# Essential Connections

**2020** ANNUAL REPORT




MEAG POWER

# Our Organization

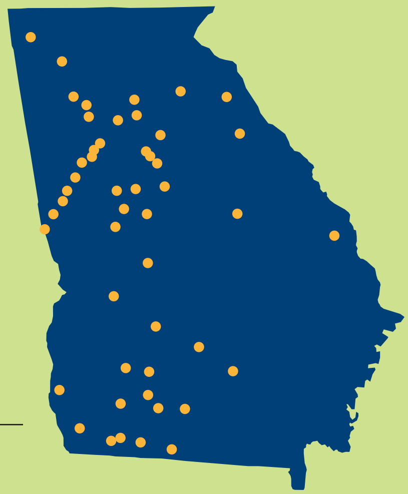
The Municipal Electric Authority of Georgia (MEAG Power) is a non-profit public corporation that was chartered by the Georgia General Assembly in 1975. MEAG Power generates and transmits reliable, competitively priced wholesale electric power to 49 public power communities across the state.

# Our Participants

Many of the MEAG Power Participant communities have fully integrated public utilities, offering not only reliable, affordable, low-emissions electricity but also natural gas, water and sewer services, and fiber or digital communications connections. Moreover, these MEAG Power communities have: educated, skilled labor; excellent logistics; advantageous development zones; leading-edge industrial parks; and vibrant live, work, play amenities, with dynamic downtowns and myriad community enhancements for an improved quality of life.

### MEAG Power Communities

| | | | | |
|---|---|---|---|---|
| Acworth | Cartersville | Fairburn | Lawrenceville | Quitman |
| Adel | College Park | Fitzgerald | Mansfield | Sandersville |
| Albany | Commerce | Forsyth | Marietta | Sylvania |
| Barnesville | Covington | Fort Valley | Monroe | Sylvester |
| Blakely | Crisp County | Grantville | Monticello | Thomaston |
| Brinson | Doerun | Griffin | Moultrie | Thomasville |
| Buford | Douglas | Hogansville | Newnan | Washington |
| Cairo | East Point | Jackson | Norcross | West Point |
| Calhoun | Elberton | LaFayette | Oxford | Whigham |
| Camilla | Ellaville | LaGrange | Palmetto | |



# Financial Highlights

Three-Year Summary of Selected Financial and Operating Data (Dollars in thousands)

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Total revenues | **$ 639,707** | $ 648,904 | $ 681,328 |
| Total assets and deferred outflows of resources | **$11,590,566** | $11,145,798 | $9,024,019 |
| Property, plant and equipment, net | **$ 7,430,336** | $ 6,550,662 | $5,690,057 |
| Debt outstanding (excluding defeased bonds) | **$ 8,706,456** | $ 8,499,698 | $6,662,341 |
| Weighted average interest cost (1) | **4.10%** | 4.24% | 4.22% |
| Total delivered energy to MEAG Power Participants (MWh) (2) | **10,377,224** | 10,811,016 | 10,806,130 |
| Cost to MEAG Power Participants (cents per kWh): | | | |
| Total cost (2) (3) | **6.88** | 6.85 | 6.76 |
| Bulk power cost (3) | **7.02** | 6.93 | 6.80 |
| SEPA cost (2) | **5.37** | 5.85 | 6.24 |
| Peak demand (MW) | **1,927** | 2,020 | 1,904 |
| Total nominal generating capacity in service (MW) (4) | **2,069** | 2,069 | 2,069 |

(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) Participants purchase hydro energy directly from the Southeastern Power Administration (SEPA). Such energy is included in these calculations.

(3) Funds from the Municipal Competitive Trust were applied to lower the Participants' annual generation billings for 2018.

(4) Excludes SEPA capacity, which is purchased by the Participants, and capacity purchased by MEAG Power from others.

# Essential Connections

**2020 was a challenging year for individuals, families, business and industry, and communities across the state. As we all adapted in various ways, it became clear that electric power played a bedrock role in meeting the challenges faced by every facet of society. And the pandemic revealed the value of public power more clearly than ever.**

That value flows through the essential connections on which public power is based.

MEAG Power has an essential connection with each of our 49 public power Participant communities; our sole focus is on providing reliable, affordable wholesale power to our Participants.

Our Participants, in turn, have an essential connection with their hometown's residents, businesses, schools and government as the community's locally owned and managed electric utility.

But essential connections don't stop there.

They course through the numerous benefits our Participants deliver to their communities through local control of their electric utility: the connection to local decision-making; the connection to affordable wholesale power; the connection to community jobs and reinvestment; the connection to economic development and growth; the connection to reliability; and the connection to locally provided service, just to name a few.

Essential connections also flow through public power and joint action in the form of benefits that MEAG Power delivers to our Participants. Foremost among them is the connection to a 69% emissions-free diversified energy portfolio – among the cleanest in the Southeast, and getting even cleaner. Other benefits include: the connection to more than 2,000 MW of highly reliable generation capacity; the connection to investment-grade credit ratings and access to low-cost capital; and the connection to the statewide Integrated Transmission System, among others.

The following pages show and tell the story of the value of public power delivered through the local control it affords a community – control that has essential connections to factors that impact and foster a community's quality of life and long-term well-being.

# Benefits Our Participants Deliver to Their Communities Through Local Control

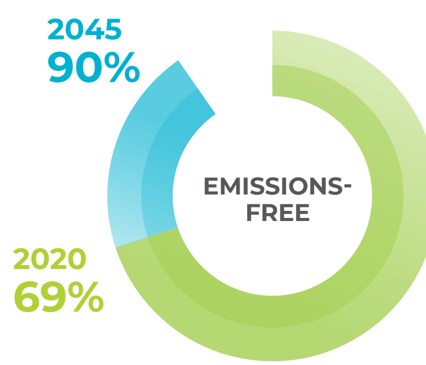
# Decision-Making

- Decisions concerning the residential and business electricity rates in a public power community are made in the hometown, with local input, local knowledge and an appreciation for community needs.
- Local decision-making allows a community to adjust rates for various reasons: to attract new business, support an expanding one, purchase equipment or invest in new technology.

# Environmental Goals

- Public power communities make decisions on energy sources to match their sustainability and environmental goals, and control their local conservation efforts, as well.
- MEAG Power offers one of the cleanest power portfolios in the Southeast at 69% emissions-free – and is getting even cleaner.

By 2045, our vision is to be nearly
90% emissions-free.




# Government Efficiency

- Public power allows for improved local government efficiency and collaboration through sharing of personnel, equipment and supplies.

## Favorable Financing

- Public power communities have access to low-cost, tax-exempt financing for funding capital projects to maintain and improve their systems.

## Hometown Employment

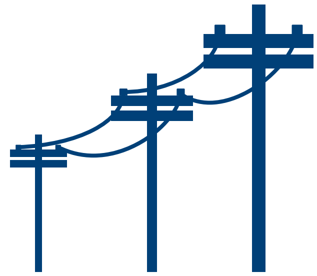
- The local utility is headquartered in town and creates local jobs for customer service representatives, lineworkers, engineers, mechanics, and administrators. Kids growing up in public power communities can find a career right in their hometown. Each dollar of a public power employee's paycheck circulates through the local economy an estimated four to five times.

## Recurring Revenue

- Because the community owns the electric utility, revenues from that asset stay and are reinvested in the community. This substantial, recurring revenue stream can help lower property taxes and fuel local economic growth and enhanced services.

## Quality Service

- When customers need help, their calls are answered locally and the utility can respond to outages faster. For public power communities, providing the highest quality service to its customer owners has always been the No. 1 priority.



## Economic Development

- City officials and utility managers often work together to create economic development programs. Many public power communities are proud to offer special rates that entice businesses to set up shop.

## Community Growth

- Public power fosters an emphasis on long-term community growth: roads, parks, cultural events, youth and senior programs, and more – projects everyone knows make their hometown a better place.

## Community Ownership

- At public power utilities, governance begins at the ballot box and is carried out through the city or town council and utility board. Business is conducted in the open, and citizens know where their power comes from and how and why decisions affecting their utility bills are made.

- Because public power utilities are not-for-profit and community-owned, there is no split allegiance between customers and shareholders.

## Affordable Power

- Public power utilities serve only their customer owners, not remote shareholders. With no profit motive and only the community's best interests at heart, they keep electricity rates reasonable through a transparent process.

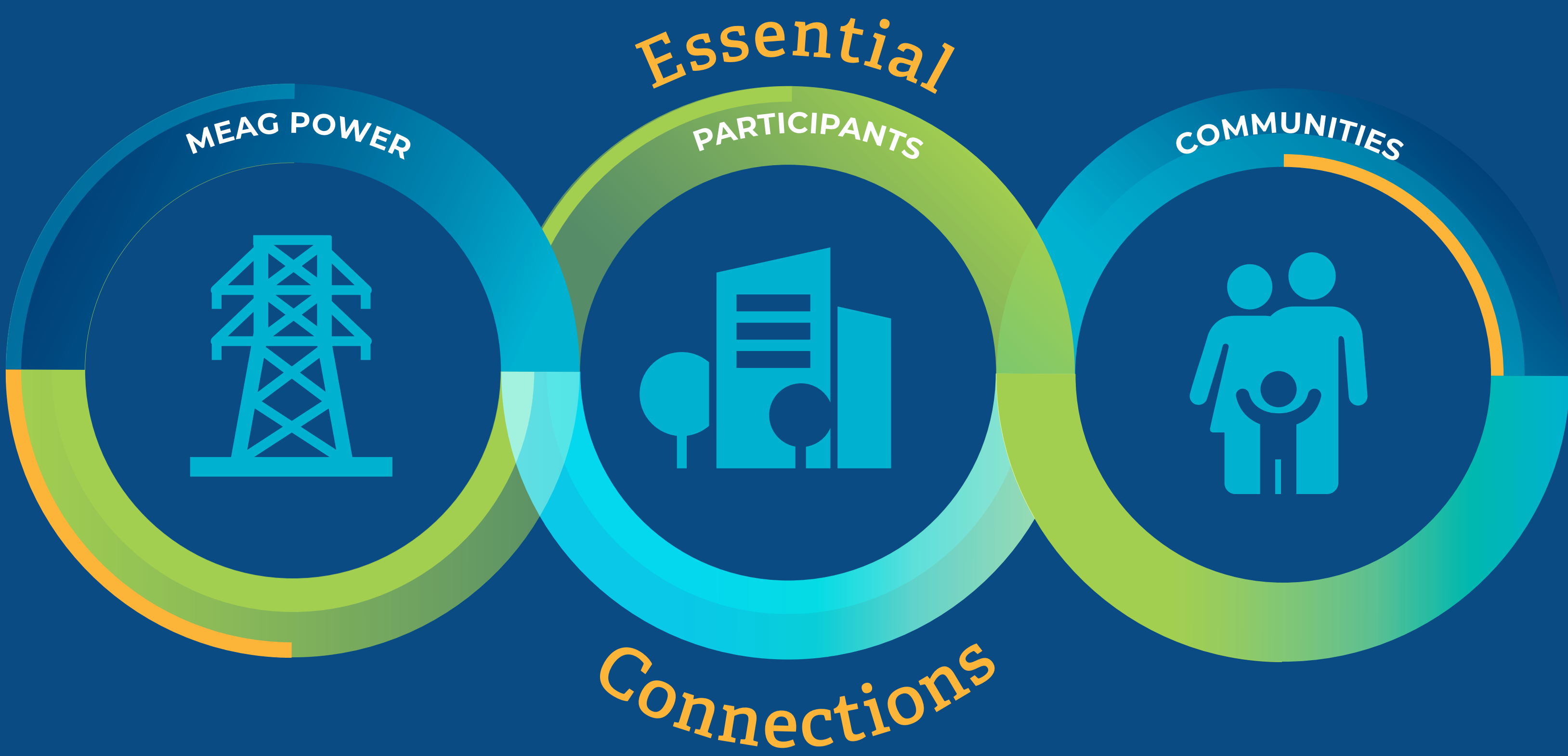
- Public power residential customers pay an average of 11.8% less for their electricity than residential customers of investor-owned utilities, according to U.S. Energy Information Administration data.

## Superior Reliability

- The American Public Power Association reports that, excluding major events, customers of a public power utility are likely to be without power for almost half the time of private utility customers – 75 minutes a year, compared to 142 minutes. At least part of the reason is that crews, equipment and administration are located nearby.

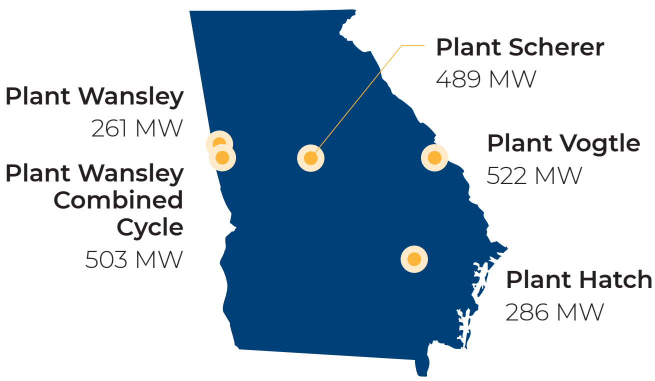
- In 2020, MEAG Power delivered 99.998% overall power delivery system reliability.

# Benefits MEAG Power Delivers to Our Participants



## Ownership of more than 2,000 MW of Generation Capacity

- Through an energy portfolio that was 69% emissions-free in 2020 and projected to be nearly 90% emissions-free by 2045.




## Investment-Grade Credit Ratings and Access to Low-Cost Capital

- With total assets of more than $11 billion, managed by utility industry financial experts who ensure that our projects are financed under the most favorable terms and rates available.

## Access to the Statewide Transmission Grid

- Through MEAG Power's ownership in Georgia's Integrated Transmission System (ITS), a unique 18,000-mile network that allows the efficient flow of power by eliminating the need for multiple redundant transmission facilities, contracts or access fees.

## United Advocacy at the State and Federal Level

- MEAG Power works with national trade associations, monitors bills and meets with legislators at all levels of government, which allows our Participants to speak with a unified voice.

## Sophisticated Energy Market & Trading Resources

- Through The Energy Authority (TEA), we have access to leading-edge analytics, resources and technology, as well as TEA's team of experts who monitor and trade the aggregated resources of multiple public power entities across the nation.

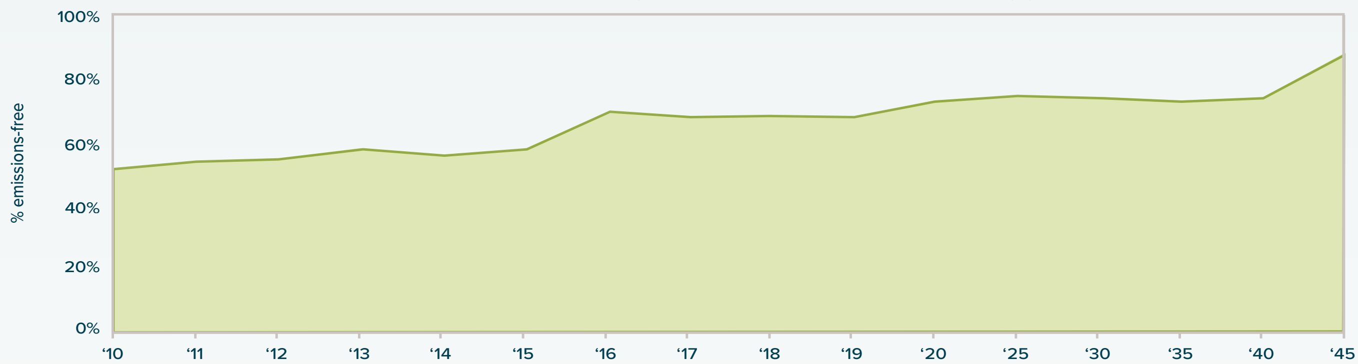
## Engineering & Construction Solutions for Participants

- MEAG Power manages the engineering design and construction of transmission facilities, including both substations and transmission lines, to serve the specific needs of our 49 Participant communities, as well as the system needs for the ITS.

# A Roadmap to the Future: MEAG Power Vision 2045

In 2020 MEAG Power adopted a new Integrated Resource Plan (IRP) – a roadmap to meet the future capacity and energy requirements of our 49 public power Participant communities. Since 2008, MEAG Power has delivered more than 50% emissions-free wholesale energy – and since 2016 has averaged nearly 70% emissions-free delivered energy. Even though our clean energy portfolio compares extremely favorably with both the state and national averages, we're aiming higher.

## MEAG Power's Projected Delivered Energy




**Our vision is to continue to transition our resource portfolio to address future requirements, including increasing our emissions-free energy delivered to nearly 90% by 2045.**

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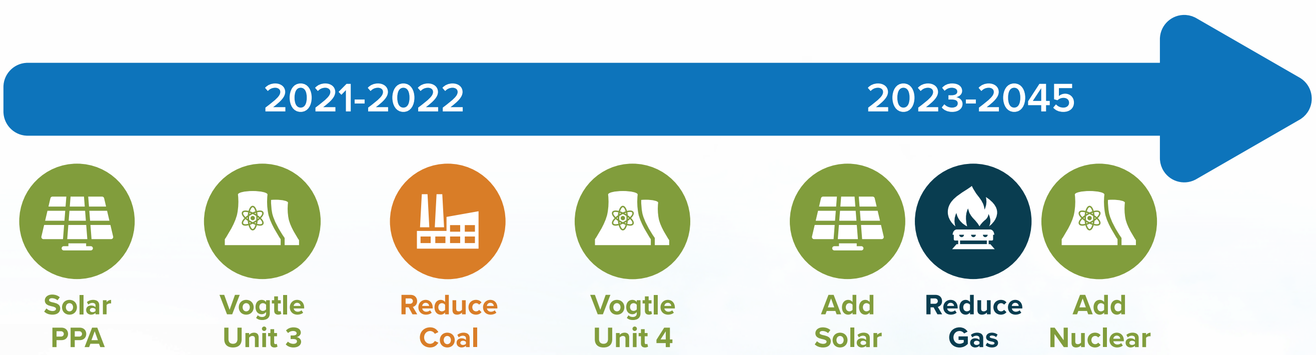
**The newly adopted IRP charts a course toward achieving this vision that calls for a number of strategic steps, most already underway:**

1. Continue to lessen our reliance on coal, and to exit our participation in Plant Wansley's coal units.
2. Complete our first solar PPA (an approximately 100 MW initiative expected to enter commercial operation in 2024), and roll out additional solar in the future.
3. Support application for a subsequent license renewal to extend the operating license for Plant Hatch Unit 1 from 2034 to 2054, and for Hatch Unit 2 from 2038 to 2058.
4. Integrate the output from the new Plant Vogtle Units 3&4 into our portfolio when they are slated to come online in 2021 and 2022, respectively.




# Some of What Our Participants Achieved in 2020

## Economic Development

- **Adel** Renewable Biomass Group will construct a $95 million wood pellet facility in Adel, initially creating 60 new jobs.
- **Albany** Outdoor Network, a dealer for marine and power sports equipment, will invest nearly $22 million and add 92 jobs.
- **Calhoun** Creative Flooring Solutions will create 300 jobs and invest more than $70 million in a new manufacturing facility.
- **Cartersville** Wellmade Flooring will invest more than $35 million in expanding its manufacturing facilities, delivering 240 jobs to the area.
- **College Park** ATL Data Centers, LLC, served by College Park Power, is investing $2.8 million to expand its high-availability data center by December 2021.
- **Commerce** Enchem Ltd. will build two manufacturing plants in Jackson County. The company will invest $61 million in the facilities and will create 300 full-time jobs.
- **Covington** Lidl announced plans to build a new U.S. distribution center. The $100 million investment will create 270 new full-time jobs over the next five years.
- **East Point** TX Holdings has announced the establishment of a crypto-mining facility with an investment of about $2.5 million.
- **Griffin** Mitsui Kinzoku Die-Casting Technology America Inc. will build a new auto parts manufacturing facility, creating over 30 new jobs and investing $20 million in the project, a customer-choice win for the city.
- **Monroe** Publix announced that it would be the anchor tenant for the Monroe Pavilion development. Total investment for the project was set to exceed $80 million.
- **Moultrie** The Downtown Moultrie Development Authority has received a $25,000 U.S. Department of Agriculture Community Facilities Grant to improve area safety.
- **Newnan** Meal kit provider HelloFresh will establish a distribution center in a 208,930-square-foot facility. The project could bring more than 750 jobs.
- **Palmetto** Microsoft is expected to build a 250,000-square-foot data center just outside Palmetto. The project is expected to create 300 to 1,000 temporary construction jobs and 20 permanent jobs.
- **Thomaston** Chick-fil-A in June opened its new all-electric store. It was a customer-choice win for the city, which is serving the new facility.
- **Thomasville** The city won the Georgia Economic Developers Association's "Deal of the Year" for Check-Mate Industries, expected to create 230 jobs and invest more than $16 million in a new manufacturing location.
- **Washington** WAHA Technologies, which began operations in October 2019, announced an expansion of its Bitcoin mining operation.
- **West Point** CIG Capital, an alternative investment firm, announced a new $125 million lending project for The Villages at West Point.

## Recognition & Initiatives

- **East Point** The City of East Point Electric Department worked with Walmart and Electrify America to power eight charging stations at a Walmart, the city's second charging station project.
- **Lawrenceville** The city was one of 860 nationally recognized by Main Street America for their commitment to improving quality of life, economic development, historic preservation, tourism and job creation at the local level.
- **Marietta** The city's smart traffic system, which allows emergency vehicles to more quickly and safely cross intersections, earned the Technology Innovation Showcase award from the State of Georgia.
- **Thomasville** The city was named the 8th best Southern small town by *Southern Living* magazine readers: "The charming cobblestone Main Street, lined with one-of-a-kind boutiques and eateries, is Thomasville's calling card…."

**Terrell D. Jacobs**
Chairman, MEAG Power

**James E. Fuller**
President and Chief Executive Officer

# A Message From the Chairman and President

### *A Challenging Year of Accomplishment*

In a year that challenged our country, our state, our operations and our Participant communities in ways we never could have imagined, MEAG Power and our employees remained resilient and adapted to the countless changes and requirements of the new paradigm.

We continued to provide our Participant communities the reliable, competitively priced wholesale power they need to ensure their long-term success, while working with them to lessen the financial impact of the pandemic. And despite the myriad challenges, we made significant accomplishments across a number of important areas of our business, from moving closer to Plant Vogtle Unit 3 entering commercial service to highly successful bond sales and credit ratings upgrades to approving a new Integrated Resource Plan, among many others.

#### The Pandemic Wreaks Havoc

The COVID-19 pandemic approached early in the year with alarming speed and uncertainty. As it became clear that it was no longer safe to continue normal operations in our headquarters, senior management made the decision to close the office starting on March 16 to all but essential system operations employees.

From March through the end of the year, 76% of employees worked remotely, 18% split their time working remotely or reporting to the office, and 6% of employees who are field staff continued to conduct business on construction sites or at other MEAG Power facilities.

Thanks to remote-work infrastructure already in place – although used in a limited capacity by employees before the pandemic – Information Services (IS) was able to quickly ramp up to a more robust, secure system to enable the vast majority of our employees to conduct their daily work remotely. This included the ability to securely connect to our network for file access and sharing, conduct virtual meetings over numerous different platforms, and work as efficiently as possible despite the circumstances. MEAG Power has continued to prioritize support for our remote workers, increase awareness of pandemic-related cybersecurity threats, and improve the reliability of our network.

Monthly board meetings were shifted to teleconferences, as was our annual meeting and the concomitant election for three board members. Instead of conference-table group meetings or impromptu office gatherings, many employees became well-versed users of Zoom, WebEx, Skype and other virtual platforms. Despite these challenges, we completed both small and large projects, and our focus on our Participants never wavered.

Because just as it was a trying time for MEAG Power's daily operations and employees – in both their work and family lives – so too was it a difficult year for our Participant communities. The pandemic took a deadly toll on many communities, and the economic and social impacts wracked populations, local governments and utilities across the state. Record levels of unemployment and increased residential power usage strained communities financially, while temporarily idled factories and decreased commercial and industrial usage led to an overall reduction in system demand, which is slowly increasing toward pre-pandemic levels.

MEAG Power quickly worked to reduce our 2020 budget by $40.6 million to help lessen the monthly cost burdens on Participants. We also worked with one of our financial institutions to develop a gap funding agreement to provide a ready source of liquidity for Participants to fund any COVID-19 related utility revenue shortfalls when paying their MEAG Power bills.

The pandemic likewise challenged progress toward completion of Vogtle Units 3&4, as COVID-19 infections among the workforce necessitated new workplace protocols and a reduced workforce on-site. Still, work was never halted, and numerous milestones were reached throughout the year.

### Approved IRP Sets Roadmap for the Future

Despite the historical challenges 2020 brought, the U.S. economy and energy sector continued moving with increasing speed toward a clean-energy future, with a growing list of utilities, municipalities and states announcing their zero-carbon goals. But most utilities are starting from a position not nearly as favorable as ours is today.

At MEAG Power, our delivered energy is already exceptionally clean. We ended 2020 with a delivered energy portfolio that is 69% emissions-free. And we have in place upcoming nuclear and planned solar portfolio additions that, when they enter service, will help us align even closer with business and municipal clean energy priorities as our emissions-free delivered energy percentage continues to grow.

Our Integrated Resource Plan (IRP) approved in 2020 provides a roadmap to meet the future capacity and energy requirements of our 49 Participant communities. Developed with the support of The Energy Authority (TEA), the IRP identified resource needs over the study period (2020–2045), focusing on the first 10 years of actionable alternatives.

TEA recommended the resource plan that best met MEAG Power's business objectives, and we used an internally developed cost assignment methodology to examine the recommended plan at the Participant level. MEAG Power staff members met with each Participant to review the results in late July and early August, and the MEAG Power Board approved the Integrated Resource Plan in August.

