolution Projects Senior Bonds. Other conditions applicable to issuance of Additional General Resolution Projects Senior Bonds only are set forth under "Additional Senior Bonds" below.

***Debt Service Reserve.*** The issuance of any series of General Resolution Projects Senior Bonds that will be an Additionally Secured Series is conditioned upon the deposit in the separate sub-account in the Debt Service Reserve Account designated therefor of the amount, if any, necessary to make the amount on deposit in such sub-account equal the Debt Service Reserve Requirement related thereto calculated immediately after delivery of such series of General Resolution Projects Senior Bonds; *provided, however*, that a supplemental resolution establishing a separate sub-account in the Debt Service Reserve Account may provide that, in lieu of maintaining all or a portion of the moneys or investments required to be maintained in such separate sub-account, there may be credited to said sub-account at any time a Financial Guaranty satisfying the requirements set forth in such supplemental resolution.

**No Default.** Each series of General Resolution Projects Senior Bonds may be issued only if MEAG Power certifies that it is not in default under any of the provisions of the General Resolution Projects Resolution.

**Limitations on the Types of General Resolution Projects Senior Bonds Issued.** In the event that any General Resolution Projects Senior Bonds authenticated and delivered upon original issuance prior to December 16, 2011 remain outstanding, then no series of General Resolution Projects Senior Bonds shall contain Option Bonds or Variable Rate Bonds, and no Principal Installment for a series of General Resolution Projects Senior Bonds initially shall be a Refundable Principal Installment, unless the General Resolution Projects Senior Bonds of such series shall not be additionally secured by the Initial Sub-Account in the Debt Service Reserve Account.

### **Investment of Certain Funds and Accounts**

The Project One Resolution provides that moneys held in the Funds and Accounts established thereunder shall be invested and reinvested to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds and Accounts. The Trustee shall make all such investments of moneys held by it in accordance with written instructions received from any Authorized Officer.

Net interest earned on any moneys or investments in such Funds or Accounts, other than the Construction Fund, are paid into the Revenue and Operating Fund. Interest on moneys or investments in the Construction Fund are held in such Fund.

The foregoing provisions of the Project One Resolution are substantially similar to those contained in the General Resolution Projects Resolution. Also, in the case of the General Resolution Projects Resolution, net interest earned or any moneys or investments in such Funds or Accounts, other than the Debt Service Account and the Debt Service Reserve Account and the Construction Fund, will be paid into the Revenue and Operating Fund. Interest on moneys or investments in any Project Account in the Construction Fund are held in such Project Account. Interest on moneys or investments in the Debt Service Account or the Debt Service Reserve Account which MEAG Power determines is allocable to any facilities of a Project are paid into the Revenue and Operating Fund.

### **Encumbrances; Disposition of Properties**

MEAG Power covenants in the Project One Resolution that it will not issue bonds or other evidences of indebtedness, other than Project One Senior Bonds, payable out of or secured by a pledge of the Trust Estate established thereunder or any separate sub-account in the Debt Service Reserve Account in the Debt Service Fund established thereunder nor will it create any lien or charge thereon; *provided, however*, that nothing contained in the Project One Resolution shall prevent MEAG Power from issuing, if and to the extent permitted by the Act, (1) bond anticipation notes, (2) evidences of indebtedness (a) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of Project One or (b) payable out of, or secured by a pledge of, Revenues to be received after the discharge of the pledge of the Trust Estate provided in the Project One Resolution, or (3) Project One Subordinated Bonds.

MEAG Power covenants in the Project One Resolution that it will not sell, lease, mortgage or otherwise dispose of any part of Project One, except for sales or exchanges for not less than fair market value of property or facilities if MEAG Power determines that such sale or exchange of such property or facilities (1) is desirable in the conduct of the business of MEAG Power relating to Project One and (2) will not materially impair the ability of MEAG Power to comply with the rate covenant described under "Rate Covenant" below. The proceeds of any such transaction not used to acquire other property are deposited in the Revenue and Operating Fund.

MEAG Power covenants in the Project One Resolution that it will not lease or make contracts or grant licenses for the operation or use of, or grant easements or any other rights with respect to, any part of Project One, which would (1) impede or restrict the operation of Project One by MEAG Power or its agents or (2) impair or adversely affect the rights or security of Bondholders under the Project One Resolution. If the depreciated cost of the subject property exceeds \$500,000, an Authorized Officer of MEAG Power must certify that the proposed action of MEAG Power does not result in a breach of the above-mentioned conditions. Any payments to MEAG Power in connection with any such transaction constitute Revenues.

The foregoing covenants of MEAG Power with respect to Project One are substantially similar to the corresponding covenants of MEAG Power under the General Resolution Projects Resolution.

### **Rate Covenant**

MEAG Power covenants in the Project One Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of Project One so that Revenues, together with other available funds, are at least sufficient to provide funds in each year for the payment of the sum of (1) Operating Expenses during such year, (2) Debt Service on all series of Project One Senior Bonds for such year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from the calculation of such Debt Service, but only to the extent that MEAG Power intends to pay such Principal Installment from sources other than Revenues, (3) any amount to be paid into each separate sub-account in the Debt Service Reserve Account for such year, (4) the amount to be paid into the Reserve and Contingency Fund for such year, and (5) all other charges or liens payable out of Revenues during such year and all amounts payable on Project One Subordinated Bonds.

The foregoing covenant of MEAG Power with respect to Project One is substantially similar to the corresponding covenant of MEAG Power under the General Resolution Projects Resolution with respect to any General Resolution Project.

### **Covenants with Respect to Power Sales Contracts and Project Agreements**

MEAG Power covenants in the Project One Resolution that it will collect and deposit in the Revenue and Operating Fund amounts received under the Project One Power Sales Contracts or payable to it pursuant to any other contract for the sale of power, energy, or other services from any part of Project One. In addition, MEAG Power will enforce the Project One Power Sales Contracts and the Project Agreements, will duly perform its covenants and agreements thereunder, and will not consent to any amendment to or otherwise take any action in connection with any Project One Power Sales Contract or Project Agreement which would impair or adversely affect the rights of MEAG Power thereunder or the rights or security of Project One Bondholders or, in the case of any Project One Power Sales Contract, would reduce payments required thereunder.

The foregoing covenants of MEAG Power with respect to Project One are substantially similar to the corresponding covenants of MEAG Power under the General Resolution Projects Resolution with respect to any General Resolution Project.

### **Annual Budget**

MEAG Power covenants in the Project One Resolution that it will file with the Trustee an Annual Budget for Project One each calendar year. The Annual Budget includes appropriations for the estimated Operating Expenses for such year and the estimated amount to be deposited during such year in the Reserve and Contingency Fund. MEAG Power may at any time adopt an amended Annual Budget for the remainder of the then current calendar year which will be filed promptly with the Trustee.

The foregoing practices by MEAG Power with respect to Project One are substantially similar to the practices by MEAG Power under the General Resolution Projects Resolution with respect to each General Resolution Project.

### **Insurance**

MEAG Power covenants in the Project One Resolution that it will keep the properties of Project One which are of an insurable nature and of the character usually insured by those operating properties similar to Project One insured against loss or damage by fire and from other causes customarily insured against and in such amounts as are usually obtained. MEAG Power also covenants in the Project One Resolution that it will maintain adequate insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to Project One. Insurance against business interruption loss is maintained whenever, in the judgment of MEAG Power, such insurance is obtainable at commercially reasonable rates.

The foregoing practices by MEAG Power with respect to Project One are substantially similar to the practices by MEAG Power under the General Resolution Projects Resolution with respect to each General Resolution Project.

### **Accounts and Reports**

MEAG Power covenants in the Project One Resolution that it will keep proper and separate books of record and account relating to Project One and the funds and accounts established by the Project One Resolution and relating to costs and charges under the Project One Power Sales Contracts and the Project Agreements. Such books, together with all other books and papers of MEAG Power relating to Project One, are at all times subject to the inspection of the Trustee and the holders of not less than five percent in principal amount of Project One Senior Bonds then outstanding.

MEAG Power covenants in the Project One Resolution that it will file annually with the Trustee an annual report, accompanied by an accountant's certificate (Report of Independent Auditors), of the financial position of Project One at the end of the year, statements of Revenues and Operating Expenses and a statement of receipts and disbursements with respect to each fund and account established by the Project One Resolution.

The reports, statements and other documents required to be furnished to the Trustee pursuant to provisions of the Project One Resolution are available for inspection of Bondholders at the office of the Trustee and will be mailed to each Bondholder who files a written request therefor with MEAG Power.

The foregoing practices by MEAG Power with respect to Project One are substantially similar to the practices by MEAG Power under the General Resolution Projects Resolution with respect to each General Resolution Project.

### **Amendments and Supplemental Resolutions**

*For a description of the amendments to the following provisions proposed to be made by the Amendatory Supplemental Resolutions, see "Amendatory Supplemental Resolutions" below.*

Any of the provisions of the Project One Resolution may be amended by MEAG Power by a supplemental resolution, upon the consent of the holders of at least two-thirds in principal amount in each case of (1) all Project One Senior Bonds then outstanding, and (2) if less than all of the series of outstanding Project One Senior Bonds are affected, the Project One Senior Bonds of each affected series, and (3) if the amendment changes the terms of any sinking fund installment, the Project One Senior Bonds of the series

and maturity for which such sinking fund installment was established; excluding, in each case, from such consent, and from the outstanding Project One Senior Bonds, the Project One Senior Bonds of any specified series and maturity if such amendment by its terms will not take effect so long as any such Project One Senior Bonds remain outstanding. Any such amendment may not permit a change in the terms of redemption or maturity or any installment of interest or make any reduction in principal, redemption price or interest without the consent of each affected holder, or reduce the percentages of consents required for a further amendment.

MEAG Power may adopt (without the consent of any holders of the Project One Senior Bonds) supplemental resolutions to close the Project One Resolution against, or impose limitations upon, issuance of Project One Senior Bonds or other evidences of indebtedness; to authorize Project One Senior Bonds; to authorize Project One Subordinated Bonds; to provide for the issuance, execution, delivery, authentication, payment, registration, transfer and exchange of Project One Senior Bonds in bearer or coupon form or in uncertificated form; to add to the restrictions contained in the Project One Resolution; to add to the covenants of MEAG Power contained in the Project One Resolution; to confirm any pledge under the Project One Resolution of Revenues or other moneys; or to cure any ambiguity, supply any omission, or to cure or correct any defect in the Project One Resolution or to insert provisions clarifying matters or questions arising under the Project One Resolution; and, if and to the extent authorized in a supplemental resolution authorizing an Additionally Secured Series of Bonds, to specify the qualifications of any provider of a Financial Guaranty for credit to the particular sub-account in the Debt Service Reserve Account securing the Project One Senior Bonds of such Additionally Secured Series.

The foregoing amendments and supplemental resolutions permitted by MEAG Power under the Project One Resolution are substantially similar to the amendments and supplemental resolutions permitted by MEAG Power under the General Resolution Projects Resolution, except that under the General Resolution Projects Resolution MEAG Power may authorize Additional General Resolution Projects.

## **Additional Senior Bonds**

### ***The Project One Resolution***

After delivery of the Project One Senior Bonds of the Initial Facilities Issue, one or more series of Additional Project One Senior Bonds may be issued if and to the extent necessary as shown in a certificate of an Authorized Officer of MEAG Power for the purpose of paying the cost of Acquisition and Construction of the Initial Facilities. Additional Project One Senior Bonds may also be issued for the purpose of paying all or any portion of the Cost of Acquisition and Construction of any Additional Facilities provided, among other things, that, for major renewals and repairs, a certificate of an Authorized Officer of MEAG Power is received stating that MEAG Power has determined that such Additional Facilities are necessary to keep Project One in good operating condition or to prevent loss of Revenues therefrom. Additional Project One Senior Bonds do not include Refunding Project One Senior Bonds.

### ***The General Resolution Projects Resolution***

***Additional General Resolution Projects Senior Bonds for the Existing General Resolution Projects.*** After delivery of the General Resolution Projects Senior Bonds of the Initial Facilities Issue for Project Two, the Initial Facilities Issue for Project Three and the Initial Facilities Issue for Project Four, one or more series of additional General Resolution Projects Senior Bonds may be issued if and to the extent necessary as shown in a certificate of an Authorized Officer of MEAG Power for the purpose of paying the Cost of Acquisition and Construction of the Initial Facilities for Project Two, the Initial Facilities for Project Three or the Initial Facilities for Project Four. One or more series of Additional General Resolution Projects Senior Bonds may also be issued for the purpose of paying all or any portion of the Cost of Acquisition and Construction of any Capital Improvements for the Existing General Resolution Projects provided, among



other things, that, for major renewals and repairs, a certificate of an Authorized Officer of MEAG Power is received stating that MEAG Power has determined that such Capital Improvements are necessary to keep such Project in good operating condition or to prevent loss of Revenues therefrom. Such Additional General Resolution Projects Senior Bonds do not include Refunding General Resolution Projects Senior Bonds.

***Additional General Resolution Projects Senior Bonds for Additional General Resolution Projects.*** One or more series of Additional General Resolution Projects Senior Bonds may be issued to finance the Cost of Acquisition and Construction of Additional General Resolution Projects. Prior to the authentication and delivery of the first series of General Resolution Projects Senior Bonds for any Additional General Resolution Project, there must be delivered to the Trustee, among other documents:

(a) in the case of the first series of General Resolution Projects Senior Bonds for each Additional General Resolution Project, certified copies of Power Sales Contracts with each of the Participants relating to such Additional Project and certified copies of each Project Agreement relating thereto;

(b) an opinion of counsel to the effect that, among other things, the Participants are obligated under the Power Sales Contracts relating to such Additional Project in each Power Supply Year (as defined in such Power Sales Contracts) to make payments which, in the aggregate, are required, under any and all circumstances, to be sufficient, together with all other amounts available therefor, to pay 100 percent of the Annual Project Costs paid by MEAG Power during such Power Supply Year with respect to such Additional Project, and that the other provisions of each Power Sales Contract comply with the requirements of the General Resolution Projects Resolution; and

(c) a certificate of an Authorized Officer of MEAG Power stating, among other things, that MEAG Power can beneficially utilize the output and services of any generating facility included in such Additional Project to meet the long-term power and energy requirements of the Participants and that the cost of power and energy therefrom is reasonable in comparison to other sources which would reasonably be available to MEAG Power at the time of the estimated date of commercial operation of such generating facility or interest therein and that any transmission facilities included therein will be necessary within a reasonable time after the estimated date of commercial operation thereof to supply transmission capability to Participants required to be supplied pursuant to the Power Sales Contracts relating to such Additional Project.

One or more series of Additional General Resolution Projects Senior Bonds may be issued for an Additional General Resolution Project (1) to complete payment of the Cost of Acquisition and Construction thereof after delivery of the General Resolution Projects Senior Bonds of an issue authorized by a supplemental resolution referred to in (a) above for such Additional Project, or (2) to pay the Cost of Acquisition and Construction of Capital Improvements for such Additional General Resolution Project. Each series of Additional General Resolution Projects Senior Bonds for either such purpose may be authenticated and delivered by the Trustee only upon receipt by the Trustee of an opinion of counsel to the effect set forth in paragraph (b) above and, if no General Resolution Projects Senior Bonds have previously been issued for such Capital Improvements, a certificate of an Authorized Officer of MEAG Power to the effect set forth in paragraph (c) above. Such Additional General Resolution Projects Senior Bonds do not include Refunding General Resolution Projects Senior Bonds.

## **Refunding Senior Bonds**

### ***The Project One Resolution***

One or more series of Refunding Project One Senior Bonds may be authenticated and delivered upon original issuance to refund all or a portion of the outstanding Project One Senior Bonds of one or

more series. Refunding Project One Senior Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Project One Resolution required by the provisions of the supplemental resolution authorizing such Project One Senior Bonds.

Refunding Project One Senior Bonds of each series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee, in addition to the documents required by the Project One Resolution, of:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Project One Senior Bonds to be refunded on a redemption date specified in such instructions;

(b) If the Project One Senior Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to give notice of defeasance provided for in the Project One Resolution to the holders of the Project One Senior Bonds being refunded; and

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Project One Senior Bonds to be refunded, together with accrued interest on such Project One Senior Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective holders of the Project One Senior Bonds to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of the Project One Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in the Project One Resolution.

The proceeds, including accrued interest, of the Refunding Project One Senior Bonds of each series shall be applied simultaneously with the delivery of such Project One Senior Bonds for the purposes of making deposits in such Funds and Accounts under the Project One Resolution as shall be provided by the supplemental resolution authorizing such series of Refunding Project One Senior Bonds and shall be applied to the refunding purposes thereof in the manner provided in said supplemental resolution.

### ***The General Resolution Projects Resolution***

One or more series of Refunding General Resolution Projects Senior Bonds may be issued to refund all or a portion of the outstanding General Resolution Projects Senior Bonds of one or more series. The issuance of Refunding General Resolution Projects Senior Bonds to refund outstanding General Resolution Projects Senior Bonds is subject to the same conditions and requirements as set forth with respect to Refunding Senior Bonds for Project One.

### **Special Provisions Relating to Capital Appreciation Senior Bonds**

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Senior Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Senior Bond if the principal of all Project One Senior Bonds is declared immediately due and payable following an Event of Default, as provided in the Project One Resolution, or (iii) computing the principal amount of Project One Senior Bonds held by the holder of a Capital Appreciation Senior Bond in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the Project One Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Senior Bond shall be deemed to be its Accreted Value.

The principal and interest portions of the Accreted Value of Capital Appreciation Senior Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Aggregate Debt Service, Accrued Aggregate Debt Service and Adjusted Aggregate Debt Service only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value becomes so due, and the principal and interest portions of such Accreted Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

The foregoing provisions with respect to Capital Appreciation Senior Bonds in the Project One Resolution are substantially similar to the provisions with respect to Capital Appreciation Senior Bonds in the General Resolution Projects Resolution.

### **Trustee, Paying Agents**

The Project One Resolution requires the appointment by MEAG Power of one or more Paying Agents (who may be the Trustee) for the Project One Senior Bonds of each series. The Trustee may at any time resign on 60 days' written notice to MEAG Power and the holders of the Project One Senior Bonds and may at any time be removed by the holders of a majority in principal amount of the Project One Senior Bonds then outstanding. In addition, so long as no Event of Default, or event which with the passage of time or the giving of notice, or both, will become an Event of Default, shall have occurred and be continuing under the Project One Resolution, MEAG Power may remove the Trustee at any time, with or without cause, by a certificate of an Authorized Officer of MEAG Power filed with the Trustee. If the Trustee has been removed by MEAG Power, then MEAG Power shall have the exclusive right to appoint a successor Trustee. In any other case, a successor Trustee may be appointed by the holders of a majority in principal amount of Project One Senior Bonds then outstanding. If, however, within 30 days of the date on which the Trustee mailed notice of its resignation or became incapable of acting as trustee under the Project One Resolution, the Bondholders have not appointed a successor Trustee, MEAG Power, subject to the provisions of the Project One Resolution, shall have the exclusive right to appoint such successor. Any successor Trustee must be a bank or trust company or national banking association with its principal office in New York or Georgia having capital stock and surplus aggregating at least \$50,000,000 if there be such an entity willing to accept appointment.

The foregoing requirements by MEAG Power under the Project One Resolution are substantially similar to the requirements of MEAG Power under the General Resolution Projects Resolution.

### **Defeasance**

The pledge of the Trust Estate and each separate sub-account in the Debt Service Reserve Account in the Debt Service Fund established under the Project One Resolution and all covenants and other obligations of MEAG Power under the Project One Resolution will cease, terminate and be discharged and satisfied whenever all Project One Senior Bonds have been paid in full.

All or a portion of the outstanding Project One Senior Bonds of a series are deemed to have been paid and are not entitled to the lien, benefit or security of the Project One Resolution whenever the following conditions are met: (1) there have been deposited with the Trustee in trust either moneys in an amount which will be sufficient, or Defeasance Securities, the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or redemption price, if applicable, and interest due or to become due on such Project One Senior Bonds, (2) in the case of any Project One Senior Bonds to be redeemed prior to maturity, MEAG Power has given to the Trustee irrevocable instructions to give the notice of redemption therefor, (3) in the event such Project One Senior Bonds are not subject to redemption within the next succeeding 60 days, MEAG Power has given the Trustee irrevocable instructions to mail within five days of such deposit, a

notice to the holders of such Project One Senior Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or redemption price, if applicable, of such Project One Senior Bonds, and (4) MEAG Power shall cause such Project One Senior Bonds to be re-rated by all, or if rated by less than all, a minimum of two, of Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

Option Bonds are deemed to have been paid and are not entitled to the lien, benefit or security of the Project One Resolution only if, in addition to satisfying the conditions of clauses (2) and (3) of the preceding paragraph there has been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the holders of such Bonds upon the exercise of any options provided to the holders of such Bonds.

For purposes of determining whether Variable Rate Bonds are deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with the Project One Resolution, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum interest rate with respect thereto.

The foregoing defeasance provisions under the Project One Resolution are substantially similar to the defeasance provisions under the General Resolution Projects Resolution.

### **Events of Default and Remedies**

Events of Default specified in the Project One Resolution include failure to pay principal or redemption price of any Project One Senior Bond when due; failure to pay any interest installment on any Project One Senior Bond or the unsatisfied balance of any sinking fund installment thereon when due; failure to remedy a default for 60 days after written notice of a default in the observance or performance of any other covenants, agreements or conditions; and certain events of bankruptcy or insolvency. Upon the happening of any such Event of Default the Trustee or the holders of not less than 25 percent in principal amount of the Project One Senior Bonds then outstanding may declare the principal of and accrued interest on such Project One Senior Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the Project One Senior Bonds have matured). The Project One Power Sales Contracts provide for payment in each year of amounts sufficient to pay scheduled debt service. However, any debt service due on Project One Senior Bonds by reason of acceleration is not payable under the Project One Power Sales Contracts in the year of acceleration, although any accelerated amounts will continue to become due in the respective years in which scheduled.

Upon the occurrence of any Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, (1) account as a trustee of an express trust for all Revenues, moneys, securities and funds pledged under the Project One Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the Project One Resolution and, as received, all Revenues. The Trustee will apply all moneys, securities, funds and Revenues received during the continuance of an Event of Default (other than amounts on deposit in any separate sub-account in the Debt Service Reserve Account in the Debt Service Fund) as follows and in the following order: (1) to payment of the reasonable and proper charges, expenses and liabilities of the Trustee and Paying Agents, (2) to the payment of Operating Expenses, and (3) to the payment of interest and principal or the redemption price of Project One Senior Bonds without preference or priority of interest over principal or principal over interest, unless the principal of all Project One Senior Bonds has not been declared due and payable, in which case first to the payment of interest and second to the payment of principal on those Project One Senior Bonds which have become due and payable in order of their due dates. Following such application of moneys,

securities, funds and Revenues, the Trustee will apply all amounts on deposit in each separate sub-account in the Debt Service Reserve Account in the Debt Service Fund to the payment of interest and principal or the sinking fund redemption price of Project One Senior Bonds of each Additionally Secured Series secured by such separate sub-account without preference or priority of interest over principal or principal over interest, unless the principal of all Project One Senior Bonds of each Additionally Secured Series secured by such separate sub-account has not been declared due and payable, in which case first to the payment of interest and second to the payment of principal on those Project One Senior Bonds of each such Additionally Secured Series which have become due and payable in order of their due dates. In addition, any holders of Project One Senior Bonds or the Trustee will have the right as provided in the Act to apply in an appropriate proceeding for appointment of a receiver of Project One.

If an Event of Default has occurred and has not been remedied the Trustee may, or on request of the holders of not less than 25 percent in principal amount of Project One Senior Bonds outstanding must, take such steps by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Project One Resolution or in aid of the execution of any power granted in the Project One Resolution, or for an accounting against MEAG Power, or in the enforcement of any other legal or equitable right, as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Project One Resolution. The Trustee may, and upon the request of the holders of a majority in principal amount of the Project One Senior Bonds then outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the Project One Resolution or to preserve or protect the interests of the Trustee and of the Bondholders.

No Bondholder has any right to institute any suit, action or proceeding for the enforcement of any provision of the Project One Resolution or the execution of any trust under the Project One Resolution or for any remedy under the Project One Resolution, unless (1) such Bondholder previously has given the Trustee written notice of the Event of Default, (2) the holders of at least 25 percent in principal amount of the Project One Senior Bonds then outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days. There is nothing contained in the Project One Resolution or in the Project One Senior Bonds which affects or impairs MEAG Power's obligation to pay the Project One Senior Bonds and the interest thereon when due, or the right of any Bondholder to enforce such payment.

The holders of not less than a majority in principal amount of Project One Senior Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee (subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction).

The foregoing events of default and remedies under the Project One Resolution are substantially similar to the events of default and remedies under the General Resolution Projects Resolution.

## **Definitions**

### ***The Project One Resolution***

***Accreted Value.*** As of any date of computation with respect to any Capital Appreciation Senior Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the supplemental resolution authorizing such Capital Appreciation Senior Bond on which interest on such Bond is to be compounded

(hereinafter, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Senior Bonds set forth in the supplemental resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the supplemental resolution authorizing such Capital Appreciation Senior Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service.* As of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all series of Project One Senior Bonds, calculating accrued Debt Service with respect to each series at an amount equal to the sum of (1) interest on the Project One Senior Bonds of such series accrued and unpaid and to accrue to the end of the then current calendar month and (2) Principal Installments due and unpaid and that portion of the Principal Installment for such series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month; *provided, however*, that (x) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments and (y) with respect to Variable Rate Bonds, interest on such Variable Rate Bonds shall be calculated at the actual rate or rates borne thereby during the period for which such calculation is made.

*Additional Facilities.* Any of the following: (1) any major renewals, replacements, repairs, additions, betterments and improvements, necessary, in the opinion of MEAG Power, to keep Project One in good operating condition or to prevent a loss of Revenues therefrom, (2) any major additions, improvements, repairs and modifications to Project One and any decommissioning or disposals of Project One required by any governmental agency having jurisdiction over Project One or for which MEAG Power is responsible by virtue of any obligation of MEAG Power arising out of any of the Project Agreements, or (3) reload fuel or additional fuel inventory for any generating unit of Project One to the extent that sufficient funds are not available to pay the cost thereof. However, Additional Facilities do not include additional generating units or increases, if any, in MEAG Power’s undivided interest in generating units forming a part of the Initial Facilities.

*Additionally Secured Series.* All series of Project One Senior Bonds outstanding on the Effective Date and any series of Project One Senior Bonds issued after the Effective Date for which the payment of the principal or sinking fund Redemption Price, if any, of, and interest on, the Project One Senior Bonds of such series shall be secured, in addition to the pledge of the Trust Estate created by the Project One Resolution in favor of all of the Project One Senior Bonds, by amounts on deposit in a separate sub-account to be designated therefor in the Debt Service Reserve Account in the Debt Service Fund.

*Adjusted Aggregate Debt Service.* For any period shall mean, as of any date of calculation, the Aggregate Debt Service for such period except that if any Refundable Principal Installment for any series of Project One Senior Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 25th anniversary of the issuance of such series of Project One Senior Bonds or (y) the 10th anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period. Interest deemed payable in any calendar year after the actual due date of any Refundable Principal Installment of any series of Project One Senior Bonds shall be calculated at such rate of interest as MEAG Power, or a banking or financial institution selected by MEAG Power, determines would be a reasonable estimate of the rate of

interest that would be borne on Project One Senior Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

*Aggregate Debt Service.* For any period, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all series of Project One Senior Bonds.

*Capital Appreciation Senior Bonds.* Any Project One Senior Bonds issued under the Project One Resolution as to which interest is compounded periodically on dates that are specified in the supplemental resolution authorizing such Capital Appreciation Senior Bonds and payable only at the maturity or prior redemption of such Project One Senior Bonds.

*Collateral Securities.* Any of the following securities, if and to the extent the same are at the time legal for investment of MEAG Power's funds:

1. any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (2) below to the extent unconditionally guaranteed by the United States of America;
2. obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;
3. New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the United States of America; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; and
4. direct and general obligations of any State within the United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, provided that at the time of their purchase under the Project One Resolution such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency.

*Debt Service.* For any period, as of any date of calculation and with respect to any series of Project One Senior Bonds, an amount equal to the sum of (1) interest accruing during such period with respect to such series (except interest to be paid from Project One Senior Bond proceeds as provided in the Project One Resolution) and (2) that portion of each Principal Installment for such series which would accrue during such period if such Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date (or, if there be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Project One Senior Bonds of such series, whichever is later). Such interest and Principal Installments for such series shall be calculated on the assumptions that:

1. no Project One Senior Bonds of such series (except for Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) outstanding at the date of calculation will cease to be outstanding except by reason of the payment of each Principal Installment on the due date thereof;

2. the principal amount of Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender; and

3. Variable Rate Bonds will bear interest at the rate or rates which were assumed by MEAG Power in the Annual Budget for the applicable year to be borne by Variable Rate Bonds during such year.

*Debt Service Reserve Requirement.* With respect to the Initial Sub-Account in the Debt Service Reserve Account in the Debt Service Fund, as of any date of calculation, an amount equal to the greatest amount of the Aggregate Debt Service on the Project One Senior Bonds of each Additionally Secured Series secured thereby for the then current or any future calendar year. With respect to each additional sub-account, if any, in the Debt Service Reserve Account in the Debt Service Fund established after the Effective Date, the amount specified in the supplemental resolution pursuant to which such sub-account is established.

*Defeasance Securities.* Any of the following securities, if and to the extent the same are at the time legal for investment of MEAG Power's funds:

1. any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (2) below to the extent unconditionally guaranteed by the United States of America;

2. obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation; and

3. any other security designated in a supplemental resolution as a Defeasance Security for purposes of defeasing the Project One Senior Bonds authorized by such supplemental resolution; *provided, however*, that the provisions of this clause (3) shall not apply to any Project One Senior Bonds issued prior to the Effective Date.

*Effective Date.* The date on which the amendments to the Project One Resolution contained in the Amended and Restated Project One Resolution became effective, which date was March 8, 2017.

*Financial Guaranty.* (1) In the case of the Initial Sub-Account in the Debt Service Reserve Account, one or more of an irrevocable and unconditional policy of insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of Georgia the financial strength of which, except as otherwise provided in the Project One Resolution, is rated in the highest rating category by Moody's Investors Service, Standard & Poor's, Fitch Ratings and, if rated by A.M. Best & Company, A.M. Best & Company, and providing for the payment thereunder of moneys when required pursuant to the Project One Resolution; and (2) in the case of any sub-account in the Debt Service Reserve Account other than the Initial Sub-Account, a surety bond, an insurance policy, a letter of credit or any other similar obligation, or any combination thereof, of the type specified in the supplemental resolution establishing such sub-account.

*Initial Facilities.* The undivided ownership interests acquired by MEAG Power in the generating units of the Generation Stations, the transmission system facilities acquired and to be acquired and constructed by MEAG Power as part of Project One and working capital required by MEAG Power, all as described in the Annual Information Statement under "MEAG POWER – Bulk Power Supply Operations."



*Investment Securities.* Any securities, obligations or investments permitted for investment of MEAG Power's funds from time to time by O.C.G.A. Sections 36-80-3, 36-82-7, 36-83-4 and 50-17-2, as from time to time amended, or any successor provisions thereto, or additional provisions of Georgia law from time to time enacted regarding the investment of funds of MEAG Power, in each case, upon written notice to the Trustee by MEAG Power of the amendment of existing provisions or the adoption of successor or additional provisions.

*Option Bonds.* Any Project One Senior Bonds which by their terms may be tendered by and at the option of the holder thereof for payment by MEAG Power prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the holder thereof.

*Principal Installment.* As of any date of calculation and with respect to any series, so long as any Project One Senior Bonds thereof are outstanding, (i) the principal amount of Project One Senior Bonds (including, in the case of any Option Bond, the principal amount thereof tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) of such series due (or so tendered for payment and paid, or to be so paid) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Project One Senior Bonds of such series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Project One Senior Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Project One Senior Bonds of such series, the sum of such principal amount of Project One Senior Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

*Project One.* The Initial Facilities and all Additional Facilities.

*Refundable Principal Installment.* Any Principal Installment for any series of Project One Senior Bonds which MEAG Power intends to pay with moneys which are not Revenues; *provided, however*, that such intent shall have been expressed in the supplemental resolution authorizing such series of Project One Senior Bonds; and *provided, further*, that any such Principal Installment shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as MEAG Power no longer intends to pay such Principal Installment with moneys which are not Revenues.

*Revenues.* (1) All revenues, income, rents and receipts derived from the ownership and operation of Project One, (2) the proceeds of any business interruption loss insurance, and (3) interest accrued on any moneys or securities (other than in the Construction Fund) held pursuant to the Project One Resolution.

*Trust Estate.* (1) The proceeds of sale of the Project One Senior Bonds, (2) the Revenues, and (3) all Funds established by the Project One Resolution (other than the Debt Service Reserve Account in the Debt Service Fund), including the investments, if any, thereof.

*Variable Rate Bonds.* As of any date of determination, any Project One Senior Bond on which the interest rate borne thereby may vary during any part of its remaining term.

### ***The General Resolution Projects Resolution***

The definitions set forth above under the Project One Resolution for Accreted Value, Accrued Aggregate Debt Service, Additionally Secured Series, Adjusted Aggregate Debt Service, Aggregate Debt Service, Capital Appreciation Senior Bonds, Collateral Securities, Debt Service, Debt Service Reserve Requirement, Defeasance Securities, Effective Date, Financial Guaranty, Investment Securities, Option Bonds, Principal Installment, Refundable Principal Installment, Revenues, Trust Estate and Variable Rate

Bonds are substantially similar to the same defined terms under the General Resolution Projects Resolution. The General Resolution Projects Resolution has the following additional defined terms:

*Additional General Resolution Project.* Any of the following if designated as an Additional General Resolution Project in a supplemental resolution: (i) MEAG Power's interest in any electric generating units and related transmission facilities or electric transmission system facilities, or any mine, well, pipeline, plant structure or other facility for the development, production, manufacture, transportation, storage, fabrication or processing of fossil or nuclear fuel of any kind or any facility or rights with respect to the supply of water, in each case for use, in whole or in part, in any of MEAG Power's generating units, including, in any case, land, rights in land, structures, equipment, inventories of supplies, materials of equipment related thereto, or any one or more of the foregoing, together with any Capital Improvements authorized therefor; (ii) where MEAG Power will acquire electric power supply or transmission capability under arrangements whereby MEAG Power purchases rights to receive, or leases or otherwise acquires rights to facilities to enable it to receive, an electric power supply or transmission capability, MEAG Power's rights and interest under such arrangements; (iii) preliminary and developmental work, including engineering, legal and financial studies, in connection with the planning and development of power resources and the determination of the feasibility thereof; and (iv) working capital required by MEAG Power for providing bulk electric power and energy to the Participants in accordance with the provisions of the appropriate Power Sales Contracts; or any one or more of the foregoing, in each of the foregoing cases, together with all rights, interests and facilities of every kind related or incidental thereto or necessary or desirable to carry out such Project.

*Annual Project Costs.* With respect to any Additional General Resolution Project and any Power Supply Year, to the extent not paid as part of the Cost of Acquisition and Construction of such Project, all costs and expenses paid by MEAG Power during such Power Supply Year allocable to such Project.

*Capital Improvements.* With respect to any Additional General Resolution Project, any major renewals, replacements, repairs, additions, betterments, improvements, modifications and disposals of such Project the costs of which, pursuant to the Power Sales Contracts relating to such Project, MEAG Power is permitted to finance through the issuance of Additional General Resolution Projects Senior Bonds. In the case of Project Two, Project Three and Project Four, Capital Improvements may include any of the following: (1) any major renewals, replacements, repairs, additions, betterments and improvements, necessary, in the opinion of MEAG Power, to keep the applicable Project in good operating condition or to prevent a loss of Revenues therefrom, (2) any major additions, improvements, repairs and modifications to the applicable Project and any retirements or disposals of the applicable Project required by any governmental agency having jurisdiction over such Project or for which MEAG Power is responsible by virtue of any obligation of MEAG Power arising out of any of the Project Agreements, or (3) additional fuel inventory for any generating unit of the applicable Project to the extent that sufficient funds are not available to pay the cost thereof. However, Capital Improvements for Project Two, Project Three and Project Four may not include additional generating units or increases, if any, in MEAG Power's undivided interest in generating units forming a part of the Initial Facilities for the applicable Project.

*General Resolution Project.* Project Two, Project Three, Project Four or any Additional General Resolution Project.

*Initial Facilities for Project Four.* The undivided interests acquired by MEAG Power in generating units and common facilities at Generation Station Vogtle and included in Project Four, together with working capital required by MEAG Power in connection therewith, all as described in the Annual Information Statement under "MEAG POWER – Bulk Power Supply Operations."

*Initial Facilities for Project Three.* The undivided interests acquired by MEAG Power in generating units and common facilities at Generation Station Scherer and included in Project Three,

together with working capital required by MEAG Power in connection therewith, all as described in the Annual Information Statement under “MEAG POWER – Bulk Power Supply Operations.”

*Initial Facilities for Project Two.* The undivided interests acquired by MEAG Power in generating units and common facilities of Generation Station Scherer and Generation Station Wansley and included in Project Two, together with working capital required by MEAG Power in connection therewith, all as described in the Annual Information Statement under “MEAG POWER – Bulk Power Supply Operations.”

*Power Sales Contract.* With respect to Project Two, each Project Two Power Sales Contract, with respect to Project Three, each Project Three Power Sales Contract, with respect to Project Four, each Project Four Power Sales Contract, and, with respect to any Additional General Resolution Project, each contract entered into with a Participant relating to such Project, all as supplemented or amended from time to time in accordance with the General Resolution Projects Resolution, designated in the supplemental resolution authorizing the acquisition and construction of such Project as a “Power Sales Contract” under the General Resolution Projects Resolution, the term of which does not end earlier than the final maturity date of any General Resolution Projects Senior Bonds authorized to be issued for the purpose of financing the Cost of Acquisition and Construction of such project; *provided, however*, that the contracts for such Projects (a) must require payments by the Participants (either on a fixed percentage basis or pursuant to rates) which are sufficient, together with all other amounts available therefor, to pay, under any and all circumstances, 100 percent of the Annual Project Costs paid by MEAG Power during each Power Supply Year with respect to such Project; (b) must contain a rate covenant by the Participants to the same effect as the rate covenant in the Existing General Resolution Projects Power Sales Contracts; (c) must provide that, unless the payments required to be made by a Participant under its contract or provisions for such payments in any fiscal year shall have been made from the revenues of its electric system, the Participant will annually include in its general revenue or appropriation measure sums sufficient to satisfy the payments required to be made under such contract and, if such provision or appropriation is not made in such year, the chief fiscal officer of the Participant shall, in accordance with the Act, set up as an appropriation on the accounts of such Participant in such year the amounts required to satisfy the payments required to be made under such contract; and (d) must provide that the obligation of each Participant to make payments under its contract shall constitute a general obligation for the payment of which its full faith and credit are pledged and require such payments to be made whether or not such Project or any part thereof has been completed, is operating or operable or its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part.

*Project Four.* The Initial Facilities for Project Four and Capital Improvements for Project Four.

*Project Three.* The Initial Facilities for Project Three and Capital Improvements for Project Three.

*Project Two.* The Initial Facilities for Project Two and Capital Improvements for Project Two.

## **Amendatory Supplemental Resolutions**

### ***General***

The Amendatory Supplemental Resolutions provide for the making of certain additional amendments to the Project One Resolution and General Resolution Projects Resolution. Such amendments will not become effective until the date on which all Senior Bonds outstanding under the Project One Resolution or the General Resolution Projects Resolution, as applicable, at December 16, 2011 (the date of adoption of the Amendatory Supplemental Resolutions) cease to be outstanding thereunder. At such time as such amendments become effective, they will apply to all applicable Senior Bonds then outstanding.

### ***Redemption of Senior Bonds***

Each Amendatory Supplemental Resolution amends the provisions of the applicable Resolution relating to the redemption of Senior Bonds to allow MEAG Power to reserve the right to revoke any notice of redemption given at the election or direction of MEAG Power, and to provide that the obligation of MEAG Power to redeem any Senior Bonds called for redemption at the election or direction of MEAG Power will be conditioned upon sufficient moneys being available therefor.

### ***Future Amendments to the Resolutions***

Each Amendatory Supplemental Resolution also provides that the provisions of the applicable Resolution relating to the future amendment thereof will be amended (1) to allow the Trustee to consent to any modification to or amendment of the Resolution which it determines will not have a material adverse effect on the interests of the holders of the applicable Senior Bonds, (2) in the case of any amendment that currently would require the consent of the holders of at least two-thirds in principal amount of all applicable Senior Bonds outstanding, to reduce such requirement to the holders of at least a majority in principal amount of the Senior Bonds then outstanding that are affected by the amendment and (3) to permit, in connection with the initial issuance of the Senior Bonds of any series, such Senior Bonds to be deemed to have consented to any particular amendment to such Resolution, such that the holders of such Senior Bonds will not have the right to revoke such consent.

[This page intentionally left blank]

**SUMMARY OF PROJECT ONE SUBORDINATED RESOLUTION  
AND GENERAL RESOLUTION PROJECTS SUBORDINATED RESOLUTION**

The following is a general summary of certain provisions of the Project One Subordinated Resolution and the General Resolution Projects Subordinated Resolution. Summaries of certain definitions contained in such resolutions and in the Project One Resolution and the General Resolution Projects Resolution are also set forth at the end of this APPENDIX G and under APPENDIX F, “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Definitions.” Other terms defined in these resolutions for which summary definitions are not set forth are indicated by capitalization. The Project One Subordinated Resolution is supplemental to the Project One Resolution and the General Resolution Projects Subordinated Resolution is supplemental to the General Resolution Projects Resolution.

Except as noted below, the descriptions herein of the provisions of the Project One Subordinated Resolution also apply to provisions of the General Resolution Projects Subordinated Resolution.

**Construction Account; Subordinated Bond Fund**

The Project One Subordinated Resolution establishes a Construction Account within the Construction Fund under the Project One Resolution. This Account and the Subordinated Bond Fund established under the Project One Resolution are held by the Trustee.

Amounts in the Construction Account representing proceeds of Project One Subordinated Bonds issued in anticipation of Project One Senior Bonds are to be applied by the Trustee, upon requisition by MEAG Power, to the payment of Cost of Acquisition and Construction of Project One. Amounts therein representing proceeds of other Project One Subordinated Bonds are to be applied to the purpose for which such Project One Subordinated Bonds are issued. See “Additional Subordinated Bonds; Conditions to Issuance” below.

MEAG Power has agreed to make payments into the Subordinated Bond Fund at such times and in such amounts as necessary to provide for payment of the principal of and premium, if any, and interest on Project One Subordinated Bonds in full when due. Subject to the pledge of any funds of MEAG Power to other indebtedness, payments are to be made from any available funds, including proceeds of refunding Project One Subordinated Bonds or other indebtedness, proceeds of Project One Senior Bonds and amounts in the Revenue and Operating Fund established under the Project One Resolution, including Revenues derived under the Project One Power Sales Contracts. Under the terms of the Project One Resolution, amounts in such Revenue and Operating Fund at any time may be deposited in the Subordinated Bond Fund and used to pay debt service on Project One Subordinated Bonds only to the extent such amounts are not then needed to make payments of Operating Expenses or required payments into the Debt Service Fund established under the Project One Resolution. See APPENDIX F, “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Application of Revenues.”

The foregoing description of the Construction Account, the Subordinated Bond Fund and the application of funds thereunder under the Project One Subordinated Resolution are substantially applicable to the separate Project Accounts, the Subordinated Bond Fund and the application of funds thereunder under the General Resolution Projects Subordinated Resolution except that the General Resolution Projects Subordinated Resolution establishes separate Project Accounts for each General Resolution Project instead of one Construction Account and the amounts in each Project Account are applied to the purposes as set forth in the Supplemental Resolution relating to such Project.

## **Additional Subordinated Bonds; Conditions to Issuance**

Under the Project One Resolution, MEAG Power may issue Project One Subordinated Bonds for any lawful purpose of MEAG Power including, without limitation, payment of principal or redemption price of and interest on any Project One Subordinated Bonds or any reserves which MEAG Power determines shall be required for such purposes; payments into any separate account or accounts established in the Construction Fund; and improvements, extensions, betterments, renewals and replacements of any properties of Project One. Each series of Project One Subordinated Bonds will be secured on a parity with all other series of Project One Subordinated Bonds by the pledge under the Project One Subordinated Resolution of the Subordinated Bond Fund and investments, if any, thereof.

The principal amount of Project One Subordinated Bonds which may be issued under the Project One Subordinated Resolution is limited under the Act to the extent that at any time the principal amount of outstanding Project One Subordinated Bonds which are bond anticipation notes plus the principal amount of any other Project One bond anticipation notes may not exceed the principal amount of validated but unissued Project One Senior Bonds. Prior to issuing any Project One Subordinated Bonds which are not bond anticipation notes, MEAG Power must obtain a validation judgment for such Project One Subordinated Bonds in accordance with the Act.

MEAG Power may not issue any additional series of Project One Subordinated Bonds if thereafter the principal amount of Project One Subordinated Bonds outstanding (excluding Project One Subordinated Bonds to be retired with the proceeds of the additional series) would be greater than 30 percent of the total Project One indebtedness of MEAG Power to be outstanding unless MEAG Power delivers to the Trustee an opinion of the Consulting Engineer to the effect that, for each calendar year in the period beginning with the year in which the additional series of Project One Subordinated Bonds is to be issued and ending on the later of the fifth full calendar year thereafter or the first full calendar year in which no interest on Project One Senior Bonds or Project One Subordinated Bonds then to be outstanding is to be paid from proceeds of Project One Senior Bonds or Project One Subordinated Bonds, estimated Revenues after payment of operating expenses will be at least equal to estimated Adjusted Aggregate Debt Service. In the case of Project One Subordinated Bonds consisting of Commercial Paper Notes, however, such an opinion need not be delivered if an opinion has been delivered within the preceding twelve months and, after giving effect to the issuance of the Commercial Paper Notes, the Adjusted Aggregate Debt Service in any calendar year will not be greater than the amounts estimated for such year in such opinion. For purposes of estimating Revenues, the Consulting Engineer may make its estimates based upon (a) Revenues to result from sales of power and energy, pursuant to the Power Sales Contracts, the Project Agreements, other contracts then existing between MEAG Power and its Participants relating to Project One or the provision by MEAG Power of Bulk Power Supply, and then existing tariffs filed by or contracts with other utilities in accordance with the terms thereof, based upon charges then in effect and such revisions thereto as the Consulting Engineer may estimate will be required in order that MEAG Power will be able to comply with the requirements of the Project One Resolution; *provided, however*, that, in the case of any such assumed increases in charges, there shall be delivered to the Trustee by MEAG Power a certificate setting forth a determination of MEAG Power which recognizes that such increased charges will be necessary to produce the Revenues estimated by the Consulting Engineer; and (b) Revenues to result from assumed sales of power and energy for which no contract is in effect on the date such opinion is delivered; *provided, however*, that the amount of such Revenues estimated pursuant to this clause (b) for any calendar year shall not exceed 20 percent of the total Revenues estimated by the Consulting Engineer for such calendar year.

Except in the case of Project One Subordinated Bonds being issued to refund outstanding Project One Subordinated Bonds, each series of Project One Subordinated Bonds may be issued only if MEAG Power certifies that no event of default then exists under the Project One Resolution or the Project One Subordinated Resolution.

The foregoing description of conditions to the issuance of additional Project One Subordinated Bonds is also applicable for the issuance of additional General Resolution Projects Subordinated Bonds, except that MEAG Power may issue Additional General Resolution Projects Subordinated Bonds for Additional General Resolution Projects.

### **Special Provisions Relating to Capital Appreciation Subordinated Bonds**

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Subordinated Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Subordinated Bond if the principal of all Project One Subordinated Bonds is declared immediately due and payable following an Event of Default, as provided in the Project One Subordinated Resolution, or (iii) computing the principal amount of Project One Subordinated Bonds held by the registered owner of a Capital Appreciation Subordinated Bond in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the Project One Subordinated Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Subordinated Bond shall be deemed to be its Accreted Value.

The principal and interest portions of the Accreted Value of Capital Appreciation Subordinated Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under (a) the definition of Aggregate Debt Service and (b) any definition contained in any supplemental resolution that, by its terms, provides that this paragraph shall apply thereto, but only from and after the date (the “Calculation Date”) which is one year prior to the date on which such Accreted Value becomes so due, and the principal and interest portions of such Accreted Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

The foregoing provisions with respect to Capital Appreciation Subordinated Bonds in the Project One Subordinated Resolution are substantially similar to the provisions with respect to Capital Appreciation Subordinated Bonds in the General Resolution Projects Subordinated Resolution.

### **Investment of Construction Account and Subordinated Bond Fund**

For information concerning investments of the Construction Account and the Subordinated Bond Fund, see APPENDIX F, “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Investment of Certain Funds and Accounts.”

### **Creation of Liens**

Under the Project One Subordinated Resolution, MEAG Power has agreed that it will not issue bonds, notes or other evidences of indebtedness, other than Project One Subordinated Bonds and Project One Senior Bonds, which are secured by a pledge of the Subordinated Bond Fund unless such pledge is subordinate to the pledge of the Subordinated Bond Fund under the Project One Subordinated Resolution. MEAG Power will not create or permit to exist any lien or charge on the Subordinated Bond Fund, other than the pledge thereof under the Project One Resolution and under the Project One Subordinated Resolution, unless such lien or charge is subordinate to the pledge thereof under the Project One Subordinated Resolution. In addition, except as described in the next sentence, MEAG Power has agreed that it will not create or permit to exist any lien or charge on any proceeds of Project One Senior Bonds to secure any bonds, notes or other evidences of indebtedness other than Project One Senior Bonds unless the Project One Subordinated Bonds are secured by such proceeds on a parity with or superior to such lien or charge. MEAG Power may create a lien or charge on proceeds of Project One Senior Bonds to secure indebtedness owing to one or more banks which is not evidenced by Project One Subordinated Bonds and the aggregate principal amount of which does not at any time exceed \$150,000,000. See “CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Financing Program” in the Annual Information



Statement. For a description of related covenants in the Project One Resolution, see APPENDIX F, “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Encumbrances; Disposition of Properties.”

The covenant described in the two sentences preceding the foregoing cross references is not contained in the General Resolution Projects Subordinated Resolution.

### **Other Covenants**

For information with respect to certain covenants in the Project One Resolution and the General Resolution Projects Resolution which inure to the benefit of Project One Subordinated Bondholders and General Resolution Projects Subordinated Bondholders, respectively, see the subsections “Rate Covenant”, “Covenants with Respect to Power Sales Contracts and Project Agreements”, “Annual Budget”, “Insurance” and “Accounts and Reports” under “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION” in APPENDIX F.

### **Amendments and Supplemental Resolutions**

The Project One Subordinated Resolution and the rights and obligations of MEAG Power and of the holders of the Project One Subordinated Bonds may be amended by a Supplemental Resolution with the written consent of a majority in principal amount in each case of (i) all Project One Subordinated Bonds then outstanding, and (ii) in case less than all of the series of outstanding Project One Subordinated Bonds are affected, the Project One Subordinated Bonds of each series so affected, and (iii) in case the modification or amendment changes the terms of any sinking fund installment, the Project One Subordinated Bonds of the particular series and maturity entitled to the benefit of a sinking fund. No such modification or amendment may (A) permit a change in the terms of redemption or maturity or any installment of interest or a reduction in the principal, redemption price or rate of interest thereon without consent of each affected holder, or (B) reduce the percentages or otherwise affect the classes of Project One Subordinated Bonds the consent of the holders of which is required to effect any such modification or amendment.

The Project One Subordinated Resolution provides that the consent of the holder of any Project One Subordinated Bond that is subject to purchase at the option of such holder with respect to any modification or amendment referred to in this paragraph shall be deemed to be given on the date of adoption of the applicable Supplemental Resolution provided that, among other things, such amendment does not become applicable to such Project One Subordinated Bond until a future date by which the holder thereof has had notice of the changes and the opportunity to tender such Project One Subordinated Bond for purchase.

The Project One Subordinated Resolution may be amended, with the consent of the Trustee but without the consent of Project One Subordinated Bondholders, (i) to cure any ambiguity, omission, defect or inconsistent provision in the Project One Subordinated Resolution; (ii) to insert provisions clarifying the Project One Subordinated Resolution; or (iii) to make any other modification or amendment of the Project One Subordinated Resolution which the Trustee, in its sole discretion, determines will not have a material adverse effect on the interest of Project One Subordinated Bondholders.

Without the consent of the Project One Subordinated Bondholders or the Trustee, MEAG Power may adopt a Supplemental Resolution which (i) closes the Project One Subordinated Resolution against, or provides additional conditions to, the issuance of Project One Subordinated Bonds; (ii) adds covenants and agreements of MEAG Power; (iii) adds limitations and restrictions to be observed by MEAG Power; (iv) authorizes Project One Subordinated Bonds of an additional series; (v) confirms any security interest, pledge or assignment of the Revenues or of any other monies, securities or funds; and (vi) modifies any

provisions effective after all Project One Subordinated Bonds of each series outstanding as of the date of the adoption of such Supplemental Resolution cease to be outstanding.

The foregoing description of amendments and Supplemental Resolutions with respect to the Project One Subordinated Resolution is also applicable for amendments and Supplemental Resolutions with respect to the General Resolution Projects Subordinated Resolution, except that MEAG Power may, effective upon filing with the Trustee, adopt Supplemental Resolutions to authorize the acquisition and construction of Additional General Resolution Projects.

## **Defeasance**

The pledge of monies and securities under the Project One Subordinated Resolution and all covenants and other obligations of MEAG Power under the Project One Subordinated Resolution will cease, terminate and be discharged and satisfied whenever all Project One Subordinated Bonds have been paid in full. Project One Subordinated Bonds are deemed to have been paid and are not entitled to the lien, benefit or security of the Project One Subordinated Resolution whenever the following conditions are met: (1) there have been deposited with any Paying Agent and set aside in trust either monies in an amount which will be sufficient or securities described in clause (1) of the definition of “Investment Securities” under “SUMMARY OF PROJECT ONE RESOLUTION AND GENERAL RESOLUTION PROJECTS RESOLUTION – Definitions” in APPENDIX F which are not subject to redemption prior to maturity other than at the option of the holder thereof, the principal of and the interest on which when due, will provide monies which, together with other monies, if any, also deposited, will be sufficient to pay when due the principal or redemption prices, if applicable, and interest due or to become due on such Project One Subordinated Bonds, (2) in the case of Project One Subordinated Bonds to be redeemed prior to maturity, MEAG Power has given to the Trustee irrevocable instructions to publish the notice of redemption therefor, and (3) in the event such Project One Subordinated Bonds are not subject to redemption within the next succeeding 60 days, MEAG Power has given the Trustee irrevocable instructions to publish, as soon as practicable, a notice to the holders of such Project One Subordinated Bonds that the above deposit has been made and that such Project One Subordinated Bonds are deemed to be paid and stating the maturity or redemption date upon which monies are to be available to pay the principal or redemption price, if applicable, of such Project One Subordinated Bonds.

## **Events of Default**

Events of Default specified in the Project One Subordinated Resolution include any Event of Default specified in the Project One Resolution, failure to pay principal or interest on any Project One Subordinated Bond when due, and failure to remedy a default for 60 days after written notice of default in the performance of any covenant in the Project One Subordinated Resolution. Events of Default under the Project One Resolution include failure to pay when due principal of and interest on Project One Senior Bonds, failure to remedy a default for 60 days after notice of default in the performance of any covenant in such Project One Resolution and certain events of bankruptcy or insolvency. Upon the happening of any Event of Default under the Project One Subordinated Resolution, if the Project One Senior Bonds shall have become immediately due and payable, the Project One Subordinated Bonds shall become immediately due and payable. The Project One Power Sales Contracts provide for payment in each year of amounts sufficient to pay scheduled debt service. However, any debt service due on the Project One Subordinated Bonds by reason of acceleration is not payable under the Project One Power Sales Contracts in the year of acceleration, although any accelerated amount will continue to become due in the respective years in which scheduled. The acceleration of the Project One Subordinated Bonds shall be subject to rescission upon the curing of all defaults.

Following an Event of Default under the Project One Subordinated Resolution which has not been remedied, MEAG Power, upon demand of the Trustee, will account, as if it were the trustee of an express

trust, for all monies, securities and funds pledged or held under the Project One Subordinated Resolution as security for the Project One Subordinated Bonds. The Trustee may proceed, and upon written request of the holders of not less than 25 percent in principal amount of the Project One Subordinated Bonds outstanding under the Project One Subordinated Resolution shall proceed, to protect and enforce its rights and the rights of the holders of the Project One Subordinated Bonds forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Project One Subordinated Resolution or in aid of any power therein granted, or for an accounting against MEAG Power, or in the enforcement of any other legal or equitable right. The holders of not less than a majority in principal amount of the Project One Subordinated Bonds outstanding under the Project One Subordinated Resolution may direct the time, method and place of any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee (subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its own good faith determination that such action would involve the Trustee in personal liability or be unjustly prejudicial to holders of Project One Subordinated Bonds not parties to such direction). However, the Trustee shall not be required to follow any such direction which conflicts with any direction of holders of Project One Senior Bonds.

All monies, securities and funds held or received by the Trustee with respect to Project One Subordinated Bonds are to be applied, first, to the payment of reasonable and proper charges of the Trustee and other fiduciaries, second, to the payment of operating expenses, third, to the payment of debt service then due on Project One Senior Bonds and, fourth, to the payment of principal and interest then due on Project One Subordinated Bonds, without preference as to principal over interest or interest over principal or any Project One Subordinated Bond over any other Project One Subordinated Bond.

The holder of any Project One Subordinated Bond issued under the Project One Subordinated Resolution shall not have any right to institute any suit, action or proceeding for the enforcement of any provision of the Project One Subordinated Resolution unless such Project One Subordinated Bondholder shall have previously given the Trustee written notice of the Event of Default, the holders of at least 25 percent in principal amount of Project One Subordinated Bonds then outstanding shall have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, adequate security and indemnity against the Trustee's costs and liability shall have been offered and the Trustee shall have refused to comply with such request within 60 days. Nothing in the Project One Subordinated Resolution affects or impairs MEAG Power's obligation to pay the Project One Subordinated Bonds and interest thereon when due or the right of any Project One Subordinated Bondholder to enforce such payment.

## **Definitions**

*Accreted Value*, as of any date of computation with respect to any Capital Appreciation Subordinated Bond, means an amount equal to the principal amount of such Subordinated Bond plus the interest accrued on such Subordinated Bond from the date of original issuance of such Subordinated Bond to the January 1 or July 1 next preceding the date of computation or the date of computation if a January 1 or July 1, such interest to accrue at the interest rate per annum of the Capital Appreciation Subordinated Bond set forth in the supplemental resolution authorizing such Subordinated Bonds, compounded on January 1 and July 1 of each year, plus, if such date of computation shall not be a January 1 or July 1, a portion of the difference between the Accreted Value as of the immediately preceding January 1 or July 1 (or the date of original issuance if the date of computation is prior to the first January 1 or July 1 succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding January 1 or July 1, calculated based upon an assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve 30-day months.

*Adjusted Aggregate Debt Service*, as of any date of calculation and for any period, means the sum of Aggregate Debt Service on Project One Senior Bonds and Aggregate Debt Service on Project One

Subordinated Bonds for such period except that (1) if any Refundable Principal Installment for any Project One Subordinated Bonds (other than a Commercial Paper Note) is included in Aggregate Debt Service on Project One Subordinated Bonds for such period, Adjusted Aggregate Debt Service will be calculated on the assumption that such Refundable Principal Installment will be paid with proceeds of a series of Project One Senior Bonds having level debt service based on interest rates estimated by MEAG Power and Principal Installments extending from the actual due date of the Refundable Principal Installment through the later of ten years thereafter or the 25th anniversary of the issuance of such Project One Subordinated Bond, and (2) if debt service for any Commercial Paper Note is included in Aggregate Debt Service on Project One Subordinated Bonds, Adjusted Aggregate Debt Service will be calculated on the assumption that such debt service will be paid from the sources specified in the commercial paper payment plan required to be filed by MEAG Power with respect to Commercial Paper Notes at or prior to the issuance thereof.

*Aggregate Debt Service*, when used with respect to Project One Senior Bonds, has the meaning given to such term in the Project One Resolution and, when used with respect to Project One Subordinated Bonds, means, for any period and as of any date of calculation, the sum of the amounts of principal of and interest on Project One Subordinated Bonds of all series due and payable during such period, excluding interest to be paid with proceeds of Project One Subordinated Bonds, Project One Senior Bonds or other evidences of indebtedness.

*Capital Appreciation Subordinated Bonds* means any Project One Subordinated Bonds issued under the Project One Subordinated Resolution as to which interest is compounded semi-annually and payable only at the maturity or prior redemption of such Bonds.

*Commercial Paper Note* means any Project One Subordinated Bond which has a maturity date which is not more than 365 days after the date of issuance thereof and is designated by MEAG Power as a Commercial Paper Note.

*Refundable Principal Installment* means any Principal Installment for any series of Project One Subordinated Bonds (other than Commercial Paper Notes) which MEAG Power intends to pay with monies which are not Revenues.

[This page intentionally left blank]

## SUMMARY OF COMBINED CYCLE POWER SALES CONTRACTS

The following is a description of certain of the provisions of the CC Contracts. All of the CC Contracts between MEAG Power and each CC Participant are identical in all material respects. Each of the CC Contracts with the Initial Participants became effective on July 15, 2003 and will continue in full force and effect until such time as all CC Bonds have been paid or provision has been made for their payment or until such time as the CC Project is retired from service or disposed of by MEAG Power, whichever is later, but in no event longer than 50 years from July 15, 2003 (unless extended either through amendment or replacement with another contract; see the fifth paragraph under “INTRODUCTORY STATEMENT – The Participants” in the Annual Information Statement). Each of the Additional CC Contracts will continue in full force and effect until the termination of the CC Contracts with the Initial Participants. Capitalized terms not otherwise defined herein or defined in the Annual Information Statement shall be as defined in the CC Contracts.

### Combined Cycle Obligation Shares

MEAG Power is obligated to provide, and each CC Participant is obligated to take from MEAG Power, a fixed percentage, equal to such CC Participant’s respective Combined Cycle Obligation Share of the output and services of the CC Project. The Combined Cycle Obligation Share is a percentage set forth for each CC Participant that reflects both (a) each CC Participant’s percentage share of output and services of the CC Project to which it is entitled and (b) the percentage of the Combined Cycle Project Annual Costs (hereinafter defined) that such CC Participant is obligated to pay under its CC Contract, except that, with respect to the portion of the Combined Cycle Project Annual Costs comprised of MEAG Power’s Debt Related Costs, Combined Cycle Obligation Share means the dollar amounts for each Series of CC Bonds for which the CC Participant is obligated pursuant to its CC Contract, determined at the time of issuance of such Series of CC Bonds.

“Debt Related Costs” are defined in the CC Contracts to mean those portions of Combined Cycle Project Annual Costs (i) which MEAG Power is required under the CC Bond Resolution to pay or deposit into any fund or account established by the CC Bond Resolution for the payment of Debt Service and any reserve requirements for the CC Bonds, but excluding any amounts related to CC Bonds issued for payment of Embedded Simple Cycle Costs; and (ii) all Financing Costs related to the CC Project, or as applicable, the Embedded Simple Cycle Costs that MEAG Power may finance through the issuance of CC Bonds, including, without limitation, (1) costs of issuance; (2) capitalized interest on CC Bonds; and (3) amounts required to meet Debt Service reserve requirements for CC Bonds, or replenishment of such funds if drawn down.

See “THE PARTICIPANTS – Obligation Shares of the Participants – CC Project” in the Annual Information Statement for tables that set forth the CC Participants’ respective Combined Cycle Obligation Shares and Embedded Simple Cycle Obligation Shares.

### Embedded Simple Cycle Debt Related Costs

Each CC Participant is obligated to pay each month its Embedded Simple Cycle Obligation Share of Embedded Simple Cycle Debt Related Costs. “Embedded Simple Cycle Costs” is defined in the CC Contracts as all costs incurred by MEAG Power relating or pertaining to that certain General Electric 150 MW nominally related gas fired combustion turbine packaged power plant PG 7241 FA, as more particularly enumerated in the CC Contracts. “Embedded Simple Cycle Debt Related Costs” shall mean the amounts (i) which MEAG Power is required under the CC Resolution to pay or deposit into any fund or account established by the CC Resolution for the payment of Debt Service and any reserve requirements

for the CC Bonds, but excluding any amounts related to Bonds issued for payment of Costs of Acquisition and Construction of the CC Project and (ii) amounts constituting Financing Costs related to the Embedded Simple Cycle Costs.

### **Acquisition and Construction of the CC Project**

From time to time, MEAG Power may issue CC Bonds to finance, acquire and own the CC Project and to finance Embedded Simple Cycle Costs). Prior to the issuance of a Series of CC Bonds relating to the CC Project, each CC Participant may make a capital contribution (a "Capital Contribution") to MEAG Power representing a prepayment of amounts that otherwise would have been paid by such CC Participant as Debt Service, thereby reducing the principal amount of CC Bonds that MEAG Power is required to issue to finance such Costs of Acquisition and Construction or Embedded Simple Cycle Costs. The Capital Contribution so made prior to issuance of any Series of Bonds may be in any amount up to the portion of MEAG Power's Cost of Acquisition and Construction or the Embedded Simple Cycle Costs to be financed with such Bonds that is allocable to the CC Participant, which shall be equal to the product of (a) such Cost of Acquisition and Construction to be financed with such Bonds and (b) the Combined Cycle Obligation Share of the CC Participant or the product of (x) the Embedded Simple Cycle Costs to be financed with such Bonds and (y) the Embedded Simple Cycle Obligation Share of the CC Participant.

### **Annual Budgets**

MEAG Power is required to adopt a Combined Cycle Project Annual Budget for each Power Supply Year sufficient to recover all costs and expenses of MEAG Power paid during such year allocable to the CC Project (the "Combined Cycle Project Annual Costs") and the Embedded Simple Cycle Debt Related Costs (as described above). Combined Cycle Project Annual Costs include both fixed and variable costs. Fixed costs include: (i) taxes or payments in lieu thereof attributable to the CC Project; (ii) amounts required for renewals and replacements or reserves therefor; (iii) amounts to be set aside for the retirement or disposal of facilities; (iv) amounts, if any, for the purchase of generating capacity reserves; (v) (not otherwise included under any other item of Combined Cycle Project Annual Costs) for the CC Project which MEAG Power is required under the CC Bond Resolution to pay or deposit during a particular Power Supply Year into any other fund or account established by the CC Bond Resolution; and (vi) amounts required to be paid or deposited pursuant to the CC Bond Resolution relating to Debt Service and reserves therefor, fund or account requirements thereunder, but excluding any amounts related to Bonds issued for payment of Embedded Simple Cycle Costs, and Financing Costs related to the CC Project. Variable costs include: (a) costs relating to the production and delivery of power and energy from the CC Project to the CC Participants and (b) amounts paid or required to provide for reserves for (i) extraordinary operation and maintenance costs, (ii) major renewals, replacements, repairs, additions, betterments and improvements necessary to keep the facilities of the CC Project in good operating condition or to prevent a loss of revenues therefrom and (iii) major additions, improvements, repairs or modifications to, or retirements or disposals of, the CC Project required by any governmental agency having jurisdiction or for which MEAG Power otherwise is responsible.

MEAG Power is authorized to amend the Combined Cycle Project Annual Budget upon 30 days' notice to the CC Participants. MEAG Power submits and each CC Participant is obligated to pay a monthly Billing Statement for the CC Project based upon the applicable Budget. At the end of each Power Supply Year, MEAG Power determines if the aggregate amounts collected from the monthly Billing Statements, together with any other income, was in the proper amount. The CC Participant must be fully compensated for any over recovery by the end of such next succeeding Power Supply Year either as the result of credits, payments or a combination thereof. Any excess collected is, at the election of MEAG Power, either paid to the CC Participants or credited to the CC Participants on their monthly Billing Statements for the remaining month or months of the then current Power Supply Year. Any deficiencies found to exist are

recovered by adding such deficiencies in equal installments over the remaining months of the then current Power Supply Year to each of the CC Participants' succeeding monthly Billing Statements.

### **CC Participants' Obligations to Pay**

Each CC Participant is obligated to pay its Obligation Share of Combined Cycle Project Annual Costs and its Embedded Simple Cycle Obligation Share of Embedded Simple Cycle Debt Related Costs, regardless of whether the Combined Cycle Project is completed, operating or operable, and whether or not its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments are unconditional. The CC Contracts acknowledge that all such payments, other than the Non-Pledged Portion thereof, may be pledged as security for the CC Bonds. "Non-Pledged Portion" is defined in the CC Contracts to mean, with respect to each CC Participant, the portion, if any, of each payment made by such CC Participant thereunder in respect of Combined Cycle Project Annual Costs or the Embedded Simple Cycle Costs that shall not be pledged to secure CC Bonds pursuant to the CC Bond Resolution, which portion shall be a fraction (i) the numerator of which is the sum of all Capital Contributions made by such CC Participant plus the principal amount of all CC Bonds defeased with prepayments made by the CC Participant pursuant to its CC Contract and (ii) the denominator of which is the sum of all Capital Contributions made by such Participant plus the principal amount of CC Bonds issued to finance Costs of Acquisition and Construction or the Embedded Simple Cycle Costs allocable to such CC Participant.

Each CC Participant is obligated to establish, maintain and collect rates and charges for the electric service of its electric distribution system so as to provide revenues sufficient, together with available electric distribution system reserves, to enable the CC Participant to pay MEAG Power all amounts due under its CC Contract, all other amounts payable from and all lawful charges against or liens on the revenues of its electric distribution system and to operate and maintain its electric distribution system.

For further information with respect to the obligations of the CC Participants under the CC Contracts, see "THE PARTICIPANTS – Obligation Shares of the Participants – CC Project" in the Annual Information Statement.

### **Remedies**

Failure by a CC Participant to make any payment due under its CC Contract will constitute a default thereunder. In such event, MEAG Power may proceed to enforce payment by action at law or equity and may, upon 60 days' written notice to the CC Participant, discontinue providing service to such CC Participant under its CC Contract. Also, each CC Contract provides that in the event of default in any payment by the CC Participant, such CC Participant must provide for the assessment and collection of an annual tax sufficient to meet its obligations under its CC Contract, and specific performance is provided as one remedy to enforce such provision. The CC Contract provides that a non-defaulting CC Participant will not be obligated for any additional costs as a result of a default by one or more other CC Participants.

### **Sale or Exchange of Power and Energy**

MEAG Power is obligated to deliver to each CC Participant such of its Combined Cycle Obligation Share of the output and services of the CC Project as the CC Participant requires in order to serve the supplemental requirements of such CC Participant, unless MEAG Power determines that it is more economical to supply such amounts from other sources. MEAG Power will operate each generating facility to achieve the best operating economics for such facility in accordance with Prudent Utility Practice, and may sell such of the output to others as it determines to be economically appropriate. Further, MEAG Power may use the generating facilities to enter into, among other transactions, (a) capacity sales and swaps, (b) energy sales and swaps, and (c) financial swaps and hedges, when such transactions are reasonably



expected to economically benefit the CC Participants. The proceeds derived from any of such transactions will be credited *pro rata* to each CC Participant's obligation to pay its share of Combined Cycle Project Annual Costs. The proceeds from the sale or other transactions involving the assets acquired as a result of the Embedded Simple Cycle Costs will be credited to the CC Participants' obligation to pay Embedded Simple Cycle Debt Related Costs or, in the event that a CC Participant has satisfied such obligation, as a direct payment to such CC Participant, in the proportion of the CC Participant's respective Embedded Simple Cycle Obligation Share for other than Embedded Simple Cycle Debt Related Costs.

#### **Termination or Amendment**

The CC Contracts may not be terminated or amended in any manner which would impair or adversely affect the rights of the owners of the CC Bonds or reduce the payments pledged as security for any of the CC Bonds.

## SUMMARY OF COMBINED CYCLE PROJECT BOND RESOLUTION

The following is a general summary of certain provisions of the CC Bond Resolution pursuant to which the CC Bonds are issued. Summaries of certain definitions are set forth at the end of this APPENDIX I. Other terms defined in the CC Bond Resolution for which summary definitions are not set forth are indicated by capitalization.

**Application of Revenues**

Revenues under the CC Bond Resolution are pledged to the payment of principal and Redemption Price of and interest on CC Bonds of all Series, subject to the provisions of the CC Bond Resolution permitting application for other purposes. For the application of Revenues, the CC Bond Resolution establishes a Revenue and Operating Fund (which has separate subaccounts on MEAG Power's books for Revenues received from each CC Participant) and the Reserve and Contingency Fund, held by MEAG Power and a Debt Service Fund, held by the Trustee.

The Trustee and MEAG Power may deposit monies in such Funds with certain Banks, which include, trust companies, national banking associations and federal or domestic branches or agencies of foreign banks ("Depositories"). All monies held under the CC Bond Resolution by the Trustee or any Depository must be either (1) (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by lodging with the Trustee, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such monies, or (2) held in such other manner as may then be required by applicable laws and regulations; *provided, however*, that it is not necessary for the Trustee or any Paying Agent to give security for the deposit of any monies held in trust with them and set aside by them for the payment of the principal or Redemption Price of or interest on any CC Bonds, or for the Trustee or any Depository to give security for any monies which are represented by Investment Securities purchased as an investment of such monies.

All Revenues received under the CC Bond Resolution are deposited, as soon as practicable after the receipt thereof, in the Revenue and Operating Fund. Amounts in the Revenue and Operating Fund are paid out from time to time for application therefrom as follows:

1. Amounts in the Revenue and Operating Fund attributable to each CC Participant shall be paid out from time to time for such CC Participant's share of reasonable and necessary Operating Expenses.
2. No later than the last business day of each month, MEAG Power shall withdraw from amounts in the Revenue and Operating Fund attributable to each CC Participant and deposit in the following Funds and Accounts in the following order of priority the amounts set forth below:

- (1) ***In the Debt Service Fund***, for credit to a separate subaccount in the Debt Service Account, the amount, if any, required so that the balance in said subaccount attributable to such CC Participant shall equal such CC Participant's share (determined as provided in the CC Contracts) of the Accrued Aggregate Debt Service; *provided, however*, that, for the purposes of computing the amount on deposit in said subaccount, there shall be excluded the amount, if any, set aside in said subaccount and attributable to such CC Participant from the proceeds of Bonds or other evidences of indebtedness less that amount of such proceeds to be applied in accordance with the CC Bond Resolution to interest accrued and unpaid and to accrue on CC Bonds to the last day of the then current calendar month;

(2) ***In the Debt Service Fund***, for credit to a separate subaccount in the Debt Service Account, such CC Participant's share (determined as aforesaid) of the amount coming due in such month on Parity Obligations (other than Reimbursement Obligations);

(3) ***In the Debt Service Fund***, for credit to each separate sub-subaccount established for such CC Participant in each separate subaccount in the Debt Service Reserve Account, the amount, if any, required so that the balance in each such sub-subaccount shall equal the Debt Service Reserve Requirement related thereto as of the last day of the then current month; *provided, however*, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding CC Bonds and Parity Obligations in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund; and *provided, further*, that any deficiency in any such separate sub-subaccount of such CC Participant attributable to a withdrawal of amounts therefrom pursuant to the CC Bond Resolution shall be cured by depositing into such sub-subaccount each month during the next succeeding six months an amount equal to one-sixth (1/6th) of the amount of the withdrawal; and *provided, further*, that any other deficiency in any such sub-subaccount shall be cured by depositing into such sub-subaccount each month during the next succeeding twelve months an amount equal to one-twelfth (1/12th) of the amount of the deficiency, except that, if a new valuation of Investment Securities held in such sub-subaccount is made pursuant to the CC Bond Resolution during the period that such deposits are required, then the obligation of MEAG Power to make deposits during the balance of such period on the basis of the preceding valuation shall be discharged and the deposits, if any, required to be made for the balance of such period shall be determined under this proviso on the basis of the new valuation.

The Trustee shall pay out of the appropriate subaccounts in the Debt Service Account in the Debt Service Fund to the respective Paying Agents on a timely basis (i) the amount required for the interest payable on each interest payment date; (ii) the amount required for the Principal Installments payable on the due dates therefor; and (iii) the amount required for the payment of interest on the CC Bonds then to be redeemed. The Trustee shall also pay out of the appropriate subaccounts in the Debt Service Account the accrued interest included in the purchase price of CC Bonds purchased for retirement and, from the appropriate subaccounts in the Debt Service Account, amounts due in respect of any Parity Obligation.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment may be applied on or prior to the 40th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of CC Bonds of the Series and maturity and interest rate within each maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Price of such CC Bonds, if then redeemable by their terms. All purchases of any CC Bonds shall be made at prices not exceeding the applicable sinking fund Redemption Price of such CC Bonds plus accrued interest.

As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date CC Bonds of the Series and maturity and interest rate within each maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. On or before such redemption date, the amount required for the CC Bonds called for redemption shall be paid out of the Debt Service Account and applied to such redemption.

In the event of the refunding or defeasance of any CC Bonds, all or any portion of the amounts accumulated in the Debt Service Account may be withdrawn and deposited with the Trustee for the payment of the principal or Redemption Price, if applicable, and interest on the CC Bonds being refunded; *provided, however*, that such withdrawal shall not be made unless pursuant to the CC Bond Resolution (a) immediately thereafter the CC Bonds being refunded shall be deemed to have been paid, and (b) the amount remaining in the Debt Service Account, after giving effect to the issuance of any obligations being issued to refund such CC Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Account.

The CC Bond Resolution provides that there may be established in the Debt Service Reserve Account in the Debt Service Fund one or more separate subaccounts, each of which subaccounts shall be for the benefit and security of one or more Series of CC Bonds, as provided in the Supplemental Resolution establishing each such subaccount. There shall be established within each such separate subaccount a separate sub-subaccount with respect to each CC Participant other than a Prepaid CC Participant with respect to such Series of CC Bonds.

If on any day on which the principal or sinking fund Redemption Price of or interest on CC Bonds shall be due the amount on deposit in the Debt Service Account shall be less than the amount required therein pursuant to the CC Bond Resolution, the Trustee shall apply amounts from each applicable separate sub-subaccount in each separate subaccount in the Debt Service Reserve Account, in proportion to the respective Debt Service Reserve Requirements applicable thereto, to make good the deficiency that exists with respect to the CC Bonds secured thereby; *provided, however*, that in the case of any such deficiency in the Debt Service Account that is due to a failure by one or more CC Participants to make required payments under their respective CC Contracts, the amount applied from such separate subaccount shall be derived solely from the sub-subaccount(s) therein relating to such CC Participant(s).

If on the last day of any calendar year the balance of moneys and securities on deposit in any sub-subaccount in any subaccount in the Debt Service Reserve Account established with respect to a particular CC Participant shall exceed the Debt Service Reserve Requirement applicable thereto, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such sub-subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, all or a portion of the amount of such excess shall be transferred to the Revenue and Operating Fund, if and to the extent such amount is required to satisfy the Working Capital Requirement, and the balance, if any, of such excess shall be transferred to the subaccount in the Bond Retirement Account in the Debt Service Fund established with respect to such CC Participant.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding CC Bonds and Parity Obligations in accordance with their terms, the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Any provision of the CC Bond Resolution to the contrary notwithstanding, so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding CC Bonds and Parity Obligations in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Reserve Account.

Upon any Defeasance Payment by a CC Participant that results in the amount in its sub-subaccount being in excess of the Debt Service Reserve Requirement applicable thereto, such excess shall be transferred to the subaccount in the Bond Retirement Account in the Debt Service Fund established with respect to such CC Participant; *provided, however*, that if such Defeasance Payment shall result in such CC Participant being a Prepaid CC Participant, then such excess shall be transferred to such CC Participant.

In the event of the refunding or defeasance of any CC Bonds with respect to which a subaccount has been established in the Debt Service Reserve Account, the Trustee shall, upon the direction of an Authorized Officer of MEAG Power, withdraw from the separate sub-subaccounts in the separate subaccount in the Debt Service Reserve Account established for the benefit of such CC Bonds (in proportion to the amounts required to be on deposit in such sub-subaccounts) all or any portion of the amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the CC Bonds being refunded or defeased; *provided, however*, that such withdrawal shall not be made unless (a) immediately thereafter the CC Bonds being refunded or defeased shall be deemed to have been paid, and (b) the amount remaining in such separate sub-subaccounts in the separate subaccount in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation that may be credited to such sub-subaccount in accordance with the provisions of the Supplemental Resolution establishing such subaccount, and after giving effect to the issuance of any obligations being issued to refund such CC Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement related thereto. In the event of such refunding or defeasance, MEAG Power may also direct the Trustee to withdraw from such separate sub-subaccounts in the separate subaccount in the Debt Service Reserve Account (in proportion to the amounts required to be on deposit in such sub-subaccounts) all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the CC Bond Resolution; *provided, however*, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied.

To the extent and in the manner so authorized in the Supplemental Resolution establishing any subaccount in the Debt Service Reserve Account, in lieu of depositing moneys in each sub-subaccount in such subaccount, or in substitution for moneys previously deposited in any such sub-subaccount, MEAG Power may provide the Trustee with a policy of insurance, surety bond, letter of credit or similar instrument for deposit in such sub-subaccount or such amount may be provided from Revenues or otherwise.

(4) ***In the Reserve and Contingency Fund***, an amount equal to such CC Participant's Share of one-twelfth (or such greater fraction as may be appropriate if the period is less than twelve months) of the difference between (i) the greater of (a) the total amount provided in the then current Combined Cycle Project Annual Budget to be deposited in such Fund during the then current calendar year or (b) an amount equal to ten percent of the assumed depreciation of the CC Project during the then current calendar year, which assumed depreciation shall be determined on a straight-line basis by dividing the total Cost of Acquisition and Construction of the CC Project (exclusive of any capitalized interest or other allowance for funds used during construction of the CC Project) by 35 and the amount, if any, to be deposited in the Segregated Reserve and Contingency Fund during such month; *provided, however*, that no such deposit shall be required to be made until the month following the month in which the commercial operation date (as determined by MEAG Power) of the first generating facility of the CC Project.

Amounts in the Reserve and Contingency Fund are applied to the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to the CC Project necessary, in the opinion of an Authorized Officer of MEAG Power, to keep the same in good operating condition or to prevent a loss of revenues therefrom, or required by any governmental agency having jurisdiction over the CC Project or any part thereof or for which MEAG Power is responsible by virtue of any obligation of MEAG Power arising out of any contract to which MEAG Power is a party relating to ownership of the CC Project or any part thereof.

If on the last day of any calendar year the amount in the Reserve and Contingency Fund exceeds the Reserve and Contingency Fund Requirement, all or a portion of the amount of such excess will be transferred to the Revenue and Operating Fund, if and to the extent such amount is required to satisfy the Working Capital Requirement (as described below) and the balance, if any, of such excess will be transferred to such subaccount(s) in the Bond Retirement Account in the Debt Service Fund as an Authorized Officer of MEAG Power determines.

Subject to (A) the provisions of items 1 and 2 above, and (B) the maintenance of Working Capital by MEAG Power in the Revenue and Operating Fund and the Segregated Revenue and Operating Fund, proportionately, in an aggregate amount equal to or greater than the Working Capital Requirement, amounts in the Revenue and Operating Fund may be applied as set forth in the immediately following paragraph. The term "Working Capital" means as of any date an amount equal to (1) the excess of current assets over the current liabilities of the CC Project as of such date minus (2) the amount then on deposit in the Debt Service Account in the Debt Service Fund; and the term "Working Capital Requirement" means such dollar amount as MEAG Power shall establish from time to time, which at any time shall be not less than MEAG Power's budgeted Operating Expenses for the next succeeding 45 days.

Amounts in the Revenue and Operating Fund not required for the purposes set forth above may upon determination of MEAG Power be applied to or set aside for any one or more of the following: (a) the purchase or redemption of any CC Bonds or any reserves required for such purposes; (b) payments into the Construction Fund for application to the purposes of such fund; (c) improvements, extensions, betterments, renewals and replacements of any properties of the CC Project; (d) to reduce the cost of CC Project power and energy to the CC Participants under the CC Contracts; and (e) any other lawful purposes of MEAG Power related to the CC Project; *provided, however*, any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the CC Project deposited in the Revenue and Operating Fund shall be used only for the purposes specified in clauses (a) to (c), inclusive, described immediately above, and *provided, further*, that, subject to the provisions of CC Bond Resolution, amounts deposited in the Revenue and Operating Fund and required by the CC Bond Resolution to be applied to the purchase or redemption of CC Bonds shall be applied to such purpose.

Upon any purchase or redemption of CC Bonds of any Series, maturity and interest rate for which Sinking Fund Installments shall have been established, other than any such purchase or redemption funded from amounts accumulated in the Debt Service Account as provided for in the CC Bond Resolution, there shall be credited toward such Sinking Fund Installment or Sinking Fund Installments thereafter to become due as MEAG Power shall select in its sole discretion the total principal amount of such CC Bonds so purchased or redeemed. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

## **Initial Subaccount in the Debt Service Reserve Account**

Pursuant to the Second Supplemental CT Bond Resolution, MEAG Power has established a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund entitled the “Initial Subaccount.” The 2010A CC Bonds and the 2012A CC Bonds are secured by amounts on deposit in the Initial Subaccount, including the investments, if any, thereof, which amounts are pledged to, and a security interest in the same is granted to, the Trustee, as additional security for the payment of the principal or sinking fund Redemption Price, if any, of and interest on such CC Bonds, subject to the provisions of the CC Bond Resolution permitting application for other purposes. The Initial Subaccount in the Debt Service Reserve Account may, at the option of MEAG Power, secure additional CC Bonds of any Series hereafter issued.

The CC Bond Resolution requires MEAG Power to deposit and maintain in each separate sub-subaccount in the Initial Subaccount in the Debt Service Reserve Account moneys, Investment Securities and/or reserve fund credit instruments (hereinafter defined) in an amount equal to the Debt Service Reserve Requirement for each such sub-subaccount. The Debt Service Reserve Requirement for each sub-subaccount in the Initial Subaccount is defined in the Second Supplemental CT Bond Resolution to mean, at any time, an amount equal to the sum of the maximum amounts of Debt Service on the CC Bonds of each Series that are additionally secured by the Initial Subaccount that are allocable to the CC Participant for whom such sub-subaccount has been established (determined as provided in the CC Contracts) in the then current or any future twelve-month period ending on October 31, determined as of the respective dates of issuance of the CC Bonds of such Series and, with respect to any Variable Rate CC Bonds, calculating the Debt Service on such Variable Rate CC Bonds at such rate of interest as MEAG Power shall determine; *provided, however*, that in the event that any CC Participant shall make a Defeasance Payment, the Debt Service Reserve Requirement for the sub-subaccount in the Initial Subaccount established with respect to such CC Participant shall be redetermined as of the date of the making of such Defeasance Payment, and shall be equal to the sum of the maximum amounts of Debt Service that are allocable to such CC Participant in the then current or any future twelve-month period ending on October 31 with respect to the CC Bonds of each Series secured by the Initial Subaccount that remain Outstanding following the making of such Defeasance Payment; and *provided, further*, that in the event that MEAG Power shall refund any of the CC Bonds of any such Series, the Debt Service Reserve Requirement for each sub-subaccount in the Initial Subaccount shall be redetermined as of the date of such refunding, and shall be equal to the sum of the maximum amounts of Debt Service that are allocable to the CC Participant for whom such sub-subaccount has been established in the then current or any future twelve-month period ending on October 31 with respect to the CC Bonds of each Series secured by the Initial Subaccount that remain Outstanding following such refunding.

The Second Supplemental CT Bond Resolution provides that in lieu of maintaining moneys or investments in any sub-subaccount the Initial Subaccount in the Debt Service Reserve Account, MEAG Power at any time may cause to be deposited therein for the benefit of the Holders of the CC Bonds secured thereby an irrevocable surety bond, insurance policy or letter of credit satisfying the conditions set forth therein (a “reserve fund credit instrument”), in an amount equal to the difference between the Debt Service Reserve Requirement for any such sub-subaccount and the sums of money or value of Investment Securities then on deposit in such sub-subaccount, if any; *provided, however*, that nothing contained in the Second Supplemental CT Bond Resolution or in the CC Bond Resolution shall prevent MEAG Power from obtaining a single reserve fund credit instrument (otherwise complying with the requirements of this paragraph) for deposit to the credit of more than one separate sub-subaccount in the Initial Subaccount. The following is a summary of the provisions of the Second Supplemental CT Bond Resolution relating to the deposit of reserve fund credit instruments to the sub-subaccounts in the Initial Subaccount:

- (a) A surety bond or insurance policy issued by an insurance company licensed or otherwise qualified to do business in the State of Georgia may be deposited in any sub-subaccount

in the Initial Subaccount if the claims-paying ability of the issuer thereof is rated “AAA” by Standard & Poor’s, a subsidiary of The McGraw-Hill Companies, Inc. (hereinafter referred to as “S&P”) and “Aaa” by Moody’s Investors Service (hereinafter referred to as “Moody’s”).

(b) An unconditional irrevocable letter of credit issued by a Bank may be deposited in any sub-subaccount in the Initial Subaccount if the senior, unsecured long-term debt of the issuer thereof is rated at least “AA” by S&P and “Aa2” by Moody’s, and if such letter of credit shall be payable in one or more draws upon presentation by the Trustee of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the CC Bonds that are additionally secured by the Initial Subaccount (the “Initial Subaccount Additionally Secured CC Bonds”). The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify MEAG Power and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

(c) If such notice indicates that the expiration date shall not be extended, MEAG Power shall deposit in each such sub-subaccount in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit therein, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement therefor, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in either of clauses (a) or (b) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or each such sub-subaccount in the Initial Subaccount is fully funded in its required amount.

(d) The use of any reserve fund credit instrument pursuant to this paragraph shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of MEAG Power and the Trustee and in form and substance satisfactory to such authorized officer and the Trustee as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to an authorized officer of MEAG Power and the Trustee. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to an authorized officer of MEAG Power and the Trustee and in form and substance satisfactory to such authorized officer and the Trustee to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against MEAG Power.

