# 2020 Third Quarter Report

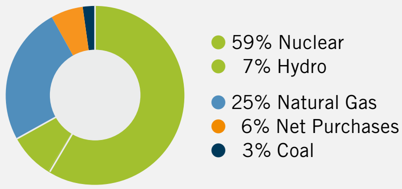
## SUMMARY OF SELECTED FINANCIAL AND OPERATING DATA

| (Dollars in thousands)<br>Nine months ended or as of September 30, | 2020 | 2019 | 2018 |
|---|---|---|---|
| Total revenues | **$ 486,865** | $ 489,382 | $ 490,292 |
| Total assets and deferred outflows of resources | **$ 11,169,692** | $ 11,188,700 | $ 8,910,086 |
| Weighted average interest cost [1] | **4.14%** | 4.24% | 4.11% |
| Total cost to MEAG Power Participants (cents per kWh) [2] | **6.73** | 6.66 | 6.59 |
| Peak demand (MW) | **1,927** | 2,020 | 1,904 |

(1) 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 Build America Bonds.

(2) For the nine months ended September 30, 2018, funds from the Municipal Competitive Trust were applied to lower the Participants' generation billings.

## MEAG POWER DELIVERED ENERGY




**66% Non-Emitting***

*12-month rolling average, as of September 2020

## NINE MONTHS' PERFORMANCE

### Revenue and Expense Analysis

Revenues: For the nine months ended September 30, 2020 (YTD 2020), total revenues were $486.9 million compared with $489.4 million for the same period in 2019 (YTD 2019). Participant revenues increased $37.3 million, while other revenues decreased $39.8 million.

Participant revenues increased due mainly to deferred inflows of resources related to timing differences between amounts billed and expenses determined in accordance with accounting principles generally accepted in the United States, as well as fair value (see "Non-operating expense (income), net"). These factors were partially offset by a decrease in Participant billings for certain operating expenses, mainly fuel, as discussed below.

The decrease in other revenues was primarily due to decreases of $37.9 million in Pseudo Scheduling and Services Agreement energy sales and $8.2 million in off-system energy sales, which were partially offset by an $8.0 million increase in debt service billings under the Vogtle Units 3&4 Power Purchase Agreements.

Operating expenses: YTD 2020 operating expenses decreased 6.9% to $423.4 million, compared with $454.7 million in YTD 2019 primarily due to fuel. Total fuel expense decreased $58.6 million due mainly to a $52.1 million decrease in coal expense related to a significant decrease in generation. Natural gas expense decreased $4.2 million due to lower gas pricing, which was partially offset by a 5.7% increase in generation from the Wansley Combined Cycle Facility.

The decrease in fuel expense was partially offset by depreciation and amortization, which increased $16.4 million due to increases in depreciation rates and property, plant and equipment in-service additions. A $12.3 million increase in other generating and operating expense was mainly due to accruals for payments in lieu of taxes, which began in 2020, pertaining to tangible property included in Project One, as well as Project Two in the General Resolution Projects. Maintenance expense, mainly related to scheduled nuclear refueling outages, was also a factor.

Non-operating expense (income), net: 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, totaled $49.8 million for YTD 2020, compared with $19.4 million for YTD 2019. This $30.4 million increase was due primarily to changes in these components:

- Investment income decreased $23.0 million primarily due to short-term rates trending lower from Federal Reserve Bank rate decreases related to COVID-19, lower investment balances and a reduction in gains on the sale of certain securities.
- A $19.0 million increase in interest capitalized was mainly due to additional capital investment in Vogtle Units 3&4.
- An increase of $17.8 million in interest expense was mainly due to 2019 Vogtle Units 3&4 bond issuances, partially offset by a reduction in interest expense in Project One and the General Resolution Projects due to scheduled principal amortizations and lower interest rates on variable rate bonds and DOE Guaranteed Loans.
- The fair value of financial instruments decreased $16.6 million due mainly to a significant pullback in the value of equity securities held in the decommissioning trust account, due to the impact of the COVID-19 pandemic on the financial markets during the First Quarter 2020, which was partially offset by a rebound in equities in the Second and Third quarters of 2020.

The weighted average interest rate of MEAG Power's debt was 4.14% and 4.24% for YTD 2020 and YTD 2019, respectively, with the decrease primarily due to the significant decline in variable interest rates.

### Operations

Energy delivered to MEAG Power Participants during YTD 2020 decreased 5.2% from YTD 2019 due mainly to milder weather and COVID-19 reductions. Total power cost to the Participants, including hydro energy purchased from the Southeastern Power Administration, was 6.73 cents/kilowatt-hour (kWh) for YTD 2020, compared with 6.66 cents/kWh for YTD 2019. The increase was mainly due to the decrease in energy delivered, which was partially offset by lower Participant billings for fuel (see "Operating expenses").

### Key Recent Developments Pertaining to Vogtle Units 3&4

The following updates information previously disclosed in MEAG Power's 2020 First or Second Quarter reports, 2019 Annual Information Statement (AIS) or 2019 Annual Report. For additional information and definitions of certain terms, see MEAG Power's 2019 AIS or 2019 Annual Report.

On October 2, 2020, the Federal Financing Bank (FFB) funded additional Advances to each of the Vogtle Units 3&4 Project Entities pursuant to their respective DOE Loan Guarantee Agreements and FFB Promissory Notes issued in connection therewith. On such date, FFB funded $111.5 million, $129.7 million, and $183.1 million to the Project J Entity, the Project M Entity, and the Project P Entity, respectively. With these advances, FFB has advanced to each Vogtle Units 3&4 Project Entities the full amount of the FFB's commitments relating to each such entities' DOE Guaranteed Loans.