*"Cities like East Point are focused on achieving our specific environmental goals. One aspect of that is offering our electric customers clean energy. We're fortunate that in 2020 East Point Power was 99% emissions-free, and that MEAG Power has a diverse, clean portfolio – so we can tailor our energy mix to best meet our needs."*

**Deana Holiday Ingraham**
**Mayor | East Point, GA**

The newly adopted IRP calls for a number of strategic steps, most already underway:

1. Continue to lessen our reliance on coal, and to exit our participation in Plant Wansley's coal units.
2. Complete our first solar power purchase agreement (PPA), an approximately 100 MW initiative, with a targeted commercial operation date of 2024, and add solar PPA resources to satisfy future capacity requirements.
3. In coordination with other co-owners, support application for a subsequent license renewal to extend the operating license for Plant Hatch Unit 1 from 2034 to 2054, and for Unit 2 from 2038 to 2058.
4. Integrate the output from the new Plant Vogtle Units 3&4 into our portfolio when they are slated to come online in 2021 and 2022, respectively.
5. Continue to periodically update the IRP, at approximately 3-year intervals, as part of an effective ongoing planning process.

## Plant Wansley Exit Plan Approved

In 2020, coal generation made up only 2% of our delivered energy portfolio, as MEAG Power took advantage of more economical resources. The year began with historically low natural gas prices that resulted in record usage of our Wansley combined-cycle gas unit over the course of the year: a record capacity factor of 69.26%. At the same time, dispatch from the Wansley 1&2 coal units was nearly 0%, and the capacity from the two coal units continued to be in excess of the majority of Participant needs.

*"Our electric system is our community's most valuable asset. Being able to decide here at home on system upgrades and improvements, having input on our generation resources, and setting our rates and tariffs makes us a more attractive and secure place to live."*

**Larry Guest**
**Mayor | Elberton, GA**

Wansley Units 1&2 were operational as of 1976 and 1978, respectively, with MEAG Power's ownership at 15.1% of the units. The units' net capacity factor has been in near-steady decline for the past several years.

Moreover, the Wansley Units 1&2 operating agreement expired in March 2018 and has been continued on a series of 12-month extensions, with an annual option to renew or terminate.

The 2020 IRP analysis of the economics of exiting the Wansley operating agreement and MEAG Power releasing output from the units showed that we could avoid variable and fixed operating costs, and avoid ongoing renewal and replacement costs for the units. The IRP forecasted net present value savings of approximately $120 million, the reduction in fixed costs for all Participants, and the addition of solar resources, along with the release of Wansley output, providing supplemental economic benefit.

The MEAG Power Board approved a notice of termination during the October 2020 Board meeting, and that notice was provided to Georgia Power on October 30. MEAG Power's ownership interest in the Units will remain intact.

Despite the plan to exit the Wansley operating agreement, and while coal continues to decline in use, it still plays a role in MEAG Power's utilization of its diverse portfolio to ensure the reliable and economical supply of power.

## Adding Solar to Our Resource Portfolio

The 2020 Integrated Resource Plan validated the process we began in 2019 of evaluating the addition of solar power to our resource portfolio. Solar continues to grow in attractiveness as a clean-energy option for a number of reasons:

- ***Utility-scale solar costs continue to decline.*** According to the Berkeley Lab, the median installed price of utility-scale solar projects that came online in 2019 fell by 20% from 2018 and was down by more than 70% from 2010. And, nationwide, average levelized PPA prices fell to $24/MWh in 2019, down 17% from 2018 and a drop of more than 80% since 2010.
- ***As prices continue to fall, solar installations increase.*** U.S. solar installations continued to grow in 2019, according to the Solar Energy Industries Association and Wood Mackenzie, adding 13.3 gigawatts, up from 10.6 gigawatts in 2018, and bringing the cumulative total to 76 gigawatts.
- ***Solar leads installed generation:*** Fully 40% of all power generation installed in the U.S. in 2019 was solar, surpassing all other power sources for just the second time. Wood Mackenzie projected around 18 gigawatts of new solar installations in the U.S. in 2020.
- ***Southeast leading the nation:*** For the third year in a row, according to the Berkeley Lab, the Southeast led all other regions in 2019 in terms of new utility-scale PV capacity additions.

With this very favorable context as the backdrop, MEAG Power also recognized the value of solar to our Participants: the ability to offer long-term renewable energy contracts (and Renewable Energy Credits, or RECs) to commercial and industrial customers that have corporate sustainability goals for their businesses; the ability to meet the demand for community solar programs and some residential customers' desire for "green" energy; and as a means to meet peak system needs as part of a diversified resource portfolio.

As 2020 ended, we continued to evaluate bids from the RFP issued earlier for a PPA of approximately 100 MWs. The business benefits of a PPA to add solar to our resource portfolio are clear:

having no ownership of the facility, and thus no fixed costs, and locking into a favorable fixed energy price for the anticipated 20-year term of the agreement. This structure also allows MEAG Power to take advantage of existing tax incentives, not available directly to us, that can be obtained by the solar developer and passed on as a reduced energy cost.

In addition to the current solar initiative, we envision future solar PPAs as means to add clean, low-cost energy to our portfolio on an as-needed basis.

### Plant Vogtle Units 3&4 Progress Continues

The massive effort to complete Vogtle Units 3&4, while hampered by the pandemic and necessary worksite protocols, continued throughout the year. The 7,000-strong workforce accomplished a number of milestones toward completing Units 3&4.

**Unit 3 Hot Functional Testing Begun** – On April 26, 2021, it was announced that hot functional testing had begun for Plant Vogtle Unit 3. Hot functional testing marks the last series of major tests underway for the new nuclear unit ahead of initial fuel load. Hot functional testing is conducted to verify the successful operation of reactor components and systems together and confirm the reactor is ready for fuel load. As part of the testing, the site team will begin running Unit 3 plant systems without nuclear fuel and advance through the testing process toward reaching normal operating pressure and temperature. Hot functional testing is expected to take six to eight weeks.

2020 milestones included, in reverse order of completion:

**Unit 3 Condenser Vacuum Test** – The test was conducted with the main turbine on turning gear and by operating supporting systems to establish the condenser vacuum, which is necessary to demonstrate the steam supply and water-cooling systems operate together and are ready to support hot functional testing and initial fuel load in the reactor.

**Unit 4 Shield Building Roof Placement** – The two-million-pound roof of the Unit 4 shield building has been set into place. With this placement, there remained one last major crane lift for Unit 4, the Passive Cooling Water Storage tank, or CB-20 module, which is part of the AP1000 reactor's advanced passive safety system. (The CB-20 module was lifted into place as of April 26, 2021.)

**Unit 3 Nuclear Fuel Receipt** – With the receipt of the first nuclear fuel assemblies in December, the site is preparing for the last major test remaining for Unit 3, hot functional testing, ahead of initial fuel load.

**Completion of Unit 3 Cold Hydro Testing** – Confirmed the reactor's coolant system functions as designed and verified the welds, joints, pipes and other components of the coolant system and associated high-pressure systems do not leak when under pressure.

**Emergency Preparedness Drill** – Vogtle 3&4 completed a required emergency preparedness exercise for a simulated emergency event for Vogtle Unit 3. Teams participated in the simulation and demonstrated their ability to effectively and efficiently respond and protect the health and safety of the public.

**Vogtle 3&4 Operators Receive Licenses** – The Nuclear Regulatory Commission (NRC) issued the first operator licenses to 62 Reactor and Senior Reactor Operators for Vogtle 3&4. To receive a nuclear operator license from the NRC, license holders must demonstrate that they possess the required knowledge, skills and abilities to safely and effectively operate the units.

**Completion of Closed Vessel Testing** – The completion of this milestone prepared Unit 3 for cold hydro testing. Closed vessel testing verified the pipes and valves in the Unit 3 reactor coolant system were installed as designed and helped ensure safety systems function properly.

**Completion of the Structural Integrity Test and Integrated Leak Rate Test** – Both tests were completed in succession for Unit 3 and demonstrated the containment vessel meets construction quality and design requirements.

**Placement of the Final Module for Unit 3** – The water tank that sits atop the containment vessel and shield building roof will hold approximately 750,000 gallons of water ready to flow down in the unlikely event of an emergency to help cool the reactor.

**Placement of the Unit 3 Integrated Head Package (IHP) Atop the Reactor Vessel** – Standing 48 feet tall, weighing 475,000 pounds and containing more than three miles of electrical cables, the IHP will eventually be used by highly-trained nuclear operators to monitor and control the nuclear reaction that will occur inside the Unit 3 reactor vessel.

**Completion of Open Vessel Testing for Unit 3** – This successfully demonstrated how water flows from the key safety systems into the reactor vessel, ensuring the paths are not blocked or constricted, and confirmed the pumps, motors, valves, pipes and other components of the systems function as designed.

The project work has included: replacing the existing remote terminal units (RTUs), upgrading the existing revenue meters to power quality smart meters, upgrading communication routers, installing microprocessor-based relays for feeder breakers, installing digital regulator control panels, and installing SCADA remotely controlled motor operators on transmission switches.

Updating this vital substation equipment with modern, smart technology has numerous benefits: reduced substation maintenance costs; predictive sensing of system conditions; improved power system reliability; "smart" equipment diagnostic information; improvements that will support future distribution automation; remote access to SCADA data for improved control; enhanced cybersecurity protection; and capturing data to improve system management.

The smart grid work to date continues to deliver the promised benefits. Through the end of 2020, there had been zero misoperations on feeder breakers for the past 17 months. From 2013 to 2020, there was a 66% reduction in outage minutes. There has also been a marked improvement in reporting capabilities to Participants of breaker operations and voltage limits. And in 2020, MEAG Power's overall system reliability was 99.998%, the highest since we began recording.

*"Quality service is really the hallmark of public power communities. Our locally owned and operated utilities are staffed by community members who answer calls for assistance, and who respond to needs in the field. Providing the highest quality service is our top priority."*

**Freddy Morgan**
**Assistant City Manager | Covington, GA**

**Placement of the Polar Crane and Containment Vessel Top for Unit 4** – This signified that all major lifts inside the containment vessels for both units are complete.

## Smart Grid, Operational Successes

Just as Vogtle work continued in 2020, so too did ongoing MEAG Power transmission field work. The second phase of our ongoing successful Smart Grid project reached 98% completion by year's end and is slated to be wrapped up in May 2021. Phase one ran from 2010 to 2013 and included work on 133 substations. The initial project was part of a Department of Energy program to incentivize the modernization of the nation's electric grid.

The 5-year, $10 million second phase of the project began in 2016 to modernize the equipment in all remaining substations, including those not completed in the initial phase. Ending 2020, only two of those 107 substations remained to be completed.

## Significant Legal Victory

MEAG Power's 2020 accomplishments extended into the legal realm, with a significant victory that ended the multiyear litigation involving the Plant Vogtle Units 3&4 Project J power-purchase agreement (PPA) with JEA.

On June 17, U.S. District Judge Mark Cohen granted MEAG Power's Motion for Judgment on the Pleadings, declaring that the PPA "is VALID AND ENFORCEABLE" and that "the PPA unconditionally requires JEA to pay MEAG Power for capacity and energy at the full cost of production of Project J, including debt service on the bonds and DOE-guaranteed loans". The ruling confirmed the merits of MEAG Power's position on this matter while avoiding a prolonged and costly trial.

Under the terms of the PPA, which was signed in 2008, and amended and restated in 2014, JEA committed to purchase all of the Project J share of the energy generated by the new units 3 and 4 of the Alvin W. Vogtle Electric Generating Plant ("Plant Vogtle") during their first 20 years of operation, as well as to pay for approximately 41% of MEAG Power's share of the construction cost for the new units during those 20 years. JEA also attested to the validity of the PPA in three separate court validation proceedings, fully understanding that the financial community would rely upon such representations in providing funds necessary to finance the Project.

Despite this, in late 2018, JEA and the City of Jacksonville launched a series of legal and regulatory maneuvers in an attempt to have that agreement invalidated. These included filing a lawsuit in state court in Florida, launching a failed attempt to seek intervention by the Federal Energy Regulatory Commission, and engaging in a costly, misleading public relations campaign against MEAG Power. To defend the agreement and protect our 49 Participant communities, MEAG Power filed counterclaims, including a request to change jurisdiction to the U.S. District Court for the Northern District of Georgia, where the dispute was decided in MEAG Power's favor.

In their lawsuit, the City of Jacksonville and JEA leveled a lengthy series of claims regarding the legality of the agreement. In his 53-page order, Judge Cohen rejected each of these claims in turn.

After a series of discussions following Judge Cohen's ruling, on July 30 JEA, the City of Jacksonville and MEAG Power announced a settlement of all disputed issues relating to the new Plant Vogtle Units 3&4 and the Project J PPA.

Terms of the settlement included JEA and the City of Jacksonville dismissing their civil action against MEAG Power then pending in U.S. District Court, and MEAG Power dismissing its lawsuits against JEA then pending in U.S. District Court and the U.S. Court of Appeals. Further, JEA, the City of Jacksonville and MEAG Power agreed to accept without challenge or appeal the Order entered by Judge Cohen, including without limitation his determination that the JEA PPA is Valid and Enforceable. Terms also included certain provisions that will create additional future value to both JEA and MEAG Power.

### Successful Financing Activities

In addition to numerous cost-saving financing activities during the year, MEAG Power facilitated an Enterprise Risk Management (ERM) review and enhancement process, revising the organization's ERM policy and forming a new Executive ERM Committee.

We also planned and implemented a new investor website that provides comprehensive MEAG Power information for existing and potential investors, enhancing our ability to achieve low-cost financing. The new site offers easily accessible annual reports, annual information statements, official statements, Project-specific information and documents, updated Plant Vogtle and MEAG Power press releases, bond sales, roadshow and ratings information, and links to the EMMA website for CUSIP filings, in addition to a host of other relevant information.

Financing successes on the year included: amending and extending three credit agreements to provide $162.5 million of loan capacity to support MEAG Power Projects; replacing a remarketing agent on a $148-million variable-rate bond, resulting in annual savings of $59,000; and receiving $424.3 million in Department of Energy (DOE) Guaranteed Loan proceeds in October for Vogtle Projects M, J & P. Of special note is that the DOE loan proceeds provided an initial total weighted average interest rate of 1.28% – a historically low rate of interest that will result in significant cost savings over the term of the loan. By comparison, MEAG Power's total average interest rate on debt at year-end 2020 was 4.10%.

In the fourth quarter, we completed two successful bond sales and a bond refunding. MEAG Power sold $194.4 million of Project One Bonds with an all-in total interest cost of 2.79%, with 10.6 years weighted average maturity. In addition, we sold $58.5 million of General Resolution Bonds with a 2.23% all-in total interest cost, with 9.8 years weighted average maturity. And we completed a Combined Cycle (CC) Project Bond Refunding, which refunded existing bonds for economic savings, in this case resulting in estimated Net Present Value savings of $13.5 million.

Finally, following the JEA and City of Jacksonville settlement, MEAG Power reaped the benefit of two successive ratings upgrades from Moody's Investors Service. Moody's first upgraded MEAG Power's Plant Vogtle Units 3&4 Project J revenue bonds from Baa3 to Baa2, then further upgraded the Project J revenue bonds to Baa1, with a positive rating outlook.

### Government & Corporate Affairs Successes

It was a year of both action and reaction in Government & Corporate Affairs. MEAG Power completed major long-planned projects and responded quickly and efficiently to unanticipated needs related to the pandemic.

As mentioned earlier, we responded with a tremendous effort to ramp up MEAG Power's remote-work infrastructure and capabilities on short notice when our headquarters office was closed in March. In less than a week we designed, tested, and deployed a remote-working plan for all employees. We also implemented enhanced security measures, worked to resolve home networking issues and stabilize connectivity, and assisted in implementing physical security changes supporting essential staff still working in the headquarters building.

We continue to monitor systems and processes to keep the MEAG Power infrastructure secure and reliable. No major infrastructure projects have been required as a result of the pandemic, but the knowledge gleaned from this period will inform IS planning into the future.

Another unanticipated accomplishment was successfully planning and executing our first Virtual Mayors Summit in November, a fully online version of our annual event to promote the advocacy of issues important to MEAG Power and the Participant communities.

The MEAG Power Board room was transformed into a de facto socially distanced broadcast studio, with an AV crew working together with MEAG Power staff to produce the event. A total of 34 Participant communities were represented among the event participants, with approximately 100 registered participants.

section with an interactive map that serves as the gateway to information about each Participant, and highlights the ongoing economic development in our Participant communities. The site also features an all-new Careers section to provide an array of information about the benefits of working at MEAG Power.

MEAG Power was gratified to learn that our 2019 annual report won an Award of Merit in the APPA's annual Excellence in Public Power Communications Awards. "Awards were given to those that showed ingenuity and creativity in telling their stories through outstanding copy, design, financial data presentation and graphics...," according to the APPA. MEAG Power's 2019 annual report was recognized in the Print/Digital category among peers with gross revenues of $400 million or more.

In Government Affairs we maintained our outreach efforts, continuing discussions and consultations with the Georgia delegation, state legislators and trade associations regarding policy and proposed legislation of interest to MEAG Power and our Participants. While the lack of in-person meetings offered particular challenges in conducting this outreach, the relationships built and nurtured in previous years allowed this function to effectively proceed.

*"Team Thomasville is a true team in every sense of the word. The entire team is involved in comprehensive economic development, from city officials, the city manager, the utilities manager, tourism, Main Street, small business recruitment to industrial recruitment and retention through the Thomasville Payroll Development Authority."*

**Shelly Zorn**
**Director, Thomasville Payroll Development Authority | Thomasville, GA**

We also successfully planned and launched a new MEAG Power corporate website in 2020. The new site was built using the industry-standard platform, WordPress. It is a modern, best-in-class site that reflects MEAG Power's industry position, is mobile-friendly on all devices, is an effective tool for corporate branding and a marketing information resource for MEAG Power and Participants.

The site focuses on the importance of our relationship with Participants, and on the interplay of joint action and public power – specifically, on the benefits MEAG Power delivers to Participants, and Participants deliver to their communities. The site provides a detailed array of information on MEAG Power's background and operations. It also includes a new Participants

### Proposed Southeast Energy Exchange Market

Throughout the year, MEAG Power was involved in discussions about launching a new centralized, region-wide intra-hour energy exchange with the goal of lowering costs, optimizing new renewable energy resources and improving reliability. The proposed platform is called the Southeast Energy Exchange Market, or SEEM.

The new SEEM platform will facilitate sub-hourly, bilateral trading, allowing participants to buy and sell power close to the time the energy is consumed, utilizing available unreserved transmission. The platform is an extension of the existing bilateral market.

The result will be cost savings and improved integration of all energy resources, including renewables, which are expanding rapidly in the Southeast. This will lead to a cleaner, more robust electricity system.

SEEM members are expected to include Associated Electric Cooperative, Dalton Utilities, Dominion Energy South Carolina, Duke Energy Carolinas, Duke Energy Progress, ElectriCities of North Carolina, Georgia System Operations Corporation, Georgia Transmission Corporation, LG&E and KU Energy, MEAG Power, NCEMC, Oglethorpe Power Corp., PowerSouth, Santee Cooper, Southern Company and TVA.

*"In public power communities, elected officials represent the citizens in running the local utility for the good of the community. Community ownership fosters a transparent decision-making process for utility operations, and being non-profit allows our full focus to be on our customers, not on shareholders."*

**Andy Arnold**
**Mayor | LaFayette, GA**

The expected founding members represent nearly 20 entities in parts of 11 states with more than 160,000 MWs (summer capacity; winter capacity is nearly 180,000 MWs) across two time zones. These companies serve the energy needs of more than 32 million retail customers (roughly more than 50 million people).

SEEM members filed with the Federal Energy Regulatory Commission (FERC) in February 2021 for approval of the platform. If approved, SEEM could be operational by early 2022.

Membership in SEEM is voluntary. MEAG Power continues to evaluate SEEM's potential benefits and has not yet committed to joining the platform.

### A Hopeful Outlook

Soon after we transitioned to majority remote work, we formed a committee to plan for our eventual return to the office – not anticipating that it would be delayed by at least another full year beyond our initial expectations. The health and safety of MEAG Power's employees, contractors and Participants is the guiding principal in this Return to the Office Plan.

2020 ended with the hopeful news in December of approval of the first two COVID-19 vaccines, and a nationwide mobilization to begin the months-long vaccination effort. At the time of publication, a third vaccine had been approved and vaccination levels were increasing.

We share the hopefulness of our Participant communities, our state and our nation that – though we know the pandemic is still far from over – we are getting closer to a time when we can begin to resume more normal activities and operations.

It is MEAG Power's intent to be responsible, measured, and flexible when transitioning employees who are working remotely back to the office.

In addition, we plan to go forward with an in-person annual meeting in July – following whatever COVID-19 safety protocols remain in place at that time. It will be the first such gathering for MEAG Power, our Participants, our families and friends in 20 months.

Our hopefulness extends to an economic rebound after the pandemic. As we all work toward a better future, the essential connection we have with our Participants will drive us to provide every advantage possible to them in order to ensure that their communities remain competitive, successful and ready for the future.

Terrell D. Jacobs
Chairman

James E. Fuller
President and Chief Executive Officer

April 30, 2021

# The MEAG Power Board

LEFT TO RIGHT:

**L. TIMOTHY HOUSTON, SR.**
Alderman, Acworth

**GREGORY P. THOMPSON**
Businessman, Monroe

**L. KEITH BRADY**
Mayor, Newnan

**R. STEVE "THUNDER" TUMLIN, JR.**
Vice Chairman
Mayor, Marietta

**TERRELL D. JACOBS**
Chairman
Municipal Operations Consultant
Georgia Municipal Association

**LARRY M. VICKERY**
Secretary-Treasurer
General Manager
Calhoun Utilities

**STEVE A. RENTFROW**
Retired—Former General Manager
Crisp County Power Commission

**PATRICK C. BOWIE, JR.**
Utility Director, LaGrange

**WILLIAM J. YEARTA**
State Representative, Sylvester

# Senior Management

LEFT TO RIGHT:

**STEVEN M. JACKSON**
Senior Vice President & Chief Operating Officer

**PETER M. DEGNAN, ESQ.**
Senior Vice President & General Counsel

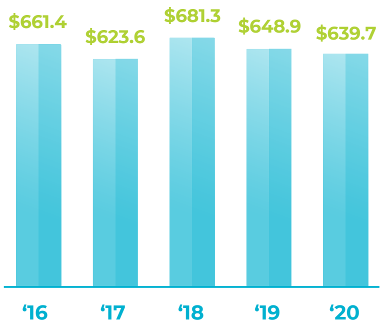
**JAMES E. FULLER**
President & Chief Executive Officer

**DOUGLAS K. LEGO**
Vice President & Chief Administrative Officer

**EDWARD E. EASTERLIN**
Senior Vice President & Chief Financial Officer

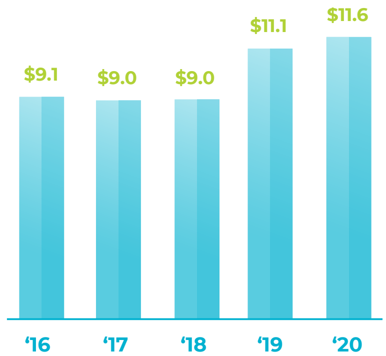
# Selected Financial Highlights

**TOTAL REVENUES**
(dollars in millions)



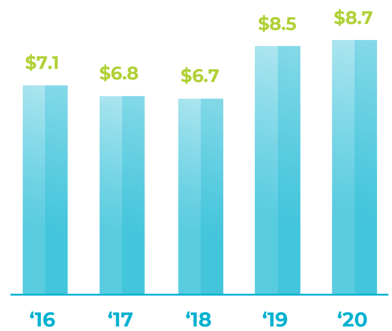

Total revenues decreased $9.2 million during 2020, due mainly to a decrease of $44.9 million in contract energy sales. Participant billings for operating expenses were lower related to a 4% decrease in total energy delivered, due in part to milder weather and COVID-19 reductions. These factors were partially offset by certain timing differences and PPA debt service billings.

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**
(dollars in billions)



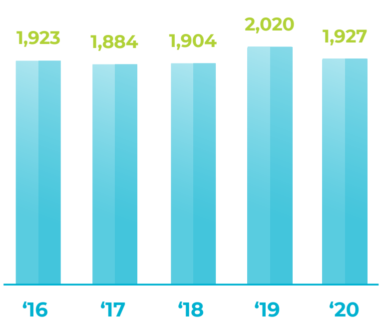

During 2020, total assets and deferred outflows of resources increased $444.8 million, due primarily to proceeds from DOE Guaranteed Loan advances and bond issuances, as well as additional capital investment in Vogtle Units 3&4.

**TOTAL DEBT OUTSTANDING**
(dollars in billions)



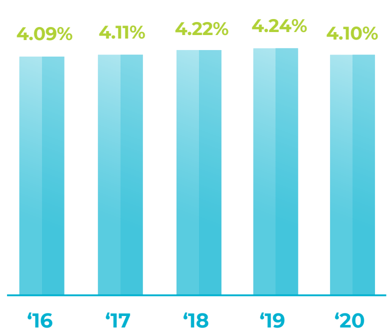

During 2020, total debt outstanding increased $206.8 million, due mainly to DOE Guaranteed Loan advances, bond issuances and advances from credit facilities totaling $891.2 million, which were partially offset by principal payments and refundings.

**PEAK DEMAND**
(MW)



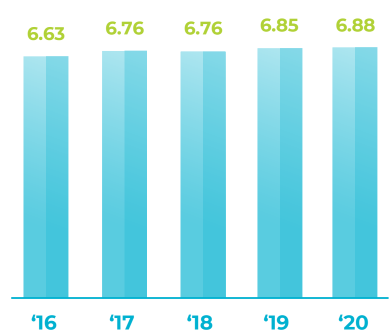

In 2020, peak demand decreased 5% due to milder weather and COVID-19 reductions.

**ANNUAL WEIGHTED AVERAGE INTEREST COST**
(percent)




In 2020, the weighted average interest rate of MEAG Power's debt was 4.10%, compared with 4.24% for 2019. The decrease was due to a significant decline in variable interest rates.

**COST TO PARTICIPANTS**
(cents/kWh)




Total cents per kWh was 6.88 in 2020, compared with 6.85 in 2019. The increase was primarily due to a 4% decrease in total energy delivered, which was partially offset by lower Participant billings for fuel.

## MEAG POWER

# 2020 Financial Review



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

## Introduction

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

## Overview of the Consolidated Financial Statements

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

- Project One;
- General Resolution Projects;
- Combined Cycle Project (CC Project);
- Vogtle Units 3&4 Projects and Project Entities;
- The Municipal Competitive Trust (Competitive Trust); and
- Telecommunications Project (Telecom).