(e) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the CC Bonds. In addition, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be prior to the cash replenishment of each such sub-subaccount in the Initial Subaccount.

(f) The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If (i) such revolving reinstatement feature is suspended or terminated or (ii) the rating



of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P “AAA” or a Moody’s “Aaa” or (iii) the rating of the issuer of the letter of credit falls below a S&P “AA”, MEAG Power shall either (X) deposit into each such sub-subaccount in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in each such sub-subaccount to equal the Debt Service Reserve Requirement therefor, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below “A” or (2) the rating of the issuer of the letter of credit falls below “A” or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, MEAG Power shall either (X) deposit into each such sub-subaccount in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit therein to equal to Debt Service Reserve Requirement therefor, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in either of clauses (a) or (b) above within six months of such occurrence.

(g) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in each such sub-subaccount in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (f).

(h) In the event that a reserve fund credit instrument shall be deposited into any sub-subaccount in the Initial Subaccount as aforesaid, any amounts owed by MEAG Power to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the CC Bond Resolution for purposes of the covenant described under the caption “Rate Covenant” below.

(i) The Trustee shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide notice to the issuer of the reserve fund credit instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the reserve fund credit instrument) prior to each interest payment date for the Initial Subaccount Additionally Secured CC Bonds.

(j) Cash on deposit in any sub-subaccount in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in any sub-subaccount in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a *pro rata* basis, calculated by reference to the maximum amounts available thereunder.

## **Construction Fund**

The CC Bond Resolution establishes a Construction Fund, held by the Trustee, into which are paid (a) amounts required by the provisions of the CC Bond Resolution and any Supplemental Resolution and (b) all revenues, income, rents and receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation, and at the option of MEAG Power, any monies received for or in connection with the CC Project by MEAG Power, unless required to be otherwise applied as provided in the CC Bond Resolution. Amounts in the Construction Fund will be applied to (a) the Cost of Acquisition and Construction of the CC Project and the Embedded Simple Cycle Costs and (b) to the payment of the costs

of the production of Pre-Commercial Generation, in each such case, in the manner provided in the CC Bond Resolution. In addition, proceeds of insurance for physical loss or damage to the CC Project, or of contractors' performance bonds pertaining to the period of construction will be paid into the Construction Fund.

The Trustee will pay to MEAG Power, upon its requisitions therefor, from the Construction Fund amounts in payment of the Cost of Acquisition and Construction of the CC Project, the Embedded Simple Cycle Costs and the costs of the production of Pre-Commercial Generation. Amounts credited to the Construction Fund in excess of the amounts required for purposes thereof will be transferred to the appropriate subaccount(s) in the Bond Retirement Account in the Debt Service Fund (as MEAG Power may determine) or to the extent requested by MEAG Power deposited in the Revenue and Operating Fund. To the extent that other monies are not available therefor, amounts in the Construction Fund will be applied to the payment of principal of and interest on the CC Bonds and Parity Obligations when due.

### **Debt Service Fund – Bond Retirement Account**

Pursuant to the CC Bond Resolution, there is established within the Bond Retirement Account in the Debt Service Fund a separate sub-subaccount with respect to each CC Participant other than a Prepaid CC Participant.

Amounts accumulated in each subaccount in the Bond Retirement Account shall be applied by the Trustee to the redemption, at the applicable redemption price, of such CC Bonds as are specified by an authorized officer of MEAG Power or to the purchase in the open market of such CC Bonds as shall be specified by an authorized officer of MEAG Power.

### **Segregated Funds**

Each CC Participant has the right under its CC Contract to prepay all or any portion of the amounts owed by it in respect of its interest in the output of the CC Project and its share of the Embedded Simple Cycle Costs by either (a) prior to the issuance of a particular Series of CC Bonds to finance the Cost of Acquisition and Construction and/or the Embedded Simple Cycle Costs, paying to MEAG Power an amount (referred to as such CC Participant's "Capital Contribution") equal to all or any portion of the Non-Financing Portion of the Cost of Acquisition and Construction and Embedded Simple Cycle Costs otherwise to be financed that is allocable to it for this purpose in accordance with its CC Contract, thereby reducing the principal amount of CC Bonds that MEAG Power is required to issue, or (b) from time to time while CC Bonds are Outstanding, paying to MEAG Power an amount, which may be in the form of moneys or Defeasance Securities that comply with the provisions of the CC Bond Resolution, or both (a "Defeasance Payment"), sufficient to provide for the defeasance of CC Bonds.

So long as no CC Participant makes a Capital Contribution or Defeasance Payment as described in the immediately preceding paragraph with respect to any Series of CC Bonds, all amounts paid by each CC Participant pursuant to its CC Contract shall be deposited in the Revenue and Operating Fund and applied as described under "Application of Revenues" above. In the event any CC Participant makes a Capital Contribution or Defeasance Payment as described in the immediately preceding paragraph, however, thereafter MEAG Power shall divide each payment by such CC Participant under its CC Contract in respect of Combined Cycle Project Annual Costs and/or Embedded Simple Cycle Debt Related Costs into two portions, with one portion (the "Non-Pledged Portion") to be deposited in the Segregated Revenue and Operating Fund referred to below and the balance to be deposited in the Revenue and Operating Fund. MEAG Power shall determine the Non-Pledged Portion as follows:

- (1) MEAG Power shall first subtract from each such payment the sum of (a) the amount, if any, billed by MEAG Power to the CC Participant for the month to which such payment relates

in respect of the CC Participant's Combined Cycle Obligation Share of Debt Related Costs (as such terms are defined in the CC Contracts) and (b) the amount, if any, billed by MEAG Power to the CC Participant for such month in respect of the CC Participant's Embedded Simple Cycle Obligation Share (as such term is defined in the CC Contracts) of Embedded Simple Cycle Debt Related Costs;

(2) the balance of such payment remaining after such subtraction shall be multiplied by the fraction set forth in the definition of "Non-Pledged Portion" contained in the CC Contracts (*i.e.*, a fraction (i) the numerator of which is the sum of all Capital Contributions made by the CC Participant plus the principal amount of all CC Bonds defeased with prepayments made by the CC Participant pursuant to each Attachment A to its CC Contract and (ii) the denominator of which is the sum of all Capital Contributions made by the CC Participant plus the principal amount of CC Bonds issued to finance Costs of Acquisition and Construction or the Embedded Simple Cycle Costs allocable to the CC Participant as set forth on each Attachment A to its CC Contract); and

(3) the amount determined pursuant to the foregoing clause (2) shall constitute the Non-Pledged Portion of such payment.

MEAG Power shall hold and establish (i) a Segregated Construction Fund, (ii) a Segregated Revenue and Operating Fund and (iii) a Segregated Reserve and Contingency Fund to account for Capital Contributions and the Non-Pledged Portion of payments by CC Participants.

Capital Contributions by CC Participants shall be deposited in the Segregated Construction Fund and shall be applied by MEAG Power, on a *pro rata* basis (in proportion to the amounts on deposit in the Construction Fund and the Segregated Construction Fund) with amounts in the Construction Fund, to pay the Non-Financing Portion of the Cost of Acquisition and Construction of the CC Project and Embedded Simple Cycle Costs in accordance with the requisition procedures set forth in the CC Bond Resolution applicable to payments from the Construction Fund.

The Non-Pledged Portion of each payment made by a CC Participant that has made a Capital Contribution or a Defeasance Payment shall be deposited in a subaccount established for such CC Participant in the Segregated Revenue and Operating Fund and the balance of such payment made by such CC Participant, if any, shall be deposited in the Revenue and Operating Fund. The amounts deposited in the Segregated Revenue and Operating Fund shall not be applied to the payment of any amounts included in the Combined Cycle Debt Service Component of Combined Cycle Project Annual Costs or the Embedded Simple Cycle Debt Service Component of Embedded Simple Cycle Debt Related Costs but, on a *pro rata* basis (in proportion to the amounts on deposit in the Revenue and Operating Fund and the Segregated Revenue and Operating Fund), shall be applied to the payment of other amounts payable from the Revenue and Operating Fund which are not included in the Combined Cycle Debt Service Component of Combined Cycle Project Annual Costs or the Embedded Simple Cycle Debt Service Component of Embedded Simple Cycle Debt Related Costs. From the amounts deposited in the Segregated Revenue and Operating Fund there shall be deposited in the Segregated Reserve and Contingency Fund amounts that correspond to required deposits in the Reserve and Contingency Fund for application, on a *pro rata* basis (in proportion to the amounts on deposit in the Reserve and Contingency Fund and the Segregated Reserve and Contingency Fund) with amounts in the Reserve and Contingency Fund, to the cost items to be paid with amounts in the Reserve and Contingency Fund which are not included in the Combined Cycle Debt Service Component of Combined Cycle Project Annual Costs or the Embedded Simple Cycle Debt Service Component of Embedded Simple Cycle Debt Related Costs, and the amounts so deposited to the Segregated Reserve and Contingency Fund shall be credited to subaccounts established therein for each such CC Participant. Any balance of moneys and securities in a CC Participant's subaccount in the Segregated Reserve and Contingency Fund which is in excess of such CC Participant's allocable portion of the Segregated Reserve and Contingency Requirement, shall, at the end of each calendar year, be transferred

to the subaccount established for such CC Participant in the Segregated Revenue and Operating Fund and applied as a credit against amounts that would otherwise be payable by such CC Participant pursuant to its CC Contract over the balance of the next succeeding calendar year.

The CC Bond Resolution provides that the amounts in the Segregated Revenue and Operating Fund and the Segregated Reserve and Contingency Fund are essential for the funding of the applicable capital and operating costs of the CC Project and accordingly are to be deposited in the Segregated Funds and applied as described herein; *provided, however*, that neither such Funds nor the moneys or Investment Securities therein are available to make payments on the CC Bonds or included in the Trust Estate or otherwise pledged to secure the CC Bonds.

## **Issuance of CC Bonds**

### ***General***

MEAG Power may issue CC Bonds of each Series under the CC Bond Resolution provided that it satisfies the following conditions, among others:

(a) MEAG Power provides to the Trustee the amount, if any, specified in the Supplemental Resolution authorizing the additional CC Bonds of such Series for deposit in the Debt Service Account in the Debt Service Fund for the payment of interest on CC Bonds and the amounts, if any, specified in such Supplemental Resolution for deposit in each sub-subaccount in the separate subaccount in the Debt Service Reserve Account in the Debt Service Fund designated therefor so that the amount on deposit in each such sub-subaccount shall equal the Debt Service Reserve Requirement designated therefor calculated immediately after the authentication and delivery of such Series of CC Bonds; *provided, however*, that a Supplemental Resolution establishing a separate subaccount in the Debt Service Reserve Account in the Debt Service Fund may provide that, in lieu of the deposit of all or a part of such amounts to each sub-subaccount in such separate subaccount in the Debt Service Reserve Account in the Debt Service Fund, there may be credited to each said sub-subaccount an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation, or any combination thereof, of the type specified therein, or such amount may be deposited thereafter from Revenues or otherwise, in such manner as may be specified therein;

(b) Except in the case of Refunding CC Bonds, MEAG Power must certify that either (i) no Event of Default has occurred and is continuing under the CC Bond Resolution or (ii) the application of the proceeds of the sale of such Series of CC Bonds as required by the Supplemental Resolution authorizing such Series of CC Bonds will cure any such Event of Default; and

(c) In the case of each Series of CC Bonds any portion of the proceeds of which is to be deposited in the Debt Service Account in the Debt Service Fund (other than any accrued interest that is to be applied to the payment of interest on CC Bonds on the interest payment date next following the date of issuance of such CC Bonds), MEAG Power must provide a certification setting forth the then estimated application of such proceeds so deposited for the payment of interest on any particular Series of CC Bonds, whether or not such Series of CC Bonds is then Outstanding, or then being issued, or to be issued thereafter.

### ***CC Bonds Other than Refunding CC Bonds***

One or more Series of CC Bonds may be issued at any time for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the CC Project and/or the Embedded Simple Cycle Costs.

### ***Refunding CC Bonds***

Refunding CC Bonds may be authenticated and delivered upon original issuance to refund all or any portion of any Outstanding CC Bonds. Refunding CC Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the CC Bond Resolution required by the provisions of the Supplemental Resolution authorizing such Refunding CC Bonds.

Refunding CC Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee, in addition to the documents required by CC Bond Resolution, of:

- (a) Instructions to the Trustee, satisfactory to it, to give due notice of redemption of any of the refunded CC Bonds (or portions thereof) to be redeemed on a redemption date or dates specified in such instructions;
- (b) If the CC Bonds (or portions thereof) to be refunded do not mature and are not by their terms subject to redemption within the next succeeding 60 days, instructions to the Trustee, satisfactory to it, to give the notice provided for in the CC Bond Resolution to the Holders of the CC Bonds (or portions thereof) being refunded; and
- (c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the CC Bonds (or portions thereof) to be redeemed and at the principal amount of the CC Bonds (or portions thereof) not to be redeemed, together with accrued interest on such CC Bonds (or portions thereof) to the redemption date or maturity date, as applicable, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the CC Bonds (or portions thereof) to be refunded, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of the CC Bond Resolution, which Defeasance Securities and moneys shall be held in trust and used only as provided in the CC Bond Resolution.

The proceeds, including accrued interest, of the Refunding CC Bonds of each Series shall be applied simultaneously with the delivery of such CC Bonds for the purposes of making deposits in such Funds and Accounts under the CC Bond Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding CC Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Resolution.

### **Credit Facilities, Liquidity Facilities and Qualified Hedging Contracts**

Subject to the terms of the CC Bond Resolution, MEAG Power may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of CC Bonds secured by a Credit Facility or supported by a Liquidity Facility as MEAG Power deems appropriate, and no such provisions shall be deemed to constitute an amendment to the CC Bond Resolution requiring consent of the Trustee or any Bondholders.

The provisions of such Supplemental Resolution may provide (i) that so long as a Credit Facility is in full force and effect, and payment on the Credit Facility is not in default, then, in all such events, the issuer of the Credit Facility shall be deemed to be the sole Holder of the Outstanding CC Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Holders of such CC Bonds is required or may be exercised under the CC Bond Resolution, or, in the alternative, that the approval, consent or action of the issuer of the Credit Facility shall be required in addition to the approval, consent or action of the applicable percentage of the Holders of the Outstanding CC Bonds under the CC Bond

Resolution, and following the occurrence of an Event of Default; and (ii) that in the event that the principal or Redemption Price, if applicable, and interest due on any Outstanding CC Bonds shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of MEAG Power to the Holders of such CC Bonds shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Holders in accordance with the terms of such Credit Facility.

MEAG Power may secure such Credit Facility or such Liquidity Facility by an agreement providing for the purchase of the CC Bonds supported thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified by MEAG Power in the applicable Supplemental Resolution. MEAG Power may also agree to reimburse directly such issuer for amounts paid under the terms of such Credit Facility or Liquidity Facility (together with interest thereon, the “Reimbursement Obligation”); *provided, however*, that no Reimbursement Obligation shall be created, for purposes of the CC Bond Resolution, until amounts are paid under such Credit Facility or Liquidity Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related CC Bond, shall be secured by a pledge of, and a lien on, the Trust Estate on a parity with the pledge and lien created by the CC Bond Resolution to secure the CC Bonds.

Except as otherwise provided in a Supplemental Resolution authorizing Reimbursement Obligations, for the purposes of (i) receiving payment of a Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all CC Bonds is declared immediately due and payable following the occurrence of an Event of Default, or (ii) computing the principal amount of CC Bonds held by the Holder of a Reimbursement Obligation in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the CC Bond Resolution for any purpose whatsoever, the principal amount of a Reimbursement Obligation shall be deemed to be the actual principal amount that MEAG Power shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, MEAG Power in connection with the CC Bonds to which such Reimbursement Obligation relates, less any prior repayments thereof.

MEAG Power may enter into Qualified Hedging Contracts and any obligation to pay any amount thereunder shall be payable from and may be secured by a pledge of, and a lien on, such amounts accumulated in the Debt Service Account in the Debt Service Fund with respect thereto.

### **Commercial Paper Notes**

Commercial Paper Notes may be issued from time to time secured by a pledge of, and a lien on, the Trust Estate on a parity with the pledge and lien created by the CC Bond Resolution to secure the CC Bonds. The Trustee shall authenticate and deliver Commercial Paper Notes to MEAG Power or upon its order, but only upon satisfaction of the following conditions, in addition to the conditions specified in the CC Bond Resolution with respect to the issuance of additional CC Bonds:

(a) If so required by the Supplemental Resolution the Trustee shall have received a Credit Facility with respect to such Commercial Paper Notes or a Liquidity Facility with respect to such Commercial Paper Notes containing such terms and conditions, including with respect to reimbursement, as shall be approved by the MEAG Power Board; and

(b) The Trustee shall have received a certificate of an authorized officer of MEAG Power setting forth the Commercial Paper Payment Plan with respect to such Commercial Paper Notes. Such certificate shall be amended from time to time by a new certificate of an authorized officer of MEAG Power to reflect changes, if any, in the expectations of MEAG Power with respect to the sources of funds to be utilized to pay principal of and interest on such Commercial Paper Notes.

## **Special Provisions Relating to Capital Appreciation CC Bonds**

The principal and interest portions of the Accreted Value of Capital Appreciation CC Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service and Aggregate Debt Service only from and after the date (the “Calculation Date”) which is one year prior to the date on which such Accreted Value becomes due, and the principal and interest portions of such Accreted Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date (calculated, unless otherwise specified in the Supplemental Resolution authorizing such Capital Appreciation CC Bonds, on the basis of a 360-day year consisting of twelve 30-day months).

For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation CC Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation CC Bond if the principal of all Bonds is declared immediately due and payable following the occurrence of an Event of Default, as provided in the CC Bond Resolution or (iii) computing the principal amount of Bonds held by the Holder of Capital Appreciation CC Bond in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the CC Bond Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation CC Bond shall be deemed to be its then current Accreted Value.

## **Certain Provisions Relating to the CC Participants**

In the event that MEAG Power shall issue any Series of CC Bonds and either (a) the Bonds of such Series are not rated in one of the top three Rating Categories by a Rating Agency or (b) the Bonds of such Series are not supported in whole by a Credit Facility, at or prior to the date of issuance of the CC Bonds of such Series, MEAG Power shall provide to the Trustee evidence acceptable to it that each CC Participant meets the Minimum CC Participant Credit Requirement. The term “Minimum CC Participant Credit Requirement” means that one of the following is true: (a) such CC Participant has an outstanding uninsured and unguaranteed general obligation or revenue bond issue payable from the revenues of its electric distribution system that is rated in one of the top three Rating Categories by a Rating Agency, (b) such CC Participant’s unenhanced obligations under its CC Contract have been rated by a Rating Agency in one of the top three Rating Categories by a Rating Agency or (c) such CC Participant’s obligations under its CC Contract have been guaranteed, insured or otherwise supported by a CC Participant Credit Enhancement in favor of MEAG Power issued by a Bank, insurance company or other financial institution that has outstanding an unsecured, uninsured and unguaranteed debt issue rated in one of the top three Rating Categories by a Rating Agency.

From and after the date, if any, on which each CC Participant (other than any Prepaid CC Participant) is required to meet the Minimum CC Participant Credit Requirement, as described above, MEAG Power shall promptly advise the Trustee and each provider of a Credit Facility at any time when it has actual knowledge that a CC Participant is not in compliance with the Minimum CC Participant Credit Requirement and, to the extent it is reasonably able to do so, shall cause such CC Participant to take such steps as are necessary to bring about compliance.

## **Investment of Certain Funds and Accounts**

Moneys held in the Funds and Accounts established pursuant to the CC Bond Resolution shall be invested and reinvested to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds and Accounts. The Trustee shall make all such investments of moneys held by it in accordance with instructions received from any authorized officer of MEAG Power.

Interest earned on any moneys or investments in any Fund or Account (net of (a) that which represents a return of accrued interest paid in connection with the purchase of any investment and (b) profit or loss realized from the liquidation of any investment) shall be paid into the Revenue and Operating Fund except that such net interest earned on any moneys or investments in (a) the Construction Fund shall be held in such Fund for the purposes thereof; (b) a separate subaccount in the Bond Retirement Account in the Debt Service Fund shall be held in such subaccount for the purposes thereof; (c) any sub-subaccount in any subaccount of the Debt Service Reserve Account in the Debt Service Fund shall be held in such sub-subaccount until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the applicable Debt Service Reserve Requirement and the balance shall be applied in the same manner as other excess moneys in the Debt Service Reserve Account; (d) the Reserve and Contingency Fund shall be held in such Fund until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the Reserve and Contingency Fund Requirement and the balance shall be applied in the same manner as other excess moneys in the Reserve and Contingency Fund; (e) each subaccount in the Segregated Revenue and Operating Fund shall be held in such subaccount for the purposes thereof; (f) the Segregated Construction Fund shall be held in such Fund for the purposes thereof; and (g) each subaccount in the Segregated Reserve and Contingency Fund shall be held in such subaccount until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the portion of the Segregated Reserve and Contingency Fund Requirement allocable to the CC Participant for whom such subaccount was established and the balance shall be transferred to the subaccount established for such CC Participant in the Revenue and Operating Fund and applied as set forth in the CC Resolution.

#### **Encumbrances; Disposition of Properties**

MEAG Power covenants in the CC Bond Resolution that it will not issue bonds or other evidences of indebtedness of similar nature, other than the CC Bonds, payable out of or secured by a pledge of the Trust Estate or any subaccount in the Debt Service Reserve Account in the Debt Service Fund and will not create any lien or charge thereon; *provided, however*, that nothing contained in the CC Bond Resolution shall prevent MEAG Power from issuing, if and to the extent permitted by the Act, (1) bond anticipation notes, (2) evidences of indebtedness (a) payable out of monies in the Construction Fund as part of the Cost of Acquisition and Construction of the CC Project and/or the Embedded Simple Cycle Costs or (b) payable out of, or secured by a pledge of, Revenues to be received after the discharge of the pledge of Revenues provided in the CC Bond Resolution shall be discharged and satisfied or (3) Parity Obligations.

MEAG Power has covenanted that no part of the CC Project shall be sold, leased, mortgaged or otherwise disposed of, except as follows:

(A) MEAG Power may sell or exchange at any time and from time to time any property or facilities constituting part of the CC Project if it shall determine that such sale or exchange of such property or facilities (i) will not impair the ability of MEAG Power to comply during the current or any future year with the rate covenant described under “Rate Covenant” below and (b) is in the best interests of MEAG Power and the CC Participants; and

(B) MEAG Power may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the CC Project; *provided, however*, that any such lease, contract, license, arrangement, easement or right (a) does not impede the operation by MEAG Power or its agent of the CC Project and (b) does not in any manner impair or adversely affect the rights or security of the Bondholders under the CC Bond Resolution.

Any payments received by MEAG Power under or in connection with any such sale, exchange, lease, contract, license, arrangement, easement or right in respect of the CC Project or any part thereof may



be applied for any lawful purpose of MEAG Power relating to the CC Project including, but not limited to, the acquisition or construction of other property necessary or desirable for the operation of the CC Project or the retirement of CC Bonds.

### **Rate Covenant**

MEAG Power covenants in the CC Bond Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of the CC Project so that Revenues, together with other available funds, are at least sufficient to provide funds in each calendar year for the payment of the sum of (1) Operating Expenses during such calendar year, (2) Aggregate Debt Service for such calendar year, (3) any amount to be paid into the Debt Service Reserve Account for such calendar year, (4) the amount to be paid into the Reserve and Contingency Fund for such calendar year, and (5) all other charges or liens payable out of Revenues during such calendar year.

### **Covenants with Respect to CC Contracts**

MEAG Power covenants in the CC Bond Resolution, subject to the provisions in the CC Bond Resolution relating to Segregated Funds, that it will collect and deposit in the Revenue and Operating Fund amounts received under the CC Contracts and attributable to the Combined Cycle Project, to Combined Cycle Project Annual Costs (as defined in the CC Contracts) or to Embedded Simple Cycle Costs or payable to it pursuant to any other contract for the sale of power, energy, or other services from any part of the CC Project. In addition, MEAG Power will enforce the CC Contracts, will duly perform its covenants and agreements thereunder, and will not consent to any amendment to or otherwise take any action in connection with any CC Contract which would impair or adversely affect the rights of MEAG Power thereunder or the rights or security of Bondholders (determined without regard to any Credit Facility provided with respect to any CC Bonds) or would reduce payments required thereunder.

### **Combined Cycle Project Annual Budget**

MEAG Power covenants in the CC Bond Resolution that it will file with the Trustee a Combined Cycle Project Annual Budget for the Combined Cycle Project each calendar year. The Combined Cycle Project Annual Budget includes estimated Revenues and Operating Expenses and appropriations for the estimated Operating Expenses for such year and the estimated amount to be deposited during such year in the Reserve and Contingency Fund. MEAG Power may at any time adopt an amended Annual Budget for the remainder of the then current calendar year which will be filed promptly with the Trustee. In the event that Segregated Funds have been established, the Combined Cycle Project Budget shall set forth information for such Funds similar to that described in this paragraph.

### **Insurance**

MEAG Power covenants in the CC Bond Resolution that it will keep the properties of the CC Project which are of an insurable nature and of the character usually insured by those operating properties similar to the CC Project insured against loss or damage by fire and from other causes customarily insured against and in such amounts as are usually obtained. MEAG Power also covenants in the CC Bond Resolution that it will maintain adequate insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the CC Project. Insurance against business interruption loss is maintained whenever, in the judgment of MEAG Power, such insurance is obtainable at commercially reasonable rates.

## **Accounts and Reports**

MEAG Power covenants in the CC Bond Resolution that it will keep proper and separate books of record and account relating to the CC Project and the funds and accounts established by the CC Bond Resolution and relating to costs and charges under the CC Contracts. Such books, together with all other books and papers of MEAG Power relating to the CC Project, are at all times subject to the inspection of the Trustee and the Holders of not less than five percent in principal amount of CC Bonds then outstanding.

MEAG Power covenants in the CC Bond Resolution that it will file annually with the Trustee an annual report, accompanied by an accountant's certificate (Report of Independent Auditors), of the financial position of the CC Project at the end of the year, statements of Revenues and Operating Expenses, a statement of receipts and disbursements with respect to funds and accounts established by the CC Bond Resolution, and a statement as to the existence of any default under the provisions of the CC Bond Resolution.

The reports, statements and other documents required to be furnished to the Trustee pursuant to provisions of the CC Bond Resolution are available for inspection of Bondholders at the office of the Trustee and will be mailed to each Bondholder who files a written request therefor with MEAG Power.

## **Amendments and Supplemental Resolutions**

Any of the provisions of the CC Bond Resolution may be amended or modified by MEAG Power by a Supplemental Resolution, upon the consent of the holders of at least a majority in principal amount in each case of (1) all CC Bonds then outstanding that are affected by such modification or amendment, and (2) if the amendment changes the terms of any Sinking Fund Installment, the CC Bonds of the Series and maturity for which such Sinking Fund Installment was established; excluding, in each case, from such consent, and from the outstanding CC Bonds, the CC Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any such CC Bonds remain outstanding. Any such amendment may not permit a change in the terms of redemption or maturity or any installment of interest or make any reduction in principal, redemption price or interest without the consent of each affected holder, or reduce the percentages of consents required for a further amendment.

MEAG Power may adopt (without the consent of any holders of the CC Bonds) Supplemental Resolutions to cure any ambiguity or to correct any defect in the CC Bond Resolution; to close the CC Bond Resolution against, or impose limitations upon, issuance of CC Bonds or other evidences of indebtedness; to authorize Bonds; to authorize Subordinated CC Bonds, Parity Obligations or Subordinated Obligations; to add to the restrictions contained in the CC Bond Resolution; to add to the covenants of MEAG Power contained in the CC Bond Resolution; or to confirm any pledge under the CC Bond Resolution of Revenues or other monies.

In addition, the CC Bond Resolution provides that, upon the consent of the Trustee, the CC Bond Resolution may be amended (i) to insert such provisions clarifying matters or questions arising under the CC Bond Resolution as are necessary or desirable and will not have a material adverse effect on the interests of the Bondholders; or (ii) to make any other modification or amendment of the CC Bond Resolution which the Trustee shall in its sole discretion determine will not have a material adverse effect on the interests of the Bondholders. The Supplemental CC Bond Resolution No. 2 provides that no such amendment will become effective unless the Bond Insurer also consents thereto.

## **Trustee and Paying Agents**

The CC Bond Resolution requires the appointment by MEAG Power of one or more Paying Agents (who may be the Trustee) for the CC Bonds of each Series. The Trustee may at any time resign on 60 days'

notice and may at any time be removed by the holders of a majority in principal amount of the CC Bonds then Outstanding. A successor Trustee may be appointed by the holders of a majority in principal amount of CC Bonds then outstanding, and failing such an appointment MEAG Power may appoint a successor to hold office until the Bondholders act. Any successor Trustee must be a Bank with its principal office in New York or Georgia having capital stock and surplus aggregating at least \$100,000,000 if there be such an entity willing to accept appointment.

## **Defeasance**

The pledge of any Revenues and other monies and securities under the CC Bond Resolution and all covenants and other obligations of MEAG Power under the CC Bond Resolution will cease, terminate and be discharged and satisfied whenever all CC Bonds and coupons have been paid in full.

Bonds (or portions thereof) are deemed to have been paid and are not entitled to the lien, benefit or security of the CC Bond Resolution whenever the following conditions are met: (1) there have been deposited with the Trustee in trust either monies in an amount which will be sufficient, or Defeasance Securities, the principal of and the interest on which, when due, will provide monies which, together with other monies, if any, also deposited, will be sufficient to pay when due the principal or redemption prices, if applicable, and interest due or to become due on such CC Bonds, (2) in the case of any CC Bonds to be redeemed prior to maturity, MEAG Power has given to the Trustee instructions to give the notice of redemption therefor, and (3) in the event such CC Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, MEAG Power has given the Trustee instructions to give as soon as practicable, a notice to the holders of such CC Bonds that the above deposit has been made with the Trustee and that such CC Bonds are deemed to be paid and stating the maturity or redemption date upon which monies are to be available to pay the principal or redemption price, if applicable, of such CC Bonds.

## **Events of Default and Remedies**

Events of Default specified in the CC Bond Resolution include failure to pay principal or redemption price of any CC Bond when due; failure to pay any interest installment on any CC Bond or the unsatisfied balance of any Sinking Fund Installment thereon when due; failure to remedy a default for 60 days after written notice of a default in the observance or performance of any other covenants, agreements or conditions; and certain events of bankruptcy or insolvency. Upon the happening of any such Event of Default the Trustee or the holders of not less than 25 percent in principal amount of the CC Bonds then Outstanding may declare the principal of and accrued interest on such CC Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the CC Bonds have matured).

Upon the occurrence of any Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, (1) account as a trustee of an express trust for all Revenues, monies, securities and funds pledged under the CC Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the CC Bond Resolution and, as received, all Revenues. The Trustee will apply all monies, securities, funds and Revenues received during the continuance of an Event of Default in the following order: (1) to payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, (2) to the payment of Operating Expenses, and (3) to the payment of interest and principal or the redemption price of CC Bonds without preference or priority of interest over principal or principal over interest, unless the principal of all CC Bonds has not been declared due and payable, in which case first to the payment of interest and second to the payment of principal on those CC Bonds which have become due and payable in order of their due dates. In addition, any holders of CC Bonds or the Trustee will have the right as provided in the Act to apply in an appropriate proceeding for appointment of a receiver of the CC Project.

If an Event of Default has occurred and has not been remedied the Trustee may, or on request of the holders of not less than 25 percent in principal amount of CC Bonds outstanding must, take such steps by a suit or suits in equity or at law, whether for the specific performance of any covenant in the CC Bond Resolution or in aid of the execution of any power granted in the CC Bond Resolution, or for an accounting against MEAG Power, or in the enforcement of any other legal or equitable right, as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the CC Bond Resolution. The Trustee may, and upon the request of the holders of a majority in principal amount of the CC Bonds then outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the CC Bond Resolution or to preserve or protect the interests of the Trustee and of the Bondholders.

No Bondholder has any right to institute any suit, action or proceeding for the enforcement of any provision of the CC Bond Resolution or the execution of any trust under the CC Bond Resolution or for any remedy under the CC Bond Resolution, unless (1) such Bondholder previously has given the Trustee written notice of the Event of Default, (2) the holders of at least 25 percent in principal amount of the CC Bonds then outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days. There is nothing contained in the CC Bond Resolution or in the CC Bonds which affects or impairs MEAG Power's obligation to pay the CC Bonds and the interest thereon when due, or the right of any Bondholder to enforce such payment.

The holders of not less than a majority in principal amount of CC Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee (subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction).

## **Definitions**

*Accreted Value* shall mean, as of any date of computation with respect to any Capital Appreciation CC Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the supplemental resolution authorizing such Capital Appreciation CC Bond on which interest on such Bond is to be compounded (hereinafter, a Periodic Compounding Date) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation CC Bonds set forth in the supplemental resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the supplemental resolution authorizing such Capital Appreciation CC Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service* means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of CC Bonds and all Parity Reimbursement Obligations, calculating the accrued Debt Service with respect to each Series and each Parity Reimbursement Obligation at an amount equal to the sum of (i) interest on the CC Bonds of such Series or

such Parity Reimbursement Obligation accrued and unpaid and to accrue to the end of the then current calendar month and (ii) Principal Installments of the CC Bonds of such Series or such Parity Reimbursement Obligation due and unpaid and that portion of the Principal Installment thereof next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

*Aggregate Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all series of Bonds and all Parity Obligations.

*Capital Appreciation CC Bonds* shall mean any CC Bonds issued under the CC Resolution as to which interest is (i) compounded periodically on dates that are specified in the supplemental resolution authorizing such Capital Appreciation CC Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the CC Resolution or the supplemental resolution authorizing such Capital Appreciation CC Bonds.

*CC Participant Credit Enhancement* shall mean, with respect to any CC Participant, any letter of credit, financial guaranty, surety bond, insurance policy or similar instrument delivered to MEAG Power by such Participant pursuant to the CC Bond Resolution in support of such CC Participant's payment obligations under its CC Contract.

*Combined Cycle Debt Service Component* shall mean that portion of Combined Cycle Project Annual Costs (as defined in the CC Contracts) consisting of amounts required to be paid into any Fund established under the CC Bond Resolution for the purpose of providing funds for the payment of CC Bonds or Parity Obligations.

*Commercial Paper Note* shall mean any note that has a maturity date not more than 270 days after the date of issuance thereof and that is issued by MEAG Power pursuant to a Supplemental Resolution that designates such note as a Commercial Paper Note.

*Commercial Paper Payment Plan* shall mean, with respect to any Commercial Paper Notes issued under a Supplemental Resolution and as of any time, the then current Commercial Paper Payment Plan for such notes contained in a certificate of an authorized officer of MEAG Power setting forth the sources of funds expected to be utilized by MEAG Power to pay the principal of and interest on such Commercial Paper Notes.

*Credit Facility* shall mean, with respect to any CC Bonds, any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a Credit Provider pursuant to which such Credit Provider becomes unconditionally obligated to pay when due, to the extent not paid by MEAG Power or otherwise, the principal of and interest on such CC Bonds.

*Credit Provider* shall mean any Bank, insurance company or other institution that has issued or provided a Credit Facility.

*Debt Service* means for any period, as of any date of calculation, the sum of (i) with respect to the CC Bonds of any Series, an amount equal to the sum of (a) interest accruing during such period on CC Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from proceeds of CC Bonds or other evidences of indebtedness of MEAG Power (including amounts transferred thereto from the Construction Fund) and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if (x) there shall be no such preceding Principal Installment due date or (y) such preceding Principal Installment due date is more than one year prior to the due date of such Principal

Installment, then from a date one year preceding the due date of such Principal Installment or from the date of issuance of the CC Bonds of such Series, whichever date is later), (ii) with respect to each Reimbursement Obligation, an amount equal to the sum of (a) interest accruing during such period on such Reimbursement Obligation and (b) that portion of each Principal Installment for such Reimbursement Obligation which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Reimbursement Obligation (or, if (x) there shall be no such preceding Principal Installment due date or (y) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then from a date one year preceding the due date of such Principal Installment or from the date of incurrence of such Reimbursement Obligation, whichever date is later) and (iii) with respect to each Parity Obligation (other than any Reimbursement Obligation), an amount equal to the sum of all amounts owed thereunder by MEAG Power during such period.

*Debt Service Reserve Requirement* shall mean, with respect to the sub-subaccount established for each CC Participant, other than a Prepaid CC Participant, in the separate subaccount, if any, established for a Series of CC Bonds in the Debt Service Reserve Account in the Debt Service Fund, the amount specified in the Supplemental Resolution establishing such sub-subaccount as being required to be maintained on deposit therein.

*Defeasance Security* shall mean:

(a) any bond or other obligation which as to principal and interest constitutes a direct obligation of, or is unconditionally guaranteed by, the United States of America,

(b) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision (a “Municipal Bond”) which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies, *provided, however*, that such Municipal Bond shall have been the subject of a report of a nationally recognized independent certified accountant or other nationally recognized verification agent verifying that the moneys and obligations so segregated are sufficient to pay the principal of and premium, if any, and interest on the Municipal Bond,

(c) any certificate of deposit, whether negotiable or nonnegotiable, fully secured as to principal and interest by bonds or other obligations of the character described in (a) above,

(d) any certificate that evidences ownership of the right to payments of principal and/or interest on obligations described in either of clause (a) or (b) above of this definition, *provided, however*, that such obligations shall be held in trust by a Bank authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000 and

(e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the CC Bonds authorized by such Supplemental Resolution.

*Embedded Simple Cycle Costs* shall have the meaning assigned to such term in the CC Contracts.

*Embedded Simple Cycle Debt Service Component* shall mean that portion of Embedded Simple Cycle Debt Related Costs (as defined in the CC Contracts) consisting of amounts required to be paid into

any Fund established under the CC Bond Resolution for the purpose of providing funds for the payment of CC Bonds or Parity Obligations.

*Hedging Contract Obligation* shall mean MEAG Power's obligation to pay any amount under any Qualified Hedging Contract that may be secured by a pledge of, and a lien on, amounts accumulated in the Debt Service Account in the Debt Service Fund with respect thereto.

*Investment Securities* shall mean and include any securities, obligations or investments that, at the time, are legal for investment of MEAG Power's funds.

*Liquidity Facility* means, with respect to any CC Bonds, any letter of credit, standby bond purchase agreement, line of credit or similar instrument issued by a Liquidity Provider pursuant to which such Liquidity Provider becomes obligated to fund when due, to the extent not paid by MEAG Power or otherwise, the purchase price of such CC Bonds due upon tender thereof or, in the case of Commercial Paper Notes, the principal of and interest thereon when due.

*Liquidity Provider* shall mean any Bank, insurance company or other institution that has issued or provided a Liquidity Facility.

*Non-Financing Portion of the Cost of Acquisition and Construction* shall mean the Cost of Acquisition and Construction of the CC Project excluding interest on CC Bonds issued or to be issued to finance such Cost of Acquisition and Construction, amounts required to be deposited in any subaccount in the Debt Service Reserve Account in the Debt Service Fund and all other financing costs to be financed by the issuance of CC Bonds, Parity Obligations, Subordinated CC Bonds or Subordinated Obligations.

*Parity Obligation* means any Commercial Paper Notes, Reimbursement Obligation or Hedging Contract Obligation. Any Parity Obligation shall specify, to the extent applicable, the interest and principal components of, or the scheduled payments corresponding to interest under, such Parity Obligation.

*Prepaid CC Participant* shall mean a CC Participant to which, as a result of its making one or more Capital Contributions or Defeasance Payments, or both, none of the principal of or interest on CC Bonds or Parity Obligations is allocable.

*Qualified Hedging Contract* shall mean, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by MEAG Power with an entity that is a Qualified Hedging Contract Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate swap, including a forward rate or future rate swap; asset, index, price or market linked transaction or agreement; other exchange or rate protection transaction agreement; agreement for the future delivery or price management of Fuel or other commodities; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by MEAG Power for the purpose of moderating interest rate or commodity price fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an authorized officer of MEAG Power as a Qualified Hedging Contract (which writing shall specify, in the case of a Qualified Hedging Contract that is entered into in connection with any CC Bonds, the CC Bonds with respect to which such Qualified Hedging Contract is entered into).

*Qualified Hedging Contract Provider* shall mean an entity whose senior unsecured long-term debt obligations, financial program rating, counterparty rating or claims paying ability is rated, or whose payment obligations under a financial arrangement of the type referred in clause (ii) of the definition of Qualified Hedging Contract are guaranteed or insured by an entity whose senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is rated, on the date a Qualified Hedging Contract is entered into, either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Hedging Contract Provider, but in no

event lower than any Rating Category designated by each such Rating Agency for the CC Bonds, or (ii) at any such lower Rating Categories which each such Rating Agency indicates in writing to MEAG Power and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding CC Bonds that is in effect prior to entering into such Qualified Hedging Contract and which is an authorized counterparty pursuant to MEAG Power's investment policy as from time to time approved by the MEAG Power Board.

*Reimbursement Obligation* shall mean an agreement by MEAG Power with the issuer of a Credit Facility or Liquidity Facility to reimburse directly such issuer for amounts paid under the terms of such Credit Facility or Liquidity Facility (together with interest thereon).

*Reserve and Contingency Fund Requirement* shall mean, as of any date, (a) until such time, if any, as any CC Participant makes a Capital Contribution or Defeasance Payment, an amount equal to \$6,000,000 or such larger amount as may be established by the MEAG Power Board and certified to the Trustee by an authorized officer of MEAG Power (such amount being referred to herein as the Applicable Amount) and (b) from and after such time, if any, as any CC Participant makes a Capital Contribution or Defeasance Payment, the product of (i) the Applicable Amount and (ii) a fraction (X) the numerator of which is the sum of all Capital Contributions made by all CC Participants plus the principal amount of all Bonds defeased with Defeasance Payments made by all CC Participants and (Y) the denominator of which is the sum of all Capital Contributions made by all CC Participants plus the principal amount of Bonds issued to finance Costs of Acquisition and Construction or the Embedded Simple Cycle Costs allocable to all CC Participants.

*Revenues* means (i) all revenues, income, rents and receipts derived by MEAG Power from or attributable to the ownership and operation of the CC Project or from or attributable to the Embedded Simple Cycle Costs, including all revenues attributable to the CC Project or to the payment of the costs thereof and all revenues attributable to the Embedded Simple Cycle Costs received by MEAG Power under the CC Contracts or under any other contract for the sale of power, energy or other service from the CC Project or any part thereof or any contractual arrangement with respect to the use of the CC Project or any portion thereof or the services, output or capacity thereof, but shall not include any such revenues income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation, (ii) the proceeds of any insurance covering business interruption loss relating to the CC Project and (iii) interest accrued on any moneys or securities held pursuant to the CC Bond Resolution and paid or required to be paid into the Revenue and Operating Fund.

*Segregated Reserve and Contingency Fund Requirement* shall mean, as of any date on or after which any CC Participant makes a Capital Contribution or Defeasance Payment, the difference between (i) the Applicable Amount (as defined in the definition of Reserve and Contingency Fund Requirement) and (ii) the amount determined pursuant clause (b) of said definition of Reserve and Contingency Fund Requirement.

*Variable Rate CC Bonds* shall mean, as of any date of determination, any CC Bond on which the interest rate borne thereby may vary during any part of its remaining term.



[This page intentionally left blank]

**SUMMARY OF VOGTLE UNITS 3&4 PPAs**

The following is a description of certain of the provisions of (i) the Project J PPA, executed between MEAG Power and JEA relating to Project J and (ii) the Project P PPA, executed between MEAG Power and PowerSouth relating to Project P.

Capitalized terms not otherwise defined in this APPENDIX J or defined in the Annual Information Statement shall be as defined in the Project J PPA or the Project P PPA, as applicable.

**PROJECT J PPA**

The Project J PPA will continue to be in full force and effect until (1) the twentieth anniversary of the commercial operation date of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the “Second Commercial Operation Date”) or (2) MEAG Power’s and JEA’s obligations under the Project J PPA have been fully performed and satisfied, whichever event occurs later, but in no event shall the term of the Project J PPA exceed 50 years from December 31, 2014, the execution date of the Amended and Restated Project J PPA.

**Obligation Share**

For a period of twenty years, commencing on the commercial operation date of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the “First Commercial Operation Date”), MEAG Power is obligated to provide, and JEA is obligated to take from MEAG Power, all of the output and services from the Project J Entity’s Ownership Interest and related reserve, emergency and interchange service from the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation which are purchased by MEAG Power from the Project J Entity. Separately, for a period of twenty years, commencing on the Second Commercial Operation Date, MEAG Power is obligated to provide, and JEA is obligated to take from MEAG Power, all of the output and services from the Project J Entity’s Ownership Interest and related reserve, emergency and interchange service from the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation which are purchased by MEAG Power from the Project J Entity. During each such twenty-year period, JEA is obligated to pay to MEAG Power its Obligation Share (which is defined in the Project J PPA to be 100%) of the Project J Annual Costs (as defined below) attributable to the applicable unit. JEA shall have no right to dispatch or schedule the operation of the Project J Entity’s Ownership Interest or any facility thereof.

**Project J Annual Budgets**

MEAG Power is required to adopt an annual budget for Project J (a “Project J Annual Budget”) for each Power Supply Year (as defined in the Project J PPA), containing estimates of annual costs of the Project J Entity’s Ownership Interest (the “Project J Annual Costs”) and all revenues, income or other funds to be applied to such Project J Annual Costs, including the costs of Debt Service (as defined below). To the extent not paid as part of the Costs of Acquisition and Construction, the Project J Annual Costs are all costs and expenses of MEAG Power or the Project J Entity allocable to Project J paid by MEAG Power or the Project J Entity, as applicable, during a given Power Supply Year, including fixed and other costs.

1. *Fixed costs* include: (a) taxes or payments in lieu thereof attributable to the Project J Entity’s Ownership Interest and/or Project J; (b) amounts required for renewals and replacements, attributable to the Project J Entity’s Ownership Interest, or payment or deposit of such amounts into any reserve fund or account; (c) amounts to be set aside for the retirement from service or

disposal of facilities of the Project J Entity's Ownership Interest; *provided, however*, that JEA's responsibility for such amounts that are incurred during and estimated to be incurred after the term of the Project J PPA shall not exceed 50 percent of the total amount of such costs; (d) amounts that MEAG Power or the Project J Entity is required under the Project J Bond Resolution or the Project J Federal Loan Documents to pay or deposit into any fund or account established by the Project J Bond Resolution or the Project J Federal Loan Documents for the payment of Debt Service on the Project J Bonds or the Project J DOE Guaranteed Loan, as applicable; (e) any other amounts that MEAG Power or the Project J Entity is required, under the Project J Bond Resolution or the Project J Federal Loan Documents, as applicable, to pay or deposit during any Power Supply Year into any other fund or account established by or outside of the Project J Bond Resolution or the Project J Federal Loan Documents, as applicable; *provided, however*, in the event MEAG Power or the Project J Entity utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of "fixed costs"; (f) amounts for payment or deposit into any fund or account outside of the pledge of the Project J Bond Resolution or the Project J Federal Loan Documents attributable to costs or reserves of Project J, including such amounts established by MEAG Power in the Project J Annual Budget to provide reasonable reserves for the payment of the Project J Entity's share of costs required pursuant to either the Vogtle Units 3&4 Ownership Agreement or the Vogtle Operating Agreement; *provided, however*, in the event MEAG Power or the Project J Entity utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of "fixed costs"; (g) amounts for payment of Additional Costs (as such term is defined in the Vogtle Units 3&4 Development Agreement) attributable to the Project J Entity's Ownership Interest incurred during any Power Supply Year; and (h) without duplication, all fixed costs required to be paid by the Project J Entity (whether to DOE, as operating expenses or otherwise) in the Project J Federal Loan Documents other than such costs and expenses set forth in the following paragraph.

2. *Other costs* include: (a) costs of producing and delivering Capacity and Energy (as defined in the Project J PPA) from the Project J Entity's Ownership Interest to JEA and (b) except to the extent funded by the Project J Bonds (as defined herein) or reserves held by MEAG Power or the Project J Entity, amounts required to pay the costs of or to provide reserves for (i) extraordinary operating and maintenance costs attributable to Project J, (ii) any major renewals, replacements, repairs, additions, betterments and improvements to Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, in the opinion of MEAG Power or the Project J Entity, necessary to keep the facilities of the Project J Entity's Ownership Interest in good operating condition or to prevent a loss of revenues therefrom; *provided, however*, in the event MEAG Power or the Project J Entity utilizes letter of credit agreements or other financing instruments to finance such major renewals, replacements, repairs, additions, betterments and improvements, the related financing costs shall also be included within the definition of "other costs"; (iii) any major additions, improvements, repairs or modifications to, or retirements or disposals of, Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 required by any governmental agency having jurisdiction over Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 or for which the Project J Entity otherwise is responsible to the extent that MEAG Power or the Project J Entity is not reimbursed therefor from the proceeds of insurance or funds for such payments are not available to MEAG Power or to the Project J Entity therefor from any funds or accounts established by MEAG Power or by or on behalf of the Project J Entity, or funds for such payment are not provided or to be provided by the issuance of the Project J Bonds, which expenditures, to the extent they are capital expenditures, shall be treated as capital costs under the Project J PPA; *provided, however*, in the event MEAG Power or the Project J Entity utilizes letter of credit agreements or other financing instruments to finance such major additions, improvements, repairs or modifications to, or retirements or disposals of, Project J, the related financing costs shall also be included within the definition of "other costs"; and (iv) without duplication, all amounts required

to be paid by the Project J Entity (whether to DOE, as operating expenses or otherwise) in the Project J Federal Loan Documents other than fixed costs set forth in the preceding paragraph.

3. *Debt Service* means with respect to any period, the aggregate of the amounts required by the Project J Bond Resolution or the Project J Federal Loan Documents to be paid by MEAG Power or the Project J Entity, respectively, during said period into any fund or funds created by the Project J Bond Resolution or any account or accounts required by the Project J Federal Loan Documents, as applicable, for the sole purpose of paying (a) the principal (including the sinking fund or equivalent payment installments) of, and premium, if any, and interest on, Project J Bonds or the Project J DOE Guaranteed Loan, as applicable, and all other amounts due with respect to the Project J DOE Guaranteed Loan and (b) any payments on Qualified Hedging Contracts (as defined in the Project J PPA), including any swap premium or swap termination payment, or Reimbursement Obligations (as defined in the Project J PPA), relating to the Project J Bonds or the Project J DOE Guaranteed Loan from time to time outstanding as the same shall become due; *provided, however*, that Debt Service will not include any acceleration of the maturity of the Project J Bonds or the Project J DOE Guaranteed Loan, including any redemption of any Project J Bonds or any prepayment of Project J Advances prior to maturity at the election of MEAG Power or the Project J Entity, respectively, or any acceleration resulting from the exercise of remedies by the holders of any Project J Bonds or any trustee acting on behalf of such holders or by the Project J DOE Secured Parties, respectively; and, *provided, further*, that in the case of any swap premium or swap termination payment, the amount of such swap premium or swap termination payment included in Debt Service shall be only the portion of such swap premium or swap termination payment that, in the opinion of a mutually agreed-upon nationally-recognized independent financial advisor experienced in interest rate swaps or similar measures, is allocable to the term of the Project J PPA.

MEAG Power is expressly authorized to bill, in accordance with the terms of the Project J PPA, some or all of the Debt Service costs which are payable during construction and prior to the commercial operation date of any facility.

MEAG Power is authorized to amend the Project J Annual Budget upon 30 days' notice to JEA to adjust its rates and charges as required to meet Project J's costs. In addition, MEAG Power is required to prepare and submit to JEA a reasonable best estimate of its Project J Annual Budget from October 1 of the year before that Power Supply Year to September 30 of the Power Supply Year based on MEAG Power's current revenue requirement projections.

MEAG Power will submit and JEA will be obligated to pay, a monthly billing statement based upon the Project J Annual Budget. At the end of each Power Supply Year, MEAG Power will determine if the aggregate amounts collected from JEA's billing statements, together with any other income, was in the proper amount. Any excess amounts collected will, at JEA's election, either be credited to JEA's billing statements for the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made or paid directly to JEA. Any deficiencies in collections will be added to JEA's billing statements in equal installments over the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made. MEAG Power may, at its election, establish a policy for making monthly, quarterly or semi-annual retroactive adjustments to JEA's billings to account for variances between the billed amounts and the actual costs incurred during the respective period to avoid large cumulative adjustments at the end of each Power Supply Year.

In any Power Supply Year during the term of the Project J PPA in which MEAG Power directly or indirectly receives a payment or credit in exchange for the allocation to any person of a Production Tax Credit (as defined in the Project J PPA) relating to the Project J Entity's Ownership Interest, MEAG Power shall, at the end of such Power Supply Year, pay to JEA or credit JEA's billing statement for the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such

adjustment was determined to have been necessary, 50 percent of any such payment or credit. MEAG Power shall also sell all pre-commercial generation at fair market value and shall pay all resulting funds into Project J's construction fund.

## **JEA's Payment Obligations**

### ***General***

As more fully described below, the Project J PPA provides, in general, that, subject to certain limitations, for the initial twenty years of commercial operation of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively, JEA will be responsible for all of MEAG Power's or the Project J Entity's costs relating to Project J, including Debt Service on obligations issued to finance Project J and Debt Service of the Project J DOE Guaranteed Loan. The Project J PPA also provides that amounts owed by JEA under the Project J PPA will constitute a Contract Debt, which is payable from revenues of JEA's Electric System as a Cost of Operation and Maintenance.

JEA's payment obligations under the Project J PPA (other than its obligation to pay its Additional Compensation Obligation) are payable whether or not the Project J Entity's Ownership Interest is completed or is operating or operable, and whether or not the output of the Project J Entity's Ownership Interest is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or non-performance by any party of any agreement for any cause whatsoever.

In February of each calendar year during the term of the Project J PPA following each of Generation Station Vogtle Unit No. 3's and Generation Station Vogtle Unit No. 4's commercial operation date, JEA's billing statements will include additional charges referred to herein as JEA's "Additional Compensation Obligation" which will be calculated as set forth in the Project J PPA. JEA shall only be required to pay its Additional Compensation Obligation if the Project J Entity's Ownership Interest is operating and JEA is not responsible for paying such amounts when output is suspended, interrupted or terminated.

All payments made by JEA attributable to Project J or the Project J Annual Costs (other than JEA's Additional Compensation Obligation), and any or all rights to collection or enforcement of such payments, are to be pledged as security for Project J Bonds and the Project J DOE Secured Obligations.

For a description of the Project J Participants' general payment obligations under the Project J Power Sales Contracts, see "SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay – *Payment Obligations of Project J Participants Under the Project J Power Sales Contracts*" in APPENDIX K to the Annual Information Statement.

### ***Project J Annual Costs***

***Obligation to Pay Project J Annual Costs Other Than Debt Service.*** JEA's obligation to pay its Obligation Share of the Project J Annual Costs (other than Debt Service) with respect to the first unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 to achieve commercial operation shall commence on the First Commercial Operation Date and JEA's obligation to pay its Obligation Share of the Project J Annual Costs (other than Debt Service) with respect to the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 to achieve commercial operation shall commence on the Second Commercial Operation Date. Notwithstanding the foregoing, but subject to other provisions of the Project J PPA relating to the payment of Debt Service, JEA's obligation to pay the Project J Annual Costs will commence simultaneously with the commencement of the obligation of the Project M Participants to pay their respective shares of Project M's annual costs under the Project M Power Sales Contracts, which obligation may commence prior to the First Commercial Operation Date.

Notwithstanding the foregoing, if it becomes practically or economically infeasible for MEAG Power to issue Project J Bonds due to a JEA Market Disruption (as defined in the Project J PPA), but it is practically and economically feasible for MEAG Power to issue Project M Bonds, MEAG Power may commence billing JEA for the Project J Annual Costs without simultaneously billing the Project M Participants for their respective shares of Project M's annual costs.

Notwithstanding the foregoing and any other provision of the Project J PPA relating to the billing and payment of Project J Annual Costs, in the event that MEAG Power shall not have sufficient funds to pay in full the principal of or interest on any Project J BANs or Project J Take-Out Bonds when due (including as a result of the inability of MEAG Power and the Project J Entity, for any reason, to borrow funds in an amount sufficient to refund any Project J BANs or Project J Take-Out Bonds at or prior to their respective due dates (whether through the issuance of other Project J Bonds (including, in the case of Project J BANs, Project J Take-Out Bonds) or otherwise), JEA shall be obligated to pay to MEAG Power 50 percent of the amount of such shortfall, which amount shall be payable on or before the due date of such principal and/or interest, whether before or after the applicable commercial operation date. In furtherance of the foregoing, MEAG Power agrees that (i) it will provide periodic notice to JEA as to MEAG Power's expected ability to refund the principal of any Project J BANs or Project J Take-Out Bonds on or prior to the respective due dates thereof, not less than 90 and 30 days prior to such respective due dates and (ii) if, at any time prior to the respective due dates of the principal of such Project J BANs or Project J Take-Out Bonds, it shall determine that neither it nor the Project J Entity will be able to borrow funds in an amount sufficient to refund such principal, it promptly will provide notice to JEA as to such determination; *provided, however*, that MEAG Power's failure to provide any such notice to JEA shall not affect JEA's obligation as stated in the preceding sentence, which obligation shall be absolute and unconditional.

In the event that JEA shall pay to MEAG Power any amount in respect of the principal of Project J BANs and/or Project J Take-Out Bonds as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project J Entity is able to borrow funds to pay Costs of Acquisition and Construction and Financing Costs of Project J, it shall include in such borrowing an amount sufficient to reimburse JEA and the Project J Participants for all amounts paid by them in respect of such principal that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its sole judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

In the case of any such Project J BANs and/or Project J Take-Out Bonds that were issued to finance or refinance Costs of Acquisition and Construction and Financing Costs of "capital improvements," as such term is defined in the Project J PPA, for Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 following the commercial operation date thereof, in the event that any amounts paid by JEA in respect of the principal thereof theretofore have not been reimbursed by MEAG Power, at the end of the term of the Project J PPA, JEA shall be entitled to a payment from MEAG Power calculated as set forth in the Project J PPA.

***Obligation to Pay Debt Service.*** Except in the case of (x) Project J Bonds issued after the commercial operation date of Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 to finance Costs of Acquisition and Construction of capital improvements to Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4, as applicable (hereinafter referred to as "Project J Post-COD Capital Improvements Bonds"), (y) refunding Project J Bonds and (z) with respect to Project J BANs and Project J Take-Out Bonds (JEA's obligation in respect of the payment of Debt Service on which is governed by the provisions below), JEA's obligation to pay (i) the interest component of Debt Service of each Series of Project J Bonds and each Project J Advance attributable to each of Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall commence and (ii) the principal component of Debt Service of each Series of Project J Bonds and each Project J Advance attributable to

Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall commence.

Notwithstanding the foregoing and any other provision of the Project J PPA, in the event that MEAG Power shall issue Project J Bonds of any Series (i) that bear interest at variable rates and are subject to tender for purchase at the option of the holders thereof or (ii) in the form of short-term obligations that are intended to be rolled-over at maturity and, as a result of market conditions, (x) such Project J Bonds that bear interest at variable rates cannot be remarketed and either are tendered to MEAG Power for payment or must be termed-out in advance of their scheduled amortization dates (determined as set forth in the Project J PPA) and/or (y) such Project J Bonds in the form of short-term obligations cannot be rolled-over and must either be paid at maturity or termed-out in advance of their scheduled amortization dates (determined as set forth in the Project J PPA), then JEA shall be responsible for paying the principal of such Project J Bonds when due. The Project J PPA limits the aggregate principal amount of Project J Bonds described in this paragraph to be outstanding at any time, together with the aggregate principal amount of Project J BANs and Project J Take-Out Bonds outstanding at such time, to not exceed \$75,000,000 unless agreed to in writing by MEAG Power and JEA from time to time.

In the event that JEA shall pay to MEAG Power any amount in respect of the principal of Project J Bonds as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project J Entity is able to borrow funds to pay Costs of Acquisition and Construction and Financing Costs of Project J, it shall include in such borrowing an amount sufficient to reimburse JEA for all amounts paid by it in respect of such principal that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its commercially reasonable judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

In the event that MEAG Power and the Project J Entity do not, for any reason, borrow funds sufficient to reimburse JEA as provided in the preceding paragraph, at the end of the term of the Project J PPA, JEA shall be refunded the portion of such principal so paid and not theretofore reimbursed in excess of the amount thereof that would have been payable by JEA had such Project J Bonds been paid in accordance with their scheduled amortization (determined as aforesaid); *provided, however*, that if all or any portion of the proceeds of such Project J Bonds was used to fund a Non-amortized Project J Reserve Fund (including the Project J Nuclear Fuel Construction Fund-Revolving Account), then, at the end of the term of the Project J PPA, JEA shall be refunded the entirety of such principal so paid and not theretofore reimbursed with respect to such Project J Bonds that funded such Non-amortized Project J Reserve Fund(s).

In the case of Project J Post-COD Capital Improvements Bonds, JEA's obligation to pay (i) the interest component of Debt Service of each such Series of Project J Post-COD Capital Improvements Bonds attributable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, shall commence on the day following the date to which all interest is capitalized on the Project J Post-COD Capital Improvements Bonds of such Series and (ii) the principal component of Debt Service of each such Series of Project J Post-COD Capital Improvements Bonds attributable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, shall commence on the date that is one year prior to the first due date of the principal installment of Debt Service of such Project J Post-COD Capital Improvements Bonds and, in either such case, shall continue to the last day on which JEA is entitled to its Obligation Share of the output of such unit pursuant to the terms of the Project J PPA. In the event of a delay in the in-service date of the capital improvements for which the Project J Post-COD Capital Improvement Bonds of such Series are issued under the Project J PPA, MEAG Power shall issue additional Project J Post-COD Capital Improvement Bonds to provide funds to capitalize interest on all such Project J Post-COD Capital Improvement Bonds until the actual in-service date of the capital improvements; *provided, however*, that in the event that MEAG Power determines it is practicably or economically infeasible for MEAG Power to issue such additional Project J Post-COD Capital Improvement Bonds at

any time during the period between the estimated in-service date and the actual in-service date of the capital improvements, then MEAG Power shall not be required to issue such additional Project J Post-COD Capital Improvement Bonds and JEA's obligation to pay interest on all such Project J Post-COD Capital Improvement Bonds shall commence on the day following the date to which all interest is capitalized on the Project J Post-COD Capital Improvement Bonds of such Series.

In the case of refunding Project J Bonds, JEA's obligation to pay (i) the interest component of Debt Service of each Series of such refunding Project J Bonds shall continue only for the same number of months for which JEA would have been obligated to pay the interest component of Debt Service on the Project J Bonds and/or the portion of the principal of the Project J DOE Guaranteed Loan refunded or repaid (the "Refunded Project J Debt") thereby had such Refunded Project J Debt not been so refunded or repaid and (ii) the principal component of Debt Service of each such Series of refunding Project J Bonds shall continue only for the same number of months for which JEA would have been obligated to pay the principal component of Debt Service on the Refunded Project J Debt had such Refunded Project J Debt not been so refunded or repaid.

"Series" is defined in the Project J PPA to mean any or all Project J Bonds issued upon original issuance on a particular date, as determined by an Authorized Officer of MEAG Power on or prior to the date of issuance thereof, whether or not such Project J Bonds constitute a separate "Series" of Bonds for purposes of (and as defined in) the Project J Bond Resolution. In the event that the Project J Bonds of any such Series shall constitute two or more separate "Series" of Project J Bonds for purposes of (and as defined in) the Project J Bond Resolution, the Project J Bonds of such Series may be aggregated for the purpose of establishing level monthly Debt Service pursuant to the Project J PPA.

#### ***JEA's Payment Obligations in the Event of Project J Delay or Termination***

In the event of a delay in the scheduled commercial operation date of either or both of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, MEAG Power may commence billing and JEA will be responsible for the payment of the principal component of Debt Service on the Project J Bonds of any Series or of Debt Service of the Project J DOE Guaranteed Loan related to the delayed unit or units prior to the commercial operation date of such unit or units. JEA will be obligated to pay its Obligation Share of such principal component of Debt Service on the Project J Bonds of such Series and on the Project J DOE Guaranteed Loan relating to such unit or units commencing on the date that is (x) one year prior to the first due date of the principal component of such Debt Service of the Project J Bonds of such Series and (y) three months prior to the first due date of the principal component of Debt Service of the Project J DOE Guaranteed Loan, as applicable; *provided, however*, in the event that MEAG Power determines it is practicably or economically infeasible for MEAG Power to limit billing under the circumstances described above to the principal component relating to the Project J Bonds or to the Project J DOE Guaranteed Loan, as applicable, or both, MEAG Power may bill the entirety of such Debt Service on such Project J Bonds or the portion of the principal of the Project J DOE Guaranteed Loan related to such unit or units. Except in the case of Project J Post-COD Capital Improvement Bonds, refunding Project J Bonds or the Project J BANs and Project J Take-Out Bonds (JEA's obligation in respect of the payment of Debt Service on which is governed by the provisions of the Project J PPA), JEA's obligation to pay (x) the interest component of Debt Service of each such Series of Project J Bonds and of the Project J DOE Guaranteed Loan attributable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project J Bonds and of the Project J DOE Guaranteed Loan attributable to such unit, which MEAG Power is required to structure in accordance with the Project J PPA, shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence.



In the event that either or both of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 is cancelled or terminated pursuant to the Generation Station Vogtle Units 3&4 Development Agreement prior to the commercial operation date of such unit or units, JEA will be obligated to pay (1) 50 percent of its Obligation Share of the Costs of Acquisition and Construction relating to such unit or units (other than any such costs that have been paid with the proceeds of Project J Bonds or Project J Advances) and (2) its Obligation Share of the Project J Annual Costs relating to such unit or units for a period of twenty years from the date MEAG Power commences billing of such annual costs to JEA and the billing of the Project M Annual Costs relating to such unit or units to the Project M Participants; *provided, however*, that except in (1) the case of refunding Project J Bonds and (2) with respect to Project J BANs and Project J Take-Out Bonds (JEA's obligation in respect to the payment of the Debt Service is governed by the applicable provisions in the Project J PPA), JEA's obligation to pay (x) the interest component of Debt Service of each Series of Project J Bonds and of the Project J DOE Guaranteed Loan attributable to such unit shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project J Bonds and the Project J DOE Guaranteed Loan attributable to such unit, which MEAG Power is required to structure in accordance with the Project J PPA, shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence.

In the event that either or both of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement after the commercial operation date of such unit or units, JEA will be obligated to pay its Obligation Share of the Project J Annual Costs relating to the cancelled unit or units for a period of twenty years following the commercial operation date of the applicable unit; *provided, however*, that in the event that MEAG Power commences billing JEA a Debt Service component relating to such unit prior to the commercial operation date, except in the case of Project J Post-COD Capital Improvements Bonds (which only are to be issued following the commercial operation date of the applicable unit) and refunding Project J Bonds, JEA's obligation to pay (x) the interest component of Debt Service of each such Series of Project J Bonds and/or the Project J DOE Guaranteed Loan attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project J Bonds and/or the Project J DOE Guaranteed Loan attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of Project J Post-COD Capital Improvements Bonds, JEA's obligation to pay the interest and principal components of Debt Service of each such Series of Project J Bonds attributable to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 shall continue only until the last day on which JEA is entitled to its Obligation Share of the output of each such unit pursuant to the terms of the Project J PPA.

In the case of refunding Project J Bonds, JEA's obligation to pay (x) the interest component of Debt Service of each Series of such refunding Project J Bonds shall be included as part of Project J Annual Costs for only the same number of months for which JEA would have been obligated to pay the interest component of Debt Service on the Refunded Project J Debt refunded or repaid thereby had such Refunded Project J Debt not been so refunded or repaid and (y) the principal component of Debt Service of each such Series of refunding Project J Bonds shall be included as part of the Project J Annual Costs for only the same number of months for which JEA would have been obligated to pay the principal component of Debt Service on the Refunded Project J Debt had such Refunded Project J Debt not been so refunded or repaid.

In the case of the Project J BANs and Project J Take-Out Bonds, JEA's obligation in respect to the payment of Debt Service shall be governed by the applicable provisions of the Project J PPA.

If either of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement during the term of the Project J PPA, and MEAG Power directly or indirectly sells all or a portion of its interest in such cancelled or terminated unit, its nuclear fuel, equipment and related facilities through a sale of such assets or a sale of its ownership interest in the Project J Entity, then MEAG Power has agreed to distribute to JEA, or credit JEA's billing statement, 50 percent of the net proceeds allocated to the Project J Entity's Ownership Interest, if any, actually paid to and received by MEAG Power or the Project J Entity, as applicable, *provided*, that MEAG Power similarly distributes or credits any such net proceeds to any or all of the Vogtle Units 3&4 Participants (as such term is defined in the Annual Information Statement) and provided further that the proceeds of such sale or disposition of interest (a) to the extent received by MEAG Power, shall be subject to the lien of the Project J Bond Resolution and (b) to the extent received by the Project J Entity, shall be subject to the security interest and lien of the Project J DOE Secured Parties on MEAG Power's ownership interest in the Project J Entity and on the Project J Entity's undivided ownership interest in Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, described in the Project J PPA and may be applied first as a prepayment of the Project J DOE Guaranteed Loan or otherwise applied pursuant to the Project J Federal Loan Documents prior to any distribution thereof by the Project J Entity to MEAG Power.

### ***Nature of JEA's Obligations***

For a discussion of the nature of JEA's obligations under the Project J PPA, see "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power's Project J Bonds – *The Project J PPA*" in the Annual Information Statement.

### ***Rate Covenant of JEA***

JEA has covenanted to maintain and collect rates and charges for the electric service of its Electric System so as to provide revenues sufficient, together with available Electric System reserves, to enable JEA to pay MEAG Power all amounts payable under the Project J PPA and to pay all other amounts payable from and all lawful charges against or liens on the revenues of its Electric System.

### **Capital Costs**

Except as described herein, MEAG Power will finance or cause the Project J Entity to finance capital costs attributable to the Project J Entity's Ownership Interest and incurred by the Project J Entity during the term of the Project J PPA with proceeds of Project J Bonds or Project J Advances, as applicable. During any period when (1) MEAG Power determines that it is infeasible for (x) MEAG Power to issue Project J Bonds and Project M Bonds, (y) the Project J Entity to satisfy the conditions of making a Project J Advance and (z) the Project M Entity (if applicable) to satisfy the conditions to making of a Project M Advance to finance capital costs attributable to the Project M Entity's Ownership Interest and Project M or (2) MEAG Power determines it is infeasible for (x) MEAG Power to issue Project J Bonds and (y) the Project J Entity to satisfy the conditions to the making of a Project J Advance to finance capital costs related to the Project J Entity's Ownership Interest, in both such cases, due to a JEA Market Disruption but it is feasible to issue Project M Bonds attributable to Project M or for the Project M Entity (if applicable) to satisfy the conditions to making of a Project M Advance to finance capital costs attributable to Project M, and MEAG Power or the Project J Entity incurs capital costs during the term of the Project J PPA, then in either such event, MEAG Power or the Project J Entity shall finance such capital costs from a reserve fund maintained for the payment of renewals and replacements. Any portion of such capital costs attributable to the Project J Entity's Ownership Interest that cannot be financed by such reserve fund will be billed to JEA (including such costs incurred by the Project J Entity and billed to MEAG Power); *provided, however*, MEAG Power will not bill JEA for any capital costs incurred prior to the First Commercial Operation Date.

In the event that JEA shall pay to MEAG Power any amount in respect of its Obligation Share of such capital costs as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project J Entity is able to borrow funds to pay such capital costs, it shall include in such borrowing an amount sufficient to reimburse JEA for all amounts paid by it in respect of such capital costs that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its commercially reasonable judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

In the event that any such costs theretofore have not been reimbursed by MEAG Power, JEA is entitled to a payment from MEAG Power in accordance with the terms of the Project J PPA upon the expiration of the term of the Project J PPA. In the event JEA shall pay any amounts in respect of Debt Service on Project J Post-COD Capital Improvement Bonds prior to the actual in-service date of the capital improvements financed through the issuance of such Project J Post-COD Capital Improvement Bonds, then, upon expiration of the term of the Project J PPA, JEA is entitled to a payment from MEAG Power in an amount equal to such amounts in respect of Debt Service paid prior to the actual in-service date.

### **Certain Interest Expenses**

During any period when (1) MEAG Power determines that it is infeasible for (x) MEAG Power to issue Project J Bonds and Project M Bonds, (y) the Project J Entity to satisfy the conditions to the making of a Project J Advance and (z) the Project M Entity (if applicable) to satisfy the conditions to the making of a Project M Advance to finance capital costs attributable to the Project M Entity's Ownership Interest and Project M, or (2) MEAG Power determines that it is infeasible for (x) MEAG Power to issue Project J Bonds and (y) the Project J Entity to satisfy the conditions to the making of a Project J Advance to finance capital costs attributable to the Project J Entity's Ownership Interest, in both such cases, due to a JEA Market Disruption but it is feasible to issue Project M Bonds or for the Project M Entity (if applicable) to satisfy the conditions to the making of a Project M Advance to finance interest costs attributable to either of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 incurred by MEAG Power prior to the applicable commercial operation date, then JEA shall pay such interest costs that could not be financed for Project J (the "Capitalized Interest") through the commercial operation date of the applicable unit.

In the event that JEA shall pay to MEAG Power any amount in respect of its Obligation Share of such annual Power Supply Year Capitalized Interest costs as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project J Entity is able to borrow funds to pay such Capitalized Interest, it shall include in such borrowing an amount sufficient to reimburse JEA for all amounts paid by it in respect of such annual Power Supply Year Capitalized Interest costs that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its commercially reasonable judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

In the event that any such costs theretofore have not been reimbursed by MEAG Power upon the expiration of the term of the Project J PPA, JEA is entitled to a payment from MEAG Power in accordance with the terms of the Project J PPA.

### **Reserve Funds**

The Project J PPA provides for two types of reserve funds: Non-amortized Reserve Funds and Amortized Reserve Funds. In the event that (i) MEAG Power determines that it is infeasible for (x) MEAG Power to issue Project J Bonds and Project M Bonds, (y) the Project J Entity to satisfy the conditions to making a Project J Advance and (z) the Project M Entity (if applicable) to satisfy the conditions to the making of a Project M Advance to finance such reserves or (2) MEAG Power determines it is infeasible for

(x) MEAG Power to issue Project J Bonds and (y) the Project J Entity to satisfy the conditions to the making of a Project J Advance to finance such reserves, in both such cases, due to a JEA Market Disruption, but it is feasible for MEAG Power to issue Project M Bonds or for the Project M Entity (if applicable) to satisfy the conditions to making of a Project M Advance to finance such reserve funds for Project M, MEAG Power may utilize revenues derived from either year end distributions or billings to JEA under the Project J PPA to finance such reserve funds (other than reserve funds held by or on behalf of the Project J Entity that are financed using the proceeds of the Project J Advances), but only so long as MEAG Power is also utilizing revenues derived from either year end distributions or billings to the Project M Participants under the Project M Power Sales Contracts to also finance such reserve funds of Project M, unless the billing was necessitated by a JEA Market Disruption.

In the event that JEA shall pay to MEAG Power any amount in respect of its Obligation Share of such reserve funds as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project J Entity is able to borrow funds to finance such reserve funds, it shall include in such borrowing an amount sufficient to reimburse JEA for all amounts paid by it in respect of such reserve funds that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its commercially reasonable judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

Funds added to either type of reserve fund by JEA to either initially fund or increase the funding of such reserve funds (but not to replenish such reserve funds) and which were not used during the term of the Project J PPA, will be reimbursed to JEA at the end of the term of the Project J PPA.

For any “Non-amortized Reserve Fund” created under the Project J Bond Resolution, the Project J Power Sales Contracts or the Project J DOE Accounts Agreement, JEA will pay its Obligation Share of any interest on the Project J Bonds and/or the Project J DOE Guaranteed Loan, as applicable, that financed such Non-amortized Reserve Funds during each Power Supply Year during the term of the Project J PPA, offset by any interest earned on such funds during the Power Supply Year that are not required under the Project J Bond Resolution and/or the Project J Federal Loan Documents, as applicable, to be retained in such funds. Except as provided in the Project J PPA, JEA is not entitled to any reimbursement upon the end of the term of the Project J PPA with respect to such funds.

For any “Amortized Reserve Fund” created under the Project J Bond Resolution, the Project J Power Sales Contracts or the Project J DOE Accounts Agreement, JEA will pay for both principal and interest on the Project J Bonds and/or the Project J DOE Guaranteed Loan, as applicable, that financed such Amortized Reserve Fund during each Power Supply Year during the term of the Project J PPA, offset by any interest earned on such funds during the Power Supply Year that are not required under the Project J Bond Resolution and/or the Project J DOE Accounts Agreement, as applicable, to be retained in such funds. Upon the end of the term of the Project J PPA, MEAG Power shall reimburse JEA the total amount of principal payments made by JEA on the Project J Bonds or the Project J DOE Guaranteed Loan relating to such funds.

MEAG Power has agreed that all moneys held in funds and accounts established pursuant to the Project J Bond Resolution or in Project J Accounts (as defined in the Project J DOE Accounts Agreement) established by the Project J DOE Accounts Agreement shall be invested and reinvested to the fullest extent practicable in Investment Securities (as defined in the Project J Bond Resolution) or Permitted Investments (as defined in the Project J DOE Accounts Agreement), as applicable, which shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts or Project J Accounts, as applicable. Interest earned on any moneys and investments in the funds and accounts will be paid into a revenue fund, subject to specific exceptions set forth in the Project J Bond Resolution. Interest earned on any monies or investments in any Project J Account established pursuant to the Project J DOE Accounts Agreement (net of that which represents a return of accrued interest

paid in connection with the purchase of any investment) shall be applied pursuant to the Project J DOE Accounts Agreement, and any amounts thereof distributed to MEAG Power by the Project J Entity shall be paid into the Revenue Fund.

### **Allocation of Costs Among the Vogtle Units 3&4 Projects**

With the exception of MEAG Power's administrative and general expenses and as provided in the following sentence, MEAG Power has agreed to allocate all costs and other expenses incurred or payable by it directly, or indirectly through the Project J Entity, the Project P Entity and/or the Project M Entity, as applicable, in connection with its interest in Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, other than Debt Service and other debt-related and financing costs and expenses, among Project J, Project P and Project M in proportion to the respective number of MWs constituting each such project. In the case of any costs related to the Project J DOE Guaranteed Loan and any DOE-guaranteed loans obtained by the Project M Entity and/or the Project P Entity, other than debt service, MEAG Power shall allocate such costs based upon a fraction the numerator of which is the FFB Credit Facility Commitment (as defined in the Project J DOE Loan Guarantee Agreement) and the denominator of which is the sum of such FFB Credit Facility Commitment and the FFB credit facility commitments of the Project M Entity and/or the Project P Entity.

### **Issuance of Project J Bonds and Making of Project J Advances**

The Project J PPA provides that MEAG Power may issue and sell Project J Bonds and may cause the Project J Entity to draw upon the Project J DOE Guaranteed Loan in accordance with the provisions of the Project J Bond Resolution and the Project J Federal Loan Documents, respectively, to finance, or refinance by refunding outstanding Project J Bonds or provide funds for contribution to the Project J Entity to repay Project J Advances, any Costs of Acquisition and Construction and Financing Costs associated with Project J. Such Project J Bonds and the Project J DOE Guaranteed Loan may be secured by assignment of all payments attributable to Project J or the Project J Annual Costs, as such payments may be increased and extended due to the issuance of such Project J Bonds or the making of additional Project J Advances. Project J Bonds may be issued and such Project J Advances may be made in amounts sufficient to cover such costs in full and to provide such reserves as may be reasonably determined by MEAG Power or by the Project J Entity to be desirable.

MEAG Power has agreed to structure the Project J Bonds and each Project J Advance within certain parameters. To the extent a Series of Project J Bonds is issued by MEAG Power or a Project J Advance is made by the Project P Entity to finance costs attributable to both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, the principal of such Series or such Project J Advance will be allocated between Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4. Except for Project J Post-COD Capital Improvements Bonds and the refunding Project J Bonds, the principal of a Series of Project J Bonds or the principal of the Project J Advance will be assumed to amortize to result in level monthly Debt Service with respect to such principal over a period of 40 years. The assumed period of 40 years during which such amortization shall occur with respect to a particular Series or Project J Advance (or portion thereof allocated to a particular unit) shall commence (x) in the case of the Project J Bonds of such Series, not earlier than twelve months, nor later than 36 months, following the estimated commercial operation date of the applicable unit to which such principal of such Project J Bonds of such Series relates and (y) in the case of such Project J Advance, on the day of the third month preceding the date on which the first quarterly principal installment on such Project J Advance is due that corresponds numerically to the day on which such principal installment is due (or, if there is no such corresponding day in the third preceding month, on the last day of the third preceding month), with such Debt Service being calculated, for the entire 40-year amortization period. In the event that all of the Project J Bonds of such Series or all of the principal of such Project J Advance allocated to a particular applicable unit shall bear interest at fixed rates during the entirety of the period beginning on the Assumed Completion Date

applicable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable (December 31, 2018, in the case of the first unit of Vogtle Units 3&4 to achieve commercial operation, and December 31, 2019, in the case of the second unit of Vogtle Units 3&4 to achieve commercial operation), and ending on (a) in the case of the first unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2038 and (b) in the case of the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2039, at such actual fixed rates of interest, and (ii) in the event that any portion of the Project J Bonds of such Series or any portion of such Project J Advance allocated to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 shall not bear interest at fixed rates during the entirety of the period beginning on the Assumed Completion Date applicable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 and ending (a) in the case of the first unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2038 and (b) in the case of the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2039, (X) in the case of the portion of such Project J Bonds of such Series or the portion of such Project J Advance that bear interest at fixed rates during the entirety of such period, at such actual fixed rates of interest and (Y) in the case of the portion of such Project J Bonds of such Series or any portion of such Project J Advance that do not bear interest at fixed rates during the entirety of such period, at an assumed rate of interest of one percent (1%) per annum.

Notwithstanding anything in the Project J PPA to the contrary, the aggregate principal amount of Project J Advances that do not bear interest at fixed rates during the entirety of the period beginning on the Assumed Completion Date applicable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 and ending on (a) in the case of the first unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2038 and (b) in the case of the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2039 made as permitted by the Project J PPA shall be limited in total to no more than \$250,000,000, or such greater amount as shall be agreed to in writing by MEAG Power and JEA from time to time.

The amounts and due dates of all installments of principal coming due during the first 20 years of the amortization of the principal of the Project J Bonds of such Series or of the principal of such Project J Advance (or, in the event that the Project J Bonds of such Series are to be issued or such Project J Advance is to be made to finance Costs of Acquisition and Construction and Financing Costs of both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, of all installments of principal coming due during the first 20 years of the amortization of the principal of the Project J Bonds of such Series or of the principal of such Project J Advance allocated to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4) determined pursuant to the paragraph above shall be the actual amounts and due dates of the first 20 years of the amortization of the principal of the Project J Bonds of such Series or of the principal of such Project J Advance (or of the principal of the Project J Bonds of such Series or of the principal of such Project J Advance allocated to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 as aforesaid).

MEAG Power and the Project J Entity shall have the sole discretion to determine the actual amount(s) and due date(s) of the amount of the principal of the Project J Bonds of such Series or the principal of such Project J Advance (or, in the event that the Project J Bonds of such Series are to be issued or such Project J Advance is to be made to finance or refinance Costs of Acquisition and Construction and Financing Costs of both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, of the amount of the principal of the Project J Bonds of such Series or the principal of such Project J Advance allocated to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4) remaining after the establishment of the principal installments provided for in the preceding paragraph. Without limiting the generality of the foregoing, MEAG Power and the Project J Entity shall have the sole discretion to cause such remaining amount(s) of principal to be due (X) on the same dates and in the same amounts as shall be determined pursuant to the second paragraph of this section, or (Y) on such other date(s)

and in such other amount(s) as MEAG Power (or the Project J Entity, at the direction of MEAG Power) shall determine.

The Project J PPA provides that MEAG Power may also issue Project J Post-COD Capital Improvements Bonds, which, if issued, would not be subject to the bond structure of Project J Bonds, to finance any Costs of Acquisition and Construction and Financing Costs of (i) any major renewals, replacements, repairs, additions, or improvements to Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 necessary, in the opinion of MEAG Power to keep the Project J Entity's Ownership Interest in good operating condition or to prevent a loss of revenues therefrom, including spent fuel storage facilities or (ii) any major additions, improvements, repairs, or modifications required by any governmental authority having jurisdiction over Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 for which MEAG Power (or the Project J Entity) shall be responsible arising out of any contract to which MEAG Power (or the Project J Entity) may be a party relating to ownership of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 or any facility thereof, including such applicable Generation Station Vogtle Unit No. 3 Project Agreement or Generation Station Vogtle Unit No. 4 Project Agreement.

In the case of Project J Post-COD Capital Improvements Bonds, the principal of any Series of Project J Post-COD Capital Improvements Bonds will be allocated to each capital improvement item (or group of capital improvement items having comparable estimated useful lives) and such principal shall be assumed to be amortized in such a manner as will result in level monthly Debt Service with respect to such principal over the assumed period commencing on January 1 of the second calendar year following the year in which the in-service date of the capital improvements (or group of capital improvements) is estimated to occur and ending on the earlier of (x) the expiration of the term of the applicable unit's combined construction and operating license, or (y) the end of the estimated economic useful life of the capital improvement item (or group of capital improvement items). For Project J Bonds bearing interest at fixed rates for the entire term thereof, debt service will reflect the actual fixed interest rates. For any portion of the Project J Bonds not bearing interest at the fixed rates for the entire term thereof, the debt service will reflect (x) in the case of the Project J Bonds of such Series that bear interest at fixed rates for the entire term thereof, the actual fixed rates of interest thereon and (y) in the case of the Project J Bonds of such Series that do not bear interest at fixed rates for the entire term thereof, an assumed rate of interest of one percent (1%) per annum.

The amounts coming due on or before January 1 of the calendar year following the last day on which JEA is entitled to its Obligation Share of the output of the Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, will be the actual amounts and due dates of each such installment of the principal of the Project J Post-COD Capital Improvements Bonds of such Series. However, MEAG Power will have the sole discretion to determine the actual amounts and due dates for the remaining installments of principal related to the applicable Series of Project J Post-COD Capital Improvements Bonds.

The Project J PPA also provides that MEAG Power may issue refunding Project J Bonds to refund Project J Bonds or to provide funds for contribution to the Project J Entity to repay Project J Advances, which, if issued, would not be subject to the debt service structure of Project J Bonds, but the Debt Service on each such Series of refunding Project J Bonds shall be structured in a manner consistent with the principles governing the issuance of Project J Bonds and the making of Project J Advances under the Project J PPA, so as to equitably apportion the savings or dissavings, as applicable, resulting from the issuance of such refunding Project J Bonds both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on such refunding Project J Bonds under the Project J Power Sales Contracts.

In particular, in the case of refunding Project J Bonds allocable to a particular unit that bear interest at fixed rates for the entire term thereof that are to be issued to refund Project J Bonds or prepay a portion of the principal of the Project J DOE Guaranteed Loan that do not bear interest at fixed rates during the entirety of the period beginning on the Assumed Completion Date applicable to such unit and ending on (a) in the case of the first unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2038 and (b) in the case of the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2039, the Debt Service on the refunding Project J Bonds is structured so as to result in level monthly Debt Service over the period from and including the month following the month in which the refunding Project J Bonds are issued to and including the month in which JEA's obligation to pay the principal component of Debt Service on the refunded Project J Bonds or the prepaid portion of the principal of the Project J DOE Guaranteed Loan, as applicable, would have ended, had the refunded Project J Bonds or the prepaid portion of the principal of the Project J DOE Guaranteed Loan, as applicable, not been so refunded or prepaid, determined in the manner provided in the Project J PPA.

In the case of refunding Project J Bonds to be issued to achieve Debt Service savings on Project J Bonds or the Project J DOE Guaranteed Loan, the issuance of such refunding Project J Bonds shall result in (x) no cash flow dissavings in any year during the period from and including the year in which the refunding Project J Bonds are issued to and including the year preceding the final maturity date of the refunded Project J Bonds or the prepaid portion of the principal of the Project J DOE Guaranteed Loan, as applicable, and (y) the weighted average life of the refunding Project J Bonds shall not exceed the remaining weighted average life of the refunded Project J Bonds or the prepaid portion of the principal of the Project J DOE Guaranteed Loan, as applicable, calculating such remaining weighted average life of the refunded Project J Bonds or the prepaid portion of the principal of the Project J DOE Guaranteed Loan, as applicable, immediately prior to the issuance of the refunding Project J Bonds.

In the case of refunding Project J Bonds to be issued to extend the maturity of (x) any Project J Bonds any principal installment for which constitutes a Refundable Principal Installment (as defined in the Project J Bond Resolution) or (y) any "bullet" maturity of any Project J Advance that bears interest at a fixed rate for the entire term thereof and that was made to finance cost overruns (which, for purposes of this paragraph, shall be either (i) costs in excess of the construction budget for Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 as in effect as of the date of execution of the Project J DOE Loan Guarantee Agreement or (ii) costs resulting from a delay in the actual commercial operation date of either or both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4) from the Assumed Completion Date thereof, the final maturity date of the refunding Project J Bonds shall be not later than the latest date on which the principal of the refunded Project J Bonds or repaid Project J Advance, as the case may be, was permitted to mature in accordance with its 40-year amortization period determined under the Project J PPA, and the Debt Service on the refunding Project J Bonds shall be structured so as to result in level monthly Debt Service over the period from and including the month in which the maturity date of the refunded Project J Bonds or repaid Project J Advance, as the case may be, was to occur to and including the month preceding the final maturity date of the refunding Project J Bonds, determined in the manner provided in the Project J PPA.