On October 16, 2020, the 2018 Project P Credit Agreement was amended and restated to extend the lending commitment thereunder to November 12, 2021.

During the testing of the Vogtle Unit 3 condensate system on November 5, 2020, a hydraulic surge or water hammer occurred in that system damaging a number of piping supports and potentially other equipment. The extent of the needed repairs and the time for these repairs is under evaluation; however, Georgia Power Company states that restoration of the condensate system is not currently expected to impact the estimated Vogtle Unit 3 in-service date of November 2021.

### Fitch Ratings Outlook

On October 22, 2020 and November 6, 2020, Fitch Ratings revised the rating outlook on MEAG Power's Project One and General Resolution Projects bonds, and Combined Cycle Project bonds, respectively, to positive from stable. The ratings were affirmed as follows:

| Project | Bonds | Rating Affirmed |
|---|---|---|
| Project One | Senior | A- |
| | Subordinated | BBB+ |
| General Resolution Projects | Senior | A- |
| | Subordinated | BBB+ |
| Combined Cycle Project | Senior | BBB+ |

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

| (In thousands) | September 30, 2020 | | | | | | | | Sept. 30, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Eliminations | **Total** | Total |
| Assets and Deferred Outflows of Resources | | | | | | | | | |
| Property, plant and equipment, net | $ 1,848,248 | $ 683,966 | $ 184,182 | $ 4,485,965 | $ – | $ 3,150 | $ – | **$ 7,205,511** | $ 6,305,009 |
| Other non-current assets | 674,053 | 121,739 | 43,430 | 1,642,075 | 270,027 | – | (27,935) | **2,723,389** | 3,737,800 |
| Current assets | 312,437 | 106,209 | 55,789 | 115,563 | 364,406 | 595 | (6,833) | **948,166** | 864,612 |
| Deferred outflows of resources | 210,902 | 78,891 | 1,940 | 893 | – | – | – | **292,626** | 281,279 |
| Total Assets and Deferred Outflows of Resources | $3,045,640 | $990,805 | $285,341 | $6,244,496 | $634,433 | $3,745 | $(34,768) | **$11,169,692** | $11,188,700 |
| Liabilities and Deferred Inflows of Resources | | | | | | | | | |
| Long-term debt | $ 1,609,425 | $ 372,065 | $ 109,016 | $ 5,964,818 | $ – | $ – | $ (27,935) | **$ 8,027,389** | $ 8,189,187 |
| Non-current liabilities | 630,198 | 139,696 | 215 | (4,541) | 263,235 | – | – | **1,028,803** | 973,408 |
| Current liabilities | 209,542 | 57,404 | 48,353 | 283,026 | 371,198 | 175 | (6,833) | **962,865** | 1,033,282 |
| Deferred inflows of resources | 596,475 | 421,640 | 127,757 | 1,193 | – | 3,570 | – | **1,150,635** | 992,823 |
| Total Liabilities and Deferred Inflows of Resources | $3,045,640 | $990,805 | $285,341 | $6,244,496 | $634,433 | $3,745 | $(34,768) | **$11,169,692** | $11,188,700 |

## CONDENSED CONSOLIDATED STATEMENT OF NET REVENUES (UNAUDITED)

| (In thousands) | Nine months ended September 30, 2020 | | | | | | | | Nine months ended Sept. 30, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Eliminations | **Total** | Total |
| Revenues: | | | | | | | | | |
| Participant[1] | $268,776 | $70,711 | $62,691 | $12,443 | $ – | $597 | $ – | **$415,218** | $377,908 |
| Other | 27,934 | 15,131 | 5,599 | 22,905 | – | 78 | – | **71,647** | 111,474 |
| Total revenues | 296,710 | 85,842 | 68,290 | 35,348 | – | 675 | – | **486,865** | 489,382 |
| Operating expenses | 279,792 | 78,909 | 64,020 | – | 6 | 677 | – | **423,404** | 454,663 |
| Net operating revenues (loss) | 16,918 | 6,933 | 4,270 | 35,348 | (6) | (2) | – | **63,461** | 34,719 |
| Non-operating expense (income), net | 16,918 | 6,933 | 4,270 | 21,662 | (11) | (2) | – | **49,770** | 19,403 |
| Change in net costs to be recovered from Participants or Competitive Trust obligations | – | – | – | 13,686 | 5 | – | – | **13,691** | 15,316 |
| Net Revenues | $ – | $ – | $ – | $ – | $ – | $ – | $ – | **$ –** | $ – |

[1] Net of over-recovery of $29.7 million and $34.6 million for the nine months ended September 30, 2020 and 2019, respectively. These amounts are included in current liabilities and may not be indicative of future results.

These condensed consolidated financial statements, which include the accounts of the Power Revenue Bond Resolution (Project One), the General Power Revenue Bond Resolution (General Resolution Projects), the Combined Cycle Project Bond Resolution (Combined Cycle Project), the Vogtle Units 3&4 Projects and Project Entities, the Municipal Competitive Trust and the Telecommunications Project (Telecom Project), should be read in conjunction with MEAG Power's 2019 audited financial statements.

### THE MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

The Municipal Electric Authority of Georgia (MEAG Power) is a nonprofit, statewide generation and transmission organization. Recognized as one of the leading joint action agencies in the country, MEAG Power is among the top public power companies nationwide in terms of annual net generation, megawatt-hour sales and electric revenue. Its diverse, clean energy portfolio – delivering 67% emissions-free energy in 2019 – compares favorably with both the state and national averages. Created by the Georgia General Assembly in 1975, MEAG Power provides reliable, competitive wholesale electricity to its 49 member communities (Participants), who own their local distribution systems. MEAG Power also monitors and advocates on energy issues at the state and federal levels on behalf of its Participants.