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

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

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

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

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

## Financial Condition Overview

MEAG Power's Balance Sheet as of December 31, 2020, 2019 and 2018 is summarized below (in thousands). Significant 2020 transactions include:

- Construction work in progress (CWIP) additions of $900.9 million, mainly pertaining to Generation Station Vogtle, Unit Nos. 3 (Unit 3) and 4 (Unit 4) (collectively, Vogtle Units 3&4).
- U.S. Department of Energy (DOE) Guaranteed Loan advances and bond issuances totaling $754.5 million used primarily for capital improvements and debt refunding/retirement.

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Property, plant and equipment, net | **$ 7,430,336** | $ 6,550,662 | $5,690,057 |
| Other non-current assets | **2,491,581** | 3,411,710 | 2,227,078 |
| Current assets | **1,386,770** | 917,189 | 853,688 |
| Total assets | **11,308,687** | 10,879,561 | 8,770,823 |
| Deferred outflows of resources | **281,879** | 266,237 | 253,196 |
| Total Assets and Deferred Outflows of Resources | **$11,590,566** | $11,145,798 | $9,024,019 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES: | | | |
| Long-term debt | **$ 8,474,846** | $ 8,148,694 | $6,441,368 |
| Non-current liabilities | **1,022,194** | 961,662 | 909,232 |
| Current liabilities | **887,493** | 982,394 | 834,354 |
| Total liabilities | **10,384,533** | 10,092,750 | 8,184,954 |
| Deferred inflows of resources | **1,206,033** | 1,053,048 | 839,065 |
| Total Liabilities and Deferred Inflows of Resources | **$11,590,566** | $11,145,798 | $9,024,019 |

# 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, 2020 and 2019 were as follows:

## 2020 COMPARED WITH 2019

### Assets and Deferred Outflows of Resources

During 2020, total assets and deferred outflows of resources increased $444.8 million, or 4.0%. Within asset components:

- An increase of $879.7 million in property, plant and equipment (PP&E) was due primarily to CWIP additions at Vogtle Units 3&4, as discussed in Note 3, "Property, Plant and Equipment."
- Other non-current assets decreased $920.1 million, mainly due to an $888.0 million decrease in special funds, primarily related to payments and transfers for Vogtle Units 3&4 CWIP additions, which were partially offset by proceeds from bond issuances and DOE Guaranteed Loans (see "Financing Activities"). Net costs to be recovered from Participants, pertaining to the Vogtle Units 3&4 Projects and Project Entities, decreased $23.2 million due to 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"), which were partially offset by net non-operating expense (see "Results of Operations — 2020 Compared with 2019 — Non-operating expense (income), net").
- An increase of $469.6 million in current assets was primarily related to special funds, which increased $432.0 million, mainly due to transfers from non-current special funds, to fund construction costs for Unit 3, and within Competitive Trust funds, which were partially offset by debt service payments. Other receivables increased $22.3 million, mainly due to the subsidy accrued on Build America Bonds. Materials, supplies and other assets increased $19.8 million due to increases in plant maintenance materials and the fair value of gas hedge investments (see below).

Deferred outflows of resources increased $15.6 million due primarily to a $20.8 million decrease in the fair market value of interest rate swap obligations and a $6.7 million increase in asset retirement obligations (ARO). These factors were partially offset by a $5.1 increase in the fair market value of gas hedges and a $4.6 decrease in the normal amortization of unamortized loss on refunded debt.

### Liabilities and Deferred Inflows of Resources

During 2020, total liabilities increased $291.8 million, or 2.9%, as follows:

- An increase of $206.8 million in total debt outstanding resulted from an increase of $326.2 million in long-term debt, which was partially offset by decreases of $77.6 million in lines of credit and other short-term debt and $41.8 million in the current portion of long-term debt. The increase in long-term debt is attributed to DOE Guaranteed Loan advances, bond issuances and advances from credit facilities totaling $891.2 million, which were partially offset by $621.1 million in scheduled principal payments and refundings from bond proceeds. The decrease in lines of credit and other short-term debt was mainly related to the issuance of long-term debt and DOE Guaranteed Loan advances, and the current portion of long-term debt decreased primarily due to scheduled bond amortizations.
- A $60.5 million increase in non-current liabilities was mainly due to an increase of $35.7 million in ARO due to normal accretion. A $14.9 million increase in other non-current liabilities was primarily due to the decrease in the fair value of interest rate swap obligations, which was partially offset by a $5.3 million reduction in net pension obligations. Competitive Trust obligations increased $9.9 million due mainly to Participant deposits to defray the future costs of new generation projects.
- Current liabilities decreased $94.9 million mainly due to the decreases in borrowings under lines of credit and other short-term debt and the current portion of long-term debt. These factors were partially offset by a $20.6 million increase in accounts payable, mainly due to accruals of $14.8 million for payments in lieu of ad valorem taxes pertaining to tangible property (see "Results of Operations — 2020 Compared With 2019 — Operating Expenses").

An increase of $153.0 million in deferred inflows of resources was primarily due to Timing Differences and increases in the fair value of financial instruments, gains and earnings pertaining to the Decommissioning Trust (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning").

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

## 2019 COMPARED WITH 2018

### Assets and Deferred Outflows of Resources

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

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

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

### Liabilities and Deferred Inflows of Resources

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

- Long-term debt increased $1.7 billion due primarily to $1.5 billion in bond issuances and $563.1 million in additional DOE Guaranteed Loan advances. These factors were partially offset by principal payments and refundings totaling $627.4 million, among other factors.
- An increase of $52.4 million in non-current liabilities was primarily due to a $25.3 million increase in ARO, related to decommissioning costs and coal combustion residual and effluent limitation guidelines, as discussed in Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning." Competitive Trust obligations increased $14.8 million due mainly to Participant deposits to defray the future costs of new generation projects. An increase of $12.3 million in other non-current liabilities was primarily related to an $18.0 million decrease in the fair value of interest rate swap obligations, which was partially offset by a $6.8 million reduction in net pension obligations.
- Current liabilities increased $148.0 million due mainly to increases of:
  - $74.7 million in the current portion of long-term debt due to scheduled bond amortization.
  - $27.0 million in accounts payable, partially due to a $10.5 million increase in 2019 year-end settlement refunds due to the Participants (see Note 2 (C), "Summary of Significant Accounting Policies and Practices — Revenues — Year-End Settlement").
  - $55.4 million in borrowings under lines of credit and other short-term debt primarily related to construction at Vogtle Units 3&4.
  - $23.0 million in accrued interest mainly related to 2019 borrowings for Vogtle Units 3&4.

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

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

# Results of Operations

MEAG Power's Statement of Net Revenues for each of the years ended December 31, 2020, 2019, and 2018 is summarized below (in thousands):

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Revenues: | | | |
| Participant | **$538,213** | $504,403 | $549,425 |
| Other | **101,494** | 144,501 | 131,903 |
| Total revenues | **639,707** | 648,904 | 681,328 |
| Operating expenses | **565,562** | 596,873 | 581,726 |
| Net operating revenues | **74,145** | 52,031 | 99,602 |
| Non-operating expense, net | **50,999** | 34,283 | 103,738 |
| Change in net costs to be recovered from Participants or Competitive Trust obligations | **23,146** | 17,748 | (4,136) |
| Net Revenues | **$ —** | $ — | $ — |

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

The primary changes in MEAG Power's results of operations for the years ended December 31, 2020 and 2019 were as follows:

## 2020 COMPARED WITH 2019

### Revenues

Total revenues were $639.7 million during 2020, compared with total revenues of $648.9 million for 2019, a decrease of 1.4%:

- An increase of $33.8 million, or 6.7%, in Participant revenues was due primarily to a $57.3 million decrease in deferred inflows of resources related mainly to Timing Differences and 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), related to a 4% decrease in energy delivered to the Participants. MEAG Power estimates that the novel coronavirus (COVID-19) pandemic (see "Economic Conditions/COVID-19") decreased 2020 delivered energy by approximately 3%, with cooler summer weather and an 8.8% increase in hydro power received by the Participants from the Southeastern Power Administration also being factors.
- Other revenues decreased $43.0 million, or 29.8%, primarily due to decreases of $44.9 million in Pseudo Scheduling and Services Agreement (PSSA) energy sales and $9.8 million in off-system energy sales, which were partially offset by a $15.0 million increase in debt service billings under the Vogtle Units 3&4 Power Purchase Agreements.

### Operating Expenses

Operating expenses decreased 5.3% to $565.6 million during 2020, compared with $596.9 million for 2019:

- Total fuel expense decreased $62.0 million, due mainly to a $55.7 million decrease in coal expense related to a significant decrease in coal generation and a $4.2 million decrease in natural gas expense due to price.
- A decrease of $6.5 million in purchased power expense was primarily due to a reduction in purchased volume and lower power prices.

These factors were partially offset by increases of:

- $21.4 million in depreciation and amortization due to higher depreciation rates and additional PP&E in-service additions.
- $8.8 million in other generating and operating expense mainly due to accruals for payments in lieu of ad valorem taxes, which began in 2020, pertaining to tangible property included in Project One, as well as Project Two in the General Resolution Projects.
- $7.0 million in transmission expense was also mainly related to accruals for payments in lieu of ad valorem taxes.

### 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 (collectively, Net Non-operating Expense), totaled $51.0 million during 2020. This 48.8% increase from the total of $34.3 million for 2019 was due primarily to changes in these components of Net Non-operating Expense:

- Investment income decreased $26.0 million, primarily due to short-term rates trending lower from Federal Reserve Bank rate decreases related to COVID-19, as well as lower investment balances.
- An increase of $12.6 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 $9.3 million due mainly to a significant decrease 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 fiscal quarter 2020, which was partially offset by a rebound in equities during the remainder of the year.

These factors were partially offset by:

- Interest capitalized, which increased $22.6 million due mainly to additional capital investment in Vogtle Units 3&4.
- An $8.9 million increase in amortization of debt discount and expense was primarily due to amortization of bond premiums and issuance costs.

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

The change in net costs to be recovered from Participants or Competitive Trust obligations was $23.1 million and $17.7 million for the years ended December 31, 2020 and 2019, respectively. For both years, the net costs to be recovered portion pertained to the Vogtle Units 3&4 Projects and Project Entities and was related to Timing Differences and Net Non-operating Expense. The change in Competitive Trust obligations was immaterial in both years.

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

## 2019 COMPARED WITH 2018

### Revenues

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

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

### Operating Expenses

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

- Total fuel expense increased $18.6 million due mainly to the following factors impacting natural gas expense:
  - A significant increase in generation from the Combined Cycle facility (Wansley Unit 9), mainly due to reduced outage time and lower gas prices.
  - Minimum margins on delivered gas sales in 2019 due to warmer winter weather, in contrast to 2018, when unusually cold winter weather resulted in significant margins on these sales.
- Depreciation and amortization increased $8.5 million primarily due to accretion of ARO.
- Other generation and operating expense decreased $12.6 million mainly due to a reduction in major maintenance at Wansley Unit 9.

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

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

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

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

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

### Vogtle Units 3&4 Projects and Project Entities

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

- Based on the construction cost estimate set forth in the VCM 24 Report, as well as recently updated construction cost estimate and contingency information discussed in the "Cost and Schedule" section of Note 1 (D), and based on in-service dates of December 2021 and November 2022 for Unit 3 and Unit 4, respectively, it is estimated that the Vogtle Units 3&4 Project Entities' in-service cost will be, in the aggregate, approximately $6.5 billion, including construction and financing costs through the estimated in-service dates, contingencies, initial fuel load costs and switchyard and transmission costs. Additional financing needs relating to required reserve funds and other fund deposits result in total financing needs of approximately $7.0 billion, of which approximately $180.0 million remains to be financed. For additional cost contingency information, see the section of Note 1 (D) referenced above.
- Since March 2020, the number of active COVID-19 cases at the construction site has fluctuated and impacted productivity levels and pace of activity completion. In addition, the project continued to face challenges including, but not limited to, higher than expected absenteeism; overall construction and subcontractor labor productivity; system turnover and testing activities; and electrical equipment and commodity installation. As a result of these factors, in January 2021, Southern Nuclear further extended certain milestone dates, including the start of hot functional testing and fuel load for Unit 3, from those established in October 2020.

Following the January 2021 milestone extensions, Southern Nuclear has been performing additional construction remediation work, primarily related to electrical commodity installations, necessary to ensure quality and design standards are met as system turnovers are completed to support hot functional testing and fuel load for Unit 3. Hot functional testing commenced in late April 2021, and the site work plan currently targets fuel load for Unit 3 in the third quarter 2021, and an in-service date of December 2021. As the site work plan includes minimal margin to these milestone dates, any delay could result in an in-service date in the first quarter 2022 for Unit 3. Achievement of the extended milestone dates established in January 2021 for Unit 4, which are expected to support a regulatory-approved in-service date of November 2022, primarily depends on overall construction productivity and production levels significantly improving, as well as appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, being added and maintained.

- MEAG Power was involved in litigation with JEA and Jacksonville, with respect to the Project J PPA between MEAG Power and JEA relating to MEAG Power's interest in Vogtle Units 3&4. On June 17, 2020, the United States District Court for the Northern District of Georgia entered an order granting MEAG Power's motion, ruling that the Project J PPA is valid and enforceable and that the agreement unconditionally requires JEA to pay MEAG Power for capacity and energy at the full cost of production of Project J. On August 12, 2020, MEAG Power, JEA and Jacksonville dismissed the litigation regarding the Project J PPA to which they were parties and effectuated the dismissal pursuant to a binding Settlement Term Sheet. In connection with the settlement, MEAG Power and JEA also executed an amendment to the Project J PPA pursuant to which MEAG Power and JEA agreed to an increase in the "Additional Compensation Obligation" payable by JEA to MEAG Power thereunder of $0.75 per MWh of energy delivered to JEA thereunder. Additional information is provided in the "Litigation and Other Matters" section of Note 1 (D).
- 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 the full FFB commitment to each such entity.

## Energy Resources

### *Solar Initiative*

In 2019, MEAG Power issued a Request for Proposals (RFP) and began evaluating the addition of solar power to our resource portfolio. MEAG Power's Integrated Resource Plan, approved by the Board of Directors in 2020, validated our solar procurement strategy, and as 2020 ended, we continued to evaluate bids from the RFP for a Power Purchase Agreement (PPA) from a solar facility of approximately 100 MW in size with a commercial operation date by 2024. Twenty-six Participants have expressed an interest in acquiring the solar energy through this PPA. In addition to the current solar initiative, we envision future solar PPAs as means to add clean, competitively-priced energy to our portfolio on an as-needed basis.

### *SEEM*

MEAG Power participated with many of the electric service providers in the Southeast in the creation of the Southeast Energy Exchange Market (SEEM). SEEM is an extension of the existing bilateral market where participants would use an automated, intra-hour energy exchange to buy and sell power close to the time the energy is consumed, utilizing available unreserved transmission. If approved by the Federal Energy Regulatory Commission, SEEM is expected to begin service in early 2022. MEAG Power is among the utilities that continue to evaluate participation in SEEM. The ultimate outcome of this matter cannot be determined at this time.

## 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, 2020, were as follows (in thousands):

| | Net Plant in service | Total CWIP |
|---|---|---|
| Nuclear | $ 935,521 | $4,633,313 |
| Coal | 696,915 | 95,053 |
| Natural gas | 177,455 | 4,492 |
| Transmission | 314,364 | 53,754 |
| Distribution | 178,009 | 17,575 |
| Telecom | 2,970 | — |
| General/other plant | 27,146 | 12,074 |
| Total | $2,332,380 | $4,816,261 |

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

## Financing Activities

Funds generated from operations are estimated to provide approximately 36% of construction expenditures in 2021 and 51% in both 2022 and 2023, 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 each of Unit 3 and Unit 4 are placed into service. Revenues from pre-commercial operations, including test power sales, will be used to offset construction expenditures. To meet short-term cash needs and contingencies, $406.3 million of unused credit was available through lines of credit, the Project P Credit Agreements, and other arrangements with banks (collectively, the Credit Arrangements) as of December 31, 2020, as described in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities" and "— Credit Agreements and Other Short-Term Debt" within that Note.

As discussed in "Vogtle Units 3&4 Projects and Project Entities," on October 2, 2020, the 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. 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 FFB commitment to each such entity.

In November 2020, MEAG Power issued subordinated bonds totaling $252.8 million to: (a) finance or refinance certain capital improvements to Project One (including the repayment of certain interim borrowings) and (b) provide a portion of the funds required to refund certain Project One and General Resolution Projects subordinated bonds.

In December 2020, MEAG Power issued $77.4 million of Combined Cycle Project Revenue Bonds to (a) provide a portion of the moneys required to refund certain outstanding CC Project Bonds and (b) repay a portion of the amount outstanding under the lines of credit agreement (see Note 5, "Long- And Short-Term Debt, Credit Agreements and Interest Rate Swaps — Credit Agreements and Other Short-Term Debt").

The unenhanced ratings and outlook assigned to MEAG Power's senior lien and subordinated debt obligations as of December 31, 2020 are as follows:

| | | Fitch Ratings | | Moody's Investors Service | | Standard & Poor's | |
|---|---|---|---|---|---|---|---|
| Project | Lien | Rating | Outlook | Rating | Outlook | Rating | Outlook |
| Project One | Senior | A– | Positive | A1 | Stable | A | Negative |
| | Subordinated | BBB+ | Positive | A2 | Stable | A- | Negative |
| General Resolution Projects | Senior | A– | Positive | A1 | Stable | A | Negative |
| | Subordinated | BBB+ | Positive | A2 | Stable | A- | Negative |
| Combined Cycle Project | Senior | BBB+ | Positive | A1 | Stable | A- | Negative |
| Vogtle Units 3&4 Projects: | | | | | | | |
| Project M | Senior | BBB+ | Negative | A2 | Stable | A | Negative |
| Project J | Senior | BBB+ | Negative | Baa1 | Positive | A | Negative |
| Project P | Senior | BBB+ | Negative | Baa2 | Stable | BBB+ | 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."

## Liquidity and Capital Resources

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

At December 31, 2020, MEAG Power had $3.2 billion of special funds deposits, of which $2.0 billion was available to fund various operating, construction, debt service and contingency requirements. Within the Competitive Trust, $626.0 million was invested and may be used by Participants to, among other things, fund their share of the acquisition and construction costs of any future MEAG Power generation project joined by such Participants, as well as funding of capacity purchases proposed by MEAG Power, purchase of additional entitlement shares or obligation shares of existing MEAG Power projects, and for mitigation of certain bulk power supply cost increases. A portion of the $626.0 million is contained within the Flexible Operating Account, which is also available to the Participants through the Competitive Trust but not subject to the foregoing restrictions (see Note 1 (E), "The Organization — Municipal Competitive Trust"). Investments in the Decommissioning Trust funds (see Note 2 (H), "Summary of Significant Accounting Policies and Practices — Asset Retirement Obligations and Decommissioning") totaled $594.2 million. Credit Arrangements with banks at

December 31, 2020 totaled $655.2 million, of which $151.8 million provided liquidity support to $148.1 million of outstanding variable-rate demand obligations, $79.4 million was drawn on the Credit Arrangements, and $17.7 million supported $11.8 million of outstanding CP balances, with the remaining $406.3 million available.

The Credit Arrangements mature at various dates in 2021 through 2023, and management expects to renew or replace the facilities as needed prior to expiration. For additional information regarding available credit, see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Financing of Vogtle Units 3&4 Projects and Project Entities" and "— Credit Agreements and Other Short-Term Debt" within that Note.

During 2021 through 2023, maturities of long-term debt and sinking fund redemptions are expected to total $467.7 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 debt and new debt issuances. These increases would be somewhat offset by increases in income earned on MEAG Power's investment portfolio. Conversely, when rates decline, MEAG Power may experience decreases in both the cost of some debt and the earnings on some investments. To partially mitigate this risk, MEAG Power occasionally implements hedges that help to stabilize the impact of these interest rate fluctuations. In addition, MEAG Power maintains an investment-grade credit rating and strong liquidity position, which provide access to competitive funding options.

Estimated construction and financing expenditures for Project One, the General Resolution Projects and the CC Project in total are estimated to be $171.7 million, $130.2 million and $123.4 million for the years 2021, 2022 and 2023, 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 2021 through 2023 are $1.2 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, 2020 totaled $4.8 billion.

## Economic Conditions/COVID-19

MEAG Power and its Participants are subject to risks related to the outbreak of COVID-19, including, but not limited to, disruption to the construction of Vogtle Units 3&4. MEAG Power provides an essential service to its Participants; therefore, it is critical that MEAG Power employees are able to continue to perform their essential duties safely and effectively. MEAG Power has implemented applicable business continuity plans, including teleworking, canceling non-essential business travel, increasing cleaning frequency at business locations, and implementing applicable safety and health guidelines issued by federal and state officials. To date, these procedures have been effective in maintaining MEAG Power's critical operations.

COVID-19 has been declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention and has spread globally, including throughout the United States. In response, many states, including Georgia, have instituted restrictions on travel, public gatherings and certain business operations. These restrictions disrupted economic activity in the service territories of MEAG Power's Participants and caused volatility in capital markets at certain periods during 2020. MEAG Power estimates that COVID-19 decreased 2020 energy delivered to the Participants by approximately 3%. The effects of the continued outbreak of COVID-19 and related government responses could include extended disruptions to supply chains and capital markets, reduced labor availability and productivity and a prolonged reduction in economic activity. These effects could have a variety of adverse impacts on MEAG Power and its Participants, including continued reduced demand for electrical energy from Participants, and Vogtle Units 3&4 construction delays.

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

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

# 2020 Consolidated Balance Sheet

| December 31, 2020 | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| ASSETS (in thousands) | | | | | | | | |
| Property, plant and equipment, at cost: | | | | | | | | |
| In service | $ 3,449,903 | $1,249,745 | $ 332,860 | $ — | $ — | $ 28,871 | $ — | $ 5,061,379 |
| Less accumulated depreciation | (1,904,564) | (643,129) | (155,405) | — | — | (25,901) | — | (2,728,999) |
| Property in service, net | 1,545,339 | 606,616 | 177,455 | — | — | 2,970 | — | 2,332,380 |
| Construction work in progress | 164,658 | 51,791 | 4,492 | 4,595,320 | — | — | — | 4,816,261 |
| Nuclear fuel, net of accumulated amortization | 153,491 | 20,474 | — | 107,730 | — | — | — | 281,695 |
| Total property, plant and equipment, net | 1,863,488 | 678,881 | 181,947 | 4,703,050 | — | 2,970 | — | 7,430,336 |
| Other non-current assets: | | | | | | | | |
| Investment in Alliance | 9,466 | — | 104 | — | — | — | — | 9,570 |
| Special funds, including cash and cash equivalents | 695,913 | 129,791 | 35,193 | 993,174 | 264,731 | — | (27,935) | 2,090,867 |
| Other receivables | — | — | — | 12,151 | 4,225 | — | — | 16,376 |
| Net costs to be recovered from Participants | — | — | — | 313,103 | — | — | — | 313,103 |
| Unamortized bond issuance costs | 7,307 | 1,626 | 775 | 51,957 | — | — | — | 61,665 |
| Total other non-current assets | 712,686 | 131,417 | 36,072 | 1,370,385 | 268,956 | — | (27,935) | 2,491,581 |
| Current assets: | | | | | | | | |
| Special funds, including cash and cash equivalents | 203,246 | 79,026 | 31,787 | 459,701 | 361,249 | 523 | (4,915) | 1,130,617 |
| Supplemental power account, including cash and cash equivalents | 5,972 | — | — | — | — | — | — | 5,972 |
| Securities lending collateral | 695 | 81 | — | — | — | — | — | 776 |
| Receivables from Participants | 44,329 | 12,038 | 4,714 | 7 | 222 | 12 | — | 61,322 |
| Other receivables | 7,695 | 2,919 | 2,018 | 35,544 | 74 | 103 | (2,553) | 45,800 |
| Fuel stocks, at average cost | 11,998 | 15,452 | — | — | — | — | — | 27,450 |
| Materials, supplies and other assets | 81,037 | 17,378 | 7,082 | 9,336 | — | — | — | 114,833 |
| Total current assets | 354,972 | 126,894 | 45,601 | 504,588 | 361,545 | 638 | (7,468) | 1,386,770 |
| Total assets | 2,931,146 | 937,192 | 263,620 | 6,578,023 | 630,501 | 3,608 | (35,403) | 11,308,687 |
| Deferred outflows of resources: | | | | | | | | |
| Accumulated decrease in fair value of hedging derivative instruments | 89,664 | — | 1,738 | — | — | — | — | 91,402 |
| Unamortized loss on refunded debt | 8,390 | 30 | 650 | — | — | — | — | 9,070 |
| Pensions and other postemployment benefits | 4,778 | 828 | 248 | 580 | — | — | — | 6,434 |
| Asset retirement obligations | 97,667 | 77,306 | — | — | — | — | — | 174,973 |
| Total deferred outflows of resources | 200,499 | 78,164 | 2,636 | 580 | — | — | — | 281,879 |
| Total Assets and Deferred Outflows of Resources | $ 3,131,645 | $1,015,356 | $ 266,256 | $6,578,603 | $630,501 | $3,608 | $(35,403) | $11,590,566 |