In addition to funds required for Costs of Acquisition and Construction and Financing Costs, and certain reserve requirements related thereto, MEAG Power may issue Project J Bonds in amounts sufficient to provide for the Debt Service Reserve Requirement (as defined in the Project J PPA) under the Project J Bond Resolution, capitalized interest relating to Project J Bonds of any Series and amounts that MEAG Power determines are necessary to fund any Amortized Reserve Funds and/or Non-amortized Reserve Funds under the Project J Bond Resolution. MEAG Power shall structure any Project J Bonds issued or Project J Advances made to fund Non-amortized Reserve Funds in a manner whereby (i) any payments of the principal components of such Project J Bonds or such Project J Advances shall occur after the term of



the Project J PPA, and (ii) JEA will not be required to pay its Obligation Share of the principal components of such Project J Bonds or of such Project J Advances.

In addition, JEA acknowledges and agrees that certain amounts held under the Project J DOE Accounts Agreement may be applied only to the prepayment of the Project J DOE Guaranteed Loan (hereinafter referred as a “Project J DOE debt retirement”), and that, as a result of such application, it may not be possible to maintain level Debt Service over the term of the Project J PPA and the term of the Project J Power Sales Contracts. In any such circumstance, MEAG Power agrees that it shall use its best efforts to maintain level Debt Service as aforesaid, but if, despite its best efforts, it is unable to do so, it will use its best efforts to equitably apportion the Debt Service savings resulting from the Project J DOE debt retirement both during the term of Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on the Project J Bonds and the Project J DOE Guaranteed Loan under the Project J Power Sales Contracts and, in such event, MEAG Power will reduce such elements of the Project J Annual Costs as are necessary and appropriate to reflect such Project J DOE debt retirement.

MEAG Power agrees that if, at the end of the term of the Project J PPA, any amounts that are intended for the prepayment of the Project J DOE Guaranteed Loan but were not applied to prepayment and remain on deposit in any such account under the Project J DOE Accounts Agreement, MEAG Power shall pay (from a source other than a Project J DOE Accounts Agreement account) JEA an amount with respect to each of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 equal to the principal amount of Project J Advances that matured during the term of the Project J PPA that would have been prepaid if such amounts had been applied to Project J DOE debt retirement on the respective dates that such amounts were received by the Project J Entity, on a level debt service basis, using an assumed interest rate per annum of four percent (4%), but without interest thereon.

If, as a result of any Project J DOE debt retirement as provided in the preceding paragraph, MEAG Power shall be unable to maintain level Debt Service both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on the Project J Bonds and the Project J DOE Guaranteed Loan under the Project J Power Sales Contracts, or to equitably apportion the Debt Service savings resulting from such Project J DOE debt retirement, in either case, despite MEAG Power’s best efforts, unless the MEAG Power and JEA agree that no such adjustment shall be necessary, MEAG Power shall determine, in accordance with the following procedures, whether the amount of Debt Service paid by JEA with respect to each unit after giving effect to such Project J DOE debt retirement is greater or less than the amount of Debt Service that JEA would have paid with respect to such unit had such Project J DOE debt retirement been structured on a level debt service basis (each, a “Project J Assumed Level Debt Service Debt Retirement”), using an interest rate per annum equal to (i) if the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed as part of the original construction of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, four percent (4%) and (ii) if the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed subsequent to the commercial operation date of the units, the weighted average yield to maturity of the applicable Project J Advance(s) made or Project J Bonds issued to finance the acquisition and construction of such assets.

If the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed as part of the original construction of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, at the end of the term of the Project J PPA, MEAG Power shall calculate the sum of the amounts, determined on an annual basis, commencing with the year in which the amounts were received, equal to the difference between (x) the amount of Debt Service that JEA actually paid during each year during the term of the Project J PPA with respect to each of Generation Station Vogtle

Unit No. 3 or Generation Station Vogtle Unit No. 4 after giving effect to such Project J DOE debt retirement and (y) the amount of Debt Service that JEA would have paid during such year with respect to such unit, taking into account such applicable Project J Assumed Level Debt Service Debt Retirement, in each such case, future valued to the date on which the term of the Project J PPA shall end, using an interest rate per annum of four percent (4%).

If the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed subsequent to the commercial operation date of the applicable units, at the end of the term of the Project J PPA, MEAG Power shall calculate the sum of the amounts, determined on an annual basis, commencing with the year in which the amounts were received, equal to the difference between (x) the amount of Debt Service that JEA actually paid during each year during the term of the Project J PPA with respect to each unit after giving effect to such Project J DOE debt retirement and (y) the amount of Debt Service that JEA would have paid during such year with respect to unit, taking into account such applicable Project J Assumed Level Debt Service Debt Retirement, in each such case, future valued from the date(s) on which the applicable Project J Advance(s) were made or Project J Bonds issued to finance the acquisition and construction of such assets, using an assumed interest rate per annum equal to the actual weighted average yield to maturity of such applicable Project J Advance(s) and/or Project J Bonds.

In the case of any determination pursuant to either of the two preceding paragraphs, MEAG Power shall calculate (x) the aggregate amount of Debt Service that JEA actually paid during each year during the term of the Project J PPA with respect to each of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 after giving effect to such Project J DOE debt retirement, future valued as aforesaid, and (y) the aggregate amount of Debt Service that JEA would have paid during each year during the term of the Project J PPA with respect to such unit, taking into account such applicable Project J Assumed Level Debt Service Debt Retirement, future valued as aforesaid, and, at the end of the term of the Project J PPA, (i) if the amount determined pursuant to (x) above shall be greater than the amount determined pursuant to (y) above, MEAG Power shall pay JEA the amount of the difference between (x) and (y), without interest thereon and (ii) if the amount determined pursuant to (x) above shall be less than the amount determined pursuant to (y) above, JEA shall pay MEAG Power the amount of the difference between (x) and (y), without interest thereon.

### **Issuance of Project J BANs and Project J Take-Out Bonds**

The Project J PPA also provides that MEAG Power may issue Project J BANs to finance or refinance the payment of a portion of the Costs of Acquisition and Construction and Financing Costs, MEAG Power shall be authorized to issue such Project J BANs on such terms and conditions as MEAG Power, in its sole judgment, shall determine; *provided, however*, that in the case of any Project J BANs to be issued prior to the commercial operation date of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, MEAG Power shall fund, from the proceeds of such Project J BANs, all interest to accrue thereon through the maturity date thereof.

In addition to any assignment of all payments attributable to Project J or the Project J Annual Costs to be made in accordance with or pursuant to the provisions of the Project J PPA and the Project J Power Sales Contracts, as such payments may be increased and extended by reason of the issuance of any Project J BANs, as permitted by the Project J PPA, such Project J BANs may be secured by an assignment of proceeds of other Project J Bonds (including Project J Take-Out Bonds) to be issued to refund such Project J BANs.

In the event that MEAG Power shall issue Project J BANs as provided under this caption but shall not borrow (whether through the issuance of Project J Bonds satisfying the structuring requirements set

forth in the Project J PPA or otherwise), on or before the maturity date of such Project J BANs, funds in an amount sufficient to pay such Project J BANs on the maturity date thereof, MEAG Power shall be authorized to issue Project J Take-Out Bonds in an aggregate principal amount not to exceed the sum of (i) the principal amount of such Project J BANs and (ii) MEAG Power's costs and expenses in connection with the issuance of the Project J Take-Out Bonds, on such terms and conditions as MEAG Power, in its sole judgment, shall determine; *provided, however*, that the Project J Take-Out Bonds shall be payable as to principal in ten equal semi-annual installments, commencing on the first business day of the sixth month following the date of issuance thereof and on the first business day of each sixth month thereafter.

### **Adjustment of Project J Costs**

In the event the proceeds derived from the sale of any Project J Bonds (including by reimbursement from the Project J Entity to MEAG Power of proceeds of Project J Bonds previously issued and applied for Costs of Acquisition and Construction and Financing Costs) exceed the aggregate amount required for the purposes for which such Project J Bonds were issued, the amount of such excess shall be timely used during the term of the Project J PPA to make up any deficiency then existing in any fund or account under the Project J Bond Resolution in the manner therein provided, and any balance shall be timely used during the term of the Project J PPA (a) to retire by purchase, redemption or defeasance Project J Bonds in advance of maturity or (b) to retire by prepayment Project J Advances in advance of maturity, in each such case, in a manner consistent with the principles governing their issuance of Project J Bonds and the making of Project J Advances under the Project J PPA, so as to equitably apportion the Debt Service savings resulting from the retirement of such Project J Bonds or Project J Advances both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on the Project J Bonds and the Project J DOE Guaranteed Loan under the Project J Power Sales Contracts, and in such event MEAG Power will reduce such elements of the Project J Annual Costs as are necessary and appropriate to reflect such accelerated retirement or prepayment or redemption.

JEA agrees that certain amounts held under the Project J DOE Accounts Agreement may be applied only to the prepayment of the Project J DOE Guaranteed Loan (referred to in the remainder of this caption as a "Project J DOE debt retirement"), and that, as a result of such application, it may not be possible to maintain level Debt Service over the term of the Project J PPA and the term of the Project J Power Sales Contracts. In any such circumstance, MEAG Power agrees that it shall use its best efforts to maintain level Debt Service as aforesaid, but if, despite its best efforts, it is unable to do so, it will use its best efforts to equitably apportion the Debt Service savings resulting from the Project J DOE debt retirement both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on the Project J Bonds and the Project J DOE Guaranteed Loan under the Project J Power Sales Contracts and, in such event, MEAG Power will reduce such elements of the Project J Annual Costs as are necessary and appropriate to reflect such Project J DOE debt retirement.

MEAG Power agrees that if, at the end of the term of the Project J PPA, any amounts that are intended for the prepayment of the Project J DOE Guaranteed Loan but were not applied to prepayment and remain on deposit in any such account under the Project J DOE Accounts Agreement, MEAG Power shall pay (from a source other than the applicable DOE Accounts Agreement account) JEA an amount with respect to each unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 equal to the principal amount of Project J Advances that matured during the term of the Project J PPA that would have been prepaid if such amounts had been applied to Project J DOE debt retirement on the respective dates that such amounts were received by the Project J Entity, on a level debt service basis, using an assumed interest rate per annum of four percent (4%), but without interest thereon.

If, as a result of any Project J DOE debt retirement as provided in the second preceding paragraph, MEAG Power shall be unable to maintain level Project J Debt Service both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on the Project

J Bonds and the Project J DOE Guaranteed Loan under the Project J Power Sales Contracts, or to equitably apportion the Debt Service savings resulting from such Project J DOE debt retirement, in either case, despite MEAG Power's best efforts, unless MEAG Power and JEA agree that no such adjustment shall be necessary, MEAG Power shall determine, in accordance with the following procedures, whether the amount of Debt Service paid by JEA with respect to each unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 after giving effect to such Project J DOE debt retirement is greater or less than the amount of Debt Service that JEA would have paid with respect to Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, as applicable, had such Project J DOE debt retirement been structured on a level debt service basis (each, a "Project J Assumed Level Debt Service Debt Retirement"), using an interest rate per annum equal to (i) if the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed as part of the original construction of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, four percent (4%) and (ii) if the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed subsequent to the commercial operation date of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, the weighted average yield to maturity of the applicable Project J Advance(s) made or Project J Bonds issued to finance the acquisition and construction of such assets:

- 1) If the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed as part of the original construction of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, at the end of the term of this Project J PPA, MEAG Power shall calculate the sum of the amounts, determined on an annual basis, commencing with the year in which the amounts were received, equal to the difference between (x) the amount of Debt Service that JEA actually paid during each year during the term of the Project J PPA with respect to each of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 after giving effect to such Project J DOE debt retirement and (Y) the amount of Debt Service that JEA would have paid during such year with respect to the applicable unit, taking into account such applicable Assumed Level Debt Service Debt Retirement, in each such case, future valued to the date on which the term of the Project J PPA shall end, using an interest rate per annum of four percent (4%).
- 2) If the amounts applied to such Project J DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed subsequent to the commercial operation date of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, at the end of the term of the Project J PPA, MEAG Power shall calculate the sum of the amounts, determined on an annual basis, commencing with the year in which the amounts were received, equal to the difference between (x) the amount of Debt Service that JEA actually paid during each year during the term of the Project J PPA with respect to each of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 after giving effect to such Project J DOE debt retirement and (y) the amount of Debt Service that JEA would have paid during such year with respect to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, taking into account such applicable Assumed Level Debt Service Debt Retirement, in each such case, future valued from the date(s) on which the applicable Project J Advance(s) were made or Project J Bonds issued to finance the acquisition and construction of such assets, using an assumed interest rate per annum equal to the actual weighted average yield to maturity of such applicable Project J Advance(s) and/or Project J Bonds.

- 3) In the case of any determination pursuant to either (1) or (2) above, MEAG Power shall calculate (x) the aggregate amount of Debt Service that JEA actually paid during each year during the term of the Project J PPA with respect to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 after giving effect to such Project J DOE debt retirement, future valued as aforesaid, and (y) the aggregate amount of Debt Service that JEA would have paid during each year during the term of the Project J PPA with respect to Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, as applicable, taking into account such applicable Assumed Level Debt Service Debt Retirement, future valued as aforesaid, and, at the end of the term of the Project J PPA, (i) if the amount determined pursuant to (x) above shall be greater than the amount determined pursuant to (y) above, MEAG Power shall pay JEA the amount of the difference between (x) and (y), without interest thereon and (ii) if the amount determined pursuant to (x) above shall be less than the amount determined pursuant to (y) above, JEA shall pay MEAG Power the amount of the difference between (x) and (y), without interest thereon.

## **Remedies**

Failure by JEA to make any payment due under the Project J PPA will constitute a default thereunder. In such event, MEAG Power shall provide written notice of such default to JEA prior to invoking any of the remedies discussed below. MEAG Power may enforce payment by action at law or equity and may, upon 60 days' written notice to JEA, discontinue providing services to JEA under the Project J PPA. If the default continues for a period in excess of one hundred and eighty (180) days, MEAG Power may permanently discontinue providing service to JEA. In the event of such default, JEA shall not be relieved of its liability for payment of any amounts required to be made under the Project J PPA; *provided, however*, that if MEAG Power discontinues providing service to JEA, MEAG Power will apply the net proceeds from any sale to a third-party of all or a portion of the output of the Project J Entity's Ownership Interest to which JEA was previously entitled, to mitigate JEA's payment obligations in the manner permitted by the Project J Bond Resolution and the Project J Federal Loan Documents.

JEA's failure to comply with any other covenant, agreement, representation, warranty or obligation of the Project J PPA shall also constitute a default. In response to such default, MEAG Power may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation, but MEAG Power may not discontinue providing service as a result of a default of JEA other than a non-payment default.

MEAG Power's failure to comply with any covenant, agreement, representation, warranty or obligation of the Project J PPA or the Project J Power Purchase Agreement shall also constitute a default and JEA may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation but nothing in the Project J PPA or the Project J Power Purchase Agreement shall be construed to permit JEA to terminate, rescind, void or otherwise abandon its obligations to MEAG Power under the Project J PPA as a result of such default.

## **Termination or Amendment**

The Project J PPA may not be terminated by either party under any circumstances and may not be amended, modified or otherwise altered in any manner except as permitted in the Project J PPA. So long as any Project J Bonds or the Project J DOE Guaranteed Loan, respectively, are outstanding or until adequate provisions for payment thereof have been made in accordance with the provisions of the Project J Bond Resolution and the Project J Federal Loan Documents, respectively, and no undisbursed commitments remain available under the Project J Federal Loan Documents, the Project J PPA shall not be amended, modified or otherwise altered in any manner that would (i) reduce the payments pledged as security for Debt Service on the Project J Bonds and as security for the Project J DOE Secured Obligations,

or extend the time for such payments, (ii) adversely impact, in the opinion of a nationally recognized tax counsel retained by MEAG Power, (a) the exclusion from gross income for federal income tax purposes of the interest on the Project J Bonds of any Series the interest on which is intended to be so excluded or (b) the eligibility of MEAG Power to receive cash subsidy payments from the United States Treasury equal to a portion of the interest payable on any Build America Bonds or (iii) in any manner impair or adversely affect the rights of the owners from time to time of the Project J Bonds or the rights of the Project J DOE Secured Parties pursuant to the Project J Federal Loan Documents.

## **PROJECT P PPA**

The Project P PPA will continue to be in full force and effect until (1) the twentieth anniversary of the commercial operation date of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the “Second Commercial Operation Date”) or (2) MEAG Power’s and PowerSouth’s obligations under the Project P PPA have been fully performed and satisfied, whichever event occurs later, but in no event shall the term of the Project P PPA exceed 50 years from December 31, 2014, the execution date of the Amended and Restated Project P PPA.

### **Obligation Share**

For a period of twenty years, commencing on the commercial operation date of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the “First Commercial Operation Date”), MEAG Power is obligated to provide, and PowerSouth is obligated to take from MEAG Power, all of the output and services from the Project P Entity’s Ownership Interest and related reserve, emergency and interchange service from the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation which are purchased by MEAG Power from the Project P Entity. Separately, for a period of twenty years, commencing on the Second Commercial Operation Date, MEAG Power is obligated to provide, and PowerSouth is obligated to take from MEAG Power, all of the output and services from the Project P Entity’s Ownership Interest and related reserve, emergency and interchange service from the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation which are purchased by MEAG Power from the Project P Entity. During each such twenty-year period, PowerSouth is obligated to pay to MEAG Power its Obligation Share (which is defined in the Project P PPA to be 100%) of the Project P Annual Costs (as defined below) attributable to the applicable unit. PowerSouth shall have no right to dispatch or schedule the operation of the Project P Entity’s Ownership Interest or any facility thereof.

### **Project P Annual Budgets**

MEAG Power is required to adopt an annual budget for Project P (a “Project P Annual Budget”) for each Power Supply Year (as defined in the Project P PPA), containing estimates of annual costs of the Project P Entity’s Ownership Interest (the “Project P Annual Costs”) and all revenues, income or other funds to be applied to such Project P Annual Costs, including the costs of Debt Service (as defined below). To the extent not paid as part of the Costs of Acquisition and Construction and Financing Costs, the Project P Annual Costs are all costs and expenses of MEAG Power or the Project P Entity allocable to Project P incurred by MEAG Power or the Project P Entity during a given Power Supply Year, including fixed and other costs.

1. *Fixed costs* include: (a) taxes or payments in lieu thereof attributable to the Project P Entity’s Ownership Interest and/or Project P; (b) amounts required for renewals and replacements, attributable to the Project P Entity’s Ownership Interest, or payment or deposit of such amounts into any reserve fund or account; (c) amounts to be set aside for the retirement from service or disposal of facilities of the Project P Entity’s Ownership Interest; *provided, however*, that PowerSouth has no responsibility for payments of any such set aside in amounts after the term of the Project P PPA nor shall PowerSouth be entitled to any reimbursements as a result of any recalculation of such set aside amounts that may occur after the term of the Project P PPA; (d) amounts that MEAG Power or the Project P Entity is required under the Project P Bond Resolution or the Project P Federal Loan Documents to pay or deposit into any fund or account established by the Project P Bond Resolution or the Project P Federal Loan Documents for the payment of Debt Service on the Project P Bonds or the Project P DOE Guaranteed Loan, as applicable; (e) any other amounts that MEAG Power or the Project P Entity is required, under the Project P Bond Resolution

or the Project P Federal Loan Documents, as applicable, to pay or deposit during any Power Supply Year into any other fund or account established by or outside of the Project P Bond Resolution or the Project P Federal Loan Documents, as applicable; *provided, however*, in the event MEAG Power or the Project P Entity utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of “fixed costs”; (f) amounts for payment or deposit into any fund or account outside of the pledge of the Project P Bond Resolution or the Project P Federal Loan Documents attributable to costs or reserves of Project P, including such amounts established by MEAG Power in the Project P Annual Budget to provide reasonable reserves for the payment of the Project P Entity’s share of costs required pursuant to either the Vogtle Units 3&4 Ownership Agreement or the Vogtle Operating Agreement; *provided, however*, in the event MEAG Power or the Project P Entity utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of “fixed costs”; (g) amounts for payment of Additional Costs (as such term is defined in the Vogtle Units 3&4 Development Agreement) attributable to the Project P Entity’s Ownership Interest incurred during any Power Supply Year; and (h) without duplication, all fixed costs required to be paid by the Project P Entity (whether to DOE, as operating expenses or otherwise) in the Project P Federal Loan Documents other than such costs and expenses set forth in the following paragraph.

2. *Other costs* include: (a) costs of producing and delivering Capacity and Energy (as defined in the Project P PPA) from the Project P Entity’s Ownership Interest to PowerSouth and (b) amounts required to pay the costs of or to provide reserves for (i) extraordinary operating and maintenance costs attributable to Project P, (ii) any major renewals, replacements, repairs, additions, betterments and improvements to Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, in the opinion of MEAG Power or the Project P Entity, necessary to keep the facilities of the Project P Entity’s Ownership Interest in good operating condition or to prevent a loss of revenues therefrom; *provided, however*, in the event MEAG Power or the Project P Entity utilizes letter of credit agreements or other financing instruments to finance such major renewals, replacements, repairs, additions, betterments and improvements, the related financing costs shall also be included within the definition of “other costs”; (iii) any major additions, improvements, repairs or modifications to, or retirements or disposals of, Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 required by any governmental agency having jurisdiction over Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 or for which the Project P Entity otherwise is responsible to the extent that MEAG Power or the Project P Entity is not reimbursed therefor from the proceeds of insurance or funds for such payments are not available to MEAG Power or to the Project P Entity therefor from any funds or accounts established by MEAG Power or by or on behalf of the Project P Entity, or funds for such payment are not provided or to be provided by the issuance of the Project P Bonds, which expenditures, to the extent they are capital expenditures, shall be treated as capital costs under the Project P PPA; *provided, however*, in the event MEAG Power or the Project P Entity utilizes letter of credit agreements or other financing instruments to finance such major additions, improvements, repairs or modifications to, or retirements or disposals of, Project P, the related financing costs shall also be included within the definition of “other costs”; and (iv) without duplication, all amounts required to be paid by the Project P Entity (whether to DOE, as operating expenses or otherwise) in the Project P Federal Loan Documents other than fixed costs set forth in the previous paragraph.
3. *Debt Service* means with respect to any period, the aggregate of the amounts required by the Project P Bond Resolution or the Project P Federal Loan Documents to be paid by MEAG Power or the Project P Entity, respectively, during said period into any fund or funds created by the Project P Bond Resolution or any account or accounts required by the Project P Federal Loan Documents, as applicable, for the sole purpose of paying (a) the principal (including the sinking fund or equivalent payment installments) of, and premium, if any, and interest on, Project P Bonds or the Project P



DOE Guaranteed Loan, as applicable, and all other amounts due with respect to the Project P DOE Guaranteed Loan and (b) any payments on Qualified Hedging Contracts (as defined in the Project P PPA), including any swap premium or swap termination payment, or Reimbursement Obligations (as defined in the Project P PPA), relating to the Project P Bonds or the Project P DOE Guaranteed Loan from time to time outstanding as the same shall become due; *provided, however*, that Debt Service will not include any acceleration of the maturity of the Project P Bonds or the Project P DOE Guaranteed Loan.

MEAG Power is authorized to amend the Project P Annual Budget upon 30 days' notice to PowerSouth to adjust its rates and charges as required to meet Project P's costs. In addition, MEAG Power is required to prepare and submit to PowerSouth a reasonable best estimate of its Project P Annual Budget from October 1 of the year before that Power Supply Year to September 30 of the Power Supply Year based on MEAG Power's current revenue requirement projections, such estimate to be delivered to PowerSouth within 30 days after preparation thereof.

MEAG Power will submit and PowerSouth will be obligated to pay, a monthly billing statement based upon the Project P Annual Budget. At the end of each Power Supply Year, MEAG Power will determine if the aggregate amounts collected from PowerSouth's billing statements, together with any other income, was in the proper amount. Any excess amounts collected will, at PowerSouth's election, either be credited to PowerSouth's billing statements for the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made or paid directly to PowerSouth. Any deficiencies in collections will be added to PowerSouth's billing statements in equal installments over the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made. MEAG Power may, at its election, establish a policy for making monthly, quarterly or semi-annual retroactive adjustments to PowerSouth's billings to account for variances between the billed amounts and the actual costs incurred during the respective period to avoid large cumulative adjustments at the end of each Power Supply Year.

In the event the proceeds derived from the sale of any Project P Bonds (including by reimbursement from the Project P Entity to MEAG Power of proceeds of the Project P Bonds previously issued and applied for Costs of Acquisition and Construction and Financing Costs) exceed the amount required for the purposes for which such Project P Bonds were issued, such excess shall be timely allocated during the term of the Project P PPA to make up for any deficiency then existing in any fund or account established under the Project P Bond Resolution. If excess funds still remain, such funds shall be used (a) to retire Project P Bonds in advance of maturity by purchase, redemption or defeasance or (b) to retire by prepayment Project P Advances in advance of maturity, in each such case, in a manner consistent with the principles governing the issuance under the Project P PPA of Project P Bonds and the making of Project P Advances, so as to equitably apportion the Debt Service savings resulting from the retirement of such Project P Bonds or Project P Advances both during the term of the Project P PPA and during the period that the Project P Participants are obligated to pay Debt Service on the Project P Bonds and the Project P DOE Guaranteed Loan under the Project P Power Sales Contracts and, in such event, MEAG Power will reduce such elements of the Project P Annual Costs as are necessary and appropriate to reflect such accelerated retirement or prepayment or redemption.

## **PowerSouth's Payment Obligations**

### ***General***

As more fully described below, the Project P PPA provides, in general, that, subject to certain limitations, for the initial twenty years of commercial operation of each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, respectively, PowerSouth will be responsible for all of MEAG Power's or the Project P Entity's costs relating to Project P, including Debt Service on obligations

issued to finance Project P and Debt Service of the Project P DOE Guaranteed Loan. The Project P PPA also provides that amounts owed by PowerSouth under the Project P PPA will be paid by PowerSouth as a cost of purchased power and energy for PowerSouth's electric utility system and otherwise as an expense of operation and maintenance thereof.

PowerSouth's payment obligations under the Project P PPA are payable whether or not the Project P Entity's Ownership Interest is completed or is operating or operable, and whether or not the output of the Project P Entity's Ownership Interest is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or non-performance by any party of any agreement for any cause whatsoever.

In February of each calendar year during the term of the Project P PPA following each of Generation Station Vogtle Unit No. 3's and Generation Station Vogtle Unit No. 4's commercial operation date, PowerSouth's billing statements will include additional charges referred to herein as PowerSouth's "Additional Compensation Obligation" which will be calculated as set forth in the Project P PPA. PowerSouth's Additional Compensation Obligation shall apply only to energy associated with the portion of Project P comprising up to, but not to exceed, 4.5372 percent of the output of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4.

All payments made by PowerSouth attributable to Project P or the Project P Annual Costs (other than PowerSouth's Additional Compensation Obligation), and any or all rights to collection or enforcement of such payments, are to be pledged as security for Project P Bonds and the Project P DOE Secured Obligations.

For a description of the Project P Participants' general payment obligations under the Project P Power Sales Contracts, see "SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay – *Payment Obligations of Project P Participants Under the Project P Power Sales Contracts*" in APPENDIX K to the Annual Information Statement.

### ***Project P Annual Costs***

***Obligation to Pay Project P Annual Costs Other Than Debt Service.*** PowerSouth's obligation to pay its Obligation Share of the Project P Annual Costs (other than Debt Service) with respect to the first unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 to achieve commercial operation shall commence on the First Commercial Operation Date and PowerSouth's obligation to pay its Obligation Share of the Project P Annual Costs (other than Debt Service) with respect to the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 to achieve commercial operation shall commence on the Second Commercial Operation Date. Notwithstanding the foregoing, but subject to other provisions of the Project P PPA relating to the payment of Debt Service, PowerSouth's obligation to pay the Project P Annual Costs will commence simultaneously with the commencement of the obligation of the Project M Participants to pay their respective shares of Project M's annual costs under the Project M Power Sales Contracts, which obligation may commence prior to the First Commercial Operation Date. Notwithstanding the foregoing, if it becomes practically or economically infeasible for MEAG Power to issue Project P Bonds due to a PowerSouth Market Disruption, MEAG Power may commence billing PowerSouth for the Project P Annual Costs without simultaneously billing the Project M Participants for their respective shares of Project M's annual costs.

Notwithstanding the foregoing and any other provision of the Project P PPA relating to the billing and payment of Project P Annual Costs, in the event that MEAG Power shall not have sufficient funds to pay in full the principal of or interest on any Project P BANs when due (including as a result of the inability of MEAG Power and the Project P Entity, for any reason, to borrow funds in an amount sufficient to refund

any Project P BANs at or prior to their respective maturity dates (whether through the issuance of other Project P Bonds (including other Project P BANs) or otherwise), PowerSouth shall be obligated to pay to MEAG Power 50 percent of the amount of such shortfall, which amount shall be payable on or before the due date of such principal and/or interest, whether before or after the applicable commercial operation date. In furtherance of the foregoing, MEAG Power agrees that (i) it will provide periodic notice to PowerSouth as to MEAG Power's expected ability to refund any maturing Project P BANs, not less than 90 and 30 days prior to the stated maturity date of such maturing Project P BANs and (ii) if, at any time prior to the stated maturity date of any maturing Project P BANs, it shall determine that neither it nor the Project P Entity will be able to borrow funds in an amount sufficient to refund such Project P BANs, it promptly will provide notice to PowerSouth as to such determination; *provided, however*, that MEAG Power's failure to provide any such notice to PowerSouth shall not affect PowerSouth's obligation as stated in the preceding sentence, which obligation shall be absolute and unconditional.

In the event that PowerSouth shall pay to MEAG Power any amount in respect of the principal of maturing Project P BANs as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project P Entity is able to borrow funds to pay Costs of Acquisition and Construction and Financing Costs of Project P, it shall include in such borrowing an amount sufficient to reimburse PowerSouth and the Project P Participants for all amounts paid by them in respect of such principal that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its sole judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

In the case of any such Project P BANs that were issued to finance or refinance Costs of Acquisition and Construction and Financing Costs of "capital improvements," as such term is defined in the Project P PPA, for either Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 following the commercial operation date thereof, in the event that any amounts paid by PowerSouth in respect of the principal thereof theretofore have not been reimbursed by MEAG Power, promptly following the day that is the twentieth anniversary of the Second Commercial Operation Date or the date on which PowerSouth's remaining obligations under the Project P PPA shall have been fully performed and satisfied, whichever occurs later (the "True-Up Settlement Date"), PowerSouth shall be entitled to a payment from MEAG Power calculated as set forth in the Project P PPA.

***Obligation to Pay Debt Service.*** Except in the case of (x) Project P Bonds issued after the commercial operation date of Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 to finance Costs of Acquisition and Construction and Financing Costs of capital improvements to Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4, as applicable (hereinafter referred to as "Project P Post-COD Capital Improvements Bonds"), (y) refunding Project P Bonds and (z) Project P BANs (PowerSouth's obligation in respect of the payment of Debt Service on which is governed by the applicable provisions of the Project P PPA), PowerSouth's obligation to pay (i) the interest component of Debt Service of each Series of Project P Bonds and each Project P Advance attributable to Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall commence and (ii) the principal component of Debt Service of each Series of Project P Bonds and each Project P Advance attributable to Generation Station Vogtle Unit No. 3 and/or Generation Station Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall commence.

Notwithstanding the foregoing and any other provision of the Project P PPA, in the event that MEAG Power shall issue Project P Bonds of any Series (i) that bear interest at variable rates and are subject to tender for purchase at the option of the holders thereof or (ii) in the form of short-term obligations that are intended to be rolled-over at maturity and, as a result of market conditions, (x) such Project P Bonds that bear interest at variable rates cannot be remarketed and either are tendered to MEAG Power for

payment or must be termed-out in advance of their scheduled amortization dates (determined as set forth in the Project P PPA) and/or (y) such Project P Bonds in the form of short-term obligations cannot be rolled-over and must either be paid at maturity or termed-out in advance of their scheduled amortization dates (determined as aforesaid), then PowerSouth shall be responsible for paying the principal of such Project P Bonds when due.

In the event that PowerSouth shall pay to MEAG Power any amount in respect of the principal of Project P Bonds as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project P Entity is able to borrow funds to pay Costs of Acquisition and Construction and Financing Costs of Project P, it shall include in such borrowing an amount sufficient to reimburse PowerSouth for all amounts paid by it in respect of such principal that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its commercially reasonable judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

In the event that MEAG Power and the Project P Entity do not, for any reason, borrow funds sufficient to reimburse PowerSouth as provided in the preceding paragraph, promptly following the True-Up Settlement Date, PowerSouth shall be refunded the portion of such principal so paid and not theretofore reimbursed in excess of the amount thereof that would have been payable by PowerSouth had such Project P Bonds been paid in accordance with their scheduled amortization (determined as aforesaid); *provided, however*, that if all or any portion of the proceeds of such Project P Bonds was used to fund a Non-amortized Reserve Fund, then, promptly following the True-Up Settlement Date, PowerSouth shall be refunded the entirety of such principal so paid and not theretofore reimbursed with respect to such Project P Bonds that funded such Non-amortized Reserve Fund(s).

In the case of Project P Post-COD Capital Improvements Bonds, PowerSouth's obligation to pay (i) the interest component of Debt Service of each such Series of Project P Post-COD Capital Improvements Bonds attributable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, shall commence on the day following the date to which all interest is capitalized on the Project P Post-COD Capital Improvements Bonds of such Series and (ii) the principal component of Debt Service of each such Series of Project P Post-COD Capital Improvements Bonds attributable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, shall commence on the date that is one year prior to the first due date of the principal installment of Debt Service of such Project P Post-COD Capital Improvements Bonds and, in either such case, shall continue to the last day on which PowerSouth is entitled to its Obligation Share of the output of such unit pursuant to the terms of the Project P PPA. In the event of a delay in the in-service date of the capital improvements for which the Project P Post-COD Capital Improvement Bonds of such Series are issued under the Project P PPA, MEAG Power shall issue additional Project P Post-COD Capital Improvement Bonds to provide funds to capitalize interest on all such Project P Post-COD Capital Improvement Bonds until the actual in-service date of the capital improvements; *provided, however*, that in the event that MEAG Power determines it is practicably or economically infeasible for MEAG Power to issue such additional Project P Post-COD Capital Improvement Bonds at any time during the period between the estimated in-service date and the actual in-service date of the capital improvements, then MEAG Power shall not be required to issue such additional Project P Post-COD Capital Improvement Bonds and PowerSouth's obligation to pay interest on all such Project P Post-COD Capital Improvement Bonds shall commence on the day following the date to which all interest is capitalized on the Project P Post-COD Capital Improvement Bonds of such Series.

In the case of refunding Project P Bonds, PowerSouth's obligation to pay (i) the interest component of Debt Service of each Series of such refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Project P Bonds and/or the portion of the principal of the Project P DOE Guaranteed Loan refunded or repaid (the "Refunded Project P Debt") thereby had such Refunded Project P Debt not been so refunded

or repaid and (ii) the principal component of Debt Service of each such Series of refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the Refunded Project P Debt had such Refunded Project P Debt not been so refunded or repaid.

“Series” is defined in the Project P PPA to mean any or all Project P Bonds issued upon original issuance on a particular date, as determined by an Authorized Officer of MEAG Power on or prior to the date of issuance thereof, whether or not such Project P Bonds constitute a separate “Series” of Bonds for purposes of (and as defined in) the Project P Bond Resolution. In the event that the Project P Bonds of any such Series shall constitute two or more separate “Series” of Project P Bonds for purposes of (and as defined in) the Project P Bond Resolution, the Project P Bonds of such Series may be aggregated for the purpose of establishing level monthly Debt Service pursuant to the Project P PPA.

### ***PowerSouth’s Payment Obligations in the Event of Project P Delay or Termination***

In the event of a delay in the scheduled commercial operation date of either or both of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, MEAG Power may commence billing and PowerSouth will be responsible for the payment of the principal component of Debt Service on the Project P Bonds of any Series or of Debt Service of the Project P DOE Guaranteed Loan related to the delayed unit or units prior to the commercial operation date of such unit or units. PowerSouth will be obligated to pay its Obligation Share of such principal component of Debt Service on the Project P Bonds of such Series and on the Project P DOE Guaranteed Loan relating to such unit or units commencing on the date that is (x) one year prior to the first due date of the principal component of Debt Service of the Project P Bonds of such Series and (y) three (3) months prior to the first due date of the principal component of Debt Service of the Project P DOE Guaranteed Loan, as applicable, related to such unit or units; *provided, however*, in the event that MEAG Power determines it is practicably or economically infeasible for MEAG Power to limit billing under the circumstances described above to the principal component relating to the Project P Bonds or to the Project P DOE Guaranteed Loan, as applicable, or both, MEAG Power may bill the entirety of such Debt Service on such Project P Bonds or the portion of the principal of the Project P DOE Guaranteed Loan related to such unit or units. Except in the case of refunding Project P Bonds and with respect to Project P BANs (PowerSouth’s obligation in respect of the payment of Debt Service on which is governed by the applicable provisions of the Project P PPA), PowerSouth’s obligation to pay (x) the interest component of Debt Service of each such Series of Project P Bonds and of the Project P DOE Guaranteed Loan attributable to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, shall be included as part of the Project P Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project P Bonds and of the Project P DOE Guaranteed Loan attributable to such unit shall be included as part of the Project P Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of refunding Project P Bonds, PowerSouth’s obligation to pay (1) the interest component of Debt Service of each Series of such refunding Project P Bonds shall be included as part of the Project P Annual Costs only for the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Refunded Project P Bonds and/or the portion of the principal of the Project P DOE Guaranteed Loan refunded or repaid thereby (the “Refunded Project P Debt”) had such Refunded Project P Debt not been so refunded or repaid and (2) the principal component of Debt Service of each such Series of refunding Project P Bonds shall be included as part of the Project P Annual Costs only for the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the Refunded Project P Debt had such Refunded Project P Debt not been so refunded or repaid.

In the event that either or both of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 is cancelled or terminated pursuant to the Generation Station Vogtle Units 3&4 Development Agreement prior to the commercial operation date of such unit or units, PowerSouth will be obligated to pay (1) 50 percent of its Obligation Share of the Costs of Acquisition and Construction and Financing Costs relating to such unit or units (other than any such costs that have been paid with the proceeds of the Project P Bonds or Project P Advances) and (2) its Obligation Share of the Project P Annual Costs relating to such unit or units for a period of twenty years from the date MEAG Power commences billing of such annual costs to PowerSouth and the billing of the Project M Annual Costs relating to such units or units to the Project M Participants; *provided, however*, that except in the case of refunding Project P Bonds and with respect to Project P BANs (PowerSouth's obligation in respect of the payment of Debt Service on which is governed by the applicable provisions of the Project P PPA), PowerSouth's obligation to pay (x) the interest component of Debt Service of each Series of Project P Bonds and of the Project P DOE Guaranteed Loan attributable to such unit shall be included as part of the Project P Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project P Bonds and of the Project P DOE Guaranteed Loan attributable to such unit shall be included as part of the Project P Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of refunding Project P Bonds, PowerSouth's obligation to pay (x) the interest component of Debt Service of each Series of such refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Refunded Project P Debt refunded or repaid thereby had such Refunded Project P Debt not been so refunded or repaid and (2) the principal component of Debt Service of each such Series of refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the Refunded Project P Debt had such Refunded Project P Debt not been so refunded or repaid.

In the event that either or both of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement after the commercial operation date of such unit or units, PowerSouth will be obligated to pay its Obligation Share of the Project P Annual Costs relating to the cancelled unit or units for a period of twenty years following the commercial operation date of the applicable unit; *provided, however*, that in the event that MEAG Power commences billing PowerSouth a Debt Service component relating to such unit prior to the commercial operation date, except in the case of Project P Post-COD Capital Improvements Bonds (which only are to be issued following the commercial operation date of the applicable unit) and refunding Project P Bonds, PowerSouth's obligation to pay (x) the interest component of Debt Service of each such Series of Project P Bonds and/or the Project P DOE Guaranteed Loan attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project P Bonds and/or the Project P DOE Guaranteed Loan attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of Project P Post-COD Capital Improvements Bonds, PowerSouth's obligation to pay the interest and principal components of Debt Service of each such Series of Project P Bonds attributable to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 shall continue only until the last day on which PowerSouth is entitled to its Obligation Share of the output of each such unit pursuant to the terms of the Project P PPA.

In the case of refunding Project P Bonds, PowerSouth's obligation to pay (x) the interest component of Debt Service of each Series of such refunding Project P Bonds shall be included as part of Project P Annual Costs for only the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Refunded Project P Debt refunded or repaid thereby had

such Refunded Project P Debt not been so refunded or repaid and (y) the principal component of Debt Service of each such Series of refunding Project P Bonds shall be included as part of the Project P Annual Costs for only the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the Refunded Project P Debt had such Refunded Project P Debt not been so refunded or repaid.

If either of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement during the term of the Project P PPA, and MEAG Power directly or indirectly sells all or a portion of its interest in such cancelled or terminated unit, its nuclear fuel, equipment and related facilities through a sale of such assets or a sale of ownership interest in the Project P Entity, then MEAG Power has agreed to distribute to PowerSouth, or credit PowerSouth's billing statement, 50 percent of its Obligation Share of the net proceeds allocated to the Project P Entity's Ownership Interest, if any, actually paid to and received by MEAG Power or the Project P Entity, as applicable, *provided*, that the proceeds of such sale or disposition (a) to the extent received by MEAG Power, shall be subject to the lien of the Project P Bond Resolution and (b) to the extent received by the Project P Entity, shall be subject to the security interest and lien of the Project P DOE Secured Parties described in the Project P PPA and may be applied first as a prepayment of the Project P DOE Guaranteed Loan or otherwise applied pursuant to the Project P Federal Loan Documents prior to any distribution thereof by the Project P Entity to MEAG Power.

#### ***Nature of PowerSouth's Obligations***

For a discussion of the nature of PowerSouth's obligations under the Project P PPA, see "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power's Project P Bonds – *The Project P PPA*" in the Annual Information Statement.

#### ***Rate Covenant of PowerSouth***

PowerSouth has covenanted to maintain and collect rates and charges for the electric service of its wholesale load so as to provide revenues sufficient, together with available reserves, to enable PowerSouth to pay MEAG Power all amounts payable under the Project P PPA and to pay all other amounts payable from and all lawful charges against or liens on the revenues of its electric system.

#### **Capital Costs**

Except as described herein, MEAG Power will finance or cause the Project P Entity to finance capital costs incurred by the Project P Entity during the term of the Project P PPA with proceeds of Project P Bonds or Project P Advances, as applicable, and to bill PowerSouth for its Obligation Share of such costs pursuant to the provisions of the Project P PPA. During any period when MEAG Power determines that it is infeasible for MEAG Power to issue Project P Bonds or the Project P Entity to satisfy the conditions to making a Project P Advance to pay such capital costs, MEAG Power or the Project P Entity shall finance such capital costs from a reserve fund maintained for the payment of renewals and replacements; *provided, however*, that for any portion of such capital costs attributable to the Project P Entity's Ownership Interest that cannot be financed by such a reserve fund, MEAG Power shall bill PowerSouth its Obligation Share of such costs (including such costs incurred by the Project P Entity and billed to MEAG Power) pursuant to the provisions of the Project P PPA and *provided, further* that MEAG Power shall not bill PowerSouth its Obligation Share of such capital costs prior to the First Commercial Operation Date.

In the event that PowerSouth shall pay to MEAG Power any amount in respect of its Obligation Share of such capital costs as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project P Entity is able to borrow funds to pay such capital costs, it shall include in such borrowing an amount sufficient to reimburse PowerSouth for all amounts paid by it in

respect of such capital costs that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its commercially reasonable judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

Any portion of such capital costs attributable to Project P that cannot be financed by such reserve fund will be billed to PowerSouth; *provided, however*, MEAG Power will not bill PowerSouth for any capital costs incurred prior to the First Commercial Operation Date. In such event, PowerSouth is entitled to a payment from MEAG Power in accordance with the terms of the Project P PPA promptly following the True-Up Settlement Date. In the event PowerSouth shall pay any amounts in respect of Debt Service on Project P Post-COD Capital Improvement Bonds prior to the actual in-service date of the capital improvements financed through the issuance of such Project P Post-COD Capital Improvement Bonds, then, promptly following the True-Up Settlement Date, PowerSouth is entitled to a payment from MEAG Power in an amount equal to such amounts in respect of Debt Service paid prior to the actual in-service date.

### **Reserve Funds**

The Project P PPA provides for two types of reserve funds: Non-amortized Reserve Funds and Amortized Reserve Funds. In the event that MEAG Power determines that it is infeasible to issue Project P Bonds and Project M Bonds or for the Project P Entity to satisfy the conditions to the making of a Project P Advance and for the Project M Entity (if applicable) to satisfy the conditions to the making of a Project M Advance, to finance such reserve funds, MEAG Power may utilize revenues derived from either year end distributions or billings to PowerSouth under the Project P PPA to finance such reserve funds (other than reserve funds held by or on behalf of the Project P Entity that are financed using the proceeds of Project P Advances). Funds added to either type of reserve fund by PowerSouth to either initially fund or increase the funding of such reserve funds (other than reserve funds held by or on behalf of the Project P Entity that are financed using the proceeds of Project P Advances).

In the event that PowerSouth shall pay to MEAG Power any amount to finance such reserve funds as provided in the preceding paragraph, MEAG Power agrees that on the first date thereafter on which it or the Project P Entity is able to borrow funds to finance such reserve funds, it shall include in such borrowing an amount sufficient to reimburse PowerSouth for all amounts paid by it in respect of such reserve funds that theretofore have not been reimbursed by MEAG Power, but without interest thereon; *provided, however*, that MEAG Power shall not be so obligated if, in its commercially reasonable judgment, the cost of borrowing funds for the purpose of such reimbursement shall be prohibitive.

For any “Non-amortized Reserve Fund” created under the Project P Bond Resolution, the Project P Power Sales Contracts or the Project P DOE Accounts Agreement, PowerSouth will pay its Obligation Share of any interest on the Project P Bonds and/or the Project P DOE Guaranteed Loan, as applicable, that financed such Non-amortized Reserve Funds during each Power Supply Year during the term of the Project P PPA, offset by PowerSouth’s Obligation Share of any interest earned on such funds during the Power Supply Year that are not required under the Project P Bond Resolution and/or the Federal Loan Documents, as applicable, to be retained in such funds. Except as provided in the Project P PPA, PowerSouth is not entitled to any reimbursement following the True-Up Settlement Date with respect to such funds.

For any “Amortized Reserve Fund” created under the Project P Bond Resolution, the Project P Power Sales Contracts or the Project P DOE Accounts Agreement, PowerSouth will pay its Obligation Share of both principal and interest on the Project P Bonds and/or the Project P DOE Guaranteed Loan, as applicable, that financed such Amortized Reserve Fund during each Power Supply Year during the term of the Project P PPA, offset by its Obligation Share of any interest earned on such funds during the Power Supply Year that are not required under the Project P Bond Resolution and/or the Project P Federal Loan



Documents, as applicable, to be retained in such funds. Promptly following the True-Up Settlement Date, MEAG Power shall reimburse PowerSouth the total amount of principal payments made by PowerSouth on the Project P Bonds or the Project P DOE Guaranteed Loan relating to such funds.

MEAG Power has agreed that all moneys held in funds and accounts established pursuant to the Project P Bond Resolution or in the Project P Accounts (as that term is defined in the Project P DOE Accounts Agreement) established pursuant to the Project P DOE Accounts Agreement shall be invested and reinvested to the fullest extent practicable in Investment Securities (as defined in the Project P Bond Resolution) or Permitted Investments (as that term is defined in the Project P DOE Accounts Agreement), as applicable, which shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts or Project P Accounts, as applicable. Interest earned on any monies or investments in any Project P Account established pursuant to the Project P DOE Accounts Agreement (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) shall be applied pursuant to the Project P DOE Accounts Agreement, and any amounts thereof distributed to MEAG Power by the Project P Entity shall be paid into the Revenue Fund.

### **Allocation of Costs Among the Vogtle Units 3&4 Projects**

With the exception of MEAG Power's administrative and general expenses and as provided in the following sentence, MEAG Power has agreed to allocate all costs and other expenses incurred or payable by it directly, or indirectly through the Project P Entity, the Project J Entity and/or the Project M Entity, as applicable, in connection with its interest in Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, other than Debt Service and other debt-related and financing costs and expenses, among Project P, Project J and Project M in proportion to the respective number of MWs constituting each such project. In the case of any costs related to the Project P DOE Guaranteed Loan and any DOE-guaranteed loans obtained by the Project M Entity and/or the Project J Entity, other than debt service, MEAG Power shall allocate such costs based upon a fraction the numerator of which is the FFB Credit Facility Commitment (as defined in the Project P DOE Loan Guarantee Agreement) and the denominator of which is the sum of such FFB Credit Facility Commitment and the FFB credit facility commitments of the Project M Entity and/or the Project J Entity.

### **Issuance of Project P Bonds and Making of Project P Advances**

The Project P PPA provides that MEAG Power may issue and sell Project P Bonds and may cause the Project P Entity to draw upon the Project P DOE Guaranteed Loan in accordance with the provisions of the Project P Bond Resolution and the Project P Federal Loan Documents, respectively, to finance, or refinance by refunding outstanding Project P Bonds or provide funds for contribution to the Project P Entity to repay Project P Advances, any Costs of Acquisition and Construction and Financing Costs associated with Project P. Such Project P Bonds and the Project P DOE Guaranteed Loan may be secured by assignment of all payments attributable to Project P or the Project P Annual Costs, as such payments may be increased and extended due to the issuance of such Project P Bonds or the making of additional Project P Advances. Project P Bonds may be issued and such Project P Advances may be made in amounts sufficient to cover such costs in full and to provide such reserves as may be reasonably determined by MEAG Power or by the Project P Entity to be desirable.

MEAG Power has agreed to structure the Project P Bonds and each Project P Advance within certain parameters. To the extent a Series of Project P Bonds is issued by MEAG Power or a Project P Advance is made by the Project P Entity to finance costs attributable to both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, the principal of such Series and/or the principal of such Project P Advances will be allocated between Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4. Except for Project P Post-COD Capital Improvements Bonds, refunding Project P Bonds, Project P BANs, Project P Bonds issued and Project P Advances to fund Non-amortized reserve

funds, where the Project P Federal Loan Documents otherwise provide, where Project P Advances the debt service on which, if levelized, could prevent the Project P Entity from utilizing fully the FFB lending commitment and where the procedure for resolving disputes otherwise provides under the Project P PPA, the principal of a Series of Project P Bonds or the principal of such Project P Advance will be assumed to amortize to result in level monthly Debt Service with respect to such principal over a period of 40 years. The assumed period of 40 years during which such amortization shall occur with respect to a particular Series of Project P Bonds or Project P Advance (or the portion thereof allocated to a particular unit) shall commence (x) in the case of the Project P Bonds of such Series, not earlier than twelve months, nor later than 36 months, following the estimated commercial operation date of the applicable unit to which such principal of such Project P Bonds of such Series relates and (y) in the case of such Project P Advance, on the day of the third month preceding the date on which the first quarterly principal installment on such Project P Advance is due that corresponds numerically to the day on which such principal installment is due (or, if there is no such corresponding day in the third preceding month, on the last day of the third preceding month), such Debt Service being calculated, for the entire 40-year amortization period, (i) in the event that all of the Project P Bonds of such Series or all of the principal of such Project P Advance allocated to a particular unit shall bear interest at fixed rates during the entirety of the period beginning on the Assumed Completion Date applicable to such unit (December 31, 2018, in the case of the first unit of Vogtle Units 3&4 to achieve commercial operation, and December 31, 2019, in the case of the second unit of Vogtle Units 3&4 to achieve commercial operation) and ending on (a) in the case of the first unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, December 31, 2038 and (b) in the case of the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, December 31, 2039, at such actual fixed rates of interest, and (ii) in the event that any portion of the Project P Bonds of such Series or any portion of such Project P Advance allocated to such unit shall not bear interest at fixed rates during the entirety of the period beginning on the Assumed Completion Date applicable to such unit and ending on (a) in the case of the first unit of, as applicable, Generation Station Vogtle Unit No. 3 or the Generation Station Vogtle Unit No. 4, December 31, 2038 and (b) in the case of the second unit of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, December 31, 2039, (X) in the case of the portion of such Project P Bonds of such Series or the portion of such Project P Advance that bear interest at fixed rates during the entirety of such period, at such actual fixed rates of interest and (Y) in the case of the portion of such Project P Bonds of such Series or any portion of such Project P Advance that do not bear interest at fixed rates during the entirety of such period, at an assumed rate of interest of one percent (1%) per annum.

The amounts and due dates of all installments of principal coming due during the first 20 years of the amortization of the principal of the Project P Bonds of such Series or of the principal of such Project P Advance (or, in the event that the Project P Bonds of such Series are to be issued or such Advance is to be made to finance Costs of Acquisition and Construction and Financing Costs of both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, of all installments of principal coming due during the first 20 years of the amortization of the principal of the Project P Bonds of such Series or of the principal of such Project P Advance allocated to each unit) determined pursuant to the paragraph above shall be the actual amounts and due dates of the first 20 years of the amortization of the principal of the Project P Bonds of such Series or of the principal of such Project P Advance (or of the principal of the Project P Bonds of such Series or of the principal of such Project P Advance allocated to each Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 as aforesaid).

MEAG Power and the Project P Entity shall have the sole discretion to determine the actual amount(s) and due date(s) of the amount of the principal of the Project P Bonds of such Series or the principal of such Project P Advance (or, in the event that the Project P Bonds of such Series are to be issued or such Project P Advance is to be made to finance or refinance Costs of Acquisition and Construction and Financing Costs of both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, of the amount of the principal of the Project P Bonds of such Series or the principal of such Project P Advance allocated to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No.

4) remaining after the establishment of the principal installments provided for in the preceding paragraph. MEAG Power and the Project P Entity shall have the sole discretion to cause such remaining amount(s) of principal to be due (x) on the dates and in the amounts as shall be determined pursuant to the second paragraph of this section, or (y) on such other date(s) and in such other amount(s) as MEAG Power (or the Project P Entity, at the direction of MEAG Power) shall determine.

The Project P PPA provides that MEAG Power may also issue Project P Post-COD Capital Improvements Bonds, which, if issued, would not be subject to the bond structure of Project P Bonds, to finance any Costs of Acquisition and Construction and Financing Costs of (i) any major renewals, replacements, repairs, additions, or improvements to such unit necessary, in the opinion of MEAG Power to keep the Project P Entity's Ownership Interest in good operating condition or to prevent a loss of revenues therefrom, including spent fuel storage facilities and (ii) any major additions, improvements, repairs, or modifications required by any governmental authority having jurisdiction over Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 or for which MEAG Power (or the Project P Entity) shall be responsible arising out of any contract to which MEAG Power (or the Project P Entity) may be a party relating to ownership of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 or any facility thereof, including the Generation Station Vogtle Unit No. 3 Project Agreement and the Generation Station Vogtle Unit No. 4 Project Agreement shall not be subject to the debt service structure described in three paragraphs above, but MEAG Power has agreed to structure such Project P Post-COD Capital Improvements Bonds in accordance with the following parameters:

In the case of Project P Post-COD Capital Improvements Bonds, the principal of any Series of Project P Post-COD Capital Improvements Bonds will be allocated to each capital improvement item (or group of capital improvement items having comparable estimated useful lives) and such principal shall be assumed to be amortized in such a manner as will result in level monthly Debt Service with respect to such principal over the assumed period commencing January 1 of the second calendar year following the year in which the year in which the in-service date of the capital improvements (or group of capital improvements) is estimated to occur and shall end on the earlier of (x) the expiration of the term of the applicable units combined construction and operating license, or (y) the end of the estimated economic useful life of the capital improvement item (or group of capital improvement items), as estimated at the time of the pricing of the Project P Post-COD Capital Improvements Bonds of such Series, with such Debt Service being calculated (i) in the event that all of the Project P Post-COD Capital Improvements Bonds of such Series shall bear interest at fixed rates for the entire term thereof, at the actual fixed rates of interest thereon, and (ii) in the event that any portion of the Project P Post-COD Capital Improvements Bonds of such Series shall not bear interest at fixed rates for the entire term thereof, (X) in the case of the Project P Post-COD Capital Improvements Bonds of such Series that bear interest at fixed rates for the entire term thereof, at the actual fixed rates of interest thereon and (Y) in the case of the Project P Post-COD Capital Improvements Bonds of such Series that do not bear interest at fixed rates for the entire term thereof, at an assumed rate of interest of one percent (1%) per annum.

The amounts coming due on or before January 1 of the calendar year following the last day on which PowerSouth is entitled to its Obligation Share of the output of the Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, will be the actual amounts and due dates of each such installment of the principal of the Project P Post-COD Capital Improvements Bonds of such Series. However, MEAG Power will have the sole discretion to determine the actual amounts and due dates for the remaining installments of principal related to the applicable Series of Project P Post-COD Capital Improvements Bonds.

The Project P PPA also provides that MEAG Power may issue refunding Project P Bonds to refund Project P Bonds, or to provide funds for contribution to the Project P Entity to repay Project P Advances, which if issued in accordance with the provisions of the Project P PPA to refund Project P Bonds or to provide funds for contribution to the Project P Entity to repay Project P Advances shall not be subject to

the debt service structure described in second third and fourth paragraphs under this caption, but the Debt Service on each such Series of refunding Project P Bonds shall be structured in a manner consistent with the principles governing the issuance of Project P Bonds and the making of Project P Advances under the Project P PPA, so as to equitably apportion the savings or dissavings, as applicable, resulting from the issuance of such refunding Project P Bonds both during the term of the Project P PPA and during the period that the Project P Participants are obligated to pay Debt Service on such refunding Project P Bonds under the Project P Power Sales Contracts.

In particular, in the case of refunding Project P Bonds allocable to a particular unit that bear interest at fixed rates for the entire term thereof that are to be issued to refund Project P Bonds or prepay a portion of the principal of the Project P DOE Guaranteed Loan that do not bear interest at fixed rates during the entirety of the period beginning on the Assumed Completion Date applicable to such unit and ending on (a) in the case of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, as applicable, December 31, 2038 and (b) in the case of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, as applicable, December 31, 2039, the Debt Service on the refunding Project P Bonds is structured so as to result in level monthly Debt Service over the period from and including the month following the month in which the refunding Project P Bonds are issued to and including the month in which PowerSouth's obligation to pay the principal component of Debt Service on the refunded Project P Bonds or the prepaid portion of the principal of the Project P DOE Guaranteed Loan, as applicable, would have ended, had the refunded Project P Bonds or the prepaid portion of the principal of the Project P DOE Guaranteed Loan, as applicable, not been so refunded or prepaid, determined in the manner provided in the Project P PPA.

In the case of refunding Project P Bonds to be issued to achieve Debt Service savings on Project P Bonds or the Project P DOE Guaranteed Loan, the issuance of such refunding Project P Bonds shall result in (x) no cash flow dissavings in any year during the period from and including the year in which the refunding Project P Bonds are issued to and including the year preceding the final maturity date of the refunded Project P Bonds or the prepaid portion of the principal of the Project P DOE Guaranteed Loan, as applicable, and (y) the weighted average life of the refunding Project P Bonds shall not exceed the remaining weighted average life of the refunded Project P Bonds or the prepaid portion of the principal of the Project P DOE Guaranteed Loan, as applicable, calculating such remaining weighted average life of the refunded Project P Bonds or the prepaid portion of the principal of the Project P DOE Guaranteed Loan, as applicable, immediately prior to the issuance of the refunding Project P Bonds.

In the case of refunding Project P Bonds to be issued to extend the maturity of (x) any Project P Bonds any principal installment for which constitutes a Refundable Principal Installment (as defined in the Project P Bond Resolution) or (y) any "bullet" maturity of any Project P Advance that bears interest at a fixed rate for the entire term thereof and that was made to finance cost overruns (which, for purposes of this paragraph), shall be either (i) costs in excess of the construction budget for Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 as in effect as of the date of execution of the Project P DOE Loan Guarantee Agreement or (ii) costs resulting from a delay in the actual commercial operation date of either or both Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4) from the Assumed Completion Date thereof, the final maturity date of the refunding Project P Bonds shall be not later than the latest date on which the principal of the refunded Project P Bonds or repaid Project P Advance, as the case may be, was permitted to mature in accordance with its 40-year amortization period determined under the Project P PPA, and the Debt Service on the refunding Project P Bonds shall be structured so as to result in level monthly Debt Service over the period from and including the month in which the maturity date of the refunded Project P Bonds or repaid Project P Advance, as the case may be, was to occur to and including the month preceding the final maturity date of the refunding Project P Bonds, determined in the manner provided in the Project P PPA.

The Project P PPA permits MEAG Power to issue Project P BANs. Project P BANs are Project P Bonds that are issued to finance or refinance the Costs of Acquisition and Construction and Financing Costs of Project P on an interim basis prior to the issuance of other Project P Bonds. MEAG Power is authorized to issue such Project P BANs on such terms and on such conditions as, in its sole judgment, it shall determine. In addition to the amount of proceeds of the Project P BANs of a particular issue to be applied to the payment of Costs of Acquisition and Construction and Financing Costs, the Project P BANs of such issue shall be sized so as to provide such amount of capitalized interest on the Project P BANs of any issue as MEAG Power shall determine is reasonably necessary. In addition to any assignment of all payments attributable to Project P or Project P's Annual Costs to be made in accordance with or pursuant to the provisions of the Project P PPA or the Project P Power Sales Contracts, as such payments may be increased and extended by reason of the issuance of any Project P BANs, such Project P BANs may be secured by an assignment of proceeds of other Project P Bonds (including other Project P BANs) to be issued to refund such Project P BANs.

In addition to funds required for Costs of Acquisition and Construction and Financing Costs, and certain reserve requirements related thereto, MEAG Power may issue Project P Bonds in amounts sufficient to provide for the Debt Service Reserve Requirement under the Project P Bond Resolution, capitalized interest relating to Project P Bonds of any Series and amounts that MEAG Power determines are necessary to fund any Amortized Reserve Funds and/or Non-amortized Reserve Funds under the Project P Bond Resolution. However Project P Bonds issued to fund Non-amortized Reserve Funds are not subject to the structuring requirements of the Project P PPA.

MEAG Power has agreed to consult with PowerSouth regarding the mix of fixed and variable interest rates to be borne by a Series of Project P Bonds prior to issuance, but retains ultimate discretion as to such mix of interest rates.

### **Adjustment of Project P Costs**

In the event the proceeds derived from the sale of any Project P Bonds (including by reimbursement from the Project P Entity to MEAG Power of proceeds of Project P Bonds previously issued and applied for Costs of Acquisition and Construction and Financing Costs) exceed the aggregate amount required for the purposes for which such Project P Bonds were issued, the amount of such excess shall be timely used during the term of the Project P PPA to make up any deficiency then existing in any fund or account under the Project P Bond Resolution in the manner therein provided, and any balance shall be timely used during the term of the Project P PPA (a) to retire by purchase, redemption or defeasance Project P Bonds in advance of maturity or (b) to retire by prepayment Project P Advances in a manner, in each case, consistent with the principles governing their issuance under the Project P PPA and the making of Project P Advances, so as to equitably apportion the Debt Service savings resulting from the retirement of such Project P Bonds or Project P Advances both during the term of the Project P PPA and during the period that the Project P Participants are obligated to pay Debt Service on the Project P Bonds and the Project P DOE Guaranteed Loan under the Project P Power Sales Contracts and in such event MEAG Power will reduce such elements of the Project P Annual Costs as are necessary and appropriate to reflect such accelerated retirement or prepayment or redemption.

PowerSouth agrees that certain amounts held under the Project P DOE Accounts Agreement may be applied only to the prepayment of the Project P DOE Guaranteed Loan (referred to in the remainder of this caption as a "Project P DOE debt retirement"), and that, as a result of such application, it may not be possible to maintain level Debt Service over the term of the Project P PPA and the term of the Project P Power Sales Contracts. In any such circumstance, MEAG Power agrees that it shall use its best efforts to maintain level Debt Service as aforesaid, but if, despite its best efforts, it is unable to do so, it will use its best efforts to equitably apportion the Debt Service savings resulting from the Project P DOE debt retirement both during the term of the Project P PPA and during the period that the Project P Participants

are obligated to pay Debt Service on the Project P Bonds and the Project P DOE Guaranteed Loan under the Project P Power Sales Contracts and, in such event, MEAG Power will reduce such elements of the Project P Annual Costs as are necessary and appropriate to reflect such Project P DOE debt retirement.

MEAG Power agrees that if, at the end of the term of the Project P PPA, any amounts that are intended for the prepayment of the Project P DOE Guaranteed Loan but were not applied to prepayment and remain on deposit in any such account under the Project P DOE Accounts Agreement, MEAG Power shall pay (from a source other than the applicable DOE Accounts Agreement account) PowerSouth an amount with respect to each unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 equal to the principal amount of Project P Advances that matured during the term of the Project P PPA that would have been prepaid if such amounts had been applied to Project P DOE debt retirement on the respective dates that such amounts were received by the Project P Entity, on a level debt service basis, using an assumed interest rate per annum of four percent (4%), but without interest thereon.

If, as a result of any Project P DOE debt retirement as provided in the second preceding paragraph, MEAG Power shall be unable to maintain level Project P Debt Service both during the term of the Project P PPA and during the period that the Project P Participants are obligated to pay Debt Service on the Project P Bonds and the Project P DOE Guaranteed Loan under the Project P Power Sales Contracts, or to equitably apportion the Debt Service savings resulting from such Project P DOE debt retirement, in either case, despite MEAG Power's best efforts, unless MEAG Power and PowerSouth agree that no such adjustment shall be necessary, MEAG Power shall determine, in accordance with the following procedures, whether the amount of Debt Service paid by PowerSouth with respect to each unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 after giving effect to such Project P DOE debt retirement is greater or less than the amount of Debt Service that PowerSouth would have paid with respect to Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, as applicable, had such Project P DOE debt retirement been structured on a level debt service basis (each, a "Project P Assumed Level Debt Service Debt Retirement"), using an interest rate per annum equal to (i) if the amounts applied to such Project P DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed as part of the original construction of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, four percent (4%) and (ii) if the amounts applied to such Project P DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed subsequent to the commercial operation date of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, the weighted average yield to maturity of the applicable Project P Advance(s) made or Project P Bonds issued to finance the acquisition and construction of such assets:

- 1) If the amounts applied to such Project P DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed as part of the original construction of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, at the end of the term of this Project P PPA, MEAG Power shall calculate the sum of the amounts, determined on an annual basis, commencing with the year in which the amounts were received, equal to the difference between (x) the amount of Debt Service that PowerSouth actually paid during each year during the term of the Project P PPA with respect to each of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 after giving effect to such Project P DOE debt retirement and (Y) the amount of Debt Service that PowerSouth would have paid during such year with respect to the applicable unit, taking into account such applicable Assumed Level Debt Service Debt Retirement, in each such case, future valued to the date on which the term of the Project P PPA shall end, using an interest rate per annum of four percent (4%).

- 2) If the amounts applied to such Project P DOE debt retirement were derived, directly or indirectly, from assets of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 that were acquired or constructed subsequent to the commercial operation date of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, at the end of the term of the Project P PPA, MEAG Power shall calculate the sum of the amounts, determined on an annual basis, commencing with the year in which the amounts were received, equal to the difference between (x) the amount of Debt Service that PowerSouth actually paid during each year during the term of the Project P PPA with respect to each of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 after giving effect to such Project P DOE debt retirement and (y) the amount of Debt Service that PowerSouth would have paid during such year with respect to Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4, as applicable, taking into account such applicable Assumed Level Debt Service Debt Retirement, in each such case, future valued from the date(s) on which the applicable Project P Advance(s) were made or Project P Bonds issued to finance the acquisition and construction of such assets, using an assumed interest rate per annum equal to the actual weighted average yield to maturity of such applicable Project P Advance(s) and/or Project P Bonds.
- 3) In the case of any determination pursuant to either (1) or (2) above, MEAG Power shall calculate (x) the aggregate amount of Debt Service that PowerSouth actually paid during each year during the term of the Project P PPA with respect to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 after giving effect to such Project P DOE debt retirement, future valued as aforesaid, and (y) the aggregate amount of Debt Service that PowerSouth would have paid during each year during the term of the Project P PPA with respect to Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, as applicable, taking into account such applicable Assumed Level Debt Service Debt Retirement, future valued as aforesaid, and, at the end of the term of the Project P PPA, (i) if the amount determined pursuant to (x) above shall be greater than the amount determined pursuant to (y) above, MEAG Power shall pay PowerSouth the amount of the difference between (x) and (y), without interest thereon and (ii) if the amount determined pursuant to (x) above shall be less than the amount determined pursuant to (y) above, PowerSouth shall pay MEAG Power the amount of the difference between (x) and (y), without interest thereon.

## Remedies

Failure by PowerSouth to make any payment due under the Project P PPA will constitute a default thereunder. MEAG Power may enforce payment by action at law or equity and may, upon 60 days' written notice to PowerSouth, discontinue providing services to PowerSouth under the Project P PPA. If the default continues for a period in excess of one hundred and eighty (180) days, MEAG Power may permanently discontinue providing service to PowerSouth. In the event of such default, PowerSouth shall not be relieved of its liability for payment of any amounts required to be made under the Project P PPA; *provided, however*, that if MEAG Power discontinues providing service to PowerSouth, MEAG Power will apply the net proceeds from any sale to a third-party of all or a portion of the output of the Project P Entity's Ownership Interest to which PowerSouth was previously entitled, to mitigate PowerSouth's payment obligations in the manner permitted by the Project P Bond Resolution and the Project P Federal Loan Documents.

PowerSouth's failure to comply with any other covenant, agreement, representation, warranty or obligation of the Project P PPA shall also constitute a default. In response to such default, MEAG Power may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation, but MEAG Power may not discontinue providing service as a result of a default of PowerSouth other than a non-payment default.

MEAG Power's failure to comply with any covenant, agreement, representation, warranty or obligation of the Project P PPA or the Project P Power Purchase Agreement shall also constitute a default and PowerSouth may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation but nothing in the Project P PPA or the Project P Power Purchase Agreement shall be construed to permit PowerSouth to terminate, rescind, void or otherwise abandon its obligations to MEAG Power under the Project P PPA or the Project P Power Purchase Agreement as a result of such default.

### **Termination or Amendment**

The Project P PPA may not be terminated by either party under any circumstances and may not be amended, modified or otherwise altered in any manner except as provided in the Project P PPA. So long as any Project P Bonds or the Project P DOE Secured Obligations are outstanding or until adequate provisions for payment thereof have been made in accordance with the provisions of the Project P Bond Resolution and the Project P Federal Loan Documents, respectively, and no undisbursed commitments remain available under the Project P Federal Loan Documents, the Project P PPA shall not be amended, modified or otherwise altered in any manner that would reduce the payments pledged as security for Debt Service on the Project P Bonds and as security for the Project P DOE Secured Obligations, or extend the time for such payments, adversely impact or in any manner impair or adversely affect the rights of the owners from time to time of the Project P Bonds or the rights of the Project P DOE Secured Parties pursuant to the Project P Federal Loan Documents.



[This page intentionally left blank]

**SUMMARY OF VOGTLE UNITS 3&4 POWER SALES CONTRACTS**

The following is a description of certain of the provisions of (1) the Project M Power Sales Contracts executed between MEAG Power and the Project M Participants relating to the Project M, (2) the Project J Power Sales Contracts executed between MEAG Power and the Project J Participants relating to Project and (3) the Project P Power Sales Contracts executed between MEAG Power and the Project P Participants relating to Project P (the Project M Power Sales Contracts, the Project J Power Sales Contracts and the Project P Power Sales Contracts are referred to collectively herein as the “Vogtle Units 3&4 Power Sales Contracts”).

Each of the Vogtle Units 3&4 Power Sales Contracts will continue to be in full force and effect until such time as all of the indebtedness issued under the applicable Vogtle Units 3&4 Bond Resolution or advanced under the applicable Federal Loan Documents has been paid or provision has been made for their payment and all obligations of the applicable Vogtle Units 3&4 Project Entity under the applicable Vogtle Units 3&4 Project Federal Loan Documents have been satisfied and all lending commitments thereunder have been terminated or until such time as the applicable Vogtle Units 3&4 Project is retired from service or disposed of by MEAG Power or by the applicable Vogtle Units 3&4 Project Entity, whichever is later, but in no event longer than 50 years from December 31, 2014, the execution date of the Amended and Restated Vogtle Units 3&4 Power Sales Contracts (unless extended either through amendment or replacement with another contract; see the fifth paragraph under “INTRODUCTORY STATEMENT – The Participants” in the Annual Information Statement).

The Vogtle Units 3&4 Power Sales Contracts are identical in all material respects except as indicated below. Capitalized terms not otherwise defined in this APPENDIX K or defined in the Annual Information Statement shall be as defined in the applicable Vogtle Units 3&4 Power Sales Contracts.

**Obligation Shares**

Each Vogtle Units 3&4 Participant’s Obligation Share with respect to a particular Vogtle Units 3&4 Project is a percentage set forth in its Vogtle Units 3&4 Power Sales Contract relating to such Project that determines both (a) the percentage share of output and services, which include capacity and energy, of such Vogtle Units 3&4 Project Entity’s Ownership Interest to which such Vogtle Units 3&4 Participant is entitled and (b) the percentage of such Project’s annual costs that such Vogtle Units 3&4 Participant is obligated to pay.

Pursuant to the terms of the Project M Power Sales Contracts, MEAG Power is obligated to provide, and each Project M Participant is obligated to take from MEAG Power, its Obligation Share of the output and services, which include capacity and energy, of the Project M Entity’s Ownership Interest for the entire term of its Project M Power Sales Contract.

Pursuant to the terms of the Project J Power Sales Contracts and the Project P Power Sales Contracts, respectively, each Project J Participant and Project P Participant shall be entitled to and is obligated to take, its Obligation Share of the output and services of the Project J Entity’s Ownership Interest and Project P Entity’s Ownership Interest, respectively, commencing at 12:01 AM, Eastern Prevailing Time, on the day after the twentieth anniversary of the commercial operation date of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the “Second Commercial Operation Date”), for a period not to exceed 50 years from December 31, 2014 (such period is referred to herein as the “Final Term”).

None of the Project J Participants or the Project P Participants is entitled to receive its Obligation Share of output and services from the Project J Entity's Ownership Interest or the Project P Entity's Ownership Interest, as applicable, during the period between the commercial operation date of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the "First Commercial Operation Date") and the twentieth anniversary of the Second Commercial Operation Date (such period is referred to herein as the "Initial Term"); *provided, however*, that each Project J Participant and Project P Participant is entitled to receive its Obligation Share of the output and services, which include capacity and energy, of the portion of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation that is included in Project J and Project P, respectively, during the period commencing on the twentieth anniversary of the First Commercial Operation Date and continuing through the remainder of the Initial Term.

See "THE PARTICIPANTS – Obligation Shares of the Participants – Vogtle Units 3&4 Projects" in the Annual Information Statement for a schedule that sets forth the Vogtle Units 3&4 Participants' respective Obligation Shares.

### **Annual Budgets**

MEAG Power is required to adopt an annual budget with respect to each Vogtle Units 3&4 Project (each, an "Annual Budget") for each Power Supply Year during the term of the applicable Vogtle Units 3&4 Power Sales Contracts containing estimates of such annual costs of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest (the "Annual Costs") and all revenues, income or other funds to be applied to each Vogtle Units 3&4 Project's Annual Costs, including the costs of Debt Service (as hereinafter defined). To the extent not paid as part of the Costs of Acquisition and Construction, the Annual Costs for a particular Vogtle Units 3&4 Project are all costs and expenses of MEAG Power or the applicable Vogtle Units 3&4 Project Entity, allocable to such Vogtle Units 3&4 Project Entity's Ownership Interest incurred by MEAG Power or the applicable Vogtle Units 3&4 Project Entity's Ownership Interest during a given Power Supply Year, including fixed and other costs.

1. *Fixed costs*, with respect to each Vogtle Units 3&4 Project all fixed costs allocable to the applicable Vogtle Units 3&4 Project incurred by MEAG Power or the applicable Vogtle Units 3&4 Project Entity including: (a) taxes or payments in lieu thereof attributable to the applicable Vogtle Units 3&4 Project Entity's Ownership Interest and/or such Vogtle Units 3&4 Project; (b) amounts required for renewals and replacements, attributable to the applicable Vogtle Units 3&4 Project Entity's Ownership Interest or reserves therefor established for the applicable Vogtle Units 3&4 Project; (c) amounts to be set aside by MEAG Power or the applicable Vogtle Units 3&4 Project Entity for the retirement from service or disposal of facilities of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest; (d) amounts paid by MEAG Power or the applicable Vogtle Units 3&4 Project Entity, for the purchase of generating capacity reserves for the applicable Vogtle Units 3&4 Project Entity's Ownership Interest; (e) amounts that MEAG Power or the applicable Vogtle Units 3&4 Project Entity is required under the applicable bond resolution or the applicable Federal Loan Documents to pay or deposit into any fund or account established by such bond resolution or the applicable Federal Loan Documents for the payment of Debt Service on the applicable bonds or the applicable DOE Guaranteed Loan, as applicable, and any reserve requirements for the applicable bonds or the applicable DOE Guaranteed Loan, as applicable; (f) any other amounts that MEAG Power or applicable Vogtle Units 3&4 Project Entity is required, under the applicable bond resolution or the applicable Federal Loan Documents, as applicable, to pay or deposit during the Power Supply Year into any other fund or account established by or outside of such bond resolution or the applicable Federal Loan Documents, as applicable; (g) amounts for payment or deposit into any fund or account outside of the pledge of the applicable bond resolution or the applicable Federal Loan Documents attributable to costs or reserves of such Vogtle Units 3&4 Project, including such amounts established by MEAG Power in the applicable

Vogtle Units 3&4 Project's Annual Budget to provide reasonable reserves for the payment of the applicable Vogtle Units 3&4 Project Entity's share of costs required pursuant to either the Vogtle Units 3&4 Ownership Agreement or the Vogtle Operating Agreement; and (h) amounts for payment of Additional Costs (as such term is defined in the Vogtle Units 3&4 Development Agreement) attributable to the applicable Vogtle Units 3&4 Project Entity's Ownership Interest incurred during any Power Supply Year; and (i) without duplication, all fixed costs required to be paid by the applicable Vogtle Units 3&4 Project Entity (whether to DOE, as operating expenses or otherwise) in the applicable Federal Loan Documents other than such costs and expenses set forth in clause (2) below.

Each of the Project J Power Sales Contracts and the Project P Power Sales Contracts also provides that fixed costs will also include amounts for the payment of any obligation that MEAG Power incurs under the Project J PPA or the Project P PPA, as applicable, including monetary judgments obtained by JEA or PowerSouth, as applicable, against MEAG Power.

2. *Other costs*, with respect to each Vogtle Units 3&4 Project, include: (a) all costs of producing and delivering electric power and energy from the applicable Vogtle Units 3&4 Project Entity's Ownership Interest to the applicable Vogtle Units 3&4 Participants and (b) amounts required to pay the costs of or to provide reserves for (i) extraordinary operating and maintenance costs attributable to the such Vogtle Units 3&4 Project, (ii) any major renewals, replacements, repairs, additions, betterments and improvements necessary, in the opinion of MEAG Power or the applicable Vogtle Units 3&4 Project Entity to keep the facilities of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest in good operating condition or to prevent a loss of revenues therefrom; and (iii) any major additions, improvements, repairs or modifications to, or retirements or disposals of, any facility required by any governmental agency having jurisdiction over the applicable Vogtle Units 3&4 Project or for which the applicable Vogtle Units 3&4 Project Entity otherwise is responsible to the extent that the applicable Vogtle Units 3&4 Project Entity is not reimbursed therefor from the proceeds of insurance or funds for such payments are not available to MEAG Power or the applicable Vogtle Units 3&4 Project Entity therefor from any funds or accounts established by MEAG Power or by or on behalf of the applicable Vogtle Units 3&4 Project Entity or funds for such payment are not provided or to be provided by the issuance of bonds; and (iv) without duplication, all amounts required to be paid by the applicable Vogtle Units 3&4 Project Entity (whether to DOE, as operating expenses or otherwise) in the applicable Federal Loan Documents other than the fixed costs set forth in clause (1) above.
3. *Debt Service*, with respect to each Vogtle Units 3&4 Project, means, with respect to any period, the aggregate of the amounts required by the applicable bond resolution and the applicable Federal Loan Documents to be paid by MEAG Power or the applicable Vogtle Units 3&4 Project Entity, as applicable, during said period into any fund or funds created by such bond resolution or any account or accounts required by the applicable Federal Loan Documents, as applicable, for the sole purpose of paying (a) the principal (including the sinking fund or equivalent payment installments) of, and premium, if any, and interest on, applicable bonds or the applicable DOE Guaranteed Loan, as applicable, and all other amounts due with respect to the applicable DOE Guaranteed Loan, and (b) any payments on Qualified Hedging Contracts, including any swap premium or swap termination payment, or Reimbursement Obligations, relating to the applicable bonds or the applicable DOE Guaranteed Loan from time to time outstanding as the same become due; *provided, however*, that Debt Service will not include any acceleration of the maturity of the applicable bonds or the applicable DOE Guaranteed Loan. MEAG Power is expressly authorized to bill some or all of the Debt Service costs which are payable during construction and prior to the applicable commercial operation date of any facility.

MEAG Power is authorized to amend each applicable Vogtle Units 3&4 Project's Annual Budget upon 30 days' notice to the applicable Vogtle Units 3&4 Participants and to adjust its rates and charges to meet each applicable Vogtle Units 3&4 Project's costs. MEAG Power will submit, and each applicable Vogtle Units 3&4 Participant will be obligated to pay, a monthly billing statement based upon the applicable Vogtle Units 3&4 Project's Annual Budget for the applicable Vogtle Units 3&4 Project. At the end of each Power Supply Year, MEAG Power will determine if the aggregate amounts collected from the billing statements are in the proper amount. Any excess amounts collected will, at MEAG Power's discretion, either be paid to the applicable Vogtle Units 3&4 Participants or appropriately credited to the such Vogtle Units 3&4 Participants on their monthly billing statements for the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was determined to have been necessary. Each Vogtle Units 3&4 Power Sales Contract provides that MEAG Power shall have the discretion, subject to the concurrence of a sufficient number of Vogtle Units 3&4 Participants whose total Obligation Shares in the applicable Vogtle Units 3&4 Project exceed 66 2/3 percent, to apply any excess amounts (as set forth above) received, or portion thereof, towards the purchase, redemption or defeasance of bonds relating to such Vogtle Units 3&4 Project in advance of such bonds' maturity or retiring by prepayment applicable Advances, in each case; *provided, however*, that pursuant to the terms of the Project J Power Sales Contracts and the Project P Power Sales Contracts, MEAG Power shall only have such discretion after the end of the term of the Project J PPA and Project P PPA, respectively. MEAG Power will reduce such elements of the applicable Vogtle Units 3&4 Project's Annual Costs to reflect any such accelerated retirement or prepayment or redemption. Any deficiencies in collections are recovered by adding the amount of such deficiency to the applicable Vogtle Units 3&4 Participants' billing statements in equal installments over the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was determined to have been necessary. MEAG Power may, at its election, establish a policy for making monthly, quarterly or semi-annual retroactive adjustments to the Vogtle Units 3&4 Participants' billings to account for variances between the billed amounts and the actual costs incurred during the respective period to avoid large cumulative adjustments at the end of each Power Supply Year.

Each of the Project J Power Sales Contracts and the Project P Power Sales Contracts provides that, in the event that JEA or PowerSouth, as applicable, makes any additional compensation payment that either JEA or PowerSouth, as applicable, is committed to make pursuant to the applicable Project J PPA or Project P PPA, such payment will be placed by MEAG Power in a reserve fund for the purpose of either reducing the Project J Participants' or Project P Participants' Obligation Shares, as applicable, of "other costs" (as defined above) following the Initial Term or satisfying any payment obligations of such Vogtle Units 3&4 Participants incurred during the Initial Term, as the case may be. Such funds will be allocated among the applicable Vogtle Units 3&4 Participants on a *pro rata* basis reflecting each Vogtle Units 3&4 Participants' Obligation Shares in the applicable Vogtle Units 3&4 Project and shall not be included in the pledge in favor of the holders of the related bonds or the pledge in favor of the applicable DOE Secured Parties to secure the payment of the applicable DOE Secured Obligations.

## **Vogtle Units 3&4 Participants' Obligations to Pay**

### ***General***

Each Vogtle Units 3&4 Participant is obligated to establish, maintain and collect rates and charges for the electric service of its electric distribution system so as to provide revenues sufficient, together with available electric distribution system reserves, to enable such Vogtle Units 3&4 Participant to (1) pay MEAG Power all amounts payable under its Vogtle Units 3&4 Power Sales Contract, (2) pay all other amounts payable from, and all lawful charges against or liens on, the revenues of its electric distribution system and (3) operate and maintain its electric distribution system in a sound, businesslike manner.

The Vogtle Units 3&4 Power Sales Contracts provide that each Vogtle Units 3&4 Participant is obligated to pay for its Obligation Share of the applicable Vogtle Units 3&4 Project's Annual Costs, as well as the Costs of Acquisition and Construction of such Vogtle Units 3&4 Project, whether or not such Vogtle Units 3&4 Ownership Interest is completed, operating or operable, and whether or not its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments are unconditional.

With respect to each Vogtle Units 3&4 Project, all payments made by the Vogtle Units 3&4 Participants pursuant to the Vogtle Units 3&4 Power Sales Contracts attributable to such Vogtle Units 3&4 Project or such Vogtle Units 3&4 Project's Annuals Costs are to be pledged as security for such Vogtle Units 3&4 Project's bonds and the applicable DOE Guaranteed Loan.

If payment is not made from the revenues of the electric system of a Vogtle Units 3&4 Participant or from other funds thereof, such Vogtle Units 3&4 Participant is required to include in its general revenue or appropriation measure or annual tax levy amounts sufficient to make the payments required under its Vogtle Units 3&4 Power Sales Contract, whether or not electric power and energy shall actually be received by such Vogtle Units 3&4 Participant. If any such provision or appropriation is not made for a fiscal year, then the chief fiscal officer of such Vogtle Units 3&4 Participant is required, in accordance with the provisions of the Act, to set up as an appropriation on the accounts of such Vogtle Units 3&4 Participant the amounts required to pay its obligations under its Vogtle Units 3&4 Power Sales Contract, and such appropriation will have the same legal status as if the Vogtle Units 3&4 Participant had included the amount of the appropriation in its general revenue or appropriation measure. In the event a Vogtle Units 3&4 Participant fails to pay all amounts due under its Vogtle Units 3&4 Power Sales Contract, MEAG Power's remedies under each Vogtle Units 3&4 Power Sales Contract include specific performance to compel such Vogtle Units 3&4 Participant to assess and collect an annual ad valorem tax sufficient to meet its obligations thereunder.

For further information with respect to the obligations of the Vogtle Units 3&4 Participants under the Vogtle Units 3&4 Power Sales Contracts, see "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power's Project M Bonds," "– Security for MEAG Power's Project J Bonds" and "– Security for MEAG Power's Project P Bonds" in the Annual Information Statement.

***Payment Obligations of Project J Participants  
Under the Project J Power Sales Contracts***

To the extent not paid by JEA under the terms of the Project J PPA, during the entirety of the Initial Term, each Project J Participant is unconditionally obligated to pay its Obligation Share of (1) the Project J Annual Costs, other than Debt Service, subject to certain exceptions described below and (2) any Costs of Acquisition and Construction that become due and owing prior to or during the Initial Term to the extent that such costs are not required to be paid for by JEA in accordance with the terms of the Project J PPA.

JEA is obligated to pay Debt Service (as defined in the Project J PPA) during the Initial Term as specified in the Project J PPA. However, there are circumstances in which JEA's obligation to pay Debt Service terminates prior to the end of the Initial Term. In these circumstances, and in any other circumstances which may arise where JEA is no longer obligated to pay Debt Service during the Initial Term, the Project J Participants will be obligated to pay their respective Obligation Shares of Debt Service (as defined in the Project J Power Sales Contracts). Additionally, there are circumstances under which JEA's obligation to pay other Project J Annual Costs and Costs of Acquisition and Construction may terminate prior to the end of the Initial Term. Similarly, in these circumstances, the Project J Participants will be obligated to pay their respective Obligation Shares of Project J Annual Costs and Costs of Acquisition and Construction. For a discussion of JEA's payment obligations and the circumstances in which such obligations may terminate prior to the end of the Initial Term, see "SUMMARY OF VOGTLE

UNITS 3&4 PPAs – Project J PPA – JEA’s Payment Obligations – *JEA’s Payment Obligations in the event of Project J Delay or Termination*” in APPENDIX J to the Annual Information Statement.

For a description of JEA’s general payment obligations under the Project J PPA, see “SUMMARY OF VOGTLE UNITS 3&4 PPAs – Project J PPA – JEA’s Payment Obligations” in APPENDIX J to the Annual Information Statement.

***Payment Obligations of Project P Participants  
Under the Project P Power Sales Contracts***

To the extent not paid by PowerSouth under the terms of the Project P PPA, during the entirety of the Initial Term, each Project P Participant is unconditionally obligated to pay its Obligation Share of (1) the Project P Annual Costs, other than Debt Service, subject to certain exceptions described below and (2) any Costs of Acquisition and Construction that become due and owing prior to or during the Initial Term to the extent that such costs are not required to be paid for by PowerSouth in accordance with the terms of the Project P PPA.

PowerSouth is obligated to pay Debt Service (as defined in the Project P PPA) during the Initial Term as specified in the Project P PPA. However, there are circumstances in which PowerSouth’s obligation to pay Debt Service terminates prior to the end of the Initial Term. In these circumstances, and in any other circumstances which may arise where PowerSouth is no longer obligated to pay Debt Service during the Initial Term, the Project P Participants will be obligated to pay their respective Obligation Shares of Debt Service (as defined in the Project P Power Sales Contracts). Additionally, there are circumstances under which PowerSouth’s obligation to pay other Project P Annual Costs and Costs of Acquisition and Construction may terminate prior to the end of the Initial Term. Similarly, in these circumstances, the Project P Participants will be obligated to pay their respective Obligation Shares of Project P Annual Costs and Costs of Acquisition and Construction. For a discussion of PowerSouth’s payment obligations and the circumstances in which such obligations may terminate prior to the end of the Initial Term, see “SUMMARY OF VOGTLE UNITS 3&4 PPAs – Project P PPA – PowerSouth’s Payment Obligations – *PowerSouth’s Payment Obligations in the event of Project P Delay or Termination*” in APPENDIX J to the Annual Information Statement.

For a description of PowerSouth’s general payment obligations under the Project P PPA, see “SUMMARY OF VOGTLE UNITS 3&4 PPAs – Project P PPA – PowerSouth’s Payment Obligations” in APPENDIX J to the Annual Information Statement.

**Remedies**

Failure by a Vogtle Units 3&4 Participant to make any payment due under a Vogtle Units 3&4 Power Sales Contract will constitute a default thereunder. In such event, MEAG Power may proceed to enforce payment by action at law or equity and may, upon 60 days’ written notice to the defaulting Vogtle Units 3&4 Participant, cease and discontinue providing services to such Vogtle Units 3&4 Participant under such Vogtle Units 3&4 Power Sales Contract. If the default continues for more than 180 days or if a non-defaulting Vogtle Units 3&4 Participant exercises a right of first refusal to purchase a *pro rata* share of such defaulting Vogtle Units 3&4 Participant’s Obligation Share of the output and services of the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest whichever occurs first, MEAG Power may permanently discontinue providing service from such Vogtle Units 3&4 Project to the defaulting Vogtle Units 3&4 Participant. Each Vogtle Units 3&4 Participant expressly waives any claim to interest payments recovered by MEAG Power as a result of a default under its Vogtle Units 3&4 Power Sales Contracts. The Vogtle Units 3&4 Power Sales Contracts also provide that in the event of default in any payment by a Vogtle Units 3&4 Participant, such Vogtle Units 3&4 Participant must provide for the assessment and collection of an annual tax sufficient to make payments due under the applicable Vogtle Units 3&4 Power Sales

Contract in each year over the remainder of the term of the applicable Vogtle Units 3&4 Power Sales Contract. In addition to any suit in law or equity, MEAG Power has the right to request specific performance as a remedy to enforce such provision.

In the event of a default by a Vogtle Units 3&4 Participant under a Vogtle Units 3&4 Power Sales Contract and discontinuation of such Vogtle Units 3&4 Participant's service from the related Vogtle Units 3&4 Project, MEAG Power shall first offer to transfer a *pro rata* portion of the defaulting Vogtle Units 3&4 Participant's Obligation Share to all other non-defaulting Vogtle Units 3&4 Participants in such Vogtle Units 3&4 Project. Any such portion of the defaulting Vogtle Units 3&4 Participant's Obligation Share which is declined by the non-defaulting Vogtle Units 3&4 Participants will be reoffered *pro rata* to the non-defaulting Vogtle Units 3&4 Participants in such Vogtle Units 3&4 Project which have accepted in full the first offer. Such reoffering will be repeated until such defaulting Vogtle Units 3&4 Participant's Obligation Share has been reallocated in full or until all non-defaulting Vogtle Units 3&4 Participants in such Vogtle Units 3&4 Project have declined to take any additional portion of such defaulting Vogtle Units 3&4 Participant's Obligation Share. If less than all of the defaulting Vogtle Units 3&4 Participant's Obligation Share is accepted by the non-defaulting Vogtle Units 3&4 Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Vogtle Units 3&4 Participant's Obligation Share for the remaining term of the associated Vogtle Units 3&4 Power Sales Contract to any person, firm, association or corporation, public or private; *provided* that such sales may not adversely affect the tax exempt status of the applicable Vogtle Units 3&4 Project's bonds or the security for such Vogtle Units 3&4 Project's bonds and the applicable DOE Secured Obligation.

If less than all of the defaulting Vogtle Units 3&4 Participant's Obligation Share for a particular Vogtle Units 3&4 Project is transferred to non-defaulting Vogtle Units 3&4 Participants in such Vogtle Units 3&4 Project or otherwise sold, MEAG Power shall transfer the remaining portion of such defaulting Vogtle Units 3&4 Participant's Obligation Share, on a *pro rata* basis (based on the respective original Obligation Shares of the Vogtle Units 3&4 Participants in such Project) to all other non-defaulting Vogtle Units 3&4 Participants in such Vogtle Units 3&4 Project; *provided, however*, that no Vogtle Units 3&4 Participant may, as a result of such transfer, have an Obligation Share in excess of 130 percent of its Obligation Share established on the effective date of the applicable Vogtle Units 3&4 Power Sales Contracts. After such transfer, each non-defaulting Vogtle Units 3&4 Participant shall be obligated to pay for its increased Obligation Share. In the event that less than all of the defaulting Vogtle Units 3&4 Participant's Obligation Share has been sold or transferred to non-defaulting Vogtle Units 3&4 Participants, MEAG Power shall use its reasonable best efforts to sell the remaining portion of the defaulting Vogtle Units 3&4 Participant's Obligation Share or the energy associated therewith to any person, firm, association or corporation, public or private, on terms and conditions acceptable to MEAG Power; *provided, however*, that such sale may not adversely affect the tax exempt status of the applicable Vogtle Units 3&4 Project's bonds that are intended to be exempt. The defaulting Vogtle Units 3&4 Participant shall remain liable under the applicable Vogtle Units 3&4 Power Sales Contract, except that its obligations will be reduced to the extent that payment has been received by MEAG Power for the portion of the defaulting Vogtle Units 3&4 Participant's Obligation Share that has been sold or transferred.

### **Sale or Exchange of Power and Energy**

In the event that all or any portion of a Vogtle Units 3&4 Participant's Obligation Share of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest, is in excess of such Vogtle Units 3&4 Participant's needs, MEAG Power, when so requested by such Vogtle Units 3&4 Participant, may sell and transfer for any period of time such excess on the terms and conditions proposed by the selling Vogtle Units 3&4 Participant. Such excess must first be offered to the non-selling Vogtle Units 3&4 Participants in such Vogtle Units 3&4 Project on terms that may require, at the option of the selling party, such non-selling Vogtle Units 3&4 Participants to purchase the excess in its entirety. In the event that the non-selling Vogtle Units 3&4 Participants in such Vogtle Units 3&4 Project elect not to purchase the entire amount of such



excess, MEAG Power may dispose of such excess by sale to other utilities on the terms and conditions proposed by the selling Vogtle Units 3&4 Participant. If all or any portion of the excess is sold, the selling Vogtle Units 3&4 Participant's Obligation Share will not be reduced and the selling Vogtle Units 3&4 Participant will remain liable to MEAG Power to pay the full amount of its billing statement as if such sale had not been made; *provided, however*, that such liability will be discharged to the extent that MEAG Power receives payment for such excess output and services from the purchaser or purchasers thereof.

### **Additional Transactions**

MEAG Power may utilize its rights to output and services of each applicable Vogtle Units 3&4 Project Entity's Ownership Interest when the Vogtle Units 3&4 Participants in such applicable Vogtle Units 3&4 Project are entitled to output and services from the facilities, and may enter into transactions with others, in accordance with Prudent Utility Practice, when such transactions are reasonably expected to result in economic benefits to the applicable Vogtle Units 3&4 Participants. Such transactions include, but are not limited to, capacity sales and swaps, energy sales and swaps, financial swaps, hedges and risk management contracts and reliability exchanges with other utilities. Each Vogtle Units 3&4 Participant shall receive a credit of its Obligation Share of the proceeds of all such transactions relating to the Vogtle Units 3&4 Projects for which it is a participant, as applicable.

### **Amendment of the Vogtle Units 3&4 Power Sales Contracts**

The Vogtle Units 3&4 Power Sales Contracts may not be amended, modified or otherwise altered in any manner except as permitted by the applicable Vogtle Units 3&4 Power Sales Contract. Each Vogtle Units 3&4 Power Sales Contract provides that so long as any of the applicable Vogtle Units 3&4 Project's bonds or the applicable DOE Secured Obligations are outstanding or until adequate provisions for their payment have been made in accordance with the applicable bond resolution and the applicable Federal Loan Documents, as applicable, and no undisbursed commitments remain available under the applicable Federal Loan Documents, the applicable Vogtle Units 3&4 Power Sales Contracts will not be amended, modified or otherwise altered in any manner that would reduce the amount of, or extend the time of, payments pledged as security for the Debt Service on all applicable Vogtle Units 3&4 Project's bonds and as security for the applicable DOE Secured Obligations, extend the time of such payments or adversely impact the tax exempt status of such applicable bonds or adversely affect the rights of the owners of the such applicable bonds or the rights of the applicable DOE Secured Parties pursuant to the applicable Federal Loan Documents or, in the case of the Project J Power Sales Contracts and the Project P Power Sales Contracts, adversely affect the rights of JEA or PowerSouth, respectively.

## SUMMARY OF VOGTLE UNITS 3&amp;4 PROJECT AGREEMENTS

**General**

GPC, OPC, Dalton and the Vogtle Units 3&4 Project Entities (collectively, the “Co-Owners”) and MEAG Power are parties to: (1) a Vogtle Units 3&4 Development Agreement, (2) a Vogtle Units 3&4 Ownership Agreement, (3) a Vogtle Operating Agreement and (4) a Nuclear Managing Board Agreement (each defined herein and collectively referred to as the “Vogtle Units 3&4 Project Agreements”). Additionally, MEAG Power has also entered into a Guaranty Agreement with respect to each of the Vogtle Units 3&4 Project Entities in favor of GPC, OPC and Dalton (each, a “Vogtle Units 3&4 Guaranty” and collectively referred to as the “Vogtle Units 3&4 Guaranties”).

Capitalized terms not otherwise defined in this APPENDIX L or defined in the Annual Information Statement shall be as defined in the Vogtle Units 3&4 Project Agreements, as applicable.

**Vogtle Units 3&4 Development Agreement**

The Co-Owners and MEAG Power are parties to the Plant Vogtle Owners’ Agreement Authorizing Development, Construction, Licensing and Operation of Additional Generating Units, dated as of May 13, 2005, as amended (the “Vogtle Units 3&4 Development Agreement”). Pursuant to the Vogtle Units 3&4 Development Agreement, the Original Vogtle Units 3&4 Co-Owners authorized the development, construction, licensing and operation of up to two additional nuclear units at Generation Station Vogtle (“Vogtle Units 3&4”). The Original Vogtle Units 3&4 Co-Owners further agreed that those Original Vogtle Units 3&4 Co-Owners that elected to participate in the ownership of Vogtle Units 3&4 would have the right to use the existing Generation Station Vogtle land, common facilities and support services for that purpose, subject to the obligation of the participating Original Vogtle Units 3&4 Co-Owners to bear all of the costs associated with the construction and ownership of Vogtle Units 3&4. The Vogtle Units 3&4 Development Agreement provided each of the Original Vogtle Units 3&4 Co-Owners with the right, but not the obligation, to participate in the ownership of Vogtle Units 3&4 in an amount up to each Co-Owner’s existing *pro rata* interest in Generation Station Vogtle. Pursuant to the Vogtle Units 3&4 Development Agreement, GPC was designated as the agent of the Co-Owners and authorized to develop, license, engineer, contract, operate and maintain Vogtle Units 3&4 on behalf of the Co-Owners. As agent, GPC is authorized to apply for the issuance of licenses, permits, and other governmental approvals from the Nuclear Regulatory Commission (“NRC”) and the State of Georgia, as necessary for the development of Vogtle Units 3&4.

**Vogtle Units 3&4 Ownership Agreement**

**General.** The Co-Owners and MEAG Power are parties to a Plant Alvin W. Vogtle Additional Units Ownership Participation Agreement, dated as of April 21, 2006, as amended (the “Vogtle Units 3&4 Ownership Agreement”). The Vogtle Units 3&4 Ownership Agreement governs the ownership rights and responsibilities of the Co-Owners of Vogtle Units 3&4 and the authority and responsibilities of GPC, as agent for the Co-Owners.

**GPC’s Responsibilities as Agent.** Under the Vogtle Units 3&4 Ownership Agreement, the Co-Owners appointed GPC as agent, with sole authority and responsibility for, among other things, the planning, licensing, design, construction, acquisition, completion, startup, commissioning, renewal, addition, replacement, modification and decommissioning of Vogtle Units 3&4. As agent, GPC is required to discharge its responsibilities in a manner consistent with Prudent Utility Practice. Neither GPC, as agent, nor any Co-Owner may make an adverse distinction between Vogtle Units 3&4 or any other generating

unit in which GPC or such Co-Owner has an interest because of the co-ownership of Vogtle Units 3&4 with the other Co-Owners. As agent, GPC has the sole authority and responsibility to arrange for and acquire nuclear fuel for Generation Station Vogtle. However, each Co-Owner may make its own financial arrangements for the discharge of its fuel payment obligations so long as such arrangements do not adversely affect the rights of the other Co-Owners. GPC's liabilities with respect to its duties under the Vogtle Units 3&4 Ownership Agreements are limited by the terms thereof.

***Alienation and Assignment.*** Each Co-Owner owns its respective ownership interest in each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 (each such interest, an "Ownership Interest") as a tenant in common with the other Co-Owners and has the related rights and obligations (including payment therefor), and is entitled to the output of each such unit in proportion to its Ownership Interest. The Ownership Interests of the Co-Owners were determined pursuant to the Vogtle Units 3&4 Development Agreement described above under "– Vogtle Units 3&4 Development Agreement" herein. Each Co-Owner's Ownership Interest includes a fee simple interest in Vogtle Units 3&4 and the site inside the existing boundaries of Generation Station Vogtle where Vogtle Units 3&4 will be located, as well as easement rights to access the existing Generation Station Vogtle property and rights to use common facilities currently existing at Generation Station Vogtle.

Each Co-Owner may convey liens and security interests in its respective Ownership Interest to secure its indebtedness. OPC's Ownership Interest is subject to the lien of its indenture (the "OPC Indenture"). In conjunction with the closing of a DOE-guaranteed loan made to GPC, GPC granted a security interest in its Ownership Interest to DOE's collateral agent, in order to secure such DOE-guaranteed loan. In addition, in conjunction with its entry into its respective DOE Loan Guarantee Agreement, each Vogtle Units 3&4 Project Entity granted a security interest in its respective Ownership Interest to the DOE Collateral Agent, in order to secure its respective DOE Guaranteed Loan. Additionally, each Co-Owner has waived its right to (a) a partition or any accounting thereof related to Vogtle Units 3&4 and (b) any equitable lien rights.

With limited exceptions, the Co-Owners may not otherwise sell or transfer all or any portion of their interest in either or both of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 without first offering such interest to the other Co-Owners and MEAG Power *pro rata* in accordance with their respective Ownership Interests; *provided* that, any exercise of such right by MEAG Power shall be in lieu of the exercise of such right by the applicable Vogtle Units 3&4 Project Entity. This right of first refusal may be waived by a vote of Co-Owners holding an aggregate of 90 percent of the Ownership Interests. Such consent is not required, however, in certain circumstances, including sales or transfers (a) used to finance the discharge of nuclear fuel payment obligations; (b) to a governmental authority in connection with financing a pollution control facility or obtaining ad valorem tax abatement; (c) made to convey a security interest to secure bonds; or (d) to allow a Co-Owner to sell its Ownership Interest when it does not want to repair a damaged Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 but the remaining Co-Owners want such repair. Except in cases of transfers to secure indebtedness, any transferee of all or any portion of a Co-Owner's Ownership Interest shall be required to become a party to the Vogtle Units 3&4 Ownership Agreement and assume all the obligations of the transferor in proportion to such portion of the transferor's Ownership Interest.

In addition, as originally executed, the Vogtle Units 3&4 Ownership Agreement allowed the trustee under the OPC Indenture to dispose of OPC's Ownership Interest pursuant to a foreclosure action or power of sale, without complying with the right of first refusal, if OPC defaulted under the OPC Indenture and an agency or instrumentality of the United States government held debt that was secured by the OPC Indenture. In such event, the trustee under the OPC Indenture was required to allow the other Co-Owners to offer to purchase OPC's Ownership Interest prior to offering such interest to the public, but could reject any such offers. The trustee was required, however, to permit the other Co-Owners to participate in any auction or bid process related to the Ownership Interest. Furthermore, the Trustee was required to transfer OPC's

Ownership Interest to a party (i) that was financially responsible, taking into account the remaining obligations at the time of such transfer or sale under the Vogtle Units 3&4 Ownership Agreement, the Vogtle Operating Agreement and the Nuclear Managing Board Agreement and (ii) that became party to and assumed OPC's obligations under the Vogtle Units 3&4 Ownership Agreement, the Vogtle Operating Agreement and the Nuclear Managing Board Agreement. In conjunction with the closing of certain DOE-guaranteed loans made to GPC and OPC and in anticipation of the Vogtle Units 3&4 Project Entities obtaining their respective DOE Guaranteed Loans, this provision of the Vogtle Units 3&4 Ownership Agreement was amended to expand its applicability to the Ownership Interest of any Co-Owner that has obtained a DOE-guaranteed loan to finance construction of Vogtle Units 3&4 (or, in the case of any Vogtle Units 3&4 Project Entity, to the equity ownership interest in such Vogtle Units 3&4 Project Entity), on terms and conditions substantially similar to those described above, upon the occurrence of a default by such Co-Owner with respect to such DOE-guaranteed loan.

Also, in conjunction with the closing of certain DOE-guaranteed loans made to GPC and OPC and in anticipation of the Vogtle Units 3&4 Project Entities obtaining their respective DOE Guaranteed Loans as described in the preceding paragraph, an amendment to the Vogtle Units 3&4 Ownership Agreement was executed that provides that, subject to the satisfaction of certain conditions, each of GPC, OPC and Dalton, among other things, (1) consented to MEAG Power's conveyance of a portion of its Ownership Interest to each of the Vogtle Units 3&4 Project Entities and (2) waived its right of first refusal under the Vogtle Units 3&4 Ownership Agreement in respect of any such conveyance.

***Costs of Repairs and Reconstruction.*** If either of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 is damaged or destroyed, and the cost of repairing or rebuilding the unit (less any deductible) is estimated to be covered by insurance, then the unit will be repaired or rebuilt unless the Co-Owners decide, by a vote of the Co-Owners holding an aggregate of 90 percent of the Ownership Interests in such unit, not to repair or rebuild such unit (in which event the Co-Owners desiring to repair or rebuild the unit may buy out the Co-Owners who do not want to participate in the repair or reconstruction). Conversely, if the cost of repairing or rebuilding the unit (less any deductible) is not estimated to be covered by insurance, then the unit will not be repaired or rebuilt unless (1) the Co-Owners decide, by a vote of Co-Owners holding an aggregate of 90 percent of the Ownership Interests in such unit, to repair or rebuild such unit, or (2) one or more Co-Owners desiring to repair or rebuild the unit buys out any Co-Owners who do not want the unit repaired or rebuilt.

***Insurance.*** During the construction, reconstruction, completion, startup, commissioning, repair, renewal, modification, replacement, alteration or decommissioning of, or addition to the Vogtle Units 3&4 properties, GPC, as agent, must carry at all times, in the names of the Co-Owners and as their interests may appear, builder's risk (including transit risk, if applicable) or installation floater insurance of the "all risks" type, covering such hazards as GPC, as agent, deems appropriate and consistent with its customary practices and Prudent Utility Practice. The cost of such insurance is included as a Cost of Construction. In addition, each Co-Owner may maintain, at its sole cost and expense, such additional or other insurance policies as it deems necessary or advisable to protect its interests, *provided*, such additional insurance does not reduce or diminish the insurance coverage procured and maintained by GPC, as agent.

Additionally, GPC, as agent, must reasonably satisfy itself that all contractors, subcontractors, engineers, equipment suppliers and manufacturers associated with Vogtle Units 3&4 carry appropriate insurance, including insurance for worker's compensation, public liability, automobile liability and such other hazards as GPC deems appropriate. Such insurance must protect the Co-Owners to the same extent as it does GPC, as agent. Similarly, GPC, as agent, will require that all contracts with third parties relating to Vogtle Units 3&4 provide the same protection for the Co-Owners as they do for GPC, including indemnification obligations.

**Remedies for Non-Payment.** The Vogtle Units 3&4 Ownership Agreement provides that, should a Co-Owner fail to make any payment when due, then, among other things, such non-paying Co-Owner's rights under the Vogtle Units 3&4 Ownership Agreement, including rights to output, capacity and energy, would be suspended until all overdue amounts have been paid, together with annual interest at the Prime Rate plus five percentage points. Both before and after commercial operation, any non-defaulting Co-Owner or MEAG Power may, with notice to the other Co-Owners, pay amounts owed by the defaulting Co-Owner; *provided* that, any exercise of such right by MEAG Power shall be in lieu of the exercise of such right by the applicable Vogtle Units 3&4 Project Entity. Such paying Co-Owner, or MEAG Power, as the case may be, will have the right to be promptly reimbursed by the defaulting Co-Owner, together with interest as specified above, and, after commercial operation, will also be entitled to a corresponding portion of the defaulting Co-Owner's output of Vogtle Units 3&4 until it is reimbursed (such right to increased output of Vogtle Units 3&4 is conditioned upon the paying Co-Owner's or MEAG Power's, as the case may be, payment of the defaulting Co-Owner's *pro rata* share of operating costs and fuel costs associated with its increased entitlement to output). If the payment default is with respect to costs incurred prior to commercial operation and such default lasts for one year or longer (even if it is paid by another Co-Owner or MEAG Power on behalf of the defaulting Co-Owner), each Co-Owner and MEAG Power may elect, with notice to the other Co-Owners, either (1) to purchase all or a fraction of the defaulting Co-Owner's Ownership Interest in Vogtle Units 3&4 (in proportion to each Co-Owner's Ownership Interest), or (2) to invest additional funds in Vogtle Units 3&4 and adjust the Ownership Interests of the Co-Owners to reflect such amounts invested; *provided* that, any exercise of such right by MEAG Power shall be in lieu of the exercise of such right by the applicable Vogtle Units 3&4 Project Entity. A non-defaulting Co-Owner or MEAG Power, as the case may be, may also choose to lend funds to the defaulting Co-Owner at a reasonable rate of interest and may, at its option, receive an appropriate portion of the defaulting Co-Owner's output of Vogtle Units 3&4; *provided* that, any exercise of such right by MEAG Power shall be in lieu of the exercise of such right by the applicable Vogtle Units 3&4 Project Entity. Additionally, GPC, as agent, will be entitled to sell the defaulting Co-Owner's right to output from Vogtle Units 3&4 until all overdue amounts owed by the defaulting Co-Owner have been paid, together with interest at the Prime Rate plus five percentage points. The net proceeds from any such sale will be applied to reduce the liability of the defaulting Co-Owner and any excess net proceeds will be applied as credit against the defaulting Co-Owner's share of future costs under the Vogtle Units 3&4 Ownership Agreement. In the event a Co-Owner defaults on any payments owed in connection with financing its Ownership Interest in Vogtle Units 3&4, any other Co-Owner or MEAG Power, as the case may be, will have the option to pay such overdue amounts directly to the defaulting Co-Owner's lender and will be entitled to be reimbursed for any such payments by the defaulting Co-Owner, together with interest at the Prime Rate plus five percentage points. Under the Vogtle Units 3&4 Ownership Agreement, the Co-Owners have the rights (1) to sue any non-paying party to recover any amounts paid by such paying Co-Owner or to enforce the payment obligations of such party and recover any increased costs incurred as a result of the non-payment, (2) to set-off amounts owed, (3) to seek declaratory judgments and (4) to seek injunctive relief to enforce GPC's obligations, as agent, to provide information relating to Vogtle Units 3&4.

**Remedies for Other Breaches.** If GPC fails to perform its obligations as agent in a manner consistent with Prudent Utility Practice, the other Co-Owners may, as their sole remedy and subject to the approval of the NRC, remove GPC as agent. In addition, if GPC, as agent, makes an adverse distinction between Vogtle Units 3&4 and any other generating unit in which it has an interest because of its co-ownership of Vogtle Units 3&4 with the other Co-Owners, or takes any action by which it intends to put another Co-Owner at a disadvantage, the Co-Owners may pursue any remedy available to them in law or equity.

Moreover, except as limited by the Vogtle Units 3&4 Ownership Agreement, the Co-Owners may collectively or individually take any action, in law or equity, to enforce the Vogtle Units 3&4 Ownership Agreement and to recover for any loss or damage (including consequential damages), including attorneys'

fees and collection costs, incurred by reason of any breach of or default under the Vogtle Units 3&4 Ownership Agreement.

### **Vogtle Operating Agreement**

**General.** The Co-Owners and MEAG Power are parties to a Plant Alvin W. Vogtle Nuclear Units Amended and Restated Operating Agreement, dated as of April 21, 2006, as amended (the “Vogtle Operating Agreement”). The Vogtle Operating Agreement amends and restates the Plant Alvin W. Vogtle Nuclear Units Numbers One and Two Operating Agreement, entered into by the Original Vogtle Units 3&4 Co-Owners on August 27, 1976 (as amended, the “Original Operating Agreement”) which governed the two existing 1,150 MW maximum rated nuclear generating units known as Generation Station Vogtle Units 1 and 2 (the “Vogtle Units 1&2”). The Vogtle Operating Agreement amended the Original Operating Agreement so that it now governs the rights and responsibilities of the Co-Owners and MEAG Power, and the authority and responsibilities of GPC, as agent, with respect to the management, operation and maintenance of Vogtle Units 1&2 as well as Vogtle Units 3&4 following commercial operation. Vogtle Units 1&2 and Vogtle Units 3&4 are collectively referred to as the “Vogtle Units.”

**GPC’s Responsibilities as Agent.** Under the Vogtle Operating Agreement, OPC, MEAG Power, Dalton, and each Vogtle Units 3&4 Project Entity have appointed GPC as their agent, with sole authority and responsibility for management, control, operation and maintenance of the Vogtle Units, including procurement of nuclear fuel for the Vogtle Units. GPC, as agent, is required to discharge its responsibilities in accordance with Prudent Utility Practice. None of GPC, as agent, any Co-Owner or MEAG Power may make an adverse distinction between the Vogtle Units or any other generating unit in which GPC, such Co-Owner or MEAG Power has an interest because of the co-ownership of the Vogtle Units with the other Co-Owners and MEAG Power, as applicable.

**MEAG Power’s and the Vogtle Units 3&4 Project Entities’ Entitlement to Output.** With respect to availability of output, (1) MEAG Power is entitled to a percentage of the net capacity and net energy output of Vogtle Units 1&2 and (2) each Vogtle Units 3&4 Project Entity is entitled to a percentage of the net capacity and net energy output of Vogtle Units 3&4, each in proportion to its respective Ownership Interest in such unit. GPC has sole authority for the scheduling and dispatching of generation from each Vogtle Unit and shall schedule and dispatch such generation on a continuous economic dispatch basis, to the extent each such Vogtle Unit is capable of such dispatch. In addition to receiving such proportionate share of the output at the operating level established based upon the economic dispatch of a Vogtle Unit during any Fuel Period, any party may request to receive energy from such Vogtle Unit up to its proportionate share of the output of such Vogtle Unit at its maximum practicable capability, *provided*, (i) such party agrees to be responsible for any additional costs, expenses, liabilities and damages resulting therefrom; (ii) such increased operation will not adversely affect the capability of such Vogtle Unit then or in the future; (iii) such party will not interfere with other parties’ output; and (iv) the parties unanimously agree (such agreement not to be unreasonably withheld) to increase generation.

**Responsibility for Operating Costs and Fuel Costs.** Except as otherwise provided, each party is responsible for a percentage of Operating Costs and Fuel Costs of each Vogtle Unit in proportion to its Ownership Interest. With respect to each Vogtle Unit, Operating Costs include all costs and expenses (other than Fuel Costs) incurred by GPC, as agent, which are properly and reasonably allocable to such Vogtle Unit, and for which the Agent has not otherwise been reimbursed by the other parties, and which costs and expenses are properly recordable in accordance with the Operating Expense Instructions (as defined in the Uniform System of Accounts (as defined in the Vogtle Operating Agreement)) and in appropriate accounts set forth in the Uniform System of Accounts. GPC is required to furnish monthly invoices based on Operating Costs anticipated to be incurred in succeeding months. In subsequent invoices, GPC will provide an accounting to the Co-Owners and MEAG Power of Operating Costs actually incurred, and credits and deficits for preceding months will be reflected in such invoices. The Co-Owners and MEAG Power have

explicitly agreed to share all items of cost, obligation and liability incurred in connection with each Vogtle Unit (other than the financing of each Co-Owner's or MEAG Power's respective Ownership Interest) and not otherwise expressly provided for, in proportion to their respective Ownership Interests in such Vogtle Unit or as otherwise provided pursuant to the Vogtle Operating Agreement.

***Remedies.*** GPC's liability as agent under the Vogtle Operating Agreement is limited by the terms thereof. Remedies against any of the Co-Owners or MEAG Power for failure to make any payments when due under the Vogtle Operating Agreement include the option to withhold the defaulting party's proportionate share of the capacity, and interest at the Prime Rate plus five percentage points will be added to such defaulting party's overdue amount. GPC will be entitled to sell the defaulting party's right to output until all overdue amounts, including interest, have been paid. The net proceeds from any such sale will not relieve the defaulting party from liability (including consequential damages) but will be applied to reduce such defaulting party's liability, and any excess net proceeds will be applied as a credit against the defaulting party's share of future Operating Costs.

***Sell-Back Arrangements with GPC.*** See "SUMMARY OF PROJECT AGREEMENTS – Summary of Operating Agreements" in APPENDIX E for a description of certain provisions of the Vogtle Operating Agreement that relate to MEAG Power's sell-back arrangement with GPC with respect to MEAG Power's Project One interest and Project Four interest in Vogtle Units 1&2.

### **Nuclear Managing Board Agreement**

The Original Vogtle Units 3&4 Co-Owners entered into a Nuclear Managing Board Agreement, dated as of November 12, 1990 (the "Nuclear Managing Board Agreement"), which established a nuclear managing board to coordinate the implementation and administration of various agreements relating to Generation Station Hatch and Generation Station Vogtle. Subsequently, the Original Vogtle Units 3&4 Co-Owners entered into an Amended and Restated Nuclear Managing Board Agreement, dated as of July 1, 1993, which authorized GPC to enter into a Nuclear Operating Agreement for Generation Station Hatch and Generation Station Vogtle with Southern Nuclear Operating Company, Inc. ("Southern Nuclear"), an affiliate of GPC. This amended agreement established Southern Nuclear as the Operating Agent. On April 21, 2006, the Original Vogtle Units 3&4 Co-Owners entered into a Second Amended and Restated Nuclear Managing Board Agreement for Generation Station Hatch and Generation Station Vogtle for the purpose of providing that Southern Nuclear will also serve as the Operating Agent with respect to the proposed expansion at Generation Station Vogtle involving the construction of Vogtle Units 3&4. The Second Amended and Restated Nuclear Managing Board Agreement was further amended by Amendment No. 1 thereto, dated as of April 8, 2008 to clarify the identity of Dalton as a party to the Second Amended and Restated Nuclear Managing Board Agreement. The Second Amended and Restated Nuclear Managing Board Agreement was further amended by Amendment No. 2 thereto, dated as of February 20, 2014 to, among other things, (1) permit MEAG Power to assign to the Vogtle Units 3&4 Project Entities, and permit the Vogtle Units 3&4 Project Entities to assume, MEAG Power's rights and obligations under the Second Amended and Restated Nuclear Managing Board Agreement and (2) provide for a guaranty given by MEAG Power in favor of GPC, OPC and Dalton of the respective obligations of each Vogtle Units 3&4 Project Entity under the Second Amended and Restated Nuclear Managing Board Agreement.

### **Vogtle Units 3&4 Guaranties**

In connection with the amendments to the Vogtle Units 3&4 Project Agreements necessary or desirable to accommodate the DOE Guaranteed Loans, MEAG Power entered into a Guaranty Agreement, dated as of June 24, 2015, with respect to each of the Vogtle Units 3&4 Project Entities in favor of GPC, OPC and Dalton, guaranteeing the respective obligations of each Vogtle Units 3&4 Project Entity under each of the Vogtle Units 3&4 Project Agreements.

## SUMMARY OF VOGTLE UNITS 3&4 BOND RESOLUTIONS

The following is a general summary of certain provisions of (i) the Plant Vogtle Additional Units Non-PPA Bond Resolution adopted by the Municipal Electric Authority of Georgia (“MEAG Power”) on October 16, 2008, as supplemented, amended and restated (the “Project M Bond Resolution”) pursuant to which the Plant Vogtle Units 3&4 Project M Bonds (the “Project M Bonds”) are issued, (ii) the Plant Vogtle Additional Units PPA Bond Resolution adopted by MEAG Power on October 16, 2008, as supplemented, amended and restated (the “Project J Bond Resolution”) pursuant to which the Plant Vogtle Units 3&4 Project J Bonds (the “Project J Bonds”) are issued, and (iii) the Plant Vogtle Additional Units PPA-2 Bond Resolution adopted by MEAG Power on October 16, 2008, as supplemented, amended and restated (the “Project P Bond Resolution” and, together with the Project M Bond Resolution and the Project J Bond Resolution, the “Vogtle Units 3&4 Bond Resolutions” and each individually, a “Vogtle Units 3&4 Bond Resolution”) pursuant to which the Plant Vogtle Units 3&4 Project P Bonds (the “Project P Bonds,” and, together with the Project M Bonds and the Project J Bonds, the “Bonds”) are issued. Summaries of certain definitions are set forth at the end of this APPENDIX M.

Capitalized terms not otherwise defined in this APPENDIX M or defined in the Annual Information Statement shall be as defined in the Vogtle Units 3&4 Bond Resolutions.

### Application of Revenues

Revenues under each Vogtle Units 3&4 Bond Resolution are pledged to the payment of principal and Redemption Price of and interest on the applicable Bonds of all Series and, on a parity basis, the applicable Federal Loan Debt Service Payments, subject to the provisions of each Vogtle Units 3&4 Bond Resolution permitting application for other purposes. For the application of Revenues, each Vogtle Units 3&4 Bond Resolution establishes a Revenue Fund, a Debt Service Fund, a Subordinated Bond Fund and a Reserve and Contingency Fund. Under each Vogtle Units 3&4 Bond Resolution, the Debt Service Fund and the Subordinated Bond Fund are held by the Trustee. Under the Project M Bond Resolution and the Project P Bond Resolution, the Revenue Fund and the Reserve and Contingency Fund are held by MEAG Power. Under the Project J Bond Resolution, the Reserve and Contingency Fund is held by MEAG Power and the Revenue Fund is held by the Trustee during the term of the Initial Power Purchase Agreement (the “Initial Term”) and by MEAG Power following the Initial Term. Notwithstanding the foregoing or any other provision of the applicable Vogtle Units 3&4 Bond Resolution, amounts on deposit in the Debt Service Reserve Account in the Debt Service Fund are not pledged to secure, and shall not be applied to the payment of, the principal or Redemption Price of and interest on any applicable Bond Anticipation Notes, the principal or redemption price of and interest on any applicable Parity Obligations or the applicable Federal Loan Debt Service Payments, and, additionally, with respect to the Project J Bond Resolution and the Project P Bond Resolution, the principal or Redemption Price of any interest on any Project J Take-Out Bonds or Project P BANs, as applicable.

The Trustee and MEAG Power may deposit moneys in such Funds in banks or trust companies (“Depositaries”). All moneys held under each Vogtle Units 3&4 Bond Resolution by the Trustee or any Depositary must be either (1) (a) continuously and fully insured by the Federal Deposit Insurance Corporation, or (b) continuously and fully secured by lodging with the Trustee as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable laws and regulations; *provided, however*, that it is not necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys held in trust with them and set aside by them for the payment of the principal or Redemption Price of or interest on any applicable Bonds, or for the Trustee or any Depositary to give



security for any moneys which are represented by Investment Securities purchased as an investment of such moneys.

All Revenues received under each Vogtle Units 3&4 Bond Resolution will be deposited promptly in the applicable Revenue Fund.

The Project M Bond Resolution provides that amounts in the Revenue Fund will be paid out from time to time for application therefrom as follows:

1. Amounts in the Revenue Fund shall be paid out from time to time for reasonable and necessary Operating Expenses. In the case of that portion of the Operating Expenses payable in each month that constitutes "Seller's O&M Costs" under (and as defined in) the Project M Power Purchase Agreement, MEAG Power shall, on or prior to the last business day of such month, transfer to the Project M DOE Revenue Account the amount budgeted for such Seller's O&M Costs for the next succeeding month and, in the case of that portion of the Operating Expenses payable in each month that constitutes "Purchaser's O&M Costs" under (and as defined in) the Project M Power Purchase Agreement, MEAG Power shall, on or prior to the last business day of such month, pay or cause to be paid such Operating Expenses.

2. No later than the last business day of each month, amounts shall be withdrawn from the Revenue Fund for application in the following order of priority the respective amounts set forth below; *provided, however*, that if the amounts in the Revenue Fund will not be sufficient to make all transfers required to be made pursuant to any of the following paragraphs, then such amounts in the Revenue Fund will be applied ratably, in proportion to the amount specified for each such transfer in such clause:

(1) On a parity basis, (i) for transfer to the Trustee for credit to the Debt Service Account, the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service plus, to the extent not theretofore deposited therein as Debt Service, the amount coming due in such month on Project M Parity Obligations (other than Project M Parity Reimbursement Obligations); *provided, however*, that, for the purposes of computing the amount on deposit in said Account, there shall be excluded the amount, if any, set aside in said Account from the proceeds of Project M Bonds, Project M Subordinated Bonds or other evidences of indebtedness less that amount of such proceeds to be applied in accordance with the Project M Bond Resolution to interest accrued and unpaid and to accrue on Project M Bonds to the last day of the then current calendar month; and (ii) for transfer to the Project M DOE Revenue Account, for further transfer to the Project M DOE Debt Service Payment Account, the amount, if any, in respect of the principal of, and interest and prepayment premiums, if any, on, and any other amounts due with respect to, the Project M DOE Guaranteed Loan required to be so transferred during such month pursuant to the Project M DOE Loan Guarantee Agreement and the Project M DOE Accounts Agreement;

(2) On a parity basis, (i) subject to the second and third provisos below, for transfer to the Trustee for credit to the Debt Service Reserve Account, the amount, if any, required so that the balance in said Account shall equal the Debt Service Reserve Requirement including, without limitation, any amount required to reimburse the issuer of a Financial Guaranty in order to reinstate the maximum limits of such Financial Guaranty (see "Debt Service Fund—Debt Service Reserve Account" herein for a discussion of the ability to deposit a Financial Guaranty in the Debt Service Reserve Account); *provided, however*, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Project M Bonds and Project M Parity Obligations in

accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund; and *provided, further*, that any deficiency in such Account attributable to a withdrawal of amounts therefrom to pay the principal or sinking fund Redemption Price of or interest on the Project M Bonds shall be cured by depositing into such Account each month during the next succeeding six months an amount equal to one-sixth (1/6th) of the amount of the withdrawal; and *provided, further*, any other deficiency in such Account shall be cured by depositing into such Account each month during the next succeeding twelve months an amount equal to one-twelfth (1/12th) of the amount of the deficiency, except that, if a new valuation of Investment Securities held in such Account is made pursuant to the Project M Bond Resolution during the period that such deposits are required, then the obligation of MEAG Power to make deposits during the balance of such period on the basis of the preceding valuation shall be discharged and the deposits, if any, required to be made for the balance of such period shall be determined on the basis of the new valuation; and (ii) for transfer to the Project M DOE Revenue Account, for further transfer to the Project M DOE Debt Service Reserve Account, the amount, if any, required so that the amount on deposit in or credited to the Project M DOE Debt Service Reserve Account shall equal the Project M DOE Debt Service Reserve Requirement;

(3) For transfer to the Trustee for credit to the Subordinated Bond Fund, such amounts as shall be required to pay (i) principal or sinking fund installments of and interest on each issue of the Project M Subordinated Bonds coming due in such month and reserves therefor, as required by the Supplemental Resolution authorizing such issue of Project M Subordinated Bonds and (ii) amounts coming due in such month on Project M Subordinated Obligations; and

(4) On a parity basis, (i) for transfer to the Trustee for credit to the Reserve and Contingency Fund, an amount equal to MEAG Power's Portion of the Monthly Reserve and Contingency Deposit; and (ii) for transfer to the Project M DOE Revenue Account, for further transfer to the Project M DOE Reserve & Contingency Account, an amount equal to the Project M Entity's Portion of the Monthly Reserve and Contingency Deposit; *provided, however*, that no such deposits shall be required to be made until the month following the month in which the commercial operation date of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation occurs.

The Project M Bond Resolution further provides that during any period during which the Accrued Aggregate Debt Service shall be calculated in the manner provided in the final proviso of the definition thereof, no later than each interest payment date for any Build America Bonds then Outstanding (a) on or prior to the commercial operation date of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the "Second Commercial Operation Date"), the Trustee will withdraw from the Construction Fund and transfer to the Debt Service Account in the Debt Service Fund and (b) after the Second Commercial Operation Date, MEAG Power will withdraw from the Revenue Fund and transfer to the Trustee, for deposit to the Debt Service Account, in either such case, an amount equal to the amount of the cash subsidy payment payable to MEAG Power by the United States Treasury in respect of the interest payable on such Build America Bonds on such interest payment date.

The Project J Bond Resolution provides that amounts in the Revenue Fund will be paid out from time to time for application therefrom as follows:

1. Amounts in the Revenue Fund shall be paid out from time to time by the Trustee, at the direction of an Authorized Officer of MEAG Power, or by MEAG Power, as applicable, for reasonable and necessary Operating Expenses. In the case of that portion of the Operating Expenses payable in each month that constitutes "Seller's O&M Costs" under (and as defined in) the Project J Power Purchase Agreement, the Trustee, at the direction of an Authorized Officer of MEAG Power, or MEAG Power, as applicable, shall, on or prior to the last business day of such month, transfer to the Project J DOE Revenue Account the amount budgeted for such Seller's O&M Costs for the next succeeding month and, in the case of that portion of the Operating Expenses payable in each month that constitutes "Purchaser's O&M Costs" under (and as defined in) the Project J Power Purchase Agreement, the Trustee, at the direction of an Authorized Officer of MEAG Power, or MEAG Power, as applicable, shall, on or prior to the last business day of such month, pay or cause to be paid such Operating Expenses; *provided, however*, that from and after the Initial Power Purchaser Arrearages Fund Establishment Date, amounts in respect of Operating Expenses that, but for a default by the Initial Power Purchaser in the making of any payment under the Initial Power Purchase Agreement when due, would have been payable from amounts paid by the Initial Power Purchaser under the Initial Power Purchase Agreement, shall not be paid from the Revenue Fund unless and until (a) the entire balance of the Initial Power Purchaser Resale Revenues on deposit in the Initial Power Purchaser Resale Revenue Account in the Initial Power Purchaser Arrearages Fund has been applied pursuant to the Project J Bond Resolution and (b) the entire balance of the Initial Power Purchaser Arrearages Payments on deposit in the Initial Power Purchaser Arrearages Payment Account in the Initial Power Purchaser Arrearages Fund has been applied pursuant to the Project J Bond Resolution.

2. No later than the last business day of each month, the Trustee or MEAG Power, as applicable, shall withdraw from the amounts in the Revenue Fund for application in the following order of priority the respective amounts set forth below; *provided, however*, that if the amounts in the Revenue Fund shall not be sufficient to make all of the transfers required to be made pursuant to any of the following clauses, then such amounts in the Revenue Fund shall be applied ratably, in proportion to the amount specified for each such transfer in such clause:

(1) On a parity basis, (i) for transfer to the Debt Service Account (or, as applicable, for transfer to the Trustee for credit to the Debt Service Account), the amount, if any, required so that the balance in said Account shall equal the Accrued Aggregate Debt Service plus, to the extent not theretofore deposited therein as Debt Service, the amount coming due in such month on Project J Parity Obligations (other than Project J Parity Reimbursement Obligations); *provided, however*, that, for the purposes of computing the amount on deposit in said Account, there shall be excluded the amount, if any, set aside in said Account from the proceeds of Project J Bonds, Subordinated Bonds or other evidences of indebtedness less that amount of such proceeds to be applied in accordance with the Project J Bond Resolution to interest accrued and unpaid and to accrue on Project J Bonds to the last day of the then current calendar month; and *provided, further*, that notwithstanding any other provision of the Project J Bond Resolution, (a) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, the amount to be so transferred to the Debt Service Account shall not include (I) the principal or Redemption Price of, or interest on, any Project J Bonds and (II) the amounts due on any Project J Parity Obligations, in either such case, that is (or are) due and unpaid as a result of a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (b) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, the amount to be so transferred to the Debt Service Account shall not include (I) the principal or Redemption

Price of, or interest on, any Project J Bonds and (II) the amounts due on any Project J Parity Obligations, in either such case, that is (or are) due and unpaid as a result of a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract; and (ii) for transfer to the Project J DOE Revenue Account, for further transfer to the Project J DOE Debt Service Payment Account, the amount, if any, in respect of the principal of, and interest and prepayment premiums, if any, on, and any other amounts due with respect to, the Project J DOE Guaranteed Loan required to be so transferred during such month pursuant to the Project J DOE Loan Guarantee Agreement and the Project J DOE Accounts Agreement; *provided, however*, that notwithstanding any other provision of the Project J Bond Resolution, (a) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, the amount to be so transferred to the Project J DOE Debt Service Payment Account shall not include the principal of, and interest and prepayment premiums, if any, on, and any other amounts due with respect to, the Project J DOE Guaranteed Loan that is (or are) due and unpaid as a result of a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (b) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, the amount to be so transferred to the Project J DOE Debt Service Payment Account shall not include the principal of, and interest and prepayment premiums, if any, on, and any other amounts due with respect to, the Project J DOE Guaranteed Loan that is (or are) due and unpaid as a result of a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract;

(2) On a parity basis, (i) subject to the second, third and fourth provisos below, for transfer to the Trustee for credit to the Debt Service Reserve Account, the amount, if any, required so that the balance in said Account shall equal the Debt Service Reserve Requirement including, without limitation, any amount required to reimburse the issuer of a Financial Guaranty in order to reinstate the maximum limits of such Financial Guaranty (see "Debt Service Fund—Debt Service Reserve Account" herein for a discussion of the ability to deposit a Financial Guaranty in the Debt Service Reserve Account); *provided, however*, that so long as there shall be held in the Debt Service Fund an amount sufficient to pay in full all Outstanding Project J Bonds and Project J Parity Obligations in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund; and *provided, further*, that any deficiency in such Account attributable to a withdrawal of amounts therefrom to pay the principal or sinking fund Redemption Price of or interest on the Project J Bonds shall be cured by depositing into such Account each month during the next succeeding six months an amount equal to one-sixth (1/6th) of the amount of the withdrawal; and *provided, further*, except as provided in the following proviso, any other deficiency in such Account shall be cured by depositing into such Account each month during the next succeeding twelve months an amount equal to one-twelfth (1/12th) of the amount of the deficiency, except that, if a new valuation of Investment Securities held in such Account is made pursuant to the Project J Bond Resolution during the period that such deposits are required, then the obligation of MEAG Power to make deposits during the balance of such period on the basis of the preceding valuation shall be discharged and the deposits, if any, required to be made for the balance of such period shall be determined on the basis of the new valuation; and *provided, further*, that (x) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, no such deposit shall be required in respect of any withdrawal from such Account made as a result

of a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (y) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, no such deposit shall be required from payments made to MEAG Power by the Initial Power Purchaser pursuant to the Initial Power Purchase Agreement in respect of any withdrawal from such Account made as a result of a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract; and (ii) for the transfer to the Project J DOE Revenue Account, for further transfer to the Project J DOE Debt Service Reserve Account, the amount, if any, required so that the amount on deposit in or credited to the Project J DOE Debt Service Reserve Account shall equal the Project J DOE Debt Service Reserve Requirement;

(3) For transfer to the Trustee for credit to the Subordinated Bond Fund, such amounts as shall be required to pay (i) principal or sinking fund installments of and interest on each issue of the Project J Subordinated Bonds coming due in such month and reserves therefor, as required by the Supplemental Resolution authorizing such issue of Subordinated Bonds and (ii) amounts coming due in such month on Project J Subordinated Obligations; *provided, however*, that notwithstanding any other provision of the Project J Bond Resolution, (a) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, the amount to be so transferred to the Subordinated Bond Fund shall not include (I) the principal or sinking fund installments of and interest on any Project J Subordinated Bonds, and reserves therefor, and (II) the amounts due on any Project J Subordinated Obligations, in either such case, that is (or are) due and unpaid as a result of a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (b) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, the amount to be so transferred to the Subordinated Bond Fund shall not include (I) the principal or sinking fund installments of and interest on any Project J Subordinated Bonds, and reserves therefor, and (II) the amounts due on any Project J Subordinated Obligations, in either such case, that is (or are) due and unpaid as a result of a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract; and

(4) On a parity basis, (i) for transfer to the Trustee for credit to the Reserve and Contingency Fund, an amount equal MEAG Power's Portion of the Monthly Reserve and Contingency Deposit; and (ii) for transfer to the Project J DOE Revenue Account, for further transfer to the Project J DOE Reserve & Contingency Account, an amount equal to the Project J Entity's Portion of the Monthly Reserve and Contingency Deposit; *provided, however*, that no such deposits shall be required to be made until the month following the month in which the commercial operation date of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation occurs.

The Project J Bond Resolution further provides that during any period during which the Accrued Aggregate Debt Service shall be calculated in the manner provided in the final proviso of the definition thereof, no later than each interest payment date for any Build America Bonds then Outstanding (a) on or prior to the commercial operation date of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the "Second Commercial Operation Date"), the Trustee shall withdraw from the Construction Fund and transfer to the Debt Service Account in

the Debt Service Fund and (b) after the Second Commercial Operation Date, the Trustee shall withdraw from the Revenue Fund or MEAG Power will withdraw from the Revenue Fund and transfer to the Trustee, as applicable, in any such case, for deposit to the Debt Service Account in the Debt Service Fund, an amount equal to the amount of the cash subsidy payment payable to MEAG Power by the United States Treasury in respect of the interest payable on such Build America Bonds on such interest payment date.

The provisions relating to the use of funds in the Revenue Fund under the Project P Bond Resolution are substantially similar to the foregoing provisions relating to the use of funds in the Revenue Fund under the Project J Bond Resolution except that (a) provisions relating to the Project J Take-Out Bonds in the Project J Bond Resolution apply to the Project P BANs in the Project P Bond Resolution and (b) insofar as the Revenue Fund under the Project P Bond Resolution is held by MEAG Power at all times, MEAG Power has the exclusive authority to withdraw funds from such Revenue Fund.

### **Transfers from Revenue Fund**

With respect to Project M, so long as the amount of Working Capital (as defined below) in the Revenue Fund is equal to or greater than the Working Capital Requirement (as defined below), amounts in the Revenue Fund not required for the purposes set forth under “Application of Revenues” above shall, upon determination of MEAG Power, be applied to or set aside for any one or more of the following: (a) the purchase or redemption of any Project M Bonds, Subordinated Bonds and/or Parity Obligations, on the one hand, and the prepayment of the Project M DOE Guaranteed Loan, on the other hand, and expenses in connection therewith or any reserves which MEAG Power determines shall be required for such purposes, on a parity basis in proportion to the respective principal amounts then outstanding; (b) payments into the Construction Fund for application to the purposes of such Fund; (c) improvements, extensions, betterments, renewals and replacements of any properties of the Project M Entity’s Ownership Interest; (d) to reduce the cost of Project M’s power and energy to the Project M Participants; (e) to fund such reserves for Project M as MEAG Power shall determine are necessary or appropriate; *provided, however*, that the aggregate amount of such reserves shall be held in funds or accounts established under the Project M Bond Resolution, on the one hand, and in accounts established under the Project M DOE Accounts Agreement, on the other hand, in proportion to the respective principal amounts of the Project M Bonds, Subordinated Bonds and Parity Obligations and the Project M DOE Guaranteed Loan then outstanding, respectively and (f) any other lawful purpose of MEAG Power related to Project M, including, without limitation, to the extent permitted by applicable law, the withdrawal of amounts from the Revenue Fund for the purpose of pledging or assigning such amounts to or on behalf of any person or persons in order to secure MEAG Power’s obligations under any contract or agreement entered into by MEAG Power in connection with Project M, subject to the consent of DOE or the DOE Collateral Agent; *provided, however*, that (i) any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the Project M Entity’s Ownership Interest deposited in the Revenue Fund pursuant to the provisions of the Project M Bond Resolution shall be used only for the purposes specified in clauses (a) and (b) above; (ii) any such amounts shall be used only for the purposes specified in clauses (b), (c), (d), (e) and (f) above unless the Board, in its sole discretion, determines that such amounts shall be transferred (A) to the Trustee for deposit to the Bond Retirement Account in the Debt Service Fund and (B) to the DOE Collateral Agent for application to the prepayment of the Project M DOE Guaranteed Loan and such determination is approved by the Project M Participants whose total Obligation Shares (as defined in the Project M Power Sales Contracts) exceed 66 2/3 percent, in which case, (X) MEAG Power’s Portion of such amounts shall be transferred to the Trustee for deposit to said Bond Retirement Account and (Y) the Project M Entity’s Portion of such amounts shall be transferred to the DOE Collateral Agent and applied to the prepayment of the Project M DOE Guaranteed Loan in accordance with the provisions of the Project M DOE Loan Guarantee Agreement; and (iii) subject to the provisions of the Project M Bond Resolution, amounts deposited in the Revenue Fund and required by the Project M Bond Resolution to be applied to the purchase or redemption of Project M Bonds and/or the prepayment of the Project M DOE Guaranteed Loan shall be applied to such purpose(s).

Application of amounts in the Revenue and Operating Fund shall include, without limitation, payment to an issuer of a Financial Guaranty of interest on amounts advanced under such Financial Guaranty.

With respect to Project J, so long as the amount of Working Capital in the Revenue Fund is equal to or greater than the Working Capital Requirement, amounts in the Revenue Fund not required for the purposes set forth above shall, upon determination of MEAG Power, be applied to or set aside for any one or more of the following: (a) the purchase or redemption of any Project J Bonds, Subordinated Bonds and/or Parity Obligations, on the one hand, and the prepayment of the Project J DOE Guaranteed Loan, on the other hand, and expenses in connection therewith or any reserves which MEAG Power determines shall be required for such purposes, on a parity basis in proportion to the respective principal amounts then outstanding; (b) payments into the Construction Fund for application to the purposes of such Fund; (c) improvements, extensions, betterments, renewals and replacements of any properties of the Project J Entity's Ownership Interest; (d) to reduce the cost of Project J's power and energy to the Project J Power Purchasers under the Project J Power Contracts; (e) to fund such reserves for Project J as MEAG Power shall determine are necessary or appropriate; *provided, however*, that the aggregate amount of such reserves shall be held in funds or accounts established under the Project J Bond Resolution, on the one hand, and in accounts established under the Project J DOE Accounts Agreement, on the other hand, in proportion to the respective principal amounts of the Project J Bonds, Subordinated Bonds and Parity Obligations and the Project J DOE Guaranteed Loan then outstanding, respectively; and (f) any other lawful purpose of MEAG Power related to Project J, including, without limitation, to the extent permitted by applicable law, the withdrawal of amounts from the Revenue Fund for the purpose of pledging or assigning such amounts to or on behalf of any person or persons in order to secure MEAG Power's obligations under any contract or agreement entered into by MEAG Power in connection with Project J, subject to the consent of DOE or the DOE Collateral Agent; *provided, however*, that (i) any proceeds of any insurance paid on account of the damage or destruction of any useful portion of the Project J Entity's Ownership Interest deposited in the Revenue Fund pursuant to the provisions of the Project J Bond Resolution shall be used only for the purposes specified in clauses (a) and (b) above; (ii) prior to the end of the term of the Initial Power Purchase Agreement, any such amounts applied or set aside pursuant to the Project J Bond Resolution shall be used only for the purposes specified in clauses (b), (c), (d), (e) and (f) above; (iii) commencing with the first full calendar year following the end of the term of the Initial Power Purchase Agreement, any such amounts shall be used only for the purposes specified in clauses (b), (c), (d), (e) and (f) above unless the Board, in its sole discretion, determines that such amounts shall be transferred (A) to the Trustee for deposit to the Bond Retirement Account in the Debt Service Fund and (B) to the DOE Collateral Agent for application to the prepayment of the Project J DOE Guaranteed Loan and such determination is approved by Project J Participants whose total Obligation Shares (as defined in the Project J Power Sales Contracts) exceed 66 2/3 percent, in which case, (X) MEAG Power's Portion of such amounts shall be transferred to the Trustee for deposit to said Bond Retirement Account and (Y) the Project J Entity's Portion of such amounts shall be transferred to the DOE Collateral Agent and applied to the prepayment of the Project J DOE Guaranteed Loan in accordance with the provisions of the Project J DOE Loan Guarantee Agreement; and (iv) subject to the provisions of the Project J Bond Resolution, amounts deposited in the Revenue Fund and required by the Project J Bond Resolution to be applied to the purchase or redemption of Project J Bonds and/or prepayment of the Project J DOE Guaranteed Loan shall be applied to such purpose(s). Application of amounts in the Revenue Fund shall include, without limitation, payment to an issuer of a Financial Guaranty of interest on amounts advanced under such Financial Guaranty.

The Revenue Fund transfer provisions with respect to Project P under the Project P Bond Resolution are substantially similar to the foregoing Revenue Fund transfer provisions of MEAG Power with respect to Project J under the Project J Bond Resolution.

Each Vogtle Units 3&4 Bond Resolution provides that upon any purchase or redemption of Bonds of any Series, maturity and interest rate for which Sinking Fund Installments shall have been established (other than any such purchase or redemption funded from amounts accumulated in the Debt Service

Account as provided for in each Vogtle Units 3&4 Bond Resolution), there shall be credited toward such Sinking Fund Installment or Sinking Fund Installments thereafter to become due as MEAG Power shall select in its sole discretion the total principal amount of such Bonds so purchased or redeemed. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

The Project M Bond Resolution requires MEAG Power to maintain working capital for Project M ("Working Capital") in an aggregate amount equal to or greater than the Working Capital Requirement, which Working Capital shall be held by MEAG Power in the form of either (a) amounts on deposit in the Revenue Fund and all accounts and subaccounts established therein or (b) current assets of Project M (other than the amounts on deposit in (1) the Revenue Fund, (2) the Debt Service Fund, (3) the Subordinated Bond Fund, (4) the Reserve and Contingency Fund and (5) the Construction Fund, and all accounts and subaccounts established in the aforementioned funds) in excess of the current liabilities of Project M (other than current liabilities payable from amounts on deposit in the Funds specified in clauses (2) through (5) above and all accounts and subaccounts established therein), or any combination of (a) or (b). As used in the Project M Bond Resolution, the term "Working Capital Requirement" means the sum of such dollar amounts as MEAG Power shall establish with respect to the Project M Portion of each of the Additional Units, which amounts shall be established initially on or prior to the commercial operation date of each unit and may be changed from time to time in the sole discretion of MEAG Power.

The Project J Bond Resolution requires MEAG Power to maintain working capital for Project J ("Working Capital") in an aggregate amount equal to or greater than the Working Capital Requirement, which Working Capital shall be held by MEAG Power in the form of either (a) amounts on deposit in the Revenue Fund and all accounts and subaccounts established therein or (b) current assets of Project J (other than the amounts on deposit in (1) the Revenue Fund, (2) the Debt Service Fund, (3) the Subordinated Bond Fund, (4) the Reserve and Contingency Fund, (5) the Construction Fund, (6) the Initial Power Purchaser Arrearages Fund and (7) the Project J Participant Arrearages Fund, and all accounts and subaccounts established in the aforementioned funds) in excess of the current liabilities of Project J (other than current liabilities payable from amounts on deposit in the Funds specified in clauses (2) through (7) above and all accounts and subaccounts established therein) or any combination of (a) or (b). As used in the Project J Bond Resolution, the term "Working Capital Requirement" means the sum of such dollar amounts as MEAG Power shall establish with respect to the Project J Portion of each of the Additional Units, which amounts shall be established initially on or prior to the commercial operation date of each unit and may be changed from time to time in the sole discretion of MEAG Power.

The Working Capital provisions with respect to Project P under the Project P Bond Resolution are substantially similar to the foregoing Working Capital provisions with respect to Project J under the Project J Bond Resolution.

### **Construction Fund**

The Project M Bond Resolution establishes a Construction Fund, held by the Trustee, into which are paid (i) amounts required by the provisions of the Project M Bond Resolution and any Supplemental Resolution, (ii) all revenues, income, rents and receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation, and (iii) at the option of MEAG Power, any moneys received for or in connection with Project M by MEAG Power from any other source, unless required to be otherwise applied as provided in the Project M Bond Resolution. In addition, proceeds of insurance for physical loss or damage to the Project M Entity's Ownership Interest, or of contractors' performance bonds or liquidated damages payable by any contractor with respect thereto, pertaining to the period of construction thereof and received by MEAG Power, will be paid into the Construction Fund, unless required to be applied



otherwise pursuant to the provisions of any Vogtle Units 3&4 Project Agreement or the Project M Power Purchase Agreement.

The Trustee pays to MEAG Power, upon its requisitions therefor, from the Construction Fund amounts in payment of the Costs of Acquisition and Construction of the Project M Entity's Ownership Interest or the Financing Costs of Project M, as applicable, or the costs of the production of Pre-Commercial Generation, as applicable, upon determination of an Authorized Officer of MEAG Power that an obligation in the amount to be paid from the Construction Fund has been incurred and that each item thereof is a proper and reasonable charge against the Construction Fund and has not been previously paid.

The Trustee will, during construction of the Additional Units, pay from the Construction Fund to MEAG Power, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than \$10,000,000 or such larger amount as an Authorized Officer of MEAG Power certifies to the Trustee as necessary to allow for the expeditious payment of the Costs of Acquisition and Construction and the Financing Costs of Project M, such sums to be used by MEAG Power as a revolving fund for the purpose of paying the Costs of Acquisition and Construction of the Project M Entity's Ownership Interest and the Financing Costs of Project M. So long as the amount in such revolving fund is less than \$10,000,000 (or such larger amount as shall be certified as aforesaid), such revolving fund will be reimbursed by the Trustee from time to time for such costs so paid, by payments from the Construction Fund upon requisitions signed by an Authorized Officer of MEAG Power to the effect that an obligation in the amount to be paid from the Construction Fund has been incurred and that each item thereof is a proper and reasonable charge against the Construction Fund and has not been previously paid.

The Trustee will, prior to the Second Commercial Operation Date, pay from the Construction Fund to MEAG Power, upon its requisitions therefor, at one time or from time to time, a sum or sums aggregating not more than \$10,000,000 or such larger amount as an Authorized Officer of MEAG Power certifies to the Trustee as necessary to allow for the expeditious payment of the costs of the production of Pre-Commercial Generation, such sums to be used by MEAG Power as a revolving fund for the purpose of paying such costs. So long as the amount in such revolving fund is less than \$10,000,000 (or such larger amount as shall be certified as aforesaid), such revolving fund will be reimbursed by the Trustee from time to time for such costs so paid, by payments from the Construction Fund upon requisitions signed by an Authorized Officer of MEAG Power to the effect that each amount paid from such revolving fund was necessary for the payment of an item of the costs of the production of Pre-Commercial Generation.

To the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on the Project M Bonds and Project M Parity Obligations when due. Amounts credited to the Construction Fund which MEAG Power, at any time, determines to be in excess of the amounts required for the purposes thereof shall be transferred to the Debt Service Reserve Account in the Project M Debt Service Fund, if and to the extent necessary to make the amount therein equal to the Debt Service Reserve Requirement, and any balance of such excess shall, at the request of MEAG Power, be transferred to the Bond Retirement Account in said Debt Service Fund or, if so determined by an Authorized Officer of MEAG Power, be paid to MEAG Power for credit to the Project M Revenue Fund; *provided, however*, that the amount of any such credit to such Project M Revenue Fund shall not constitute Revenues for any purpose of the Project M Bond Resolution.

The Construction Fund provisions with respect to Project J under the Project J Bond Resolution and with respect to Project P under the Project P Bond Resolution, as applicable, are substantially similar to the foregoing Construction Fund provisions with respect to Project M under the Project M Bond Resolution.

## **Debt Service Fund—Debt Service Account**

Each Vogtle Units 3&4 Bond Resolution provides that the Trustee shall pay out of the Debt Service Account in the Debt Service Fund to the respective Paying Agents (i) the amount required for the interest payable on each interest payment date; (ii) the amount required for each Principal Installment payable on the due date therefor; and (iii) the amount required for the payment of interest on the applicable Bonds then to be redeemed. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of applicable Bonds purchased for retirement and, at the direction of an Authorized Officer of MEAG Power, on or before the due date thereof, amounts due in respect of any applicable Parity Obligation.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment may and, if so directed by MEAG Power, shall be applied by the Trustee, on or prior to the 40th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of applicable Bonds of the Series and maturity and interest rate within each maturity for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. All such purchases shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date Bonds of the Series and maturity and interest rate within each maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds, and such amount shall be applied by such Paying Agents to such redemption (or payment). Under the Project M Bond Resolution and the Project P Bond Resolution, all expenses in connection with the purchase or redemption of Bonds shall be paid by MEAG Power from the Revenue Fund. Under the Project J Bond Resolution, all expenses in connection with the purchase or redemption of Bonds shall be paid by the Trustee, at the direction of an Authorized Officer of MEAG Power, or by MEAG Power, as applicable, from the Revenue Fund.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds in accordance with certificates (as such certificates have been modified or amended in accordance with the terms of the applicable Vogtle Units 3&4 Bond Resolution) of Authorized Officers of MEAG Power delivered to the Trustee pursuant to the Bond Resolution.

In the event of the refunding or defeasance of any Bonds, the Trustee shall, upon the direction of an Authorized Officer of MEAG Power, withdraw from the Debt Service Account in the Debt Service Fund all or any portion of the amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the applicable Bonds being refunded or defeased; *provided, however*, that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded or defeased shall be deemed to have been paid pursuant to the defeasance provisions of the Bond Resolution, and (b) the amount remaining in the Debt Service Account in the Debt Service Fund, after giving effect to the issuance of any obligations being issued to refund any Bonds being refunded and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to the applicable Vogtle Units 3&4 Bond Resolution. In the event of such refunding or defeasance, an Authorized Officer of MEAG Power may direct the Trustee to withdraw from the Debt Service Account in the Debt Service Fund all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the applicable Vogtle Units 3&4 Bond Resolution; *provided, however*, that such withdrawal shall not be made unless items (a) and (b) referred to above have been satisfied.

## **Debt Service Fund—Debt Service Reserve Account**

Each Vogtle Units 3&4 Bond Resolution provides that if, on any day on which the principal or sinking fund Redemption Price of or interest on applicable Bonds other than Bond Anticipation Notes (and, in the case of the Project J Bond Resolution and the Project P Bond Resolution, the Project J Take-Out Bonds and the Project P BANs, respectively) shall be due, the amount on deposit in the Debt Service Account shall be less than the amount required therein pursuant to the applicable Vogtle Units 3&4 Bond Resolution, the Trustee shall apply amounts from the Debt Service Reserve Account to correct the deficiency; *provided, however*, that the amounts so applied shall not be applied to the payment of the principal or sinking fund Redemption Price of or interest on any Bond Anticipation Notes (and, in the case of the Project J Bond Resolution and the Project P Bond Resolution, the Project J Take-Out Bonds and the Project P BANs, respectively). If a Financial Guaranty has been deposited in the Debt Service Reserve Account, amounts deposited therein not required to correct the deficiency shall be applied, first, to reimburse the issuer of the Financial Guaranty for any unreimbursed drawings thereunder and then to fund the Debt Service Reserve Account to satisfy the Debt Service Reserve Requirement.

If, on the last day of any calendar year the balance of moneys and securities on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement, after giving effect to any Financial Guaranty that may be credited to such Account, such excess shall be transferred to the Revenue Fund.

Whenever the amounts in the Debt Service Reserve Account and the Debt Service Account are together sufficient to pay in full all applicable Outstanding Bonds and applicable Parity Obligations in accordance with their terms, the funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account. Additionally, so long as there is an amount sufficient to pay in full all applicable Outstanding Bonds and applicable Parity Obligations in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Reserve Account.

In the event of the refunding or defeasance of any Bonds other than Bond Anticipation Notes (and, in the case of the Project J Bond Resolution and the Project P Bond Resolution, the Project J Take-Out Bonds and the Project P BANs, respectively), the Trustee shall, upon the direction of an Authorized Officer of MEAG Power, withdraw from the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded or defeased; *provided, however*, that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded or defeased shall be deemed to have been paid, and (b) the amount remaining in the Debt Service Reserve Account, after giving effect to any Financial Guaranty that may be credited thereto, and after giving effect to the issuance of any obligations being issued to refund such Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement. In the event of such refunding or defeasance, MEAG Power may also direct the Trustee to withdraw from the Debt Service Reserve Account all or any portion of the amounts accumulated therein and deposit such amounts in any Fund or Account under the applicable Vogtle Units 3&4 Bond Resolution; *provided, however*, that such withdrawal shall not be made unless items (a) and (b) referred to above have been satisfied.

The Project M Bond Resolution provides that in lieu of depositing moneys in the Debt Service Reserve Account, or in substitution for moneys previously deposited in the Debt Service Reserve Account, MEAG Power may provide the Trustee with a Financial Guaranty for deposit into the Debt Service Reserve Account. Any such Financial Guaranty shall, together with the moneys and Investment Securities, if any, held in the Debt Service Reserve Account, be in an amount equal to the Debt Service Reserve Requirement and shall be payable or available to be drawn upon, as the case may be (upon the giving of notice of at least one business day pursuant to a demand for payment by the Trustee as required thereunder), on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Account pursuant to the

provisions of the Project M Bond Resolution. Any such Financial Guaranty shall have a term not less than the final maturity date of any Series of Project M Bonds then Outstanding under the terms of the Project M Bond Resolution or shall provide that it may be drawn upon if, prior to the termination thereof, a substitute Financial Guaranty is not delivered to the Trustee pursuant to the Project M Bond Resolution. Following a drawing under a Financial Guaranty, MEAG Power shall be obligated to reimburse the issuer of such Financial Guaranty in order to reinstate the maximum limits of such Financial Guaranty, such reimbursement to be made from amounts to be deposited in the Debt Service Reserve Account from the Revenue Fund.

The financial strength of the issuer of any Financial Guaranty shall be rated on the date of deposit of such Financial Guaranty in the Debt Service Reserve Account not lower than two of the following three rating levels: (i) "Aa2" by Moody's Investors Service, Inc., (ii) "AA" by Standard & Poor's, and (iii) "AA" by Fitch Ratings. In the event that the rating of the financial strength of the issuer of any Financial Guaranty shall be reduced below the rating levels set forth in the preceding sentence by two of the three Rating Agencies, MEAG Power shall, within five years of the date of such reduction, replace the Financial Guaranty with either cash or a substitute Financial Guaranty from an issuer with a financial strength rating of: (i) "A2" by Moody's Investors Service, Inc., (ii) "A" by Standard & Poor's, and (iii) "A" by Fitch Ratings. In the event that the rating of the financial strength of the issuer of a Financial Guaranty shall be reduced below two of the three ratings levels set forth in the preceding sentence, MEAG Power shall, within one year of the date of such reduction, replace the Financial Guaranty with either cash or a substitute Financial Guaranty satisfying the criteria set forth in the preceding sentence. Any such substitute Financial Guaranty shall be issued by an issuer whose financial strength is rated in the highest rating category which can be obtained by MEAG Power, using MEAG Power's best efforts, at commercially reasonable rates (but in no event less than the ratings described in clauses (i), (ii) and (iii) of the first sentence of this paragraph.)

Prior to providing the Trustee with a Financial Guaranty for deposit into the Debt Service Reserve Account, there shall be filed with MEAG Power an opinion of tax counsel to MEAG Power to the effect that such deposit will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Outstanding Project M Bonds the interest on which, at the time of the original issuance of such Project M Bonds, was so excluded.

In connection with furnishing a Financial Guaranty to the Trustee, MEAG Power shall also furnish to the Trustee (i) an opinion of counsel to the issuer of such Financial Guaranty, satisfactory to the Trustee, to the effect that such Financial Guaranty is a valid and binding obligation of the issuer thereof, enforceable in accordance with its terms, subject to usual bankruptcy exceptions, and (ii) a certificate of an Authorized Officer of MEAG Power to the effect that there has not occurred any Bondholders' Event of Default or any event which, with the giving of notice or the passage of time or both, would constitute a Bondholders' Event of Default. Upon receipt of such Financial Guaranty and the other items required by the Project M Bond Resolution, the Trustee shall, to the extent that amounts held in the Debt Service Reserve Account, taking into account any Financial Guaranty on deposit in the Debt Service Reserve Account, are in excess of the Debt Service Reserve Requirement, transfer such moneys (or any investments held therein) to or upon the order of MEAG Power, as MEAG Power shall direct in writing.

The Trustee shall maintain adequate records, verified with the issuer of any Financial Guaranty, as to: the amounts available to be drawn under such Financial Guaranty at any given time, the amounts drawn by the Trustee thereunder and the amounts paid by the Trustee to such issuer with respect to any such drawings; *provided, however*, the Trustee shall not be responsible for maintaining records of any other amounts paid and owing by MEAG Power to the issuer of any such Financial Guaranty with respect to any reimbursement agreement between such parties except for drawings under such Financial Guaranty. In the event that (i) cash and (ii) a Financial Guaranty are on deposit in the Debt Service Reserve Account, the Trustee shall first use such cash to make any required deposit to the Debt Service Account prior to drawing on such Financial Guaranty.

In the event more than one Financial Guaranty is on deposit in the Debt Service Reserve Account, any drawings thereunder and payments made in the reinstatement thereof shall be on a *pro rata* basis.

Notwithstanding anything in the Project M Bond Resolution to the contrary, there shall be no optional redemption of Project M Bonds other than Project M Bond Anticipation Notes by MEAG Power unless all amounts owed to the issuer of any Financial Guaranty have been paid in full.

For purposes of determining the amount on deposit in the Debt Service Reserve Account, the amount available to be drawn under any Financial Guaranty shall be deemed to be on deposit therein.

The provisions relating to the deposit of a Financial Guaranty under each of the Project J Bond Resolution and Project P Bond Resolution, respectively, are substantially similar to the foregoing provisions relating to the deposit of a Financial Guaranty under the Project M Bond Resolution.

Additionally, both the Project J Bond Resolution and the Project P Bond Resolution provide that notwithstanding anything in the applicable resolution to the contrary, there shall be no optional redemption of Bonds other than Bond Anticipation Notes and Project J Take-Out Bonds or Project P BANs, as applicable, by MEAG Power unless all amounts owed to the issuer of any Financial Guaranty have been paid in full.

### **Subordinated Bond Fund**

The Project M Bond Resolution provides that the Trustee shall apply amounts in the Subordinated Bond Fund to the payment of (i) the principal or sinking fund installments of and interest on each issue of Project M Subordinated Bonds and reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the applicable Supplemental Resolution authorizing each issue of such Subordinated Bonds and (ii) Project M Subordinated Obligations.

Notwithstanding the foregoing, if at any time either (a) the amount in the Debt Service Account in the Debt Service Fund shall be less than the amount required to be in such Account pursuant to the Project M Bond Resolution, or the amount in the Debt Service Reserve Account in the Debt Service Fund shall be less than the Debt Service Reserve Requirement, and there shall not be on deposit in the Revenue Fund or the Reserve and Contingency Fund available moneys sufficient to cure either such deficiency or (b) the amount in the Project M DOE Debt Service Payment Account shall be less than the requirement of such Account pursuant to the Project M DOE Accounts Agreement, or the amount in the Project M DOE Debt Service Reserve Account shall be less than the Project M DOE Debt Service Reserve Requirement, and there shall not be on deposit in the Project M Revenue Fund or the Project M DOE Reserve & Contingency Account available moneys sufficient to cure either such deficiency, then the Trustee shall withdraw from the Project M Subordinated Bond Fund and (x) deposit in the Project M Debt Service Account and/or the Project M Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency or deficiencies therein and (y) transfer to the Project M DOE Debt Service Payment Account and/or the Project M DOE Debt Service Reserve Account, as the case may be, the amount necessary to make up such deficiency or deficiencies therein; *provided, however*, that if the amount in the Project M Subordinated Bond Fund shall be less than the amount necessary to make up the deficiencies with respect to the Project M Debt Service Account, the Project M Debt Service Reserve Account, the Project M DOE Debt Service Payment Account and the Project M DOE Debt Service Reserve Account, then the amount in the Project M Subordinated Bond Fund shall be applied first to make up the deficiencies in the Project M Debt Service Account and the Project M DOE Debt Service Payment Account, ratably, in proportion to the amount of each such deficiency, and any balance remaining shall be applied to make up the deficiencies with respect to the Project M Debt Service Reserve Account and the Project M DOE Debt Service Reserve Account, ratably, in proportion to the amount of each such deficiency.

The provisions relating to the Subordinated Bond Fund under each of the Project J Bond Resolution and the Project P Bond Resolution, respectively, are substantially similar to the foregoing provisions relating to the Subordinated Bond Fund under the Project M Bond Resolution.

### **Reserve and Contingency Fund**

Amounts in the Project M Reserve and Contingency Fund are to be applied to (a) the costs of (i) any major renewals, replacements, repairs, additions, betterments and improvements with respect to the Project M Entity's Ownership Interest necessary, in the opinion of an Authorized Officer of MEAG Power, to keep the same in good operating condition or to prevent a loss of revenues therefrom, and (ii) any major additions, improvements, repairs and modifications with respect to the Project M Entity's Ownership Interest and any disposals of the Project M Entity's Ownership Interest required by any governmental authority having jurisdiction over the Project M Entity's Ownership Interest or any part thereof, or for which the Project M Entity shall be responsible by virtue of any obligation of the Project M Entity arising out of any contract to which the Project M Entity may be a party relating to ownership of the Project M Entity's Ownership Interest or any part thereof and (b) the payment of operation and maintenance costs, and contingencies, including payments with respect to the prevention or correction of any unusual loss or damage in connection with Project M or to prevent a loss of revenues therefrom, all to the extent not provided for in the then current Project M Annual Budget or by reserves held under the Project M Bond Resolution and the Project M DOE Accounts Agreement (other than the Project M DOE Reserve & Contingency Account, except to the extent provided in the following proviso) or from the proceeds of the Project M Bonds, Subordinated Bonds or other evidences of indebtedness of MEAG Power or the proceeds of Advances under the Project M DOE Guaranteed Loan; *provided, however*, that all such costs and payments shall be funded from amounts on deposit in both the Project M Reserve and Contingency Fund and the Project M DOE Reserve & Contingency Account, ratably in proportion to the respective amounts on deposit therein.

If and to the extent provided in a Supplemental Resolution authorizing Project M Bonds of a Series, amounts from the proceeds of such Project M Bonds may be deposited in the Project M Reserve and Contingency Fund and set aside therein for any purpose of such Fund.

No payments shall be made from the Project M Reserve and Contingency Fund if and to the extent that the proceeds of insurance or other moneys recoverable as the result of damage, if any, are available at the time required to pay such cost.

The Reserve and Contingency Fund provisions under the Project J Bond Resolution and Project P Bond Resolution, respectively, are substantially similar to the foregoing provisions relating to the Reserve and Contingency Fund under the Project M Bond Resolution. The differences between the Reserve and Contingency Fund provisions in the Project M Bond Resolution as compared to the applicable provisions in the Project J Bond Resolution and the Project P Bond Resolution are noted below.

The Project M Bond Resolution provides that, if at any time the amounts in the Project M Debt Service Account or in the Project M Debt Service Reserve Account are less than the amounts required by the Project M Bond Resolution, then MEAG Power, upon requisition by the Trustee, will transfer from the Project M Reserve and Contingency Fund to the Trustee the amount necessary (or all the moneys in the Project M Reserve and Contingency Fund if less than the amount necessary) to make up such deficiency (or, if the amount in the Project M Reserve and Contingency Fund shall be less than the amount necessary to make up the deficiencies, then the amount in the Project M Reserve and Contingency Fund shall be applied first to make up the deficiency in the Project M Debt Service Account, and any balance remaining shall be applied to make up the deficiency with respect to the Project M Debt Service Reserve Account). No transfers will be made as described in this paragraph in any calendar month until all amounts required to be transferred as described in the first paragraph under this heading "Reserve and Contingency Fund" in

such calendar month have been so transferred, except to the extent that any such transfer is necessary in order to avoid a default in the payment of the principal or Redemption Price of, or interest on, the Project M Bonds or the principal of, or interest or prepayment premiums, if any, on, or other amounts due with respect to, the Project M DOE Guaranteed Loan when due.

If on the last day of any calendar year the amount in the Project M Reserve and Contingency Fund exceeds MEAG Power's Project M Reserve and Contingency Requirement, all or a portion of the amount of such excess shall be transferred to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, in the Project M Debt Service Fund, if and to the extent such amount is required to make up any deficiency in either such Account, and the balance, if any, of such excess shall be transferred to the Project M Revenue Fund.

The Project J Bond Resolution provides that, if at any time the amounts in the Project J Debt Service Account or in the Project J Debt Service Reserve Account are less than the amounts required by the Project J Bond Resolution, then MEAG Power, upon requisition by the Trustee, will transfer from the Project J Reserve and Contingency Fund to the Trustee the amount necessary (or all the moneys in the Project J Reserve and Contingency Fund if less than the amount necessary) to make up such deficiency (or, if the amount in the Project J Reserve and Contingency Fund shall be less than the amount necessary to make up the deficiencies, then the amount in the Project J Reserve and Contingency Fund shall be applied first to make up the deficiency in the Project J Debt Service Account, and any balance remaining shall be applied to make up the deficiency with respect to the Project J Debt Service Reserve Account); *provided, however*, that (x) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, amounts deposited to the Project J Reserve and Contingency Fund from payments made to MEAG Power by the Project J Participants pursuant to the Project J Bond Resolution shall not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (y) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, amounts deposited to the Project J Reserve and Contingency Fund from payments made to MEAG Power by the Initial Power Purchaser pursuant to the Project J Bond Resolution shall not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract. No transfers will be made as described in this paragraph in any calendar month until all amounts required to be transferred as described in the first paragraph under this heading "Reserve and Contingency Fund" in such calendar month have been so transferred, except to the extent that any such transfer is necessary in order to avoid a default in the payment of the principal or Redemption Price of, or interest on, the Project J Bonds or the principal of, or interest or prepayment premiums, if any, on, or other amounts due with respect to, the Project J DOE Guaranteed Loan when due.

If on the last day of any calendar year the amount in the Project J Reserve and Contingency Fund exceeds MEAG Power's Project J Reserve and Contingency Requirement, all or a portion of the amount of such excess shall be transferred to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, in the Project J Debt Service Fund, if and to the extent such amount is required to make up any deficiency in either such Account; *provided, however*, that (x) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, amounts deposited to the Project J Reserve and Contingency Fund from payments made to MEAG Power by the Project J Participants pursuant to the Project J Bond Resolution shall not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (y) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser

Debt Service Payment Obligation Scheduled End Date, amounts deposited to the Project J Reserve and Contingency Fund from payments made to MEAG Power by the Initial Power Purchaser pursuant to the Project J Bond Resolution shall not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract; and the balance, if any, of such excess shall be transferred to the Project J Revenue Fund (or, as applicable, transferred to MEAG Power for deposit to the Project J Revenue Fund).

The Reserve and Contingency Fund provisions under the Project P Bond Resolution are substantially similar to the foregoing Reserve and Contingency Fund provisions under the Project J Bond Resolution.

### **Initial Power Purchaser Arrearages Funds**

The Project J Bond Resolution and the Project P Bond Resolution provide for the establishment, under certain conditions, of a Project J initial Power Purchaser Arrearages Fund and a Project P initial Power Purchaser Arrearages Fund, respectively. The following describes the Initial Power Purchaser Arrearages Fund provisions as set forth in the Project J Bond Resolution. The Project P Bond Resolution contains substantially similar provisions.

#### ***General***

By not later than the Initial Power Purchaser Arrearages Fund Establishment Date, there shall be established an Initial Power Purchaser Arrearages Fund, to be held by the Trustee, which shall consist of (a) an Initial Power Purchaser Resale Revenue Account, into which all Initial Power Purchaser Resale Revenues shall be deposited and (b) an Initial Power Purchaser Arrearages Payment Account, into which all Initial Power Purchaser Arrearages Payments shall be deposited. Amounts on deposit in the Initial Power Purchaser Resale Revenue Account in the Initial Power Purchaser Arrearages Fund shall be applied as provided in the Project J Bond Resolution, and amounts on deposit in the Initial Power Purchaser Arrearages Payment Account in the Initial Power Purchaser Arrearages Fund shall be applied as provided in the Project J Bond Resolution.

Notwithstanding any other provision of the Project J Bond Resolution, if, following the Initial Power Purchaser Arrearages Fund Establishment Date, (i) service to the Initial Power Purchaser under the Initial Power Purchase Agreement shall not have been permanently discontinued and (ii) the Initial Power Purchaser shall have cured all previous failures to pay in full when due any payment under the Initial Power Purchase Agreement in respect of Project J's annual costs (including amounts necessary (a) to replenish all amounts on deposit in the Debt Service Reserve Account in the Project J Debt Service Fund, the Project J Subordinated Bond Fund or the Project J Reserve and Contingency Fund that, as a result of such failure, were applied to cure a deficiency in the Debt Service Account in said Project J Debt Service Fund or in the Project J DOE Debt Service Payment Account pursuant to the Project J Bond Resolution, (b) to pay the principal or Redemption Price of, or interest on, any Project J Bond that, as a result of such failure, was due and unpaid, (c) to replenish all amounts on deposit in the Project J DOE Debt Service Reserve Account or the Project J DOE Reserve & Contingency Account that, as a result of such failure, were applied to cure a deficiency in the Project J DOE Debt Service Payment Account, and (d) to pay the principal of, or interest or prepayment premiums, if any, on, or any other amounts due with respect to, the Project J DOE Guaranteed Loan that, as a result of such failure, were due and unpaid), then no further deposits to the Project J Initial Power Purchaser Arrearages Payment Account shall be required until such time thereafter (if any) as the Initial Power Purchaser shall again fail to pay in full when due any payment under the Initial Power Purchase Agreement in respect of Project J's annual costs.



### ***Application of Funds in Initial Power Purchaser Arrearages Fund***

During the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, (a) all Initial Power Purchaser Resale Revenues shall be deposited to the Initial Power Purchaser Resale Revenue Account in the Initial Power Purchaser Arrearages Fund and (b) all Initial Power Purchaser Arrearages Payments shall be deposited to the Initial Power Purchaser Arrearages Payment Account in the Initial Power Purchaser Arrearages Fund. On the Initial Power Purchaser Arrearages Fund Establishment Date, all amounts in the Revenue Fund will be transferred to the Initial Power Purchaser Arrearages Payment Account in the Initial Power Purchaser Arrearages Fund.

Unless otherwise required pursuant to the Project J Bond Resolution following the occurrence of a Bondholders' Event of Default or a Federal Loan Event of Default, amounts on deposit Initial Power Purchaser Resale Revenue Account shall be applied as specified in this paragraph and the Project J DOE Accounts Agreement. No later than the last business day of each month, the Trustee shall transfer amounts on deposit in the Initial Power Purchaser Resale Revenue Account as follows and in the following order of priority (in each case, to the extent of available funds on deposit therein): (a) in the case of that portion of the Operating Expenses payable in such month that constitutes "Seller's O&M Costs" under (and as defined in) the Project J Power Purchase Agreement, the Trustee shall transfer to the Project J DOE Revenue Account an amount equal to such Seller's O&M Costs and, on a parity basis, in the case of that portion of the Operating Expenses payable in such month that constitutes "Purchaser's O&M Costs" under (and as defined in) the Project J Power Purchase Agreement, the Trustee shall pay or cause to be paid such Operating Expenses; (b) the Trustee shall transfer to the Project J DOE Debt Service Payment Account the amount required to be deposited into such Account during such month (or during any previous month to the extent such deposits were not made) in accordance with the Project J DOE Accounts Agreement; (c) the Trustee shall transfer to the Debt Service Account in the Project J Debt Service Fund the amount required to be deposited into such Account during such month pursuant to the Project J Bond Resolution; and (d) the Trustee shall transfer any amount remaining in the Initial Power Purchaser Resale Revenue Account either (i) to the appropriate Project J DOE Project Account or (ii) to the appropriate Fund or Account under the Project J Bond Resolution (or to MEAG Power for deposit in such Fund or Account, if applicable), in each such case, in the respective amounts and in the order of priority set forth in the Project J DOE Accounts Agreement.

Unless otherwise required pursuant to the Project J Bond Resolution following the occurrence of a Bondholders' Event of Default or a Federal Loan Event of Default, amounts on deposit in the Initial Power Purchaser Arrearages Payment Account shall be applied as specified in this paragraph and the Project J DOE Accounts Agreement. No later than the last business day of each month, the Trustee shall transfer amounts on deposit in the Initial Power Purchaser Arrearages Payment Account as follows and in the following order of priority (in each case, to the extent of available funds on deposit therein): (a) in the case of that portion of the Operating Expenses payable in such month that constitutes "Seller's O&M Costs" under the Project J Power Purchase Agreement, the Trustee shall transfer to the Project J DOE Revenue Account an amount equal to such Seller's O&M Costs and, on a parity basis, in the case of that portion of the Operating Expenses payable in such month that constitutes "Purchaser's O&M Costs" under the Project J Power Purchase Agreement, the Trustee shall pay or cause to be paid such Operating Expenses, in each such case, after giving effect to the transfers made during such month pursuant to clause (a) of the second sentence of the preceding paragraph; (b) the Trustee shall transfer to the Project J DOE Debt Service Payment Account the amount required to be deposited into such Account during such month (or during any previous month to the extent such deposits were not made) in accordance with the Project J DOE Accounts Agreement and, on a parity basis, (i) pay the principal or Redemption Price of, and interest on, any Project J Bonds that is due and unpaid as a result of a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (ii) transfer to the Debt Service Account in the Project J Debt Service Fund the amount required to be deposited into such Account during such month

pursuant to the Project J Bond Resolution, in each such case, after giving effect to the transfers made during such month pursuant to clauses (b) and (c) of the second sentence of the preceding paragraph; and (c) the Trustee shall transfer any amount remaining in the Initial Power Purchaser Arrearages Payment Account either (i) to the appropriate Project J DOE Project Account or (ii) to the appropriate Fund or Account under the Project J Bond Resolution (or to MEAG Power for deposit in such Fund or Account, if applicable), in each such case, in the respective amounts and in the order of priority set forth in the Project J DOE Accounts Agreement, after giving effect to the transfer made during such month pursuant to clause (d) of the second sentence of the preceding paragraph.