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

## 2020 Consolidated Balance Sheet

| December 31, 2020 | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| LIABILITIES (in thousands) | | | | | | | | |
| Long-term debt: | | | | | | | | |
| Power Revenue bonds | $ 351,830 | $ — | $ — | $ — | $ — | $ — | $ — | $ 351,830 |
| General Power Revenue bonds | — | 108,370 | — | — | — | — | — | 108,370 |
| Combined Cycle Project Revenue bonds | — | — | 83,915 | — | — | — | — | 83,915 |
| Vogtle Units 3&4 Projects' Revenue bonds | — | — | — | 4,059,090 | — | — | — | 4,059,090 |
| DOE Guaranteed Loans | — | — | — | 2,169,748 | — | — | — | 2,169,748 |
| Unamortized (discount) premium, net | 17,511 | 4,134 | 12,179 | 122,385 | — | — | — | 156,209 |
| Total Revenue bonds and DOE Guaranteed Loans | 369,341 | 112,504 | 96,094 | 6,351,223 | — | — | — | 6,929,162 |
| Subordinated debt | 1,188,195 | 256,297 | — | — | — | — | (27,935) | 1,416,557 |
| Unamortized (discount) premium, net | 109,626 | 19,501 | — | — | — | — | — | 129,127 |
| Total subordinated debt | 1,297,821 | 275,798 | — | — | — | — | (27,935) | 1,545,684 |
| Bond anticipation notes (unsecured) | — | — | — | — | — | — | — | — |
| Total long-term debt | 1,667,162 | 388,302 | 96,094 | 6,351,223 | — | — | (27,935) | 8,474,846 |
| Non-current liabilities: | | | | | | | | |
| Asset retirement obligations | 531,644 | 139,866 | — | — | — | — | — | 671,510 |
| Competitive Trust obligations | — | — | — | — | 262,072 | — | — | 262,072 |
| Other | 94,339 | (28) | (22) | (5,774) | 97 | — | — | 88,612 |
| Total non-current liabilities | 625,983 | 139,838 | (22) | (5,774) | 262,169 | — | — | 1,022,194 |
| Current liabilities: | | | | | | | | |
| Accounts payable | 59,338 | 14,040 | 14,785 | 20,248 | — | 219 | (2,553) | 106,077 |
| Construction liabilities | 12,136 | 1,608 | — | 35,774 | — | — | — | 49,518 |
| Securities lending collateral | 709 | 83 | — | — | — | — | — | 792 |
| Current portion of long-term debt | 99,210 | 31,838 | 18,000 | 83,596 | — | — | (4,915) | 227,729 |
| Lines of credit and other short-term debt | 1,109 | 72 | 2,700 | — | — | — | — | 3,881 |
| Competitive Trust obligations | — | — | — | — | 368,332 | — | — | 368,332 |
| Accrued interest | 30,839 | 7,821 | 340 | 92,164 | — | — | — | 131,164 |
| Total current liabilities | 203,341 | 55,462 | 35,825 | 231,782 | 368,332 | 219 | (7,468) | 887,493 |
| Commitments and contingencies (Note 8) | — | — | — | — | — | — | — | — |
| Total liabilities | 2,496,486 | 583,602 | 131,897 | 6,577,231 | 630,501 | 219 | (35,403) | 10,384,533 |
| Deferred inflows of resources | 635,159 | 431,754 | 134,359 | 1,372 | — | 3,389 | — | 1,206,033 |
| Total Liabilities and Deferred Inflows of Resources | $3,131,645 | $1,015,356 | $266,256 | $6,578,603 | $630,501 | $3,608 | $(35,403) | $11,590,566 |

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

# 2020 Consolidated Statement of Net Revenues

| **For the Year Ended December 31, 2020** (in thousands) | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | |
| Participant | **$341,788** | **$ 94,140** | **$82,276** | **$ 19,207** | **$ —** | **$802** | **$—** | **$ 538,213** |
| Other | **36,137** | **19,510** | **9,181** | **36,562** | **—** | **104** | **—** | **101,494** |
| Total revenues | **377,925** | **113,650** | **91,457** | **55,769** | **—** | **906** | **—** | **639,707** |
| Operating expenses: | | | | | | | | |
| Fuel | **58,972** | **25,884** | **53,751** | **—** | **—** | **—** | **—** | **138,607** |
| Purchased power | **29,518** | **—** | **—** | **—** | **—** | **—** | **—** | **29,518** |
| Other generating and operating expense | **149,990** | **44,525** | **23,062** | **(38)** | **6** | **188** | **—** | **217,733** |
| Transmission | **29,699** | **—** | **—** | **—** | **—** | **—** | **—** | **29,699** |
| Depreciation and amortization | **104,892** | **35,278** | **9,115** | **—** | **—** | **720** | **—** | **150,005** |
| Total operating expenses | **373,071** | **105,687** | **85,928** | **(38)** | **6** | **908** | **—** | **565,562** |
| Net operating revenues (loss) | **4,854** | **7,963** | **5,529** | **55,807** | **(6)** | **(2)** | **—** | **74,145** |
| Non-operating expense (income), net: | | | | | | | | |
| Interest expense | **79,482** | **17,715** | **6,916** | **294,176** | **—** | **—** | **—** | **398,289** |
| Amortization of debt discount and expense | **(16,291)** | **(2,523)** | **(1,016)** | **(3,802)** | **—** | **—** | **—** | **(23,632)** |
| Investment income | **(20,975)** | **(2,764)** | **(389)** | **(13,439)** | **(11)** | **(2)** | **—** | **(37,580)** |
| Net change in the fair value of financial instruments | **(31,226)** | **(3,604)** | **18** | **(2,414)** | **—** | **—** | **—** | **(37,226)** |
| Interest capitalized | **(6,136)** | **(861)** | **—** | **(184,794)** | **—** | **—** | **—** | **(191,791)** |
| U.S. Treasury cash subsidy on Build America Bonds | **—** | **—** | **—** | **(57,061)** | **—** | **—** | **—** | **(57,061)** |
| Total non-operating expense (income), net | **4,854** | **7,963** | **5,529** | **32,666** | **(11)** | **(2)** | **—** | **50,999** |
| Change in: | | | | | | | | |
| Net costs to be recovered from Participants | **—** | **—** | **—** | **23,141** | **—** | **—** | **—** | **23,141** |
| Competitive Trust obligations | **—** | **—** | **—** | **—** | **5** | **—** | **—** | **5** |
| Total change in net costs to be recovered from Participants or Competitive Trust obligations | **—** | **—** | **—** | **23,141** | **5** | **—** | **—** | **23,146** |
| Net Revenues | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$ —** | **$—** | **$ —** |

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

# 2020 Consolidated Statement of Cash Flows

| **For the Year Ended December 31, 2020** (in thousands) | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Cash flows from operating activities: | | | | | | | | |
| Cash received from Participants | $ 444,360 | $ 129,336 | $ 98,600 | $ 19,292 | $ (162) | $ 73 | $ — | $ 691,499 |
| Cash received from others | 35,593 | 20,381 | 9,179 | 36,195 | — | 102 | — | 101,450 |
| Cash paid for operating expenses | (215,911) | (61,336) | (75,241) | 1,433 | (236) | (61) | — | (351,352) |
| Net cash provided by (used in) operating activities | 264,042 | 88,381 | 32,538 | 56,920 | (398) | 114 | — | 441,597 |
| Cash flows from investing activities: | | | | | | | | |
| Sales and maturities of investment securities | 356,446 | 49,537 | 64,405 | 1,811,354 | 624,674 | — | — | 2,906,416 |
| Purchase of investment securities | (355,798) | (51,845) | (64,852) | (1,553,398) | (796,993) | — | — | (2,822,886) |
| Investment income receipts | 9,791 | 1,608 | 457 | 11,898 | 4,782 | 2 | — | 28,538 |
| Distribution from Alliance | 2,406 | — | — | — | — | — | — | 2,406 |
| Net withdrawals from the Competitive Trust | — | — | — | — | (392) | — | — | (392) |
| Net cash provided by (used in) investing activities | 12,845 | (700) | 10 | 269,854 | (167,929) | 2 | — | 114,082 |
| Cash flows from capital and related financing activities: | | | | | | | | |
| Property additions | (133,168) | (20,304) | (2,548) | (700,871) | — | — | — | (856,891) |
| Net payments on lines of credit and other short-term debt | (22,317) | (469) | 2,700 | (27,500) | — | — | — | (47,586) |
| Proceeds from issuance of long-term debt | 266,272 | 54,901 | 88,338 | 428,901 | — | — | — | 838,412 |
| Retirement of long-term debt | (313,876) | (116,310) | (117,185) | (75,624) | — | — | — | (622,995) |
| Interest payments | (77,768) | (19,060) | (6,796) | (287,083) | — | — | — | (390,707) |
| U.S. Treasury cash subsidy on Build America Bonds | — | — | — | 33,167 | — | — | — | 33,167 |
| Advance payments from Participants for New Generation and Capacity Funding | — | — | — | — | 11,560 | — | — | 11,560 |
| Net cash (used in) provided by capital and related financing activities | (280,857) | (101,242) | (35,491) | (629,010) | 11,560 | — | — | (1,035,040) |
| (Decrease) increase in cash and cash equivalents | (3,970) | (13,561) | (2,943) | (302,236) | (156,767) | 116 | — | (479,361) |
| Cash and cash equivalents at beginning of year | 305,656 | 137,789 | 44,918 | 855,751 | 268,608 | 407 | — | 1,613,129 |
| Cash and cash equivalents at end of year | 301,686 | 124,228 | 41,975 | 553,515 | 111,841 | 523 | — | 1,133,768 |
| Other investment securities and accrued interest receivable at end of year | 604,140 | 84,670 | 25,005 | 899,360 | 514,139 | — | (32,850) | 2,094,464 |
| Special funds, Supplemental power account and Securities lending collateral at end of year | $ 905,826 | $ 208,898 | $ 66,980 | $ 1,452,875 | $ 625,980 | $ 523 | $ (32,850) | $ 3,228,232 |
| Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities: | | | | | | | | |
| Net operating revenues (loss) | $ 4,854 | $ 7,963 | $ 5,529 | $ 55,807 | $ (6) | $ (2) | $ — | $ 74,145 |
| Adjustments to reconcile net operating revenues (loss) to net cash from operating activities: | | | | | | | | |
| Depreciation and amortization | 152,705 | 42,811 | 9,115 | — | — | 720 | — | 205,351 |
| Pensions and other postemployment benefits | (188) | (50) | (15) | (38) | — | — | — | (291) |
| Deferred inflows of resources | 97,611 | 35,609 | 18,250 | — | — | (720) | — | 150,750 |
| Share of net revenues from Alliance | (4,244) | — | — | — | — | — | — | (4,244) |
| Change in current assets and liabilities: | | | | | | | | |
| Accounts receivable | 7,224 | (809) | (1,314) | (7) | (162) | (1) | — | 4,931 |
| Fuel stocks | 1,839 | 3,478 | — | — | — | — | — | 5,317 |
| Materials, supplies and other assets | (5,084) | (1,714) | (83) | — | — | — | — | (6,881) |
| Accounts payable and other liabilities | 9,325 | 1,093 | 1,056 | 1,158 | (230) | 117 | — | 12,519 |
| Net cash provided by (used in) operating activities | $ 264,042 | $ 88,381 | $ 32,538 | $ 56,920 | $ (398) | $ 114 | $ — | $ 441,597 |

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

# 2019 Consolidated Balance Sheet

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

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

# 2019 Consolidated Balance Sheet

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

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

# 2019 Consolidated Statement of Net Revenues

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

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

# 2019 Consolidated Statement of Cash Flows

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

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

# Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

## 1. THE ORGANIZATION

### (A) REPORTING ENTITY

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

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

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

### (B) PROJECT ONE AND THE GENERAL RESOLUTION PROJECTS

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

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

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

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

Inter-Participant agreements (IP agreements) are utilized by the Participants to improve their respective power supply resource mix. Four Participants have entered into long-term, life-of-the-facility IP agreements to sell the rights to a portion of their Project One output (Selling Participants) to three other Participants. One of the IPs was successfully challenged in court by the purchaser on the grounds that it had not been properly authorized by the governing body. That matter is now on appeal to the Georgia Court of Appeals. The obligation of the Selling Participants to pay their share of the operating and debt service costs under their respective Project One Power Sales Contracts is not affected.

### (C) COMBINED CYCLE PROJECT

The Combined Cycle Project (CC Project) is wholly owned by MEAG Power and consists of a natural gas-fired combined-cycle facility that has a nominal summer capacity of 503 MW. The facility, which is also known as Wansley Unit 9 (Wansley Unit 9), includes two combustion turbines, two supplementary fired heat recovery steam generators, and one steam turbine. The 37 Participants in the CC Project (CC Participants) include the initial 32 Participants (the Initial CC Participants) that entered into a CC Project Power Sales Contract (CC Project Power Sales Contract) in 2003, as well as five additional Participants that became CC Participants between 2007 and 2012 through the execution of additional CC Project Power Sales Contracts and assignment agreements with certain of the Initial CC Participants with respect to portions of such Initial CC Participants' interests in the output of the CC Project. MEAG Power and each of the CC Participants have amended their applicable CC Project Power Sales Contract, which allows MEAG Power to utilize a credit facility for the purpose of funding, on an interim basis, certain CC Project costs, including fuel costs, capital costs and working capital requirements.

### (D) VOGTLE UNITS 3&4 PROJECTS AND PROJECT ENTITIES

#### History

As discussed below, MEAG Power, Georgia Power Company (GPC), Oglethorpe Power Corporation (OPC) and the City of Dalton, Georgia (Dalton) (collectively, the Original Vogtle Co-Owners) agreed to expand the facilities at Generation Station Vogtle located in Burke County, Georgia, by developing two additional nuclear generating units, Vogtle Units 3&4. Vogtle Units 3&4 will consist of two Westinghouse Electric Company LLC (Westinghouse) AP1000 reactors, each with a nominally rated generating capacity of 1,102 MW.

MEAG Power acquired a 22.7% undivided ownership interest in Vogtle Units 3&4, representing 500.3 MW of nominally rated generating capacity, for the purpose of serving the future loads of the Participants. MEAG Power determined that Vogtle Units 3&4 will enable it to serve a significant portion of the projected baseload needs of the Participants and potentially offset the retirement of some of MEAG Power's other generating resources.

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.

## Structure, DOE Guaranteed Loans and Recent Bond Financings

### Vogtle Units 3&4 Projects

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

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

(1) The output and services of Project M will be provided to the 29 Participants who have executed take-or-pay Project M Power Sales Contracts (Project M Participants) commencing as of the commercial operation date (COD) of each of Vogtle Units 3&4. The Project M Participants shall be responsible for payment of their respective shares of all of MEAG Power's costs relating to Project M. The payment obligations of each of the Project M Participants are general obligations to which its full faith and credit are pledged. Each Project M Power Sales Contract, as amended and discussed below, will continue in full force and effect for a term not to exceed 50 years from December 31, 2014.

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

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

### 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 (Original DOE Guaranteed Loans).

Concurrently with the transfer of MEAG Power's undivided ownership in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities (as discussed in the "Vogtle Units 3&4 Project Entities" section of this Note), each Vogtle Units 3&4 Project Entity entered into, among other agreements, a Loan Guarantee Agreement (Original LGA) with DOE. Each Original LGA provides that the Original 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.

The DOE Guaranteed Loans have a final maturity date of April 2, 2045. Each advance to a Project Entity under its DOE Guaranteed Loan (Advances) is evidenced by a promissory note issued to the FFB (FFB Promissory Note). 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. The maximum amount that a Project Entity may borrow under its DOE Guaranteed Loan and capitalized interest thereon has been allocated among the various FFB Promissory Notes of such Project Entity and the Advances evidenced by each such FFB Promissory Note will bear interest at the applicable U.S. Treasury rate plus a spread equal to 0.375%. Interest is payable quarterly and principal payments began on October 2, 2019.

During 2020 and 2019, the Project Entities obtained Advances for payment of certain capitalized interest pertaining to the DOE Guaranteed Loans totaling $12.2 million and $18.3 million, respectively. At December 31, 2020 and 2019, the Project Entities had a total of $2.2 billion and $1.8 billion of Advances outstanding, respectively.

On October 2, 2020, FFB funded additional Advances to each of the Vogtle Units 3&4 Project Entities pursuant to their respective DOE LGA 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. For the Project P Entity, $9.6 million of this amount was advanced pursuant to the Original DOE Guaranteed Loans commitment. FFB made all other Advances for each of the Vogtle Units 3&4 Project Entities pursuant to the commitments relating to $414.7 million in additional DOE loan guarantees the Project Entities closed on in March 2019, which along with each Vogtle Units 3&4 Project Entity's Original DOE Guaranteed Loan are referred to collectively herein as such Vogtle Units 3&4 Project Entity's DOE Guaranteed Loan. With these advances, FFB has advanced to each Vogtle Units 3&4 Project Entity the full FFB commitment to each such entity. In connection with the March 2019 closing, each Project Entity entered into an amendment and restatement of its Original LGA, as theretofore amended (each such Original LGA, as so amended and restated, being hereinafter referred to as an LGA), in order, among other things, to reflect the Replacement EPC Arrangements discussed below and to facilitate additional draws.

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

In the event certain events of default occur under an LGA, 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. Each Project Entity also may voluntarily prepay outstanding Advances. Under the FFB Promissory Notes, any prepayment (whether mandatory or optional) will be made with a make-whole premium or discount, as applicable.

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

### 2019 Bond Financings

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

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

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

### Vogtle Units 3&4 Project Entities

On June 24, 2015, in order to permit each Vogtle Units 3&4 Project Entity to secure its Original DOE Guaranteed Loan by a first-priority perfected security interest in, among other things, such Project Entity's undivided ownership interest in Vogtle Units 3&4, 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. 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.

## EPC Contract and Construction

In 2008, GPC, on behalf of itself and the other Original Vogtle Co-Owners, entered into an Engineering, Procurement and Construction Contract (EPC Contract) with a consortium consisting of Westinghouse and a company which later became its affiliate as WECTEC Global Project Services Inc., collectively, the Contractor. Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test Vogtle Units 3&4. Certain obligations of the Contractor under the EPC Contract, including any liability of the Contractor for abandonment of work, were guaranteed by Westinghouse's parent company, Toshiba Corporation (Toshiba) (the Toshiba Guarantee).

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

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

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

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

On February 16, 2021, the Georgia Public Service Commission (GPSC) approved GPC's twenty-third Vogtle Construction Monitoring (VCM) report, including approval of $701 million of construction capital costs incurred from January 1, 2020 through June 30, 2020. On February 18, 2021, GPC filed the twenty-fourth VCM report (VCM 24 Report) with the GPSC covering the period from July 1, 2020 through December 31, 2020, requesting approval of $670 million of construction capital costs incurred during that period.

## Cost and Schedule

Based on the construction cost estimate set forth in the VCM 24 Report, as well as recently updated construction cost estimate and contingency information discussed herein, and based on in-service dates of December 2021 and November 2022 for Unit 3 and Unit 4, respectively, it is estimated that the Vogtle Units 3&4 Project Entities' in-service cost will be, in the aggregate, approximately $6.5 billion, including construction and financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. Additional financing needs relating to reserve funds and other fund deposits required under MEAG Power's and the Vogtle Units 3&4 Project Entities' financing documents result in total financing needs of approximately $7.0 billion, of which approximately $180.0 million remains to be financed. 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, as amended.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts on a regular basis to incorporate current information available, particularly in the areas of engineering support, commodity installation, system turnovers and related test results, and workforce statistics. Southern Nuclear establishes aggressive target values for monthly construction production and system turnover activities as part of a strategy that was designed to maintain margin to the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of the novel coronavirus (COVID-19) pandemic at the construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19 or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures. Since March 2020, the number of active cases at the site has fluctuated and impacted productivity levels and pace of activity completion. The lower productivity levels and slower pace of activity completion contributed to a backlog to the aggressive site work plan established at the beginning of 2020. In addition, the project continued to face challenges including, but not limited to, higher than expected absenteeism; overall construction and subcontractor labor productivity; system turnover and testing activities; and electrical equipment and commodity installation. As a result of these factors, in January 2021, Southern Nuclear further extended certain milestone dates, including the start of hot functional testing and fuel load for Unit 3, from those established in October 2020.

Following the January 2021 milestone extensions, Southern Nuclear has been performing additional construction remediation work, primarily related to electrical commodity installations, necessary to ensure quality and design standards are met as system turnovers are completed to support hot functional testing and fuel load for Unit 3. Hot functional testing commenced in late April 2021, and the site work plan currently targets fuel load for Unit 3 in the third quarter 2021 and an in-service date of December 2021. As the site work plan includes minimal margin to these milestone dates, any delay could result in an in-service date in the first quarter 2022 for Unit 3. Achievement of the extended milestone dates established in January 2021 for Unit 4, which are expected to support a regulatory-approved in-service date of November 2022, primarily depends on overall construction productivity and production levels significantly improving, as well as appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, being added and maintained.

Considering the factors above, during the first quarter 2021, approximately $42 million of the construction contingency established in the fourth quarter 2020 was assigned to the base capital cost forecast for costs primarily associated with the schedule extension for Unit 3 to December 2021, construction productivity, support resources and construction remediation work. The Project Entities increased their total capital cost forecast as of March 31, 2021 by adding their share of the $24 million to the remaining construction contingency.

In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction and testing activities at Vogtle Units 3&4.

As construction, including subcontract work, continues and testing and system turnover activities increase, challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related productivity, particularly in the installation of electrical, mechanical, and instrumentation and controls commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication, delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of generating unit systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale), any of which may require additional labor and/or materials; or other issues could arise and change the projected schedule and estimated cost.

There have been technical and procedural challenges to the construction and licensing of Vogtle Units 3&4, at the federal and state level and additional challenges may arise. GPC reports that there are processes in place that are designed to assure compliance with the requirements specified in the DCD and the COLs, including inspections by Southern Nuclear and the NRC that occur throughout construction.

In connection with the additional construction remediation work described above, Southern Nuclear reviewed the project's construction quality programs and, where needed, is implementing improvement plans consistent with these processes. Findings resulting from such inspections could require additional remediation and/or further NRC oversight. In addition, certain license amendment requests have been filed and approved or are pending before the NRC. On March 15, 2021, the NRC issued an appealable order denying the Blue Ridge Environmental Defense League's (BREDL) December 2020 motion to reopen proceedings on BREDL's petition challenging a license amendment request. The staff of the NRC has issued the requested amendment.

In September 2020, Southern Nuclear notified the NRC of its intent to load fuel for Unit 3 in 2021. Various design and other licensing-based compliance matters, including the timely submittal by Southern Nuclear of the Inspections, Tests, Analyses, and Acceptance Criteria (ITAAC) documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, may arise, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues, including inspections and ITAACs, are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

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

MEAG Power will continue to monitor and evaluate developments related to Vogtle Units 3&4 and will endeavor to undertake a course of action that MEAG Power believes will advance the long-term interest of MEAG Power, JEA, PowerSouth and the Vogtle Units 3&4 Participants.

The Project Entities' investment in property, plant and equipment (PP&E), including nuclear fuel, for Vogtle Units 3&4 as of December 31, 2020 totaled $4.7 billion.

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.

### Litigation and Other Matters

MEAG Power was previously involved in litigation with JEA and Jacksonville regarding the Project J PPA. On June 17, 2020, the United States District Court for the Northern District of Georgia (the U.S. District Court) issued an order granting MEAG Power's Motion for Judgment on the Pleadings and declared that the Project J PPA is valid and enforceable and that the agreement unconditionally requires JEA to pay MEAG Power for capacity and energy at the full cost of production of Project J. The U.S. District Court found that the Georgia judgment validating the Project J PPA was forever conclusive and binding on JEA and is not subject to collateral attack by JEA. Consistent with the relevant Georgia statutory provision of the Act, the federal court's order holds that a judgment in a Georgia validation proceeding validating bonds and their underlying security (including a contract whose payments are security for the bonds) is binding on both in-state and out-of-state entities that participated in the validation proceeding.

On August 12, 2020, MEAG Power, JEA and Jacksonville dismissed the litigation regarding the Project J PPA. The parties effectuated the dismissal pursuant to a binding Term Sheet for "Settlement of Litigation and all Related Claims" among them (the Settlement Term Sheet), entered as of July 30, 2020. The Settlement Term Sheet required that the parties agree to accept without challenge or appeal the Order entered by the U.S. District Court on June 17, 2020 on MEAG Power's 12(c) motion for judgment as a matter of law (Doc. #229 in Case 1:19-cv-3234-MHC), including without limitation the court's determination that the Project J PPA is valid and enforceable. The Settlement Term Sheet otherwise requires the dismissal of all claims and counterclaims that the parties have asserted in the two actions with prejudice. On August 12, 2020, the parties filed a Stipulation and Proposed Order dismissing the two actions in accordance with the Settlement Term Sheet provisions. The U.S. District Court approved the terms of the dismissal by "so ordering" the Stipulation and Proposed Order on August 12, 2020. In addition, on August 12, 2020, MEAG Power filed a motion with the United States Court of Appeals for the Eleventh Circuit to voluntarily dismiss its pending appeal in Case No. 19-11373. The Eleventh Circuit granted that dismissal on August 12, 2020.

In connection with the settlement of such litigation, MEAG Power and JEA also executed an amendment to the Project J PPA pursuant to which MEAG Power and JEA agreed to an increase in the "Additional Compensation Obligation" payable by JEA to MEAG Power thereunder of $0.75 per MWh of energy delivered to JEA thereunder (which Additional Compensation Obligation is not pledged to the payment of either the Project J Bonds or the Project J DOE Guaranteed Loan).

In addition, in connection with the settlement of such litigation, MEAG Power and JEA also entered into an agreement that, subject to the rights granted to other Project J Participants in their Project J Power Sales Contracts, grants to JEA a right of first refusal to purchase all or any portion of the entitlement share of a Project J Participant to the output and services of Project J in the event that any Project J Participant requests MEAG Power to effectuate a sale of such entitlement share pursuant to Section 310 of such Participant's Project J Power Sales Contract. This right of first refusal is applicable during the period commencing 10 years following the Commercial Operation Date of the first of Unit 3 or Unit 4 to achieve commercial operation, and continuing until the expiration of 20 years following such Commercial Operation Date. In order to exercise its right of first refusal as described above, JEA will be required to pay the price offered by a third-party purchaser or the fully embedded costs as provided for in the Project J Power Sales Contract, whichever is greater.

In 2018, Georgia Interfaith Power & Light, Inc., Partnership for Southern Equity, Inc., and Georgia Watch filed petitions in Fulton County, Georgia Superior Court (Fulton County Superior Court) seeking judicial review of an order by the GPSC on January 11, 2018, which among other actions, (i) accepted GPC's recommendation to continue construction of Vogtle Units 3&4, with Southern Nuclear serving as construction manager and Bechtel as primary contractor and (ii) approved the revised schedule placing Unit 3 in service in November 2021 and Unit 4 in service in November 2022. The petitions were dismissed by the Fulton County Superior Court and later remanded by the Georgia Court of Appeals. The Fulton County Superior Court issued another order dismissing the petitions and, in August 2020, the petitioners withdrew their notice of appeal. This matter is now concluded.