On the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, the Initial Power Purchaser Arrearages Fund shall be terminated, and any amount remaining on deposit in either account therein shall be transferred by the Trustee to the Revenue Fund (or, as applicable, transferred by the Trustee to MEAG Power, for deposit to the Revenue Fund).

### **Participant Arrearages Funds**

The Project J Bond Resolution and the Project P Bond Resolution provide for the establishment, under certain conditions, of a Project J Participant Arrearages Fund and a Project P Participant Arrearages Fund, respectively. The following describes the Project J Participant Arrearages Fund provisions as set forth in the Project J Bond Resolution. The Project P Bond Resolution contains substantially similar provisions.

#### ***General***

On the first date (if any) on or after the Project J Participants' Debt Service Commencement Date on which any of (a) amounts on deposit in the Debt Service Reserve Account in the Project J Debt Service Fund, the Project J Subordinated Bond Fund or the Project J Reserve and Contingency Fund shall be applied to cure a deficiency in the Debt Service Account in said Project J Debt Service Fund or in the Project J DOE Debt Service Payment Account pursuant to the Project J Bond Resolution, (b) the principal or Redemption Price of, or interest on, any Project J Bond shall be due and unpaid, (c) amounts on deposit in the Project J DOE Debt Service Reserve Account or the Project J DOE Reserve & Contingency Account shall be applied to cure a deficiency in the Project J DOE Debt Service Payment Account, (d) the principal of, or interest or prepayment premiums, if any, on, or any other amounts due with respect to, the Project J DOE Guaranteed Loan shall be due and unpaid or (e) there shall not be on deposit in the Project J Revenue Fund amounts sufficient to make the transfers provided for in the Project J Bond Resolution at the time required thereby shall have occurred as a result of a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract (or on such earlier date as an Authorized Officer of MEAG Power shall determine), there shall be established a Project J Participant Arrearages Fund, to be held by the Trustee, into which all Project J Participant Arrearages Payments and all Project J Participant Resale Revenues shall be deposited and from which, among other things, (1) amounts owed by MEAG Power to the Project J Entity under the Project J Power Purchase Agreement in respect of Debt Service (as defined in the Project J Power Purchase Agreement) and (2) unpaid principal or Redemption Price of, or interest on, the Project J Bonds shall be paid, as more fully provided in the Project J Bond Resolution.

#### ***Application of Funds in Project J Participant Arrearages Fund***

During the period from and including the date (if any) on which the Project J Participant Arrearages Fund shall be established as provided in the Project J Bond Resolution to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, all Project J Participant Arrearages Payments and all Project J Participant Resale Revenues shall be deposited to the Project J Participant Arrearages Fund.

Unless otherwise required pursuant to the Project J Bond Resolution following the occurrence of a Bondholders' Event of Default or a Federal Loan Event of Default, amounts on deposit in the Project J Participant Arrearages Fund shall be applied by the Trustee as follows and in the following order:

(a) such amount as an Authorized Officer of MEAG Power shall advise the Trustee in writing is necessary for the payment of reasonable and necessary Operating Expenses that are due and have not been paid with amounts on deposit in the Project J Revenue Fund shall be transferred to MEAG Power and applied to the payment of such Operating Expenses, *pro rata* with amounts on deposit in (i) the Initial Power Purchaser Resale Revenue Account in the Initial Power Purchaser Arrearages Fund and transferred to MEAG Power pursuant to the Project J Bond Resolution and (ii) the Initial Power Purchaser Arrearages Payment Account in the Project J Initial Power Purchaser Arrearages Fund and transferred to MEAG Power pursuant to Project J Bond Resolution, in proportion to the amounts on deposit in the Project J Participant Arrearages Fund, on the one hand, and the Project J Initial Power Purchaser Resale Revenue Account and the Project J Initial Power Purchaser Arrearages Payment Account, on the other hand;

(b) to the payment of the principal or Redemption Price of, and interest on, any Project J Bonds, the principal and interest components of any Project J Parity Obligations and the principal of, and interest and prepayment premiums, if any, on, and other amounts due with respect to, the Project J DOE Guaranteed Loan, in each such case, that is due and unpaid, as follows: first, to the payment, on a parity basis, in proportion to the respective amounts then due (x) to the persons entitled thereto of all installments of interest then due on the Project J Bonds, together with accrued and unpaid interest on the Project J Bonds theretofore called for redemption, (y) to the persons entitled thereto of all installments of the interest component of Project J Parity Obligations then due and (z) to the DOE Collateral Agent of all installments of interest then due on the Project J DOE Guaranteed Loan, together with accrued and unpaid interest on any portion of the principal amount of the Project J DOE Guaranteed Loan that has become subject to prepayment (including any default or penalty interest); *provided, however*, that in the case of each of (x), (y) and (z), if the amount available shall not be sufficient to pay in full all such installments of interest, then such amount shall be applied in the order of the due dates of such installments and if any such installment or installments shall have become due on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference; and second, to the payment, on a parity basis, in proportion to the respective amounts then due, (x) to the persons entitled thereto of the unpaid principal or Redemption Price of any Project J Bonds, (y) to the persons entitled thereto of the principal component of Project J Parity Obligations which shall have become due and (z) to the DOE Collateral Agent of the unpaid principal of and prepayment premiums, if any, on and other amounts due with respect to, the Project J DOE Guaranteed Loan which shall have become due, in each such case, whether at maturity or by call for redemption or upon becoming subject to prepayment, as applicable; *provided, however*, that in the case of each of (x), (y) and (z), if the amount available therefor shall not be sufficient to pay in full all the Project J Bonds, the principal component of Project J Parity Obligations or the unpaid principal of and prepayment premiums, if any, on, and other amounts due with respect to, the Project J DOE Guaranteed Loan, respectively, then due, then such amount shall be applied in the order of the due dates of such Project J Bonds, such principal component of Project J Parity Obligations or such unpaid principal of and prepayment premiums, if any, on, or other amounts due with respect to, the Project J DOE Guaranteed Loan, as the case may be, and, if any such Project J Bonds, principal component of Project J Parity Obligations or unpaid principal of and prepayment premiums, if any, on, or other amounts due with respect to, the Project J DOE Guaranteed Loan, as the case may be, shall have become due on the same date, then to the payment thereof ratably, according to the respective amounts due thereon, without any discrimination or preference;

(c) if either (i) the amount on deposit in the Debt Service Reserve Account in the Project J Debt Service Fund shall be less than the Project J Debt Service Reserve Requirement or (ii) the amount on deposit in the Project J DOE Debt Service Reserve Account shall be less than the Project J DOE Debt Service Reserve Requirement, the Trustee shall transfer from the Project J Participant Arrearages Fund, on a parity basis, (1) to the Project J Debt Service Reserve Account the amount necessary to make up such deficiency and (2) to the Project J DOE Debt Service Reserve Account the amount necessary to make up such deficiency; *provided, however*, that if the amount in the Project J Participant Arrearages Fund shall not be sufficient to make up both such deficiencies, then the amount in the Project J Participant Arrearages Fund shall be applied ratably, in proportion to the amount of each such deficiency;

(d) if the amount on deposit in the Project J Subordinated Bond Fund shall be less than the sum of (i) the principal or redemption price of, and interest on, all Project J Subordinated Bonds then outstanding that is due and unpaid, (ii) all amounts due and unpaid with respect to all Project J Subordinated Obligations then outstanding and (iii) the amount required to be deposited to the Project J Subordinated Bond Fund during the then current month, the Trustee shall transfer from the Project J Participant Arrearages Fund to the Project J Subordinated Bond Fund the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency; and

(e) if either (i) the amount on deposit in the Project J Reserve and Contingency Fund shall be less than the amount that would have been on deposit therein on such date had no Project J Participant defaulted in the making of any payment owed under its Project J Power Sales Contract or (ii) the amount on deposit in the Project J DOE Reserve & Contingency Account shall be less than the amount that would have been on deposit therein on such date had no Project J Participant defaulted in the making of any payment owed under its Project J Power Sales Contract, the Trustee shall transfer from the Project J Participant Arrearages Fund, on a parity basis, (1) to the Project J Reserve and Contingency Fund the amount necessary to make up such difference and (2) to the Project J DOE Reserve & Contingency Account the amount necessary to make up such difference; *provided, however*, that if the amount in the Project J Participant Arrearages Fund shall not be sufficient to make up both such differences, then the amount in the Project J Participant Arrearages Fund shall be applied ratably, in proportion to the amount of each such difference.

On the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, the Project J Participant Arrearages Fund shall be terminated, and any amount remaining on deposit therein shall be transferred by the Trustee to the Project J Revenue Fund (or, as applicable, transferred by the Trustee to MEAG Power, for deposit in the Project J Revenue Fund).

### **Conditions to Issuance of Bonds**

MEAG Power may issue Project M Bonds provided that it satisfies the following conditions, among others:

- (a) MEAG Power provides to the Trustee the amount, if any, specified in the Supplemental Resolution authorizing the additional Project M Bonds of such Series for deposit in the Debt Service Account in the Debt Service Fund for the payment of interest on Project M Bonds and, except in the case of Project M Bond Anticipation Notes, the amount, if any, necessary for deposit in the Debt Service Reserve Account so that the amount on deposit in such Account shall equal the Debt Service Reserve Requirement calculated immediately after the authentication and delivery of such Series of Project M Bonds;

- (b) Except in the case of Refunding Bonds, MEAG Power must certify that either (a) no Bondholders' Event of Default or Federal Loan Event of Default has occurred and is continuing under the Project M Bond Resolution or (b) the application of the proceeds of the sale of such Series of Project M Bonds as required by the Supplemental Resolution authorizing such Series of Project M Bonds will cure any such Bondholders' Event of Default or Federal Loan Event of Default; and
- (c) In the case of each Series of Project M Bonds any portion of the proceeds of which is to be deposited in the Debt Service Account in the Debt Service Fund (other than any accrued interest that is to be applied to the payment of interest on Project M Bonds on the interest payment date next following the date of issuance of such Project M Bonds), the Trustee shall receive a certificate of an Authorized Officer of MEAG Power setting forth the then estimated application of such proceeds so deposited for the payment of interest on any particular Series of Project M Bonds, whether or not such Series of Project M Bonds is then Outstanding, or then being issued, or to be issued thereafter.

The conditions for the issuance of Project J Bonds under the Project J Bond Resolution and Project P Bonds under the Project P Bond Resolution, as applicable, are substantially similar to the foregoing conditions for the issuance of Project M Bonds under the Project M Bond Resolution, except that both the Project J Bond Resolution and the Project P Bond Resolution provide that MEAG Power's obligation described in clause (a) above to provide the Trustee the amount, if any, necessary for deposit in the Debt Service Reserve Account so that the amount on deposit in such Account shall equal the Debt Service Reserve Requirement shall not apply to the Project J Take-Out Bonds or the Project P BANs, as applicable.

### **Bonds Other than Refunding Bonds**

The Project M Bond Resolution provides that one or more Series of Project M Bonds may be issued at any time for the purpose of paying all or a portion of the Costs of Acquisition and Construction of the Project M Entity's Ownership Interest and Financing Costs of Project M.

The Project J Bond Resolution provides that one or more Series of Project J Bonds may be issued at any time for the purpose of paying all or a portion of the Costs of Acquisition and Construction of the Project J Entity's Ownership Interest and Financing Costs of Project J.

The Project P Bond Resolution provides that one or more Series of Project P Bonds may be issued at any time for the purpose of paying all or a portion of the Costs of Acquisition and Construction of the Project P Entity's Ownership Interest and Financing Costs of Project P.

### **Refunding Bonds**

The Project M Bond Resolution provides that one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion of any Outstanding Project M Bonds or all or any portion of any Outstanding Project M Subordinated Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Project M Bond Resolution required by the provisions of the Supplemental Resolution authorizing such Refunding Bonds, to pay costs of issuing the Refunding Bonds and related costs.

The conditions for the issuance of Refunding Bonds under the Project J Bond Resolution and Project P Bond Resolution, respectively, are substantially similar to the foregoing conditions for the issuance of Refunding Bonds under the Project M Bond Resolution.

## **Subordinated Bonds**

The Project M Bond Resolution provides that MEAG Power may issue Project M Subordinated Bonds for any lawful purpose related to Project M, which will be payable out of, and may be secured by a pledge of, such amounts in the Subordinated Bond Fund as may from time to time be available therefor. Such pledge, however, will be subordinate in all respects to the pledges of (a) the Shared Trust Estate created by the Project M Bond Resolution as security for the Project M Bonds and the Project M Federal Loan Debt Service Payments and (b) the Bondholders' Trust Estate created by the Project M Bond Resolution as security for the Project M Bonds.

The conditions for the issuance of Subordinated Bonds under the Project J Bond Resolution and Project P Bond Resolution, respectively, are substantially similar to the foregoing conditions for the issuance of Subordinated Bonds under the Project M Bond Resolution.

## **Credit Facilities, Liquidity Facilities and Qualified Hedging Contracts**

Subject to the terms of each of the Vogtle Units 3&4 Bond Resolutions, MEAG Power may include provisions in a Supplemental Resolution authorizing the issuance of a Series of Bonds secured by a Credit Facility or supported by a Liquidity Facility as MEAG Power determines appropriate, and no such provisions shall be deemed to constitute an amendment to the Vogtle Units 3&4 Bond Resolution requiring the consent of the Trustee or any Bondholders.

Such Supplemental Resolution may provide that (i) so long as a Credit Facility is in full force and effect, and payment on the Credit Facility is not in default, then, in all such events, the issuer of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Holders of such Bonds is required or may be exercised under the Vogtle Units 3&4 Bond Resolution, or, in the alternative, that the approval, consent or action of the issuer of the Credit Facility shall be required in addition to the approval, consent or action of the applicable percentage of the Holders of the Outstanding Bonds under the Vogtle Units 3&4 Bond Resolution; and (ii) in the event that the principal or Redemption Price, if applicable, and interest due on any Outstanding Bonds shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of MEAG Power to the Holders of such Bonds shall continue to exist and such issuer of the Credit Facility shall be subrogated to the rights of such Holders in accordance with the terms of such Credit Facility.

MEAG Power may secure such Credit Facility or such Liquidity Facility by an agreement providing for the purchase of Bonds supported thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified by MEAG Power in a Supplemental Resolution. MEAG Power may also agree to reimburse directly such issuer for amounts paid under the terms of such Credit Facility or Liquidity Facility (together with interest thereon, the "Reimbursement Obligation"); *provided, however*, that no Reimbursement Obligation shall be created until amounts are paid under such Credit Facility or Liquidity Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the applicable Bonds, shall be secured by a pledge of, and a lien on, the Shared Trust Estate and the Bondholders' Trust Estate on a parity with the pledges and liens created in the Vogtle Units 3&4 Bond Resolution to secure the applicable Bonds (a "Parity Reimbursement Obligation"), but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration, or may be secured by a pledge of, and a lien on, the applicable Subordinated Bond Fund, which pledge and lien shall be subordinate in all respects to the pledges of the Revenues (and, in the case of the Project J Bond Resolution, the Initial Power Purchaser Arrearages Payments, the Initial Power Purchaser Resale Revenues, the Project J Participant Arrearages Payments and the Project J Participant Resale Revenues, and in the case of the Project P Bond Resolution, the Initial Power Purchaser Arrearages

Payments, the Initial Power Purchaser Resale Revenues, the Project P Participant Arrearages Payments and the Project P Participant Resale Revenues), moneys, securities and funds created by the Vogtle Units 3&4 Bond Resolution in favor of the applicable Bonds, the applicable Parity Obligations and the applicable Federal Loan Debt Service Payments but on a parity with the pledge and lien securing applicable Subordinated Bonds and applicable Subordinated Obligations (a “Subordinated Reimbursement Obligation”), as determined by MEAG Power. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such Bonds, which payments shall be Subordinated Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution authorizing Parity Reimbursement Obligations, for the purposes of (i) receiving payment of a Parity Reimbursement Obligation, whether at maturity, upon redemption or if the principal of all Bonds is declared immediately due and payable following the occurrence of a Bondholders’ Event of Default, or (ii) computing the principal amount of Bonds held by the Holder of a Parity Reimbursement Obligation in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the Vogtle Units 3&4 Bond Resolution for any purpose whatsoever, the principal amount of a Parity Reimbursement Obligation shall be deemed to be the actual principal amount that MEAG Power shall owe thereon, which shall equal the aggregate of the amounts advanced to, or on behalf of, MEAG Power in connection with the Bonds to which such Parity Reimbursement Obligation relates, less any prior repayments thereof.

Except as otherwise provided in a Supplemental Resolution and notwithstanding anything to the contrary provided in the Vogtle Units 3&4 Bond Resolution, Bonds paid or deemed paid with moneys drawn under or pursuant to a Credit Facility shall be deemed to be Outstanding until MEAG Power has reimbursed the Credit Facility Provider in full for all amounts so drawn and has paid or reimbursed the Credit Facility Provider for interest thereon and for any other amounts and Reimbursement Obligations then due and payable.

MEAG Power may enter into Qualified Hedging Contracts and any obligation to pay any amount thereunder may be secured by a pledge of, and lien on, the Shared Trust Estate and the Bondholders’ Trust Estate on a parity with the pledges and liens created by the Vogtle Units 3&4 Bond Resolution to secure the Bonds (a “Parity Hedging Contract Obligation”), or may be secured by a pledge of, and a lien on, the Subordinated Bond Fund which pledge and lien shall be subordinate in all respects to the pledges of the Revenues (and, in the case of the Project J Bond Resolution, the Initial Power Purchaser Arrearages Payments, the Initial Power Purchaser Resale Revenues, the Project J Participant Arrearages Payments and the Project J Participant Resale Revenues, and in the case of the Project P Bond Resolution, the Initial Power Purchaser Arrearages Payments, the Initial Power Purchaser Resale Revenues, the Project P Participant Arrearages Payments and the Project P Participant Resale Revenues), moneys, securities and funds created by the Vogtle Units 3&4 Bond Resolution in favor of the Bonds, the Parity Obligations and the applicable Federal Loan Debt Service Payments but on a parity with the pledge and lien securing applicable Subordinated Bonds and Subordinated Obligations (a “Subordinated Hedging Contract Obligation”), as determined by MEAG Power. Notwithstanding the foregoing, Parity Hedging Contract Obligations shall not include any payments of any termination payments owed to a counterparty to a Qualified Hedging Contract, which payments shall be Subordinated Hedging Contract Obligations.

## **Commercial Paper Notes**

The Project M Bond Resolution provides for the issuance of Commercial Paper Notes from time to time to be secured by a pledge of, and a lien on, the Shared Trust Estate and the Bondholders’ Trust Estate on a parity with the pledges and liens created by the Project M Bond Resolution to secure the Project M Bonds (“Parity Commercial Paper Notes”). Commercial Paper Notes may also be issued from time to time

to be secured by a pledge of, and a lien on, the Subordinated Bond Fund which pledge shall be subordinate in all respects to the pledges of the Revenues, moneys, securities and funds created by the Project M Bond Resolution in favor of the Project M Bonds, the Project M Parity Obligations and the Project M Federal Loan Debt Service Payments but on a parity with the pledge and lien securing Project M Subordinated Bonds and Project M Subordinated Obligations (“Subordinated Commercial Paper Notes”). The Trustee shall authenticate and deliver Commercial Paper Notes to MEAG Power or upon its order, but only upon satisfaction of the following conditions, among others: (i) if required by a Supplemental Resolution, the receipt by the Trustee of a Board-approved Credit Facility or Liquidity Facility with respect to such Commercial Paper Notes; and (ii) receipt by the Trustee of a certificate of an Authorized Officer of MEAG Power (as may be amended from time to time) setting forth the Commercial Paper Payment Plan with respect to such Commercial Paper Notes.

The Project J Bond Resolution also provides for the issuance of Commercial Paper Notes from time to time to be secured by a pledge of, and a lien on, the Shared Trust Estate and the Bondholders’ Trust Estate on a parity with the pledges and liens created by the Project J Bond Resolution to secure the Project J Bonds (“Parity Commercial Paper Notes”). Commercial Paper Notes may also be issued from time to time to be secured by a pledge of, and a lien on, the Subordinated Bond Fund which pledge shall be subordinate in all respects to the pledges of the Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments, Project J Participant Resale Revenues, moneys, securities and funds created by the Project J Bond Resolution in favor of the Project J Bonds, the Project J Parity Obligations and the Project J Federal Loan Debt Service Payments but on a parity with the pledge and lien securing Project J Subordinated Bonds and Project J Subordinated Obligations (“Subordinated Commercial Paper Notes”). The Trustee shall authenticate and deliver Commercial Paper Notes to MEAG Power or upon its order, but only upon satisfaction of the following conditions, among others: (i) if required by a Supplemental Resolution, the receipt by the Trustee of a Board-approved Credit Facility or Liquidity Facility with respect to such Commercial Paper Notes; and (ii) receipt by the Trustee of a certificate of an Authorized Officer of MEAG Power (as may be amended from time to time) setting forth the Commercial Paper Payment Plan with respect to such Commercial Paper Notes.

The Commercial Paper Notes provisions under the Project P Bond Resolution are substantially similar to the foregoing Commercial Paper Notes provisions under the Project J Bond Resolution.

### **Special Provisions Relating to Capital Appreciation Bonds**

The Project M Bond Resolution provides that, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Project M Bonds is declared immediately due and payable following the occurrence of a Bondholders’ Event of Default, as provided in the Project M Bond Resolution or (iii) computing the principal amount of Project M Bonds held by the Holder of a Capital Appreciation Bond in giving to MEAG Power or the Trustee any notice, consent, request or demand pursuant to the Project M Bond Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then current Accreted Value.

The principal and interest portions of the Accreted Value of Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments made under the definitions of Debt Service, Accrued Aggregate Debt Service, Aggregate Debt Service and Adjusted Aggregate Debt Service only from and after the date (the “Calculation Date”) which is one year prior to the date on which such Accreted Value becomes so due, and the principal and interest portions of such Accreted Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date (calculated, unless otherwise



specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds, on the basis of a 360-day year consisting of twelve 30-day months).

The provisions relating to Capital Appreciation Bonds under each of the Project J Bond Resolution and the Project P Bond Resolution, respectively, are substantially similar to the foregoing provisions relating to Capital Appreciation Bonds under the Project M Bond Resolution.

### **Investment of Certain Funds and Accounts**

Each Vogtle Unit 3&4 Bond Resolution provides that moneys held in the Funds and Accounts established under such Vogtle Units 3&4 Bond Resolution shall be invested and reinvested to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds and Accounts. The Trustee shall make all such investments of moneys held by it in accordance with instructions received from any Authorized Officer of MEAG Power.

With respect to the Project M Bond Resolution, interest earned on any moneys or investments in any Fund or Account (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) shall be paid into the Revenue Fund except that such net interest earned on any moneys or investments in (a) the Construction Fund (or any separate account or subaccount therein) shall be held in such Fund (or such separate account or subaccount, as applicable) for the purposes thereof or, upon determination of an Authorized Officer of MEAG Power, may be transferred to any other separate account or subaccount of the Construction Fund; (b) the Debt Service Reserve Account in the Debt Service Fund shall be held in such Account until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the Debt Service Reserve Requirement and the balance shall be applied as set forth in the Project M Bond Resolution; *provided, however*, that prior to the Second Commercial Operation Date, on April 1 and October 1 of each year and on the Second Commercial Operation Date, such net interest shall be retained therein to the extent necessary to satisfy the Debt Service Reserve Requirement and the balance shall be transferred to the Construction Fund (or any separate account or subaccount therein as the Trustee shall be directed by an Authorized Officer of MEAG Power); and (c) the Reserve and Contingency Fund shall be held in such Fund until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy MEAG Power's Reserve and Contingency Requirement and all or a portion of the amount of such excess shall be transferred to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, in the Debt Service Fund if and to the extent such amount is required to make up any deficiency in either such Account; and the balance, if any, of such excess shall be transferred to the Revenue Fund.

With respect to the Project J Bond Resolution, interest earned on any moneys or investments in any Fund or Account (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) shall be paid into the Revenue Fund except that such net interest earned on any moneys or investments in (a) the Construction Fund (or any separate account or subaccount therein) shall be held in such Fund (or such separate account or subaccount, as applicable) for the purposes thereof or, upon determination of an Authorized Officer of MEAG Power, may be transferred to any other separate account or subaccount of the Construction Fund; (b) the Debt Service Reserve Account in the Debt Service Fund shall be held in such Account until the end of each calendar year at which time such net interest shall be retained therein to the extent necessary to satisfy the Debt Service Reserve Requirement and the balance shall be applied as set forth in the Project J Bond Resolution; *provided, however*, that prior to the Second Commercial Operation Date, on April 1 and October 1 of each year and on the Second Commercial Operation Date, such net interest shall be retained therein to the extent necessary to satisfy the Debt Service Reserve Requirement and the balance shall be transferred to the Construction Fund (or any separate account or subaccount therein as the Trustee shall be directed by an Authorized Officer of MEAG Power); (c) the Reserve and Contingency Fund shall be held in such Fund until the end of each calendar year at which time

such net interest shall be retained therein to the extent necessary to satisfy MEAG Power's Reserve and Contingency Requirement and all or a portion of the amount of such excess shall be transferred to the Trustee for deposit in the Debt Service Account or the Debt Service Reserve Account, as the case may be, in the Debt Service Fund if and to the extent such amount is required to make up any deficiency in either such Account; *provided, however*, that (x) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by the Project J Participants shall not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by the Initial Power Purchaser in the making of any payment due under the Initial Power Purchase Agreement and (y) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, amounts deposited to the Reserve and Contingency Fund from payments made to MEAG Power by the Initial Power Purchaser shall not be so withdrawn if the purpose for such withdrawal is to make up any such deficiency that resulted from a default by any Project J Participant in the making of any payment due under its Project J Power Sales Contract; and the balance, if any, of such excess shall be transferred to the Revenue Fund (or, as applicable, transferred to MEAG Power for deposit to the Revenue Fund); (d) the Initial Power Purchaser Resale Revenue Account in the Initial Power Purchaser Arrearages Fund shall be held in such Account until expended in accordance with the Project J Bond Resolution; (e) the Initial Power Purchaser Arrearages Payment Account in the Initial Power Arrearages Fund shall be held in such Account until expended in accordance in accordance with the Project J Bond Resolution; and (f) the Project J Participant Arrearages Fund shall be held in such Fund until expended in accordance with the Project J Bond Resolution.

The provisions relating to the investment of certain Funds and Accounts under the Project P Bond Resolution are substantially similar to the foregoing provisions relating to the investment of certain Funds and Accounts under the Project J Bond Resolution.

### **Encumbrances; Disposition of Properties**

In each Vogtle Units 3&4 Bond Resolution, MEAG Power covenants that it will not issue bonds or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge of the Shared Trust Estate or the Bondholders' Trust Estate, and except to the extent provided in or permitted by the applicable Vogtle Units 3&4 Bond Resolution, shall not create or cause to be created any lien or charge thereon; *provided, however*, that nothing contained in each Vogtle Units 3&4 Bond Resolution shall (a) prevent MEAG Power from issuing, if and to the extent permitted by the Act, (1) bond anticipation notes (as such term is defined in the Act), (2) evidences of indebtedness (A) payable out of moneys in the Construction Fund as part of the Costs of Acquisition and Construction of the Project M Entity's Ownership Interest, the Project J Entity's Ownership Interest or the Project P Entity's Ownership Interest, as applicable (each, the "Vogtle Units 3&4 Project Entity's Ownership Interest"), or (B) payable out of, or secured by a pledge of, Revenues to be received after the discharge of the pledge of Revenues provided in the applicable Vogtle Units 3&4 Bond Resolution in favor of the applicable Vogtle Units 3&4 Bonds and the applicable Federal Loan Debt Service Payments, (3) Subordinated Bonds, or (4) Parity Obligations or Subordinated Obligations or (b) prevent the Project M Entity, the Project J Entity or the Project P Entity, as applicable (each, a "Vogtle Units 3&4 Project Entity"), from obtaining Advances under the applicable Federal Loan in the manner provided in, and subject to the terms and provisions of, the applicable DOE Loan Guarantee Agreement.

MEAG Power further covenants in each Vogtle Units 3&4 Bond Resolution that it will not cause or permit any part of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest to be sold, leased, mortgaged or otherwise disposed of, except as follows:

(A) The applicable Vogtle Units 3&4 Project Entity may grant a security title and a security interest in such Vogtle Units 3&4 Project Entity's Ownership Interest in the manner provided in, and subject to the terms and conditions of (including the exercise of all rights and remedies under), the applicable DOE Loan Guarantee Agreement and the other applicable Federal Loan Documents. In the event of any sale of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest following the exercise by or on behalf of DOE of any remedy of foreclosure thereof following a default with respect to the applicable Federal Loan, any proceeds received by the applicable Vogtle Units 3&4 Project Entity from such sale that are in excess of the amount needed to pay the applicable Federal Loan and that are not required to be used to satisfy the applicable Vogtle Units 3&4 Project Entity's obligations to any other person shall be applied to the retirement, by purchase, redemption or defeasance, of the applicable Bonds in such manner as an Authorized Officer of MEAG Power shall determine, subject to any limitations or other requirements with respect thereto set forth in the applicable Vogtle Units 3&4 Project Power Contracts;

(B) The applicable Vogtle Units 3&4 Project Entity may sell or exchange any property or facilities constituting part of such Vogtle Units 3&4 Project Entity's Ownership Interest if MEAG Power shall determine that the sale or exchange of such property or facilities (1) will not impair the ability of MEAG Power to comply during the current or any future year with the rate covenant contained in the applicable Vogtle Units 3&4 Bond Resolution and (2) it is in the best interests of MEAG Power and the applicable Vogtle Units 3&4 Participants. In each of the Project J Bond Resolution and the Project P Bond Resolution, MEAG Power also covenants that it will not sell or exchange any property or facilities constituting part of the applicable Vogtle Units 3&4 Project if it shall determine that the sale or exchange of such property or facilities is not in the best interests of the applicable Initial Power Purchaser. The proceeds of any such sale or exchange that are paid over to MEAG Power may be applied for any lawful purpose of MEAG Power relating to the applicable Vogtle Units 3&4 Project including, but not limited to, the acquisition or construction of other property necessary or desirable for the operation of such Vogtle Units 3&4 Project Entity's Ownership Interest or the retirement of (x) the applicable Bonds, Subordinated Bonds or Parity Obligations and (y) the applicable Federal Loan, *pro rata* in proportion to the amount of the applicable Bonds, Subordinated Bonds and Parity Obligations and the applicable Federal Loan, respectively, then outstanding and unpaid; and

(C) In addition to the Vogtle Units 3&4 Project Agreements, the applicable Vogtle Units 3&4 Project Entity may lease, make contracts, grant licenses for the operation of, make arrangements for the use of, or grant easements or other rights with respect to, any part of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest; *provided, however*, that any such lease, contract, license, arrangement, easement or right (1) does not impede the operation by such Vogtle Units 3&4 Project Entity or its agent of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest and (2) does not impair or adversely affect the rights or security of the Bondholders or the DOE Secured Parties under the applicable Vogtle Units 3&4 Bond Resolution. Any payments received by MEAG Power under or in connection with any such lease, contract, license, arrangement, easement or right may be applied for any lawful purpose of MEAG Power relating to the applicable Vogtle Units 3&4 Project including, but not limited to, the acquisition or construction of other property necessary or desirable for the operation of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest or the retirement of (x) applicable Bonds, Subordinated Bonds or Parity Obligations and (y) the applicable Federal Loan, *pro rata* in proportion to the amount of such applicable Bonds, Subordinated Bonds and Parity Obligations and such applicable Federal Loan, respectively, then outstanding and unpaid.

## **Rate Covenant**

MEAG Power covenants in the Project M Bond Resolution that it will at all times charge and collect rates, fees and other charges for the sale of the output, capacity, use or service of Project M so that Revenues, together with other available funds, are at least sufficient to provide funds in each calendar year for the payment of the sum of (1) Operating Expenses during such calendar year, (2) Aggregate Debt Service for such calendar year; *provided, however*, that any Principal Installment which is a Refundable Principal Installment may be excluded from Aggregate Debt Services for purposes of this clause (2) but only to the extent that MEAG Power intends to pay such Principal Installment from sources other than Revenues, (3) any amount to be paid into the Debt Service Reserve Account for such calendar year, (4) the amount to be paid into the Reserve and Contingency Fund for such calendar year, and (5) all other charges or liens payable out of Revenues during such year, including to the extent not otherwise provided for, all amounts payable by MEAG Power to the Project M Entity pursuant to Project M Power Purchase Agreement to pay all amounts owed by it, and fund all accounts or reserves required to be funded by it, pursuant to the Project M DOE Loan Guarantee Agreement and all other Project M Federal Loan Documents) during such calendar and all amounts payable on Project M Subordinated Bonds and Project M Subordinated Obligations during such calendar year.

The covenants of MEAG Power that are made with respect to Project J and Project P under the Project J Bond Resolution and the Project P Bond Resolution, respectively, are substantially similar to the foregoing covenants of MEAG Power that are made with respect to Project M under the Project M Bond Resolution.

## **Covenants with Respect to Power Sales Contracts, Vogtle Units 3&4 Project Agreements and Vogtle Units 3&4 Project Power Purchase Agreement**

MEAG Power covenants in the Project M Bond Resolution that it will collect and deposit in the Revenue Fund amounts received under the Project M Power Sales Contracts and attributable to Project M or Project M's annual costs or payable to it pursuant to any other contract for the sale of power, energy, or other service from any part of Project M. In addition, MEAG Power will enforce the Project M Power Sales Contracts, will duly perform its covenants and agreements thereunder, and will not consent to or permit any rescission of or amendment to or otherwise take any action in connection with any Project M Power Sales Contract which would reduce the payments required thereunder or would impair or adversely affect the rights of MEAG Power thereunder or the rights or security of Project M Bondholders or the DOE Secured Parties (determined without regard to any Credit Facility provided with respect to any Project M Bonds). Notwithstanding the foregoing, the extension of the term of any Project M Power Sales Contract will not constitute such an amendment.

MEAG Power covenants in the Project M Bond Resolution that it will enforce or cause to be enforced the provisions of the Vogtle Units 3&4 Project Agreements, will cause the Project M Entity to duly perform its covenants and agreements thereunder and will not consent to or permit any rescission of or amendment to or otherwise take any action under or in connection with any Vogtle Units 3&4 Project Agreement which would impair or adversely affect the rights of the Project M Entity thereunder or the rights or security of the Project M Bondholders or the DOE Secured Parties. Notwithstanding the foregoing, the extension of the term of any Vogtle Units 3&4 Project Agreement will not constitute such an amendment.

In addition, MEAG Power covenants in the Project M Bond Resolution that it will not consent to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Project M Power Purchase Agreement that would impair or adversely affect the rights of MEAG Power thereunder.

MEAG Power covenants in the Project J Bond Resolution that it will collect or cause to be collected and deposit or cause to be deposited in the Project J Revenue Fund amounts received under the Project J Power Contracts (other than the Additional Compensation Obligation) and attributable to Project J or Project J's annual costs or payable to it pursuant to any other contract for the sale of power, energy, or other service from any part of Project J; *provided, however*, that (x) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, (i) all Initial Power Purchaser Resale Revenues shall be deposited to the Initial Power Purchaser Resale Revenue Account in the Initial Power Purchaser Arrearages Fund and (ii) all Initial Power Purchaser Arrearages Payments shall be deposited to the Initial Power Purchaser Arrearages Payment Account in the Initial Power Purchaser Arrearages Fund and (y) during the period from and including the date (if any) on which the Project J Participants' Arrearages Fund shall be established as provided in the Project J Bond Resolution to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, all Project J Participant Arrearages Payments and all Project J Participant Resale Revenues shall be deposited to the Project J Participant Arrearages Fund. In addition, MEAG Power will enforce the Project J Power Contracts, will duly perform its covenants and agreements thereunder, and will not consent to or permit any rescission of or amendment to or otherwise take any action in connection with any Project J Power Contract which would reduce the payments required thereunder or would impair or adversely affect the rights of MEAG Power thereunder or the rights or security of Project J Bondholders or the DOE Secured Parties (determined without regard to any Credit Facility provided with respect to any Project J Bonds). Notwithstanding the foregoing, the extension of the term of any Project J Power Contract will not constitute such an amendment.

MEAG Power covenants in the Project J Bond Resolution that it will enforce or cause to be enforced the provisions of the Vogtle Units 3&4 Project Agreements, will cause the Project J Entity to duly perform its covenants and agreements thereunder and will not consent to or permit any rescission of or amendment to or otherwise take any action under or in connection with any Vogtle Units 3&4 Project Agreement which would impair or adversely affect the rights of the Project J Entity thereunder or the rights or security of the Project J Bondholders or the DOE Secured Parties. Notwithstanding the foregoing, the extension of the term of any Vogtle Units 3&4 Project Agreement will not constitute such an amendment.

In addition, MEAG Power covenants in the Project J Bond Resolution that it will not consent to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Project J Power Purchase Agreement that would impair or adversely affect the rights of MEAG Power thereunder.

The covenants of MEAG Power in the Project P Bond Resolution are substantially similar to the foregoing covenants of MEAG Power in the Project J Bond Resolution.

### **Annual Budget**

MEAG Power covenants in the Project M Bond Resolution that it will file with the Trustee an annual budget for Project M each calendar year (a "Project M Annual Budget"). The Project M Annual Budget includes estimated Revenues and Operating Expenses and appropriations for the estimated Operating Expenses for such year, the estimated amount to be deposited during such year in the Reserve and Contingency Fund and the amounts estimated to be expended from each Fund and Account established under the Project M Bond Resolution. MEAG Power may at any time adopt an amended Project M Annual Budget for the remainder of the then current calendar year which will be filed promptly with the Trustee.

The practices by MEAG Power with respect to Project J under the Project J Bond Resolution and Project P under the Project P Bond Resolution, respectively, are substantially similar to the foregoing practices by MEAG Power with respect to Project M under the Project M Bond Resolution.

## **Insurance**

MEAG Power covenants in the Project M Bond Resolution that it will keep or cause to be kept the properties of the Project M Entity's Ownership Interest that are of an insurable nature and of the character usually insured by those operating properties similar to the Project M Entity's Ownership Interest, insured against loss or damage by fire and from other causes customarily insured against and in such amounts as are usually obtained. MEAG Power also covenants that it will maintain or cause to be maintained adequate insurance or reserves against loss or damage from such hazards and risks to the person and property of others as are usually insured or reserved against by those operating properties similar to the Project M Entity's Ownership Interest. Insurance against business interruption loss is maintained whenever, in the judgment of MEAG Power, such insurance is obtainable at commercially reasonable rates.

The insurance covenants by MEAG Power with respect to Project J and Project P under the Project J Bond Resolution and the Project P Bond Resolution, respectively, are substantially similar to the foregoing insurance covenants by MEAG Power with respect to Project M under the Project M Bond Resolution.

Additionally, each of the Vogtle Units 3&4 Bond Resolutions provides that MEAG Power may comply with the provisions of the applicable Vogtle Units 3&4 Bond Resolution by causing the applicable Vogtle Units 3&4 Project Entity to maintain in effect all or any portion of the insurance referred to in the provisions above.

## **Accounts and Reports**

MEAG Power covenants in the Project M Bond Resolution that it will keep or cause to be kept proper and separate books of record and account relating to Project M and the funds and accounts established by the Project M Bond Resolution and relating to costs and charges under the Project M Power Sales Contracts and the Project M Power Purchase Agreement. Such books, together with all other books and papers of MEAG Power relating to Project M, are at all times subject to the inspection of the Trustee, the Holders of not less than five percent in principal amount of Project M Bonds then Outstanding, DOE and the DOE Collateral Agent or their respective representatives duly authorized in writing.

MEAG Power covenants in the Project M Bond Resolution that it will file annually with the Trustee, DOE and the DOE Collateral Agent, an annual report, accompanied by an accountant's certificate (Report of Independent Auditors), of the financial position of Project M at the end of the year, including a statement of assets and liabilities for Project M as of the end of such year, a statement of Revenues and Operating Expenses for Project M for such year, and a statement of receipts and disbursements with respect to each Fund and Account established by the Project M Bond Resolution.

The reports, statements and other documents required to be furnished to the Trustee pursuant to provisions of the Project M Bond Resolution are available for inspection of Bondholders at the office of the Trustee and will be mailed to each Bondholder who files a written request therefor with MEAG Power.

The practices by MEAG Power with respect to Project J under the Project J Bond Resolution and Project P under the Project P Bond Resolution, respectively, are substantially similar to the foregoing practices by MEAG Power under the Project M Bond Resolution.

## **Amendments and Supplemental Resolutions**

Any of the provisions of the Project M Bond Resolution may be amended or modified by MEAG Power by a Supplemental Resolution, with the written consent: (1) of the Holders of at least a majority in principal amount of the Project M Bonds then Outstanding that are affected by such modification or amendment, such consent to be given as provided in Project M Bond Resolution (or, in case the modification

or amendment changes the terms of any Sinking Fund Installment, with the written consent of the Holders of at least a majority in principal amount of the Project M Bonds of the Series and maturity for which such Sinking Fund Installment was established); excluding, in each case, from such consent, and from the Outstanding Project M Bonds, the Project M Bonds of any specified Series and maturity if such amendment by its terms will not take effect so long as any such Project M Bonds remain Outstanding; and (2) of DOE, such consent to be made or given (or deemed to have been given) as provided in the Project M Bond Resolution. Any such amendment may not permit a change in the terms of redemption or maturity or any installment of interest or make any reduction in principal, Redemption Price or interest without the consent of each affected Holder, or reduce the percentages of consents required for a further amendment.

MEAG Power may adopt (without the consent of the Trustee or any Holders of the Project M Bonds, but with the consent (or deemed consent) of DOE, if required pursuant to the Project M Bond Resolution) Supplemental Resolutions to cure any ambiguity or to correct any defect in the Project M Bond Resolution; to close the Project M Bond Resolution against, or impose limitations upon, issuance of Project M Bonds or other evidences of indebtedness; to authorize Project M Bonds; to authorize Project M Subordinated Bonds, Parity Obligations or Subordinated Obligations; to add to the restrictions contained in the Project M Bond Resolution; to add to the covenants of MEAG Power contained in the Project M Bond Resolution; or to confirm any pledge under the Project M Bond Resolution of Revenues or other moneys.

In addition to the amendments described above, the Project M Bond Resolution provides that, upon the consent of the Trustee and, if required pursuant to the Project M Bond Resolution, the consent (or deemed consent) of DOE thereto made or given as provided in the Project M Bond Resolution, the Project M Bond Resolution may be amended to (i) insert such provisions clarifying matters or questions arising under the Project M Bond Resolution as are necessary or desirable and will not have a material adverse effect on the interests of the Project M Bondholders or of the DOE Secured Parties; or (ii) make any other modification or amendment of the Project M Bond Resolution which the Trustee shall in its sole discretion determine will not have a material adverse effect on the interests of the Project M Bondholders or of the DOE Secured Parties.

MEAG Power agrees in the Project M Bond Resolution that it will not directly or indirectly agree to (i) any amendment, modification, termination, replacement, supplement or waiver, (ii) waive any right to consent to any amendment, modification, termination, replacement, supplement or waiver of any right with respect to, or (iii) assign any of the respective duties or obligations, in each case, under any provision of the Project M Bond Resolution; except that:

(1) MEAG Power may agree to an amendment, modification, replacement, supplement or waiver that does not have an adverse effect on, or diminish the rights of, the DOE Secured Parties or the Trustee with respect to remedies or enforcement if, as required pursuant to the Project M DOE Equity Funding Agreement, (A) MEAG Power has given DOE prior notice of such amendment, modification, replacement, supplement or waiver that meets the requirements of the Project M DOE Equity Funding Agreement and (B) DOE has consented to, or has not given MEAG Power notice of its objection to, such proposed amendment, modification, replacement, supplement or waiver within 60 days of receipt of such notice (and, if DOE fails to give such notice of objection within such 60-day period, DOE shall be deemed to have consented to such proposed amendment, modification, replacement, supplement or waiver);

(2) MEAG Power may adopt a Supplemental Resolution that is adopted solely for the purpose of authorizing the issuance of Project M Bonds of one or more Series, Project M Subordinated Bonds, Project M Parity Obligations or Project M Subordinated Obligations; and

(3) MEAG Power may agree to an amendment, modification, replacement, supplement or waiver to the Project M Bond Resolution if the amendment, modification, replacement,

supplement or waiver is adopted in connection with the issuance of Project M Bonds, Subordinated Bonds, Parity Obligations or Subordinated Obligations and such amendment, modification, replacement, supplement or waiver (x) relates only to mechanical or structural issues that are required to be addressed in order to allow such Project M Bonds, Subordinated Bonds, Parity Obligations or Subordinated Obligations to be issued on their proposed terms and the timing for such issuance does not allow for the 60-day notice and review period contemplated under paragraph (1) above and (y) does not adversely affect the application and flow of funds under the Project M Bond Resolution, the Shared Trust Estate, DOE's, the DOE Collateral Agent's or the Trustee's rights or any provisions included for their benefit, or any other voting rights or decision-making matters or provisions related to remedies or enforcement provided for in the Project M Bond Resolution.

Notwithstanding the foregoing, without DOE's consent MEAG Power has the right to amend, modify, replace, supplement or waive any provision of the Project M Bond Resolution solely to correct minor or technical errors that do not change any person's rights or obligations; *provided, however*, that MEAG Power delivers a copy of any such amendment, modification, replacement, supplement or waiver to DOE not later than 5 business days after the adoption or execution, as applicable, of such amendment, modification, replacement, supplement or waiver.

The amendment and Supplemental Resolution provisions under the Project J Bond Resolution and the Project P Bond Resolution, respectively, are substantially similar to the foregoing amendment and Supplemental Resolution provisions under the Project M Bond Resolution.

#### **Amendments to Accommodate the Federal Loan Option**

Each of the Vogtle Units 3&4 Bond Resolutions contains a provision providing that MEAG Power may adopt (without the consent of the Holders of the applicable Bonds, but with the consent (or deemed consent) of DOE, if required pursuant to the applicable Vogtle Units 3&4 Bond Resolution), at any time or from time to time, a Supplemental Resolution for the purpose of amending the Vogtle Units 3&4 Bond Resolution in any respect determined by MEAG Power to be necessary and desirable in order to accommodate the Federal Loan Option.

Such Supplemental Resolution shall be fully effective in accordance with its terms upon (a) the filing with the Trustee a copy of such Supplemental Resolution, certified by an Authorized Officer of MEAG Power, (b) if required pursuant to the applicable Vogtle Units 3&4 Bond Resolution, the consent (or deemed consent) of DOE thereto made or given as provided in such Vogtle Units 3&4 Bond Resolution and (c) the occurrence of each of the following:

(1) Receipt of "No-Adverse-Tax-Effect" Opinion: MEAG Power receives an opinion of tax counsel to MEAG Power to the effect that the actions referred to in the applicable Vogtle Units 3&4 Bond Resolution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any applicable Bonds the interest on which, at the time of the original issuance of such Bonds, was so excluded; and

(2) Ratings Confirmation: each Rating Agency then maintaining a rating for the applicable Bonds notifies MEAG Power in writing of the rating(s) that will apply to such Bonds following the actions referred to in the applicable Vogtle Units 3&4 Bond Resolution, which rating(s), as a result of such actions, shall not be lower than such Rating Agency's rating(s) on the applicable Bonds then in effect (without regard to any third-party credit enhancement).



## **Amendments to Reflect Repayment in Full of the Federal Loan**

Notwithstanding any other provision of the Project M Bond Resolution, at any time or from time to time on or after the date on which DOE has confirmed in writing that the Project M DOE Guaranteed Loan has been repaid in full and the Project M Entity has satisfied all of its obligations under the Project M DOE Loan Guarantee Agreement and the other Project M Federal Loan Documents, a Supplemental Resolution of MEAG Power may be adopted for the purpose of amending the Project M Bond Resolution in any respect determined by MEAG Power to be necessary or desirable in order to delete therefrom all provisions relating to the payment of the Project M Federal Loan Debt Service Payments and other covenants and agreements that are for the exclusive benefit of the DOE Secured Parties. Such Supplemental Resolution shall be fully effective in accordance with its terms upon (a) the filing with the Trustee of a copy thereof certified by an Authorized Officer of MEAG Power and (b) the occurrence of each of the following:

1. Transfer to MEAG Power of the Project M Entity's Ownership Interest: The Project M Entity transfers to MEAG Power the Project M Entity's Ownership Interest;
2. Assignment to MEAG Power of Applicable Rights and Obligations Under the Vogtle Units 3&4 Project Agreements: The Project M Entity assigns to MEAG Power all of its rights and obligations under the Vogtle Units 3&4 Project Agreements attributable to the Project M Entity's Ownership Interest;
3. Termination of the Project M Power Purchase Agreement: MEAG Power and the Project M Entity shall cause the Project M Power Purchase Agreement to be terminated;
4. Amendments to Various Documents: the Project M Bond Resolution, the Vogtle Units 3&4 Project Agreements and the Project M Power Sales Contracts are amended as determined by MEAG Power to be necessary or desirable in order to reflect the foregoing transactions, including without limitation an amendment to the definition of "Additional Units Non-PPA Project" set forth in the Project M Bond Resolution in order to reflect the transfer to MEAG Power of the Project M Entity's Ownership Interest and the termination of the Project M Power Purchase Agreement; in the case of the Project M Power Sales Contracts, the amendments must obligate the Project M Participants to pay to MEAG Power, in the same manner and during the same periods of time as theretofore provided, amounts necessary to pay all MEAG Power's costs and expenses relating to Project M;
5. Validation of Resolution and Contracts, as Amended: the Project M Bond Resolution, as amended by such Supplemental Resolution, and the Vogtle Units 3&4 Project Agreements and the Project M Power Sales Contracts, as amended, have been the subject of a judgment of validation rendered by the Superior Court of Fulton County, Georgia;
6. Receipt of "No-Adverse-Tax-Effect" Opinion: MEAG Power receives an opinion of tax counsel to MEAG Power to the effect that the transfer, assignment, amendments and other actions referred to in the Project M Bond Resolution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Project M Bonds the interest on which, at the time of the original issuance of such Project M Bonds, was so excluded; and
7. Ratings Confirmation: each Rating Agency then maintaining a rating for the Project M Bonds notifies MEAG Power in writing of the rating(s) that will apply to the Project M Bonds following the transfer, assignment, amendments and other actions referred to in the Project M Bond Resolution, which rating(s), as a result of such transfer, assignment, amendments and other actions, shall not be lower than such Rating Agency's rating(s) on the Outstanding Project M Bonds then in effect (without regard to any third-party credit enhancement).

Notwithstanding any other provision of the Project J Bond Resolution, at any time or from time to time on or after the date on which DOE has confirmed in writing that the Project J DOE Guaranteed Loan has been repaid in full and the Project J Entity has satisfied all of its obligations under the Project J DOE Loan Guarantee Agreement and the other Project J Federal Loan Documents, a Supplemental Resolution of MEAG Power may be adopted for the purpose of amending the Project J Bond Resolution in any respect determined by MEAG Power to be necessary or desirable in order to delete therefrom all provisions relating to the payment of the Project J Federal Loan Debt Service Payments and other covenants and agreements that are for the exclusive benefit of the DOE Secured Parties. Such Supplemental Resolution shall be fully effective in accordance with its terms upon (a) the filing with the Trustee of a copy thereof certified by an Authorized Officer of MEAG Power and (b) the occurrence of each of the following:

1. Transfer to MEAG Power of the Project J Entity's Ownership Interest: The Project J Entity transfers to MEAG Power the Project J Entity's Ownership Interest;
2. Assignment to MEAG Power of Applicable Rights and Obligations Under the Vogtle Units 3&4 Project Agreements: The Project J Entity assigns to MEAG Power all of its rights and obligations under the Vogtle Units 3&4 Project Agreements attributable to the Project J Entity's Ownership Interest;
3. Termination of the Project J Power Purchase Agreement: MEAG Power and the Project J Entity shall cause the Project J Power Purchase Agreement to be terminated;
4. Amendments to Various Documents: the Project J Bond Resolution, the Vogtle Units 3&4 Project Agreements and the Project J Power Contracts are amended as determined by MEAG Power to be necessary or desirable in order to reflect the foregoing transactions, including without limitation an amendment to the definition of "Additional Units PPA Project" set forth in the Project J Bond Resolution in order to reflect the transfer to MEAG Power of the Project J Entity's Ownership Interest and the termination of the Project J Power Purchase Agreement; in the case of the Project J Power Contracts, the amendments must obligate the Initial Power Purchaser and the Project J Participants, respectively, to pay to MEAG Power, in the same manner and during the same periods of time as theretofore provided, amounts necessary to pay all MEAG Power's costs and expenses relating to Project J;
5. Validation of Resolution and Contracts, as Amended: the Project J Bond Resolution, as amended by such Supplemental Resolution, and the Vogtle Units 3&4 Project Agreements and the Project J Power Contracts, as amended, have been the subject of a judgment of validation rendered by the Superior Court of Fulton County, Georgia;
6. Receipt of "No-Adverse-Tax-Effect" Opinion: MEAG Power receives an opinion of tax counsel to MEAG Power to the effect that the transfer, assignment, amendments and other actions referred to in the Project J Bond Resolution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Project J Bonds the interest on which, at the time of the original issuance of such Project J Bonds, was so excluded; and
7. Ratings Confirmation: each Rating Agency then maintaining a rating for the Project J Bonds notifies MEAG Power in writing of the rating(s) that will apply to the Project J Bonds following the transfer, assignment, amendments and other actions referred to in the Project J Bond Resolution, which rating(s), as a result of such transfer, assignment, amendments and other actions, shall not be lower than such Rating Agency's rating(s) on the Outstanding Project J Bonds then in effect (without regard to any third-party credit enhancement).

Notwithstanding any other provision of the Project P Bond Resolution, at any time or from time to time on or after the date on which DOE has confirmed in writing that the Project P DOE Guaranteed Loan has been repaid in full and the Project P Entity has satisfied all of its obligations under the Project P DOE Loan Guarantee Agreement and the other Project P Federal Loan Documents, a Supplemental Resolution of MEAG Power may be adopted for the purpose of amending the Project P Bond Resolution in any respect determined by MEAG Power to be necessary or desirable in order to delete therefrom all provisions relating to the payment of the Project P Federal Loan Debt Service Payments and other covenants and agreements that are for the exclusive benefit of the DOE Secured Parties. Such Supplemental Resolution shall be fully effective in accordance with its terms upon (a) the filing with the Trustee of a copy thereof certified by an Authorized Officer of MEAG Power and (b) the occurrence of each of the following:

1. Transfer to MEAG Power of the Project P Entity's Ownership Interest: The Project P Entity transfers to MEAG Power the Project P Entity's Ownership Interest;
2. Assignment to MEAG Power of Applicable Rights and Obligations Under the Vogtle Units 3&4 Project Agreements: The Project P Entity assigns to MEAG Power all of its rights and obligations under the Vogtle Units 3&4 Project Agreements attributable to the Project P Entity's Ownership Interest;
3. Termination of the Project P Power Purchase Agreement: MEAG Power and the Project P Entity shall cause the Project P Power Purchase Agreement to be terminated;
4. Amendments to Various Documents: the Project P Bond Resolution, the Vogtle Units 3&4 Project Agreements and the Project P Power Contracts are amended as determined by MEAG Power to be necessary or desirable in order to reflect the foregoing transactions, including without limitation an amendment to the definition of "Additional Units PPA-2 Project" set forth in the Project P Bond Resolution in order to reflect the transfer to MEAG Power of the Project M Entity's Ownership Interest and the termination of the Project P Power Purchase Agreement; in the case of the Project P Power Contracts, the amendments must obligate the Initial Power Purchaser and the Project P Participants, respectively, to pay to MEAG Power, in the same manner and during the same periods of time as theretofore provided, amounts necessary to pay all MEAG Power's costs and expenses relating to Project P;
5. Validation of Resolution and Contracts, as Amended: the Project P Bond Resolution, as amended by such Supplemental Resolution, and the Vogtle Units 3&4 Project Agreements and the Project P Power Contracts, as amended, have been the subject of a judgment of validation rendered by the Superior Court of Fulton County, Georgia;
6. Receipt of "No-Adverse-Tax-Effect" Opinion: MEAG Power receives an opinion of tax counsel to MEAG Power to the effect that the transfer, assignment, amendments and other actions referred to in the Project P Bond Resolution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Project P Bonds the interest on which, at the time of the original issuance of such Project P Bonds, was so excluded; and
7. Ratings Confirmation: each Rating Agency then maintaining a rating for the Project P Bonds notifies MEAG Power in writing of the rating(s) that will apply to the Project P Bonds following the transfer, assignment, amendments and other actions referred to in the Project P Bond Resolution, which rating(s), as a result of such transfer, assignment, amendments and other actions, shall not be lower than such Rating Agency's rating(s) on the Outstanding Project P Bonds then in effect (without regard to any third-party credit enhancement).

## **Trustee, Paying Agents**

The Project M Bond Resolution requires the appointment by MEAG Power of one or more Paying Agents (who may be the Trustee) for the Project M Bonds of each Series. The Trustee may at any time resign on 60 days' written notice and may at any time be removed by the Holders of a majority in principal amount of the Project M Bonds then Outstanding, DOE and the DOE Collateral Agent or their respective attorneys-in-fact duly authorized or, so long as no Bondholders' Event of Default or Federal Loan Event of Default, or event which with the passage of time or the giving of notice, or both, will become a Bondholders' Event of Default or a Federal Loan Event of Default, has occurred and is continuing, by MEAG Power, but subject to the approval of DOE or the DOE Collateral Agent. If the Trustee has been removed by MEAG Power, then MEAG Power has the exclusive right to appoint a successor Trustee. In any other case, the Holders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of MEAG Power, and DOE may appoint such successor; *provided, however*, that if no successor Trustee shall have been appointed by the Holders and DOE within 30 days of the date on which the Trustee (1) shall have mailed notice of its resignation or (2) shall have become incapable of acting, or shall have been adjudged bankrupt or insolvent, or a receiver, liquidator or conservator of the Trustee, or of its property, shall have been appointed, or any public officer shall have taken charge or control of the Trustee, or of its property or affairs, then MEAG Power, subject to the provisions of Project M Bond Resolution, shall have the exclusive right to appoint such successor. Any successor Trustee must be a Bank with its principal office in the City and State of New York or Georgia having capital stock and surplus aggregating at least \$100,000,000 if there be such an entity willing to accept appointment.

The Trustee and Paying Agents provisions under the Project J Bond Resolution and the Project P Bond Resolution are substantially similar to the foregoing Trustee and Paying Agents provisions under the Project M Bond Resolution.

## **Defeasance**

The pledges of the Shared Trust Estate and the Bondholders' Trust Estate under the applicable Vogtle Units 3&4 Bond Resolution and all covenants and other obligations of MEAG Power under such Vogtle Units 3&4 Bond Resolution will cease, terminate and be discharged and satisfied whenever (a) all applicable Bonds and interest due thereon have been paid in full, (b) (i) MEAG Power has paid or caused to be paid, or there shall otherwise be paid, to the DOE Collateral Agent (for the benefit of the applicable DOE Secured Parties) the principal of, and interest and prepayment premiums, if any, due or to become due on, and all other amounts due with respect to, the applicable Federal Loan and (ii) the applicable Vogtle Units 3&4 Project Entity has satisfied all of its obligations under the applicable DOE Loan Guarantee Agreement (and no undisbursed commitments remain available thereunder). If MEAG Power shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of any Outstanding Bonds (or portions thereof) the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the applicable Vogtle Units 3&4 Bond Resolution, such Bonds (or portions thereof) shall cease to be entitled to any lien, benefit or security under the applicable Vogtle Units 3&4 Bond Resolution, and all covenants and other obligations of MEAG Power to the Holders of such Bonds (or portions thereof) will cease, terminate and be discharged and satisfied. If (a) MEAG Power shall pay or cause to be paid, or there shall otherwise be paid, to the DOE Collateral Agent (for the benefit of the applicable DOE Secured Parties) the principal of, and interest and prepayment premiums, if any, due or to become due on, and all other amounts due with respect to, the applicable Federal Loan, at the times and in the manner stipulated in the applicable DOE Loan Guarantee Agreement and (b) the applicable Vogtle Units 3&4 Project Entity has satisfied all of its obligations under the applicable DOE Loan Guarantee Agreement (and no undisbursed commitments remain available thereunder), the applicable Federal Loan Debt Service Payments shall cease to be entitled to any lien, benefit or security under the applicable Vogtle Units 3&4 Bond Resolution, and all covenants and other obligations of MEAG Power to the DOE Secured Parties will cease, terminate and be discharged and satisfied.

Bonds (or portions thereof) are deemed to have been paid and are not entitled to the lien, benefit or security of the applicable Vogtle Units 3&4 Bond Resolution whenever the following conditions are met: (1) there have been deposited with the Trustee in trust either moneys in an amount which will be sufficient, or Defeasance Securities, the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, also deposited, will be sufficient to pay when due the principal or Redemption Prices, if applicable, and interest due or to become due on such Bonds, (2) in the case of any Bonds to be redeemed prior to maturity, MEAG Power has given to the Trustee instructions to give the notice of redemption therefor, and (3) in the event such Bonds are not to be redeemed or paid at maturity within the next succeeding 60 days, MEAG Power has given the Trustee instructions to give as soon as practicable, a notice to the Holders of such Bonds that the above deposit has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, of such Bonds.

### **Bondholders' Events of Default and Remedies**

Bondholders' Events of Default specified in each Vogtle Units 3&4 Bond Resolution include failure to pay the principal or Redemption Price of any Bond when due; failure to pay any interest installment on any Bond or the unsatisfied balance of any Sinking Fund Installment thereon when due; failure to remedy a default for 60 days after written notice of a default in the observance or performance of any other covenants, agreements or conditions; and certain events of bankruptcy or insolvency. Upon the happening of any such Bondholders' Event of Default, the Trustee or the Holders of not less than 25 percent in principal amount of the applicable Bonds then Outstanding may declare the principal of and accrued interest on such Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the applicable Bonds have matured).

The Project M Bond Resolution provides that, upon the occurrence of any Bondholders' Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, DOE or the DOE Collateral Agent, (1) account, as a trustee of an express trust, for all Revenues, moneys, securities and funds pledged under the Project M Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the Project M Bond Resolution and, as received, all Revenues. In such event the Trustee will hold such funds in trust for the benefit of both the Holders of the Project M Bonds and the DOE Secured Parties. The Trustee will apply all moneys, securities, funds and Revenues received during the continuance of a Bondholders' Event of Default in the following order: (1) to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, (2) to the payment of (X) reasonable and necessary Operating Expenses and (Y) the costs of reasonable renewals, repairs, replacements, additions, betterments and improvements to the Project M Entity's Ownership Interest necessary in the judgment of the Trustee or DOE to prevent loss of Revenues or otherwise required to be paid for by the Project M Entity pursuant to the Vogtle Units 3&4 Project Agreements, and (3) to the payment, on a parity basis, in proportion to the respective amounts then due, of interest and principal of Project M Bonds then due, the principal and interest components of Project M Parity Obligations then due and the principal and interest and any other amounts, if any, then due and unpaid on the Project M DOE Guaranteed Loan, without preference or priority of interest over principal or principal over interest, unless the principal of all Project M Bonds and the Project M DOE Guaranteed Loan have not been declared due and payable, in which case to the payment, on a parity basis, in proportion to the respective amounts then due, first, of (A) interest then due on the Project M Bonds, (B) all installments of the interest component of Project M Parity Obligations then due and (C) all installments of interest then due on the Project M DOE Guaranteed Loan and, second, of (X) the principal or Redemption Price on those Project M Bonds which have become due and payable, (Y) the principal component of Project M Parity Obligations which have become due and (Z) the unpaid principal of and prepayment premiums, if any, on, and other amounts due with respect to, the Project M DOE Guaranteed Loan which have become due, in order of their due dates. In addition, any Holders of Project M Bonds or the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of Project M, but subject to any rights that the Project M Entity

or DOE may have under the Project M DOE Loan Guarantee Agreement. In the event of any such appointment of a receiver (whether by a Bondholder or by the Trustee), it is the intention of the Project M Bond Resolution that such receiver act in such a manner as is intended to maximize recovery of the Project M DOE Guaranteed Loan and the Project M Bonds.

Notwithstanding the foregoing provisions of the Project M Bond Resolution, upon any declaration of the principal of the Project M DOE Guaranteed Loan then outstanding, and the interest accrued thereon, to be due and payable immediately, the principal of all the Project M Bonds then Outstanding, and the interest accrued thereon, shall be and become due and payable immediately, without any further act by or on behalf of MEAG Power, the Trustee or the Holders of the Project M Bonds, and neither the Holders of the Project M Bonds nor the Trustee acting on their behalf shall have any right or power to rescind such acceleration until such time, if any, as (x) such declaration with respect to the Project M DOE Guaranteed Loan shall have been rescinded or (y) the principal of the Project M DOE Guaranteed Loan then outstanding, and the interest accrued thereon, shall have been repaid in full.

The Project J Bond Resolution provides that, upon the occurrence of any Bondholders' Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, DOE or the DOE Collateral Agent, (1) account, as a trustee of an express trust, for all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments, Project J Participant Resale Revenues, moneys, securities and funds pledged under the Project J Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the Project J Bond Resolution and, as received, all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments and Project J Participant Resale Revenues. In such event the Trustee will hold such funds in trust for the benefit of both the Holders of the Project J Bonds and the DOE Secured Parties. The Trustee will apply all moneys, securities, funds and Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments and Project J Participant Resale Revenues received during the continuance of a Bondholders' Event of Default in the following order: (1) to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, (2) to the payment of (X) reasonable and necessary Operating Expenses and (Y) the costs of reasonable renewals, repairs, replacements, additions, betterments and improvements to the Project J Entity's Ownership Interest necessary in the judgment of the Trustee or DOE to prevent loss of Revenues or otherwise required to be paid for by the Project J Entity pursuant to the Vogtle Units 3&4 Project Agreements, and (3) to the payment, on a parity basis, in proportion to the respective amounts then due, of interest and principal of Project J Bonds then due, the principal and interest components of Project J Parity Obligations then due and the principal and interest and any other amounts, if any, then due and unpaid on the Project J DOE Guaranteed Loan, without preference or priority of interest over principal or principal over interest, unless the principal of all Project J Bonds and the Project J DOE Guaranteed Loan have not been declared due and payable, in which case to the payment, on a parity basis, in proportion to the respective amounts then due, first, of (A) interest then due on the Project J Bonds, (B) all installments of the interest component of Project J Parity Obligations then due and (C) all installments of interest then due on the Project J DOE Guaranteed Loan and, second, of (X) the principal or Redemption Price on those Project J Bonds which have become due and payable, (Y) the principal component of Project J Parity Obligations which have become due and (Z) the unpaid principal of and prepayment premiums, if any, on, and other amounts due with respect to, the Project J DOE Guaranteed Loan which have become due, in order of their due dates. In addition, any Holders of Project J Bonds or the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of Project J, but subject to any rights that the Project J Entity or DOE may have under the Project J DOE Loan Guarantee Agreement. In the event of any such appointment of a receiver (whether by a Bondholder or by the Trustee), it is the intention of the Project J Bond Resolution that such receiver act in such a manner as is intended to maximize recovery of the Project J DOE Guaranteed Loan and the Project J Bonds.

Notwithstanding the foregoing provisions of the Project J Bond Resolution, (a) neither the Trustee nor the Holders of the Bonds shall have the right to declare the principal of all the Project J Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately during the continuance of any Standstill Period under the Project J DOE Loan Guarantee Agreement and (b) upon any declaration of the principal of the Project J DOE Guaranteed Loan then outstanding, and the interest accrued thereon, to be due and payable immediately, the principal of all the Project J Bonds then Outstanding, and the interest accrued thereon, shall be and become due and payable immediately, without any further act by or on behalf of MEAG Power, the Trustee or the Holders of the Project J Bonds, and neither the Holders of the Project J Bonds nor the Trustee acting on their behalf shall have any right or power to rescind such acceleration until such time, if any, as (x) such declaration with respect to the Project J DOE Guaranteed Loan shall have been rescinded or (y) the principal of the Project J DOE Guaranteed Loan then outstanding, and the interest accrued thereon, shall have been repaid in full.

The Project P Bond Resolution provides that, upon the occurrence of any Bondholders' Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, DOE or the DOE Collateral Agent, (1) account, as a trustee of an express trust, for all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project P Participant Arrearages Payments, Project P Participant Resale Revenues, moneys, securities and funds pledged under the Project P Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the Project P Bond Resolution and, as received, all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project P Participant Arrearages Payments and Project P Participant Resale Revenues. In such event the Trustee will hold such funds in trust for the benefit of both the Holders of the Project P Bonds and the DOE Secured Parties. The Trustee will apply all moneys, securities, funds and Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project P Participant Arrearages Payments and Project P Participant Resale Revenues received during the continuance of a Bondholders' Event of Default in the following order: (1) to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries, (2) to the payment of (X) reasonable and necessary Operating Expenses and (Y) the costs of reasonable renewals, repairs, replacements, additions, betterments and improvements to the Project P Entity's Ownership Interest necessary in the judgment of the Trustee or DOE to prevent loss of Revenues or otherwise required to be paid for by the Project P Entity pursuant to the Vogtle Units 3&4 Project Agreements, and (3) to the payment, on a parity basis, in proportion to the respective amounts then due, of interest and principal of Project P Bonds then due, the principal and interest components of Project P Parity Obligations then due and the principal and interest and any other amounts, if any, then due and unpaid on the Project P DOE Guaranteed Loan, without preference or priority of interest over principal or principal over interest, unless the principal of all Project P Bonds and the Project P DOE Guaranteed Loan have not been declared due and payable, in which case to the payment, on a parity basis, in proportion to the respective amounts then due, first, of (A) interest then due on the Project P Bonds, (B) all installments of the interest component of Project P Parity Obligations then due and (C) all installments of interest then due on the Project P DOE Guaranteed Loan and, second, of (X) the principal or Redemption Price on those Project P Bonds which have become due and payable, (Y) the principal component of Project P Parity Obligations which have become due and (Z) the unpaid principal of and prepayment premiums, if any, on, and other amounts due with respect to, the Project P DOE Guaranteed Loan which have become due, in order of their due dates. In addition, any Holders of Project P Bonds or the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of Project P, but subject to any rights that the Project P Entity or DOE may have under the Project P DOE Loan Guarantee Agreement. In the event of any such appointment of a receiver (whether by a Bondholder or by the Trustee), it is the intention of the Project P Bond Resolution that such receiver act in such a manner as is intended to maximize recovery of the Project P DOE Guaranteed Loan and the Project P Bonds.

Notwithstanding the foregoing provisions of the Project P Bond Resolution, (a) neither the Trustee nor the Holders of the Project P Bonds shall have the right to declare the principal of all the Project P Bonds

then Outstanding, and the interest accrued thereon, to be due and payable immediately during the continuance of any Standstill Period under the Project P DOE Loan Guarantee Agreement and (b) upon any declaration of the principal of the Project P DOE Guaranteed Loan then outstanding, and the interest accrued thereon, to be due and payable immediately, the principal of all the Project P Bonds then Outstanding, and the interest accrued thereon, shall be and become due and payable immediately, without any further act by or on behalf of MEAG Power, the Trustee or the Holders of the Bonds, and neither the Holders of the Project P Bonds nor the Trustee acting on their behalf shall have any right or power to rescind such acceleration until such time, if any, as (x) such declaration with respect to the Project P DOE Guaranteed Loan shall have been rescinded or (y) the principal of the Project P DOE Guaranteed Loan then outstanding, and the interest accrued thereon, shall have been repaid in full.

Each Vogtle Units 3&4 Bond Resolution provides that, if a Bondholders' Event of Default has occurred and has not been remedied the Trustee may, or on request of the Holders of not less than 25 percent in principal amount of Bonds Outstanding must, take such steps by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Vogtle Units 3&4 Bond Resolution or in aid of the execution of any power granted in the Vogtle Units 3&4 Bond Resolution, or for an accounting against MEAG Power, or in the enforcement of any other legal or equitable right, as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Vogtle Units 3&4 Bond Resolution, including, without limitation, enforcement of any rights of MEAG Power or the Trustee under the applicable Vogtle Units 3&4 Power Sales Contracts or the applicable Vogtle Units 3&4 Power Contracts, as the case may be. In enforcing any such rights, the Trustee will act in such a manner as is intended to maximize recovery of the applicable Federal Loan and the applicable Bonds. The Trustee may, and upon the request of the Holders of a majority in principal amount of the applicable Bonds then Outstanding and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the Vogtle Units 3&4 Bond Resolution or to preserve or protect the interests of the Trustee, of the Bondholders and of the DOE Secured Parties.

Each Vogtle Units 3&4 Bond Resolution provides that no Bondholder has any right to institute any suit, action or proceeding for the enforcement of any provision of the Vogtle Units 3&4 Bond Resolution or the execution of any trust under the Vogtle Units 3&4 Bond Resolution or for any remedy under the Vogtle Units 3&4 Bond Resolution, unless (1) such Bondholder previously has given the Trustee written notice of a Bondholders' Event of Default, (2) the Holders of at least 25 percent in principal amount of the applicable Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days. Nothing contained in the Vogtle Units 3&4 Bond Resolutions or in the Bonds shall affect or impair MEAG Power's obligation, which is absolute and unconditional, to pay the Bonds and the interest thereon when due, or the right of any Bondholder to enforce such payment.

Each Vogtle Units 3&4 Bond Resolution also provides that the Holders of not less than a majority in principal amount of applicable Bonds then Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee (subject to the Trustee's right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction or to the DOE Secured Parties).

### **Federal Loan Events of Default and Remedies**

Federal Loan Events of Default specified in each Vogtle Units 3&4 Bond Resolution include failure to pay any installment of the applicable Federal Loan Debt Service Payments when due; and failure to



remedy a default for 60 days after written notice of a default in the observance or performance of certain specified covenants, agreements or conditions.

The Project M Bond Resolution provides that, upon the occurrence of any Federal Loan Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, DOE or the DOE Collateral Agent, (1) account, as a trustee of an express trust, for all Revenues, moneys, securities and funds pledged under the Project M Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the Project M Bond Resolution and, as received, all Revenues. In such event the Trustee will hold such funds in trust for the benefit of both the Holders of the Project M Bonds and the DOE Secured Parties. The Trustee will apply all moneys, securities, funds and Revenues received during the continuance of a Federal Loan Event of Default in the same manner, and subject to the same priorities, as described above under “Bondholders’ Events of Default and Remedies” with respect to the Project M Bond Resolution. In addition, the DOE Collateral Agent or the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of Project M, but subject to any rights that the Project M Entity or DOE may have under the Project M DOE Loan Guarantee Agreement. In the event of any such appointment of a receiver (whether by a Bondholder or by the Trustee), it is the intention of the Project M Bond Resolution that such receiver act in such a manner as is intended to maximize recovery of the Project M DOE Guaranteed Loan and the Project M Bonds.

The Project J Bond Resolution provides that, upon the occurrence of any Federal Loan Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, DOE or the DOE Collateral Agent, (1) account, as a trustee of an express trust, for all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments, Project J Participant Resale Revenues, moneys, securities and funds pledged under the Project J Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the Project J Bond Resolution and, as received, all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments and Project J Participant Resale Revenues. In such event the Trustee will hold such funds in trust for the benefit of both the Holders of the Project J Bonds and the DOE Secured Parties. The Trustee will apply all moneys, securities, funds and Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments and Project J Participant Resale Revenues received during the continuance of a Federal Loan Event of Default in the same manner, and subject to the same priorities, as described above under “Bondholders’ Events of Default and Remedies” with respect to the Project M Bond Resolution. In addition, the DOE Collateral Agent or the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of Project J, but subject to any rights that the Project J Entity or DOE may have under the Project J DOE Loan Guarantee Agreement. In the event of any such appointment of a receiver (whether by a Bondholder or by the Trustee), it is the intention of the Project J Bond Resolution that such receiver act in such a manner as is intended to maximize recovery of the Project J DOE Guaranteed Loan and the Project J Bonds.

The Project P Bond Resolution provides that, upon the occurrence of any Federal Loan Event of Default which has not been remedied, MEAG Power will, if demanded by the Trustee, DOE or the DOE Collateral Agent, (1) account, as a trustee of an express trust, for all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project P Participant Arrearages Payments, Project P Participant Resale Revenues, moneys, securities and funds pledged under the Project P Bond Resolution and (2) pay over or cause to be paid over to the Trustee all assets held by MEAG Power in any fund or account under the Project P Bond Resolution and, as received, all Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project P Participant Arrearages Payments and Project P Participant Resale Revenues. In such event the Trustee will hold such funds in trust for the benefit of both the Holders of the Project P Bonds and the DOE Secured Parties. The Trustee will apply all moneys, securities, funds and Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project P Participant Arrearages Payments and Project P Participant Resale

Revenues received during the continuance of a Federal Loan Event of Default in the same manner, and subject to the same priorities, as described above under “Bondholders’ Events of Default and Remedies” with respect to the Project M Bond Resolution. In addition, the DOE Collateral Agent or the Trustee will have the right to apply in an appropriate proceeding for appointment of a receiver of Project P, but subject to any rights that the Project P Entity or DOE may have under the Project P DOE Loan Guarantee Agreement. In the event of any such appointment of a receiver (whether by a Bondholder or by the Trustee), it is the intention of the Project P Bond Resolution that such receiver act in such a manner as is intended to maximize recovery of the Project P DOE Guaranteed Loan and the Project P Bonds.

Each Vogtle Units 3&4 Bond Resolution provides that, if a Federal Loan Event of Default has occurred and has not been remedied the Trustee may, or on request of the DOE Collateral Agent must, take such steps by a suit or suits in equity or at law, whether for the specific performance of any covenant in the Vogtle Units 3&4 Bond Resolution or in aid of the execution of any power granted in the Vogtle Units 3&4 Bond Resolution, or for an accounting against MEAG Power, or in the enforcement of any other legal or equitable right, as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Vogtle Units 3&4 Bond Resolution, including, without limitation, enforcement of any rights of MEAG Power or the Trustee under the applicable Vogtle Units 3&4 Power Sales Contracts or the applicable Vogtle Units 3&4 Power Contracts, as the case may be. In enforcing any such rights, the Trustee will act in such a manner as is intended to maximize recovery of the applicable Federal Loan and the applicable Bonds. The Trustee may, and upon the request of the DOE Collateral Agent and upon being furnished with reasonable security and indemnity must, institute and prosecute proper actions to prevent any impairment of the security under the Vogtle Units 3&4 Bond Resolution or to preserve or protect the interests of the Trustee, of the Bondholders and of the DOE Secured Parties.

Each Vogtle Units 3&4 Bond Resolution provides that the DOE Collateral Agent has no right to institute any suit, action or proceeding for the enforcement of any provision of the Vogtle Units 3&4 Bond Resolution or the execution of any trust under the Vogtle Units 3&4 Bond Resolution or for any remedy under the Vogtle Units 3&4 Bond Resolution, unless (1) the DOE Collateral Agent previously has given the Trustee written notice of a Federal Loan Event of Default, (2) the DOE Collateral Agent has filed a written request with the Trustee and has afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there have been offered to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days. Nothing contained in the Vogtle Units 3&4 Bond Resolutions shall affect or impair MEAG Power’s obligation, which is absolute and unconditional, to pay or cause to be paid the Federal Loan Debt Service Payments when due, or the right of the DOE Collateral Agent to enforce such payment.

Each Vogtle Units 3&4 Bond Resolution also provides that the DOE Collateral Agent may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred upon the Trustee (subject to the Trustee’s right to decline to follow such direction upon advice of counsel as to the unlawfulness thereof or upon its good faith determination that such action would involve the Trustee in personal liability or would be unjustly prejudicial to Bondholders not parties to such direction).

## **Definitions**

Each of the Vogtle Units 3&4 Bond Resolutions has the following defined terms:

*Accreted Value.* Accreted Value shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to

be compounded (hereinafter, a Periodic Compounding Date) immediately preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

*Accrued Aggregate Debt Service.* Accrued Aggregate Debt Service shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of applicable Bonds and all applicable Parity Reimbursement Obligations, calculating the accrued Debt Service with respect to the applicable Bonds of each Series and each applicable Parity Reimbursement Obligation at an amount equal to the sum of (i) interest on the applicable Bonds of such Series or such Parity Reimbursement Obligation accrued and unpaid and to accrue to the end of the then current calendar month and (ii) Principal Installments of the applicable Bonds of such Series or such Parity Reimbursement Obligation due and unpaid (without giving effect to any declaration of the principal of all applicable Bonds Outstanding, and the interest accrued thereon, to be due and payable immediately following the occurrence of a Bondholders' Event of Default as provided in the applicable Vogtle Units 3&4 Bond Resolution) and that portion of the Principal Installment thereof next due which would have accrued (if deemed to accrue in the manner set forth in the definition of *Debt Service*) to the end of such calendar month; *provided, however,* that (x) there shall be excluded from the calculation of Accrued Aggregate Debt Service any Principal Installments which are Refundable Principal Installments, (y) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds shall be included in the calculation of Accrued Aggregate Debt Service at the times and in the manner provided in the applicable Vogtle Units 3&4 Bond Resolution and (z) with respect to Variable Rate Bonds and Parity Commercial Paper Notes, interest on such Variable Rate Bonds and Parity Commercial Paper Notes shall be calculated at the actual rate or rates borne thereby during the period for which such calculation is made unless MEAG Power has in connection with any such Variable Rate Bonds or Parity Commercial Paper Notes entered into a Qualified Hedging Contract that provides that, in respect of a notional amount equal to the Outstanding principal amount of such Variable Rate Bonds or Parity Commercial Paper Notes, MEAG Power is to pay to a Qualified Hedging Contract Provider an amount determined based upon a fixed rate of interest and the Qualified Hedging Contract Provider is to pay to MEAG Power an amount determined based upon a variable rate of interest equal or comparable to the rate at which such Variable Rate Bonds or Parity Commercial Paper Notes bear interest, in which case, it will be assumed that such Variable Rate Bonds or Parity Commercial Paper Notes bear interest at the fixed rate of interest to be paid by MEAG Power; and *provided, further,* that in the event that the applicable Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then until such time, if any, as MEAG Power, for whatever reason, no longer receives cash subsidy payments from the United States Treasury in respect of the interest payable on such Bonds, for purposes of this definition, the interest on the Bonds of such Series shall be calculated net of the amount of such subsidy.

*Additional Units.* Additional Units shall mean the two additional nuclear units to be located at Generation Station Vogtle pursuant to the Development Agreement.

*Adjusted Aggregate Debt Service.* Adjusted Aggregate Debt Service for any period shall mean, as of any date of calculation, the Aggregate Debt Service for such period except that if any Refundable Principal Installment for any Series of Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service shall mean Aggregate Debt Service determined as if each such

Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of (x) the 40th anniversary of the issuance of such Series of Bonds or (y) the tenth anniversary of the due date of such Refundable Principal Installment, in installments which would have required equal annual payments of principal and interest over such period. Interest deemed payable in any calendar year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at such rate of interest as MEAG Power, or a banking or financial institution selected by MEAG Power, determines would be a reasonable estimate of the rate of interest that would be borne on Bonds maturing at the times determined in accordance with the provisions of the preceding sentence.

*Advance.* Advance shall mean an advance or borrowing of the applicable Federal Loan made pursuant to the applicable Federal Loan Documents from FFB.

*Aggregate Debt Service.* Aggregate Debt Service for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds and all Parity Obligations.

*Bond Anticipation Notes.* Bond Anticipation Notes shall mean any Bonds issued to finance or refinance the Costs of Acquisition and Construction of the applicable Vogtle Units 3&4 Project Entity's Ownership Interest and Financing Costs of the applicable Vogtle Units 3&4 Project on an interim basis prior to the issuance of other Bonds, which Bond Anticipation Notes shall be issued in the form of notes the principal of which is intended to, and all or a portion of the interest on which may, be paid from the proceeds of other Bonds (including other Bond Anticipation Notes), including any notes issued to secure borrowing arrangements. As such, the Principal Installments for Bond Anticipation Notes initially shall be and constitute Refundable Principal Installments. Bond Anticipation Notes shall not be or be deemed to be "bond anticipation notes" within the meaning of the Act.

*Build America Bonds.* Build America Bonds shall mean any Bonds with respect to which MEAG Power has irrevocably elected, pursuant to Section 54AA(g) of the Internal Revenue Code of 1986, as amended, or any other similar federal program creating subsidies for municipal borrowers for which MEAG Power qualifies, to receive cash subsidy payments from the United States Treasury equal to a portion of the interest payable on such Bonds.

*Capital Appreciation Bonds.* Capital Appreciation Bonds shall mean any Bonds issued under the Vogtle Units 3&4 Bond Resolution as to which interest is (i) compounded periodically on dates that are specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Vogtle Units 3&4 Bond Resolution or the Supplemental Resolution authorizing such Capital Appreciation Bonds.

*Commercial Paper Note.* Commercial Paper Note shall mean any note that has a maturity date not more than 270 days after the date of issuance thereof and that is issued by MEAG Power pursuant to a Supplemental Resolution that designates such note as a Commercial Paper Note.

*Commercial Paper Payment Plan.* Commercial Paper Payment Plan shall mean, with respect to any Commercial Paper Notes issued under a Supplemental Resolution and as of any time, the then current Commercial Paper Payment Plan for such notes contained in a certificate of an Authorized Officer of MEAG Power delivered pursuant to the Vogtle Units 3&4 Bond Resolution and setting forth the sources of funds expected to be utilized by MEAG Power to pay the principal of and interest on such Commercial Paper Notes.

*Credit Facility.* Credit Facility shall mean, with respect to any Bonds, any letter of credit, policy of bond insurance, surety bond, guarantee or similar instrument issued by a Credit Provider pursuant to

which such Credit Provider becomes unconditionally obligated to pay when due, to the extent not paid by MEAG Power or otherwise, the principal of and interest on such Bonds.

*Credit Provider.* Credit Provider shall mean any Bank, insurance company or other institution that has issued or provided a Credit Facility.

*Debt Service.* Debt Service for any period shall mean, as of any date of calculation, the sum of (i) with respect to the applicable Bonds of any Series, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from proceeds of applicable Bonds or Subordinated Bonds or other evidences of indebtedness of MEAG Power (including amounts transferred thereto from the Construction Fund) and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the immediately preceding Principal Installment due date for such Series (or, if (x) there shall be no such preceding Principal Installment due date or (y) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later), (ii) with respect to each applicable Parity Reimbursement Obligation, an amount equal to the sum of (a) interest accruing during such period on such Parity Reimbursement Obligation and (b) that portion of each Principal Installment for such Parity Reimbursement Obligation which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the immediately preceding Principal Installment due date for such Parity Reimbursement Obligation (or, if (x) there shall be no such preceding Principal Installment due date or (y) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then from a date one year preceding the due date of such Principal Installment or from the date of incurrence of such Parity Reimbursement Obligation, whichever date is later) and (iii) with respect to each applicable Parity Obligation (other than any Parity Reimbursement Obligation), an amount equal to the sum of all amounts payable thereunder by MEAG Power during such period, except to the extent that interest on any such Parity Obligation is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from proceeds of applicable Bonds or Subordinated Bonds or other evidences of indebtedness of MEAG Power (including amounts transferred thereto from the Construction Fund). For purposes of this definition, (1) unless otherwise provided in the Supplemental Resolution authorizing any such Bonds or Parity Reimbursement Obligations, such interest and Principal Installments shall be calculated on the basis of a 360-day year consisting of twelve 30-day months and (2) such interest and Principal Installments on Bonds and Parity Reimbursement Obligations shall be calculated on the assumptions that:

- (a) no such Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof and paid, or to be paid, from Revenues) or Parity Reimbursement Obligations Outstanding at the date of calculation will cease to be Outstanding except, in the case of Bonds, by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and, in the case of Parity Reimbursement Obligations, by reason of the payment thereof upon the stated due dates thereof,
- (b) the principal amount of Option Bonds tendered for payment before the stated maturity thereof and paid, or to be paid, from Revenues, shall be deemed to accrue on the date required to be paid pursuant to such tender,
- (c) the principal and interest portions of the Accreted Value of Capital Appreciation Bonds shall be included in the calculation of Debt Service at the times and in the manner provided in the Vogtle Units 3&4 Bond Resolution,

- (d) Parity Commercial Paper Notes shall be deemed to be Bonds for purposes of this definition but the principal thereof shall be included in Debt Service only to the extent that the Commercial Paper Payment Plan therefor indicates that such principal is to be paid from Revenues,
- (e) Variable Rate Bonds and Parity Commercial Paper Notes will bear interest at the rate or rates which were assumed by MEAG Power in the annual budget for the applicable year to be borne by Variable Rate Bonds and Parity Commercial Paper Notes, respectively, during such year; *provided, however*, that if Debt Service is being calculated in connection with the issuance of Variable Rate Bonds, for the purpose of determining the Debt Service Reserve Requirement upon the issuance of such Variable Rate Bonds, and either (i) no Vogtle Units 3&4 Project Annual Budget shall be in effect for the year in which such Variable Rate Bonds are being issued or (ii) the Vogtle Units 3&4 Project Annual Budget in effect for such year does not take into account such Variable Rate Bonds being issued, then such Variable Rate Bonds shall be deemed to bear interest at such rate or rates as the Board shall determine in connection with the authorization of such Variable Rate Bonds, which rate or rates shall be equal to the interest rate or rates that would have been assumed by MEAG Power with respect to such Variable Rate Bonds being issued if it were considering a Vogtle Units 3&4 Project Annual Budget for the applicable year at such time; and *provided, further*, that if MEAG Power has in connection with any Variable Rate Bonds or Parity Commercial Paper Notes entered into a Qualified Hedging Contract that provides that, in respect of a notional amount equal to the Outstanding principal amount of the Variable Rate Bonds or Parity Commercial Paper Notes, MEAG Power is to pay to a Qualified Hedging Contract Provider an amount determined based upon a fixed rate of interest and the Qualified Hedging Contract Provider is to pay to MEAG Power an amount determined based upon a variable rate of interest equal or comparable to the rate at which such Variable Rate Bonds or Parity Commercial Paper Notes bear interest, it will be assumed that such Variable Rate Bonds or Parity Commercial Paper Notes bear interest at the fixed rate of interest to be paid by MEAG Power, and
- (f) fixed rate Bonds will bear interest at the rate or rates specified in such Bonds; *provided, however*, that if MEAG Power has in connection with any such Bonds entered into a Qualified Hedging Contract that provides that, in respect of a notional amount equal to the Outstanding principal amount of such Bonds, MEAG Power is to pay to a Qualified Hedging Contract Provider an amount determined based upon a variable rate of interest and the Qualified Hedging Contract Provider is to pay to MEAG Power an amount determined based upon a fixed rate of interest equal to the rate or rates at which such Bonds bear interest, it will be assumed that such Bonds bear interest at the variable rate of interest to be paid by MEAG Power.