## Joint Ownership Agreements

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

In 2018, GPC informed the GPSC in its nineteenth VCM report (VCM 19 Report) that it did not intend to seek rate recovery for its proportionate share of the additional base capital costs identified in that report. As a result of both GPC's decision not to seek rate recovery of its allocation of these costs and the increased construction budget, the holders of at least 90% of the ownership interests in Vogtle Units 3&4 were required to vote to continue construction. In September 2018, the Vogtle Co-Owners unanimously voted to continue construction of Vogtle Units 3&4.

### Amendments to the Vogtle Joint Ownership Agreements

In connection with the Vogtle Co-Owners' vote to continue construction in September 2018, GPC entered into (i) a binding term sheet (Vogtle Owner Term Sheet) with the other Vogtle Co-Owners to take certain actions, which partially mitigate potential financial exposure for the other Vogtle Co-Owners, including additional amendments to the Vogtle Joint Ownership Agreements and the purchase of PTCs from the other Vogtle Co-Owners at pre-established prices, and (ii) a binding term sheet (MEAG Term Sheet) with MEAG Power and SPVJ to provide up to $300 million of funding with respect to SPVJ's ownership interest in Vogtle Units 3&4 under certain circumstances. On January 14, 2019, GPC, MEAG Power and SPVJ entered into an agreement to implement the provisions of the MEAG Term Sheet (MEAG Funding Agreement). On February 18, 2019, the Vogtle Co-Owners and MEAG Power entered into certain amendments to the Vogtle Joint Ownership Agreements to implement the provisions of the Vogtle Owner Term Sheet (Global Amendments).

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

- Each Vogtle Co-Owner must pay its proportionate share of qualifying construction costs for Vogtle Units 3&4 based on its ownership percentage up to the estimated cost at completion (EAC) for Vogtle Units 3&4 which formed the basis of GPC's forecast of $8.4 billion in the VCM 19 Report plus $800 million;
- GPC will be responsible for 55.7% of actual qualifying construction costs between $800 million and $1.6 billion over the EAC in the VCM 19 Report (resulting in up to $80 million of potential additional costs to GPC), with the remaining Vogtle Co-Owners responsible for 44.3% of such costs pro rata in accordance with their respective ownership interests; and
- GPC will be responsible for 65.7% of qualifying construction costs between $1.6 billion and $2.1 billion over the EAC in the VCM 19 Report (resulting in up to a further $100 million of potential additional costs to GPC), with the remaining Vogtle Co-Owners responsible for 34.3% of such costs pro rata in accordance with their respective ownership interests.

If the EAC is revised and exceeds the EAC in the VCM 19 Report by more than $2.1 billion, each of the other Vogtle Co-Owners will have a one-time option at the time the project budget forecast is so revised to tender a portion of its ownership interest to GPC in exchange for GPC's agreement to pay 100% of such Vogtle Co-Owner's remaining share of construction costs in excess of the EAC in the VCM 19 Report plus $2.1 billion. Since GPC has the option, under the Vogtle Joint Ownership Agreements, at any time, to cancel construction of Vogtle Units 3&4 in its sole discretion, GPC could exercise that option in lieu of purchasing a portion of the ownership interest of any other Vogtle Co-Owner. If GPC does not exercise its cancellation option, it must accept any tender of a portion of another Vogtle Co-Owner's ownership interest in Vogtle Units 3&4 and the ownership interest to be conveyed from the tendering Vogtle Co-Owner to GPC will be calculated based on the proportion of the cumulative amount of construction costs paid by each such tendering Vogtle Co-Owner and by GPC as of the commercial operation date of Unit 4. For purposes of this calculation, payments made by GPC on behalf of another Vogtle Co-Owner in accordance with the second and third bullets above will be treated as payments made by the applicable Vogtle Co-Owner.

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

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

Pursuant to the Vogtle Joint Ownership Agreements, as amended by the Global Amendments, Vogtle Co-Owners holding at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue construction, or can vote to suspend construction, if certain adverse events occur, including: (i) the bankruptcy of Toshiba; (ii) termination or rejection in bankruptcy of certain agreements, including the Vogtle Services Agreement, the Construction Agreement or the agency agreement with Southern Nuclear; (iii) GPC publicly announces its intention not to submit for rate recovery any portion of its investment in Vogtle Units 3&4 (or associated financing costs) or the GPSC determines that any of GPC's costs relating to the construction of Vogtle Units 3&4 will not be recovered in retail rates, excluding any additional amounts paid by GPC on behalf of the other Vogtle Co-Owners pursuant to the provisions of the Global Amendments described above and the first 6% of costs during any six-month VCM reporting period that are disallowed by the GPSC for recovery, or for which GPC elects not to seek cost recovery, through retail rates; or (iv) an incremental extension of one year or more over the most recently approved schedule. Under the Global Amendments, GPC may cancel the project at any time at its sole discretion. In addition, pursuant to the Vogtle Joint Ownership Agreements, the required approval of holders of ownership interests in Vogtle Units 3&4 is at least (i) 90% for a change of the primary construction contractor and (ii) 67% for material amendments to the Vogtle Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Construction Agreement.

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

**Purchase of PTCs During Commercial Operation**

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

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

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

### (E) MUNICIPAL COMPETITIVE TRUST

The Municipal Competitive Trust (Competitive Trust) was established in 1999 to accumulate and grow, through common investment, a substantial fund to be utilized by the Participants to mitigate the high fixed cost related to Generation Station Vogtle, Unit Nos. 1 and 2 (Vogtle Units 1&2) and the impacts that may result from the deregulation of the electric industry in Georgia. It was initially funded with certain rate stabilization and debt service reserve funds totaling approximately $441 million and was comprised of the Reserve Funded Debt, Credit Support Operating and Flexible Operating accounts. The Reserve Funded Debt and Credit Support Operating accounts are held for the benefit of Project One and the General Resolution Projects.

Participants currently contribute funds into the Flexible Operating, as well as the New Generation and Capacity Funding, accounts on an elective basis. With the exception of the Flexible Operating account and the New Generation and Capacity Funding account, the funds in the Competitive Trust have been retained and invested in securities typically held to maturity. Investments of the Competitive Trust totaled $626.0 million at December 31, 2020. 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, 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, as well as 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.

If not otherwise expended, monies in the Reserve Funded Debt account may be withdrawn on or after December 31, 2025, and monies in the New Generation and Capacity Funding account may be withdrawn after January 1, 2037. An external trustee holds the funds in the Competitive Trust and maintains balances on an individual Participant basis. All of the Participants participate in the Competitive Trust.

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

### (F) TELECOMMUNICATIONS PROJECT

MEAG Power offers specialized services to the Participants through the Telecommunications Project (Telecom or Telecom Project) by separate contracts between MEAG Power and the participating communities. As of December 31, 2020 and 2019, 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, maintenance and necessary upgrades of the Telecom assets. In addition, GPW pays Project One a monthly payment for use of rights-of-way.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

### (A) BASIS OF ACCOUNTING

The electric utility accounts of MEAG Power are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as provided by the Power Sales Contracts with the Participants. Telecom accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Communications Commission. All such accounts are in conformity with accounting principles generally accepted in the United States (GAAP). MEAG Power's financial statements are prepared in accordance with GAAP as prescribed by the GASB and the Accounting Standards Codification 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 and long-term debt balances, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Competitive Trust"; and
- interproject receivables and payables.

Certain transfers related to the Project Entities and DOE Guaranteed Loans, as discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, DOE Guaranteed Loans and Recent Bond Financings" have been eliminated from the balances of the Vogtle Units 3&4 Projects and Project Entities.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the consolidated financial statements and the related disclosures in these Notes. Actual results could differ from those estimates.

### (B) STATEMENT OF CASH FLOWS

In accordance with GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments" (Statement 34), the Consolidated Statement of Cash Flows (Statement of Cash Flows) is presented using the direct method. For reporting cash flows, highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents except for securities lending investments, as discussed in Note 4, "Special Funds and Supplemental Power Account — Securities Lending." For the years ended December 31, 2020 and 2019, cash and cash equivalents totaled $1.1 billion and $1.6 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, 2020 and 2019, such changes were $2.4 million and $(41.7) million, respectively.

### (C) REVENUES

#### Participant

Wholesale electric sales to the Participants are recorded as Participant revenues on an accrual basis. Billings to the Participants for delivered energy are designed to recover certain costs, as defined by the bond resolutions and Power Sales Contracts, and principally include current operating costs, scheduled debt principal and interest payments, and deposits in certain funds. Billings to Participants of Project One, the General Resolution Projects, the CC Project, as well as Project M and the Project M Entity, accounted for 84.0% and 77.6% of total revenues for the years ended December 31, 2020 and 2019, respectively. To be consistent with the 2020 presentation and to correct an oversight in the 2019 presentation, reference to "the Project M Entity" is added and the 2019 percentage has been revised from 80.4%. Three Participants collectively accounted for approximately 26% of Participant revenues in both 2020 and 2019, with one Participant accounting for 11.6% of these revenues in 2020 and 11.5% in 2019.

#### 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, 2020 and 2019, the excess revenues received and included in accounts payable on MEAG Power's Balance Sheet were as follows (in thousands):

| Year-end Settlement | **2020** | 2019 |
|---|---|---|
| Project One | **$18,437** | $18,565 |
| General Resolution Projects | **8,414** | 8,400 |
| CC Project | **599** | 1,138 |
| Vogtle Units 3&4 Projects and Project Entities | **21** | 295 |
| Telecom Project | **66** | 72 |
| Total | **$27,537** | $28,470 |

Refunds for 2020 excess revenues will be processed beginning in the First Quarter of 2021.

### Other Revenues

Sales to other utilities and power marketers, which are also recorded on an accrual basis, comprise other revenues. Such sales are primarily to The Energy Authority, as discussed in Note 6, "Investment in Alliance," and GPC, as discussed in section (G) of this Note, "Generation and Transmission Facilities — Jointly Owned Generation Facilities," as well as "— Pseudo Scheduling and Services Agreement." Debt service collections for Project J, Project P, the Project J Entity and the Project P Entity are also included in other revenues.

## (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, 2020 and 2019, 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

| **December 31, 2020** | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Total |
|---|---|---|---|---|---|---|---|
| Timing Differences | **$ —** | **$ —** | **$ —** | **$(146,643)** | **$ —** | **$ —** | **$ (146,643)** |
| Vogtle Units 3&4 Projects' and Project Entities' net non-operating expense | **—** | **—** | **—** | **458,979** | **—** | **—** | **458,979** |
| Other, net | **—** | **—** | **—** | **767** | **—** | **—** | **767** |
| Total net costs to be recovered from Participants | **$ —** | **$ —** | **$ —** | **$ 313,103** | **$ —** | **$ —** | **$ 313,103** |

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

### Deferred Inflows of Resources

| **December 31, 2020** | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Municipal Competitive Trust | Telecom Project | Total |
|---|---|---|---|---|---|---|---|
| Timing Differences | **$234,930** | **$375,241** | **$109,062** | **$ —** | **$ —** | **$3,800** | **$ 723,033** |
| Certain investment income | **358,962** | **64,791** | **17,183** | **—** | **—** | **179** | **441,115** |
| Asset retirement obligations | **49,103** | **(12,489)** | **—** | **—** | **—** | **—** | **36,614** |
| Other, net | **(7,836)** | **4,211** | **8,114** | **1,372** | **—** | **(590)** | **5,271** |
| Total deferred inflows of resources | **$635,159** | **$431,754** | **$134,359** | **$ 1,372** | **$ —** | **$3,389** | **$1,206,033** |

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

### (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, 2020 and 2019, respectively, was total interest expense of $398.3 million and $385.7 million, of which $191.8 million and $169.2 million was capitalized.

### (F) DEPRECIATION

Depreciation of generating units or other PP&E, as applicable, is computed using the straight-line composite method over their expected life. Annual depreciation provisions, expressed as a percentage of average depreciable property, are shown below as of both December 31, 2020 and 2019 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 2020. Depreciation expense for the PP&E components shown below totaled $113.5 million and $91.5 million for the years ended December 31, 2020 and 2019, 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 |
|---|---|---|
| Hatch | Nuclear | 3.05% |
| Scherer | Coal | 2.48% |
| Vogtle Units 1&2 | Nuclear | 1.65% |
| Wansley | Coal | 5.38% |
| Wansley Unit 9 | Natural gas | 2.92% |

| Other Property, Plant and Equipment | Rate |
|---|---|
| Transmission Plant | 2.20% |
| Distribution Plant | 2.70% |
| General/Other Plant | 2.5%–33.0% |

Depreciation of telecommunications plant in service, which consists mainly of fiber-optic cable and network systems, totaled $0.7 million for each of the years ended December 31, 2020 and 2019. Depreciation expense is computed using the straight-line method over the expected life of the plant. The composite depreciation rates for both 2020 and 2019 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, 2020, MEAG Power's ownership percentages in jointly owned generation facilities in service were as follows:

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

MEAG Power, GPC, OPC and Dalton (collectively, the joint-owners) jointly own the facilities. GPC has contracted to operate and maintain the jointly owned facilities as agent for the respective joint-owners. MEAG Power's proportionate share of 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 $7.3 million in 2020 and $9.5 million in 2019 for Project One, and $2.1 million in 2020 and $2.6 million in 2019 for the General Resolution Projects.

## Nuclear Generating Facilities

MEAG Power's current nuclear generating facilities consist of its 17.7% ownership in Generation Station Hatch, Unit Nos. 1 and 2 (Hatch Units 1&2) and its 22.7% ownership in Vogtle Units 1&2 (collectively, the existing Nuclear Units). Southern Nuclear, as agent for GPC, is the operator of the existing Nuclear Units.

Under 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.

On August 13, 2020, GPC filed amended complaints in each of the 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. The amended complaints add damages from January 1, 2018 to December 31, 2019 to the claim period. In prior years, GPC had 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 January 1, 2011 through December 31, 2017. On June 12, 2019, the Federal Claims Court granted GPC's motion for summary judgment on damages not disputed by the U.S. government, awarding those undisputed damages to GPC. However, those undisputed damages are not collectible and MEAG Power's share of such awards will not be recognized in its financial statements until the Federal Claims Court enters final judgment on the remaining damages.

Damages will continue to accumulate until the issue is resolved, the U.S. government disposes of GPC's spent nuclear fuel pursuant to its contractual obligations, or alternative storage is otherwise provided. No amounts have been recognized in MEAG Power's financial statements as of December 31, 2020 for any potential recoveries from any of these additional lawsuits, and the final outcome of these matters cannot be determined at this time. MEAG Power previously received its share of awards by the Federal Claims Court for spent nuclear fuel damages for the years 1998 through 2010.

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

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

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

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

## Coal Generating Facilities

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

The Operating Agreement for Generation Station Wansley (Operating Agreement) is automatically extended each year 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. MEAG Power delivered notice to GPC on October 30, 2020 of MEAG Power's election to terminate such

Operating Agreement. Since that time, and in its Annual Report on Form 10-K filing for the fiscal year ended December 31, 2020, with the U.S. Securities and Exchange Commission, on February 18, 2021, GPC disclosed that the anticipated cost of the controls necessary to comply with the effluent limitations guidelines (ELG) rule may accelerate retirement of the Wansley coal units. MEAG Power is currently in discussion with GPC and assessing the related impacts of an accelerated retirement, including a possible extension of the term of the Operating Agreement beyond April 30, 2021.

### Natural Gas Generating Facilities

As discussed in Note 1 (C), "The Organization — Combined Cycle Project," MEAG Power wholly owns Wansley Unit 9 within the CC Project. MEAG Power has contracted with North American Energy Services Corporation (NAES) to perform the operation and maintenance of the CC Project. The agreement provides for a three-year automatic renewal, unless a 90-day notice is provided by either party, with the next scheduled renewal being October 2021. MEAG Power has contracted with Mechanical Dynamics & Analysis, formerly PW Power Systems, for long-term parts and outage services for Wansley Unit 9. The term of the contract is based on the operations of the unit and estimated to be in place through 2030.

### Transmission Facilities

MEAG Power; GPC; Georgia Transmission Corporation, a not-for-profit cooperative transmission provider to 38 electric distribution cooperatives in Georgia; and Dalton each own transmission system facilities, which together comprise a statewide ITS. MEAG Power and the other owners of those facilities may make use of the majority of such facilities included in the ITS, regardless of ownership, in serving its customers. Bulk power supply is furnished by MEAG Power to the Participants through the ITS. MEAG Power's ITS facilities are included in Project One.

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

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

The Integrated Transmission System Maintenance Agreement, pursuant to which GPC maintains MEAG Power's transmission system facilities, has been effective since 1999 and has renewed annually since 2002, with the current renewal term extending through December 31, 2021. Neither party has given the required 12 months' prior notice of cancellation.

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

### Southeastern Power Administration

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

Pursuant to the 25-month notice provision described above, the Cities of Blakely, Fitzgerald, Hogansville, Sylvania and Washington submitted their requests to terminate their contracts as soon as practicable with SEPA. SEPA was successful in remarketing the 27.2 MW of capacity and associated energy from these contracts to other preference customers effective January 1, 2019. As part of this process, the City of Monroe increased its allocation by 1.9 MW, resulting in a net decrease to the MEAG Power system of 25.3 MW for 2019. Termination of the City of Adel's contract for 6.9 MW of capacity and associated energy with SEPA was effective August 1, 2020. The aggregate amount of capacity and associated energy received by the Participants under the SEPA contracts as of December 31, 2020 was 398 MWs.

### Pseudo Scheduling and Services Agreement

MEAG Power and GPC are parties to a Pseudo Scheduling and Services Agreement (PSSA) that addresses unit scheduling and dispatch and system services required for MEAG Power to manage its resources and effectuate off-system sales and purchases within the Southern Company system. Under this agreement, MEAG Power's schedule for the output from the Coal Units may differ from the actual output of its ownership share and will result in sales to or purchases from GPC to reconcile the difference. During the years ended December 31, 2020 and 2019, sales and purchases with GPC under this agreement were (in thousands):

| PSSA | **2020** | 2019 |
|---|---|---|
| Sales | **$26,081** | $71,422 |
| Purchases | **$ 6,401** | $ 7,502 |

### (H) ASSET RETIREMENT OBLIGATIONS AND DECOMMISSIONING

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

The recognition of ARO is driven primarily by decommissioning costs associated with the existing Nuclear Units, as well as costs associated with plans to close ash ponds related to the Coal Units in response to the final coal combustion residual (CCR) and ELG regulations (see Note 8, "Commitments and Contingencies — Environmental Regulation"). The most recent estimates pertaining to decommissioning costs were completed in 2018. Additional updates pertaining to coal ash ponds were received in 2020.

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

MEAG Power's share of the ARO Measurement as of December 31, 2020 and 2019 were as follows (dollars in thousands):

| **December 31, 2020** | Total ARO | ARO at MEAG Power's Ownership Percentage (1) |
|---|---|---|
| Nuclear | **$2,430,555** | **$478,328** |
| Coal ash | **1,134,582** | **171,322** |
| Other | **134,393** | **21,860** |
| Total | **$3,699,530** | **$671,510** |

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

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

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

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

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

| | Hatch Units 1&2 | Vogtle Units 1&2 |
|---|---|---|
| Decommissioning period | 2034–2075 | 2047–2079 |
| Estimated future costs (2018 dollars) | $339,889 | $418,356 |
| Amount expensed in 2020 | $ 14,322 | $ 12,487 |
| Accumulated provision in external funds | $299,708 | $294,533 |

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

Actual decommissioning costs may vary due to changes in the assumed dates of decommissioning, NRC funding requirements, regulatory requirements, costs of labor and equipment, or other assumptions used in determining the estimates. Earnings and inflation assumptions of 4.1% and 2.1%, respectively, were used to determine decommissioning-related billings to the Participants for 2021 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. Amortization of nuclear fuel is calculated on a units-of-production basis.

Natural gas expense for the CC Project totaled $53.8 million and $57.9 million for 2020 and 2019, 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 $(1.7) million and $(6.8) million as of December 31, 2020 and 2019, respectively, is recorded on the Balance Sheet in materials, supplies and other assets. The increase (decrease) in fair value of $5.1 million and $(5.0) million for 2020 and 2019, respectively, is recorded in deferred outflows of resources on the Balance Sheet.

Summary information pertaining to natural gas hedges as of December 31, 2020 and 2019 is as follows (dollars in thousands):

| Contract Year | **Notional Amount* December 31, 2020** | **Fair Value December 31, 2020** | Latest Maturity Date |
|---|---|---|---|
| 2021 | **7,400,000** | **$ 239** | Dec. 2021 |
| 2022 | **6,280,000** | **(589)** | Dec. 2022 |
| 2023 | **4,810,000** | **(1,006)** | Dec. 2023 |
| 2024 | **2,760,000** | **(380)** | Dec. 2024 |
| 2025 | **1,230,000** | **(2)** | Oct. 2025 |
| Total | **22,480,000** | **$(1,738)** | |

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

*In mmBtus (one million British Thermal Units).

The above natural gas hedges were entered into between September 2015 and December 2020 with immaterial total cash paid at inception for natural gas hedges outstanding at both December 31, 2020 and 2019. The price index for all of MEAG Power's natural gas hedges is the New York Mercantile Exchange Natural Gas Futures Contract at Henry Hub (Henry Hub Contract). All of MEAG Power's natural gas hedges are with one of two counterparties that had credit ratings with Fitch Ratings (Fitch), Moody's Investors Service (Moody's) and Standard & Poor's (S&P) at December 31, 2020 and 2019 as follows:

| | Counterparty Credit Rating | | |
|---|---|---|---|
| | Fitch | Moody's | S&P |
| **December 31, 2020** | **AA/A** | **Aa1/A3** | **A+/BBB+** |
| December 31, 2019 | AA/A | Aa1/A3 | A+/BBB+ |

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

### (J) MATERIALS, SUPPLIES AND OTHER ASSETS

Materials and supplies include the cost of transmission materials and the average cost of generating unit materials, which are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate. Other assets consist primarily of prepaid assets and the fair value of effective natural gas hedging instruments.

## (K) DERIVATIVE FINANCIAL INSTRUMENTS

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

Information about natural gas hedges and interest rate swap agreements outstanding as of December 31, 2020 and 2019 is included in "Fuel Costs," section (I) of this Note and Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Other Financing Transactions," respectively.

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

### Credit Risk

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

Finally, MEAG Power requires each counterparty to post collateral based on the exposure of the swap or hedge. The five outstanding interest rate swaps and $(2.7) million of the outstanding natural gas hedges were in the counterparty's favor in a liability position as of December 31, 2020, thereby minimizing the credit risk to MEAG Power. The value of natural gas hedges in MEAG Power's favor totaled $1.0 million.

### 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 active markets, which places them at Level 1 in the fair value hierarchy. For additional information pertaining to MEAG Power's natural gas hedges, see "Fuel Costs," section (I) of this Note.

MEAG Power's fair value measurements and their levels within the fair value hierarchy as of December 31, 2020 and 2019 were as follows (in thousands):

| **December 31, 2020** | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| *Investments by fair value level:* | | | | |
| U.S. Treasury securities | **$ 1,102,553** | **$1,102,553** | **$ —** | **$ —** |
| U.S. government agency and agency-backed securities | **913,290** | **—** | **913,290** | **—** |
| Corporate notes | **154,158** | **—** | **154,158** | **—** |
| Municipal bonds | **22,846** | **—** | **22,846** | **—** |
| Total investments by fair value level | **2,192,847** | **$1,102,553** | **$1,090,294** | **$ —** |
| *Investments measured at the net asset value (NAV):* | | | | |
| Common equity investment trusts | **189,775** | | | |
| *Investments measured at cost:* | | | | |
| Money market mutual funds | **843,962** | | | |
| Cash/Other | **1,648** | | | |
| Total investments measured at cost | **845,610** | | | |
| Total special funds, supplemental power account and securities lending collateral | **$3,228,232** | | | |
| *Derivative financial instruments:* | | | | |
| Interest rate swaps | **$ (84,621)** | **$ —** | **$ (84,621)** | **$ —** |
| Natural gas hedges | **(1,738)** | **(1,738)** | **—** | **—** |
| Total derivative financial instruments | **$ (86,359)** | **$ (1,738)** | **$ (84,621)** | **$ —** |

| December 31, 2019 | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| *Investments by fair value level:* | | | | |
| U.S. Treasury securities | $ 1,430,234 | $1,430,234 | $ — | $ — |
| U.S. government agency and agency-backed securities | 1,273,977 | — | 1,273,977 | — |
| Corporate notes | 170,786 | — | 170,786 | — |
| Municipal bonds | 22,737 | — | 22,737 | — |
| Total investments by fair value level | 2,897,734 | $1,430,234 | $ 1,467,500 | $ — |
| *Investments measured at the NAV:* | | | | |
| Common equity investment trusts | 172,291 | | | |
| *Investments measured at cost:* | | | | |
| Money market mutual funds | 611,444 | | | |
| Cash/Other | 1,286 | | | |
| Total investments measured at cost | 612,730 | | | |
| Total special funds, supplemental power account and securities lending collateral | $ 3,682,755 | | | |
| *Derivative financial instruments:* | | | | |
| Interest rate swaps | $ (64,467) | $ — | $ (64,467) | $ — |
| Natural gas hedges | (6,824) | (6,824) | — | — |
| Total derivative financial instruments | $ (71,291) | $ (6,824) | $ (64,467) | $ — |

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 |
|---|---|---|---|---|
| **December 31, 2020** | **$189,775** | **$ —** | **Daily, monthly** | **1–30 days** |
| December 31, 2019 | $172,291 | $ — | Daily, monthly | 1–30 days |

### (M) ENTERPRISE RISK MANAGEMENT

The Board has established an Enterprise Risk Management (ERM) program through the approval of an ERM Policy. The ERM Policy governs the ERM program, which consists of a Board-level Risk Management and Audit Committee (RMAC), an Executive Enterprise Risk Management Committee (EERMC) 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 EERMC to monitor and mitigate material risks identified through the risk-assessment process.

### (N) RECENT ACCOUNTING PRONOUNCEMENTS

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

In 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 2022. The impact to MEAG Power's financial reporting has not been determined.

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

In June 2018, GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" (Statement 89). The objectives of Statement 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Statement 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. GASB has allowed that, provided the criteria for regulated operations are met and the entity has elected regulatory accounting, qualifying interest cost may be capitalized as a regulatory asset. Statement 89 is effective for MEAG Power beginning in 2021. MEAG Power does not anticipate a material impact to its financial reporting from Statement 89.