*Defeasance Security.* Defeasance Security shall mean:

- (a) any bond or other obligation which as to principal and interest constitutes a direct obligation of, or is unconditionally guaranteed by, the United States of America,
- (b) any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision (a Municipal Bond) which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest Rating Category by at least two Rating Agencies, *provided, however*, that such Municipal Bond shall have been the subject of a report of a nationally recognized independent certified accountant or other

nationally recognized verification agent verifying that the moneys and obligations so segregated are sufficient to pay the principal of and premium, if any, and interest on the Municipal Bond,

- (c) any certificate of deposit, whether negotiable or nonnegotiable, fully secured as to principal and interest by bonds or other obligations of the character described in (a) above,
- (d) any certificate that evidences ownership of the right to payments of principal and/or interest on obligations described in either of clause (a) or (b) above of this definition, *provided, however*, that such obligations shall be held in trust by a Bank authorized to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority and having a combined capital, surplus and undivided profits of not less than \$50,000,000 and
- (e) any other security designated in a Supplemental Resolution as a Defeasance Security for purposes of defeasing the Bonds authorized by such Supplemental Resolution.

*DOE.* DOE shall mean the United States Department of Energy, as guarantor of the applicable Federal Loan.

*DOE Accounts Agreement.* DOE Accounts Agreement shall mean the Collateral Agency and Accounts Agreement among DOE, the DOE Collateral Agent and the applicable Vogtle Units 3&4 Project Entity, as the same may be amended, supplemented or restated from time to time in accordance with the terms thereof.

*DOE Debt Service Payment Account, DOE Debt Service Reserve Account, DOE Project Accounts, DOE Reserve & Contingency Account, DOE Revenue Account.* DOE Debt Service Payment Account, DOE Debt Service Reserve Account, DOE Project Accounts, DOE Reserve & Contingency Account and DOE Revenue Account shall have the respective meanings assigned to the terms “Debt Service Payment Account,” “Debt Service Reserve Account,” “Project Accounts,” “Reserve & Contingency Account” and “Revenue Account” in the applicable DOE Accounts Agreement.

*DOE Debt Service Reserve Requirement.* DOE Debt Service Reserve Requirement shall have the respective meaning assigned to the term “Debt Service Reserve Requirement” in the applicable DOE Loan Guarantee Agreement.

*DOE Loan Guarantee Agreement.* DOE Loan Guarantee Agreement shall mean the Loan Guarantee Agreement between the applicable Vogtle Units 3&4 Project Entity and DOE, as Guarantor, as the same may be amended, supplemented or restated from time to time in accordance with the terms thereof.

*DOE Secured Parties.* DOE Secured Parties shall mean DOE and the DOE Collateral Agent, as their respective interests may appear.

*Federal Loan.* Federal Loan shall have the meaning assigned to the term “DOE Guaranteed Loan” in the Annual Information Statement, and shall mean the loan (and Advances thereunder) obtained by the applicable Vogtle Units 3&4 Project Entity that are guaranteed in whole or in part pursuant to the applicable DOE Loan Guarantee Agreement with respect to the financing of the Costs of Acquisition and Construction of the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest.

*Federal Loan Debt Service Payments.* Federal Loan Debt Service Payments shall mean the amounts MEAG Power is required to pay in respect of Debt Service (as defined in the applicable Vogtle Units 3&4 Power Purchase Agreement) on the applicable Federal Loan.

*Federal Loan Documents.* Federal Loan Documents shall have the meaning assigned to the term “Loan Documents” in the applicable DOE Loan Guarantee Agreement.

*Federal Loan Option.* Federal Loan Option shall mean the program authorized by Title XVII of the federal Energy Policy Act of 2005, pursuant to which certain loan guarantees provided by DOE are made available with respect to, among other things, “advanced nuclear energy facilities.”

*Financial Guaranty.* Financial Guaranty shall mean one or more of an irrevocable and unconditional policy of insurance or surety bond in full force and effect issued by an insurance company or association duly authorized to do business in the State of New York and the State of Georgia the financial strength of which, except as provided in the Vogtle Units 3&4 Bond Resolution, is rated in the highest rating category by Moody’s Investors Service, Standard & Poor’s, Fitch Ratings and, if rated by A.M. Best & Company, A.M. Best & Company, and providing for the payment thereunder of moneys when required pursuant to the Vogtle Units 3&4 Bond Resolution.

*Investment Securities.* Investment Securities shall mean and include any securities, obligations or investments permitted for investment of MEAG Power’s funds from time to time by O.C.G.A. Sections 36-80-3, 36-82-7, 36-83-4 and 50-17-2, as from time to time amended, or any successor provisions thereto, or additional provisions of Georgia law from time to time enacted regarding the investment of funds of MEAG Power, in each case, upon written notice to the Trustee by MEAG Power of the amendment of existing provisions or the adoption of successor or additional provisions.

*Liquidity Facility.* Liquidity Facility shall mean, with respect to any Bonds, any letter of credit, standby bond purchase agreement, line of credit or similar instrument issued by a Liquidity Provider pursuant to which such Liquidity Provider becomes obligated to fund when due, to the extent not paid by MEAG Power or otherwise, the purchase price of such Bonds due upon tender thereof or, in the case of Commercial Paper Notes, the principal of and interest thereon when due. Such funding obligation may be subject to such conditions as are permitted by the Rating Agency or Rating Agencies in assigning a short-term or commercial paper rating to such Bonds.

*Liquidity Provider.* Liquidity Provider shall mean any Bank, insurance company or other institution that has issued or provided a Liquidity Facility.

*MEAG Power’s Interest.* MEAG Power’s Interest shall mean a 22.7 percent undivided ownership interest in the properties, facilities and rights, with respect to Vogtle Units 3&4, as described in Attachment A to each Vogtle Units 3&4 Bond Resolution.

*MEAG Power’s Portion.* MEAG Power’s Portion shall mean, as of any date of determination, a fraction the numerator of which is the aggregate principal amount of all applicable Bonds Outstanding as of such date and the denominator of which is the sum of (a) the aggregate principal amount of all applicable Bonds Outstanding as of such date and (b) the aggregate principal amount of the applicable Federal Loan outstanding as of such date.

*Option Bonds.* Option Bonds shall mean Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment by MEAG Power prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof.

*Parity Obligation.* Parity Obligation shall mean any Parity Commercial Paper Notes, Parity Reimbursement Obligation or Parity Hedging Contract Obligation.

*Project J.* Project J shall mean (1) all of MEAG Power’s right, title and interest (whether direct or indirect) in and to the capacity and output of the Project J Entity’s Ownership Interest, such right, title and



interest of MEAG Power being available to MEAG Power pursuant to the Project J Power Purchase Agreement and (2) working capital for Project J required by MEAG Power and the Project J Entity during construction of the Additional Units and for the placing of the Additional Units in operation, and working capital for Project J for operation of the Additional Units.

*Project J Entity.* Project J Entity shall mean MEAG Power SPVJ LLC, a limited liability company organized under the laws of the State of Georgia formed by MEAG Power for the sole purpose of owning and operating the Project J Portion of MEAG Power's Interest in the Additional Units and that is a wholly-owned, direct subsidiary of MEAG Power, the business and activities of which shall be limited to the acquisition, construction, ownership and operation of the Project J Portion of MEAG Power's Interest and such other lawful activities as are necessary, customary, convenient, or incident to the purposes specified above.

*Project J Portion.* Project J Portion shall mean a 41.174636 percent undivided interest in MEAG Power's Interest, which interest shall include 206.000 MWs of the capacity and output of Vogtle Units 3&4, based upon the nominal ratings of Vogtle Units 3&4.

*Project M.* Project M shall mean (1) all of MEAG Power's right, title and interest (whether direct or indirect) in and to the capacity and output of the Project M Entity's Ownership Interest, such right, title and interest of MEAG Power being available to MEAG Power pursuant to the Project M Power Purchase Agreement and (2) working capital for Project M required by MEAG Power and the Project M Entity during construction of the Additional Units and for the placing of the Additional Units in operation, and working capital for Project M for operation of the Additional Units.

*Project M Entity.* Project M Entity shall mean MEAG Power SPVM LLC, a limited liability company organized under the laws of the State of Georgia formed by MEAG Power for the sole purpose of owning and operating the Project M Portion of MEAG Power's Interest in the Additional Units and that is a wholly-owned, direct subsidiary of MEAG Power, the business and activities of which shall be limited to the acquisition, construction, ownership and operation of the Project M Portion of MEAG Power's Interest and such other lawful activities as are necessary, customary, convenient, or incident to the purposes specified above.

*Project M Portion.* Project M Portion shall mean a 33.870736 percent undivided interest in MEAG Power's Interest, which interest shall include 169.458 MWs of the capacity and output of Vogtle Units 3&4, based upon the nominal ratings of Vogtle Units 3&4.

*Project P.* Project P shall mean (1) all of MEAG Power's right, title and interest (whether direct or indirect) in and to the capacity and output of the Project P Entity's Ownership Interest, such right, title and interest of MEAG Power being available to MEAG Power pursuant to the Project P Power Purchase Agreement and (2) working capital for Project P required by MEAG Power and the Project P Entity during construction of the Additional Units and for the placing of the Additional Units in operation, and working capital for Project P for operation of the Additional Units.

*Project P Entity.* Project P Entity shall mean MEAG Power SPVP LLC, a limited liability company organized under the laws of the State of Georgia formed by MEAG Power for the sole purpose of owning and operating the Project P Portion of MEAG Power's Interest in the Additional Units and that is a wholly-owned, direct subsidiary of MEAG Power, the business and activities of which shall be limited to the acquisition, construction, ownership and operation of the Project P Portion of MEAG Power's Interest and such other lawful activities as are necessary, customary, convenient, or incident to the purposes specified above.

*Project P Portion.* Project P Portion shall mean a 24.954628 percent undivided interest in MEAG Power's Interest, which interest shall include 124.850 MWs of the capacity and output of Vogtle Units 3&4, based upon the nominal ratings of Vogtle Units 3&4.

*Qualified Hedging Contract.* Qualified Hedging Contract shall mean, to the extent from time to time permitted by law, any financial arrangement (i) which is entered into by MEAG Power with an entity that is a Qualified Hedging Contract Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; interest rate swap, including a forward rate or future rate swap; asset, index, price or market-linked-transaction or agreement; other exchange or rate protection transaction agreement; agreement for the future delivery or price management of fuel or other commodities; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, executed by MEAG Power for the purpose of moderating interest rate or commodity price fluctuations or otherwise, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of MEAG Power as a Qualified Hedging Contract (which writing shall specify, in the case of a Qualified Hedging Contract that is entered into in connection with any applicable Bonds or any Advance under the applicable Federal Loan, the Bonds or Advance, as applicable, with respect to which such Qualified Hedging Contract is entered into).

*Qualified Hedging Contract Provider.* Qualified Hedging Contract Provider shall mean an entity whose senior unsecured long-term debt obligations, financial program rating, counterparty rating or claims-paying ability is rated, or whose payment obligations under a financial arrangement of the type referred in clause (ii) of the definition of Qualified Hedging Contract are guaranteed or insured by an entity whose senior unsecured long-term obligations, financial program rating, counterparty rating or claims paying ability is rated, on the date a Qualified Hedging Contract is entered into, either (i) at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Hedging Contract Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Bonds, or (ii) at any such lower Rating Categories which each such Rating Agency indicates in writing to MEAG Power and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Bonds that is in effect prior to entering into such Qualified Hedging Contract and which is an authorized counterparty pursuant to MEAG Power's investment policy as from time to time approved by the Board.

*Rating Agency.* Rating Agency shall mean each nationally recognized securities rating agency then maintaining a rating on the Bonds at the request of MEAG Power.

*Rating Category.* Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

*Refundable Principal Installment.* Refundable Principal Installment shall mean any Principal Installment for any Series of Bonds or any Parity Commercial Paper Notes, which MEAG Power intends to pay with moneys which are not Revenues; *provided, however*, that (i) in the case of Bonds, such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds and (ii) in the case of Parity Commercial Paper Notes, such intent shall be expressed in the then current Commercial Paper Payment Plan for such Parity Commercial Paper Notes; and *provided, further*, that any such Principal Installment, other than Principal Installments for Parity Commercial Paper Notes, shall be a Refundable Principal Installment only through the penultimate day of the month preceding the month in which such Principal Installment comes due or such earlier time as MEAG Power no longer intends to pay such Principal Installment with moneys which are not Revenues and with respect to Parity Commercial Paper Notes, any Parity Commercial Paper Note shall cease to be a Refundable Principal Installment at such time, if any, as shall be provided in the Commercial Paper Payment Plan applicable thereto.

*Variable Rate Bonds.* Variable Rate Bonds shall mean, as of any date of determination, any Bond on which the interest rate borne thereby may vary during any part of its remaining term.

### ***The Project M Bond Resolution***

In addition to the defined terms listed above under “– Definitions,” the Project M Bond Resolution has the following definitions:

*Bond, Bonds, Project M Bond, Project M Bonds.* Bond, Bonds, Project M Bond and Project M Bonds shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Project M Bond Resolution but shall not mean Project M Parity Obligations, Commercial Paper Notes, Subordinated Bonds or Subordinated Obligations.

*Bondholders’ Trust Estate.* Bondholders’ Trust Estate shall mean (i) the proceeds of the sale of the Project M Bonds, (ii) all Funds established by the Project M Bond Resolution, including the investments, if any, thereof, other than the Revenue Fund and (iii) all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project M Build America Bonds.

*Costs of Acquisition and Construction.* Costs of Acquisition and Construction shall mean, to the extent not included in Project M’s annual costs, all actual costs and expenses incurred by or for the account of MEAG Power or the Project M Entity for the planning, designing, acquiring, constructing, and installing the Project M Entity’s Ownership Interest, including any major renewals, replacements, repairs, additions, betterments or improvements necessary, in the opinion of MEAG Power or the Project M Entity, to keep the Project M Entity’s Ownership Interest in good operating condition or to prevent a loss of revenues therefrom, placing the Project M Entity’s Ownership Interest in operation, disposing of the Project M Entity’s Ownership Interest, and obtaining governmental approvals, certificates, permits and licenses with respect thereto heretofore or hereafter paid or incurred by, or for the account of, MEAG Power or the Project M Entity, as applicable, including, without limitation, the following:

- (a) working capital reserves in such reasonable amounts as may be established by MEAG Power or the Project M Entity for the Project M Entity’s Ownership Interest (including working capital reserves held in (i) funds or accounts established under the Project M Bond Resolution and (ii) accounts established under the Project M DOE Accounts Agreement);
- (b) acquisition of initial inventories or prepayment of fuel for the Project M Entity’s Ownership Interest and working capital and reserves therefor and working capital and reserves for additional inventories or prepayment of fuel for the Project M Entity’s Ownership Interest held by, or for the account of, either MEAG Power or the Project M Entity;
- (c) charges related to processing, design, fabrication, transportation, disposal and storage of fuel for the Project M Entity’s Ownership Interest, including, without limitation, the following: (i) fuel storage facilities, including spent fuel storage facilities, and (ii) working capital and reserves related to acquisition, processing, design, fabrication, transportation, disposal and storage of fuel for the Project M Entity’s Ownership Interest;
- (d) reserves for renewals and replacements, retirement from service, or disposal of any facility of the Project M Entity’s Ownership Interest and contingencies held by, or for the account of, either MEAG Power or the Project M Entity;
- (e) training and testing costs incurred by MEAG Power or the Project M Entity attributable to the Project M Entity’s Ownership Interest;

- (f) preliminary investigation and development costs, engineering fees, contractors' fees, costs of labor, materials, equipment, utility services and supplies and legal costs attributable to the Project M Entity's Ownership Interest and Project M;
- (g) all costs of insurance applicable to the period of construction of the Project M Entity's Ownership Interest; and
- (h) amounts necessary to provide funds for contribution to the Project M Entity to repay Advances when due (whether at the maturity of principal or upon prepayment) on the Project M DOE Guaranteed Loan and to reacquire from the Project M Entity the Project M Entity's Ownership Interest at such time as (i) the principal of, and interest and prepayment premiums, if any, due or to become due on, and all other amounts due with respect to, the Project M DOE Guaranteed Loan shall have been paid, at the times and in the manner stipulated in the Project M DOE Loan Guarantee Agreement and the other Project M Federal Loan Documents, as applicable and (ii) the Project M Entity shall have satisfied all of its obligations under the Project M DOE Loan Guarantee Agreement and the other Project M Federal Loan Documents, as applicable (and no undisbursed commitments remain available thereunder).

Costs of Acquisition and Construction shall also include all other costs, except Financing Costs, incurred by MEAG Power or the Project M Entity and properly allocable to planning, designing, acquiring, constructing and installing the Project M Entity's Ownership Interest and the establishment of Project M including, without limitation, (i) all costs associated with the transfer to the Project M Entity of the Project M Entity's Ownership Interest and the entry by the Project M Entity into the Project M DOE Loan Guarantee Agreement and the other Project M Federal Loan Documents, (ii) the Additional Costs as described and defined in Section 2.2 of the Vogtle Units 3&4 Development Agreement attributable to the Project M Entity's Ownership Interest and (iii) amounts required to reimburse the Project M Participants for amounts paid by them in respect of the payment of the principal of maturing Project M Bond Anticipation Notes.

*Debt Service Reserve Requirement.* Debt Service Reserve Requirement shall mean, as of any date of calculation, an amount equal to the greatest amount of Adjusted Aggregate Debt Service for the then current or any future calendar year; *provided, however*, that in the event that, in the opinion of tax counsel to MEAG Power, the amount of proceeds of the Project M Bonds of any Series that may be used to fund an increase in the Debt Service Reserve Requirement is limited under applicable federal income tax laws and regulations, then in no event may the increase in the Debt Service Reserve Requirement resulting from the issuance of such Project M Bonds exceed the maximum amount of the proceeds of such Project M Bonds that may, in the opinion of tax counsel to MEAG Power, be deposited to the Project M Debt Service Reserve Account under such applicable federal income tax laws and regulations. For purposes of the calculation of the Debt Service Reserve Requirement:

- (a) the Debt Service Reserve Requirement shall take into account any Series of Project M Bonds only for so long as any Project M Bonds of such Series shall remain Outstanding, but Project M Bond Anticipation Notes shall not be deemed to be Project M Bonds for purposes of this definition;
- (b) in the event that the Project M Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then until such time, if any, as MEAG Power, for whatever reason, no longer receives cash subsidy payments from the United States Treasury in respect of the interest payable on such Project M Bonds, for purposes of this definition, the interest on the Project M Bonds of such Series shall be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such

Project M Bonds represented by such subsidy shall be permanently reduced, then the amount of the Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Project M Bonds that no longer is payable to MEAG Power by the United States Treasury, and such increase shall be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which such specified percentage is so reduced; and *provided, further*, that in the event that MEAG Power, for whatever reason, ceases to receive cash subsidy payments from the United States Treasury in respect of the interest payable on any such Project M Bonds, then the amount of the Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Project M Bonds, and such increase shall be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which MEAG Power does not receive the first such cash subsidy payment that it theretofore was qualified to receive;

- (c) except as provided in the following clause (d), the Debt Service for the Project M Bonds of any Series shall be calculated as of the date of original issuance of the Project M Bonds of such Series; and
- (d) in the event that the Project M Bonds of any Series shall be refunded in whole or in part, the Debt Service Reserve Requirement shall be recalculated, assuming that the refunding Project M Bonds and the Project M Bonds (if any) of the refunded Series to remain Outstanding upon the issuance of the refunding Project M Bonds are part of the same Series.

*Financing Costs.* Financing Costs shall mean all Financing Costs related to Project M that may be financed from the proceeds of Project M Bonds or Subordinated Bonds or the Project M DOE Guaranteed Loan, including, but without limitation, the following:

- (a) costs of issuance, including, without limitation, underwriting fees, bank commitment and letter of credit fees, legal and financial advisory fees, bond insurance and indemnity fees, and any payments on Qualified Hedging Contracts including, without limitation, (i) any periodic “net” payments accruing in whole or in part prior to and during construction and for such additional period as MEAG Power may reasonably determine to be necessary in connection with the placing of the Project M Entity’s Ownership Interest in operation, and (ii) any swap premium or swap termination payment;

- (b) interest accruing in whole or in part on Project M Bonds or Subordinated Bonds or the Project M DOE Guaranteed Loan prior to and during construction (or, in the case of Project M Bonds or Subordinated Bonds issued or Advances made to finance fuel, interest accruing in whole or in part on such Bonds or Subordinated Bonds or such Advances prior to the loading of such fuel in the reactor) and for such additional period as MEAG Power may reasonably determine to be necessary in connection with the placing of the Project M Entity’s Ownership Interest in operation in accordance with the provisions of the Project M Bond Resolution, including, without limitation, any major renewals, replacements, repairs, additions, betterments or improvements or modifications with respect to the Project M Entity’s Ownership Interest of a particular Additional Unit undertaken following the Commercial Operation Date of such Additional Unit; and

- (c) the deposit or deposits from the proceeds of Project M Bonds or Subordinated Bonds issued, or Advances made, to finance such costs in any Fund or Account established pursuant to the Project M Bond Resolution or the Project M Federal Loan Documents to meet debt service reserve requirements for Project M Bonds or Subordinated Bonds or the Project M DOE Guaranteed Loan, or replenishment of such funds if drawn down; and

(d) any other fees, costs and expenses of financing for the Project M Bonds or Subordinated Bonds or the Project M DOE Guaranteed Loan.

*Monthly Reserve and Contingency Deposit.* Monthly Reserve and Contingency Deposit shall mean, with respect to any particular calendar year, an amount equal to one-twelfth (or, with respect to the year in which the Commercial Operation Date of the first Additional Unit occurs, a fraction the numerator of which is 1 and the denominator of which is the number of full calendar months remaining in such year following the occurrence of such date) of the greater of (a) the total amount provided in the then current Project M Annual Budget to be deposited in the Project M Reserve and Contingency Fund and the Project M DOE Reserve & Contingency Account during such calendar year or (b) an amount equal to 10% of the sum of (i) the Aggregate Debt Service for such calendar year on all Project M Bonds other than Project M Bond Anticipation Notes then Outstanding and all Project M Parity Obligations other than Project M Parity Commercial Paper Notes then outstanding, (ii) the aggregate amount of the principal of and interest on all Project M Subordinated Bonds and all Project M Subordinated Obligations other than Project M Subordinated Commercial Paper Notes then outstanding that is deemed to accrue during such calendar year, assuming that such principal and interest accrue in the same manner as the principal of and interest on the Project M Bonds is deemed to accrue as provided in the definition of *Debt Service* contained in the Project M Bond Resolution and (iii) the principal and interest payable on the Project M DOE Guaranteed Loan during such calendar year.

*Project M Entity's Ownership Interest.* Project M Entity's Ownership Interest shall mean a percentage undivided interest in MEAG Power's Interest in the Additional Units in an amount equal to the Project M Portion.

*Project M Entity's Portion.* Project M Entity's Portion shall mean, as of any date of determination, a fraction the numerator of which is the aggregate principal amount of the Project M DOE Guaranteed Loan outstanding as of such date and the denominator of which is the sum of (a) the aggregate principal amount of all Project M Bonds Outstanding as of such date and (b) the aggregate principal amount of the Project M DOE Guaranteed Loan outstanding as of such date.

*Project M Entity's Reserve and Contingency Requirement.* Project M Entity's Reserve and Contingency Requirement shall mean an amount equal to the portion of the Reserve and Contingency Requirement specified as such in the definition of *Reserve and Contingency Requirement* contained in the Project M Bond Resolution.

*Project M Power Purchase Agreement.* Project M Power Purchase Agreement shall mean the Wholesale Power Sales Agreement between the Project M Entity and MEAG Power, as the same may be amended, supplemented or restated from time to time in accordance with the terms thereof and of the Project M Bond Resolution.

*Project M Power Sales Contracts.* Project M Power Sales Contracts shall mean the Plant Vogtle Additional Units Non-PPA Power Sales Contracts dated as of June 15, 2008 by and between MEAG Power and the Project M Participants, relating to Project M and entered into pursuant to the Act, as such Contracts hereafter may be amended in accordance with the terms thereof and of the Project M Bond Resolution.

*Reserve and Contingency Requirement.* Reserve and Contingency Requirement shall mean, as of any date, such amount as may be established by the Board and certified to the Trustee by an Authorized Officer of MEAG Power, but in no event less than \$4,082,000 (hereinafter referred to in this definition as the "*Minimum Reserve and Contingency Requirement*"); 64.1963 percent of such amount shall constitute MEAG Power's Reserve and Contingency Requirement (which, in the case of the Minimum Reserve and Contingency Requirement, shall be equal to \$2,620,493.44) and 35.8037 percent of such amount shall

constitute the Project M Entity's Reserve and Contingency Requirement (which, in the case of the Minimum Reserve and Contingency Requirement, shall be equal to \$1,461,506.56).

*Revenues.* Revenues shall mean (i) all revenues, income, rents and receipts received by MEAG Power from or attributable to Project M, including all revenues attributable to Project M or to the payment of the costs thereof and received by MEAG Power under the Project M Power Sales Contracts (including any amounts received as a result of the enforcement of such contracts) or under any other contract for the sale of power, energy or other service from the Project M Entity's Ownership Interest or any part thereof or any contractual arrangement with respect to the use of the Project M Entity's Ownership Interest or any portion thereof or the services, output or capacity thereof, but shall not include any such revenues, income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation; (ii) the proceeds of any insurance covering business interruption loss relating to the Project M Entity's Ownership Interest or Project M and received by MEAG Power; (iii) the proceeds of any liquidated damages payable by a contractor for delay relating to the Project M Entity's Ownership Interest and received by MEAG Power; and (iv) interest accrued on any moneys or securities held pursuant to the Project M Bond Resolution and paid or required to be paid into the Project M Revenue Fund. Without limiting the generality of the foregoing, all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project M Build America Bonds shall constitute Revenues for all purposes of the Project M Bond Resolution.

*Shared Trust Estate.* Shared Trust Estate shall mean (i) the Revenues, other than any cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project M Build America Bonds, (ii) the Revenue Fund, including the investments, if any, thereof and (iii) all of MEAG Power's rights under the Project M Power Sales Contracts, including, without limitation, (a) the right to receive and collect all of the payments from the Project M Participants under the Project M Power Sales Contracts, (b) the right to receive and collect any proceeds of any insurance maintained thereunder, (c) the right to take all actions and give all consents under the Project M Power Sales Contracts and (d) the right to exercise such rights and remedies conferred on MEAG Power under the Project M Power Sales Contracts; *provided, however*, that, as to each Project M Power Sales Contract, the Trustee shall be entitled to exercise the rights described in the foregoing subclauses (c) and (d) only following the occurrence and continuance of a Bondholders' Event of Default or a Federal Loan Event of Default under the Project M Bond Resolution.

*Subordinated Obligation.* Subordinated Obligation shall mean any payment obligation (which does not constitute Project M Bonds, a Project M Parity Obligation or Project M Subordinated Bonds) (a) that is a Project M Subordinated Reimbursement Obligation, (b) that is a Project M Subordinated Hedging Contract Obligation, (c) that is a Project M Subordinated Commercial Paper Note or (d) that arises under any other contract, agreement or other obligation authorized by resolution of MEAG Power and is designated as a "Subordinated Obligation" in a certificate of an Authorized Officer of MEAG Power delivered to the Trustee. Each Subordinated Obligation shall be payable from and secured by a pledge of the Project M Subordinated Bond Fund which pledge shall be subordinate in all respects to the pledges of the Revenues, moneys, securities and funds created by the Project M Bond Resolution in favor of the Project M Bonds, the Project M Parity Obligations and the Project M Federal Loan Debt Service Payments.

### ***The Project J Bond Resolution***

In addition to the defined terms listed above under "– Definitions," the Project J Bond Resolution has the following definitions:

*Bond, Bonds, Project J Bond, Project J Bonds.* Bond, Bonds, Project J Bond and Project J Bonds shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and

delivered under and Outstanding pursuant to the Project J Bond Resolution but shall not mean Project J Parity Obligations, Commercial Paper Notes, Subordinated Bonds or Subordinated Obligations.

*Bondholders' Trust Estate.* Bondholders' Trust Estate shall mean (i) the proceeds of the sale of the Project J Bonds, (ii) all Funds established by the Project J Bond Resolution, including the investments, if any, thereof, other than the Revenue Fund, the Initial Power Purchaser Arrearages Fund and the Project J Participant Arrearages Fund and (iii) all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project J Build America Bonds.

*Costs of Acquisition and Construction.* Costs of Acquisition and Construction shall mean, to the extent not included in Project J's annual costs, all actual costs and expenses incurred by or for the account of MEAG Power or the Project J Entity for the planning, designing, acquiring, constructing, and installing the Project J Entity's Ownership Interest, including any major renewals, replacements, repairs, additions, betterments or improvements necessary, in the opinion of MEAG Power or the Project J Entity, to keep the Project J Entity's Ownership Interest in good operating condition or to prevent a loss of revenues therefrom, placing the Project J Entity's Ownership Interest in operation, disposing of the Project J Entity's Ownership Interest, and obtaining governmental approvals, certificates, permits and licenses with respect thereto heretofore or hereafter paid or incurred by, or for the account of, MEAG Power or the Project J Entity, as applicable, including, without limitation, the following:

- (a) working capital reserves in such reasonable amounts as may be established by MEAG Power or the Project J Entity for the Project J Entity's Ownership Interest (including working capital reserves held in (i) funds or accounts established under the Project J Bond Resolution and (ii) accounts established under the Project J DOE Accounts Agreement);
- (b) acquisition of initial inventories or prepayment of fuel for the Project J Entity's Ownership Interest and working capital and reserves therefor and working capital and reserves for additional inventories or prepayment of fuel for the Project J Entity's Ownership Interest held by, or for the account of, either MEAG Power or the Project J Entity;
- (c) charges related to processing, design, fabrication, transportation, disposal and storage of fuel for the Project J Entity's Ownership Interest, including, without limitation, the following: (i) fuel storage facilities, including spent fuel storage facilities, and (ii) working capital and reserves related to acquisition, processing, design, fabrication, transportation, disposal and storage of fuel for the Project J Entity's Ownership Interest;
- (d) reserves for renewals and replacements, retirement from service, or disposal of any facility of the Project J Entity's Ownership Interest and contingencies held by, or for the account of, either MEAG Power or the Project J Entity;
- (e) training and testing costs incurred by MEAG Power or the Project J Entity attributable to the Project J Entity's Ownership Interest;
- (f) preliminary investigation and development costs, engineering fees, contractors' fees, costs of labor, materials, equipment, utility services and supplies and legal costs attributable to the Project J Entity's Ownership Interest and Project J;
- (g) all costs of insurance applicable to the period of construction of the Project J Entity's Ownership Interest; and
- (h) amounts necessary to provide funds for contribution to the Project J Entity to repay Advances when due (whether at the maturity of principal or upon prepayment) on the Project J DOE



Guaranteed Loan and to reacquire from the Project J Entity the Project J Entity's Ownership Interest at such time as (i) the principal of, and interest and prepayment premiums, if any, due or to become due on, and all other amounts due with respect to, the Project J DOE Guaranteed Loan shall have been paid, at the times and in the manner stipulated in the Project J DOE Loan Guarantee Agreement and the other Project J Federal Loan Documents, as applicable and (ii) the Project J Entity shall have satisfied all of its obligations under the Project J DOE Loan Guarantee Agreement and the other Project J Federal Loan Documents, as applicable (and no undisbursed commitments remain available thereunder).

Costs of Acquisition and Construction shall also include all other costs, except Financing Costs, incurred by MEAG Power or the Project J Entity and properly allocable to planning, designing, acquiring, constructing and installing the Project J Entity's Ownership Interest and the establishment of Project J including, without limitation, (i) all costs associated with the transfer to the Project J Entity of the Project J Entity's Ownership Interest and the entry by the Project J Entity into the Project J DOE Loan Guarantee Agreement and the other Project J Federal Loan Documents, (ii) the Additional Costs as described and defined in Section 2.2 of the Vogtle Units 3&4 Development Agreement attributable to the Project J Entity's Ownership Interest, (iii) amounts required to reimburse the Project J Power Purchasers for amounts paid by them in respect of the payment of the principal of maturing Project J Bond Anticipation Notes and Project J Take-Out Bonds, and (iv) amounts required to be repaid, reimbursed or otherwise paid by MEAG Power to the Initial Power Purchaser pursuant to any provision of the Initial Power Purchase Agreement at the end of the Term thereof (as such term is defined therein).

*Debt Service Reserve Requirement.* Debt Service Reserve Requirement shall mean, as of any date of calculation, an amount equal to the greatest amount of Adjusted Aggregate Debt Service for the then current or any future calendar year; *provided, however*, that in the event that, in the opinion of tax counsel to MEAG Power, the amount of proceeds of the Project J Bonds of any Series that may be used to fund an increase in the Debt Service Reserve Requirement is limited under applicable federal income tax laws and regulations, then in no event may the increase in the Debt Service Reserve Requirement resulting from the issuance of such Project J Bonds exceed the maximum amount of the proceeds of such Project J Bonds that may, in the opinion of tax counsel to MEAG Power, be deposited to the Project J Debt Service Reserve Account under such applicable federal income tax laws and regulations. For purposes of the calculation of the Debt Service Reserve Requirement:

- (a) the Debt Service Reserve Requirement shall take into account any Series of Project J Bonds only for so long as any Project J Bonds of such Series shall remain Outstanding, but Project J Bond Anticipation Notes and Project J Take-Out Bonds shall not be deemed to be Project J Bonds for purposes of this definition;
- (b) in the event that the Project J Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then until such time, if any, as MEAG Power, for whatever reason, no longer receives cash subsidy payments from the United States Treasury in respect of the interest payable on such Project J Bonds, for purposes of this definition, the interest on the Project J Bonds of such Series shall be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Project J Bonds represented by such subsidy shall be permanently reduced, then the amount of the Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Project J Bonds that no longer is payable to MEAG Power by the United States Treasury, and such increase shall be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which such specified percentage is so reduced; and *provided, further*, that in the event that MEAG Power, for whatever reason, ceases to receive cash subsidy payments from the United States Treasury in respect of the interest payable on any such Project J Bonds, then the

amount of the Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Project J Bonds, and such increase shall be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which MEAG Power does not receive the first such cash subsidy payment that it theretofore was qualified to receive;

- (c) except as provided in the following clause (d), the Debt Service for the Project J Bonds of any Series shall be calculated as of the date of original issuance of the Project J Bonds of such Series; and
- (d) in the event that the Project J Bonds of any Series shall be refunded in whole or in part, the Debt Service Reserve Requirement shall be recalculated, assuming that the refunding Project J Bonds and the Project J Bonds (if any) of the refunded Series to remain Outstanding upon the issuance of the refunding Project J Bonds are part of the same Series.

*Financing Costs.* Financing Costs shall mean all Financing Costs related to Project J that may be financed from the proceeds of Project J Bonds or Subordinated Bonds or the Project J DOE Guaranteed Loan, including, but without limitation, the following:

- (a) costs of issuance, including, without limitation, underwriting fees, bank commitment and letter of credit fees, legal and financial advisory fees, bond insurance and indemnity fees, and any payments on Qualified Hedging Contracts including, without limitation, (i) any periodic “net” payments accruing in whole or in part prior to and during construction and for such additional period as MEAG Power may reasonably determine to be necessary in connection with the placing of the Project J Entity’s Ownership Interest in operation, and (ii) any swap premium or swap termination payment;

- (b) interest accruing in whole or in part on Project J Bonds or Subordinated Bonds or the Project J DOE Guaranteed Loan prior to and during construction (or, in the case of the Project J Bonds or Subordinated Bonds issued or Advances made to finance fuel, interest accruing in whole or in part on such Bonds or Subordinated Bonds or such Advances prior to the loading of such fuel in the reactor) and for such additional period as MEAG Power may reasonably determine to be necessary in connection with the placing of the Project J Entity’s Ownership Interest in operation in accordance with the provisions of the Project J Bond Resolution, including, without limitation, any major renewals, replacements, repairs, additions, betterments or improvements or modifications with respect to the Project J Entity’s Ownership Interest of a particular Additional Unit undertaken following the Commercial Operation Date of such Additional Unit;

- (c) the deposit or deposits from the proceeds of Project J Bonds or Subordinated Bonds issued, or Advances made, to finance such costs in any Fund or Account established pursuant to the Project J Bond Resolution or the Project J Federal Loan Documents to meet debt service reserve requirements for Project J Bonds or Subordinated Bonds or the Project J DOE Guaranteed Loan, or replenishment of such funds if drawn down; and

- (d) any other fees, costs and expenses of financing for the Project J Bonds or Subordinated Bonds or the Project J DOE Guaranteed Loan.

*Initial Power Purchase Agreement.* Initial Power Purchase Agreement shall mean the Power Purchase Agreement, dated as of May 12, 2008, between MEAG Power and the Initial Power Purchaser, as heretofore amended and as such Agreement may hereafter be amended or supplemented from time to time as permitted therein and in the Project J Bond Resolution.

*Initial Power Purchaser.* Initial Power Purchaser shall mean JEA, a body politic and corporate organized and existing under the laws of the State of Florida and an independent agency of the City of Jacksonville, Florida, and any permitted successors and assigns.

*Initial Power Purchaser Arrearages Fund.* Initial Power Purchaser Arrearages Fund shall mean the Initial Power Purchaser Arrearages Fund provided for the Project J Bond Resolution.

*Initial Power Purchaser Arrearages Fund Establishment Date.* Initial Power Purchaser Arrearages Fund Establishment Date shall mean the day that is the fifth business day following the first date (if any) on which the Initial Power Purchaser shall fail to pay in full when due any payment under the Initial Power Purchase Agreement in respect of Project J's annual costs, but only if such failure shall be continuing on such fifth following business day.

*Initial Power Purchaser Arrearages Payment.* Initial Power Purchaser Arrearages Payment shall mean any payment received by MEAG Power from the Initial Power Purchaser under the Initial Power Purchase Agreement in respect of any amount due thereunder that was not paid when due.

*Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date.* Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date shall mean the day following the day, if any, on which the Initial Power Purchaser shall have satisfied its obligation to pay all amounts in respect of Debt Service under (and as defined in) the Initial Power Purchase Agreement payable or to become payable through the end of the Term thereof (as such term is defined therein), including, without limitation, any and all payments of such amounts thereunder that theretofore had not been paid when due and all interest thereon payable pursuant to the terms of the Initial Power Purchase Agreement.

*Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date.* Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date shall mean the day following the day on which the Initial Power Purchaser's obligation to pay future accruing Debt Service (as defined in the Initial Power Purchase Agreement) has terminated, and the Initial Power Purchaser shall have no new or additional obligation to pay amounts in respect of Debt Service under the Initial Power Purchase Agreement for either of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 for any Series of Project J Bonds, Subordinated Bonds, Parity Obligations or Subordinated Obligations, or for the Project J DOE Guaranteed Loan; it being understood that, pursuant to the Initial Power Purchase Agreement, the Initial Power Purchaser has no responsibility for any new or additional Debt Service that goes unpaid after such date, whether by reason of a default by any of the Project J Participants in the making of any payment due under its Project J Power Sales Contract or otherwise; *provided, however*, that under the Initial Power Purchase Agreement, the Initial Power Purchaser shall continue to be responsible for paying any amount in respect of Debt Service that was not paid when due.

*Initial Power Purchaser Resale Revenues.* Initial Power Purchaser Resale Revenues shall mean any payments received by MEAG Power as a result of the resale of all or any portion of the power, energy or other service from the Project J Entity's Ownership Interest that the Initial Power Purchaser previously was entitled to receive following the discontinuance of service (whether or not permanent) to the Initial Power Purchaser under the Initial Power Purchase Agreement as a result of a default by the Initial Power Purchaser thereunder; but shall not include any payments received by MEAG Power as a result of the resale of all or any portion of such power, energy or other service pursuant to a Replacement Sponsor PPA (as such term is defined in the Project J DOE Loan Guarantee Agreement).

*Monthly Reserve and Contingency Deposit.* Monthly Reserve and Contingency Deposit shall mean, with respect to any particular calendar year, an amount equal to one-twelfth (or, with respect to the year in which the Commercial Operation Date of the first Additional Unit occurs, a fraction the numerator of which is 1 and the denominator of which is the number of full calendar months remaining in such year

following the occurrence of such date) of the greater of (a) the total amount provided in the then current Project J Annual Budget to be deposited in the Project J Reserve and Contingency Fund and the Project J DOE Reserve & Contingency Account during such calendar year or (b) an amount equal to 10% of the sum of (i) the Aggregate Debt Service for such calendar year on all Project J Bonds other than Project J Bond Anticipation Notes and Project J Take-Out Bonds then Outstanding and all Project J Parity Obligations other than Project J Parity Commercial Paper Notes then outstanding, (ii) the aggregate amount of the principal of and interest on all Project J Subordinated Bonds and all Project J Subordinated Obligations other than Project J Subordinated Commercial Paper Notes then outstanding that is deemed to accrue during such calendar year, assuming that such principal and interest accrue in the same manner as the principal of and interest on Project J Bonds is deemed to accrue as provided in the definition of *Debt Service* contained in the Project J Bond Resolution and (iii) the principal and interest payable on the Project J DOE Guaranteed Loan during such calendar year.

*Project J Entity's Ownership Interest.* Project J Entity's Ownership Interest shall mean a percentage undivided interest in MEAG Power's Interest in the Additional Units in an amount equal to the Project J Portion.

*Project J Entity's Portion.* Project J Entity's Portion shall mean, as of any date of determination, a fraction the numerator of which is the aggregate principal amount of the Project J DOE Guaranteed Loan outstanding as of such date and the denominator of which is the sum of (a) the aggregate principal amount of all Project J Bonds Outstanding as of such date and (b) the aggregate principal amount of the Project J DOE Guaranteed Loan outstanding as of such date.

*Project J Entity's Reserve and Contingency Requirement.* Project J Entity's Reserve and Contingency Requirement shall mean an amount equal to the portion of the Reserve and Contingency Requirement specified as such in the definition of *Reserve and Contingency Requirement* contained in the Project J Bond Resolution.

*Project J Participant Arrearages Fund.* Project J Participant Arrearages Fund shall mean the Additional Units PPA Project Participant Arrearages Fund established under the Project J Bond Resolution.

*Project J Participant Arrearages Payment.* Project J Participant Arrearages Payment shall mean any payment received by MEAG Power from a Project J Participant under its Project J Power Sales Contract in respect of any amount due thereunder that was not paid when due, but only if the failure to pay such amount when due resulted in either (a) the application of amounts on deposit in the Debt Service Reserve Account in the Project J Debt Service Fund, the Project J Subordinated Bond Fund or the Project J Reserve and Contingency Fund to cure a deficiency in the Debt Service Account in said Debt Service Fund or (b) the principal or Redemption Price of, or interest on, any Project J Bond or the principal or interest component of any Project J Parity Obligation not being paid when due.

*Project J Participant Resale Revenues.* Project J Participant Resale Revenues shall mean any payments received by MEAG Power as a result of the resale of all or any portion of the power, energy or other service from Project J that a Project J Participant previously was entitled to receive following the discontinuance of service to such Project J Participant under its Project J Power Sales Contract as a result of a default by such Project J Participant thereunder (including, without limitation, any such resale to any one or more of the other Project J Participants, except that if any such resale to any other Project J Participant shall be made in accordance with the terms of the Project J Power Sales Contracts and the purchasing Project J Participant shall not be in default in the making of any payment under its Project J Power Sales Contract, then such payments made by such purchasing Project J Participant shall not constitute Project J Participant Resale Revenues); *provided, however*, that if (x) the principal or Redemption Price of, or interest on, any Project J Bond shall not then be due and unpaid and (y) the deposit of any such payment to the Project J Revenue Fund would avoid the need for the application of amounts on deposit in the Debt Service

Reserve Account in the Project J Debt Service Fund, the Project J Subordinated Bond Fund or the Project J Reserve and Contingency Fund to cure a deficiency in the Debt Service Account in said Debt Service Fund, then such payment shall not constitute Project J Participant Resale Revenues.

*Project J Participants' Debt Service Commencement Date.* Project J Participants' Debt Service Commencement Date shall mean the date on which the Project J Participants' obligation to pay amounts in respect of Debt Service under (and as defined in) the Project J Power Sales Contracts shall commence.

*Project J Power Contracts.* Project J Power Contracts shall mean, collectively, the Initial Power Purchase Agreement and the Project J Power Sales Contracts.

*Project J Power Purchase Agreement.* Project J Power Purchase Agreement shall mean the Wholesale Power Sales Agreement between the Project J Entity and MEAG Power, as the same may be amended, supplemented or restated from time to time in accordance with the terms thereof and of the Project J Bond Resolution.

*Project J Power Purchasers.* Project J Power Purchasers shall mean (a) the Initial Power Purchaser during the term of the Initial Power Purchase Agreement and (b) collectively, the Project J Participants during the terms of the Project J Power Sales Contracts; and a Project J Power Purchaser shall mean (x) the Initial Power Purchaser during the term of the Initial Power Purchase Agreement or (y) a Project J Participant during the term of its Project J Power Sales Contract.

*Project J Power Sales Contracts.* Project J Power Sales Contracts shall mean the Plant Vogtle Additional Units PPA Power Sales Contracts dated as of June 15, 2008 by and between MEAG Power and the Project J Participants, relating to Project J and entered into pursuant to the Act, as such Contracts hereafter may be amended in accordance with the terms thereof and of the Project J Bond Resolution.

*Project J Take-Out Bonds.* Project J Take-Out Bonds shall mean Project J Bonds issued to refund Project J Bond Anticipation Notes that (a) are designated by MEAG Power as such in the Supplemental Resolution authorizing such Project J Bonds, (b) are intended to be amortized over a period not to exceed ten years following the date of issuance thereof and (c) are not intended to be payable from, or secured by, amounts on deposit in the Debt Service Reserve Account in the Project J Debt Service Fund.

*Reserve and Contingency Requirement.* Reserve and Contingency Requirement shall mean, as of any date, such amount as may be established by the Board and certified to the Trustee by an Authorized Officer of MEAG Power, but in no event less than \$4,962,000 (hereinafter referred to in this definition as the "*Minimum Reserve and Contingency Requirement*"); 70.6159 percent of such amount shall constitute MEAG Power's Reserve and Contingency Requirement (which, in the case of the Minimum Reserve and Contingency Requirement, shall be equal to \$3,503,960.82) and 29.3841 percent of such amount shall constitute the Project J Entity's Reserve and Contingency Requirement (which, in the case of the Minimum Reserve and Contingency Requirement, shall be equal to \$1,458,039.18).

*Revenues.* Revenues shall mean (i) all revenues, income, rents and receipts received by MEAG Power from or attributable to Project J, including, without limitation, all revenues attributable to Project J or to the payment of the costs thereof and received by MEAG Power under the Project J Power Contracts (including any amounts received as a result of the enforcement of such contracts) or under any other contract for the sale of power, energy or other service from the Project J Entity's Ownership Interest or any part thereof or any contractual arrangement with respect to the use of the Project J Entity's Ownership Interest or any portion thereof or the services, output or capacity thereof, but shall not include (X) any such revenues, income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation and (Y) any amount payable by the Initial Power Purchaser under the Initial Power Purchase Agreement in respect of the Additional Compensation Obligation; (ii) the proceeds of any

insurance covering business interruption loss relating to the Project J Entity's Ownership Interest or Project J and received by MEAG Power; (iii) the proceeds of any liquidated damages payable by a contractor for delay relating to the Project J Entity's Ownership Interest and received by MEAG Power; and (iv) interest accrued on any moneys or securities held pursuant to the Project J Bond Resolution and paid or required to be paid into the Project J Revenue Fund; *provided, however*, that (a) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, all Initial Power Purchaser Arrearages Payments and all Initial Power Purchaser Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project J Bond Resolution and (b) during the period from and including the Project J Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, all Project J Participant Arrearages Payments and all Project J Participant Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project J Bond Resolution. Without limiting the generality of the foregoing, all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project J Build America Bonds shall constitute Revenues for all purposes of the Project J Bond Resolution.

*Shared Trust Estate.* Shared Trust Estate shall mean (i) the Revenues, other than any cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project J Build America Bonds, (ii) the Initial Power Purchaser Arrearages Payments and the Initial Power Purchaser Resale Revenues, (iii) the Project J Participant Arrearages Payments and the Project J Participant Resale Revenues, (iv) the Project J Revenue Fund, the Project J Initial Power Purchaser Arrearages Fund and the Project J Participant Arrearages Fund established by the Project J Bond Resolution, including the investments, if any, thereof and (v) except for the right to receive payment of the Additional Compensation Obligation, all of MEAG Power's rights under the Project J Power Contracts, including, without limitation, (a) the right to receive and collect all of the payments from the Project J Power Purchasers under the Project J Power Contracts (other than the Additional Compensation Obligation), (b) the right to receive and collect any proceeds of any insurance maintained thereunder, (c) the right to take all actions and give all consents under the Project J Power Contracts and (d) the right to exercise such rights and remedies conferred on MEAG Power under the Project J Power Contracts; *provided, however*, that, as to each Project J Power Contract, the Trustee shall be entitled to exercise the rights described in the foregoing subclauses (c) and (d) only following the occurrence and continuance of a Bondholders' Event of Default or a Federal Loan Event of Default under the Project J Bond Resolution.

*Subordinated Obligation.* Subordinated Obligation shall mean any payment obligation (which does not constitute Project J Bonds, a Project J Parity Obligation or Project J Subordinated Bonds) (a) that is a Project J Subordinated Reimbursement Obligation, (b) that is a Project J Subordinated Hedging Contract Obligation, (c) that is a Project J Subordinated Commercial Paper Note or (d) that arises under any other contract, agreement or other obligation authorized by resolution of MEAG Power and is designated as a "Subordinated Obligation" in a certificate of an Authorized Officer of MEAG Power delivered to the Trustee. Each Subordinated Obligation shall be payable from and secured by a pledge of the Project J Subordinated Bond Fund which pledge shall be subordinate in all respects to the pledge of the Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project J Participant Arrearages Payments, Project J Participant Resale Revenues, moneys, securities and funds created by the Project J Bond Resolution in favor of the Project J Bonds, the Project J Parity Obligations and the Project J Federal Loan Debt Service Payments.

### ***The Project P Bond Resolution***

In addition to the defined terms listed above under "– Definitions," the Project P Bond Resolution has the following definitions:

*Bond, Bonds, Project P Bond, Project P Bonds.* Bond, Bonds, Project P Bond and Project P Bonds shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Project P Bond Resolution but shall not mean Project J Parity Obligations, Commercial Paper Notes, Subordinated Bonds or Subordinated Obligations.

*Bondholders' Trust Estate.* Bondholders' Trust Estate shall mean (i) the proceeds of the sale of the Project P Bonds, (ii) all Funds established by the Project P Bond Resolution, including the investments, if any, thereof, other than the Project P Revenue Fund, the Initial Power Purchaser Arrearages Fund and the Project P Participant Arrearages Fund and (iii) all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project P Build America Bonds.

*Costs of Acquisition and Construction.* Costs of Acquisition and Construction shall mean, to the extent not included in Project P's annual costs, all actual costs and expenses incurred by or for the account of MEAG Power or the Project P Entity for the planning, designing, acquiring, constructing, and installing the Project P Entity's Ownership Interest, including any major renewals, replacements, repairs, additions, betterments or improvements necessary, in the opinion of MEAG Power or the Project P Entity, to keep the Project P Entity's Ownership Interest in good operating condition or to prevent a loss of revenues therefrom, placing the Project P Entity's Ownership Interest in operation, disposing of the Project P Entity's Ownership Interest, and obtaining governmental approvals, certificates, permits and licenses with respect thereto heretofore or hereafter paid or incurred by, or for the account of, MEAG Power or the Project P Entity, as applicable, including, without limitation, the following:

- (a) working capital reserves in such reasonable amounts as may be established by MEAG Power or the Project P Entity for the Project P Entity's Ownership Interest (including working capital reserves held in (i) funds or accounts established under the Project P Bond Resolution and (ii) accounts established under the Project P DOE Accounts Agreement);
- (b) acquisition of initial inventories or prepayment of fuel for the Project P Entity's Ownership Interest and working capital and reserves therefor and working capital and reserves for additional inventories or prepayment of fuel for the Project P Entity's Ownership Interest held by, or for the account of, either MEAG Power or the Project P Entity;
- (c) charges related to processing, design, fabrication, transportation, disposal and storage of fuel for the Project P Entity's Ownership Interest, including, without limitation, the following: (i) fuel storage facilities, including spent fuel storage facilities, and (ii) working capital and reserves related to acquisition, processing, design, fabrication, transportation, disposal and storage of fuel for the Project P Entity's Ownership Interest;
- (d) reserves for renewals and replacements, retirement from service, or disposal of any facility of the Project P Entity's Ownership Interest and contingencies held by, or for the account of, either MEAG Power or the Project P Entity;
- (e) training and testing costs incurred by MEAG Power or the Project P Entity attributable to the Project P Entity's Ownership Interest;
- (f) preliminary investigation and development costs, engineering fees, contractors' fees, costs of labor, materials, equipment, utility services and supplies and legal costs attributable to the Project P Entity's Ownership Interest and Project P;
- (g) all costs of insurance applicable to the period of construction of the Project P Entity's Ownership Interest; and

- (h) amounts necessary to provide funds for contribution to the Project P Entity to repay Advances when due (whether at the maturity of principal or upon prepayment) on the Project P DOE Guaranteed Loan and to reacquire from the Project P Entity the Project P Entity's Ownership Interest at such time as (i) the principal of, and interest and prepayment premiums, if any, due or to become due on, and all other amounts due with respect to, the Project P DOE Guaranteed Loan shall have been paid, at the times and in the manner stipulated in the Project P DOE Loan Guarantee Agreement and the other Project P Federal Loan Documents, as applicable and (ii) the Project P Entity shall have satisfied all of its obligations under the Project P DOE Loan Guarantee Agreement and the other Project P Federal Loan Documents, as applicable (and no undisbursed commitments remain available thereunder).

Costs of Acquisition and Construction shall also include all other costs, except Financing Costs, incurred by MEAG Power or the Project P Entity and properly allocable to planning, designing, acquiring, constructing and installing the Project P Entity's Ownership Interest and the establishment of Project P including, without limitation, (i) all costs associated with the transfer to the Project P Entity of the Project P Entity's Ownership Interest and the entry by the Project P Entity into the Project P DOE Loan Guarantee Agreement and the other Project P Federal Loan Documents, (ii) the Additional Costs as described and defined in Section 2.2 of the Vogtle Units 3&4 Development Agreement attributable to the Project P Entity's Ownership Interest, (iii) amounts required to reimburse the Project P Power Purchasers for amounts paid by them in respect of the payment of the principal of maturing Project P Bond Anticipation Notes and Project P BANs, and (iv) amounts required to be repaid, reimbursed or otherwise paid by MEAG Power to the Initial Power Purchaser pursuant to any provision of the Initial Power Purchase Agreement at the end of the Term thereof (as such term is defined therein).

*Debt Service Reserve Requirement.* Debt Service Reserve Requirement shall mean, as of any date of calculation, an amount equal to the greatest amount of Adjusted Aggregate Debt Service for the then current or any future calendar year; *provided, however*, that in the event that, in the opinion of tax counsel to MEAG Power, the amount of proceeds of the Project P Bonds of any Series that may be used to fund an increase in the Debt Service Reserve Requirement is limited under applicable federal income tax laws and regulations, then in no event may the increase in the Debt Service Reserve Requirement resulting from the issuance of such Project P Bonds exceed the maximum amount of the proceeds of such Project P Bonds that may, in the opinion of tax counsel to MEAG Power, be deposited to the Project P Debt Service Reserve Account under such applicable federal income tax laws and regulations. For purposes of the calculation of the Debt Service Reserve Requirement:

- (a) the Debt Service Reserve Requirement shall take into account any Series of Project P Bonds only for so long as any Project P Bonds of such Series shall remain Outstanding, but Project P Bond Anticipation Notes and Project P BANs shall not be deemed to be Project P Bonds for purposes of this definition;
- (b) in the event that the Project P Bonds of any Series (or any portion thereof) shall constitute Build America Bonds, then until such time, if any, as MEAG Power, for whatever reason, no longer receives cash subsidy payments from the United States Treasury in respect of the interest payable on such Project P Bonds, for purposes of this definition, the interest on the Project P Bonds of such Series shall be calculated net of the amount of such subsidy; *provided, however*, that if at any time the specified percentage of the interest payable on such Project P Bonds represented by such subsidy shall be permanently reduced, then the amount of the Debt Service Reserve Requirement shall be increased to reflect the amount of interest payable on such Project P Bonds that no longer is payable to MEAG Power by the United States Treasury, and such increase shall be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which such specified percentage is so reduced; and *provided, further*, that in the event that



MEAG Power, for whatever reason, ceases to receive cash subsidy payments from the United States Treasury in respect of the interest payable on any such Project P Bonds, then the amount of the Debt Service Reserve Requirement shall be increased to reflect the full amount of interest payable on such Project P Bonds, and such increase shall be deemed to accrue in equal monthly amounts over the five-year period that commences on the first day of the first month following the date on which MEAG Power does not receive the first such cash subsidy payment that it theretofore was qualified to receive;

- (c) except as provided in the following clause (d), the Debt Service for the Project P Bonds of any Series shall be calculated as of the date of original issuance of the Project P Bonds of such Series; and
- (d) in the event that the Project P Bonds of any Series shall be refunded in whole or in part, the Debt Service Reserve Requirement shall be recalculated, assuming that the refunding Project P Bonds and the Project P Bonds (if any) of the refunded Series to remain Outstanding upon the issuance of the refunding Project P Bonds are part of the same Series.

*Financing Costs.* Financing Costs shall mean all Financing Costs related to Project P that may be financed from the proceeds of Project P Bonds or Subordinated Bonds or the Project P DOE Guaranteed Loan, including, but without limitation, the following:

- (a) costs of issuance, including, without limitation, underwriting fees, bank commitment and letter of credit fees, legal and financial advisory fees, bond insurance and indemnity fees, and any payments on Qualified Hedging Contracts including, without limitation, (i) any periodic “net” payments accruing in whole or in part prior to and during construction and for such additional period as MEAG Power may reasonably determine to be necessary in connection with the placing of the Project P Entity’s Ownership Interest in operation, and (ii) any swap premium or swap termination payment;

- (b) interest accruing in whole or in part on Project P Bonds or Subordinated Bonds or the Project P DOE Guaranteed Loan prior to and during construction (or, in the case of the Project P Bonds or Subordinated Bonds issued or Advances made to finance fuel, interest accruing in whole or in part on such Bonds or Subordinated Bonds or such Advances prior to the loading of such fuel in the reactor) and for such additional period as MEAG Power may reasonably determine to be necessary in connection with the placing of the Project P Entity’s Ownership Interest in operation in accordance with the provisions of the Project P Bond Resolution, including, without limitation, any major renewals, replacements, repairs, additions, betterments or improvements or modifications with respect to the Project P Entity’s Ownership Interest of a particular Additional Unit undertaken following the Commercial Operation Date of such Additional Unit;

- (c) the deposit or deposits from the proceeds of Project P Bonds or Subordinated Bonds issued, or Advances made, to finance such costs in any Fund or Account established pursuant to the Project P Bond Resolution or the Project P Federal Loan Documents to meet debt service reserve requirements for Project P Bonds or Subordinated Bonds or the Project P DOE Guaranteed Loan, or replenishment of such funds if drawn down; and

- (d) any other fees, costs and expenses of financing for the Project P Bonds or Subordinated Bonds or the Project P DOE Guaranteed Loan.

*Initial Power Purchase Agreement.* Initial Power Purchase Agreement shall mean the Power Purchase Agreement, dated as of May 12, 2008, between MEAG Power and the Initial Power Purchaser, as

heretofore amended and as such Agreement may hereafter be amended or supplemented from time to time as permitted therein and in the Project P Bond Resolution.

*Initial Power Purchaser.* Initial Power Purchaser shall mean PowerSouth Energy Cooperative, an electric cooperative formed under the laws of the State of Alabama, and any permitted successors and assigns.

*Initial Power Purchaser Arrearages Fund.* Initial Power Purchaser Arrearages Fund shall mean the Initial Power Purchaser Arrearages Fund provided for the Project P Bond Resolution.

*Initial Power Purchaser Arrearages Fund Establishment Date.* Initial Power Purchaser Arrearages Fund Establishment Date shall mean the day that is the fifth business day following the first date (if any) on which the Initial Power Purchaser shall fail to pay in full when due any payment under the Initial Power Purchase Agreement in respect of Project P's annual costs, but only if such failure shall be continuing on such fifth following business day.

*Initial Power Purchaser Arrearages Payment.* Initial Power Purchaser Arrearages Payment shall mean any payment received by MEAG Power from the Initial Power Purchaser under the Initial Power Purchase Agreement in respect of any amount due thereunder that was not paid when due.

*Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date.* Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date shall mean the day following the day, if any, on which the Initial Power Purchaser shall have satisfied its obligation to pay all amounts in respect of Debt Service under (and as defined in) the Initial Power Purchase Agreement payable or to become payable through the end of the Term thereof (as such term is defined therein), including, without limitation, any and all payments of such amounts thereunder that theretofore had not been paid when due and all interest thereon payable pursuant to the terms of the Initial Power Purchase Agreement.

*Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date.* Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date shall mean the day following the day on which the Initial Power Purchaser's obligation to pay future accruing Debt Service (as defined in the Initial Power Purchase Agreement) has terminated, and the Initial Power Purchaser shall have no new or additional obligation to pay amounts in respect of Debt Service under the Initial Power Purchase Agreement for either of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 for any Series of Project P Bonds, Subordinated Bonds, Parity Obligations or Subordinated Obligations or for the Project P DOE Guaranteed Loan; it being understood that, pursuant to the Initial Power Purchase Agreement, the Initial Power Purchaser has no responsibility for any new or additional Debt Service that goes unpaid after such date, whether by reason of a default by any of the Project P Participants in the making of any payment due under its Project P Power Sales Contract or otherwise; *provided, however*, that under the Initial Power Purchase Agreement, the Initial Power Purchaser shall continue to be responsible for paying any amount in respect of Debt Service that was not paid when due.

*Initial Power Purchaser Resale Revenues.* Initial Power Purchaser Resale Revenues shall mean any payments received by MEAG Power as a result of the resale of all or any portion of the power, energy or other service from the Project P Entity's Ownership Interest that the Initial Power Purchaser previously was entitled to receive following the discontinuance of service (whether or not permanent) to the Initial Power Purchaser under the Initial Power Purchase Agreement as a result of a default by the Initial Power Purchaser thereunder, but shall not include any payments received by MEAG Power as a result of the resale of all or any portion of such power, energy or other service pursuant to a Replacement Sponsor PPA (as such term is defined in the Project P DOE Loan Guarantee Agreement).

*Monthly Reserve and Contingency Deposit.* Monthly Reserve and Contingency Deposit shall mean, with respect to any particular calendar year, an amount equal to one-twelfth (or, with respect to the year in which the Commercial Operation Date of the first Additional Unit occurs, a fraction the numerator of which is 1 and the denominator of which is the number of full calendar months remaining in such year following the occurrence of such date) of the greater of (a) the total amount provided in the then current Project P Annual Budget to be deposited in the Project P Reserve and Contingency Fund and the Project P DOE Reserve & Contingency Account during such calendar year or (b) an amount equal to 10% of the sum of (i) the Aggregate Debt Service for such calendar year on all Project P Bonds other than Project P Bond Anticipation Notes and Project P BANs then Outstanding and all Project P Parity Obligations other than Project P Parity Commercial Paper Notes then outstanding, (ii) the aggregate amount of the principal of and interest on all Project P Subordinated Bonds and all Project P Subordinated Obligations other than Project P Subordinated Commercial Paper Notes then outstanding that is deemed to accrue during such calendar year, assuming that such principal and interest accrue in the same manner as the principal of and interest on Project P Bonds is deemed to accrue as provided in the definition of *Debt Service* contained in the Project P Bond Resolution and (iii) the principal and interest payable on the Project P DOE Guaranteed Loan during such calendar year.

*Project P BANs.* Project P BANs shall mean Project P Bonds issued to refund Project P Bond Anticipation Notes that (a) are designated by MEAG Power as such in the Supplemental Resolution authorizing such Project P Bonds, (b) are intended to be payable in 36 equal monthly installments, commencing on the first business day of the first month following the first anniversary of the date of issuance thereof and (c) are not intended to be payable from, or secured by, amounts on deposit in the Debt Service Reserve Account in the Project P Debt Service Fund.

*Project P Entity's Ownership Interest.* Project P Entity's Ownership Interest shall mean a percentage undivided interest in MEAG Power's Interest in the Additional Units in an amount equal to the Project P Portion.

*Project P Entity's Portion.* Project P Entity's Portion shall mean, as of any date of determination, a fraction the numerator of which is the aggregate principal amount of the Project P DOE Guaranteed Loan outstanding as of such date and the denominator of which is the sum of (a) the aggregate principal amount of all Project P Bonds Outstanding as of such date and (b) the aggregate principal amount of the Project P DOE Guaranteed Loan outstanding as of such date.

*Project P Entity's Reserve and Contingency Requirement.* Project P Entity's Reserve and Contingency Requirement shall mean an amount equal to the portion of the Reserve and Contingency Requirement specified as such in the definition of *Reserve and Contingency Requirement* contained in the Project P Bond Resolution.

*Project P Participant Arrearages Fund.* Project P Participant Arrearages Fund shall mean the Additional Units PPA-2 Project Participant Arrearages Fund established under the Project P Bond Resolution.

*Project P Participant Arrearages Payment.* Project P Participant Arrearages Payment shall mean any payment received by MEAG Power from a Project P Participant under its Project P Power Sales Contract in respect of any amount due thereunder that was not paid when due, but only if the failure to pay such amount when due resulted in either (a) the application of amounts on deposit in the Debt Service Reserve Account in the Project P Debt Service Fund, the Project P Subordinated Bond Fund or the Project P Reserve and Contingency Fund to cure a deficiency in the Debt Service Account in said Debt Service Fund or (b) the principal or Redemption Price of, or interest on, any Project P Bond or the principal or interest component of any Project P Parity Obligation not being paid when due.

*Project P Participant Resale Revenues.* Project P Participant Resale Revenues shall mean any payments received by MEAG Power as a result of the resale of all or any portion of the power, energy or other service from Project P that a Project P Participant previously was entitled to receive following the discontinuance of service to such Project P Participant under its Project P Power Sales Contract as a result of a default by such Project P Participant thereunder (including, without limitation, any such resale to any one or more of the other Project P Participants, except that if any such resale to any other Project P Participant shall be made in accordance with the terms of the Project P Power Sales Contracts and the purchasing Project P Participant shall not be in default in the making of any payment under its Project P Power Sales Contract, then such payments made by such purchasing Project P Participant shall not constitute Project P Participant Resale Revenues); *provided, however*, that if (x) the principal or Redemption Price of, or interest on, any Project P Bond shall not then be due and unpaid and (y) the deposit of any such payment to the Project P Revenue Fund would avoid the need for the application of amounts on deposit in the Debt Service Reserve Account in the Project P Debt Service Fund, the Project P Subordinated Bond Fund or the Project P Reserve and Contingency Fund to cure a deficiency in the Debt Service Account in said Debt Service Fund, then such payment shall not constitute Project P Participant Resale Revenues.

*Project P Participants' Debt Service Commencement Date.* Project P Participants' Debt Service Commencement Date shall mean the date on which the Project P Participants' obligation to pay amounts in respect of Debt Service under (and as defined in) the Project P Power Sales Contracts shall commence.

*Project P Power Contracts.* Project P Power Contracts shall mean, collectively, the Initial Power Purchase Agreement and the Project P Power Sales Contracts.

*Project P Power Purchase Agreement.* Project P Power Purchase Agreement shall mean the Wholesale Power Sales Agreement between the Project P Entity and MEAG Power, as the same may be amended, supplemented or restated from time to time in accordance with the terms thereof and of the Project P Bond Resolution.

*Project P Power Purchasers.* Project P Power Purchasers shall mean (a) the Initial Power Purchaser during the term of the Initial Power Purchase Agreement and (b) collectively, the Project P Participants during the terms of the Project P Power Sales Contracts; and a Project P Power Purchaser shall mean (x) the Initial Power Purchaser during the term of the Initial Power Purchase Agreement or (y) a Project P Participant during the term of its Project P Power Sales Contract.

*Project P Power Sales Contracts.* Project P Power Sales Contracts shall mean the Plant Vogtle Additional Units PPA-2 Power Sales Contracts dated as of June 15, 2008 by and between MEAG Power and the Project P Participants, relating to Project P and entered into pursuant to the Act, as such Contracts hereafter may be amended in accordance with the terms thereof and of the Project P Bond Resolution.

*Reserve and Contingency Requirement.* Reserve and Contingency Requirement shall mean, as of any date, such amount as may be established by the Board and certified to the Trustee by an Authorized Officer of MEAG Power, but in no event less than \$3,007,000 (hereinafter referred to in this definition as the "*Minimum Reserve and Contingency Requirement*"); 41.4614 percent of such amount shall constitute MEAG Power's Reserve and Contingency Requirement (which, in the case of the Minimum Reserve and Contingency Requirement, shall be equal to \$1,246,744.06) and 58.5386 percent of such amount shall constitute the Project P Entity's Reserve and Contingency Requirement (which, in the case of the Minimum Reserve and Contingency Requirement, shall be equal to \$1,760,255.94).

*Revenues.* Revenues shall mean (i) all revenues, income, rents and receipts received by MEAG Power from or attributable to Project J, including, without limitation, all revenues attributable to Project P or to the payment of the costs thereof and received by MEAG Power under the Project P Power Contracts (including any amounts received as a result of the enforcement of such contracts) or under any other contract

for the sale of power, energy or other service from the Project P Entity's Ownership Interest or any part thereof or any contractual arrangement with respect to the use of the Project P Entity's Ownership Interest or any portion thereof or the services, output or capacity thereof, but shall not include (X) any such revenues, income, rents or receipts derived by MEAG Power from or attributable to the sale of any Pre-Commercial Generation and (Y) any amount payable by the Initial Power Purchaser under the Initial Power Purchase Agreement in respect of the Additional Compensation Obligation; (ii) the proceeds of any insurance covering business interruption loss relating to the Project P Entity's Ownership Interest or Project P and received by MEAG Power; (iii) the proceeds of any liquidated damages payable by a contractor for delay relating to the Project P Entity's Ownership Interest and received by MEAG Power; and (iv) interest accrued on any moneys or securities held pursuant to the Project P Bond Resolution and paid or required to be paid into the Project P Revenue Fund; *provided, however*, that (a) during the period from and including the Initial Power Purchaser Arrearages Fund Establishment Date to and including the Initial Power Purchaser Debt Service Payment Obligation Satisfaction Date, all Initial Power Purchaser Arrearages Payments and all Initial Power Purchaser Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project P Bond Resolution and (b) during the period from and including the Project P Participants' Debt Service Commencement Date to and including the Initial Power Purchaser Debt Service Payment Obligation Scheduled End Date, all Project P Participant Arrearages Payments and all Project P Participant Resale Revenues shall not constitute Revenues, and all such Payments and Resale Revenues shall be used and applied as provided in the Project P Bond Resolution. Without limiting the generality of the foregoing, all cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project P Build America Bonds shall constitute Revenues for all purposes of the Project P Bond Resolution.

*Shared Trust Estate.* Shared Trust Estate shall mean (i) the Revenues, other than any cash subsidy payments received by MEAG Power from the United States Treasury in respect of the interest payable on any Project P Build America Bonds, (ii) the Initial Power Purchaser Arrearages Payments and the Initial Power Purchaser Resale Revenues, (iii) the Project P Participant Arrearages Payments and the Project P Participant Resale Revenues, (iv) the Project P Revenue Fund, the Project P Initial Power Purchaser Arrearages Fund and the Project P Participant Arrearages Fund established by the Project P Bond Resolution, including the investments, if any, thereof and (v) except for the right to receive payment of the Additional Compensation Obligation, all of MEAG Power's rights under the Project P Power Contracts, including, without limitation, (a) the right to receive and collect all of the payments from the Project P Power Purchasers under the Project P Power Contracts (other than the Additional Compensation Obligation), (b) the right to receive and collect any proceeds of any insurance maintained thereunder, (c) the right to take all actions and give all consents under the Project P Power Contracts and (d) the right to exercise such rights and remedies conferred on MEAG Power under the Project P Power Contracts; *provided, however*, that, as to each Project P Power Contract, the Trustee shall be entitled to exercise the rights described in the foregoing subclauses (c) and (d) only following the occurrence and continuance of a Bondholders' Event of Default or a Federal Loan Event of Default under the Project P Bond Resolution.

*Subordinated Obligation.* Subordinated Obligation shall mean any payment obligation (which does not constitute Project P Bonds, a Project P Parity Obligation or Project P Subordinated Bonds) (a) that is a Project P Subordinated Reimbursement Obligation, (b) that is a Project P Subordinated Hedging Contract Obligation, (c) that is a Project P Subordinated Commercial Paper Note or (d) that arises under any other contract, agreement or other obligation authorized by resolution of MEAG Power and is designated as a "Subordinated Obligation" in a certificate of an Authorized Officer of MEAG Power delivered to the Trustee. Each Subordinated Obligation shall be payable from and secured by a pledge of the Project P Subordinated Bond Fund which pledge shall be subordinate in all respects to the pledges of the Revenues, Initial Power Purchaser Arrearages Payments, Initial Power Purchaser Resale Revenues, Project P Participant Arrearages Payments, Project P Participant Resale Revenues, moneys, securities and funds created by the Project P Bond Resolution in favor of the Project P Bonds, the Project P Parity Obligations and the Project P Federal Loan Debt Service Payments.

## SUMMARY OF VOGTLE UNITS 3&4 POWER PURCHASE AGREEMENTS

The following is a description of certain of the provisions of (i) the Project M Power Purchase Agreement between MEAG Power and the Project M Entity; (ii) the Project J Power Purchase Agreement between MEAG Power and the Project J Entity; and (iii) the Project P Power Purchase Agreement between MEAG Power and the Project P Entity (the Project J Power Purchase Agreement, the Project M Power Purchase Agreement and the Project P Power Purchase Agreement are referred to herein collectively as the “Vogle Units 3&4 Power Purchase Agreements).

Each of the Vogle Units 3&4 Power Purchase Agreements became effective on June 24, 2015 and will continue in full force and effect until such time (a) as all of the payments of principal of and premium, if any, and interest on all debt issued by the applicable Vogle Units 3&4 Project Entity, and any other amounts due with respect to, such Vogle Units 3&4 Project Entity’s DOE Guaranteed Loan have been paid, or provision for payment shall have been made in accordance with such Vogle Units 3&4 Project Entity’s DOE Loan Guarantee Agreement, (b) Vogle Units 3&4 have been permanently shut down and are no longer capable of generating capacity, energy and ancillary services, and (c) all obligations with respect to the decommissioning of Vogle Units 3&4 have been satisfied, or provision for satisfaction of such obligations shall have been made.

The Vogle Units 3&4 Power Purchase Agreements are identical in all material respects except as indicated below. Capitalized terms not otherwise defined in this APPENDIX N or defined in the Annual Information Statement shall be as defined in the applicable Vogle Units 3&4 Power Purchase Agreement.

### Purchase and Sale Obligation

#### *General*

Pursuant to the terms of the Vogle Units 3&4 Power Purchase Agreements, each Vogle Units 3&4 Project Entity shall sell and deliver to MEAG Power, and MEAG Power is obligated to take and pay for or pay for, even if not available, delivered or taken, all Output. MEAG Power’s payment obligations under each Vogle Units 3&4 Power Purchase Agreement commenced on the date thereof and shall continue until all Project Costs thereunder are paid in full notwithstanding the occurrence of any event, or the taking of any action permitted by such Vogle Units 3&4 Power Purchase Agreement, with respect to the applicable Vogle Units 3&4 Project.

#### *Project M Power Purchase Agreement*

The Project M Power Purchase Agreement, on the one hand, and the Project M Power Sales Contracts, on the other hand are intended to be “back-to-back” power purchase agreements during the term of the Project M Power Purchase Agreement such that all of the Output shall be purchased by MEAG Power from the Project M Entity and resold to the Project M Participants pursuant to the terms and conditions of the Project M Power Sales Contracts.

#### *Project J Power Purchase Agreement*

The Project J Power Purchase Agreement, on the one hand, and the Project J PPA and the Project J Power Sales Contracts, on the other hand (during the respective periods that JEA and the Project J Participants are entitled to the Output) are intended to be “back-to-back” power purchase agreements during the term of the Project J Power Purchase Agreement such that all of the Output shall be purchased by MEAG

Power from the Project J Entity and resold to JEA and the Project J Participants pursuant to the terms and conditions of the Project J PPA and the Project J Power Sales Contracts, respectively.

### ***Project P Power Purchase Agreement***

The Project P Power Purchase Agreement, on the one hand, and the Project P PPA and the Project P Power Sales Contracts, on the other hand (during the respective periods that PowerSouth and the Project P Participants are entitled to the Output) are intended to be “back-to-back” power purchase agreements during the term of the Project P Power Purchase Agreement such that all of the Output shall be purchased by MEAG Power from the Project P Entity and resold to PowerSouth and the Project P Participants pursuant to the terms and conditions of the Project P PPA and the Project P Power Sales Contracts, respectively.

### **MEAG Power’s Payment Obligation**

MEAG Power shall make all payments for all of the Project Costs pursuant to the terms of each Vogtle Units 3&4 Power Purchase Agreement, whether or not the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest is completed or is operating or operable, and whether or not the capacity, energy and ancillary services of the respective Vogtle Units 3&4 Project Entity’s Ownership Interest are suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or non-performance by any party of any agreement for any cause whatsoever.

MEAG Power shall perform its payment obligations under each Vogtle Units 3&4 Power Purchase Agreement by making monthly payments from the Revenue Fund established under the applicable Vogtle Units 3&4 Bond Resolution, and as otherwise provided in such Vogtle Units 3&4 Bond Resolution, to the applicable Vogtle Units 3&4 Project Entity or the DOE Collateral Agent for the Project Costs in accordance with each such month’s billing statement, the applicable Vogtle Units 3&4 Bond Resolution and the applicable DOE Accounts Agreement or to the Decommissioning Trust (as defined in the applicable DOE Loan Guarantee Agreement) for Project Costs with respect thereto.

Without otherwise limiting the applicable Vogtle Units 3&4 Project Entity’s remedies upon the occurrence of a Payment Default (defined below) or a Performance Default (defined below) by MEAG Power, MEAG Power’s liability arising from or in connection with its payment obligations under each Vogtle Units 3&4 Power Purchase Agreement shall be limited to making the payments required thereunder from the applicable Shared Trust Estate or the applicable Bondholders’ Trust Estate in accordance with the applicable Vogtle Units 3&4 Bond Resolution.

### **Annual Budgets and Billing**

Pursuant to the terms of the Vogtle Units 3&4 Power Purchase Agreements, each Vogtle Units 3&4 Project Entity is obligated, among other things, to prepare and provide to MEAG Power a proposed annual budget for the succeeding calendar year which provides for all Project Costs for such calendar year. If at any time during a year it becomes apparent that the then current adopted annual budget no longer accurately reflects such Project Costs, the applicable Vogtle Units 3&4 Project Entity may adopt an amended annual budget for and applicable to such calendar year for the remainder of such calendar year. In each case, MEAG Power shall have an opportunity to review such proposed annual budget or amended annual budget and submit to the applicable Vogtle Units 3&4 Project Entity any matters or suggestions relating to such proposed annual budget that MEAG Power may care to present, including (a) with respect to the Project J Power Purchase Agreement, such matters or suggestions relating to Project Costs and such proposed annual budget or amended annual budget that MEAG Power received from JEA or any Project J Participant, as the case may be, under the Project J PPA or the Project J Power Sales Contracts, as applicable and (b) with respect to the Project P Power Purchase Agreement, such matters or suggestions relating to Project Costs

and such proposed annual budget or amended annual budget that MEAG Power received from PowerSouth or any Project P Participant, as the case may be, under the Project P PPA or the Project P Power Sales Contracts, as applicable.

Each Vogtle Units 3&4 Project Entity shall prepare a billing statement each calendar month with respect to the succeeding calendar month, which shall be based on the annual budget and shall be equal to the sum of (a) the Project Costs budgeted for such succeeding calendar month and (b) the difference, whether positive or negative, between (i) the actual Project Costs incurred by such Vogtle Units 3&4 Project Entity in the prior month and (ii) the budgeted Project Costs for the prior month to the extent paid by MEAG Power.

On an annual basis, each Vogtle Units 3&4 Project Entity shall submit to MEAG Power a detailed statement of the actual Project Costs for the prior calendar year. If on the basis of such statement the actual Project Costs for such year exceed the amount billed and paid by MEAG Power under the applicable Vogtle Units 3&4 Power Purchase Agreement, net of any Permitted Reimbursements (as defined in the applicable DOE Accounts Agreement), for such year, MEAG Power shall promptly pay to such Vogtle Units 3&4 Project Entity an amount equal to such excess. If on the basis of such statement the amount billed and paid by MEAG Power, net of any Permitted Reimbursements, for such year exceeds the actual Project Costs for such year, then such Vogtle Units 3&4 Project Entity shall promptly pay to MEAG Power an amount equal to such excess; *provided, however*, that such Vogtle Units 3&4 Project Entity shall cause the DOE Collateral Agent to fund such payment from the Project Accounts established under the applicable DOE Accounts Agreement in accordance with such DOE Accounts Agreement; *provided further, however*, that the sum of such disbursements shall not exceed the amount of such Vogtle Units 3&4 Project Entity's payment to MEAG Power.

## **Remedies**

### ***Payment Default***

If MEAG Power fails to make full payment to the applicable Vogtle Units 3&4 Project Entity or the DOE Collateral Agent when required to be made, and such failure continues for a period of ten business days, the applicable Vogtle Units 3&4 Project Entity may give written notice of payment default to MEAG Power. If MEAG Power does not pay the full amount then due within ten business days to the applicable Vogtle Units 3&4 Project Entity or the DOE Collateral Agent, then such failure shall constitute a "Payment Default" on the part of MEAG Power.

Upon a Payment Default, the applicable Vogtle Units 3&4 Project Entity may suspend service to MEAG Power for all or any part of the period of continuing default and may, but is not obligated to, sell the Output to any person. No suspension of service under or termination of a Vogtle Units 3&4 Power Purchase Agreement or recovery of additional revenues from sales of Output and Environmental Attributes to any person shall relieve MEAG Power of its obligations under the applicable Vogtle Units 3&4 Power Purchase Agreement, which are absolute and unconditional. Such Vogtle Units 3&4 Project Entity shall credit the obligations of MEAG Power during any suspension of service with the monies actually received by such Vogtle Units 3&4 Project Entity from sales of Output and Environmental Attributes that would have been available to MEAG Power. Such Vogtle Units 3&4 Project Entity may terminate the applicable Vogtle Units 3&4 Power Purchase Agreement if a Payment Default shall have occurred and be continuing for a period of 60 days; *provided, however*, that if any applicable DOE Secured Obligations are outstanding, any such termination shall require the prior written consent of DOE.

Neither of the remedies discussed in the immediately preceding paragraph may be exercised during a Standstill Period (as defined in the applicable DOE Loan Guarantee Agreement.)



### ***Performance Default***

If either party fails to comply with any of the terms, conditions and covenants of a Vogtle Units 3&4 Power Purchase Agreement (and such failure does not constitute a Payment Default by MEAG Power), the non-defaulting party shall give the defaulting party written notice of the default (a “Performance Default”). The defaulting party shall have a period of 30 days after receipt of such notice to commence reasonable efforts to cure such Performance Default, and it shall have an additional 30 days to cure such Performance Default. Thereafter, if such Performance Default is continuing, the non-defaulting party shall have all of the rights and remedies provided at law and in equity, other than termination of such Vogtle Units 3&4 Power Purchase Agreement.

### ***DOE Exercise of Remedies***

Following the exercise by DOE of any remedy of foreclosure and a sale of the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest, such Vogtle Units 3&4 Project Entity shall pay over to MEAG Power any proceeds received by such Vogtle Units 3&4 Project Entity from the sale of the such Vogtle Units 3&4 Project Entity’s Ownership Interest that are in excess of the amount necessary to fully pay all applicable DOE Secured Obligations and that are not required to be used to satisfy such Vogtle Units 3&4 Project Entity’s obligations to any other person.

### **Definitions**

Each of the Vogtle Units 3&4 Power Purchase Agreements has the following defined terms:

*Environmental Attributes* means any and all credits, benefits, emissions reductions, environmental air quality credits, emission reduction credits, renewable energy credits, offsets, and allowances attributable to the generation, purchase, sale, or use of the energy output of the applicable Vogtle Units 3&4 Project, including tags, certificates, credits, allowances, offsets, and similar products or rights attributable to the generation, purchase, sale, or use of such energy output that can be used to claim responsibility for, ownership of, or any avoidance or reduction of emissions or pollutants, including mercury, nitrogen oxide, sulfur oxide, carbon dioxide, carbon monoxide, particulate matter or similar pollutants or contaminants of air, water or soil, under any governmental, regulatory or voluntary program, including the United Nations Framework Convention on Climate Change and related Kyoto Protocol or other program.

*O&M Costs* means the costs and expenses for operation and maintenance of the applicable Vogtle Units 3&4 Project, including ordinary repairs, renewals and replacements of such Vogtle Units 3&4 Project and all costs of purchasing, producing and delivering Output to the delivery point and payments into reserves for items of O&M Costs the payment of which is not immediately required, and shall include any expenses or obligations required to be paid in connection with such Vogtle Units 3&4 Project, by law or under or in connection with any contract related to such Vogtle Units 3&4 Project, all to the extent properly allocable to such Vogtle Units 3&4 Project; the fees and expenses of the Fiduciaries (as defined in the applicable Vogtle Units 3&4 Bond Resolution); and the fees and expenses of the DOE Secured Parties incurred after commercial operation of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation. O&M Costs shall not include any costs or expenses for new construction or any allowance for depreciation.

*Output* means, collectively, the energy, capacity and ancillary services and any Environmental Attributes corresponding or attributable to the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest.

*Project Costs* shall include all costs and expenses paid or incurred or to be paid or incurred by the applicable Vogtle Units 3&4 Project Entity (excluding costs and expenses funded (i) with the proceeds of

debt issued by such Vogtle Units 3&4 Project Entity; (ii) with capital contributions to such Vogtle Units 3&4 Project Entity made by MEAG Power; or (iii) with amounts held in any funds or accounts established by the applicable Vogtle Units 3&4 Project Entity or MEAG Power for the payment of such costs and expenses) with respect to the applicable Vogtle Units 3&4 Project Entity's Ownership Interest, including all costs and expenses resulting from obligations under the Vogtle Units 3&4 Project Agreements and the ownership, operation, maintenance, termination and retirement from service and decommissioning of, and repairs, renewals, replacements, additions, improvements, betterments and modifications to, such Vogtle Units 3&4 Project Entity's Ownership Interest, all costs and expenses relating to the acquisition and sale of Output under the applicable Vogtle Units 3&4 Power Purchase Agreement by such Vogtle Units 3&4 Project Entity, including the following items of cost:

(a) principal of and premium, if any, and interest on all debt issued by such Vogtle Units 3&4 Project Entity, and any other amounts due with respect to, such Vogtle Units 3&4 Project Entity's DOE Guaranteed Loan;

(b) amounts which such Vogtle Units 3&4 Project Entity may be required to pay for the prevention or correction of any loss or damage to Vogtle Units 3&4, or for renewals, replacements, repairs, additions, improvements, betterments, and modifications which are necessary, in accordance with Prudent Utility Practice, to keep such facilities in good operating condition or to prevent a loss of revenues therefrom;

(c) all O&M Costs paid or incurred or to be paid or incurred by or on behalf of such Vogtle Units 3&4 Project Entity;

(d) all costs incurred or associated with the salvage, discontinuance, and disposition or sale of properties;

(e) all costs, settlements and expenses relating to claims asserted against such Vogtle Units 3&4 Project Entity or the applicable Vogtle Units 3&4 Project;

(f) any additional cost or expense not specified in the other items of this definition imposed by any regulatory agency or which is paid or incurred by such Vogtle Units 3&4 Project Entity and which is not otherwise included in any of the costs specified herein;

(g) amounts required to be paid by such Vogtle Units 3&4 Project Entity under any contract to which it is a party not covered under any other clause of this definition, including amounts payable with respect to interest rate swaps, option contracts and hedging contracts;

(h) reserves such Vogtle Units 3&4 Project Entity shall determine to be necessary for the payment of those items of costs and expenses referred to in this definition to the extent not already included in any other clause of this definition;

(i) any additional amounts that such Vogtle Units 3&4 Project Entity is required to pay or deposit into any fund or account maintained under the applicable DOE Accounts Agreement; and

(j) any other cost or expense of such Vogtle Units 3&4 Project Entity relating or pertaining to the applicable Vogtle Units 3&4 Project which is not otherwise specified in such Vogtle Units 3&4 Power Purchase Agreement.