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

In May 2019, GASB issued Statement No. 91, "Conduit Debt Obligations" (Statement 91). The primary objectives of Statement 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement 91 is effective for MEAG Power beginning in 2022. MEAG Power does not anticipate a material impact to its financial reporting from Statement 91.

In January 2020, GASB issued Statement No. 92, "Omnibus 2020" (Statement 92). The objectives of Statement 92 are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The section of Statement 92 pertaining to derivative instruments' terminology was adopted by MEAG Power in 2019. The remaining applicable sections of Statement 92 are effective for MEAG Power beginning in 2022. MEAG Power does not anticipate a material impact to its financial reporting from Statement 92.

In March 2020, GASB issued Statement No. 93, "Replacement of Interbank Offered Rates" (Statement 93).The objective of Statement 93 is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate-most notably, the London Interbank Offered Rate. As of December 31, 2020, MEAG Power did not own any securities with an interbank offered rate and does not anticipate any impact when Statement 93 becomes effective in 2022.

In March 2020, GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" (Statement 94). The objective of Statement 94 is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private, public-public partnerships and availability payment arrangements. Statement 94 is effective for MEAG Power beginning in 2022. MEAG Power does not anticipate a material impact to its financial reporting from Statement 94.

In May 2020, GASB issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" (Statement 95), which was effective upon issuance. The objective of Statement 95 is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Statement 95 extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018.

In May 2020, GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements" (Statement 96). The objective of Statement 96 is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. Statement 96 is effective for MEAG Power in 2023. MEAG Power does not anticipate a material impact to its financial reporting from Statement 96.

In May 2020, GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans — an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32" (Statement 97). The objectives of Statement 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Statement 97 is effective for MEAG Power beginning in 2022. MEAG Power does not anticipate a material impact to its financial reporting from Statement 97.

## 3. PROPERTY, PLANT AND EQUIPMENT

PP&E activity for the years ended December 31, 2020 and 2019 is shown (in thousands) in the following table. Land is included in the electric component at a non-depreciable cost basis of $44.7 million and $40.6 million as of December 31, 2020 and 2019, respectively. In 2020, capital additions totaled $856.9 million, primarily pertaining to site construction within the nuclear islands, turbine islands and balance of plant areas at Vogtle Units 3&4. Major accomplishments for Unit 3 during 2020 included completion of all major civil construction with the final concrete placements in Unit 3 Containment along with the Auxiliary Building and Shield Building roofs. Cold hydrostatic testing was completed, verifying the integrity of the Reactor Coolant System. The Main Turbine was placed on turning gear and Condenser vacuum was established. The site also received its first shipment of nuclear fuel in December for Unit 3. Unit 4 milestones included setting the Containment vessel top head early in the year followed by the Shield Building structural roof later in 2020. The Unit 4 main control room became operational and is ready to support testing of the Unit 4 components and systems. The site collectively also received 62 Reactor Operator and Senior Reactor Operator licenses from the NRC and conducted a successful NRC-evaluated Emergency Preparedness exercise.

| Property, Plant and Equipment | As of December 31, 2018 | Increases | Decreases | As of December 31, 2019 | Increases | Decreases | **As of December 31, 2020** |
|---|---|---|---|---|---|---|---|
| *Project One* | | | | | | | |
| Electric utility plant in service | $ 3,308,301 | $ 101,871 | $ (17,460) | $ 3,392,712 | $ 73,428 | $ (16,237) | **$ 3,449,903** |
| Less accumulated depreciation | (1,803,146) | (57,273) | 17,460 | (1,842,959) | (77,842) | 16,237 | **(1,904,564)** |
| Electric utility depreciable plant, net | 1,505,155 | 44,598 | — | 1,549,753 | (4,414) | — | **1,545,339** |
| CWIP | 137,851 | 95,746 | (106,674) | 126,923 | 111,035 | (73,300) | **164,658** |
| Nuclear fuel, net | 179,911 | — | (5,592) | 174,319 | — | (20,828) | **153,491** |
| Total Project One | 1,822,917 | 140,344 | (112,266) | 1,850,995 | 106,621 | (94,128) | **1,863,488** |
| *General Resolution Projects* | | | | | | | |
| Electric utility plant in service | 1,204,454 | 42,972 | (8,009) | 1,239,417 | 17,857 | (7,529) | **1,249,745** |
| Less accumulated depreciation | (608,315) | (21,767) | 8,009 | (622,073) | (28,585) | 7,529 | **(643,129)** |
| Electric utility depreciable plant, net | 596,139 | 21,205 | — | 617,344 | (10,728) | — | **606,616** |
| CWIP | 64,711 | 35,572 | (44,173) | 56,110 | 14,338 | (18,657) | **51,791** |
| Nuclear fuel, net | 24,050 | — | (1,215) | 22,835 | — | (2,361) | **20,474** |
| Total General Resolution Projects | 684,900 | 56,777 | (45,388) | 696,289 | 3,610 | (21,018) | **678,881** |
| *Combined Cycle Project* | | | | | | | |
| Electric utility plant in service | 331,484 | 2,657 | (1,281) | 332,860 | — | — | **332,860** |
| Less accumulated depreciation | (138,505) | (9,067) | 1,281 | (146,291) | (9,114) | — | **(155,405)** |
| Electric utility depreciable plant, net | 192,979 | (6,410) | — | 186,569 | (9,114) | — | **177,455** |
| CWIP | 416 | 1,529 | — | 1,945 | 2,547 | — | **4,492** |
| Total Combined Cycle Project | 193,395 | (4,881) | — | 188,514 | (6,567) | — | **181,947** |
| *Vogtle Units 3&4 Projects and Project Entities* | | | | | | | |
| CWIP | 2,910,552 | 819,822 | 33 | 3,730,407 | 864,882 | 31 | **4,595,320** |
| Nuclear fuel, net | 73,884 | 6,883 | — | 80,767 | 26,963 | — | **107,730** |
| Total Vogtle Units 3&4 Projects and Project Entities | 2,984,436 | 826,705 | 33 | 3,811,174 | 891,845 | 31 | **4,703,050** |
| *Telecom Project* | | | | | | | |
| Telecommunications plant in service | 28,871 | — | — | 28,871 | — | — | **28,871** |
| Less accumulated depreciation | (24,462) | (719) | — | (25,181) | (720) | — | **(25,901)** |
| Total Telecom Project | 4,409 | (719) | — | 3,690 | (720) | — | **2,970** |
| Total property, plant and equipment, net | $ 5,690,057 | $1,018,226 | $(157,621) | $ 6,550,662 | $994,789 | $(115,115) | **$ 7,430,336** |

As of December 31, 2020 and 2019, the Telecom fiber-optic network encompassed over 1,500 miles of fiber. Telecom has entered into agreements that convey the rights to the use of certain fiber-optic cable owned by others. Telecom's costs under these agreements have been recorded as capital lease assets.

## 4. SPECIAL FUNDS AND SUPPLEMENTAL POWER ACCOUNT

### Investments

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

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

### Credit Risk

Credit risk is the risk that MEAG Power will be unable to recover its investments either by an inability to withdraw the funds through insolvency or nonperformance of a counterparty or an inability to recover collateral. In accordance with the ALCO Policy, MEAG Power manages exposure to credit risk by restricting investments to issuers that meet certain qualifications and therefore limits any potential credit exposure. In addition, all repurchase agreements must be collateralized using cash or securities permissible under the ALCO Policy at 102% of the market value of principal and accrued interest. As of December 31, 2020, substantially all of MEAG Power's investments in mortgage-backed securities and U.S. government agency bonds and notes were rated AAA by Moody's and AA+ by S&P, and/or guaranteed by the issuer, which carries the AAA/AA+ ratings. Common equity investment trusts are not rated. Credit risk considerations for the securities lending program are discussed in "Securities Lending" below.

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

### Custodial Credit Risk

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

### Concentration of Credit Risk

Concentration of credit risk is the chance of a loss due to the magnitude of MEAG Power's investment in a single issuer. Under the ALCO Policy, MEAG Power restricts possible concentration of credit risk by placing maximum exposure restrictions by security type. The ALCO Policy also requires diversification to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer or bank. External investments with one issuer that comprised 5% or more of MEAG Power's portfolio (excluding those issued or explicitly guaranteed by the U.S. government, as well as mutual funds) as of December 31, 2020 were (dollars in thousands):

| Issuer | Fair Value | Percentage of Portfolio |
|---|---|---|
| Federal Home Loan Bank | $518,345 | 15.89% |

### Securities Lending

The Board has approved a securities lending program (the Program), which allows MEAG Power to lend securities held in the Decommissioning Trust in return for collateral in the form of cash or authorized security types, with a simultaneous agreement to return collateral for the same securities in the future. All investments in the Program are considered other investment securities for reporting cash flows.

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

At December 31, 2020, MEAG Power and the lending agent had no credit risk exposure to borrowers for direct lending activity because the fair value of the collateral held was greater than the fair value of the securities loaned. Contracts with the lending agent require it to indemnify MEAG Power if the borrowers fail to return the securities and the collateral is inadequate to replace the securities loaned or fail to pay MEAG Power for income distributions while the securities are on loan. There were no violations of legal or contractual provisions, no realized borrower or lending agent default losses, and no recoveries of prior period counterparty losses during the year. There were no income distributions owing on the securities loaned.

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

## Interest Rate Risk

All fixed-income investments are exposed to interest rate risk. MEAG Power's investments would be subject to changes in fair value due to potential changes in interest rates. The ALCO Policy describes the maximum maturity limitations and performance benchmarks for each account in the funds established under the various bond resolutions and agreements pertaining to the 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, 2020, 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 | $ 856,963 | $ 90,821 | $ 125,215 | $29,554 | $ — | $ — | $ 1,102,553 |
| U.S. government agency and agency-backed securities | 573,835 | 222,141 | 97,957 | 6,732 | 12,625 | — | 913,290 |
| Corporate notes | 12,290 | 32,889 | 73,659 | 32,291 | 3,029 | — | 154,158 |
| Common equity investment trusts | — | — | — | — | — | 189,775 | 189,775 |
| Municipal bonds | 5,007 | 1,627 | 42,940 | — | 6,122 | — | 55,696 |
| Eliminations* | (4,915) | (1,520) | (26,415) | — | — | — | (32,850) |
| Money market mutual funds | 843,938 | — | — | — | 24 | — | 843,962 |
| Cash/Other | — | — | — | — | — | 1,648 | 1,648 |
| Total special funds, supplemental power account and securities lending collateral | $2,287,118 | $345,958 | $313,356 | $68,577 | $21,800 | $191,423 | $3,228,232 |

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

## Environmental Facilities Reserve Accounts

In 2006, MEAG Power established an Environmental Facilities Reserve Account (EFRA) for Project One, as well as a separate EFRA for each of Project Two and Project Three. MEAG Power will continue to deposit amounts to the EFRA in accordance with requirements set forth in remaining resolutions pursuant to which the EFRA was established. Such amounts may be applied by MEAG Power to any lawful purpose of MEAG Power related to the Coal Units (including paying a portion of the respective project's debt service related to the Coal Units).

## Classification

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

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

At December 31, 2020 and 2019, investments in special funds, the supplemental power account and securities lending were classified on the Balance Sheet as follows (in thousands):

| December 31, 2020 | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects Project Entities | Municipal Competitive and Trust | Telecom Project | Eliminations* | Total |
|---|---|---|---|---|---|---|---|---|
| Special funds, non-current: | | | | | | | | |
| Decommissioning Trust | $532,125 | $ 62,116 | $ — | $ — | $ — | $ — | $ — | $ 594,241 |
| Construction fund | 84,514 | 31,824 | 348 | 614,576 | — | — | — | 731,262 |
| Debt Service fund — | | | | | | | | |
| Reserve and Retirement accounts | 53,497 | 26,297 | 25,164 | 378,598 | — | — | — | 483,556 |
| Revenue and Operating fund | — | — | 8,475 | — | — | — | — | 8,475 |
| Reserve and Contingency fund | 25,777 | 9,554 | 1,206 | — | — | — | — | 36,537 |
| Environmental Facilities | | | | | | | | |
| Reserve account | — | — | — | — | — | — | — | — |
| Competitive Trust: | | | | | | | | |
| New Generation and Capacity | | | | | | | | |
| Funding account | — | — | — | — | 253,037 | — | (17,913) | 235,124 |
| Reserve Funded Debt account | — | — | — | — | 1,672 | — | — | 1,672 |
| Flexible Operating account | — | — | — | — | 10,022 | — | (10,022) | — |
| Total special funds, non-current | 695,913 | 129,791 | 35,193 | 993,174 | 264,731 | — | (27,935) | 2,090,867 |
| Special funds, current: | | | | | | | | |
| Revenue and Operating fund | 72,568 | 39,343 | 27,804 | 311 | — | 523 | — | 140,549 |
| Debt Service fund — | | | | | | | | |
| Debt Service account | 20,719 | 9,078 | 3,983 | 92,287 | — | — | — | 126,067 |
| Subordinated Debt Service fund — | | | | | | | | |
| Debt Service accounts | 105,493 | 29,571 | — | — | — | — | — | 135,064 |
| Construction fund | 4,466 | 1,034 | — | 367,103 | — | — | — | 372,603 |
| Competitive Trust: | | | | | | | | |
| New Generation and Capacity | | | | | | | | |
| Funding account | — | — | — | — | 3,152 | — | (3,152) | — |
| Flexible Operating account | — | — | — | — | 358,097 | — | (1,763) | 356,334 |
| Total special funds, current | 203,246 | 79,026 | 31,787 | 459,701 | 361,249 | 523 | (4,915) | 1,130,617 |
| Supplemental power account | 5,972 | — | — | — | — | — | — | 5,972 |
| Securities lending collateral | 695 | 81 | — | — | — | — | — | 776 |
| Total special funds, supplemental power account and securities lending collateral | $905,826 | $208,898 | $66,980 | $1,452,875 | $625,980 | $523 | $(32,850) | $3,228,232 |

*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.

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

*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.

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

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

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

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

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

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

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

| | Validated Amount |
|---|---|
| Project One | |
| Power Revenue Bonds | $ 8,015,100 |
| Subordinated lien bonds | 5,377,855 |
| General Resolution Projects | |
| General Power Revenue Bonds | 3,337,449 |
| Subordinated lien bonds | 1,776,038 |
| Total | $18,506,442 |

The bond resolutions permit the issuance of bonds in the future for certain purposes. No scheduled debt maturity for Project One or the General Resolution Projects may extend beyond June 2054, the expiration of the Power Sales Contracts for the respective project — see Note 1 (B), "The Organization — Project One and the General Resolution Projects."

On July 17, 2018, the Fulton County Superior Court entered a judgment (the 2018 Validation Judgment) which confirmed and validated bonds of MEAG Power to finance the cost of acquisition and construction of capital improvements to the applicable project and to refund Power Revenue Bonds, General Power Revenue Bonds and subordinated lien bonds, as applicable, in the following aggregate principal amounts (in thousands):

| | Validated Amount |
|---|---|
| Project One | $4,706,900 |
| General Resolution Projects | 1,396,900 |
| Total | $6,103,800 |

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

In November 2020, MEAG Power issued the following Project One Subordinated Bonds, Series 2020A and General Resolution Projects Subordinated Bonds, Series 2020A to (a) finance or refinance certain capital improvements (including the repayment of certain interim borrowings) and (b) provide a portion of the funds required to refund certain outstanding and subordinated lien bonds (in thousands):

| | |
|---|---|
| Project One | $194,355 |
| General Resolution Projects | 58,455 |
| Total | $252,810 |

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

| | |
|---|---|
| Project One | $242,960 |
| General Resolution Projects | 9,425 |
| Total | $252,385 |

On December 16, 2011, MEAG Power adopted various resolutions (the Amending Resolutions) for the purpose of making certain amendments (the Proposed Amendments) to the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution (collectively, the Senior Resolutions). As a result of changes in market conditions and standard practices, MEAG Power undertook this process to modernize the Senior Resolutions via a "springing lien" amendment to the Senior Resolutions. The Amending Resolutions allow MEAG Power to, among other things, more easily issue Power Revenue Bonds and General Power Revenue Bonds, as well as be more consistent with the bond resolutions of the CC Project and the Vogtle Units 3&4 Projects. MEAG Power published notice of the receipt of the required consents on March 8, 2017, which caused the Proposed Amendments (other than certain amendments that will not become effective until all Power Revenue Bonds and General Power Revenue Bonds, respectively, outstanding at December 16, 2011 are no longer outstanding) to become effective. As discussed above, the 2018 Validation Judgment validated and confirmed the validity and enforceability of the Senior Resolutions, as so amended.

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

Various bond issues have been defeased by creating separate irrevocable trust funds. New debt was issued and a portion of the proceeds were used to purchase U.S. government securities that were placed in such trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Balance Sheet of Project One and the General Resolution Projects. As of December 31, 2020, the amount held in escrow to defease Power Revenue Bonds and General Power Revenue Bonds removed from the Balance Sheet amounted to $206.6 million.

## Combined Cycle Project Revenue Bonds

As of December 31, 2020, MEAG Power had validated by court judgments $1.3 billion of CC Project bonds, which includes $200.0 million for prepayment of fuel costs. Reference to "court judgments" for these bonds, as well as for the Vogtle Units 3&4 Bonds described below, indicates that MEAG Power is authorized to issue such bonds up to the validated amount.

In December 2020, MEAG Power issued $77.4 million of Combined Cycle Project Revenue Bonds, Series 2020A to (a) to provide a portion of the moneys required to refund certain outstanding CC Project Bonds and (b) repay a portion of the amount outstanding under the lines of credit (LOC) agreement (see "Credit Agreements and Other Short-Term Debt" section of this Note).

## Financing of Vogtle Units 3&4 Projects and Project Entities

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

As of December 31, 2020, MEAG Power had validated by court judgments $5.0 billion of Project M Bonds for the purpose of financing Project M and refunding Project M Bonds and the Project M Original DOE Guaranteed Loan, $6.0 billion of Project J Bonds for the purpose of financing Project J and refunding Project J Bonds and the Project J Original DOE Guaranteed Loan, and $3.4 billion of Project P Bonds for the purpose of financing Project P and refunding Project P Bonds and the Project P Original DOE Guaranteed Loan.

Under the Recovery Act, MEAG Power, provided it complies with the requirements of the Recovery Act, may receive cash subsidy payments rebating a portion of the interest on the Build America Bonds from the U.S. Treasury up to 35% of the interest payable on such bonds. No assurance can be given by MEAG Power of the receipt of such cash subsidy payments. MEAG Power is obligated to make payments of the principal and interest on the Build America Bonds whether or not it receives such cash subsidy payments. Section 30101 of the Bipartisan Budget Act of 2018 extended sequester reduction on all subsidy payments owed to issuers of direct-pay Build America Bonds until 2027 (the Sequester Reduction). The Sequester Reduction percentage for the federal fiscal year ended September 30, 2020 was 5.9%. The Sequester Reduction percentage for the federal fiscal year ending September 30, 2021 is 5.7%.

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

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

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

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

Upon receipt of the final DOE Advances for the Project P Entity on October 2, 2020 (see Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities — Structure, DOE Guaranteed Loans and Recent Bond Financings — DOE Loan Guarantee Program"), MEAG Power terminated the 2019 Project P Credit Agreement. On October 16, 2020, the 2018 Project P Credit Agreement was amended and restated to extend the lending commitment thereunder to November 12, 2021.

In 2018, MEAG Power issued its Plant Vogtle Units 3&4 Project P Bond, Taxable Series 2018A in the principal amount of $100.0 million (the Taxable Series 2018A Project P Bond), which was purchased by the trustee of the Competitive Trust, as an investment of funds on deposit in the Competitive Trust. It was repaid on September 24, 2019.

Changes in the Taxable Series 2018A Project P Bond, the Series 2018B Project P Bond and the Series 2019A Project P Bond during the years ended December 31, 2020 and 2019 were (in thousands):

| | Balance December 31, 2018 | Proceeds | Payments | Balance December 31, 2019 | Proceeds | Payments | **Balance December 31, 2020** |
|---|---|---|---|---|---|---|---|
| Taxable Series 2018A Project P Bond | $100,000 | $ — | $100,000 | $ — | $ — | $ — | **$ —** |
| Series 2018B Project P Bond | — | 77,500 | 50,000 | 27,500 | — | 27,500 | **—** |
| Series 2019A Project P Bond | — | 80,000 | 50,000 | 30,000 | — | 30,000 | **—** |
| Total | $100,000 | $157,500 | $200,000 | $57,500 | $ — | $57,500 | **$ —** |

For information pertaining to DOE Guaranteed Loans, see the section of Note 1 (D) referenced above.

### Telecommunications Project Revenue Bonds

As of December 31, 2020, MEAG Power had validated by court judgment $44.0 million of bonds pertaining to Telecom for the purpose of acquisition and construction of the Telecom network and subsequent refundings. All Telecommunications Project Revenue Bonds have been repaid.

### Credit Agreements and Other Short-Term Debt

As of both December 31, 2020 and 2019, $155.9 million in aggregate amount of letters of credit were in effect to support CP notes which, as of such dates, were issued and outstanding in the amount of $11.8 million. Any amounts drawn under the letters of credit would be payable by MEAG Power on a semiannual basis over a three- year period using the bank's interest rates. The maximum amount of CP authorized to be issued is $410.0 million, but in no event can the aggregate principal amount of all CP notes outstanding, and the interest thereon due at maturity, exceed the aggregate stated amounts of all such letters of credit at any time outstanding and in effect. A principal amount of validated but unissued Power Revenue Bonds and General Power Revenue Bonds of not less than the amount of subordinated bonds issued as BANs is required and was maintained as of both December 31, 2020 and December 31, 2019.

On November 12, 2019, MEAG Power and two commercial banks entered into amended and restated revolving credit agreements (RCAs) for Project One and the General Resolution Projects that permit MEAG Power to borrow from such banks, until the end of the revolving credit period thereunder (until November 12, 2022 unless earlier terminated, and subject to extension at the sole discretion of the applicable bank), in the aggregate, not to exceed $225.0 million. Any amounts borrowed under the RCAs would be payable by MEAG Power following the end of the revolving credit period on a quarterly basis over a three-year period using the bank's interest rates. Since the notes evidencing such banks' right to be repaid for such borrowings constitute subordinated bonds issued as BANs, a principal amount of validated but unissued Power Revenue Bonds and General Power Revenue Bonds of not less than the amount of such subordinated bonds is required and was maintained as of both December 31, 2020 and 2019.

Subordinated bonds issued as variable-rate demand obligations and outstanding as of December 31, 2020 totaled $148.1 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, 2020, none of the aforementioned bonds were held by the banks. Under the terms of these agreements, any bonds purchased by the banks would be payable by MEAG Power on a semiannual basis over periods generally ranging over two to five years.

As of December 31, 2019, MEAG Power and two banks had entered into committed credit agreements providing for LOC available to Project One, the General Resolution Projects and the CC Project for $125.0 million individually, but not to exceed $125.0 million in the aggregate. The agreements were extended in February 2020 to July 2020 and were partially replaced on April 30, 2020 with a $62.5 million LOC. On December 8, 2020, MEAG Power executed an amendment which increased the LOC available to both Project One and the General Resolution Projects to $72.5 million in the aggregate. The LOC generally provide for interest at taxable rates.

Changes in LOC during the years ended December 31, 2020 and 2019 were (in thousands):

| Lines of Credit and Other Short-term Debt | Balance December 31, 2018 | Proceeds | Payments | Balance December 31, 2019 | Proceeds | Payments | **Balance December 31, 2020** |
|---|---|---|---|---|---|---|---|
| Project One | $25,675 | $59,481 | $61,730 | $23,426 | $51,809 | $ 74,126 | **$1,109** |
| General Resolution Projects | 435 | 506 | 400 | 541 | 9,972 | 10,441 | **72** |
| CC Project | — | — | — | — | 21,805 | 19,105 | **2,700** |
| Total | $26,110 | $59,987 | $62,130 | $23,967 | $83,586 | $103,672 | **$3,881** |

MEAG Power had unused lines of credit of $68.6 million and $101.0 million as of December 31, 2020 and 2019, respectively.

## Project Borrowings from the Competitive Trust

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

In 2012, MEAG Power issued BANs in a maximum principal amount to be outstanding at any time of $100.0 million for each of Project One, the General Resolution Projects and the CC Project (the Series 2012A BANs). The Series 2012A BANs do not constitute a senior bond or a subordinated bond, are unsecured debt and were outstanding at December 31, 2020 and 2019 in the amounts shown in the table below. On April 30, 2020, the amounts outstanding under the Series 2012A BANs were repaid from the proceeds of credit agreements.

In 2012, MEAG Power issued $67.7 million of Project One subordinated bonds and $54.8 million of General Resolution Projects subordinated bonds (collectively, Series 2012B Bonds) to refund previously issued bonds outstanding in the same amount. Principal on the Series 2012B Bonds is paid from DSRA releases.

The Series 2012A BANs, the Series 2012B Bonds and the Taxable Series 2018A Project P Bond were issued to evidence MEAG Power's obligation to repay loans made by the trustee of the Competitive Trust to MEAG Power, as an investment of funds on deposit in the Competitive Trust, and the interest thereon. Such loans are used by MEAG Power to finance a portion of the costs of acquisition and construction and working capital needs of the applicable project(s), as well as financing costs for Project P.

Changes in the Series 2012A BANs, the Series 2012B Bonds and the Taxable Series 2018A Project P Bond during the years ended December 31, 2020 and 2019 were (in thousands):

| | Description | Balance December 31, 2018 | Proceeds | Payments | Balance December 31, 2019 | Proceeds | Payments | **Balance December 31, 2020** |
|---|---|---|---|---|---|---|---|---|
| Project One | Series 2012A BANs | $ 28,075 | $ — | $ — | $28,075 | $ — | $28,075 | **$ —** |
| Project One | Series 2012B Bonds | 19,555 | — | — | 19,555 | — | — | **19,555** |
| General Resolution Projects | Series 2012A BANs | 4,670 | — | — | 4,670 | — | 4,670 | **—** |
| General Resolution Projects | Series 2012B Bonds | 54,780 | — | 27,545 | 27,235 | — | 13,940 | **13,295** |
| CC Project | Series 2012A BANs | 23,750 | — | 4,645 | 19,105 | — | 19,105 | **—** |
| Project P | Taxable Series 2018A Project P Bond | 100,000 | — | 100,000 | — | — | — | **—** |
| Total | | $230,830 | $ — | $132,190 | $98,640 | $ — | $65,790 | **$32,850** |

As such, the investments of the Competitive Trust that were also liabilities of the various project(s) were eliminated as applicable from MEAG Power's 2020 and 2019 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, 2020 and 2019, 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 $89.7 million and $68.9 million as of December 31, 2020 and 2019, 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, 2020 and 2019, a fair value (decrease) of $(20.8) million and $(18.2) million, respectively, was recorded in deferred outflows of resources on the Balance Sheet.

On June 26, 2020, MEAG Power amended the Project One swap with a notional amount of $49.2 million to replace mark-to-market value thresholds with credit rating triggers for terminating all or a portion of this swap and increased the fixed payor rate from 4.32% to 4.43%.

MEAG Power previously entered into certain interest rate swap agreements that had a notional amount outstanding as of December 31, 2019 of $10.5 million, to hedge portions of the variable-rate debt portfolio. These hedges did not meet the criteria for effectiveness under the evaluation methods permitted by Statement 53. As such, the change in the fair value of ineffective hedges, which increased $0.2 million for the year ended December 31, 2019 was reported in net change in the fair value of financial instruments in the Statement of Net Revenues. As of December 31, 2020, these interest rate swap agreements were no longer outstanding.

The terms of the interest rate swap agreements outstanding as of December 31, 2020 and 2019 were as follows (dollars in thousands):

| Project | **Notional Amount Outstanding December 31, 2020** | Interest Rate* | | Term Dates | | Counterparty Credit Rating | | |
|---|---|---|---|---|---|---|---|---|
| | | Paid | Received | Start | End | Fitch | Moody's | S&P |
| One | **$ 39,150** | 4.20% | SIFMA | Jan. 2005 | Jan. 2044 | A+ | A2 | A- |
| One | **59,275** | 4.31% | SIFMA | Jan. 2005 | Jan. 2048 | AA- | Aa2 | A+ |
| One | **49,225** | 4.43% | SIFMA | Jan. 2005 | Jan. 2048 | AA | Aa2 | A+ |
| One | **18,075** | 3.88%-3.90% | CPI+1.05% | Jan. 2007 | Jan. 2021–2022 | AA- | A2 | A- |
| Total | **$165,725** | | | | | | | |

*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.

| Project(s) | Notional Amount Outstanding December 31, 2019 | Interest Rate* | | Term Dates | | Counterparty Credit Rating | | |
|---|---|---|---|---|---|---|---|---|
| | | Paid | Received | Start | End | Fitch | Moody's | S&P |
| One | $ 39,150 | 4.20% | SIFMA | Jan. 2005 | Jan. 2044 | A+ | A2 | A- |
| One | 59,275 | 4.31% | SIFMA | Jan. 2005 | Jan. 2048 | AA- | Aa2 | A+ |
| One | 49,225 | 4.32% | SIFMA | Jan. 2005 | Jan. 2048 | AA | Aa2 | A+ |
| One | 37,590 | 3.85%–3.90% | CPI + 1.05% | Jan. 2007 | Jan. 2020–2022 | AA- | A2 | A- |
| Total Project One | 185,240 | | | | | | | |
| General Resolution | 10,450 | 3.78% | SIFMA | Jan. 2007 | Jan. 2020 | A+ | A2 | A- |
| Total | $195,690 | | | | | | | |

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

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

## Long-Term Debt Activity

Changes in long-term debt during the years ended December 31, 2020 and 2019 were (in thousands):

| Senior and Subordinated Debt | As of December 31, 2018 | Increases | Decreases | As of December 31, 2019 | Increases | Decreases | **As of December 31, 2020** |
|---|---|---|---|---|---|---|---|
| ***Project One*** | | | | | | | |
| Power Revenue bonds | $ 442,445 | $ — | $ (32,885) | $ 409,560 | $ — | $ (45,275) | **$ 364,285** |
| Unamortized (discount) premium, net | 24,773 | 82 | (3,895) | 20,960 | — | (3,449) | **17,511** |
| Subordinated debt | 1,315,693 | 243,376 | (276,668) | 1,282,401 | 261,614 | (269,065) | **1,274,950** |
| Unamortized (discount) premium, net | 68,594 | 34,949 | (13,851) | 89,692 | 34,741 | (14,807) | **109,626** |
| Bond anticipation notes (unsecured) | 28,075 | — | — | 28,075 | — | (28,075) | **—** |
| Total Project One | 1,879,580 | 278,407 | (327,299) | 1,830,688 | 296,355 | (360,671) | **1,766,372** |
| ***General Resolution Projects*** | | | | | | | |
| General Power Revenue bonds | 144,840 | — | (17,590) | 127,250 | — | (11,865) | **115,385** |
| Unamortized (discount) premium, net | 5,407 | 25 | (679) | 4,753 | — | (619) | **4,134** |
| Subordinated debt | 430,855 | 4,630 | (98,915) | 336,570 | 72,895 | (128,345) | **281,120** |
| Unamortized (discount) premium, net | 12,204 | 1,073 | (2,322) | 10,955 | 11,008 | (2,462) | **19,501** |
| Bond anticipation notes (unsecured) | 4,670 | — | — | 4,670 | — | (4,670) | **—** |
| Total General Resolution Projects | 597,976 | 5,728 | (119,506) | 484,198 | 83,903 | (147,961) | **420,140** |
| ***Combined Cycle Project*** | | | | | | | |
| Combined Cycle Project Revenue bonds | 139,385 | — | (16,780) | 122,605 | 77,390 | (98,080) | **101,915** |
| Unamortized (discount) premium, net | 3,991 | 25 | (1,277) | 2,739 | 11,670 | (2,230) | **12,179** |
| Bond anticipation notes (unsecured) | 23,750 | — | (4,645) | 19,105 | — | (19,105) | **—** |
| Total Combined Cycle Project | 167,126 | 25 | (22,702) | 144,449 | 89,060 | (119,415) | **114,094** |
| ***Vogtle Units 3&4 Projects and Project Entities*** | | | | | | | |
| Vogtle Units 3&4 Projects' Revenue bonds | 2,985,130 | 1,283,533 | (125,360) | 4,143,303 | — | (26,523) | **4,116,780** |
| Unamortized (discount) premium, net | 10,427 | 120,336 | (2,263) | 128,500 | — | (6,115) | **122,385** |
| DOE Guaranteed Loans | 1,226,822 | 562,247 | (3,336) | 1,785,733 | 429,019 | (19,098) | **2,195,654** |
| Total Vogtle Units 3&4 Projects and Project Entities | 4,222,379 | 1,966,116 | (130,959) | 6,057,536 | 429,019 | (51,736) | **6,434,819** |
| Total senior and subordinated debt | $6,867,061 | $2,250,276 | $(600,466) | $8,516,871 | $898,337 | $(679,783) | **$8,735,425** |

### 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, 2020 and 2019, MEAG Power's long-term debt consisted of the following (in thousands):

| Project One | 2020 | 2019 |
|---|---|---|
| *Power Revenue Bonds (senior):* | | |
| Series BB | **$ 13,595** | $ 15,930 |
| Series EE | **38,125** | 38,125 |
| Series GG | **117,205** | 120,730 |
| Series HH | **169,310** | 178,600 |
| Taxable Series Four | **26,050** | 56,175 |
| Total | **364,285** | 409,560 |
| Unamortized (discount) premium, net | **17,511** | 20,960 |
| Total Power Revenue Bonds outstanding | **381,796** | 430,520 |
| *Subordinated debt:* | | |
| Series 2005A-1 – Taxable fixed rate | **51,005** | 53,985 |
| Series 2007A-2 – Variable rate | **18,075** | 37,590 |
| Series 2007B – Taxable fixed rate | **11,320** | 11,785 |
| Series 2008A – Fixed rate | **7,395** | 11,020 |
| Series 2008B – Variable rate | **148,065** | 148,065 |
| Series 2009B – Fixed rate | **—** | 1,125 |
| Series 2011A – Fixed rate | **26,775** | 185,700 |
| Series 2011B – Fixed rate | **1,005** | 22,835 |
| Series 2012A – Taxable fixed rate | **40,960** | 59,575 |
| Series 2012B – Taxable fixed rate | **19,555** | 19,555 |
| Series 2012C – Fixed rate | **40,305** | 45,255 |
| Series 2015A – Fixed rate | **133,835** | 140,020 |
| Series 2015A – Fixed rate CABs | **10,090** | 10,090 |
| Series 2016A – Fixed rate | **259,840** | 262,345 |
| Series 2019A – Fixed rate | **242,960** | 242,960 |
| Series 2020A – Fixed rate | **194,355** | — |
| Series A and B BANs – Taxable variable rate CP | **11,782** | 12,007 |
| Revolving credit note — Taxable variable rate | **55,665** | 16,945 |
| Total | **1,272,987** | 1,280,857 |
| Accretion of CABs | **1,963** | 1,544 |
| Unamortized (discount) premium, net | **109,626** | 89,692 |
| Total subordinated debt | **1,384,576** | 1,372,093 |
| Total senior and subordinated debt | **1,766,372** | 1,802,613 |
| Bond anticipation notes (unsecured) – Series 2012A BANS – Taxable variable rate | **—** | 28,075 |
| Current portion of long-term debt | **(99,210)** | (132,010) |
| Total Project One long-term debt | **$1,667,162** | $1,698,678 |

| Combined Cycle Project | 2020 | 2019 |
|---|---|---|
| *Revenue bonds (senior):* | | |
| Series 2010A | **$ 24,525** | $ 86,335 |
| Series 2012A | **—** | 36,270 |
| Series 2020A | **77,390** | — |
| Total | **101,915** | 122,605 |
| Unamortized (discount) premium, net | **12,179** | 2,739 |
| Total senior bonds outstanding | **114,094** | 125,344 |
| Bond anticipation notes (unsecured) – Series 2012A BANs – Taxable variable rate | **—** | 19,105 |
| Total | **114,094** | 144,449 |
| Current portion of long-term debt | **(18,000)** | (15,515) |
| Total Combined Cycle Project long-term debt | **$ 96,094** | $ 128,934 |

| General Resolution Projects | 2020 | 2019 |
|---|---|---|
| *General Power Revenue Bonds (senior):* | | |
| 1992A Series | **$ —** | $ 4,890 |
| 1993B Series | **30** | 35 |
| 1993C Series | **2,520** | 3,290 |
| 2012B Series | **5,305** | 5,645 |
| 2018A Series | **63,070** | 64,335 |
| Taxable 2012A Series | **44,460** | 49,055 |
| Total | **115,385** | 127,250 |
| Unamortized (discount) premium, net | **4,134** | 4,753 |
| Total General Power Revenue Bonds outstanding | **119,519** | 132,003 |
| *Subordinated debt:* | | |
| Series 1985B – Variable rate | **—** | 18,000 |
| Series 1985C – Variable rate | **—** | 17,715 |
| Series 2007A – Taxable fixed rate | **22,755** | 23,680 |
| Series 2008A – Fixed rate | **11,240** | 11,940 |
| Series 2009B – Fixed rate | **—** | 105 |
| Series 2011A – Fixed rate | **180** | 4,405 |
| Series 2011B – Fixed rate | **1,875** | 41,420 |
| Series 2012A – Taxable fixed rate | **74,240** | 75,720 |
| Series 2012B – Taxable fixed rate | **13,295** | 27,235 |
| Series 2015A – Fixed rate | **9,145** | 9,380 |
| Series 2016A – Fixed rate | **60,660** | 64,830 |
| Series 2019A – Fixed rate | **9,425** | 9,425 |
| Series 2020A – Fixed rate | **58,455** | — |
| Revolving credit note – Variable rate | **1,130** | 21,210 |
| Revolving credit note – Taxable variable rate | **18,720** | 11,505 |
| Total | **281,120** | 336,570 |
| Unamortized (discount) premium, net | **19,501** | 10,955 |
| Total subordinated debt | **300,621** | 347,525 |
| Total senior and subordinated debt | **420,140** | 479,528 |
| Bond anticipation notes (unsecured) | | |
| Series 2012A BANS – Taxable variable rate | **—** | 4,670 |
| Current portion of long-term debt | **(31,838)** | (90,329) |
| Total General Resolution Projects long-term debt | **$388,302** | $393,869 |

| Vogtle Units 3&4 Projects and Project Entities | 2020 | 2019 |
|---|---|---|
| *Revenue bonds (senior):* | | |
| Series 2010A, Project J – Taxable (Build America Bonds) | **$1,204,920** | $1,216,995 |
| Series 2010B, Project J | **1,410** | 1,870 |
| Series 2015A, Project J | **185,180** | 185,180 |
| Series 2019A, Project J | **570,925** | 570,925 |
| Series 2010A, Project M – Taxable (Build America Bonds) | **—<br>993,405** | —<br>1,003,705 |
| Series 2010B, Project M | **980** | 980 |
| Series 2019A, Project M | **445,635** | 445,635 |
| Series 2010A, Project P – Taxable (Build America Bonds) | **377,665** | 381,285 |
| Series 2010B, Project P | **440** | 510 |
| Series 2015A, Project P | **69,245** | 69,245 |
| Series 2019B, Project P | **266,975** | 266,975 |
| Total | **4,116,780** | 4,143,305 |
| Unamortized (discount) premium, net | **122,385** | 128,500 |
| Current portion of long-term debt | **(57,690)** | (26,525) |
| Total Vogtle Units 3&4 Bonds long-term debt | **4,181,475** | 4,245,280 |
| *DOE Guaranteed Loans:* | | |
| Federal Financing Bank, SPVJ – Fixed rate | **379,414** | 305,168 |
| Federal Financing Bank, SPVJ – Variable rate | **299,455** | 266,508 |
| Federal Financing Bank, SPVM – Fixed rate | **402,958** | 331,125 |
| Federal Financing Bank, SPVM – Variable rate | **290,237** | 238,236 |
| Federal Financing Bank, SPVP – Fixed rate | **612,776** | 486,654 |
| Federal Financing Bank, SPVP – Variable rate | **210,814** | 158,040 |
| Total DOE Guaranteed Loans | **2,195,654** | 1,785,731 |
| Current portion of long-term debt | **(25,906)** | (19,098) |
| Total DOE Guaranteed Loans long-term debt | **2,169,748** | 1,766,633 |
| Total Vogtle Units 3&4 Projects and Project Entities long-term debt | **$6,351,223** | $6,011,913 |

## Debt Service

At December 31, 2020, expected debt service payments for the Power Revenue Bonds, General Power Revenue Bonds, CC Project Bonds, Vogtle Units 3&4 Bonds and DOE Guaranteed Loans (net of applicable subsidy payments on the Build America Bonds and capitalized interest payments totaling $1.7 billion collectively for the Vogtle Units 3&4 Bonds and DOE Guaranteed Loans, including other borrowings for capitalized interest of $335.9 million, and excluding amounts paid under PPA of $1.1 billion for principal and $3.9 billion for interest net of subsidy payments on the Build America Bonds), is shown in the table below (in thousands). Debt service is reflected net of payments funded from sources other than revenue (DSRA, working capital, etc.).

| | Project One | | General Resolution Projects | | Combined Cycle Project | | Vogtle Units 3&4 Projects and Project Entities | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 2021 | $ 12,455 | $ 18,480 | $ 7,015 | $ 5,313 | $18,048 | $ 3,909 | $ 20,421 | $ 2,226 | $ 87,867 |
| 2022 | 40,440 | 17,884 | 7,295 | 5,016 | 18,678 | 3,454 | 21,085 | 59,117 | 172,969 |
| 2023 | 22,075 | 15,883 | 7,555 | 4,697 | 20,703 | 2,683 | 21,814 | 96,552 | 191,962 |
| 2024 | 29,210 | 14,792 | 6,905 | 4,359 | 18,318 | 1,855 | 26,551 | 98,887 | 200,877 |
| 2025 | 42,220 | 13,106 | 5,875 | 4,047 | 4,366 | 1,122 | 27,539 | 97,592 | 195,867 |
| 2026–2030 | 53,055 | 44,174 | 30,297 | 15,009 | 18,802 | 2,344 | 153,655 | 467,256 | 784,592 |
| 2031–2035 | 40,914 | 32,358 | 12,260 | 9,176 | — | — | 184,607 | 426,984 | 706,299 |
| 2036–2040 | 47,252 | 22,894 | 14,445 | 6,411 | — | — | 437,696 | 377,568 | 906,266 |
| 2041–2045 | 31,285 | 13,419 | — | 4,675 | — | — | 733,153 | 875,872 | 1,658,404 |
| 2046–2050 | 45,379 | 4,988 | 23,738 | 2,732 | — | — | 902,156 | 925,900 | 1,904,893 |
| 2051–2055 | — | — | — | — | — | — | 1,138,508 | 607,227 | 1,745,735 |
| 2056–2060 | — | — | — | — | — | — | 838,983 | 192,331 | 1,031,314 |
| 2061–2063 | — | — | — | — | — | — | 76,592 | 8,816 | 85,408 |
| Total | $364,285 | $197,978 | $115,385 | $61,435 | $98,915 | $15,367 | $4,582,760 | $4,236,328 | $9,672,453 |

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, 2020, scheduled debt service payments, including Capital Appreciation Bonds (CABs), which are accreted through December 31, 2020, for the subordinated debt were as follows (in thousands):

| | Project One | | | General Resolution Projects | | |
|---|---|---|---|---|---|---|
| Year | Principal | Interest | Net Swap Cash Flows | Principal | Interest | Total |
| 2021 | $ 84,225 | $ 49,527 | $ 6,371 | $ 18,866 | $ 11,865 | $ 170,854 |
| 2022 | 70,356 | 46,403 | 6,194 | 5,585 | 11,167 | 139,705 |
| 2023 | 66,040 | 42,532 | 6,194 | 5,076 | 10,612 | 130,454 |
| 2024 | 33,775 | 39,156 | 6,194 | 5,326 | 10,308 | 94,759 |
| 2025 | 29,500 | 37,411 | 6,194 | 5,604 | 9,995 | 88,704 |
| 2026–2030 | 193,715 | 154,261 | 30,970 | 74,476 | 42,309 | 495,731 |
| 2031–2035 | 211,401 | 112,426 | 30,424 | 89,160 | 22,133 | 465,544 |
| 2036–2040 | 179,371 | 67,156 | 23,234 | 31,868 | 7,128 | 308,757 |
| 2041–2045 | 130,193 | 45,230 | 12,422 | 8,755 | 2,980 | 199,580 |
| 2046–2050 | 198,251 | 21,729 | 1,357 | 6,430 | 1,959 | 229,726 |
| 2051–2055 | 19,185 | 1,157 | — | 11,000 | 844 | 32,186 |
| Total | $1,216,012 | $616,988 | $129,554 | $262,146 | $131,300 | $2,356,000 |

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, 2020 were used to calculate future interest expense on this debt. Principal amounts include both refundable principal installment bonds that have been extended to the expected maturity dates of the bonds that will refund them and also bonds that will be paid with funds on hand.

The Power Revenue Bond Resolution and General Power Revenue Bond Resolution require that MEAG Power charge and collect, 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 2020 and 2019, the Senior Requirement and the Subordinated Requirement were met for the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution, the CC Requirement was met for the CC Project Bond Resolution, and the Vogtle Units 3&4 Requirements were met for the Vogtle Units 3&4 Projects Bond Resolutions and Lending Agreements, as shown in the following table (dollars in thousands):

| **2020** | Project One | General Resolution Projects | Combined Cycle Project | Vogtle Units 3&4 Projects and Project Entities | Total |
|---|---|---|---|---|---|
| Total revenues | **$377,925** | **$113,650** | **$ 91,457** | **$ 55,769** | **$638,801** |
| Deferred inflows of resources [1] | **97,611** | **35,609** | **18,250** | **—** | **151,470** |
| Adjusted revenues | **$475,536** | **$149,259** | **$109,707** | **$ 55,769** | **$790,271** |
| Operating expenses (excluding depreciation and amortization) | **$268,179** | **$ 70,409** | **$ 76,813** | **$ (38)** | **$415,363** |
| Total investment income | **$ 20,975** | **$ 2,764** | **$ 389** | **$ 13,439** | **$ 37,567** |
| Excluding Decommissioning Trust income [2] | **(8,626)** | **(1,076)** | **—** | **—** | **(9,702)** |
| Including subsidy received on Build America Bonds | **—** | **—** | **—** | **57,061** | **57,061** |
| Total other income | **$ 12,349** | **$ 1,688** | **$ 389** | **$ 70,500** | **$ 84,926** |
| Available amounts to pay debt service | **$219,706** | **$ 80,538** | **$ 33,283** | **$126,307** | **$459,834** |
| Amounts released from DSRA [3] | **4,804** | **7,936** | **9,965** | **—** | **22,705** |
| Amounts drawn for capitalized interest [4] | **6,136** | **861** | **—** | **343,730** | **350,727** |
| Total amounts available to pay debt service | **$230,646** | **$ 89,335** | **$ 43,248** | **$470,037** | **$833,266** |
| Total Senior Debt Service [5] | **$ 31,163** | **$ 12,328** | **$ 27,136** | **$325,578** | **$396,205** |
| Senior Debt Service Coverage | **7.40** | **7.25** | **1.59** | **1.44** | **2.10** |
| Total Subordinated Debt Service [5] | **$129,148** | **$ 69,122** | **$ —** | **$ —** | **$198,270** |
| Total Debt Service [5] | **$160,311** | **$ 81,450** | **$ 27,136** | **$325,578** | **$594,475** |
| Debt Service Coverage on Total Debt Service | **1.44** | **1.10** | **1.59** | **1.44** | **1.40** |

(1) Deferred inflows of resources represent Timing Differences.

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

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

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

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

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

(1) Deferred inflows of resources represent Timing Differences.

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

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

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

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

### 6. INVESTMENT IN ALLIANCE

Investment in Alliance reflects MEAG Power's 17.6% ownership interest in The Energy Authority (TEA), a governmental nonprofit power marketing corporation. As of December 31, 2020, seven members (Members) including MEAG Power comprised TEA: American Municipal Power, Inc.; City Utilities of Springfield; Gainesville Regional Utilities; JEA; Nebraska Public Power District; and South Carolina Public Service Authority. Effective January 1, 2019, the Public Utility District No. 1 of Cowlitz County transitioned from a Member to a partner receiving services under a contractual agreement. TEA provides energy products and resource management services to Members and non-members and allocates transaction savings and operating expenses to Members pursuant to Settlement Procedures under the TEA Operating Agreement. TEA has access to more than 24,000 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, 2020 and 2019, sales to TEA totaled $16.7 million and $29.9 million, with net purchases from TEA totaling $14.1 million and $19.3 million, respectively. During 2020 and 2019, an aggregate of $3.0 million and $3.3 million, respectively, of net revenues received from TEA were netted against related fuel, transmission and operating expenses, based on methodology approved by the Board for the application of off-system sales revenues. Remaining net revenues of TEA were allocated as sales margins as follows (in thousands):

| Project(s) | **2020** | 2019 |
|---|---|---|
| One | **$ 168** | $1,138 |
| General Resolution | **151** | 1,168 |
| CC | **2,126** | 2,825 |
| Total | **$2,445** | $5,131 |

In addition to $2.7 million of contributed capital, MEAG Power has committed up to an additional $42.3 million through a combination of guarantees as of December 31, 2020. TEA evaluates its credit needs periodically and requests Members to adjust their guarantees accordingly. The guarantee agreements are authorized by the Board and intended to provide credit support for TEA when entering into transactions on behalf of its Members. Such guarantees would require Members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity or natural gas as required by contract with a counterparty, or if TEA failed to make payment for purchases of such commodities. If guaranty payments are required, MEAG Power has rights with other Members that such payments would be apportioned based on certain criteria.

The guarantees generally have indefinite terms; however, MEAG Power can terminate its guaranty obligations by providing notice to counterparties and others, as required by the agreements. Such termination would not pertain to any transactions TEA entered into prior to notice being given. As of December 31, 2020 and 2019, MEAG Power had no liability related to these guarantees outstanding.

As of December 31, 2020 and 2019, MEAG Power's current other receivables due from TEA totaled $3.4 million and $2.8 million, respectively.

## 7. RETIREMENT PLAN AND OTHER POSTEMPLOYMENT BENEFITS

### Retirement Plan Description

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

### Benefits Provided

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

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

### Employees Covered by Benefit Terms

At December 31, 2020 and 2019, the following Plan participants were covered by Retirement Plan benefits:

| Plan participants | **2020** | 2019 |
|---|---|---|
| Active | **73** | 77 |
| Inactive, vested | **79** | 81 |
| Retirees and beneficiaries | **135** | 130 |
| Total | **287** | 288 |

### 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, 2020 and 2019, MEAG Power contributed 1.1% and 7.9%, respectively, of covered payroll. No contributions by Plan participants are required.

## Net Pension Liability

MEAG Power's net pension liability was measured as of December 31, 2020 and 2019, 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, 2020 and 2019 (in thousands):

| | Total Pension Liability (a) | Plan Fiduciary Position (b) | Net Position Liability (a)–(b) |
|---|---|---|---|
| Balance at December 31, 2019 | $62,928 | $70,646 | $ (7,718) |
| *Changes for the year:* | | | |
| Service cost | 692 | — | 692 |
| Interest on the total pension liability | 4,607 | — | 4,607 |
| Difference between expected and actual experience | (112) | — | (112) |
| Assumption changes | (233) | — | (233) |
| MEAG Power contributions | — | 100 | (100) |
| Net investment income | — | 10,130 | (10,130) |
| Benefit payments | (3,054) | (3,054) | — |
| Administrative expenses | — | — | — |
| Net change | 1,900 | 7,176 | (5,276) |
| **Balance at December 31, 2020** | **$64,828** | **$77,822** | **$(12,994)** |

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

## Actuarial Assumptions and Methods

The assumptions used to measure the total pension liability as of December 31, 2020 include a 7.5% investment rate of return, an inflation assumption of 2.5% per year and salary increases of 4.0% per year. The mortality table was updated to the PUB-2010 General Employees Mortality, male and female, projected generationally using the MP-2020 improvement scale.