[This page intentionally left blank]

## SUMMARY OF CERTAIN FEDERAL LOAN DOCUMENTS

### DOE LOAN GUARANTEE AGREEMENTS

The following is a description of certain the provisions of (i) the Loan Guarantee Agreement, executed between the Project M Entity and DOE (the “Project M DOE Loan Guarantee Agreement”), (ii) the Loan Guarantee Agreement, executed between the Project J Entity and DOE (the “Project J DOE Loan Guarantee Agreement”) and (iii) the Loan Guarantee Agreement, executed between the Project P Entity and DOE (the “Project P DOE Loan Guarantee Agreement” and, together with the Project M DOE Loan Guarantee Agreement and the Project J DOE Loan Guarantee Agreement, the “DOE Loan Guarantee Agreements” and each individually, a “DOE Loan Guarantee Agreement”).

Each of the DOE Loan Guarantee Agreements became effective on June 24, 2015 and will continue in full force and effect until such time as all indebtedness evidenced by the applicable FFB Promissory Notes have been paid in full, all lending commitments of FFB to the applicable Vogtle Units 3&4 Project Entity under the applicable FFB Credit Facility Documents have been terminated, and the applicable Vogtle Units 3&4 Project Entity has paid all sums due under the Federal Loan Documents (other than certain indemnity obligations and other obligations expressly surviving termination of the applicable DOE Loan Guarantee Agreements).

The DOE Loan Guarantee Agreements are identical in all material respects except as identified below. Capitalized terms not otherwise defined in this APPENDIX O or defined in the Annual Information Statement shall be as defined in the DOE Loan Guarantee Agreements.

### Conditions Precedent to Advances

#### *General*

Each Vogtle Units 3&4 Project Entity may request Advances from time to time under its DOE Loan Guarantee Agreement subject to the satisfaction of certain conditions, including the following:

- (a) delivery to DOE of (i) an update to the proposed Advance Schedule reflecting the estimated timing and amounts of proposed Advances, certified by such Vogtle Units 3&4 Project Entity as being consistent with the most recent Construction Budget and Base Case Projections or (ii) a certificate of such Vogtle Units 3&4 Project Entity that no changes to the then-current Advance Schedule are required;
- (b) delivery to DOE of certificates of such Vogtle Units 3&4 Project Entity and the Lender’s Engineer to the effect that the proceeds of the requested Advance are being requested for reimbursement of Eligible Project Costs Paid, together with a reasonably detailed description of such Eligible Project Costs Paid;
- (c) delivery to DOE of certain invoices and other documentation with respect to the Eligible Project Costs Paid that are the subject of such Advance Notice;
- (d) delivery to DOE of a certificate of such Vogtle Units 3&4 Project Entity to the effect that (i) all DOE Guaranteed Loan Fees and Periodic Expenses incurred and invoiced prior to the Advance Notice Date or Advance Date have been paid in full or are to be paid in full by arrangements satisfactory to DOE, and (ii) with respect to any Periodic Expenses subject to a fee arrangement with such Vogtle Units 3&4 Project Entity or MEAG Power, neither such Vogtle Units

3&4 Project Entity nor MEAG Power is in default of its payment obligations under such fee agreement;

(e) delivery to DOE of updates as to the status of Required Consents, certified by such Vogtle Units 3&4 Project Entity;

(f) delivery to DOE of a certificate of such Vogtle Units 3&4 Project Entity that, among other things, (i) to such Vogtle Units 3&4 Project Entity's knowledge, no litigation or proceedings are pending or have been threatened challenging the enforceability of the 2015 Validation Judgment, other than as disclosed to DOE in writing and which, in the written opinion of legal counsel reasonably acceptable to DOE, is frivolous, non-meritorious or of similar effect; (ii) as of both the Advance Notice Date and the Advance Date, such Vogtle Units 3&4 Project Entity and MEAG Power representations and warranties, as applicable, in the Federal Loan Documents to which they are a party are true and correct in all material respects (except as such representations and warranties relate to an earlier date, and certain other representations and warranties); (iii) in the case of the Project P Entity only, no material threat to the validity or enforceability of the Project P Power Sales Contracts to which the Participants are a party or to the ability of MEAG Power or the Project P Entity to perform its obligations under the Project P Power Purchase Agreement that could not be offset by the enforcement of the "step-up" process set forth in, and those rights and remedies of MEAG Power under, Section 507 of the Project P Power Sales Contracts to reallocate a defaulting Project P Participant's share of the power received by MEAG Power under the Project P Power Purchase Agreement among Project P Participants that have not defaulted on their obligations under such Project P Power Sales Contracts; and (iv) no Event of Default or event that, with the giving of notice or passage of time or both, would become an Event of Default (a "Potential Default") has occurred and is continuing, *provided*, that, subject to certain cure rights, no Event of Default or Potential Default shall be deemed to have occurred or be continuing for the purposes of the representation with respect to a default relating to compliance with Environmental Law, Governmental Approvals, applicable safety regulations, or any other Governmental Rules or Program Requirements;

(g) delivery to DOE of a certificate of such Vogtle Units 3&4 Project Entity to the effect that the total amount of Advances requested in such Advance Notice, plus all prior Advances, minus the principal amount of required principal prepayments under the applicable DOE Loan Guarantee Agreement, is less than 80% of all Eligible Project Costs Paid;

(h) a construction bringdown endorsement (dated as of a date not earlier than ten Business Days prior to the relevant Advance Notice Date and not later than the relevant Advance Notice Date) insuring that the applicable Deed to Secure Debt remains a first priority Lien on such Vogtle Units 3&4 Project Entity's unencumbered fee title to such Vogtle Units 3&4 Project Entity's undivided interest in and to the Project Site, subject only to Permitted Liens and the December 2013 Mechanic's Lien Exception);

(i) delivery to DOE of a certificate of such Vogtle Units 3&4 Project Entity with respect to compliance with Davis-Bacon Requirements and the Davis-Bacon and Related Acts Compliance Program;

(j) delivery to FFB of an Advance Notice and certification from such Vogtle Units 3&4 Project Entity that the requested Advance Date is not earlier than the scheduled calendar quarter for such Advance pursuant to the Advance Schedule, and notice of DOE's approval of such Advance Notice;

(k) DOE shall not have delivered a Drawstop Notice with respect to the Advance unless DOE shall have delivered a Drawstop Withdrawal Notice with respect to such Drawstop Notice; and

(l) delivery to DOE of a certificate of such Vogtle Units 3&4 Project Entity to the effect that as of the Advance Notice Date and the Advance Date, to such Vogtle Units 3&4 Project Entity's knowledge, the Owners' Agent is in compliance with all of its obligations under the CPA Agreement, and DOE shall not have received written notice from United States Maritime Administration that the Owners' Agent is not in compliance with all of its obligations under the CPA Agreement.

Under the terms of the LGA Amendments (as defined in the Annual Information Statement), each Vogtle Units 3&4 Project Entity will not request any Advances unless and until certain conditions are satisfied, including (i) receipt of DOE's approval of the Construction Agreement (as defined in the Annual Information Statement and, together with the Vogtle Services Agreement and the IP Licenses (each as defined in the Annual Information Statement), the "Replacement EPC Arrangements") and (ii) such Vogtle Units 3&4 Project Entity's entry into further amendments to its DOE Loan Guarantee Agreement to reflect the Replacement EPC Arrangements.

***Additional Conditions Precedent to Advances  
Under Project P DOE Loan Guarantee Agreement***

In connection with each Advance Request by the Project P Entity under the Project P DOE Loan Guarantee Agreement, DOE must also receive a certification from PowerSouth certifying that PowerSouth's MFI Ratio (as defined in the PowerSouth Indenture) for the twelve months ended as of the full fiscal quarter that ended at least 90 days prior to the Advance Request is at least 1.065, or such higher ratio specified in Section 13.14 of the PowerSouth Indenture (or other replacement section in relation to rate setting criteria).

**Affirmative Covenants Under  
DOE Loan Guarantee Agreements**

Until the first day on which the indebtedness evidenced by all of a particular Vogtle Units 3&4 Project Entity's FFB Promissory Notes has been paid in cash in full (other than unasserted contingent indemnity obligations and other obligations that expressly survive termination of the applicable documents), all commitments of FFB to such Vogtle Units 3&4 Project Entity under its FFB Note Purchase Agreement and such Vogtle Units 3&4 Project Entity's other FFB Credit Facility Documents have been terminated, and such Vogtle Units 3&4 Project Entity has paid in cash all sums due from it under its DOE Loan Guarantee Agreement, its FFB Credit Facility Documents and its other Federal Loan Documents (other than unasserted contingent indemnity obligations and other obligations that expressly survive termination of the applicable documents) (the "Debt Termination Date"), such Vogtle Units 3&4 Project Entity covenants to, among other things:

(a) prior to Commercial Operation of the second unit of Vogtle Units 3&4 to achieve Commercial Operation (the "Second Unit"), provide certain updated information to DOE, including (i) (X) the monthly project status report delivered pursuant to the Vogtle Services Agreement and any other monthly progress reports delivered pursuant to the Replacement EPC Arrangements and (Y) the Operator's monthly project status report as provided to the Owner's Agent and Operator, respectively; (ii) statement reports on such Vogtle Units 3&4 Project Entity's Project Accounts (including any Equity Contributions made by deposit to the DOE Construction Account during such month), the Local Account and on accounts forming part of the Shared Trust Estate; (iii) timing and cost of construction, along with an explanation of reasons for any change to

or deviations from the most recent prior Construction Budget and Project Milestone Schedule; (iv) other matters regarding Vogtle Units 3&4, including disputes or litigation, legislation or governmental proceedings, delinquent payments under any Project Document or strikes, slowdowns or work stoppages, in each case, to the extent such other matters are material to the Construction Budget, the Project Milestone Schedule or the ability of Vogtle Units 3&4 to be completed or operated; and (v) updates to the Base Case Projections, if any, from the prior version delivered to DOE;

(b) provide certain information to DOE, including

(i) on a periodic basis, copies of plans and budgets with respect to each Vogtle Units 3&4 unit as approved by the Nuclear Managing Board and annual and monthly information relating to, among other things, financial statements of such Vogtle Units 3&4 Project Entity, budgeting and performance;

(ii) notices of certain events, including (A) any event that constitutes an Event of Default or Potential Default under the applicable DOE Loan Guarantee Agreement, together with a certificate indicating any steps such Vogtle Units 3&4 Project Entity, the Owners' Agent or the Operator has taken or proposes to take to remedy the same;

(iii) the occurrence of any event, condition, legislation or governmental proceedings and any developments with respect to the foregoing, with respect to such Vogtle Units 3&4 Project Entity, the Owners' Agent, or the Operator or their participation in Vogtle Units 3&4, in each case that has had, or would reasonably be expected to have, (X) a material and adverse change in, or a material and adverse effect upon, the operations, business, assets, properties, liabilities (actual or contingent) or condition (financial or otherwise) of such Vogtle Units 3&4 Project Entity or MEAG Power (with respect to MEAG Power's ability to perform in connection with Vogtle Units 3&4), (Y) a material adverse effect upon (1) the rights or remedies of FFB or DOE under the applicable Federal Loan Documents or (2) the ability of such Vogtle Units 3&4 Project Entity or MEAG Power to observe and perform its obligations under the applicable Federal Loan Documents (including the ability of MEAG Power to perform its obligations under the applicable DOE Equity Funding Agreement and the applicable Vogtle Units 3&4 Power Purchase Agreement) to which it is a party or (3) the security or Liens of the DOE Secured Parties pursuant to the applicable DOE Security Documents on any material portion of the Collateral or the Shared Trust Estate, or (Z) a material and adverse effect upon the legality, validity, binding effect or enforceability (i) against such Vogtle Units 3&4 Project Entity, MEAG Power, any Material Offtaker or any Offtaker Group (as such terms are defined in the applicable DOE Loan Guarantee Agreement) of any applicable Federal Loan Document to which it is a party or (ii) of the applicable Vogtle Units 3&4 Bond Resolution against MEAG Power (each of (X), (Y) and (Z), a "Material Adverse Effect") or a material adverse effect on the ability of Vogtle Units 3&4 to be completed or operated or result in Public Inquiries;

(iv) the pendency or commencement of any action, litigation, claim, dispute, or proceeding questioning or challenging the enforceability of the Validation Order or any part thereof, specifying the nature of such claim and indicating any steps such Vogtle Units 3&4 Project Entity or MEAG Power has taken or proposes to take to defend such action, litigation, claim, dispute, or proceeding;

(v) any Lien (other than a Permitted Lien) being granted or established or becoming enforceable over any of the Collateral or the Shared Trust Estate (except in the

case of the Shared Trust Estate for any Lien that, by its terms, is subordinate and junior to the Lien of the Shared Trust Estate in favor of the Trustee under the applicable Vogtle Units 3&4 Bond Resolution (the “Bond Resolution Trustee”));

(vi) certain communications with respect to Vogtle Units 3&4 received by such Vogtle Units 3&4 Project Entity, the Owners’ Agent or the Operator from the NRC;

(vii) any complaint, order, directive, claim, citation, designation or notice by any Governmental Authority with respect to Vogtle Units 3&4 received by such Vogtle Units 3&4 Project Entity, the Owners’ Agent or the Operator relating to any actual or potential material non-compliance with its then-existing obligations under Environmental Laws, and within 30 days after such notice, a written description of any steps such Vogtle Units 3&4 Project Entity, the Owners’ Agent or the Operator is taking and proposes to take with respect to such actual or potential material non-compliance;

(viii) notice and a copy of any stop work order issued by such Vogtle Units 3&4 Project Entity, the Owners’ Agent or the Operator with respect to any work on Vogtle Units 3&4;

(ix) any amounts deposited in or credited to the DOE Extraordinary Proceeds Account;

(x) any report with respect to certain events required to be made to NRC, or any accident related to the Vogtle Units 3&4 having a material and adverse impact on the environment or on human health, and within ten days thereafter, a copy of such report and, to the extent not included in the notification of the report to NRC, a report describing such event or accident, the impact and the remedial efforts required and (as and when taken) implemented with respect thereto;

(xi) within 105 days after the close of each Fiscal year, a report summarizing notices received by such Vogtle Units 3&4 Project Entity or, to such Vogtle Units 3&4 Project Entity’s knowledge, the Owners’ Agent or the Operator with respect to any material alleged or actual violations of Environmental Laws or Required Consents in connection with Vogtle Units 3&4 over the preceding year, including a summary of environmental monitoring or sampling activity and any violations of Environmental Laws or Required Consents identified by any Governmental Authority and any remedial action taken with respect thereto and a description of any steps of such Vogtle Units 3&4 Project Entity, the Owners’ Agent or the Operator is taking and proposes to take thereto; and

(xii) on a monthly basis, (A) a list of Additional Project Documents entered into during such month, (B) updates with respect to the schedule and status of Required Consents, (C) a list of any termination, amendment or material waiver or breach of or material notices and material correspondence with respect to, or change order under, any Project Document or Required Consent during such month; (D) any material changes in any Required Insurance with respect to Vogtle Units 3&4; (E) any correspondence from NRC that identifies an event, condition or other matters that would reasonably be expected to have a Material Adverse Effect or a material adverse effect on the ability of Vogtle Units 3&4 to be completed or operated; and (F) any material casualty damages or losses with respect to Vogtle Units 3&4;

(c) keep such Vogtle Units 3&4 Project Entity’s undivided ownership interest as a tenant in common in Vogtle Units 3&4 (such undivided ownership interest, the “Vogtle Units 3&4 Project



Entity's Undivided Interest") insured in accordance with normal nuclear industry practices (provided that such insurance coverage is available on commercially reasonable terms, conditions and price) in accordance with the terms and provisions described in the applicable DOE Loan Guarantee Agreement. Such Vogtle Units 3&4 Project Entity shall obtain and maintain Required Insurance (if any) and shall use commercially reasonable efforts to pursue any contractual remedies to cause other Persons required to provide Required Insurance pursuant to their respective Project Documents, including any Construction Contractor and the Operator, to obtain and maintain such Required Insurance as required pursuant to their respective Project Documents, as the case may be;

(d) construct and operate Vogtle Units 3&4, or cause Vogtle Units 3&4 to be constructed and operated, in each case in accordance with the Required Consents (including the COLs) and all Governmental Rules and other directions or instructions issued or provided by the NRC with respect to the Vogtle Units 3&4 unless, with respect to any noncompliance with any such Required Consents, Governmental Rules and other directions or instructions, such Vogtle Units 3&4 Project Entity, the Owners' Agent or the Operator, as applicable, is diligently working to cure the noncompliance through appropriate regulatory procedures or to obtain a necessary amendment to such Required Consent;

(e) with the exception of capitalized interest on such Vogtle Units 3&4 Project Entity's FFB Promissory Notes, deposit the proceeds of all Advances into the DOE Advance Proceeds Account;

(f) maintain in full force and effect the applicable Vogtle Units 3&4 Power Purchase Agreement in accordance with its terms, comply with the provisions of and perform all of its obligations thereunder in all material respects and use best efforts to enforce all of its rights and remedies thereunder;

(g) (i) establish and maintain in accordance with the provisions of the applicable DOE Accounts Agreement a reserve for debt service in the DOE Debt Service Reserve Account, and, except as otherwise provided in clauses (ii) and (iv) below, from and after the Debt Service Reserve Funding Date, the amount on deposit in or credited to the DOE Debt Service Reserve Account shall at all times be no less than the DOE Debt Service Reserve Requirement; (ii) if after the application of amounts on deposit in such account to the payment of principal and interest on the applicable DOE Guaranteed Loan, the amount on deposit is less than the DOE Debt Service Reserve Requirement, as soon as reasonably practicable but in all cases within 180 days after any such application, such Vogtle Units 3&4 Project Entity shall deposit amounts into the DOE Debt Service Reserve Account sufficient to ensure that the amounts on deposit in or credited to the DOE Debt Service Reserve Account are no less than the DOE Debt Service Reserve Requirement; (iii) no later than ten Business Days prior to the Debt Service Reserve Funding Date, such Vogtle Units 3&4 Project Entity shall calculate the DOE Debt Service Reserve Requirement as of the Debt Service Reserve Funding Date and shall submit such calculation to DOE and the DOE Collateral Agent; and (iv) within five Business Days after each Advance Date following the Debt Service Reserve Funding Date, such Vogtle Units 3&4 Project Entity shall calculate the DOE Debt Service Reserve Requirement as of such Advance Date, submit such calculation to DOE and the DOE Collateral Agent, and within ten Business Days after such Advance Date, fund to the DOE Debt Service Reserve Account the increase in the DOE Debt Service Reserve Requirement arising from Advances made on the applicable Advance Date;

(h) establish, maintain, preserve, protect and continue the validity, perfection and first priority of the Liens of the applicable DOE Security Documents subject (i) to Permitted Liens, (ii) the provisions of the applicable Deed to Secure Debt and (iii) with respect to the perfection of the

Liens on the Pledged Equity Interests of DOE and the DOE Collateral Agent (collectively, the “DOE Secured Parties”), to the extent the Uniform Commercial Code applies to such perfection;

(i) (i) execute and deliver, or cause to be executed and delivered on its behalf, other documents and instruments as shall be necessary or advisable or that DOE or the DOE Collateral Agent may reasonably request in connection with the rights and remedies of DOE and the DOE Collateral Agent as granted or provided for by the Federal Loan Documents, and to consummate the transactions contemplated therein;

(ii) take all actions that have been or shall be reasonably requested by DOE or the DOE Collateral Agent or that such Vogtle Units 3&4 Project Entity knows are necessary to establish, maintain, preserve, protect, perfect, as applicable, or continue the validity, priority or perfection of the first priority Liens of the DOE Secured Parties created by the applicable DOE Security Documents (subject to Permitted Liens, the applicable Deed to Secure Debt, and, with respect to the perfection of the DOE Secured Parties’ Liens on the Pledged Equity Interests, to the extent the Uniform Commercial Code applies to such perfection) and shall furnish to DOE timely notice of the necessity of any such action, together with such instruments, in execution form, and such other information as may be required or reasonably requested to enable any appropriate DOE Secured Party to effect any such action;

(iii) if such Vogtle Units 3&4 Project Entity shall at any time acquire any interest in any Collateral that is not covered by the applicable DOE Security Documents or the Lien created thereby, promptly notify DOE of such interest and, to the extent requested by DOE, shall promptly (A) execute, deliver and record a supplement to the applicable DOE Security Documents, satisfactory in form and substance to DOE, and (B) establish and perfect, as applicable, a first priority (subject to Permitted Liens) Lien of the DOE Collateral Agent (for the benefit of the DOE Secured Parties) in each such interest;

(iv) if such Vogtle Units 3&4 Project Entity shall at any time execute or cause to be executed any Additional Project Document, promptly notify DOE of such Additional Project Document and, to the extent requested by DOE, shall use its reasonable best efforts to promptly deliver to the DOE Secured Parties a direct agreement with respect to such Additional Project Document; *provided, however*, that if any such Additional Project Document creates, terminates, replaces or otherwise modifies any IP Interest (other than any Additional Project Document for the supply of fuel assemblies and/or related required software for Vogtle Units 3&4), such Vogtle Units 3&4 Project Entity shall promptly deliver to the DOE Secured Parties a direct agreement with respect to such Additional Project Document, except where such Vogtle Units 3&4 Project Entity’s failure to own or hold all or any part of such IP Interest would not reasonably be expected to result in a material adverse effect on the ability of Vogtle Units 3&4 to be completed or operated, or to be conveyed or disposed of; *provided, further*, that if any such Additional Project Document is a replacement Vogtle Units 3&4 Power Sales Contract, such Vogtle Units 3&4 Project Entity shall promptly notify DOE of such Additional Project Document and, to the extent requested by DOE with respect to an Offtaker that is not a Participant party to a Vogtle Units 3&4 Power Sales Contract, shall use its reasonable best efforts to promptly deliver to the DOE Secured Parties a direct agreement in a form reasonably acceptable to DOE;

(v) cause MEAG Power to take any actions, if any, that are or become necessary to ensure compliance with clauses (i) and (ii) of this paragraph with respect to the Shared Trust Estate; and

(vi) after the date of Commercial Operation with respect to each of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4, (i) provide DOE with a copy of all descriptions provided to the Owners pursuant to the Ownership Agreement of the Additional Unit Property(ies) (as defined in the Ownership Agreement) setting forth in reasonable detail the facilities, equipment and other property and rights then constituting such applicable Additional Unit Property and (ii) if requested by DOE, enter into any amendment to the applicable DOE Security Documents, including the applicable Deed to Secure Debt, to revise the description of the Collateral in accordance with the updated description;

(j) take all commercially reasonable actions necessary to maintain and protect the IP Interest granted to it under the IP Agreements and, if such Vogtle Units 3&4 Project Entity obtains knowledge of any breach or violation of any of the terms or conditions of the IP Agreements by a third Person, and such breach or violation is reasonably likely to prevent such Vogtle Units 3&4 Project Entity, the Owners' Agent or the Operator from exercising the IP Interest granted to any of them under the IP Agreements, or that would otherwise materially conflict with or adversely affect the IP Interest granted to any of them under the IP Agreements, then such Vogtle Units 3&4 Project Entity shall promptly take, or request the Owners' Agent or the Operator to take, such commercially reasonable actions under the IP Agreements to protect the rights granted to such Vogtle Units 3&4 Project Entity, the Owners' Agent or the Operator;

(k) provide 45 days' prior notice to DOE in advance of exercising the Owners' Agent or the Owners' right under the EPC Contract to suspend all work under the EPC Contract for the Vogtle Co-Owners' convenience, *provided, however*, that only concurrent notice of any such action to suspend all work under the EPC Contract shall be required where such action is necessary due to an emergency or otherwise is necessary in order to comply with requirements of the NRC or any other Governmental Authority;

(l) comply with all of the separateness and other terms and conditions in its certificate of formation and such Vogtle Units 3&4 Project Entity's LLC Agreement;

(m) fund the Decommissioning Trust in accordance with the Governmental Rules of the NRC and the Ownership Agreement;

(n) no later than five Business Days after each Quarterly Payment Date, (i) calculate the Advance Proceeds Holdback as of such Quarterly Payment Date; (ii) submit such calculation to DOE and the DOE Collateral Agent; and (iii) deposit to the DOE Advance Proceeds Account any amounts necessary to cause the funds deposited in or credited to the DOE Advance Proceeds Account, after giving effect to any deposit made pursuant to this paragraph, to equal the Advance Proceeds Holdback calculated pursuant to clause (i); and

(o) not later than 90 days after the Last Day for an Advance, provide to the Lender's Engineer a calculation of the mandatory prepayment amount due pursuant to the applicable DOE Loan Guarantee Agreement and any supporting documentation reasonably requested by the Lender's Engineer or DOE for such calculation and the calculation of Eligible Project Costs Paid as of the Last Day for an Advance.

#### **Negative Covenants Under DOE Loan Guarantee Agreements**

Until the Debt Termination Date, each Vogtle Units 3&4 Project Entity covenants, among other things:

(a) not to incur, create, guarantee, assume, permit to exist or otherwise become liable for any Indebtedness other than Indebtedness incurred under the Federal Loan Documents and Indebtedness arising in the ordinary course of business, to the extent such amounts and expenses are no more than 90 days past the due date therefor;

(b) not to prepay, redeem or repurchase any Indebtedness for Borrowed Money (other than the applicable DOE Guaranteed Loan), or permit the prepayment, redemption or repurchase of any applicable Vogtle Units 3&4 Bonds, except for mandatory prepayments required under the applicable DOE Loan Guarantee Agreement;

(c) not to agree to, create, assume or otherwise permit to exist any Liens on such Vogtle Units 3&4 Project Entity's Undivided Interest;

(d) not to enter into any leases, other than for certain items including office space and licenses for Intellectual Property Rights, in each case in an amount not to exceed the amount budgeted therefor and as required in connection with the construction or operation of Vogtle Units 3&4;

(e) not to make or permit to remain outstanding any loans, extensions of credit or advances by such Vogtle Units 3&4 Project Entity to any Person, except for Permitted Investments or as expressly provided in the Federal Loan Documents as in effect on the Guarantee Issuance Date;

(f) not to (i) form any subsidiaries; (ii) enter into any partnerships or joint ventures other than pursuant to the Owner Documents; (iii) acquire any equity interest in or make any capital contribution to any person except as provided for in the Owner Documents; (iv) enter into any partnership, profit-sharing or royalty agreement whereby such Vogtle Units 3&4 Project Entity's income or profits might be shared with any other person, or (v) enter into any management contract whereby its business or operations are managed by any person other than MEAG Power or as provided for in the Owner Documents;

(g) not to (i) engage in any other business or undertake any action that could reasonably be expected to materially alter the nature of its business or nature or scope of Vogtle Units 3&4; (ii) change its name or take any other action that might adversely affect the Liens created by the applicable DOE Security Documents; or (iii) fail to maintain its limited liability company existence and its right to carry on its business;

(h) not to (i) enter into any transaction of merger or consolidation, or convey, sell, lease or otherwise transfer any of such Vogtle Units 3&4 Project Entity's Undivided Interest or other material portion of its property or assets, except (A) as permitted under certain of the Federal Loan Documents; (B) sales or transfers of Vogtle Units 3&4 assets effectuated by the Owners' Agent without obtaining such Vogtle Units 3&4 Project Entity's consent pursuant to the Owner Documents; or (C) sales of equipment or other assets that are obsolete, no longer used or useful in the operation of Vogtle Units 3&4; (ii) wind up, liquidate or dissolve itself, commence an Insolvency Proceeding; (iii) acquire all or a substantial part of the business, property or assets of any other person (other than certain purchases in the ordinary course of business, in accordance with the applicable budget); or (iv) transfer or release, other than as permitted under the Federal Loan Documents, the Collateral;

(i) not to amend or modify the Governing Documents, other Organizational Documents, legal form, fiscal year or capital structure;

(j) not to reduce its capital or declare or make or authorize any dividend or other payment or distribution of cash or property to its equity owners on account of any Equity Interests, other than (i) payments required to be made under the applicable Vogtle Units 3&4 Power Purchase Agreement; (ii) any reimbursement of Sponsor Reimbursable Amounts from funds on deposit in the DOE Construction Account; (iii) any Permitted Reimbursement from amounts in the Project Accounts; and (iv) any other transfers expressly contemplated by the applicable DOE Accounts Agreement;

(k) not to redeem, retire, purchase or otherwise acquire, directly or indirectly, any of its Equity Interests now or hereafter outstanding (or any options or warrants issued by such Vogtle Units 3&4 Project Entity with respect to its Equity Interests) or set aside any funds for any of the foregoing or issue any Equity Interests to any other person (except for the issuance of Equity Interests to MEAG Power and subject to the Equity Pledge Agreement);

(l) not to, directly or indirectly, enter into any transaction or series of related transactions with any Affiliate, other than (i) on an arm's-length basis, (ii) at-cost services provided or received from Affiliates in accordance with FERC requirements or (iii) the Federal Loan Documents;

(m) not to establish or maintain any bank accounts other than the Project Accounts and one Local Account, and shall not allow payments under the Vogtle Units 3&4 Power Sales Contracts (and, in the case of Project J, the Project J PPA or in the case of Project P, the Project P PPA) to be deposited into any account other than in accordance with the applicable Vogtle Units 3&4 Bond Resolution;

(n) not to pay (i) any compensation to MEAG Power or any Affiliate of MEAG Power for furnishing guarantees, counter-guarantees or similar credit support for any obligations undertaken in connection with Vogtle Units 3&4; or (ii) any bonus, "up-side," mark-up, development fee, success fee, profit payment or other similar form of compensation to MEAG Power or any Affiliate of MEAG Power with respect to or in connection with Vogtle Units 3&4;

(o) not to directly or indirectly agree to (i) any amendment, modification, termination, replacement, supplement, consent or waiver, (ii) waive any right to consent to any amendment, modification, termination, replacement, supplement or waiver of any right with respect to, or (iii) assign any of the respective duties or obligations (or exercise its voting rights under the Owner Documents in a manner inconsistent with the foregoing), in each case, under

(A) the applicable Vogtle Units 3&4 Power Purchase Agreement, any applicable Vogtle Units 3&4 Power Sales Contracts, the Project J PPA, in the case of Project J and the Project P PPA, in the case of Project P (collectively, the "Power Purchase Agreements"); *provided that* such Vogtle Units 3&4 Project Entity may (x) agree to an amendment, modification, replacement, supplement, consent or waiver that does not have (1) a material adverse effect on Vogtle Units 3&4, such Vogtle Units 3&4 Project Entity's Undivided Interest, or the rights or obligations of such Vogtle Units 3&4 Project Entity or any Offtaker or (2) an adverse effect on any rights of the DOE Secured Parties with respect to remedies or enforcement, in each case, if such Vogtle Units 3&4 Project Entity has given DOE prior notice of such amendment, modification, replacement, supplement, consent or waiver, and DOE has approved or has not given such Vogtle Units 3&4 Project Entity notice of its objection to such proposed amendment, modification, replacement, supplement, consent or waiver within 60 days of receipt of such notice, (y) agree to an assignment from one Participant to another Participant in the ordinary course of business that does not release the assignor Participant from its obligations thereunder or (z) agree to

extend the term of any Power Purchase Agreement with a Participant so long as such Participant is not in default thereunder;

(B) the Facility Licenses;

(C) certain provisions of the Owner Documents, the Nuclear Operating Agreement and the Letter Agreement for Construction Services; or

(D) the Governing Documents, except as permitted under the applicable DOE Loan Guarantee Agreement;

(p) not to enter into or become a party to any agreement, contract or loan commitment outside the ordinary course of business other than (i) the Federal Loan Documents, or (ii) agreements, contracts or loan commitments contemplated or permitted by the Federal Loan Documents;

(q) not to enter into any Hedging Agreement or any other agreement or instrument relating to the hedging of pricing for power sales, foreign currency trading or speculative transactions;

(r) not to agree or otherwise consent to settle or compromise, or consent to any settlement or compromise with respect to (i) any single litigation, arbitration or other dispute, including with regard to the Project Documents (other than the Vogtle Services Agreement or the Power Purchase Agreements) in excess of \$25 million, without the prior written consent of DOE or except as approved and permitted under the Owner Documents; provided that for any settlement or compromise in excess of \$25 million approved and permitted under the Owner Documents, MEAG Power, prior to such settlement or compromise, certifies to DOE that any and all costs and expenses associated with such settlement or compromise (A) are included in MEAG Power's payment obligations under the applicable Vogtle Units 3&4 Power Purchase Agreement and included in the payment obligations of the Offtaker(s) under the Vogtle Units 3&4 Power Sales Contracts (and, in the case of Project J, the Project J PPA or in the case of Project P, the Project P PPA), (B) will be timely paid using the proceeds of applicable Vogtle Units 3&4 Bonds, or (C) will be timely paid using funds in the applicable Project Account or account or fund under the applicable Vogtle Units 3&4 Bond Resolution available for such purpose pursuant to the applicable DOE Accounts Agreement or such applicable Vogtle Units 3&4 Bond Resolution; or (ii) any material dispute under any Power Purchase Agreement, without the prior written consent of DOE;

(s) not to, nor shall such Vogtle Units 3&4 Project Entity exercise its voting rights under the Owner Documents in support of any proposal to, abandon or permanently cease to pursue the construction or operation of Vogtle Units 3&4;

(t) not to assign or otherwise transfer its rights under any of the Federal Loan Documents or its Governmental Approvals to any person, other than the assignment of the Project Documents and Governmental Approvals to the DOE Collateral Agent as security for the benefit of the DOE Secured Parties;

(u) not to take, nor permit MEAG Power to take, any action that could result in such Vogtle Units 3&4 Project Entity being subject to (i) regulation by FERC as a "public utility" under the Federal Power Act; (ii) regulation by FERC under the Public Utility Holding Company Act; or (iii) regulation by the GPSC as a "public utility," an "electric utility," a "holding company," or similar term, under the laws of the State of Georgia;

(v) not to vote or agree to replace or remove the Operator or the Owners' Agent under the Owner Documents, other than upon receipt of any necessary approvals from the NRC; and

(w) not to construct, or permit to be constructed, any nuclear reactor for Vogtle Units 3&4 other than Westinghouse AP1000 standard nuclear reactor plant design as described in each COL, including any amendments to the COLs or exemptions issued by NRC approving modifications to such certified standard design.

## **Events of Default**

### ***General***

Under each DOE Loan Guarantee Agreement, occurrence of any of the following events constitute an Event of Default thereunder:

(a) failure of such Vogtle Units 3&4 Project Entity to pay, in accordance with the terms of the applicable FFB Credit Facility Documents, such DOE Loan Guarantee Agreement or any other applicable Federal Loan Document (whether at scheduled maturity, as a mandatory prepayment, by acceleration or otherwise), (i) any principal of or interest on the applicable DOE Guaranteed Loan on or before the date such amount is due; (ii) any DOE Maintenance Fee or other scheduled fee, charge or other amount under any applicable Federal Loan Document on or before the date such amount is due; or (iii) any unscheduled fee, charge or other amount due under any applicable Federal Loan Document on the date any DOE Secured Party gives such Vogtle Units 3&4 Project Entity notice of failure to pay such amount, *provided*, that in each case such failure to pay shall continue for a period of three Business Days (except that no grace period shall apply with respect to any failure to pay any amounts due on the Maturity Date). Payment of any principal or interest on the applicable DOE Guaranteed Loan by application of amounts on deposit in the applicable DOE Debt Service Reserve Account shall not constitute an Event of Default;

(b) if any representation or warranty or statement made or deemed to be made by such Vogtle Units 3&4 Project Entity or MEAG Power in any Federal Loan Document shall be found to have been incorrect, false or misleading, including any intentional misrepresentation by MEAG Power in connection with representations, warranties or statements made in any Federal Loan Document, in any material respect when made or deemed to have been made, unless such incorrect, false or misleading representation, warranty or statement is capable of being remedied, and such incorrect, false or misleading representation, warranty or statement is remedied within 90 days following the earlier of (i) the date that such Vogtle Units 3&4 Project Entity obtained knowledge of such incorrect, false or misleading representation or warranty or (ii) the date of notice thereof from DOE to such Vogtle Units 3&4 Project Entity;

(c) if such Vogtle Units 3&4 Project Entity or MEAG Power shall fail to perform or observe any of its obligations under (i) any negative covenant set forth in such DOE Loan Guarantee Agreement, other than certain negative covenants subject to cure periods, to the extent such failure could reasonably be expected to have a Material Adverse Effect; (ii) any term, covenant or agreement with respect to the calculation and funding of the Debt Service Reserve in accordance with the terms of such DOE Loan Guarantee Agreement; (iii) certain terms, covenants or agreements under the applicable DOE Equity Funding Agreement, including (A) amending, modifying, replacing, supplementing or waiving the Vogtle Units 3&4 Power Sales Contracts (and, in the case of Project J, the Project J PPA or in the case of Project P, the Project P PPA), (B) creating, incurring or suffering to exist any lien upon any of MEAG Power's right, title or interest in, to and under the Vogtle Units 3&4 Power Sales Contracts (and, in the case of Project J, the Project J PPA or in the case of Project P, the Project P PPA), except Permitted Liens, or (C) in the

event Commercial Operation of Generation Station Vogtle Unit No. 3 or Generation Station Vogtle Unit No. 4 is delayed, billing the Offtaker the principal component of Debt Service of the applicable DOE Guaranteed Loan related to such unit three months prior to the date on which the first quarterly principal installment on such DOE Guaranteed Loan is due;

(d) if such Vogtle Units 3&4 Project Entity or MEAG Power shall fail to perform or observe any term, covenant or agreement contained in any Federal Loan Document (other than the applicable Vogtle Units 3&4 Bond Resolution) to which it is a party (other than the covenants relating to Events of Default for non-payment, misstatements or omissions, non-compliance with Environmental Laws or Governmental Approvals and obligations under the applicable DOE Equity Funding Agreement and the applicable Vogtle Units 3&4 Bond Resolution, but including any covenants otherwise addressed in the immediately preceding paragraph but where no Event of Default would arise because the facts or circumstances leading to the breach of such covenant could not reasonably be expected to have a Material Adverse Effect), where, if such default is remediable, such default has not been remedied within 90 days following the earlier of (i) the date of notice thereof from DOE to such Vogtle Units 3&4 Project Entity or (ii) the date on which such Vogtle Units 3&4 Project Entity obtains knowledge of such breach; *provided*, that such cure period may be extended for an additional 90 days if such default is remediable within such additional period, such Vogtle Units 3&4 Project Entity or MEAG Power, as applicable, is diligently pursuing such cure and such default could not reasonably be expected to result in a Material Adverse Effect during such additional period;

(e) failure by such Vogtle Units 3&4 Project Entity, the Owners' Agent, the Operator or such Vogtle Units 3&4 Project Entity's Undivided Interest to comply in all material respects with any Environmental Law, Governmental Approvals or safety regulations applicable to Vogtle Units 3&4, including compliance in all material respects with all conditions and requirements required in connection with the Environmental Impact Statement, if such failure continues for 90 days, in each case following the earlier of (i) the date of notice thereof from DOE to such Vogtle Units 3&4 Project Entity or (ii) the date on which such Vogtle Units 3&4 Project Entity obtains knowledge of such failure (unless such default cannot reasonably be cured within such time period and such Vogtle Units 3&4 Project Entity, the Owners' Agent or the Operator is diligently working to cure such default according to an applicable Remediation Plan or, in the case of any non-compliance with NRC-issued Governmental Approvals and other NRC directions and instructions, such Vogtle Units 3&4 Project Entity (A) is diligently working to cure such noncompliance through appropriate NRC regulatory procedures, which cure may include obtaining a necessary amendment to such NRC-issued Governmental Approval and (B) reasonably believes such non-compliance will be cured through such diligent efforts); provided that no such failure shall be considered to have occurred for purposes of this paragraph for so long as such Vogtle Units 3&4 Project Entity, the Owners' Agent or the Operator, as applicable, is contesting in good faith by appropriate legal proceedings each assertion by a Governmental Authority that such Vogtle Units 3&4 Project Entity, the Owners' Agent, the Operator or such Vogtle Units 3&4 Project Entity's Undivided Interest is not in compliance with such Environmental Law, Governmental Approvals or safety regulations;

(f) (i) failure of an Offtaker to pay amounts within 90 days of such amounts becoming due under any Vogtle Units 3&4 Power Sales Contract (and, in the case of Project J, the Project J PPA or in the case of Project P, the Project P PPA) and such Vogtle Units 3&4 Project Entity shall fail to provide DOE with a Sponsor PPA Cure Plan within 120 days after the date such amounts become due under any Vogtle Units 3&4 Power Sales Contract (and, in the case of Project J, the Project J PPA or in the case of Project P, the Project P PPA). For purposes of this paragraph, a "Sponsor PPA Cure Plan" means a written plan prepared by or on behalf of such Vogtle Units 3&4 Project Entity and MEAG Power that describes the actions that MEAG Power intends to take to ensure that payments equivalent to the Required Payments will be paid at the times and in the



amounts required under the applicable documents, which shall be accompanied by a certification from such Vogtle Units 3&4 Project Entity and MEAG Power certifying to DOE that such written plan: (A) was prepared in good faith; (B) was prepared based on assumptions believed by such Vogtle Units 3&4 Project Entity and MEAG Power to be reasonable at the time prepared; (C) has, in the good faith reasonable opinion of such Vogtle Units 3&4 Project Entity and MEAG Power, a substantial likelihood of ensuring that adequate amounts will be available to timely cover when due all Required Payments, including Operating Costs and debt service; and (D) shall not adversely impact the ability of such Vogtle Units 3&4 Project Entity to perform its obligations under the Owner Documents during the term thereof;

(ii) failure of MEAG Power to pay any amount due under the applicable Vogtle Units 3&4 Power Purchase Agreement and such failure continues for five Business Days; *provided, however*, that if such failure to pay is the result of an Offtaker payment default under any Sponsor PPA, such failure to pay may be cured within 90 days;

(iii) any of the Power Purchase Agreements or any material provision thereof at any time for any reason (A) is or becomes invalid, illegal, void or unenforceable as against such Vogtle Units 3&4 Project Entity, MEAG Power or any Material Offtaker or Offtaker Group, (B) ceases to be in full force and effect, or shall otherwise be prematurely terminated, or (C) shall be assigned, other than Liens for the benefit of the DOE Secured Parties or Liens of the applicable Bond Resolution Trustee under the applicable Vogtle Units 3&4 Bond Resolution with respect to the Shared Trust Estate, or otherwise transferred by such Vogtle Units 3&4 Project Entity or MEAG Power;

(iv) such Vogtle Units 3&4 Project Entity or MEAG Power shall have repudiated or disavowed or taken any action to challenge the validity or enforceability of any Power Purchase Agreement or any material provision thereof; and

(v) any Material Offtaker or Offtaker Group shall have repudiated or disavowed or taken any action to challenge the validity or enforceability of any Power Purchase Agreement or any material provision thereof and MEAG Power shall fail to contest such action in good faith by appropriate legal proceedings within 45 days;

(g) (i) such Vogtle Units 3&4 Project Entity shall, or shall agree to, convey, release, sell, lease or otherwise transfer any material portion of the Collateral except in accordance with the applicable Deed to Secure Debt, or (ii) such Vogtle Units 3&4 Project Entity's Undivided Interest shall be reduced below its percentage interest as of the Guarantee Issuance Date;

(h) (i) MEAG Power fails to make an Equity Contribution when due under the applicable DOE Equity Funding Agreement and such failure continues for five Business Days; (ii) such Vogtle Units 3&4 Project Entity, MEAG Power or the applicable Vogtle Units 3&4 Bond Resolution Trustee shall fail to comply with the terms of any provision of such Vogtle Units 3&4 Bond Resolution related to the Shared Trust Estate, cash flows or the application of funds or any other material provision of such Vogtle Units 3&4 Bond Resolution that is otherwise for the benefit of DOE or the DOE Collateral Agent, where such failure has not been remedied within 30 days after MEAG Power or such Vogtle Units 3&4 Project Entity becomes aware or should have become aware of such failure; (iii) any default under the applicable Vogtle Units 3&4 Bonds or such Vogtle Units 3&4 Bond Resolution occurs and the effect of such default is to accelerate or to permit the acceleration of the maturity of such Vogtle Units 3&4 Bonds; *provided* all applicable notices have been provided and all applicable cure periods have expired, in each case, pursuant to such Vogtle Units 3&4 Bond Resolution; or (iv) such Vogtle Units 3&4 Bond Resolution or any material provision thereof at any time for any reason (A) is or becomes invalid, illegal, void or

unenforceable, (B) has been repudiated or disavowed by such Vogtle Units 3&4 Project Entity, MEAG Power or the applicable Bond Resolution Trustee or any such person has taken any action to challenge the validity or enforceability of such Vogtle Units 3&4 Bond Resolution or such provision or (C) ceases to be in full force and effect, or terminates prior to the date on which (x) MEAG Power shall have paid or caused to be paid, or there shall otherwise have been paid, to the holders of all applicable Vogtle Units 3&4 Bonds the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in such Vogtle Units 3&4 Bond Resolution, except as may otherwise be permitted thereby and (y)(I) MEAG Power shall have paid or caused to have been paid, or there shall otherwise have been paid, to the DOE Collateral Agent the principal of, and interest and prepayment premiums, if any, due or to become due on, and all other amounts due with respect to, the applicable DOE Guaranteed Loan, and (II) such Vogtle Units 3&4 Project Entity shall have satisfied all of its obligations under such DOE Loan Guarantee Agreement (and no undisbursed commitments shall remain available thereunder);

(i) (i) any of the Federal Loan Documents, other than (A) the DOE Guarantee or (B) any applicable Direct Agreement other than any Direct Agreement related to a Power Purchase Agreement and the Owners Direct Agreement, or any material provision thereof at any time for any reason: (x) is or becomes invalid, illegal, void or unenforceable as against such Vogtle Units 3&4 Project Entity or MEAG Power, (y) ceases to be in full force and effect, or terminates prior to the expiration of the stated term thereof except as may otherwise be permitted thereby, or (z) shall be assigned or otherwise transferred by such Vogtle Units 3&4 Project Entity or MEAG Power; or (ii) such Vogtle Units 3&4 Project Entity or MEAG Power shall have repudiated or disavowed or taken any action to challenge the validity or enforceability of any of the Federal Loan Documents;

(j) (i) any of the applicable DOE Security Documents shall fail in any material respect to provide the Liens, rights, titles, interests, remedies, powers or privileges intended to be created thereby (including the priority intended to be created thereby); (ii) any such DOE Security Document or Lien created pursuant to such DOE Security Documents shall cease to be in full force and effect or shall cease to give the DOE Collateral Agent or DOE (or, in the case of the applicable Vogtle Units 3&4 Bond Resolution, the applicable Bond Resolution Trustee, for the benefit of the DOE Secured Parties) in any material respect the Liens, rights, powers and privileges purported to be created thereby; or (iii) the validity or the applicability of such DOE Security Documents or the Liens created pursuant to such DOE Security Documents to the Advances, the applicable DOE Secured Obligations or any other obligations purported to be secured or guaranteed thereby or any part thereof, shall be disaffirmed by or on behalf of such Vogtle Units 3&4 Project Entity or MEAG Power, as applicable;

(k) (i) a Change of Control occurs with respect to such Vogtle Units 3&4 Project Entity; or (ii) any Participant that is an Offtaker is no longer a political subdivision of the State of Georgia other than in cases in which such Participant consolidates or amalgamates with another political subdivision of the State of Georgia as long as the consolidated entity assumes the obligations of such Participant under the Power Purchase Agreement to which it is a party;

(l) such Vogtle Units 3&4 Project Entity shall default in the payment of any principal, interest or other amount due under any agreement or instrument evidencing, or under which such Vogtle Units 3&4 Project Entity has outstanding at any time, any Indebtedness (other than the applicable DOE Guaranteed Loan) in an amount in excess of \$25 million for a period beyond any applicable grace period;

(m) one or more Governmental Judgments shall be entered against (i) such Vogtle Units 3&4 Project Entity and such Governmental Judgments shall not be satisfied, vacated, discharged

or stayed or bonded pending appeal for any period of 90 days, and the aggregate amount of all such Governmental Judgments outstanding at any time (except to the extent any applicable insurer(s) shall have acknowledged liability therefor) exceeds \$25 million, or (ii) MEAG Power and such Governmental Judgments shall not be satisfied, vacated, discharged or stayed or bonded pending appeal for any period of 90 days and, in the case of either subclause (i) or (ii), could be reasonably expected to have a Material Adverse Effect;

(n) (i) an Insolvency Proceeding shall have been commenced against such Vogtle Units 3&4 Project Entity, MEAG Power, any Material Offtaker or one or more Insolvency Proceedings shall have been commenced against Offtakers together comprising any Offtaker Group, and such proceeding continues undismissed for 60 days and could (in the case of any Material Offtaker or any Offtaker Group) reasonably be expected to have a Material Adverse Effect; (ii) the institution by such Vogtle Units 3&4 Project Entity, MEAG Power, any Material Offtaker or each of a number of Offtakers together comprising an Offtaker Group of any Insolvency Proceeding, or the admission by it in writing of its inability to pay its Indebtedness generally as it becomes due or its general failure to pay its Indebtedness as it becomes due, or any other event shall have occurred that under any Governmental Rule would have an effect analogous to any of those events listed above in this clause (ii) with respect to any such person; or (iii) the dissolution of such Vogtle Units 3&4 Project Entity, MEAG Power, any Material Offtaker or each of a number of Offtakers together comprising an Offtaker Group; *provided, however*, that a dissolution of a Material Offtaker (other than JEA or PowerSouth, as applicable) or each of a number of Offtakers together comprising an Offtaker Group in connection with its consolidation with another political subdivision in the State of Georgia shall not constitute an Event of Default so long as the consolidated entity assumes such Material Offtaker or Offtaker Group's obligations of such Material Offtaker or Offtaker Group, as the case may be, under each Power Purchase Agreement to which it is a party;

(o) either COL shall be revoked, terminated, or determined to be invalid or shall cease to be in full force and effect (following the exhaustion of all regulatory and judicial rights of appeal by the Operator, the Owners' Agent and such Vogtle Units 3&4 Project Entity), or any Required Consent (other than the COLs) necessary for the construction, completion or operation of Vogtle Units 3&4 shall be revoked, terminated, or determined to be invalid or shall cease to be in full force and effect, for a period of 90 days following the exhaustion of all regulatory and judicial rights of appeal by the Operator, the Owners' Agent and such Vogtle Units 3&4 Project Entity;

(p) all or substantially all of the Improvements are destroyed or become permanently inoperative as a result of a material Event of Loss and, subject to the Owner Documents, such Vogtle Units 3&4 Project Entity or its representative fails to work diligently to repair or restore the Improvements following such Event of Loss;

(q) (i) such Vogtle Units 3&4 Project Entity shall fail to apply the proceeds of the Advances exclusively to Eligible Project Costs, if such failure is not cured within 90 days following the earlier of (A) the date of notice of such failure from DOE to such Vogtle Units 3&4 Project Entity or (B) the date on which such Vogtle Units 3&4 Project Entity obtains knowledge of such failure; or (ii) such Vogtle Units 3&4 Project Entity fails to fund its share of operation and maintenance expenses as and when required in accordance with the Owner Documents, subject, however, to such Vogtle Units 3&4 Project Entity's rights to dispute such expenses in accordance with the Owner Documents, and such failure continues for 30 days;

(r) with respect to a Pension Plan or Multiemployer Plan, there occurs one or more ERISA Events or any similar event that individually or in the aggregate results in or is reasonably likely to result in a Material Adverse Effect;

(s) failure of such Vogtle Units 3&4 Project Entity to comply with the Debarment Regulations unless such breach is capable of being cured and such breach is cured, in each case, within 90 days following the earlier of (i) the date of notice thereof from DOE to such Vogtle Units 3&4 Project Entity or (ii) the date on which such Vogtle Units 3&4 Project Entity obtains knowledge of such breach;

(t) (i) such Vogtle Units 3&4 Project Entity, the Owners' Agent (with respect to Vogtle Units 3&4), the Operator (with respect to Vogtle Units 3&4), or such Vogtle Units 3&4 Project Entity's Undivided Interest shall fail to comply with the provisions of Title XVII and such failure continues unremedied for any period of at least 30 days or, in the case of a failure to comply with Section 1702(k) of Title XVII, such failure continues unremedied for 90 days, in each case following the earlier of (A) the date of notice thereof from DOE to such Vogtle Units 3&4 Project Entity or (B) the date on which such Vogtle Units 3&4 Project Entity obtains knowledge of such failure; (ii) such Vogtle Units 3&4 Project Entity, the Owners' Agent (with respect to Vogtle Units 3&4), the Operator (with respect to Vogtle Units 3&4) or such Vogtle Units 3&4 Project Entity's Undivided Interest shall fail to comply with the provisions of the Applicable Regulations and such failure continues unremedied for 90 days, in each case following the earlier of (A) the date of notice thereof from DOE to such Vogtle Units 3&4 Project Entity or (B) the date on which such Vogtle Units 3&4 Project Entity obtains knowledge of such failure; or (iii) such Vogtle Units 3&4 Project Entity, the Owners' Agent (with respect to Vogtle Units 3&4), the Operator (with respect to Vogtle Units 3&4) or such Vogtle Units 3&4 Project Entity's Undivided Interest shall fail to comply in all material respects with all other Governmental Rules and Program Requirements (other than the provisions of Title XVII and the Applicable Regulations), and such failure continues unremedied for at least 90 days (unless such failure cannot reasonably be cured within such period and such Vogtle Units 3&4 Project Entity, the Owners' Agent or the Operator, as applicable, is diligently working to cure such failure according to an applicable Remediation Plan);

(u) such Vogtle Units 3&4 Project Entity shall to perform or observe certain of its notice obligations within five Business Days after such Vogtle Units 3&4 Project Entity obtains knowledge thereof, including with respect to an Event of Default and certain non-routine NRC communications, and such breach has not been cured within three Business Days following the date of such breach;

(v) the applicable Vogtle Units 3&4 Bond Resolution is directly or indirectly amended, modified, terminated, replaced, or supplemented, or a consent or waiver with respect to any provision of such Vogtle Units 3&4 Bond Resolution is granted; except that such Vogtle Units 3&4 Bond Resolution may be (i) amended, modified, replaced, or supplemented, or a consent or waiver with respect to any provision of such Vogtle Units 3&4 Bond Resolution granted, in accordance with the applicable DOE Equity Funding Agreement, if the amendment, modification, replacement, supplement, consent or waiver does not have an adverse effect on, or diminish the rights of, the DOE Secured Parties or the applicable Bond Resolution Trustee with respect to remedies or enforcement; (ii) supplemented if the supplement to such Vogtle Units 3&4 Bond Resolution is adopted solely for the purpose of authorizing the issuance of applicable Vogtle Units 3&4 Bonds of one or more series; (iii) amended, modified, replaced, or supplemented, or a consent or waiver with respect to any provision of such Vogtle Units 3&4 Bond Resolution granted, if the amendment, modification, replacement, supplement, consent or waiver is adopted in connection with the issuance of such Vogtle Units 3&4 Bonds and such amendment, modification, replacement, supplement, consent or waiver (x) relates only to mechanical or structural issues that are required to be addressed in order to allow such Vogtle Units 3&4 Bonds to be issued on their proposed terms and the timing for such issuance does not allow for the notice and review period contemplated under the applicable DOE Equity Funding Agreement and (y) will not adversely affect the application and flow of funds under such Vogtle Units 3&4 Bond Resolution, the Shared Trust

Estate, DOE's, the DOE Collateral Agent's or the applicable Bond Resolution Trustee's rights or any provisions included for their benefit, or any other voting rights or decision-making matters or provisions related to remedies or enforcement provided for in such Vogtle Units 3&4 Bond Resolution; and (iv) amended, modified, replaced or supplemented, consented to or waived solely to correct minor or technical errors that do not change any person's rights or obligations;

(w) (i) such Vogtle Units 3&4 Project Entity is a Non-Continuing Owner (as defined in the Owners Direct Agreement); or (ii) the EPC Contractor terminates the EPC Contract and such termination right arises, in whole or in part, from such Vogtle Units 3&4 Project Entity's failure to perform any of its material obligation thereunder or breach of any material term, condition, covenant, agreement, representation or warranty contained in the EPC Contract; or

(x) (i) after Substantial Completion of both Units (as each such term is defined in the EPC Contract), the Owners' Agent terminates the Westinghouse Fuel Assembly Agreement prior to the time it is fully performed (A) as a result of a termination of the EPC Contract under the circumstances described in clauses (i) and (ii) in the immediately preceding paragraph or (B) where such Vogtle Units 3&4 Project Entity voted in favor of the Owners' Agent terminating the Westinghouse Fuel Assembly Agreement, unless, in any such case, the Owners' Agent at the time of such termination has a contract or contracts in place for an alternate supply of fuel assemblies for not less than the next two reloads for each Unit, and has the right to use the BEACON Software or another core monitoring system that complies with the COLs with such alternate supply of fuel assemblies; or (ii) the Owners' Agent shall fail at any time (A) to ensure that a contractual obligation for the supply of not less than two additional reloads of fuel assemblies and related fuel fabrication services for each Unit is in place or (B) to have the right to use the BEACON Software or another core monitoring system that complies with the COLs with such reloads; *provided*, that no Event of Default shall be deemed to have occurred under clauses (i) and (ii) of this paragraph unless the Owners' Agent shall have failed to remedy any such non-compliance by the date that is nine months in advance of the next scheduled delivery date for the last fuel assembly for the next reload for the Unit in question available under the then-effective Fuel Supply Agreement, *provided further, that* (1) the Owners' Agent is diligently working to remedy such non-compliance pursuant to a plan of remediation with a timetable for curing such non-compliance that has been provided to DOE at the time of such non-compliance, (2) such Vogtle Units 3&4 Project Entity reasonably believes such non-compliance will be remedied through such diligent efforts, and (3) such non-compliance would not reasonably be expected to have a Material Adverse Effect or a material adverse effect on the ability of Vogtle Units 3&4 to be operated.

Upon the occurrence of an Event of Default referred to in paragraph (n) with respect to such Vogtle Units 3&4 Project Entity or paragraph (h)(iv) if the applicable Vogtle Units 3&4 Bonds are accelerated, (a) the FFB Credit Facility Commitment shall automatically be terminated, and (b) the applicable DOE Guaranteed Loan and the applicable DOE Secured Obligations, together with interest accrued thereon and all other amounts due in respect of such DOE Guaranteed Loan and such DOE Secured Obligations, shall immediately mature and become due and payable, without any other presentment, demand, diligence, protest, notice of acceleration, or other notice of any kind, all of which such Vogtle Units 3&4 Project Entity expressly waives to the extent not prohibited by Governmental Rule; provided that DOE may rescind such acceleration if the acceleration of the maturity of such applicable Vogtle Units 3&4 Bonds referred to in paragraph (h) is rescinded.

***Additional Provisions Relating to Events of Default  
Under Project J DOE Loan Guarantee Agreement***

Under the Project J DOE Loan Guarantee Agreement, the failure of MEAG Power to establish, or cause to be established, the "Initial Power Purchaser Arrearages Fund" (as defined in the Project J Bond

Resolution) (or either of the “Initial Power Purchaser Arrearages Payment Account” and the “Initial Power Purchaser Resale Revenue Account” thereunder) or the “Additional Units PPA Project Participant Arrearages Fund” (as defined in the Project J Bond Resolution) within five days of the “Initial Power Purchaser Arrearages Fund Establishment Date” (as defined in the Project J Bond Resolution) also constitutes an Event of Default.

Any Event of Default that occurs as a result of a JEA failure to make a payment due under the Project J PPA shall be deemed to have been cured if MEAG Power causes to be paid all amounts that were to be paid from amounts due and unpaid by JEA under the Project J PPA, and, if delivery of power to JEA under the Project J PPA has been permanently discontinued, MEAG Power enters into a replacement Project J PPA complying with the terms of the Project J DOE Loan Guarantee Agreement.

***Additional Provisions Relating to Events of Default  
Under Project P DOE Loan Guarantee Agreement***

Under the Project P DOE Loan Guarantee Agreement, occurrence of either of the following events also constitute an Event of Default:

(a) any PowerSouth certification in respect of its MFI Ratio shall be found to have been incorrect, false or misleading in any material respect when made; *provided that* the Project P Entity may cure such Event of Default by prepaying the amount of all Advances made in reliance on such certification within 90 days; and

(b) MEAG Power fails to establish, or cause to be established, the “Initial Power Purchaser Arrearages Fund” (as defined in the Project P Bond Resolution) (or either of the “Initial Power Purchaser Arrearages Payment Account” and the “Initial Power Purchaser Resale Revenue Account” thereunder) or the “Additional Units PPA Project Participant Arrearages Fund” (as defined in the Project P Bond Resolution) within five days of the “Initial Power Purchaser Arrearages Fund Establishment Date” (as defined in the Project P Bond Resolution).

Any Event of Default that occurs as a result of a PowerSouth failure to make a payment due under the Project P PPA shall be deemed to have been cured if MEAG Power causes to be paid all amounts that were to be paid from amounts due and unpaid by PowerSouth under the Project P PPA, and, if delivery of power to PowerSouth under the Project P PPA has been permanently discontinued, MEAG Power enters into a replacement Project P PPA complying with the terms of the Project P DOE Loan Guarantee Agreement.

**Rights and Remedies of DOE**

Upon the occurrence and during the continuance of an Event of Default, DOE may, in its discretion, without further notice of default, presentment or demand for payment, protest or notice of non-payment or dishonor, or other notices or demands of any kind, all such notices and demands being waived by the applicable Vogtle Units 3&4 Project Entity (to the extent not prohibited by Governmental Rules), exercise any or all rights and remedies at law or in equity (in any combination or order that DOE may elect), including, without prejudice to DOE’s other rights and remedies, the following:

(a) (i) refuse, and DOE and FFB shall not be obligated, to make or guarantee any further Advances, and the DOE Collateral Agent shall not be obligated to make any payments from any Project Account, the Local Account or any Account Proceeds or other funds held by the DOE Collateral Agent by or on behalf of such Vogtle Units 3&4 Project Entity, and (ii) suspend or terminate the FFB Credit Facility Commitment;

(b) take those actions necessary to perfect and maintain the Liens of the applicable DOE Security Documents;

(c) declare and make all sums of outstanding principal and accrued but unpaid interest under the FFB Credit Facility Documents and the other Federal Loan Documents together with all unpaid fees, Periodic Expenses and other amounts due any Federal Loan Document, payable on demand or immediately due and payable, whereupon such amounts shall immediately mature and become due and payable;

(d) enter into possession of the Collateral (or any portion thereof) and (i) perform any and all work and labor necessary to complete such Vogtle Units 3&4 Project Entity's Undivided Interest (or any portion thereof), (ii) or to operate and maintain such Vogtle Units 3&4 Project Entity's Undivided Interest (or any portion thereof), or otherwise (iii) foreclose upon or take possession of any Collateral, in each case in accordance with the applicable DOE Security Documents and the applicable Direct Agreements, and all sums expended by any such person in taking any such action (other than any action described in clause (i)), together with interest on such amount at the FFB Late Charge Rate, shall be repaid by such Vogtle Units 3&4 Project Entity to such person upon demand and shall be secured by such DOE Security Documents, notwithstanding that such expenditures may, together with the aggregate amount of Advances under the applicable DOE Guaranteed Loan, exceed the amount of the total FFB Credit Facility Commitment;

(e) otherwise foreclose upon or take possession and cause the sale or disposition of any Collateral in accordance with the applicable DOE Security Documents and the applicable Direct Agreements;

(f) set off and apply available amounts to the satisfaction of the applicable DOE Secured Obligations under all of the Federal Loan Documents, including (i) all monies on deposit in any Project Account or the Local Account, (ii) any Account Proceeds, (iii) any amounts paid under the applicable DOE Equity Funding Agreement including any Reserve Letters of Credit issued thereunder, or (iv) any other moneys of such Vogtle Units 3&4 Project Entity on deposit with the DOE Collateral Agent or any other DOE Secured Party;

(g) cure defaults in accordance with the applicable DOE Security Documents and the applicable Direct Agreements;

(h) charge interest at the FFB Late Charge Rate on any amounts not paid when due;

(i) proceed to protect and enforce its rights and remedies by appropriate proceedings, whether for damages or the specific performance of any provision of the Federal Loan Documents, or in aid of the exercise of any power granted in the Federal Loan Documents, or by law, or proceed to enforce the payment of any amount due and payable;

(j) exercise any and all rights and remedies available to it under any of the Federal Loan Documents with respect to Vogtle Units 3&4, such Vogtle Units 3&4 Project Entity, MEAG Power, the Vogtle Co-Owners and any other Project Participant and under the Collateral or otherwise under Governmental Rules;

(k) take such other actions as DOE may reasonably require to provide for the care, preservation, protection, and maintenance of all Collateral so as to enable the United States to achieve maximum recovery upon default by such Vogtle Units 3&4 Project Entity on the applicable DOE Guaranteed Loan; and

(l) pursue remedies available under the applicable Vogtle Units 3&4 Bond Resolution with respect to the Shared Trust Estate.

***Rights and Remedies of DOE Under Project J DOE Loan  
Guarantee Agreement During a Standstill Period***

Pursuant to the Project J DOE Loan Guarantee Agreement, DOE's right of set off (as described in "– Rights and Remedies" above) is subject to certain restrictions with respect to funds held by the DOE Collateral Agent in the Initial Power Purchaser Arrearages Fund, JEA Surplus Market Revenue Account and JEA Surplus Arrearages Account during a Standstill Period.

Notwithstanding any other provision of the Project J Federal Loan Documents, DOE agrees not to exercise the rights set forth in paragraphs (c), (d), (e), (i) (as it relates to specific performance of payment obligations), (j) or (k) under "– Rights and Remedies" above during any Standstill Period (as such paragraphs (e), (i), (j) or (k) relates to (i) the right to foreclose upon or take possession and cause the sale or disposition of the equity ownership interests in the Project J Entity or the Project J Entity's Undivided Interest, or (ii) exercise of voting rights, the power to grant consents, ratifications or waivers or control the direction, management and policies of the Project J Entity).

For purposes of the Project J Federal Loan Documents, "Standstill Period" shall mean any period after the occurrence and during the continuance of an Event of Default (i) that results from JEA's failure to satisfy its payment obligations under the Project J PPA, (ii) as described in paragraph (f)(i) under "– Rights and Remedies" above as related to the premature termination of the Project J PPA resulting from an Insolvency Proceeding of JEA, (iii) as described in paragraph (n) under "– Rights and Remedies" above related to JEA, or (iv) that results from a failure to comply with covenants requiring the payment or deposit of funds (including deposits to or transfers from the Project Accounts, the Local Account, the Decommissioning Trust and the Shared Trust Estate) as a result of an insufficiency of funds resulting from a payment default of JEA.

Any Standstill Period under the Project J DOE Loan Guarantee Agreement shall terminate:

(a) (i) if an additional Event of Default shall have occurred and be continuing (other than (A) an Event of Default relating to a failure to make payments under any Project J Federal Loan Document or any other Event of Default directly resulting from or directly resulting in such failure, (B) an Event of Default relating to incorrect, false or misleading representations or warranties (other than any such Event of Default resulting from a misrepresentation relating to certain federal requirements) not resulting from the willful misconduct of the Project J Entity or (C) an Event of Default set forth in clauses (i) through (iv) of the immediately preceding paragraph);

(b) if at any time any Event of Default occurs as a result of the Project J Entity's failure to fund its share of operation and maintenance expenses as and when required in accordance with the Owner Documents, without regard to the cause of such non-payment;

(c) if at any time during any such Standstill Period MEAG Power shall fail to use its best efforts to sell all power generated by the Project J Entity's Undivided Interest that JEA would have been entitled to receive under the Project J PPA but for its default thereunder (i) into the market in a manner intended to maximize recovery of the Project J DOE Guaranteed Loan and the Project J Bonds pursuant to a plan of recovery approved by DOE; (ii) to the Project J Participants, pursuant to the Project J Participants' right of first refusal under the Project J Power Sales Contracts; or (iii) as otherwise directed by DOE;



(d) if the revenues from the sales of power described in the immediately preceding paragraph are not applied as provided in the Project J Bond Resolution and the Project J DOE Accounts Agreement;

(e) if the Bond Resolution Trustee, in violation of the Project J Bond Resolution, accelerates the maturity of the Project J Bonds during such Standstill Period; or

(f) upon the occurrence of the earlier of (i) the fortieth anniversary of the date that the Second Unit has achieved Commercial Operation, as defined in the Operating Agreement, or (ii) December 31, 2064.

***Rights and Remedies of DOE Under Project P DOE Loan  
Guarantee Agreement During a Standstill Period***

Pursuant to the Project P DOE Loan Guarantee Agreement, DOE's right of set off (as described in "– Rights and Remedies" above) is subject to certain restrictions with respect to funds held by the DOE Collateral Agent in the Initial Power Purchaser Arrearages Fund, PowerSouth Surplus Market Revenue Account and PowerSouth Surplus Arrearages Account during a Standstill Period.

Notwithstanding any other provision of the Project P Federal Loan Documents, DOE agrees not to exercise the rights set forth in paragraphs (c), (d), (e), (i) (as it relates to specific performance of payment obligations), (j) or (k) under "– Rights and Remedies" above during any Standstill Period (as such paragraphs (e), (i), (j) or (k) relates to (i) the right to foreclose upon or take possession and cause the sale or disposition of the equity ownership interests in the Project P Entity or the Project P Entity's Undivided Interest, or (ii) exercise of voting rights, the power to grant consents, ratifications or waivers or control the direction, management and policies of the Project P Entity).

For purposes of the Project P Federal Loan Documents, "Standstill Period" shall mean any period after the occurrence and during the continuance of an Event of Default (i) that results from PowerSouth's failure to satisfy its payment obligations under the Project P PPA, (ii) as described in paragraph (f)(i) under "– Rights and Remedies" above as related to the premature termination of the Project P PPA resulting from an Insolvency Proceeding of PowerSouth, (iii) as described in paragraph (n) under "– Rights and Remedies" above related to PowerSouth, or (iv) that results from a failure to comply with covenants requiring the payment or deposit of funds (including deposits to or transfers from the Project Accounts, the Local Account, the Decommissioning Trust and the Shared Trust Estate) as a result of an insufficiency of funds resulting from a payment default of PowerSouth.

Any Standstill Period under the Project P DOE Loan Guarantee Agreement shall terminate:

(a) (i) if an additional Event of Default shall have occurred and be continuing (other than (A) an Event of Default relating to a failure to make payments under any Project P Federal Loan Document or any other Event of Default directly resulting from or directly resulting in such failure, (B) an Event of Default relating to incorrect, false or misleading representations or warranties (other than any such Event of Default resulting from a misrepresentation relating to certain federal requirements) not resulting from the willful misconduct of the Project P Entity or (C) an Event of Default set forth in clauses (i) through (iv) of the immediately preceding paragraph);

(b) if at any time any Event of Default occurs as a result of the Project J Entity's failure to fund its share of operation and maintenance expenses as and when required in accordance with the Owner Documents, without regard to the cause of such non-payment;

(c) if at any time during any such Standstill Period MEAG Power shall fail to use its best efforts to sell all power generated by the Project P Entity's Undivided Interest that PowerSouth would have been entitled to receive under the Project P PPA but for its default thereunder (i) into the market in a manner intended to maximize recovery of the Project P DOE Guaranteed Loan and the Project P Bonds pursuant to a plan of recovery approved by DOE; (ii) to the Project P Participants, pursuant to the Project P Participants' right of first refusal under the Project P Power Sales Contracts; or (iii) as otherwise directed by DOE;

(d) if the revenues from the sales of power described in the immediately preceding paragraph are not applied as provided in the Project P Bond Resolution and the Project P DOE Accounts Agreement;

(e) if the Bond Resolution Trustee, in violation of the Project P Bond Resolution, accelerates the maturity of the Project P Bonds during such Standstill Period; or

(f) upon the occurrence of the earlier of (i) the fortieth anniversary of the date that the Second Unit has achieved Commercial Operation, as defined in the Operating Agreement, or (ii) December 31, 2064.

### **Mandatory Prepayment of DOE Guaranteed Loans**

Each Vogtle Units 3&4 Project Entity is required to make mandatory prepayments of its DOE Guaranteed Loan pursuant to its DOE Loan Guarantee Agreement:

(a) at DOE's request, in the event of (and pro-rata to) any prepayment of any of the applicable Vogtle Units 3&4 Bonds, other than (i) a refunding or refinancing of such Vogtle Units 3&4 Bonds, (ii) any repayment of the portion of such Vogtle Units 3&4 Bonds whose proceeds were used to finance financing and operating costs during or attributable to the period of a delay in Vogtle Units 3&4 for which delay damages were paid, or to reimburse MEAG Power or such Vogtle Units 3&4 Project Entity for financing and operating costs paid by MEAG Power or such Vogtle Units 3&4 Project Entity (in the case of MEAG Power, from sources other than such Vogtle Units 3&4 Bonds) during or attributable to the period of such delay (without any double-counting between amounts); or (iii) after Commercial Operation of the Second Unit, a redemption of such Vogtle Units 3&4 Bonds with the proceeds of such Vogtle Units 3&4 Bonds that are not needed to satisfy any remaining Project Costs;

(b) after the Last Day for an Advance, in an amount equal to (i) Advances Made, minus (ii) the principal amount of any voluntary prepayments previously made or mandatory prepayments pursuant to paragraph (a) above or clause (i) or (iii) of paragraph (d) below, minus (iii) the DOE Leverage Percentage of Eligible Project Costs Paid, in each case as of the Last Day for an Advance; *provided that* if such amount is less than zero, no prepayment shall be required;

(c) to the extent that Eligible Project Costs Paid, with respect to which an Advance was made, included any amounts in dispute with the EPC Contractor and, following the resolution of the dispute, such Vogtle Units 3&4 Project Entity receives any payments in cash from the EPC Contractor reimbursing it for all or any portion of such amounts, such Vogtle Units 3&4 Project Entity shall be required, if such reimbursement occurs after the Last Day for an Advance, to make a mandatory prepayment of the its DOE Guaranteed Loan in an amount equal to (A) Advances Made minus (B) the principal amount of any voluntary prepayments previously made or mandatory prepayments pursuant to paragraphs (a) and (b) above, minus (C) the DOE Leverage Percentage of Eligible Project Costs Paid; *provided that* if such amount is less than zero, no mandatory prepayment shall be required; and

(d) (i) except as provided in clause (d)(ii) below, (x) within 14 days following the Last Day for an Advance, in an amount equal to the lesser of (A) the aggregate of the cash proceeds from the EPC Contractor in connection with the EPC Contract (other than reimbursements of disputed invoice amounts) or from Toshiba under the Toshiba Guarantee or the Guarantee Settlement Agreement (“Settlement Proceeds”) received by such Vogtle Units 3&4 Project Entity as of the Last Day for an Advance and (B) the aggregate amount of all Advances Made outstanding pursuant to such Vogtle Units 3&4 Project Entity’s FFB Credit Facility Documents as of the Last Day for an Advance minus the DOE Leverage Percentage of (1) the total Eligible Project Costs such Vogtle Units 3&4 Project Entity has incurred and reasonably expects, in accordance with the then-current Construction Budget, to incur to complete the Project in respect of such Vogtle Units 3&4 Project Entity’s Undivided Interest minus (2) the aggregate amount of Settlement Proceeds received by such Vogtle Units 3&4 Project Entity as of the Last Day for an Advance and (y) at any time such Vogtle Units 3&4 Project Entity receives Settlement Proceeds prior to the Last Day for an Advance, such Vogtle Units 3&4 Project Entity shall deposit into such Vogtle Units 3&4 Project Entity’s DOE Advance Proceeds Account an amount equal to the lesser of (A) such Settlement Proceeds and (B) the aggregate amount of all Advances Made outstanding pursuant to such Vogtle Units 3&4 Project Entity’s FFB Credit Facility Documents as of the date of receipt of such payment minus the amount of any Settlement Proceeds previously deposited in such Vogtle Units 3&4 Project Entity’s DOE Advance Proceeds Account minus the DOE Leverage Percentage of (i) the total Eligible Project Costs such Vogtle Units 3&4 Project Entity has incurred and reasonably expects, in accordance with the then-current Construction Budget, to incur to complete the Project in respect of such Vogtle Units 3&4 Project Entity’s Undivided Interest minus (ii) the aggregate amount of Settlement Proceeds received by such Vogtle Units 3&4 Project Entity as of the date of receipt of such payment; in the event any computation required by this clause (d)(i) results in an amount of zero or less, no mandatory prepayment or deposit shall be required in connection with the applicable receipt of payment of Settlement Proceeds;

(ii) in the event that a Settlement Proceeds Prepayment Event has occurred under such Vogtle Units 3&4 Project Entity’s DOE Loan Guarantee Agreement on or prior to the Last Day for an Advance, clause (d)(i) above shall no longer apply and (x) within 14 days following the Last Day for an Advance, such Vogtle Units 3&4 Project Entity shall be required to make a mandatory prepayment of its DOE Guaranteed Loan in an amount equal to the Net Settlement Proceeds as of the Last Day for an Advance, (y) upon the occurrence of the Settlement Proceeds Prepayment Event, such Vogtle Units 3&4 Project Entity shall deposit into the such Vogtle Units 3&4 Project Entity’s DOE Advance Proceeds Account an amount equal to the Net Settlement Proceeds as of the Settlement Proceeds Prepayment Event minus any Settlement Proceeds previously deposited into such DOE Advance Proceeds Account and (z) upon receipt of any Settlement Proceeds received by such Vogtle Units 3&4 Project Entity subsequent to the occurrence of the Settlement Proceeds Prepayment Event, such Vogtle Units 3&4 Project Entity shall deposit into such DOE Advance Proceeds Account an amount equal to the Net Settlement Proceeds minus any Settlement Proceeds previously deposited into such DOE Advance Proceeds Account; in the event any computation required by this clause (d)(ii) results in an amount of zero or less, no mandatory prepayment or deposit shall be required in connection with the applicable payment; and

(iii) for any Settlement Proceeds received by such Vogtle Units 3&4 Project Entity or at any time the Termination Costs are updated by such Vogtle Units 3&4 Project Entity, Owners’ Agent, Operator or any other Owner, in each case, subsequent to the Last Day for an Advance, such Vogtle Units 3&4 Project Entity shall make a mandatory prepayment of its DOE Guaranteed Loan within 14 days of receipt of such Settlement Proceeds, or within 14 days of the Termination Costs update, as applicable, in an amount equal to (A) if a Settlement Proceeds Prepayment Event has occurred, the Net Settlement Proceeds or (B) otherwise, (x) the lesser of such Settlement Proceeds and (y) the aggregate amount of all Advances Made outstanding pursuant to such Vogtle Units 3&4

Project Entity's FFB Credit Facility Documents as of the date of receipt of such payment minus the DOE Leverage Percentage of (i) the total Eligible Project Costs such Vogtle Units 3&4 Project Entity has incurred and reasonably expects, in accordance with the then-current Construction Budget, to incur to complete the Project in respect of such Vogtle Units 3&4 Project Entity's Undivided Interest minus (ii) the aggregate amount of Settlement Proceeds received by such Vogtle Units 3&4 Project Entity as of such date.

## **DOE COLLATERAL AGENCY AND ACCOUNTS AGREEMENTS**

The following is a description of certain the provisions of (i) the Collateral Agency and Accounts Agreement, executed among the Project M Entity, DOE and the DOE Collateral Agent (the “Project M Accounts Agreement”), (ii) the Collateral Agency and Accounts Agreement, executed among the Project J Entity, DOE and the DOE Collateral Agent (the “Project J Accounts Agreement”), and (iii) the Collateral Agency and Accounts Agreement, executed among the Project P Entity, DOE and the DOE Collateral Agent (the “Project P Accounts Agreement” and, together with the Project J Accounts Agreement and the Project M Accounts Agreement, the “DOE Accounts Agreements” and each individually, a “DOE Accounts Agreement”).

Each of the DOE Accounts Agreements became effective on June 24, 2015 and will continue in full force and effect until such time as all indebtedness evidenced by the applicable FFB Promissory Notes have been paid in full, all lending commitments of FFB to the applicable Vogtle Units 3&4 Project Entity under the applicable FFB Credit Facility Documents have been terminated, and the applicable Vogtle Units 3&4 Project Entity has paid all sums due under the applicable Federal Loan Documents (other than certain indemnity obligations and other obligations expressly surviving termination of the applicable documents).

The DOE Accounts Agreements are identical in all material respects except as identified below. Capitalized terms not otherwise defined in this APPENDIX O or defined in the Annual Information Statement shall be as defined in the DOE Accounts Agreements.

### **DOE Advance Proceeds Account**

Each DOE Accounts Agreement establishes a DOE Advance Proceeds Account, held by the DOE Collateral Agent, into which are paid (a) to the extent necessary, the proceeds of Advances made such that, after giving effect to such Advance and such deposit, the amount on deposit in the DOE Advance Proceeds Account will equal the applicable Advance Proceeds Holdback; (b) before the Last Day for an Advance, the amount of any cash reimbursements from the EPC Contractor in respect of payments previously made by the applicable Vogtle Units 3&4 Project Entity to the EPC Contractor in excess of Advances Made, less the principal amount of any prepayments previously made pursuant to certain specified sections of the applicable DOE Loan Guarantee Agreement, less the applicable DOE Leverage Percentage of Eligible Project Costs Paid; and (c) on a quarterly basis pursuant to such DOE Loan Guarantee Agreement, amounts such that, after giving effect to such deposit, the amount on deposit in the DOE Advance Proceeds Account will equal the applicable Advance Proceeds Holdback.

Amounts may be withdrawn (a) for transfer to the DOE Construction Account, *provided that*, in connection with any such transfer, such Vogtle Units 3&4 Project Entity must certify, among other things, that such transfer will not cause the balance remaining in the DOE Advance Proceeds Account to be less than the applicable Advance Proceeds Holdback; or (b) to prepay the applicable DOE Guaranteed Loan as required by certain specified sections of the applicable DOE Loan Guarantee Agreement after the Last Day for an Advance. Upon such prepayment, or if such prepayment is not required, the DOE Advance Proceeds Account shall be closed and all remaining amounts shall be transferred the DOE Construction Account.

### **DOE Construction Account**

Each DOE Accounts Agreement establishes a DOE Construction Account, held by the DOE Collateral Agent, into which are deposited (a) amounts permitted to be transferred out of the DOE Advance Proceeds Account; (b) Equity Contributions made by MEAG Power to the applicable Vogtle Units 3&4 Project Entity and not applied directly to Project Costs; (c) proceeds of Advances made not required to be deposited into the DOE Advance Proceeds Account; (d) cash reimbursements received prior to the Last Day for an Advance from the EPC Contractor in respect of payments previously made by such Vogtle Units

3&4 Project Entity, other than as required to be deposited into the DOE Advance Proceeds Account pursuant to clause (b) in the first paragraph under “DOE Advance Proceeds Account” above; and (e) any Settlement Proceeds received on or prior to the Last Day for an Advance that are not required to be deposited into the DOE Advance Proceeds Account.

Amounts may be withdrawn (a) to pay Project Costs (including to fund the DOE Debt Service Reserve Account and Termination Costs); (b) for transfer to the Construction Fund established under the applicable Vogtle Units 3&4 Bond Resolution, *provided that* any Project Costs due and payable by such Vogtle Units 3&4 Project Entity at the time of such transfer have been paid; (c) to make certain mandatory prepayments as required by the applicable DOE Loan Guarantee Agreement; (d) for transfer to the DOE Advance Proceeds Account to the extent amounts on deposit in the DOE Advance Proceeds Account are less than the applicable Advance Proceeds Holdback; (e) for transfer to the Local Account to pay Project Costs and Termination Costs; and (f) if funds in the DOE Advance Proceeds Account are insufficient to make such prepayments, to make any prepayments of the applicable DOE Guaranteed Loan as required by certain specified sections of the applicable DOE Loan Guarantee Agreement. Upon the commercial operation date of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the “Second Unit”) and the making of any mandatory prepayment pursuant to such DOE Loan Guarantee Agreement, all amounts on deposit in the DOE Construction Account shall be transferred to the DOE Revenue Account, other than amounts reasonably expected by such Vogtle Units 3&4 Project Entity to be required to pay Project Costs becoming due following commercial operation of the Second Unit. Upon payment in full of all Project Costs and achievement of Final Completion (as defined in the EPC Contract) of the Second Unit, the DOE Construction Account shall be closed and all remaining amounts shall be transferred to the DOE Revenue Account.

### **DOE Revenue Account**

Each DOE Accounts Agreement establishes a DOE Revenue Account, held by the DOE Collateral Agent, into which are deposited, among other amounts, (a) operating revenues received by the applicable Vogtle Units 3&4 Project Entity (including payments received under the applicable Vogtle Units 3&4 Power Purchase Agreement and amounts required to be transferred from the Revenue Fund established under the applicable Vogtle Units 3&4 Bond Resolution on a monthly basis to the DOE Revenue Account in respect of “Seller’s O&M Costs” as defined in, and pursuant to, the applicable Vogtle Units 3&4 Power Purchase Agreement); (b) amounts required to be transferred in connection with the closure of the DOE Construction Account upon commercial operation of the Second Unit; (c) amounts transferred from other Project Accounts pursuant to the applicable DOE Accounts Agreement necessary to pay Operating Costs; (d) additional equity contributed by MEAG Power to such Vogtle Units 3&4 Project Entity; (e) cash reimbursements received after the Last Day for an Advance from the EPC Contractor in respect of payments previously made by such Vogtle Units 3&4 Project Entity, other than as required to be deposited into the DOE Extraordinary Proceeds Account; and (f) any Settlement Proceeds received after the Last Day for an Advance that are not required to be deposited into the DOE Extraordinary Proceeds Account.

Amounts may be withdrawn to (a)(i) directly pay Operating Costs of such Vogtle Units 3&4 Project Entity or (ii) transfer to the Local Account for application to pay Operating Costs of such Vogtle Units 3&4 Project Entity; *provided that*, following closure of the DOE Construction Account, the amount on deposit in the Local Account may not exceed the lesser of (x) Operating Costs expected to be incurred in the next three succeeding months, or (y) three months’ Operating Costs as estimated on the Guarantee Issuance Date; and (b) to fund the DOE Debt Service Payment Account, DOE Debt Service Reserve Account or DOE Reserve & Contingency Account as required by the applicable DOE Loan Guarantee Agreement and the applicable DOE Accounts Agreement.

The Project M Accounts Agreement provides that if, at the end of any calendar month, amounts on deposit in the DOE Revenue Account exceed the amounts required to pay Operating Costs during such month and there are no deficiencies in the Project Accounts described in clause (b) in the immediately preceding paragraph, such excess amounts may be transferred to MEAG Power as a Permitted Reimbursement.

The provisions relating to excess amounts in the DOE Revenue Account under the Project J Accounts Agreement and Project P Accounts Agreement are substantially similar to the foregoing provisions relating to excess amounts in the DOE Revenue Account under the Project M Accounts Agreement except that the transfer of excess amounts to MEAG Power as Permitted Reimbursements may only occur so long as no JEA payment default under the Project J PPA or PowerSouth payment default under the Project P PPA, as applicable, has occurred and is continuing. During the continuance of a JEA payment default under the Project J PPA or a PowerSouth payment default under the Project P PPA, all such excess amounts shall be held in the DOE Revenue Account.

### **DOE Debt Service Payment Account**

The Project M Accounts Agreements establishes a DOE Debt Service Payment Account, held by the DOE Collateral Agent, into which are deposited, among other amounts, (a) on a monthly basis, beginning three months prior to the month in which the First Principal Payment Date occurs, an amount equal to (i) one-third (1/3rd) of the principal of and interest on the Project M DOE Guaranteed Loan that is due (including prepayment premiums, if any) on the next succeeding Payment Date (including amounts transferred to the from the Project M Revenue Fund to the DOE Revenue Account for further transfer to the DOE Debt Service Payment Account) plus (ii) any other Debt Service due and payable during the month in which such deposit is made; and (b) amounts transferred from other Project Accounts pursuant to the Project M Accounts Agreement to the extent necessary to fund amounts required to be deposited in respect of clause (a) of this paragraph. Amounts may be withdrawn to pay all Debt Service on or before the date such Debt Service is due and payable.

The provisions relating to transfers to the DOE Debt Service Payment Account under the Project J Accounts Agreement are substantially similar to the foregoing provisions relating to transfers to the DOE Debt Service Payment Account under the Project M Accounts Agreement except that the DOE Debt Service Payment Account shall also be funded by transfers from (a) the Initial Power Purchaser Resale Revenue Account (as defined in the Project J Bond Resolution); (b) the Initial Power Purchaser Arrearages Payment Account (as defined in the Project J Bond Resolution); and (c) the Additional Units PPA Project Participant Arrearages Fund (as defined in the Project J Bond Resolution). The Project P Accounts Agreement contains substantially similar provisions.

The Project M Accounts Agreement provides that if, at the end of any calendar month, amounts on deposit in the DOE Debt Service Payment Account exceed the amounts required to be deposited into such account during such month and, both before and after giving effect to any resulting withdrawal, the DOE Debt Service Payment Account is fully funded, such excess amounts may be transferred (a) first, to cure any deficiencies in the DOE Debt Service Reserve Account or DOE Reserve & Contingency Account, and (b) second, to MEAG Power as a Permitted Reimbursement.

The provisions relating to excess amounts in the DOE Debt Service Payment Account under the Project J Accounts Agreement are substantially similar to the foregoing provisions relating to excess amounts in the DOE Debt Service Payment Account under the Project M Accounts Agreement except that the transfer of excess amounts to the DOE Debt Service Reserve Account, DOE Reserve & Contingency Account or MEAG Power as Permitted Reimbursements may only occur so long as no JEA payment default under the Project J PPA has occurred and is continuing. During the continuance of a JEA payment default under the Project J PPA, all such excess amounts shall be held in the DOE Debt Service Payment Account

until the end of each calendar year, at which time (a) any portion of such amounts that is in excess of the difference between (i) the sum of such amounts and the amount paid out of the DOE Debt Service Payment Account during such calendar year and (ii) the amounts deposited therein during such calendar year from Initial Power Purchaser Resale Revenues shall be transferred to the JEA Surplus Arrearages Payment Account, and (b) any remaining balance shall be transferred to the JEA Surplus Market Revenue Account.

The provisions relating to excess amounts in the DOE Debt Service Payment Account under the Project P Accounts Agreement are substantially similar to the foregoing provisions relating to excess amounts in the DOE Debt Service Payment Account under the Project M Accounts Agreement except that the transfer of excess amounts to the DOE Debt Service Reserve Account, DOE Reserve & Contingency Account or MEAG Power as Permitted Reimbursements may only occur so long as no PowerSouth payment default under the Project P PPA has occurred and is continuing. During the continuance of a PowerSouth payment default under the Project P PPA, all such excess amounts shall be held in the DOE Debt Service Payment Account until the end of each calendar year, at which time (a) any portion of such amounts that is in excess of the difference between (i) the sum of such amounts and the amount paid out of the DOE Debt Service Payment Account during such calendar year and (ii) the amounts deposited therein during such calendar year from Initial Power Purchaser Resale Revenues shall be transferred to the PowerSouth Surplus Arrearages Payment Account, and (b) any remaining balance shall be transferred to the PowerSouth Surplus Market Revenue Account.

#### **DOE Debt Service Reserve Account**

The Project M Accounts Agreement establishes a DOE Debt Service Reserve Account, held by the DOE Collateral Agent and funded by transfer from the Project M Revenue Fund, DOE Revenue Account, and DOE Construction Account. The DOE Debt Service Reserve Account shall be funded not later than 90 days before October 2, 2019. Other than as permitted by the Project M DOE Loan Guarantee Agreement, the amount on deposit to the DOE Debt Service Reserve Account must at all times be no less than the applicable Debt Service Reserve Requirement (as defined in such DOE Loan Guarantee Agreement).

Amounts may be withdrawn to pay Debt Service if the amounts deposited in the Project M DOE Debt Service Payment Account are at any time insufficient for the payment of Debt Service then due and payable. The Project M Entity may provide the DOE Collateral Agent Reserve Letters of Credit in substitution for amounts required to be deposited in the DOE Debt Service Reserve Account.

The provisions relating to transfers to the DOE Debt Service Reserve Account under the Project J Accounts Agreement are substantially similar to the foregoing provisions relating to transfers to the DOE Debt Service Reserve Account under the Project M Accounts Agreement except that the DOE Debt Service Reserve Account shall also be funded by transfers from (a) the Initial Power Purchaser Resale Revenue Account; (b) the Initial Power Purchaser Arrearages Payment Account; and (c) the Additional Units PPA Project Participant Arrearages Fund (each as defined in, and in accordance with, the Project J Bond Resolution). The Project P Accounts Agreement contains substantially similar provisions.

The Project M Accounts Agreement provides that if, at the end of any calendar month, amounts on deposit in the DOE Debt Service Reserve Account exceed the amounts required to be deposited into such account during such month and, both before and after giving effect to any resulting withdrawal, the DOE Debt Service Payment Account is fully funded, such excess amounts may be transferred (a) first, to the DOE Debt Service Payment Account, if and to the extent the amounts deposited in the DOE Debt Service Payment Account during such month are less than the amount required by the Project M Accounts Agreement; (b) second, to the DOE Reserve & Contingency Account; and (c) third, to MEAG Power as a Permitted Reimbursement.



The provisions relating to excess amounts in the DOE Debt Service Reserve Account under the Project J Accounts Agreement are substantially similar to the foregoing provisions relating to excess amounts in the DOE Debt Service Reserve Account under the Project M Accounts Agreement except that the transfer of excess amounts to the DOE Debt Service Payment Account, DOE Reserve & Contingency Account or MEAG Power as Permitted Reimbursements may only occur so long as no JEA payment default under the Project J PPA has occurred and is continuing. During the continuance of a JEA payment default under the Project J PPA, all such excess amounts shall be held in the DOE Debt Service Payment Account until the end of each calendar year, at which time (a) any portion of such amounts that is in excess of the difference between (i) the sum of such amounts and the amount paid out of the DOE Debt Service Payment Account during such calendar year and (ii) the amounts deposited therein during such calendar year from Initial Power Purchaser Resale Revenues shall be transferred to the JEA Surplus Arrearages Payment Account, and (b) any remaining balance shall be transferred to the JEA Surplus Market Revenue Account.

The provisions relating to excess amounts in the DOE Debt Service Reserve Account under the Project P Accounts Agreement are substantially similar to the foregoing provisions relating to excess amounts in the DOE Debt Service Reserve Account under the Project M Accounts Agreement except that the transfer of excess amounts to the DOE Debt Service Payment Account, DOE Reserve & Contingency Account or MEAG Power as Permitted Reimbursements may only occur so long as no PowerSouth payment default under the Project P PPA has occurred and is continuing. During the continuance of a PowerSouth payment default under the Project P PPA, all such excess amounts shall be held in the DOE Debt Service Payment Account until the end of each calendar year, at which time (a) any portion of such amounts that is in excess of the difference between (i) the sum of such amounts and the amount paid out of the DOE Debt Service Payment Account during such calendar year and (ii) the amounts deposited therein during such calendar year from Initial Power Purchaser Resale Revenues shall be transferred to the PowerSouth Surplus Arrearages Payment Account, and (b) any remaining balance shall be transferred to the PowerSouth Surplus Market Revenue Account.

### **DOE Reserve & Contingency Account**

The Project M Accounts Agreement establishes a DOE Reserve & Contingency Account, held by the DOE Collateral Agent and funded (a) prior to commercial operation of the first unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation (the “First Unit”), in an amount equal to the applicable Initial Reserve & Contingency Requirement; (b) following commercial operation of the First Unit, on a monthly basis in an amount equal to the Project M Entity’s Portion of the applicable Monthly Reserve and Contingency Deposit (as defined in the Project M Bond Resolution); (c) from time to time, with amounts permitted to be transferred from the DOE Extraordinary Proceeds Account as described under “DOE Extraordinary Proceeds Account” below; (d) from time to time, with amounts to be transferred from the applicable Revenue Fund to the DOE Revenue Account for further transfer to the DOE Reserve & Contingency Account, as required by the Project M Bond Resolution; and (e) from time to time, with amounts permitted to be transferred to the DOE Reserve & Contingency Account as excess amounts from other Project Accounts as described above.

The provisions relating to transfers to the DOE Reserve & Contingency Account under the Project J Accounts Agreement are substantially similar to the foregoing provisions relating to transfers to in the DOE Reserve & Contingency Account under the Project M Accounts Agreement except that the DOE Reserve & Contingency Account shall also be funded by transfers from (a) the Initial Power Purchaser Resale Revenue Account; (b) the Initial Power Purchaser Arrearages Payment Account; and (c) the Additional Units PPA Project Participant Arrearages Fund. The Project P Accounts Agreement contains substantially similar provisions.

Amounts may be withdrawn (a) to directly pay Capital Improvement Costs, *provided that* all such Capital Improvement Costs shall be funded from amounts deposited in both the Reserve and Contingency

Fund established under the applicable Vogtle Units 3&4 Bond Resolution and the DOE Reserve & Contingency Account, ratably in proportion to amounts on deposit therein; (b) as necessary to pay Operating Costs if amounts on deposit in the DOE Revenue Account and the Local Account are at any time insufficient to pay Operating Costs due during the then-calendar month; (c) for transfer to the DOE Debt Service Payment Account at any time if there is a deficiency in respect of the amount required to be deposited each month, including any amount required to be but not deposited in any previous month; (d) if amounts on deposit in the DOE Debt Service Payment Account or DOE Debt Service Reserve Account are insufficient for the purpose of paying Debt Service then due or payable; and (e) for transfer to the DOE Debt Service Reserve Account to cure any deficiency with respect to the applicable Debt Service Reserve Requirement.

The Project J Accounts Agreement further requires that, prior to any withdrawals as described in clause (b) in the immediately preceding paragraph, amounts on deposit in the Initial Power Purchaser Resale Revenue Account, the Initial Power Purchaser Arrearages Payment Account, and the Additional Units PPA Project Participant Arrearages Fund required to be applied to the payment of Operating Costs must first have been so applied. The Project P Accounts Agreement contains substantially similar provisions.

The Project M Accounts Agreement provides that if, at the end of each calendar year, amounts on deposit in the DOE Reserve & Contingency Account exceed the Project M Entity's Reserve and Contingency Requirement (as defined in the Project M Bond Resolution), such excess amounts shall be applied to pay any Permitted Reimbursement.

The provisions relating to excess amounts in the DOE Reserve & Contingency Account under the Project J Accounts Agreement are substantially similar to the foregoing provisions relating to excess amounts in the DOE Reserve & Contingency Account under the Project M Accounts Agreement except that the application of such excess amounts to the payment of any Permitted Reimbursements may only occur so long as no JEA payment default under the Project J PPA has occurred and is continuing. During the continuance of a JEA payment default under the Project J PPA, all such excess amounts shall be transferred to the JEA Surplus Market Revenue Account.

The provisions relating to excess amounts in the DOE Reserve & Contingency Account under the Project P Accounts Agreement are substantially similar to the foregoing provisions relating to excess amounts in the DOE Reserve & Contingency Account under the Project M Accounts Agreement except that the application of such excess amounts to the payment of any Permitted Reimbursements may only occur so long as no PowerSouth payment default under the Project P PPA has occurred and is continuing. During the continuance of a PowerSouth payment default under the Project P PPA, all such excess amounts shall be transferred to the PowerSouth Surplus Market Revenue Account.

### **DOE Extraordinary Proceeds Account**

Each DOE Accounts Agreement establishes a DOE Extraordinary Proceeds Account, held by the DOE Collateral Agent, into which shall be deposited (a) all Loss Proceeds, proceeds of asset sales, delay or performance liquidated damages paid under any Project Document, and Condemnation Proceeds in excess of certain thresholds; (b) after December 31, 2020, upon receipt of any payments in cash from the EPC Contractor reimbursing the applicable Vogtle Units 3&4 Project Entity for all or any portion of any payment previously made by it to the EPC Contractor, the amount of such reimbursement that is in excess of (i) Advances Made, minus (ii) the principal amount of (X) any voluntary prepayments or (Y) certain mandatory prepayments previously made pursuant to the applicable DOE Loan Guarantee Agreement, minus (iii) the applicable DOE Leverage Percentage of Eligible Project Costs Paid; and (c) after the Last Day for an Advance, upon receipt of any Settlement Proceeds or at any time the Termination Costs are updated by the applicable Vogtle Units 3&4 Project Entity, Owners' Agent, Operator or any other Owner, an amount equal to (A) if a Settlement Proceeds Prepayment Event has occurred, the Net Settlement Proceeds or (B) otherwise, (x) the lesser of such Settlement Proceeds and (y) the aggregate amount of all

Advances Made outstanding pursuant to such Vogtle Units 3&4 Project Entity's FFB Credit Facility Documents as of the date of receipt of such payment minus the DOE Leverage Percentage of (i) the total Eligible Project Costs such Vogtle Units 3&4 Project Entity has incurred and reasonably expects, in accordance with the then-current Construction Budget, to incur to complete the Project in respect of such Vogtle Units 3&4 Project Entity's Undivided Interest minus (ii) the aggregate amount of Settlement Proceeds received by such Vogtle Units 3&4 Project Entity as of such date.

With respect to amounts deposited as described in clause (a) in the immediately preceding paragraph, such amounts may be withdrawn (i) first, as and to the extent necessary to pay the applicable Vogtle Units 3&4 Project Entity's repairs, replacements, obligations or other costs with respect to the cause for such proceeds or damages, (ii) second, for transfer to MEAG Power to repay the portion of applicable Vogtle Units 3&4 Bonds whose proceeds were used in connection with addressing such cause, (iii) third, to reimburse such Vogtle Units 3&4 Project Entity or MEAG Power (in the case of MEAG Power, from sources other than described in the preceding clause) for amounts used in connection with addressing such cause, and (iv) if such Vogtle Units 3&4 Project Entity is no longer considering in good faith further plans to apply such amounts to address such cause, for transfer to the DOE Prepayment Account. With respect to amounts deposited as described in clause (b) of the immediately preceding paragraph, such amounts may be withdrawn (x) first, to prepay the applicable DOE Guaranteed Loan in accordance with such DOE Loan Guarantee Agreement and (y) any balance of such reimbursement shall be transferred to the DOE Revenue Account. With respect to amounts deposited as described in clause (c) of the immediately preceding paragraph, such amounts shall be withdrawn to prepay the applicable DOE Guaranteed Loan in accordance with such DOE Loan Guarantee Agreement.

### **DOE Prepayment Account**

Each DOE Accounts Agreement establishes a DOE Payment Account, held by the DOE Collateral Agent, into which shall be deposited amounts as described under "DOE Extraordinary Proceeds Account" above. From time to time, at the applicable Vogtle Units 3&4 Project Entity's discretion, if such Vogtle Units 3&4 Project Entity determines to voluntarily prepay any Advance, such Vogtle Units 3&4 Project Entity may cause amounts to be withdrawn from the DOE Prepayment Account for transfer to FFB to prepay such Advance, together with other amounts as may be required by the applicable Federal Loan Documents, in accordance with the applicable DOE Loan Guarantee Agreement.

### **Initial Power Purchaser Arrearages Fund**

Both the Project J Accounts Agreement and the Project P Accounts Agreement provide for certain transfers (and orders of priority with respect thereto) for amounts required to be transferred from the Initial Power Purchaser Arrearages Fund under the Project J Bond Resolution and the Project P Bond Resolution, respectively. The following describes the Initial Power Purchaser Arrearages Fund provisions as set forth in the Project J Accounts Agreement. The Project P Accounts Agreement contains substantially similar provisions, except that references to JEA refer to PowerSouth.

To the extent of available funds on deposit in the Initial Power Purchaser Resale Revenue Account following transfers required pursuant to the Project J Bond Resolution, any remaining amounts are required to be transferred, on a monthly basis, in the following amounts and order of priority: (a) first, on a parity basis, (i) to the DOE Debt Service Reserve Account in the amount required pursuant to the Project J DOE Loan Guarantee Agreement and (ii) to fund the Debt Service Reserve Account in the Debt Service Fund established under the Project J Bond Resolution, so that the balance therein equals the applicable Debt Service Reserve Requirement thereunder; (b) second, to fund the Subordinated Bond Fund established under the Project J Bond Resolution in accordance with the Project J Bond Resolution; (c) third, on a parity basis, (i) to the DOE Reserve & Contingency Account in the amount equal to the Project J Entity's Portion of the applicable Monthly Reserve and Contingency Deposit as described under "DOE Reserve &

Contingency Account” above, including any amount required to be but not deposited in any previous month and (ii) to fund the Authority’s Portion (as such term is defined in the Project J Bond Resolution) of the applicable Monthly Reserve and Contingency Deposit to the Reserve and Contingency Fund established under the Project J Bond Resolution, including any amount required to be but not deposited in any previous month; (d) fourth, to MEAG Power for further reimbursement to applicable Participants under the Project J Power Sales Contracts, to the extent such Participants (during a JEA payment default under the Project J PPA) have made payments under their respective Project J Power Sales Contracts to cover Operating Expenses (as defined in the Project J Bond Resolution) that should have been paid by JEA; and (e) fifth, any remaining amounts to the JEA Surplus Market Revenue Account.

To the extent of available funds on deposit in the Initial Power Purchaser Arrearages Payment Account following transfers required pursuant to the Project J Bond Resolution and the immediately preceding paragraph, any remaining amounts are required to be transferred, on a monthly basis, in the following amounts and order of priority: (a) first, on a parity basis, (i) to the DOE Debt Service Reserve Account in the amount required pursuant to the Project J DOE Loan Guarantee Agreement and (ii) to fund the Debt Service Reserve Account in the Debt Service Fund established under the Project J Bond Resolution, so that the balance therein equals the applicable Debt Service Reserve Requirement with respect thereto ; (b) second, to fund the Subordinated Bond Fund established under the Project J Bond Resolution in accordance with the Project J Bond Resolution; (c) third, on a parity basis, (i) to the DOE Reserve & Contingency Account in the amount equal to the Project J Entity’s Portion of the applicable Monthly Reserve and Contingency Deposit as described under “DOE Reserve & Contingency Account” above, including any amount required to be but not deposited in any previous month and (ii) to fund the Authority’s Portion of the applicable Monthly Reserve and Contingency Deposit to the Reserve and Contingency Fund, including any amount required to be but not deposited in any previous month; (d) fourth, to MEAG Power for further reimbursement to applicable Participants under the Project J Power Sales Contracts, to the extent such Participants (during a JEA payment default under the Project J PPA) have made payments under their respective Project J Power Sales Contracts to cover Operating Expenses that should have been paid by JEA; and (e) fifth, any remaining amounts to the JEA Surplus Arrearages Payment Account.

### **Surplus Market Revenue Account**

The Project J Accounts Agreement and the Project P Accounts Agreement establish a JEA Surplus Market Revenue Account and a PowerSouth Surplus Market Revenue Account, respectively. The following describes the JEA Surplus Market Revenue Account provisions as set forth in the Project J Accounts Agreement. The Project P Accounts Agreement contains substantially similar provisions with respect to the PowerSouth Surplus Market Revenue Account.

The Project J Entity shall cause all revenues, if any, that are received by the Project J Entity from selling power into the market or as otherwise directed by DOE to be deposited into the JEA Surplus Market Revenue Account, in addition to amounts required to be transferred to the JEA Surplus Market Revenue Account as described under “Initial Power Purchaser Arrearages Fund” above and excess amounts required to be transferred from the DOE Debt Service Payment Account, DOE Debt Service Reserve Account or the DOE Reserve & Contingency Account.

Following receipt of any funds into the JEA Surplus Market Revenue Account and after giving effect to amounts transferred to Project Accounts other than the JEA Surplus Market Revenue Account and to the funds and accounts established pursuant to the Project J Bond Resolution with respect to the Initial Power Purchaser Arrearages Fund and as described under “Initial Power Purchaser Arrearages Fund” above, funds shall be withdrawn from the JEA Surplus Market Revenue Account to fund the Project Accounts and the funds and accounts established pursuant to the Project J Bond Resolution as and when required, in the following order of priority on a monthly basis (with the exception of priority eighth):

(a) first, on a parity basis, (i) to the DOE Revenue Account in the amount required to pay Operating Costs during such month and (ii) to pay the Operating Expenses payable in such month that constitute “Purchaser’s O&M Costs” under (and as defined in) the Project J Power Purchase Agreement;

(b) second, to the DOE Debt Service Payment Account at any time if there is a deficiency in respect of the amount required to be deposited each month, including any amount required to be but not deposited in any previous month;

(c) third, to fund the Debt Service Account in the Debt Service Fund established under, and in accordance with, the Project J Bond Resolution;

(d) fourth, on a parity basis, (i) to the DOE Debt Service Reserve Account in the amount required pursuant to the Project J DOE Loan Guarantee Agreement and (ii) to fund the Debt Service Reserve Account in the Debt Service Fund, so that the balance therein equals the Debt Service Reserve Requirement with respect thereto;

(e) fifth, to fund the Subordinated Bond Fund established under, and in accordance with, the Project J Bond Resolution;

(f) sixth, on a parity basis, (i) to the DOE Reserve & Contingency Account in the amount equal to the Project J Entity’s Portion of the Project J Monthly Reserve and Contingency Deposit as described under “DOE Reserve & Contingency Account” above, including any amount required to be but not deposited in any previous month and (ii) to fund the Authority’s Portion of the Project J Monthly Reserve and Contingency Deposit to the Reserve and Contingency Fund established under the Project J Bond Resolution, including any amount required to be but not deposited in any previous month;

(g) seventh, to MEAG Power for further reimbursement to the Project J Participants under the Project J Power Sales Contracts, to the extent such Project J Participants (during a JEA payment default under the Project J PPA) have made payments under their respective Project J Power Sales Contracts to cover Operating Expenses that should have been paid by JEA; and

(h) eighth, at the Project J Entity’s discretion, to prepay the Project J DOE Guaranteed Loan or the Project J Bonds (including by purchase or redemption) subject to the restrictions set forth in, and otherwise pursuant to, the Project J DOE Loan Guarantee Agreement.

Upon the earlier of (a) the expiration of the term of the Project J PPA or (b) entry by MEAG Power into a replacement Project J PPA complying with the terms of the Project J DOE Loan Guarantee Agreement for the sale of all power generated by the Project J Entity’s Undivided Interest that JEA would have been entitled to receive, and so long as no Standstill Period, Potential Default or Event of Default has occurred and is continuing, all funds deposited in the JEA Surplus Market Revenue Account shall be transferred to the Revenue Fund.

### **Surplus Arrearages Payment Account**

The Project J Accounts Agreement and the Project P Accounts Agreement establish a JEA Surplus Arrearages Payment Account and a PowerSouth Surplus Arrearages Payment Account, respectively. The following describes the JEA Surplus Arrearages Payment Account provisions as set forth in the Project J Accounts Agreement. The Project P Accounts Agreement contains substantially similar provisions with respect to the PowerSouth Surplus Arrearages Payment Account.

The Project J Entity shall cause all amounts required to be transferred to the JEA Surplus Arrearages Payment Account as described under “Initial Power Purchaser Arrearages Fund” above and excess amounts required to be transferred from the DOE Debt Service Payment Account, DOE Debt Service Reserve Account or the DOE Reserve & Contingency Account, to be deposited into the JEA Surplus Arrearages Payment Account.

Following receipt of any funds into the JEA Surplus Arrearages Payment Account and after giving effect to amounts transferred to Project Accounts other than the JEA Surplus Arrearages Payment Account and to the funds and accounts established pursuant to the Project J Bond Resolution with respect to the Initial Power Purchaser Arrearages Fund and as described under “Initial Power Purchaser Arrearages Fund” and “Surplus Market Revenue Account” above, funds shall be withdrawn from the JEA Surplus Arrearages Payment Account to fund the Project Accounts and the funds and accounts established pursuant to the Project J Bond Resolution as and when required, in the following order of priority on a monthly basis (with the exception of priority seventh):

(a) first, on a parity basis, (i) to the DOE Revenue Account in the amount required to pay Operating Costs during such month and (ii) to pay the Operating Expenses payable in such month that constitute “Purchaser’s O&M Costs” under the Project J Power Purchase Agreement;

(b) second, on a parity basis, (i) to the DOE Debt Service Payment Account at any time if there is a deficiency in respect of the amount required to be deposited each month with respect to the principal of and interest on the Project J DOE Guaranteed Loan that is due on the next succeeding Payment Date, including any amount required to be but not deposited in any previous month, and (ii) to fund the Debt Service Account in the Debt Service Fund established under, and in accordance with, the Project J Bond Resolution;

(c) third, on a parity basis, (i) to the DOE Debt Service Reserve Account in the amount required pursuant to the Project J DOE Loan Guarantee Agreement and (ii) to fund the Debt Service Reserve Account in the Debt Service Fund, so that the balance therein equals the Debt Service Reserve Requirement with respect thereto;

(d) fourth, to fund the Subordinated Bond Fund in accordance with the Project J Bond Resolution;

(e) fifth, on a parity basis, (i) to the DOE Reserve & Contingency Account in the amount equal to the Project J Entity’s Portion of the Project J Monthly Reserve and Contingency Deposit as described under “DOE Reserve & Contingency Account” above, including any amount required to be but not deposited in any previous month and (ii) to fund the Authority’s Portion of the Project J Monthly Reserve and Contingency Deposit to the Reserve and Contingency Fund established under the Project J Bond Resolution, including any amount required to be but not deposited in any previous month;

(f) sixth, to MEAG Power for further reimbursement to the Project J Participants under the Project J Power Sales Contracts, to the extent such Project J Participants (during a JEA payment default under the Project J PPA) have made payments under their respective Project J Power Sales Contracts to cover Operating Expenses that should have been paid by JEA; and

(g) seventh, at the Project J Entity’s discretion, to prepay the Project J DOE Guaranteed Loan or the Project J Bonds (including by purchase or redemption) subject to the restrictions set forth in, and otherwise pursuant to, the Project J DOE Loan Guarantee Agreement.

Upon the earlier of (a) the expiration of the term of the Project J PPA or (b) entry by MEAG Power into a replacement Project J PPA complying with the terms of the Project J DOE Loan Guarantee Agreement for the sale of all power generated by the Project J Entity's Undivided Interest that JEA would have been entitled to receive, and so long as no Standstill Period, Potential Default or Event of Default has occurred and is continuing, all funds deposited in the JEA Surplus Arrearages Payment Account shall be transferred to the Revenue Fund.

## **Definitions**

### ***The Project M Accounts Agreement***

The Project M Accounts Agreement contains the following definition:

*Advance Proceeds Holdback* means the amount of Advances Made, less the principal amount of any prepayments previously made pursuant to certain specified sections of the Project M DOE Loan Guarantee Agreement, less the Project M Leverage Percentage of Eligible Project Costs Paid.

In addition, the term "Debt Service Reserve Requirement," as used in the Project M Accounts Agreement, is as defined in the Project M DOE Loan Guarantee Agreement and means, as of any date of calculation, the sum of (i) for any Advance maturing on the Maturity Date or with an Interim Maturity Date (as defined in the Project M FFB Promissory Notes) after December 31, 2038, the greatest aggregate amount of principal and interest to become due and payable on such Advance during any consecutive fifteen month period (excluding any "balloon" payment due on the Final Maturity Date (as defined in the Project M FFB Promissory Notes)), calculated using the actual interest rate for such Advance; and (ii) for any other Advance, the greatest aggregate amount of principal and interest to become due and payable on such Advance during any consecutive fifteen-month period (excluding any "balloon" payment due on the Final Maturity Date), calculated using an assumed interest rate of one percent (1%) per annum for such Advance.

### ***The Project J Accounts Agreement***

The Project J Accounts Agreement contains the following definition:

*Advance Proceeds Holdback* means the greater of (x) the difference between (A) Advances Made minus (B) the principal amount of any prepayments previously made pursuant to certain specified sections of the Project J DOE Loan Guarantee Agreement minus (C) the Project J DOE Leverage Percentage of Eligible Project Costs Paid and (y) (A) the amount of Project J Bond proceeds planned to be raised minus (B) the aggregate amount of all Project J Bond proceeds deposited into the Construction Fund established under the Project J Bond Resolution after the Guarantee Issuance Date.

In addition, the term "Debt Service Reserve Requirement," as used in the Project J Accounts Agreement, is as defined in the Project J DOE Loan Guarantee Agreement and means, as of any date of calculation, the sum of (i) for any Advance maturing on the Maturity Date or with an Interim Maturity Date (as defined in the FFB Promissory Notes) after December 31, 2038, the greatest aggregate amount of principal and interest to become due and payable on such Advance during any consecutive eighteen month period (excluding any "balloon" payment due on the Final Maturity Date (as defined in the Project J FFB Promissory Notes)), calculated using the actual interest rate for such Advance; and (ii) for any other Advance, the greatest aggregate amount of principal and interest to become due and payable on such Advance during any consecutive eighteen-month period (excluding any "balloon" payment due on the Final Maturity Date), calculated using an assumed interest rate of one percent (1%) per annum for such Advance.

In addition, the term "Initial Power Purchaser Resale Revenues," as used in the Project J Accounts Agreement, is as defined in the Project J Bond Resolution and means any payments received by MEAG

Power as a result of the resale of all or any portion of the power, energy or other service from the Project J Entity's Ownership Interest that JEA previously was entitled to receive following the discontinuance of service (whether or not permanent) to JEA under the Project J PPA as a result of a default by JEA thereunder, but shall not include any payments received by MEAG Power as a result of the resale of all or any portion of such power, energy or other service pursuant to a replacement Project J PPA complying with the terms of the Project J DOE Loan Guarantee Agreement.

### ***The Project P Accounts Agreement***

The Project P Accounts Agreement contains the following definition:

*Advance Proceeds Holdback* means the greater of (x) the difference between (A) Advances Made minus (B) the principal amount of any prepayments previously made pursuant to certain specified sections of the Project P DOE Loan Guarantee Agreement minus (C) the Project P DOE Leverage Percentage of Eligible Project Costs Paid and (y) (A) the amount of Project P Bond proceeds planned to be raised minus (B) the aggregate amount of all Project P Bond proceeds deposited into the Construction Fund established under the Project P Bond Resolution after the Guarantee Issuance Date.

In addition, the term "Debt Service Reserve Requirement," as used in the Project P Accounts Agreement, is as defined in the Project P DOE Loan Guarantee Agreement and means, as of any date of calculation, the sum of (i) for any Advance maturing on the Maturity Date or with an Interim Maturity Date (as defined in the Project P FFB Promissory Notes) after December 31, 2038, the greatest aggregate amount of principal and interest to become due and payable on such Advance during any consecutive eighteen-month period (excluding any "balloon" payment due on the Final Maturity Date (as defined in the Project P FFB Promissory Notes)), calculated using the actual interest rate for such Advance; and (ii) for any other Advance, the greatest aggregate amount of principal and interest to become due and payable on such Advance during any consecutive eighteen-month period (excluding any "balloon" payment due on the Final Maturity Date), calculated using an assumed interest rate of one percent (1%) per annum for such Advance.

In addition, the term "Initial Power Purchaser Resale Revenues," as used in the Project P Accounts Agreement, is as defined in the Project P Bond Resolution and means any payments received by MEAG Power as a result of the resale of all or any portion of the power, energy or other service from the Project P Entity's Ownership Interest that PowerSouth previously was entitled to receive following the discontinuance of service (whether or not permanent) to PowerSouth under the Project P PPA as a result of a default by PowerSouth thereunder, but shall not include any payments received by MEAG Power as a result of the resale of all or any portion of such power, energy or other service pursuant to a replacement Project P PPA complying with the terms of the Project P DOE Loan Guarantee Agreement.



## **DOE EQUITY FUNDING AND UNDERTAKING AGREEMENTS**

The following is a description of certain the provisions of (i) the Equity Funding and Undertaking Agreement, executed among MEAG Power, the Project M Entity and DOE (the “Project M Equity Funding and Undertaking Agreement”), (ii) the Equity Funding and Undertaking Agreement, executed among MEAG Power, the Project J Entity and DOE (the “Project J Equity Funding and Undertaking Agreement”) and (iii) the Equity Funding and Undertaking Agreement, executed among MEAG Power, the Project P Entity and DOE (the “Project P Equity Funding and Undertaking Agreement” and, together with the Project M Equity Funding and Undertaking Agreement and the Project J Equity Funding and Undertaking Agreement, the “DOE Equity Funding and Undertaking Agreements” and each individually, a “DOE Equity Funding and Undertaking Agreement”).

Each of the DOE Equity Funding and Undertaking Agreements became effective on June 24, 2015 and will continue in full force and effect until such time as all indebtedness evidenced by the applicable FFB Promissory Notes have been paid in full, all lending commitments of FFB to the applicable Vogtle Units 3&4 Project Entity under the applicable FFB Credit Facility Documents have been terminated, and the applicable Vogtle Units 3&4 Project Entity has paid all sums due under the applicable Federal Loan Documents (other than certain indemnity obligations and other obligations expressly surviving termination of the applicable DOE Loan Guarantee Agreement). The DOE Equity Funding and Undertaking Agreements are identical in all material respects.

### **MEAG Power Equity Support**

Pursuant to the terms of each DOE Equity Funding and Undertaking Agreement, until the earlier of (a) the termination of such DOE Equity Funding and Undertaking Agreement and (b) the date on which ownership of the applicable Vogtle Units 3&4 Project Entity or the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest has been transferred to DOE, the DOE Collateral Agent or a third party as a result of an exercise of remedies under the applicable DOE Loan Guarantee Agreement or the applicable DOE Security Documents, MEAG Power irrevocably commits to provide equity to the applicable Vogtle Units 3&4 Project Entity in an aggregate amount (the “Equity Commitment”) equal to (i) Project Costs (as defined in the applicable DOE Loan Guarantee Agreement) minus (ii) the applicable FFB Credit Facility Commitment. MEAG Power shall only be required to fund its Equity Commitment under a particular DOE Equity Funding and Undertaking Agreement from proceeds of the applicable Vogtle Units 3&4 Bonds or other amounts on deposit in the Construction Fund established under the applicable Vogtle Units 3&4 Bond Resolution. MEAG Power’s Equity Commitment under a particular DOE Equity Funding and Undertaking Agreement may be funded by (x) contributions made by MEAG Power to the applicable Vogtle Units 3&4 Project Entity in immediately available funds and deposited into the DOE Construction Account established under such Vogtle Units 3&4 Project Entity’s DOE Accounts Agreement or (y) by direct application of funds by MEAG Power or the Trustee under the applicable Vogtle Units 3&4 Bond Resolution for payment of Project Costs of the applicable Vogtle Units 3&4 Project, in either case to enable all such Project Costs to be paid as they become due and payable; *provided* that, there shall be no double-counting of amounts paid directly by MEAG Power and subsequently invoiced to the applicable Vogtle Units 3&4 Project Entity under the Cost Reimbursement Agreement between MEAG Power and such Vogtle Units 3&4 Project Entity as Project Costs.

Additionally, prior to the earlier of (a) commercial operation of the second unit of Generation Station Vogtle Unit No. 3 and Generation Station Vogtle Unit No. 4 to achieve commercial operation or (b) the funding of the DOE Debt Service Reserve Account established under a particular Vogtle Units 3&4 Project Entity’s DOE Accounts Agreement, if on the fifth Business Day immediately preceding any Payment Date the aggregate amount available in the DOE Construction Account established under such Vogtle Units 3&4 Project Entity’s DOE Accounts Agreement is insufficient to pay interest payments with respect to such Vogtle Units 3&4 Project Entity’s DOE Guaranteed Loan due and payable under such Vogtle

Units 3&4 Project Entity's FFB Promissory Notes on such Payment Date, MEAG Power shall make equity capital contributions to such Vogtle Units 3&4 Project Entity by deposit of immediately available funds to such DOE Construction Account in an amount necessary to cure any such deficiency to the extent required to cover all such interest payments on such DOE Guaranteed Loan due on such Payment Date; *provided*, that MEAG Power shall only be required to make such equity capital contributions from proceeds of the applicable Vogtle Units 3&4 Bonds or other amounts on deposit in the Construction Fund established under the applicable Vogtle Units 3&4 Bond Resolution.

In the event proceeds of the applicable Vogtle Units 3&4 Bonds or other amounts on deposit in the Construction Fund established under the applicable Vogtle Units 3&4 Bond Resolution then available to MEAG Power or funds then available to the applicable Vogtle Units 3&4 Project Entity to pay Project Costs, taken together, will not be sufficient, either in time or in amount, to pay all Project Costs identified in the then-current Base Case Projections (as defined in the applicable DOE Loan Guarantee Agreement) as and when they become due and payable, MEAG Power shall promptly deliver to DOE a written plan setting forth in reasonable detail MEAG Power's proposed remedial actions and use commercially reasonable efforts to implement any such plan.

## DOE EQUITY PLEDGE AGREEMENTS

The following is a description of certain the provisions of (i) the Equity Pledge Agreement, executed among MEAG Power, the Project M Entity and the DOE Collateral Agent (the “Project M Equity Pledge Agreement”), (ii) the Equity Pledge Agreement, executed among MEAG Power, the Project J Entity and the DOE Collateral Agent (the “Project J Equity Pledge Agreement”) and (iii) the Equity Pledge Agreement, executed among MEAG Power, the Project P Entity and the DOE Collateral Agent (the “Project P Equity Pledge Agreement” and, together with the Project M Equity Pledge Agreement and the Project J Equity Pledge Agreement, the “DOE Equity Pledge Agreements” and each individually, a “DOE Equity Pledge Agreement”).

Each of the DOE Equity Pledge Agreements became effective on June 24, 2015 and will continue in full force and effect until such time as all indebtedness evidenced by the applicable FFB Promissory Notes have been paid in full, all lending commitments of FFB to the applicable Vogtle Units 3&4 Project Entity under the applicable FFB Credit Facility Documents have been terminated, and the applicable Vogtle Units 3&4 Project Entity has paid all sums due under the applicable Federal Loan Documents (other than certain indemnity obligations and other obligations expressly surviving termination of the applicable DOE Loan Guarantee Agreement). The DOE Equity Pledge Agreements are identical in all material respects.

In each of the DOE Equity Pledge Agreements, MEAG Power grants the DOE Collateral Agent, for the benefit of DOE and the DOE Collateral Agent, all of MEAG Power’s right, title and interest in the applicable Vogtle Units 3&4 Project Entity, including all rights to receive income, dividends or other distributions allocated or distributed to MEAG Power, and all of MEAG Power’s voting rights in or rights to control or direct the affairs of the applicable Vogtle Units 3&4 Project Entity; *provided, however*, that, during any Standstill Period (as defined in the applicable DOE Loan Guarantee Agreement), DOE or the DOE Collateral Agent shall not have the right to (a) foreclose upon or take possession and cause the sale or disposition of the equity ownership interests in the applicable Vogtle Units 3&4 Project Entity or the applicable Vogtle Units 3&4 Project Entity’s Ownership Interest, vote or exercise any of MEAG Power’s rights incident to its ownership of equity interest in the applicable Vogtle Units 3&4 Project Entity, (b) amend, terminate or modify any of the applicable Vogtle Units 3&4 Project Entity’s organizational documents, or (c) secure the appointment of a receiver of collateral subject to such DOE Equity Pledge Agreement.

**SUMMARY OF TELECOMMUNICATIONS CONTRACTS**

The following is a description of certain of the provisions of the Telecommunications Contracts. All of the Telecommunications Contracts between MEAG Power and each Telecommunications Participant, other than the Telecommunications Contract between Marietta and MEAG Power, are identical in all material respects. Each Telecommunications Contract became effective on May 1, 1996 and will continue in full force and effect at least until such time as all Telecommunications Bonds have been paid or provision has been made for their payment or until such time as the Telecommunications Project is retired from service or disposed of by MEAG Power, whichever is later, but in no event longer than 50 years from May 1, 1996 (unless extended either through amendment or replacement with another contract; see the fifth paragraph under “INTRODUCTORY STATEMENT – The Participants” in the Annual Information Statement). Capitalized terms not otherwise defined herein or in the Annual Information Statement shall be as defined in the Telecommunications Contracts.

**Telecommunications Project Obligation Shares**

Obligation Shares were established based on the requirements of each Telecommunications Participant during the first six months in which the Telecommunications Contracts were in effect, and calculated pro-rata, such that the total Obligation Shares after such calculation did not exceed 100 percent. The Obligation Shares may be revised from time to time by mutual agreement of those Telecommunications Participants who wish to change their Obligation Shares with the approval of MEAG Power, provided the sum of the Obligation Shares of all Telecommunications Participants will at all times equal 100 percent, excluding any Supplemental Obligation Share, as such term is defined in the second following paragraph. The Obligation Share is a percentage set forth for each Telecommunications Participant that reflects the percentage of the Annual Telecommunications Project Costs that such Telecommunications Participant is obligated to pay under its Telecommunications Contract, except that, with respect to the portion of the Annual Telecommunications Project Costs comprised of MEAG Power’s Debt Related Costs pertaining to the Outstanding Telecommunications Bonds, “Obligation Share” means the dollar amount, calculated in accordance with the Telecommunications Contracts, for which the Telecommunications Participant is obligated pursuant to its Telecommunications Contract, determined at the time of issuance of such Series of Telecommunications Bonds. See “THE PARTICIPANTS – Obligation Shares of the Participants – Telecommunications Project” in the Annual Information Statement.

“Debt Related Costs” are defined in the Telecommunications Contracts to mean those portions of Annual Telecommunications Project Costs (i) which MEAG Power is required under the Telecommunications Bond Resolution to pay or deposit into any fund or account established by the Telecommunications Bond Resolution for the payment of Debt Service and any reserve requirements for the Telecommunications Bonds, and (ii) constituting Financing Costs related to the Telecommunications Project that MEAG Power may finance through the issuance of Telecommunications Bonds, including, without limitation, (1) costs of issuance; (2) capitalized interest on Telecommunications Bonds; and (3) amounts required to meet Debt Service reserve requirements for Telecommunications Bonds, or replenishment of such funds if drawn down.

Each of the Telecommunications Contracts provides that the total cost of the Telecommunications Project shall not exceed \$40,000,000. Each of the Telecommunications Contracts provides that the total project cost may be increased from time to time by the affirmative vote of Telecommunications Participants having at least two-thirds of the Obligation Shares. The Telecommunications Participants voting against any such increase will not be responsible for any costs in excess of their respective Obligation Shares times the maximum project cost prior to such increase. The amount of any such increase will be allocated to the Telecommunications Participants voting in favor thereof in the ratio of their Obligation Shares, and their

respective rights in the Telecommunications Project shall be increased incrementally in proportion to the amount of such cost increase. Obligation Shares shall not be recalculated as a result of any such increases, but the costs and additional rights to the Telecommunications Project shall be accounted for as “Supplemental Obligation Shares.”

On November 5, 2009, MEAG Power issued its Variable Rate Telecommunications Project Revenue Bonds, Taxable Series 2009 in the aggregate principal amount of \$8,495,000 (the “2009 Telecommunications Bonds”) for the purpose of providing the moneys required to refund all of the then outstanding Telecommunications Bonds. The 2009 Telecommunications Bonds were paid at maturity on December 15, 2015. As a result, no Telecommunications Bonds remain outstanding.

### **Acquisition and Construction of the Telecommunications Project**

From time to time, MEAG Power may issue Bonds to finance and acquire the Telecommunications Project (the “Telecommunications Bonds”). Pursuant to the amendment of the Telecommunications Contract which became effective on May 15, 2008, prior to the issuance of a Series of Telecommunications Bonds relating to the Telecommunications Project, each Telecommunications Participant may make a capital contribution (a “Capital Contribution”) to MEAG Power representing a prepayment of amounts that otherwise would have been paid by such Telecommunications Participant as Debt Service, thereby reducing the principal amount of Telecommunications Bonds that MEAG Power is required to issue to finance such costs. The Capital Contribution so made prior to issuance of any Series of Telecommunications Bonds may be in any amount up to the portion of MEAG Power’s Cost of Acquisition and Construction to be financed with such Telecommunications Bonds that is allocable to the Telecommunications Participant, which shall be equal to the product of (a) such Cost of Acquisition and Construction to be financed with such Telecommunications Bonds and (b) the Obligation Share of the Telecommunications Participant. (Prior to the May 15, 2008 amendment to the Telecommunications Contracts becoming effective, Marietta had, under its Telecommunications Contract, made a prepayment to MEAG Power in the form of a capital contribution equal to Marietta’s Obligation Share of the estimated cost of acquiring and constructing the Telecommunications Project. In consideration of such capital contribution, Marietta does not have an obligation to pay any amounts attributable to Debt Service or certain other payments required under the Telecommunications Bond Resolution.) See “Annual Budgets” below.

### **Annual Budgets**

MEAG Power is required to adopt a Telecommunications Project Budget containing estimates of Annual Telecommunications Project Costs and all revenues, income, or other funds to be applied to such costs. Annual Telecommunications Project Costs include fixed and other costs. Fixed costs include: (i) amounts required to be paid or deposited pursuant to the Telecommunications Bond Resolution relating to Debt Service and reserves therefor, into funds or accounts established thereunder; (ii) any other amounts which MEAG Power is required under the Telecommunications Bond Resolution to pay or deposit including any amounts required to make up reserve or working fund deficiency resulting from a default in payment by a Telecommunications Participant; (iii) taxes or payments in lieu thereof attributable to the Telecommunications Project; and (iv) amounts required to be paid into reserves for renewals and replacements. Notwithstanding the foregoing, Marietta, as a result of its Capital Contribution, is not obligated to pay items (i) and (ii) of the fixed costs described in the foregoing sentence. Other costs include: (a) costs relating to ordinary operation, maintenance, and administration, general costs and other costs payable in connection with the Telecommunications Project, (b) the administrative and general expenses of MEAG Power allocable to the Telecommunications Project, and (c) amounts paid for the cost of or to provide for reserves for (i) extraordinary operating and maintenance costs, (ii) major renewals, replacements, repairs, additions, betterments and improvements necessary to keep the facilities of the Telecommunications Project in good operating condition or to prevent a loss of revenues therefrom and (iii) major additions, improvements, repairs or modifications to, or retirements or disposals of, the facilities of

the Telecommunications Project required by any governmental agency having jurisdiction or for which MEAG Power otherwise is responsible.

MEAG Power is authorized to amend the Telecommunications Project Annual Budget upon 30 days' notice to the Telecommunications Participants. MEAG Power submits and each Telecommunications Participant is obligated to pay a monthly Billing Statement for the Telecommunications Project based upon the applicable Budget. At the end of each Power Supply Year, MEAG Power determines if the aggregate amounts collected from the Telecommunications Participants were in the proper amount. Any excess collected is credited to the Telecommunications Participants on their monthly Billing Statements for the remaining month or months of the then current Power Supply Year. Ten percent of the amount of any deficiency is added to each of the next ten Billing Statements.

In the event the Telecommunications Project realizes net revenues over the Annual Telecommunications Project Costs in any Power Supply Year, such net revenues shall be credited to the Telecommunications Participants in proportion to their Telecommunications Project Obligation Shares.

### **Telecommunications Participants' Obligations to Pay**

Each Telecommunications Participant is required to pay its Obligation Share of Annual Telecommunications Project Costs whether or not the Telecommunications Project or any part thereof has been completed, is operating or operable or its output is suspended, interrupted, interfered with, reduced, curtailed or terminated in whole or in part. Such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever. The Telecommunications Contracts acknowledge that all such payments, other than the Non-Pledged Portion thereof, may be pledged as security for the Telecommunications Bonds. "Non-Pledged Portion" is defined in the Telecommunications Contracts to mean, with respect to each Telecommunications Participant, the portion, if any, of each payment made by such Telecommunications Participant thereunder in respect of Annual Telecommunications Project Costs that shall not be pledged to secure Telecommunications Bonds pursuant to the Telecommunications Bond Resolution, which portion shall be a fraction (i) the numerator of which is the sum of all Capital Contributions made by such Telecommunications Participant plus the principal amount of all Telecommunications Bonds defeased with prepayments made by the Telecommunications Participant pursuant to its Telecommunications Contract and (ii) the denominator of which is the sum of all Capital Contributions made by such Telecommunications Participant plus the principal amount of Telecommunications Bonds issued to finance Costs of Acquisition and Construction allocable to such Telecommunications Participant.

For further information with respect to the obligations of the Telecommunications Participants under the Telecommunications Contracts, see "THE PARTICIPANTS – Obligation Shares of the Participants – Telecommunications Project" in the Annual Information Statement.

### **Default**

Failure of the Telecommunications Participant to make any payments due under its Telecommunications Contract will constitute a default on the part of the Telecommunications Participant. In the event of a default by a Telecommunications Participant, such Telecommunications Participant will remain liable for its Obligation Share of Annual Telecommunications Project Costs, and for all other amounts due under the Telecommunications Contract. In such event, MEAG Power will have the right to recover any amount in default, and may bring any suit, action, or proceeding in law or in equity necessary to enforce any obligation to make payment under the Telecommunications Contract against the Telecommunications Participant. Also, each Telecommunications Contract provides that in the event of default in any payment by the Telecommunications Participant, such Telecommunications Participant must

provide for the assessment and collection of an annual property tax sufficient to meet its obligations under its Telecommunications Contract. Specific performance is provided as a means to enforce such provision.

#### **Termination or Amendment**

The Telecommunications Contracts may not be terminated or amended in any manner which would impair or adversely affect the rights of the owners of the Telecommunications Bonds or reduce the payments pledged as security for any of the Telecommunications Bonds.

**CC PARTICIPANT  
ANNUAL GROSS DEBT SERVICE RESPONSIBILITIES**



[This page intentionally left blank]

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**TOTAL**

Series 2003A <sup>(1)</sup>			Series 2010A			Series 2012A		
Bond Year Ending October 31,	% of Total Annual D/S	\$ D/S	Bond Year Ending October 31,	% of Total Annual D/S	\$ D/S	Bond Year Ending October 31,	% of Total Annual D/S	\$ D/S
2018	100.00%	5,850,899.96	2018	100.00%	8,690,448.76	2018	100.00%	13,991,312.50
2019	100.00%	5,815,900.00	2019	100.00%	21,737,698.76	2019	100.00%	1,724,925.00
2020	100.00%	5,643,650.02	2020	100.00%	7,888,698.76	2020	100.00%	13,469,925.00
2021	100.00%	5,598,400.00	2021	100.00%	7,875,198.76	2021	100.00%	13,268,950.00
2022	100.00%	5,569,250.02	2022	100.00%	7,885,313.76	2022	100.00%	13,029,950.00
2023	100.00%	209,000.00	2023	100.00%	27,710,626.26	2023	0.00%	-
2024	100.00%	209,000.00	2024	100.00%	27,400,376.28	2024	0.00%	-
2025	100.00%	1,024,000.00	2025	100.00%	5,820,376.26	2025	0.00%	-
2026	100.00%	1,015,287.50	2026	100.00%	5,808,906.26	2026	0.00%	-
2027	100.00%	1,010,150.00	2027	100.00%	5,798,843.78	2027	0.00%	-
2028	100.00%	1,003,350.00	2028	100.00%	5,791,843.78	2028	0.00%	-
2029	100.00%	989,887.50	2029	100.00%	5,787,593.78	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$33,938,775.00</u></b>	<b>Total D/S</b>		<b><u>\$138,195,925.20</u></b>	<b>Total D/S</b>		<b><u>\$55,485,062.50</u></b>
<b>Maximum %</b>		<b>100.00%</b>	<b>Maximum %</b>		<b>100.00%</b>	<b>Maximum %</b>		<b>100.00%</b>

(1) Amounts shown in this column include debt service on \$32,945,000 in aggregate principal amount of MEAG Power's Combined Cycle Project Revenue Bonds, Series 2003A that were outstanding as of October 31, 2013 (the "Redeemed 2003A CC Bonds"). As described in "MEAG POWER – Bulk Power Supply Operations – *The Combined Cycle Project – General*" in the Annual Information Statement, on November 1, 2013, the Redeemed 2003A CC Bonds were redeemed with the proceeds of an advance under the CC Project Revolving Credit Agreement. In November, 2016, such advance under the CC Project Revolving Credit Agreement was refunded with revenues collected from the CC Participants and proceeds advanced under the CC Project 2012A BAN. MEAG Power may issue additional CC Bonds (the "Additional CC Bonds") in order to refund such advance, and intends that, if issued, the principal of the Additional CC Bonds will be due on the same dates and in the same amounts as the principal of the Redeemed 2003A CC Bonds. As a result, if the Additional CC Bonds are issued, MEAG Power expects that the debt service on all CC Bonds to be outstanding will be lower than the respective amounts shown in this column.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**ACWORTH**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.98%	57,125.00	2018	2.66%	231,530.00	2018	3.11%	435,162.50
2019	0.94%	54,950.00	2019	3.02%	656,030.00	2019	3.43%	59,225.00
2020	1.02%	57,700.00	2020	2.71%	214,030.00	2020	3.34%	449,225.00
2021	0.99%	55,200.00	2021	2.64%	207,780.00	2021	3.44%	456,300.00
2022	1.04%	57,750.00	2022	2.63%	207,375.00	2022	3.50%	455,550.00
2023	0.00%	-	2023	2.82%	782,500.00	2023	0.00%	-
2024	0.00%	-	2024	2.84%	777,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$282,725.00</u></b>	<b>Total D/S</b>		<b><u>\$3,076,245.00</u></b>	<b>Total D/S</b>		<b><u>\$1,855,462.50</u></b>
<b>Maximum %</b>		<b>1.04%</b>	<b>Maximum %</b>		<b>3.02%</b>	<b>Maximum %</b>		<b>3.50%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**ADEL**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.77%	44,875.00	2018	2.19%	190,722.50	2018	2.38%	333,587.50
2019	0.83%	48,200.00	2019	2.35%	510,972.50	2019	2.69%	46,350.00
2020	0.82%	46,200.00	2020	2.15%	169,972.50	2020	2.61%	351,350.00
2021	0.79%	44,200.00	2021	2.09%	164,972.50	2021	2.73%	362,250.00
2022	0.85%	47,250.00	2022	2.10%	165,687.50	2022	2.69%	350,750.00
2023	0.00%	-	2023	2.21%	611,750.00	2023	0.00%	-
2024	0.00%	-	2024	2.22%	609,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$230,725.00</u></b>	<b>Total D/S</b>		<b><u>\$2,423,077.50</u></b>	<b>Total D/S</b>		<b><u>\$1,444,287.50</u></b>
<b>Maximum %</b>		<b>0.85%</b>	<b>Maximum %</b>		<b>2.35%</b>	<b>Maximum %</b>		<b>2.73%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**ALBANY**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.82%	47,976.92	2018	2.29%	199,035.25	2018	2.64%	368,837.50
2019	0.83%	48,142.83	2019	2.55%	553,779.71	2019	2.91%	50,237.50
2020	0.85%	48,142.83	2020	2.27%	179,374.00	2020	2.86%	385,237.50
2021	0.86%	48,043.77	2021	2.26%	178,135.89	2021	2.90%	384,800.00
2022	0.88%	48,880.75	2022	2.24%	176,456.02	2022	2.97%	387,300.00
2023	0.00%	-	2023	2.38%	660,608.17	2023	0.00%	-
2024	0.00%	-	2024	2.41%	659,370.05	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$241,187.10</u></b>	<b>Total D/S</b>		<b><u>\$2,606,759.09</u></b>	<b>Total D/S</b>		<b><u>\$1,576,412.50</u></b>
<b>Maximum %</b>		<b>0.88%</b>	<b>Maximum %</b>		<b>2.55%</b>	<b>Maximum %</b>		<b>2.97%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**BARNESVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.00%	-	2018	0.64%	55,680.00	2018	0.80%	112,187.50
2019	0.00%	-	2019	0.73%	159,180.00	2019	0.75%	12,987.50
2020	0.00%	-	2020	0.60%	47,430.00	2020	0.80%	107,987.50
2021	0.00%	-	2021	0.58%	45,930.00	2021	0.74%	98,700.00
2022	0.00%	-	2022	0.57%	44,625.00	2022	0.72%	94,200.00
2023	0.00%	-	2023	0.54%	148,500.00	2023	0.00%	-
2024	0.00%	-	2024	0.52%	141,750.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$0.00</u></b>	<b>Total D/S</b>		<b><u>\$643,095.00</u></b>	<b>Total D/S</b>		<b><u>\$426,062.50</u></b>
<b>Maximum %</b>		<b>0.00%</b>	<b>Maximum %</b>		<b>0.73%</b>	<b>Maximum %</b>		<b>0.80%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**BLAKELY**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.43%	24,937.50	2018	1.02%	88,487.50	2018	1.25%	175,050.00
2019	0.41%	23,975.00	2019	1.20%	261,487.50	2019	1.37%	23,625.00
2020	0.41%	22,975.00	2020	1.09%	85,737.50	2020	1.33%	178,625.00
2021	0.39%	21,975.00	2021	1.06%	83,237.50	2021	1.37%	181,500.00
2022	0.38%	21,000.00	2022	1.09%	86,062.50	2022	1.41%	183,250.00
2023	0.00%	-	2023	1.13%	314,000.00	2023	0.00%	-
2024	0.00%	-	2024	1.13%	309,750.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$114,862.50</u></b>	<b>Total D/S</b>		<b><u>\$1,228,762.50</u></b>	<b>Total D/S</b>		<b><u>\$742,050.00</u></b>
<b>Maximum %</b>		<b>0.43%</b>	<b>Maximum %</b>		<b>1.20%</b>	<b>Maximum %</b>		<b>1.41%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**BRINSON**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.01%	479.75	2018	0.02%	1,990.28	2018	0.03%	3,671.35
2019	0.01%	481.40	2019	0.03%	5,537.60	2019	0.03%	497.98
2020	0.01%	481.41	2020	0.02%	1,793.68	2020	0.03%	3,845.19
2021	0.01%	480.42	2021	0.02%	1,781.30	2021	0.03%	3,842.75
2022	0.01%	488.79	2022	0.02%	1,764.49	2022	0.03%	3,840.89
2023	0.00%	-	2023	0.02%	6,605.84	2023	0.00%	-
2024	0.00%	-	2024	0.02%	6,593.47	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$2,411.77</u></b>	<b>Total D/S</b>		<b><u>\$26,066.66</u></b>	<b>Total D/S</b>		<b><u>\$15,698.16</u></b>
<b>Maximum %</b>		<b>0.01%</b>	<b>Maximum %</b>		<b>0.03%</b>	<b>Maximum %</b>		<b>0.03%</b>

(1) See the footnote to the table on page Q-3.



**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**BUFORD**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	2.16%	126,437.50	2018	5.79%	502,930.00	2018	6.70%	937,962.50
2019	2.09%	121,625.00	2019	6.54%	1,420,930.00	2019	7.46%	128,612.50
2020	2.16%	121,625.00	2020	5.80%	457,430.00	2020	7.30%	983,612.50
2021	2.17%	121,375.00	2021	5.77%	454,180.00	2021	7.42%	983,950.00
2022	2.26%	126,000.00	2022	5.67%	447,250.00	2022	7.55%	984,200.00
2023	0.00%	-	2023	6.09%	1,686,750.00	2023	0.00%	-
2024	0.00%	-	2024	6.15%	1,685,250.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$617,062.50</u></b>	<b>Total D/S</b>		<b><u>\$6,654,720.00</u></b>	<b>Total D/S</b>		<b><u>\$4,018,337.50</u></b>
<b>Maximum %</b>		<b>2.26%</b>	<b>Maximum %</b>		<b>6.54%</b>	<b>Maximum %</b>		<b>7.55%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**CAIRO**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.43%	24,937.50	2018	1.08%	94,050.00	2018	1.32%	184,400.00
2019	0.41%	23,975.00	2019	1.23%	266,550.00	2019	1.30%	22,475.00
2020	0.41%	22,975.00	2020	1.02%	80,300.00	2020	1.32%	177,475.00
2021	0.39%	21,975.00	2021	0.92%	72,800.00	2021	1.32%	175,250.00
2022	0.38%	21,000.00	2022	0.96%	75,875.00	2022	1.25%	162,250.00
2023	0.00%	-	2023	0.95%	264,000.00	2023	0.00%	-
2024	0.00%	-	2024	0.92%	252,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$114,862.50</u></b>	<b>Total D/S</b>		<b><u>\$1,105,575.00</u></b>	<b>Total D/S</b>		<b><u>\$721,850.00</u></b>
<b>Maximum %</b>		<b>0.43%</b>	<b>Maximum %</b>		<b>1.23%</b>	<b>Maximum %</b>		<b>1.32%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**CALHOUN**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	1.31%	76,562.50	2018	3.70%	321,265.00	2018	4.24%	592,662.50
2019	1.35%	78,675.00	2019	4.11%	893,515.00	2019	4.69%	80,912.50
2020	1.34%	75,425.00	2020	3.70%	291,765.00	2020	4.61%	620,912.50
2021	1.38%	77,175.00	2021	3.66%	288,265.00	2021	4.68%	620,950.00
2022	1.41%	78,750.00	2022	3.62%	285,750.00	2022	4.74%	617,700.00
2023	0.00%	-	2023	3.84%	1,064,000.00	2023	0.00%	-
2024	0.00%	-	2024	3.89%	1,065,750.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$386,587.50</u></b>	<b>Total D/S</b>		<b><u>\$4,210,310.00</u></b>	<b>Total D/S</b>		<b><u>\$2,533,137.50</u></b>
<b>Maximum %</b>		<b>1.41%</b>	<b>Maximum %</b>		<b>4.11%</b>	<b>Maximum %</b>		<b>4.74%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**CAMILLA**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	1.30%	76,062.50	2018	1.93%	167,790.00	2018	2.12%	297,037.50
2019	1.26%	73,175.00	2019	2.11%	458,790.00	2019	2.39%	41,162.50
2020	1.33%	75,175.00	2020	1.90%	150,040.00	2020	2.35%	316,162.50
2021	1.37%	76,925.00	2021	1.85%	145,790.00	2021	2.36%	313,600.00
2022	1.32%	73,500.00	2022	1.87%	147,125.00	2022	2.45%	319,350.00
2023	0.00%	-	2023	2.09%	578,750.00	2023	0.00%	-
2024	0.00%	-	2024	2.11%	577,500.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$374,837.50</u></b>	<b>Total D/S</b>		<b><u>\$2,225,785.00</u></b>	<b>Total D/S</b>		<b><u>\$1,287,312.50</u></b>
<b>Maximum %</b>		<b>1.37%</b>	<b>Maximum %</b>		<b>2.11%</b>	<b>Maximum %</b>		<b>2.45%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**CARTERSVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	3.27%	191,425.00	2018	5.82%	505,555.00	2018	7.09%	991,437.50
2019	3.18%	185,225.00	2019	6.54%	1,422,305.00	2019	6.92%	119,362.50
2020	3.17%	178,725.00	2020	5.48%	432,555.00	2020	7.05%	949,362.50
2021	2.99%	167,225.00	2021	5.39%	424,305.00	2021	6.86%	910,750.00
2022	2.89%	161,175.00	2022	5.23%	412,625.00	2022	6.71%	874,250.00
2023	14.32%	29,925.00	2023	5.26%	1,457,500.00	2023	0.00%	-
2024	14.32%	29,925.00	2024	5.08%	1,391,250.00	2024	0.00%	-
2025	15.62%	159,925.00	2025	0.00%	-	2025	0.00%	-
2026	14.65%	148,750.00	2026	0.00%	-	2026	0.00%	-
2027	14.14%	142,812.50	2027	0.00%	-	2027	0.00%	-
2028	13.64%	136,875.00	2028	0.00%	-	2028	0.00%	-
2029	13.23%	130,937.50	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u><u>\$1,662,925.00</u></u></b>	<b>Total D/S</b>		<b><u><u>\$6,046,095.00</u></u></b>	<b>Total D/S</b>		<b><u><u>\$3,845,162.50</u></u></b>
<b>Maximum %</b>		<b>15.62%</b>	<b>Maximum %</b>		<b>6.54%</b>	<b>Maximum %</b>		<b>7.09%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**COMMERCE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.11%	6,250.00	2018	0.24%	20,560.00	2018	0.34%	47,462.50
2019	0.10%	6,000.00	2019	0.30%	65,060.00	2019	0.33%	5,737.50
2020	0.10%	5,750.00	2020	0.22%	17,310.00	2020	0.34%	45,737.50
2021	0.10%	5,500.00	2021	0.21%	16,810.00	2021	0.33%	43,900.00
2022	0.09%	5,250.00	2022	0.21%	16,375.00	2022	0.32%	41,900.00
2023	0.00%	-	2023	0.24%	66,000.00	2023	0.00%	-
2024	0.00%	-	2024	0.23%	63,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$28,750.00</u></b>	<b>Total D/S</b>		<b><u>\$265,115.00</u></b>	<b>Total D/S</b>		<b><u>\$184,737.50</u></b>
<b>Maximum %</b>		<b>0.11%</b>	<b>Maximum %</b>		<b>0.30%</b>	<b>Maximum %</b>		<b>0.34%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**COVINGTON**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	3.63%	212,450.00	2018	7.54%	655,156.26	2018	4.67%	653,775.00
2019	3.63%	211,287.50	2019	5.96%	1,295,906.26	2019	5.21%	89,800.00
2020	3.80%	214,537.50	2020	7.85%	619,156.26	2020	5.08%	684,800.00
2021	3.79%	212,287.50	2021	7.86%	619,156.26	2021	5.18%	687,250.00
2022	3.77%	210,012.50	2022	7.80%	615,086.26	2022	5.30%	691,000.00
2023	22.61%	47,262.50	2023	5.64%	1,562,023.76	2023	0.00%	-
2024	22.61%	47,262.50	2024	5.69%	1,558,523.76	2024	0.00%	-
2025	22.19%	227,262.50	2025	23.66%	1,377,273.76	2025	0.00%	-
2026	22.53%	228,712.50	2026	23.70%	1,376,968.76	2026	0.00%	-
2027	22.74%	229,687.50	2027	23.62%	1,369,531.26	2027	0.00%	-
2028	22.94%	230,187.50	2028	23.65%	1,370,031.26	2028	0.00%	-
2029	22.75%	225,212.50	2029	23.72%	1,372,531.26	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$2,296,162.50</u></b>	<b>Total D/S</b>		<b><u>\$13,791,345.12</u></b>	<b>Total D/S</b>		<b><u>\$2,806,625.00</u></b>
<b>Maximum %</b>		<b>22.94%</b>	<b>Maximum %</b>		<b>23.72%</b>	<b>Maximum %</b>		<b>5.30%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**CRISP CO.**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	1.74%	102,000.00	2018	4.70%	408,247.50	2018	5.30%	740,850.00
2019	1.77%	103,150.00	2019	5.21%	1,133,497.50	2019	5.71%	98,537.50
2020	1.84%	103,900.00	2020	4.84%	381,997.50	2020	5.67%	763,537.50
2021	1.86%	104,400.00	2021	4.96%	390,747.50	2021	5.67%	752,650.00
2022	1.79%	99,750.00	2022	5.08%	400,187.50	2022	5.71%	743,400.00
2023	0.00%	-	2023	4.87%	1,350,250.00	2023	0.00%	-
2024	0.00%	-	2024	4.91%	1,344,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$513,200.00</u></b>	<b>Total D/S</b>		<b><u>\$5,408,927.50</u></b>	<b>Total D/S</b>		<b><u>\$3,098,975.00</u></b>
<b>Maximum %</b>		<b>1.86%</b>	<b>Maximum %</b>		<b>5.21%</b>	<b>Maximum %</b>		<b>5.71%</b>

(1) See the footnote to the table on page Q-3.



**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**DOUGLAS**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	1.13%	65,918.44	2018	2.85%	247,277.50	2018	3.53%	493,450.00
2019	1.09%	63,387.48	2019	3.25%	705,777.50	2019	3.48%	60,037.50
2020	1.08%	60,743.18	2020	2.61%	206,027.50	2020	3.56%	480,037.50
2021	1.04%	58,098.90	2021	2.60%	204,777.50	2021	3.43%	455,550.00
2022	1.00%	55,530.16	2022	2.46%	194,187.50	2022	3.38%	439,800.00
2023	0.00%	-	2023	2.56%	709,500.00	2023	0.00%	-
2024	0.00%	-	2024	2.47%	677,250.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$303,678.16</u></b>	<b>Total D/S</b>		<b><u>\$2,944,797.50</u></b>	<b>Total D/S</b>		<b><u>\$1,928,875.00</u></b>
<b>Maximum %</b>		<b>1.13%</b>	<b>Maximum %</b>		<b>3.25%</b>	<b>Maximum %</b>		<b>3.56%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**ELBERTON**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	1.06%	61,812.50	2018	1.45%	125,605.00	2018	1.70%	237,212.50
2019	1.02%	59,425.00	2019	1.60%	347,355.00	2019	1.64%	28,312.50
2020	1.01%	56,925.00	2020	1.37%	107,855.00	2020	1.69%	228,312.50
2021	0.88%	49,425.00	2021	1.39%	109,605.00	2021	1.65%	219,400.00
2022	0.85%	47,250.00	2022	1.35%	106,625.00	2022	1.61%	209,400.00
2023	0.00%	-	2023	1.35%	374,000.00	2023	0.00%	-
2024	0.00%	-	2024	1.30%	357,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$274,837.50</u></b>	<b>Total D/S</b>		<b><u>\$1,528,045.00</u></b>	<b>Total D/S</b>		<b><u>\$922,637.50</u></b>
<b>Maximum %</b>		<b>1.06%</b>	<b>Maximum %</b>		<b>1.60%</b>	<b>Maximum %</b>		<b>1.70%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**ELLAVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.11%	6,250.00	2018	0.22%	19,122.50	2018	0.30%	41,412.50
2019	0.10%	6,000.00	2019	0.25%	53,622.50	2019	0.28%	4,800.00
2020	0.10%	5,750.00	2020	0.21%	16,372.50	2020	0.26%	34,800.00
2021	0.10%	5,500.00	2021	0.14%	10,872.50	2021	0.29%	38,400.00
2022	0.09%	5,250.00	2022	0.14%	10,687.50	2022	0.28%	36,650.00
2023	0.00%	-	2023	0.22%	60,500.00	2023	0.00%	-
2024	0.00%	-	2024	0.21%	57,750.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$28,750.00</u></b>	<b>Total D/S</b>		<b><u>\$228,927.50</u></b>	<b>Total D/S</b>		<b><u>\$156,062.50</u></b>
<b>Maximum %</b>		<b>0.11%</b>	<b>Maximum %</b>		<b>0.25%</b>	<b>Maximum %</b>		<b>0.30%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**FAIRBURN**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.49%	28,609.97	2018	0.90%	78,110.00	2018	1.07%	149,687.50
2019	0.47%	27,490.02	2019	1.02%	221,360.00	2019	1.11%	19,125.00
2020	0.47%	26,343.88	2020	0.98%	77,360.00	2020	1.14%	154,125.00
2021	0.45%	25,197.72	2021	1.08%	85,110.00	2021	1.08%	143,000.00
2022	0.43%	24,069.04	2022	1.11%	87,750.00	2022	1.12%	146,500.00
2023	0.00%	-	2023	0.99%	275,500.00	2023	0.00%	-
2024	0.00%	-	2024	1.00%	273,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$131,710.63</u></b>	<b>Total D/S</b>		<b><u>\$1,098,190.00</u></b>	<b>Total D/S</b>		<b><u>\$612,437.50</u></b>
<b>Maximum %</b>		<b>0.49%</b>	<b>Maximum %</b>		<b>1.11%</b>	<b>Maximum %</b>		<b>1.14%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**FITZGERALD**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.75%	43,625.00	2018	1.94%	168,540.00	2018	2.33%	325,800.00
2019	0.72%	41,950.00	2019	2.16%	469,040.00	2019	2.24%	38,562.50
2020	0.71%	40,200.00	2020	1.83%	144,290.00	2020	2.29%	308,562.50
2021	0.69%	38,450.00	2021	1.71%	134,790.00	2021	2.27%	301,450.00
2022	0.66%	36,750.00	2022	1.73%	136,125.00	2022	2.17%	282,700.00
2023	0.00%	-	2023	1.71%	472,750.00	2023	0.00%	-
2024	0.00%	-	2024	1.63%	446,250.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$200,975.00</u></b>	<b>Total D/S</b>		<b><u>\$1,971,785.00</u></b>	<b>Total D/S</b>		<b><u>\$1,257,075.00</u></b>
<b>Maximum %</b>		<b>0.75%</b>	<b>Maximum %</b>		<b>2.16%</b>	<b>Maximum %</b>		<b>2.33%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**FORT VALLEY**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.31%	17,937.50	2018	0.64%	55,552.50	2018	0.90%	125,300.00
2019	0.30%	17,225.00	2019	0.39%	84,052.50	2019	0.91%	15,737.50
2020	0.20%	11,475.00	2020	0.71%	56,052.50	2020	0.93%	125,737.50
2021	0.20%	10,975.00	2021	0.69%	54,302.50	2021	0.91%	120,700.00
2022	0.19%	10,500.00	2022	0.67%	52,812.50	2022	0.88%	115,200.00
2023	0.00%	-	2023	0.65%	181,500.00	2023	0.00%	-
2024	0.00%	-	2024	0.63%	173,250.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$68,112.50</u></b>	<b>Total D/S</b>		<b><u>\$657,522.50</u></b>	<b>Total D/S</b>		<b><u>\$502,675.00</u></b>
<b>Maximum %</b>		<b>0.31%</b>	<b>Maximum %</b>		<b>0.71%</b>	<b>Maximum %</b>		<b>0.93%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**GRANTVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.07%	4,266.32	2018	0.20%	17,372.50	2018	0.21%	29,912.50
2019	0.07%	4,102.52	2019	0.19%	41,872.50	2019	0.22%	3,800.00
2020	0.07%	3,931.38	2020	0.19%	15,122.50	2020	0.21%	28,800.00
2021	0.07%	3,760.24	2021	0.19%	14,622.50	2021	0.21%	27,650.00
2022	0.06%	3,593.98	2022	0.12%	9,187.50	2022	0.24%	31,400.00
2023	0.00%	-	2023	0.16%	44,000.00	2023	0.00%	-
2024	0.00%	-	2024	0.15%	42,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$19,654.44</u></b>	<b>Total D/S</b>		<b><u>\$184,177.50</u></b>	<b>Total D/S</b>		<b><u>\$121,562.50</u></b>
<b>Maximum %</b>		<b>0.07%</b>	<b>Maximum %</b>		<b>0.20%</b>	<b>Maximum %</b>		<b>0.24%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**GRIFFIN**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	3.31%	193,730.82	2018	9.25%	803,704.47	2018	10.60%	1,482,541.15
2019	3.34%	194,400.77	2019	10.29%	2,236,162.69	2019	11.66%	201,089.52
2020	3.44%	194,400.76	2020	9.18%	724,312.32	2020	11.53%	1,552,742.31
2021	3.47%	194,000.81	2021	9.13%	719,312.81	2021	11.69%	1,551,757.25
2022	3.54%	197,380.48	2022	9.04%	712,529.49	2022	11.90%	1,551,009.11
2023	0.00%	-	2023	9.63%	2,667,535.99	2023	0.00%	-
2024	0.00%	-	2024	9.72%	2,662,536.50	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$973,913.64</u></b>	<b>Total D/S</b>		<b><u>\$10,526,094.27</u></b>	<b>Total D/S</b>		<b><u>\$6,339,139.34</u></b>
<b>Maximum %</b>		<b>3.54%</b>	<b>Maximum %</b>		<b>10.29%</b>	<b>Maximum %</b>		<b>11.90%</b>

(1) See the footnote to the table on page Q-3.



**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**HOGANSVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.31%	18,187.50	2018	0.16%	14,175.00	2018	0.48%	67,837.50
2019	0.30%	17,475.00	2019	0.41%	89,175.00	2019	0.00%	-
2020	0.30%	16,725.00	2020	0.64%	50,425.00	2020	0.00%	-
2021	0.20%	10,975.00	2021	0.68%	53,425.00	2021	0.00%	-
2022	0.19%	10,500.00	2022	0.59%	46,500.00	2022	0.00%	-
2023	0.00%	-	2023	0.20%	55,000.00	2023	0.00%	-
2024	0.00%	-	2024	0.19%	52,500.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$73,862.50</u></b>	<b>Total D/S</b>		<b><u>\$361,200.00</u></b>	<b>Total D/S</b>		<b><u>\$67,837.50</u></b>
<b>Maximum %</b>		<b>0.31%</b>	<b>Maximum %</b>		<b>0.68%</b>	<b>Maximum %</b>		<b>0.48%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**LaGRANGE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	5.04%	294,800.00	2018	14.78%	1,284,337.50	2018	9.42%	1,317,612.50
2019	5.09%	296,250.00	2019	11.78%	2,561,337.50	2019	10.39%	179,162.50
2020	5.26%	296,750.00	2020	15.38%	1,213,587.50	2020	10.24%	1,379,162.50
2021	5.30%	296,750.00	2021	15.29%	1,204,087.50	2021	10.44%	1,385,100.00
2022	5.32%	296,550.00	2022	15.30%	1,206,817.50	2022	10.61%	1,382,100.00
2023	31.36%	65,550.00	2023	10.83%	3,001,067.50	2023	0.00%	-
2024	31.36%	65,550.00	2024	10.95%	2,999,567.50	2024	0.00%	-
2025	30.82%	315,550.00	2025	47.21%	2,747,567.50	2025	0.00%	-
2026	31.39%	318,675.00	2026	47.12%	2,737,162.50	2026	0.00%	-
2027	31.29%	316,087.50	2027	47.21%	2,737,906.26	2027	0.00%	-
2028	31.70%	318,025.00	2028	47.12%	2,728,906.26	2028	0.00%	-
2029	31.75%	314,250.00	2029	47.16%	2,729,406.26	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$3,194,787.50</u></b>	<b>Total D/S</b>		<b><u>\$27,151,751.28</u></b>	<b>Total D/S</b>		<b><u>\$5,643,137.50</u></b>
<b>Maximum %</b>		<b>31.75%</b>	<b>Maximum %</b>		<b>47.21%</b>	<b>Maximum %</b>		<b>10.61%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**LAWRENCEVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.29%	17,065.22	2018	0.70%	60,552.50	2018	0.97%	135,050.00
2019	0.28%	16,410.00	2019	0.85%	184,052.50	2019	0.87%	14,987.50
2020	0.28%	15,725.44	2020	0.71%	56,302.50	2020	0.89%	119,987.50
2021	0.27%	15,040.88	2021	0.69%	54,552.50	2021	0.87%	115,200.00
2022	0.26%	14,375.86	2022	0.67%	53,062.50	2022	0.84%	109,950.00
2023	0.00%	-	2023	0.67%	186,750.00	2023	0.00%	-
2024	0.00%	-	2024	0.63%	173,250.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$78,617.40</u></b>	<b>Total D/S</b>		<b><u>\$768,522.50</u></b>	<b>Total D/S</b>		<b><u>\$495,175.00</u></b>
<b>Maximum %</b>		<b>0.29%</b>	<b>Maximum %</b>		<b>0.85%</b>	<b>Maximum %</b>		<b>0.97%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**MARIETTA**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	56.89%	3,328,862.50	2018	5.00%	434,242.50	2018	2.72%	380,612.50
2019	57.22%	3,327,575.00	2019	3.58%	777,992.50	2019	2.99%	51,650.00
2020	59.01%	3,330,575.00	2020	5.19%	409,492.50	2020	2.98%	401,650.00
2021	59.51%	3,331,575.00	2021	5.25%	413,492.50	2021	2.98%	395,900.00
2022	59.77%	3,328,500.00	2022	5.23%	412,437.50	2022	3.05%	397,900.00
2023	0.00%	-	2023	15.00%	4,156,500.00	2023	0.00%	-
2024	0.00%	-	2024	15.17%	4,158,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$16,647,087.50</u></b>	<b>Total D/S</b>		<b><u>\$10,762,157.50</u></b>	<b>Total D/S</b>		<b><u>\$1,627,712.50</u></b>
<b>Maximum %</b>		<b>59.77%</b>	<b>Maximum %</b>		<b>15.17%</b>	<b>Maximum %</b>		<b>3.05%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**MONROE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.32%	18,687.50	2018	1.32%	114,732.50	2018	1.36%	189,962.50
2019	0.31%	17,975.00	2019	1.34%	291,482.50	2019	1.33%	22,925.00
2020	0.31%	17,225.00	2020	1.26%	99,232.50	2020	1.36%	182,925.00
2021	0.29%	16,475.00	2021	1.16%	90,982.50	2021	1.36%	180,750.00
2022	0.28%	15,750.00	2022	1.18%	93,437.50	2022	1.29%	167,500.00
2023	0.00%	-	2023	1.03%	286,000.00	2023	0.00%	-
2024	0.00%	-	2024	1.00%	273,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$86,112.50</u></b>	<b>Total D/S</b>		<b><u>\$1,248,867.50</u></b>	<b>Total D/S</b>		<b><u>\$744,062.50</u></b>
<b>Maximum %</b>		<b>0.32%</b>	<b>Maximum %</b>		<b>1.34%</b>	<b>Maximum %</b>		<b>1.36%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**NEWNAN**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	3.39%	198,405.06	2018	4.69%	407,317.50	2018	5.64%	788,737.50
2019	3.28%	190,769.96	2019	5.25%	1,141,817.50	2019	5.46%	94,200.00
2020	3.24%	182,812.26	2020	4.42%	349,067.50	2020	5.64%	759,200.00
2021	3.12%	174,854.54	2021	4.30%	338,567.50	2021	5.50%	729,250.00
2022	3.00%	167,111.92	2022	4.24%	334,562.50	2022	5.30%	691,000.00
2023	0.00%	-	2023	4.43%	1,226,500.00	2023	0.00%	-
2024	0.00%	-	2024	4.27%	1,170,750.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$913,953.74</u></b>	<b>Total D/S</b>		<b><u>\$4,968,582.50</u></b>	<b>Total D/S</b>		<b><u>\$3,062,387.50</u></b>
<b>Maximum %</b>		<b>3.39%</b>	<b>Maximum %</b>		<b>5.25%</b>	<b>Maximum %</b>		<b>5.64%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**NORCROSS**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	2.54%	148,600.00	2018	2.45%	213,250.00	2018	4.26%	595,337.50
2019	2.53%	147,000.00	2019	2.34%	509,250.00	2019	0.00%	-
2020	0.00%	-	2020	0.00%	-	2020	0.00%	-
2021	0.00%	-	2021	0.00%	-	2021	0.00%	-
2022	0.00%	-	2022	0.00%	-	2022	0.00%	-
2023	0.00%	-	2023	0.00%	-	2023	0.00%	-
2024	0.00%	-	2024	0.00%	-	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$295,600.00</u></b>	<b>Total D/S</b>		<b><u>\$722,500.00</u></b>	<b>Total D/S</b>		<b><u>\$595,337.50</u></b>
<b>Maximum %</b>		<b>2.54%</b>	<b>Maximum %</b>		<b>2.45%</b>	<b>Maximum %</b>		<b>4.26%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**PALMETTO**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.28%	16,109.96	2018	0.35%	30,682.50	2018	0.47%	65,262.50
2019	0.27%	15,490.02	2019	0.44%	94,932.50	2019	0.45%	7,787.50
2020	0.26%	14,843.88	2020	0.33%	25,932.50	2020	0.47%	62,787.50
2021	0.25%	14,197.72	2021	0.32%	25,182.50	2021	0.45%	60,300.00
2022	0.24%	13,569.04	2022	0.31%	24,562.50	2022	0.44%	57,550.00
2023	0.00%	-	2023	0.36%	99,000.00	2023	0.00%	-
2024	0.00%	-	2024	0.34%	94,500.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$74,210.62</u></b>	<b>Total D/S</b>		<b><u>\$394,792.50</u></b>	<b>Total D/S</b>		<b><u>\$253,687.50</u></b>
<b>Maximum %</b>		<b>0.28%</b>	<b>Maximum %</b>		<b>0.44%</b>	<b>Maximum %</b>		<b>0.47%</b>

(1) See the footnote to the table on page Q-3.



**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**QUITMAN**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.11%	6,250.00	2018	0.23%	20,310.00	2018	0.26%	36,662.50
2019	0.10%	6,000.00	2019	0.25%	54,810.00	2019	0.31%	5,300.00
2020	0.10%	5,750.00	2020	0.22%	17,560.00	2020	0.30%	40,300.00
2021	0.10%	5,500.00	2021	0.22%	17,060.00	2021	0.29%	38,650.00
2022	0.09%	5,250.00	2022	0.21%	16,625.00	2022	0.32%	41,900.00
2023	0.00%	-	2023	0.24%	66,250.00	2023	0.00%	-
2024	0.00%	-	2024	0.25%	68,250.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$28,750.00</u></b>	<b>Total D/S</b>		<b><u>\$260,865.00</u></b>	<b>Total D/S</b>		<b><u>\$162,812.50</u></b>
<b>Maximum %</b>		<b>0.11%</b>	<b>Maximum %</b>		<b>0.25%</b>	<b>Maximum %</b>		<b>0.32%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**SANDERSVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.54%	31,687.50	2018	1.27%	110,415.00	2018	1.43%	200,462.50
2019	0.52%	30,475.00	2019	1.42%	307,915.00	2019	1.33%	22,925.00
2020	0.52%	29,225.00	2020	1.59%	125,415.00	2020	1.36%	182,925.00
2021	0.59%	32,975.00	2021	1.61%	126,415.00	2021	1.36%	180,750.00
2022	0.57%	31,500.00	2022	1.75%	137,750.00	2022	1.29%	167,500.00
2023	0.00%	-	2023	1.31%	364,000.00	2023	0.00%	-
2024	0.00%	-	2024	1.34%	367,500.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$155,862.50</u></b>	<b>Total D/S</b>		<b><u>\$1,539,410.00</u></b>	<b>Total D/S</b>		<b><u>\$754,562.50</u></b>
<b>Maximum %</b>		<b>0.59%</b>	<b>Maximum %</b>		<b>1.75%</b>	<b>Maximum %</b>		<b>1.43%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**SYLVESTER**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.33%	19,437.50	2018	1.02%	88,612.50	2018	1.08%	151,087.50
2019	0.32%	18,725.00	2019	1.09%	236,362.50	2019	1.19%	20,525.00
2020	0.41%	22,975.00	2020	0.97%	76,612.50	2020	1.15%	155,525.00
2021	0.39%	21,975.00	2021	0.94%	74,362.50	2021	1.20%	159,500.00
2022	0.38%	21,000.00	2022	0.92%	72,437.50	2022	1.25%	162,250.00
2023	0.00%	-	2023	1.00%	275,750.00	2023	0.00%	-
2024	0.00%	-	2024	1.02%	278,250.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$104,112.50</u></b>	<b>Total D/S</b>		<b><u>\$1,102,387.50</u></b>	<b>Total D/S</b>		<b><u>\$648,887.50</u></b>
<b>Maximum %</b>		<b>0.41%</b>	<b>Maximum %</b>		<b>1.09%</b>	<b>Maximum %</b>		<b>1.25%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**THOMASTON**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.00%	-	2018	0.74%	64,052.50	2018	0.89%	124,687.50
2019	0.00%	-	2019	0.82%	177,302.50	2019	0.87%	14,987.50
2020	0.00%	-	2020	0.69%	54,802.50	2020	0.89%	119,987.50
2021	0.00%	-	2021	0.67%	53,052.50	2021	0.87%	115,200.00
2022	0.00%	-	2022	0.65%	51,562.50	2022	0.84%	109,950.00
2023	0.00%	-	2023	0.61%	170,250.00	2023	0.00%	-
2024	0.00%	-	2024	0.57%	157,500.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b>\$0.00</b>	<b>Total D/S</b>		<b>\$728,522.50</b>	<b>Total D/S</b>		<b>\$484,812.50</b>
<b>Maximum %</b>		<b>0.00%</b>	<b>Maximum %</b>		<b>0.82%</b>	<b>Maximum %</b>		<b>0.89%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**THOMASVILLE**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	5.05%	295,512.50	2018	7.83%	680,405.00	2018	6.72%	939,987.50
2019	5.11%	296,962.50	2019	7.34%	1,595,155.00	2019	6.36%	109,775.00
2020	5.27%	297,462.50	2020	9.11%	718,905.00	2020	6.64%	894,775.00
2021	5.31%	297,462.50	2021	9.76%	768,905.00	2021	6.36%	844,450.00
2022	5.34%	297,262.50	2022	10.24%	807,660.00	2022	6.15%	800,950.00
2023	31.70%	66,262.50	2023	7.06%	1,956,035.00	2023	0.00%	-
2024	31.70%	66,262.50	2024	7.13%	1,952,535.00	2024	0.00%	-
2025	31.37%	321,262.50	2025	29.13%	1,695,535.00	2025	0.00%	-
2026	31.43%	319,150.00	2026	29.18%	1,694,775.00	2026	0.00%	-
2027	31.83%	321,562.50	2027	29.17%	1,691,406.26	2027	0.00%	-
2028	31.72%	318,262.50	2028	29.23%	1,692,906.26	2028	0.00%	-
2029	32.28%	319,487.50	2029	29.13%	1,685,656.26	2029	0.00%	-
<b>Total D/S</b>		<b><u><u>\$3,216,912.50</u></u></b>	<b>Total D/S</b>		<b><u><u>\$16,939,878.78</u></u></b>	<b>Total D/S</b>		<b><u><u>\$3,589,937.50</u></u></b>
<b>Maximum %</b>		<b>32.28%</b>	<b>Maximum %</b>		<b>29.23%</b>	<b>Maximum %</b>		<b>6.72%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**WASHINGTON**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.43%	24,937.50	2018	0.93%	80,480.00	2018	1.06%	147,787.50
2019	0.41%	23,975.00	2019	1.08%	233,730.00	2019	1.00%	17,225.00
2020	0.41%	22,975.00	2020	1.13%	89,230.00	2020	1.06%	142,225.00
2021	0.39%	21,975.00	2021	1.29%	101,480.00	2021	0.99%	131,600.00
2022	0.38%	21,000.00	2022	1.38%	108,500.00	2022	0.96%	125,600.00
2023	0.00%	-	2023	0.99%	275,500.00	2023	0.00%	-
2024	0.00%	-	2024	1.00%	273,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$114,862.50</u></b>	<b>Total D/S</b>		<b><u>\$1,161,920.00</u></b>	<b>Total D/S</b>		<b><u>\$564,437.50</u></b>
<b>Maximum %</b>		<b>0.43%</b>	<b>Maximum %</b>		<b>1.38%</b>	<b>Maximum %</b>		<b>1.06%</b>

(1) See the footnote to the table on page Q-3.

**CC Project Participants Annual Gross Debt Service Responsibilities  
As of December 31, 2017**

**WEST POINT**

<b>Series 2003A<sup>(1)</sup></b>			<b>Series 2010A</b>			<b>Series 2012A</b>		
<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>	<b>Bond Year Ending October 31,</b>	<b>% of Total Annual D/S</b>	<b>\$ D/S</b>
2018	0.32%	18,687.50	2018	1.48%	128,600.00	2018	0.65%	90,825.00
2019	0.31%	17,975.00	2019	1.01%	219,600.00	2019	0.72%	12,487.50
2020	0.31%	17,225.00	2020	1.60%	125,850.00	2020	0.72%	97,487.50
2021	0.29%	16,475.00	2021	1.60%	126,350.00	2021	0.74%	98,700.00
2022	0.28%	15,750.00	2022	1.61%	127,250.00	2022	0.72%	94,200.00
2023	0.00%	-	2023	0.91%	253,500.00	2023	0.00%	-
2024	0.00%	-	2024	0.92%	252,000.00	2024	0.00%	-
2025	0.00%	-	2025	0.00%	-	2025	0.00%	-
2026	0.00%	-	2026	0.00%	-	2026	0.00%	-
2027	0.00%	-	2027	0.00%	-	2027	0.00%	-
2028	0.00%	-	2028	0.00%	-	2028	0.00%	-
2029	0.00%	-	2029	0.00%	-	2029	0.00%	-
<b>Total D/S</b>		<b><u>\$86,112.50</u></b>	<b>Total D/S</b>		<b><u>\$1,233,150.00</u></b>	<b>Total D/S</b>		<b><u>\$393,700.00</u></b>
<b>Maximum %</b>		<b>0.32%</b>	<b>Maximum %</b>		<b>1.61%</b>	<b>Maximum %</b>		<b>0.74%</b>

(1) See the footnote to the table on page Q-3.