The long-term expected rates of return on Retirement Plan investments, valued as of December 31, 2020 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 possible changes in asset allocation are considered in the overall management of the Retirement Plan, but were not included in the expected rates of return methodology. The target allocation for each major asset class is summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Rate of Return* |
|---|---|---|
| Domestic Large-Cap Equity | 30% | 6.50% |
| Domestic Mid-Cap/Small-Cap Equity | 15% | 6.70% |
| International Equity | 15% | 6.50% |
| Domestic Fixed Income | 40% | 1.75% |
| Total | 100% | |

*10-year Horizon, Passively-Managed

## 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, 2020 and 2019, were as follows (in thousands):

| | **2020** | 2019 |
|---|---|---|
| Mutual Funds: | | |
| U.S. Equity Index Fund | **$25,334** | $21,664 |
| Mid-Cap Index Fund | **8,446** | 7,212 |
| Small-Cap Index Fund | **4,376** | 3,647 |
| Diversified International Fund | **12,828** | 10,788 |
| Aggregate Bond Fund | **17,585** | 18,213 |
| Total Bond Fund | **9,030** | 9,114 |
| Institutional Government Portfolio | **3** | 3 |
| Cash | **120** | 5 |
| Contribution receivable | **100** | — |
| Total | **$77,822** | $70,646 |

## Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2020 and 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that future employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of Plan participants. Therefore, the long-term expected rate of return on Retirement Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| Net pension liability | 1% Lower 6.5% | Current Discount Rate 7.5% | 1% Higher 8.5% |
|---|---|---|---|
| **December 31, 2020** | **$(5,848)** | **$(12,994)** | **$(19,050)** |
| December 31, 2019 | $ (602) | $ (7,718) | $ (13,727) |

## 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, 2020 and 2019, MEAG Power recognized pension expense of $(1.3) million and $0.8 million, respectively. At December 31, 2020 and 2019, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

| Deferred Outflows of Resources | **2020** | 2019 |
|---|---|---|
| Differences between expected and actual experience | **$ —** | $ 134 |
| Assumption changes | **—** | 579 |
| Net difference between projected and actual earnings on Retirement Plan investments | **2,963** | 4,445 |
| Total | **$2,963** | $5,158 |

| Deferred Inflows of Resources | **2020** | 2019 |
|---|---|---|
| Differences between expected and actual experience | **$ 44** | $ 2 |
| Assumption changes | **93** | 2 |
| Net difference between projected and actual earnings on Retirement Plan investments | **9,627** | 8,084 |
| Total | **$9,764** | $8,088 |

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 |
|---|---|---|
| 2021 | $1,482 | $3,528 |
| 2022 | 1,481 | 2,624 |
| 2023 | — | 2,623 |
| 2024 | — | 989 |
| 2025 | — | — |
| Total | $2,963 | $9,764 |

## Other Retirement Benefits

MEAG Power also offers a 403(b) Plan to all employees and matches regular employee contributions at the rate of 100% of the first 5% of compensation contributed by the employee, as well as 50% of certain additional contributions. Total matching contributions made by MEAG Power to the 403(b) Plan were $1.1 million and $1.0 million for 2020 and 2019, 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.

## Other Postemployment Benefits

Information regarding MEAG Power's OPEB is as follows:

### Plan Description

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

### Plan Benefits

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

### Employees Covered by the Plan

At December 31, 2020 and 2019, the following participants were covered by the Plan benefits:

| | **2020** | 2019 |
|---|---|---|
| Active employees | **136** | 135 |
| Retired employees or beneficiaries | **79** | 79 |
| Total | **215** | 214 |

### Actuarial Assumptions

Actuarial assumptions used to determine MEAG Power's OPEB liability, measured as of December 31, 2020 and 2019, were as follows:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | 4.00% |
| Discount Rate | 2.12% for December 31, 2020 actuarial valuation |
| Healthcare cost trend rates | Not applicable for eligible retirees, as the benefit payable is a fixed amount that does not vary with healthcare cost trends. For a minimal number of grandfathered participants, an appropriate graded trend scale was used. |
| Mortality | PUBH-2010 General Employees Mortality table, Male and Female, projected generationally using the MP-2020 improvement scale. |

### Changes in the OPEB Liability

MEAG Power's total OPEB liability as of December 31, 2020 and 2019 was as follows (in thousands):

| | **2020** | 2019 |
|---|---|---|
| Beginning total OPEB Liability | **$12,110** | $ 9,538 |
| Changes for the year: | | |
| Service cost | **331** | 235 |
| Interest | **325** | 384 |
| Change of benefit terms | **—** | — |
| Differences between expected and actual experience | **39** | 177 |
| Benefits payments | **(453)** | (356) |
| Changes of assumptions or other inputs | **428** | 2,132 |
| Net Changes | **670** | 2,572 |
| Ending total OPEB liability | **$12,780** | $12,110 |

Changes of assumptions or other inputs reflect a decrease in the discount rate from 2.74% to 2.12%. The mortality improvement scale was updated to the MP-2020 scale.

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

For the years ended December 31, 2020 and 2019, MEAG Power's OPEB expense was $1.0 million and $0.9 million, respectively. As of December 31, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

| Deferred Outflows of Resources | **2020** | 2019 |
|---|---|---|
| Differences between expected and actual experience | **$ 174** | $ 231 |
| Changes of assumptions or other inputs | **1,597** | 1,742 |
| Total | **$1,771** | $1,973 |

| Deferred Inflows of Resources | **2020** | 2019 |
|---|---|---|
| Differences between expected and actual experience | **$ 262** | $ 413 |
| Changes of assumptions or other inputs | **278** | 438 |
| Total | **$ 540** | $ 851 |

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

| Year | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| 2021 | $ 654 | $311 |
| 2022 | 586 | 229 |
| 2023 | 464 | — |
| 2024 | 67 | — |
| 2025 | — | — |
| Total | $1,771 | $540 |

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

The following presents the effect of a 1% increase or decrease of the discount rate and the healthcare cost trend rate, respectively, on MEAG Power's OPEB liability as of December 31, 2020 and 2019 (dollars in thousands):

#### *Discount Rate Sensitivity*

| | **December 31, 2020** | | |
|---|---|---|---|
| | 1% Decrease 1.12% | Current Rate 2.12% | 1% Increase 3.12% |
| Total OPEB Liability | **$14,501** | **$12,780** | **$11,363** |
| | December 31, 2019 | | |
| | 1% Decrease 1.74% | Current Rate 2.74% | 1% Increase 3.74% |
| Total OPEB Liability | $13,738 | $12,110 | $10,770 |

#### *Healthcare Cost Trend Rate Sensitivity*

| | **December 31, 2020** | | |
|---|---|---|---|
| | 1% Decrease | Current Rate | 1% Increase |
| Total OPEB Liability | **$12,668** | **$12,780** | **$12,903** |
| | December 31, 2019 | | |
| | 1% Decrease | Current Rate | 1% Increase |
| Total OPEB Liability | $12,012 | $12,110 | $12,217 |

## 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 $13.8 billion for public liability claims that could arise from a single nuclear incident. Each nuclear generating unit is insured against this liability to a maximum of $450.0 million by American Nuclear Insurers (ANI). The remaining coverage is provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of nuclear reactors. The owners of a nuclear generating unit could be assessed up to $137.6 million per incident for each licensed reactor they operate, but not more than an aggregate of $20.5 million per reactor, per incident, to be paid in a calendar year. MEAG Power's share of the potential ANI deferred premiums could be up to $108.1 million, with an annual limit of $16.1 million. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years. The next scheduled adjustment is due by November 2023.

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

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

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

MEAG Power's share of retrospective premium assessments, based on policies effective April 1, 2020, could be as much as $17.6 million for primary, excess property insurance and excess non-nuclear property, and $7.3 million per incident for replacement power and other costs. The aggregate of the Vogtle Units 3&4 Project Entities' shares of retrospective premium assessments for the Vogtle Units 3&4 builders' risk policy, based on the policy effective through November 30, 2022, could be as much as $11.8 million during each policy year. All retrospective assessments, whether generated for liability, property or replacement power may be subject to applicable state premium taxes.

Claims resulting from terrorist acts and cyber events 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 2019 extended coverage of domestic acts of terrorism until December 31, 2027. The aggregate, however, that NEIL will pay for all claims resulting from terrorist acts and cyber events 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.

### 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 2021–2022 total $6.0 million. For the years beginning 2021 through 2025, nuclear fuel commitments total $112.5 million. Commitments for nuclear fuel are calculated based on MEAG Power's ownership percentage of jointly owned generation facilities per operating agreements with GPC, as discussed in Note 2 (G), "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities — Jointly Owned Generation Facilities." With respect to its long-term coal commitments, MEAG Power manages its own coal stockpile inventory including selection of fuel sources, contract arrangements and coal inventory levels. GPC, as the coal agent for MEAG Power, has contracted with Southern Company Fuel Services to act as coal procurement agent, and it is responsible for issuance of requests for proposals for coal supply, contract negotiations and scheduling coal delivery. Also discussed within that Note is information regarding sales by MEAG Power to

GPC of a portion of the output of Vogtle Units 1&2, which have the effect of reducing MEAG Power's gross commitments for nuclear fuel. Railcar lease commitments through 2021 are immaterial. 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, 2020 through the remaining term of the contract, MEAG Power will purchase from Main Street, on a "take-and-pay" basis, 2,048 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 5% 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, 2020 market prices, the commitment, net of a prepaid discount, totals $1.8 million for the remaining term. Additional commitments for fuel supply will be required in the future.

Through participation in the Momentum Expansion Phase II, previously known as the "Cornerstone Expansion," of the Transco natural gas pipeline system (Transco), MEAG Power has secured firm natural gas transportation capacity sufficient to deliver 65% of the natural gas required to operate the CC Project at projected peak period capacity factors. The primary term of the Transco agreement began in 2004 and ended January 31, 2019. The contract continues on an evergreen basis and MEAG Power has certain retention rights, which ensure continued service. For the remainder of the facility's natural gas transportation requirements, MEAG Power uses a combination of daily and short-term capacity purchases.

MEAG Power was previously party to an agreement for 21,174 mmBtus of natural gas storage from Transco's Eminence gas storage facility. Effective February 1, 2019, MEAG Power elected to terminate this firm storage agreement.

MEAG Power has also entered into agreements with Petal Gas Storage, L.L.C., providing for storage and associated transportation of 200,000 mmBtus of natural gas for a term of 15 years that began in 2008. MEAG Power entered into a two-year release of the capacity that began on April 1, 2017 and ended on March 31, 2019. Natural gas pipeline and storage commitments through August 2023 total $5.0 million.

## Long-Term Purchases and Sales of Power

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

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

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

MEAG Power entered into a power sale agreement with PowerSouth through TEA for 50 MW of system-firm capacity and an associated energy call option, effective December 1, 2020. The sale includes all hours during the months of December, January, and February during the contract term of December 1, 2020 through February 28, 2023.

MEAG Power entered into a 10-month power purchase agreement with Mercuria Energy America, LLC through TEA for 30 MW of firm capacity effective March 1, 2021. This resource has been subscribed to by four of the Participants.

## Environmental Regulation

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

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

For the Coal Units, MEAG Power has invested $662.4 million from 2000 through 2020 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 (SO2), nitrogen oxides (NOx), non-mercury metals and acid gases. MEAG Power anticipates total capital investment for environmental improvements at the Coal Units for the years 2021 through 2025, including additions to comply with CCR and ELG regulations (see "Coal Combustion Residuals and Effluent Limitations Guidelines Regulations" within this Note), will be approximately $48.3 million.

### Greenhouse Gas Regulation

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

The U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit) issued its opinion in the *American Lung Association et al. v. EPA,* vacating and remanding the EPA's ACE rule while also vacating the EPA's separate action extending compliance timelines for all rules issued under section 111(d) of the CAA.

Until EPA promulgates a new rule, 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*

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

In December 2017, EPA notified the Governor of Georgia that it agreed with EPD's September 2016 recommendation to EPA that eight counties in the metropolitan Atlanta area be designated as nonattainment areas for the 2015 ozone NAAQS. In November 2017, EPA published in the Federal Register a final regulation designating all other counties in Georgia as unclassifiable/attainment. For the eight counties in the metropolitan Atlanta area that are anticipated to be designated as non-attainment, EPD may be required to develop a State Implementation Plan (SIP) to attain the 2015 standard. Until EPD develops an attainment plan, if needed, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating units.

#### *Regional Haze Regulations*

In the CAA, Congress declared as a national goal the prevention of any future, and the remedying of any existing, impairment of visibility in mandatory Class I federal areas (e.g., national parks and wilderness areas) for which visibility impairment results from manmade air pollution. The CAA directs EPA to issue regulations to assure reasonable progress towards meeting the national goal. Current EPA regulations set 2064 as the target year to achieve natural visibility conditions via a uniform rate of progress over specific periods, and SIPs are required from states that contribute to visibility impairment.

In January 2017, EPA published in the Federal Register a final revised regulation, "Protection of Visibility: Amendments to Requirements for State Plans." The revised regulation defers the due date for the next round of SIP submittals to EPA, from July 31, 2018 to July 31, 2021, and addresses issues such as wildfires, anthropogenic sources outside of the United States, and prescribed fires. However, in January 2018, EPA announced that it would revisit certain aspects of its 2017 regulation through a proposed rulemaking.

In March 2018, the D.C. Circuit issued a decision that the Cross-State Air Pollution Rule (CSAPR) "is better than" Best Available Retrofit Technology (BART), thereby allowing states to rely on the SO2 and NOx emissions reductions under the CSAPR emissions trading program for meeting their BART control requirements under the regional haze program. In addition, in September 2018, EPA issued a guidance memorandum outlining its roadmap for reforming the regional haze program. Most importantly, this guidance memorandum calls for the agency to initiate a rulemaking to revise EPA's January 2017 regional haze rule that gave the agency broad authority to require emission reductions from coal-fired power plants that are more stringent than necessary to achieve "reasonable progress" toward visibility improvements required by the CAA. The Unified Agenda, a semiannual publication of all regulatory actions federal agencies are considering, targeted December 2018 for a proposed rule, but the rule has not yet been issued. The D.C. Circuit continues to hold litigation on this regional haze rule in abeyance while EPA moves forward with a reconsideration rulemaking to revise key requirements of this rule.

Until EPA completes its announced rulemaking process, and until EPD and air agencies from other southeastern states conduct additional studies and develop the SIPs, currently due for submittal to EPA in 2021, to achieve the next round of visibility improvements, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating units.

The next Georgia SIP for regional haze, covering the 2018-2028 period, is due by July 31, 2021.

### Startup, Shutdown, and Malfunction Regulations

In June 2015, EPA published a final rule/action in the Federal Register pertaining to Startup, Shutdown and Malfunction (SSM) regulations, "State Implementation Plans: Response to Petition for Rulemaking; Restatement and Update of EPA's SSM Policy Applicable to SIPs; Findings of Substantial Inadequacy; and SIP Calls To Amend Provisions Applying to Excess Emissions During Periods of Startup, Shutdown and Malfunction." In this rule/action, EPA issued a finding that certain SIP provisions in 36 states were substantially inadequate to meet CAA requirements and thus issued a SIP call for each of those 36 states. EPA also established a due date for states subject to the SIP call action to submit "corrective SIP" revisions. Georgia was named as one of the 36 states. Many states, including Georgia, and industry groups filed Petitions for Review with the D.C. Circuit. In April 2017, the D.C. Circuit issued an order holding the case in abeyance.

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

Until court challenges are resolved and until EPA approves a corrective SIP, if needed, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating units.

### National Emissions Standards for Hazardous Air Pollutants

In February 2012, EPA published a final regulation in the Federal Register, "National Emission Standards for Hazardous Air Pollutants From Coal and Oil-Fired Electric Utility Steam Generating Units and Standards of Performance for Fossil-Fuel-Fired Electric Utility, Industrial-Commercial-Institutional, and Small Industrial-Commercial- Institutional Steam Generating Units." The regulation set National Emissions Standards for Hazardous Air Pollutants (NESHAP) for both new and existing coal- and oil-fired electric utility steam generating units. The Coal Units are subject to the regulation, which set limits on emissions of mercury, non-mercury metals and acid gases. To comply with the NESHAP regulation, hydrated lime injection systems have been added to the Coal Units, and activated carbon injection systems have also been added to Wansley Units 1&2. The Coal Units are in compliance with the regulation.

### Coal Combustion Residuals and Effluent Limitations Guidelines Regulations

In April 2015, EPA promulgated a comprehensive set of requirements for the management of CCR in landfills and impoundments. CCR include a variety of waste streams, specifically, fly ash, bottom ash, boiler slag, and flue gas desulfurization materials generated from coal-fired electric utilities; these waste streams are commonly known as coal ash. The rule established corrective action, closure and post closure, technical standards, and inspection, monitoring, recordkeeping and reporting requirement.

On November 22, 2016, EPD amended the Georgia Rules of Solid Waste Management to include comprehensive requirements for the disposal of CCRs in landfills and surface impoundments in Georgia at electric generating facilities, regardless of their operational status or when the electric generating facility ceased producing electricity. The Georgia CCR rule required owners and operators of landfills and surface impoundments containing CCRs to submit an application for a Solid Waste Handling Permit by November 22, 2018. The EPD's CCR requirements are enforced through the solid waste handling permit system, and Georgia's program was the second state program in the U.S. to be approved by EPA on December 16, 2019.

On August 28, 2020, EPA issued a final rule establishing deadlines that unlined surface impoundments cannot receive CCR waste and non-CCR waste-streams. This rule also clarified circumstances under which alternative liners may be used, when coal ash may be used in the closure of landfills and impoundments, and that post-closure groundwater monitoring is required if coal ash is removed from a landfill or impoundment. GPC stopped sending CCR to the ash ponds at the Coal Units in 2019. GPC is in the final phase of completing a new wastewater treatment system that will receive and manage the non-CCR waste-streams at Scherer Units 1&2. Consequently, these new closure deadlines are not expected to impact MEAG Power's operations.

GPC as the operator of the Coal Units, is meeting the compliance requirements under the CCR rule. These requirements include: completion of fugitive dust control plans, conducting periodic structural inspections, conducting groundwater monitoring, and placing required information on a publicly accessible internet site. The hydrological assessment reports for the Coal Units have been submitted to EPD. The semi-annual Groundwater reports were submitted on January 31, 2021, and all of the monitoring results were within the maximum containment level standards for all parameters.

On October 13, 2020, EPA published its final rule revising the ELG regulation (or ELG rule). The ELG rule establishes effluent limitations based on Best Available Technology Economically Achievable (BAT) for steam electric generating units. For the discharge of Flue Gas Desulfurization (FGD) wastewater, there are numeric effluent limitations for mercury, arsenic, selenium, and nitrate/nitrite as nitrogen. For the discharge of bottom ash (BA) transport water, the ELG rule requires high recycle rate systems and allows for site-specific discharge that cannot exceed 10% of the BA transport water system volume. The earliest compliance date is one year from the date that the ELG rule is published in the Federal Register.

The ELG rule includes subcategories for high flow units, low utilization boilers, and boilers that will cease coal combustion by 2028. The ELG rule provides effluent limitation requirements for units in these subcategories. For high flow facilities and low utilization boilers, the ELG rule establishes numeric effluent limitations on mercury and arsenic for FGD wastewater discharges. For low utilization boilers, the ELG rule establishes numeric limitations for total suspended solids (TSS) and requires implementation of a best management practices plan for BA transport water. For boilers ceasing combustion of coal by 2028, the ELG rule establishes numeric limitations for TSS in FGD wastewater and BA transport water.

Under the ELG Rule, a particular power plant's compliance deadline for effluent limitation based on BAT is established during the National Pollutant Discharge Elimination System permitting process by its permitting authority. The earliest date that a plant must comply with the new effluent limitations is one year from the date that the ELG Rule is published in the Federal Register. The latest date that a plant must comply with the new effluent limitations is December 31, 2025, for FGD and BA transport water. The ELG rule also includes a Voluntary Incentives Program that provides a compliance date of December 31, 2028, for plants adopting additional process changes and controls that achieve more stringent limitations on mercury, arsenic, selenium, nitrate/nitrite, bromide, and total dissolved solids in FGD wastewater.

The Coal Units ceased sending wastewater to the ash pond by the regulatory deadline of October 31, 2020. Studies are ongoing at both sites to determine the best control options for compliance with the ELG rule.

### Waters of the United States Regulation

On April 21, 2020, EPA and the U.S. Army Corps of Engineers (the Army Corps) (together, the Agencies) published the Navigable Waters Protection Rule (NWP Rule) in the Federal Register to finalize a revised definition of "waters of the United States" under the CWA. The NWP Rule clarified and streamlined the definition so that it included four simple categories of jurisdictional waters. Jurisdictional waters include territorial seas and traditional navigable waters, perennial and intermittent tributaries to those waters; certain lakes, ponds, and impoundments; and wetlands adjacent to jurisdictional waters. The NWP Rule also details 12 categories of exclusions, such as ephemeral features, groundwater, many ditches, prior converted cropland, and waste treatment systems. In support of this narrower scope, the Agencies explain that states and tribes retain the authority to regulate non-jurisdictional waters, provided those states and tribes deem such regulation appropriate. MEAG Power has determined that this new NWP Rule will not result in any significant financial or operational impacts to its generating units or plans for construction or operation of new units or related facilities, such as transmission lines and substations.

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

In January 2017, EPA published in the Federal Register a notice of intent to proceed with rulemakings, "Financial Responsibility Requirements for Facilities in the Chemical, Petroleum and Electric Power Industries." The EPA notice of intent states that it has not determined whether financial responsibility requirements are necessary for any or all of the classes of facilities within the three listed industries, or that EPA will propose such requirements — only that it intends to move forward with a regulatory process, after which it will determine whether proposals of requirements for any or all of the classes of facilities are necessary. The notice of intent states that EPA must gather additional information and must further evaluate the classes of facilities within the three industry sectors. On July 2, 2019, EPA Administrator signed a proposed rule to not impose financial responsibility requirements for facilities in the electric power industry. EPA has found that the degree and duration of risk to the federal Superfund program, administered by the EPA and designed to investigate and clean-up sites contaminated with hazardous substances, posed by the electric power industry does not warrant financial responsibility requirements, as modern industry practices and existing federal and state regulations are effective at preventing risk. The comment period closed on September 27, 2019. The final rule was issued on December 2, 2020, and became effective on January 4, 2021. This final rule will not have any financial or operational impacts on MEAG Power's generating units.

## Legislative and Regulatory Issues

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

### Federal Legislative Initiatives

In recent sessions of Congress, various members have introduced legislation relevant to the electric industry, including that to address global climate change. MEAG Power actively provides 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, as well as through interaction with members of Congress, Congressional Committees, and their staffs.

### Georgia Legislative Initiatives

At present, there are no pending bills that would mandate restructuring of the electric industry in Georgia or amend the Georgia Territorial Electric Service Act (Territorial Act). In addition, projections of MEAG Power's operations used for planning purposes 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 significant. MEAG Power continues to work diligently with allied organizations and trade associations to monitor and have input on harmful legislative proposals.

### FERC Matters

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

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

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

| Date | CIP Standard(s) | Compliance Deadline |
|---|---|---|
| April 19, 2018 | 003-7 | January 1, 2020 |
| October 18, 2018 | 005-6, 010-3 and 013-1 | July 1, 2020 |
| June 20, 2019 | 008-6 | January 1, 2021 |
| July 31, 2019 | 003-8 | April 1, 2020 |
| January 23, 2020 | 012-1 | July 1, 2022 |

In terms of transmission facilities, MEAG Power is in full compliance with all current FERC 706 standards and has procedures in place to address future CIP standards. The majority of MEAG Power's transmission CIP compliance is accomplished through certain sections of the ITS Operation Agreement with GPC. Both parties executed updates to applicable sections of the ITS Operation Agreement on July 17, 2018, October 1, 2019, and December 1, 2020, to reflect each party's respective compliance responsibilities associated with all current CIP standards and all future CIP standards effective by January 1, 2021. In addition, both parties have filed CFR documents with NERC that are consistent with the CIP compliance support details within the ITS Operation Agreement. Through this agreement and associated NERC CFR documents, MEAG Power has assumed only administrative responsibilities for portions of CIP-002, CIP-003, CIP-004, CIP-011 and CIP-014, thereby reducing its exposure to FERC 706 compliance risk and associated monetary penalty risk.

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

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

As a non-public utility, MEAG Power is not directly subject to the requirements of Order No. 1000. However, in the order, FERC stated that non-public utilities that decline to bear their assigned share of the costs for new regional facilities may be denied tariff-based transmission service from public utilities and that FERC will consider using the authority it has under Section 211A of the FPA against such non-public utilities. MEAG Power continues to monitor regulatory actions related to Order No. 1000 and has intervened in the Order No. 1000 compliance filings of Southern Company and certain other FERC-jurisdictional utilities. At this time, MEAG Power is continuing to participate, voluntarily, in a regional and inter-regional transmission planning process with Southern Company and certain other Southeast utilities. The effect of Order No. 1000 on MEAG Power, the Participants or the ITS cannot be determined at this time.

In the Fourth Quarter of 2020, SERC started an Operations and Planning NERC Standards audit. In January 2021, SERC reported "No Findings and No Comments," which ends the audit.

### 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 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.

### Litigation

Prior to July 2012, several federal lawsuits were pending that may have had an impact on water storage and related issues at Lake Lanier, Georgia. These lawsuits related to over 20 years of litigation and periodic settlement discussions pertaining to water allocations, including for drinking water and hydropower, of the Apalachicola-Chattahoochee-Flint River Basin (ACF) and the Alabama-Coosa-Tallapoosa River Basin (ACT). Parties involved in these proceedings included Southeastern Federal Power Customers, Inc., a coalition of municipal and cooperative utilities, the Army Corps, as well as Georgia, Florida and the State of Alabama (Alabama). As of October 2012, all claims in the lawsuits regarding water allocations in the ACF and the ACT were dismissed to allow the Army Corps time to prepare revised water allocation plans for both basins. The Army Corps issued the revised water allocation plan for the ACT in May 2015 and on March 30, 2017, released the final revised water allocation plan for the ACF. The ACT revised water allocation plan has been challenged in three separate federal lawsuits filed by Georgia, the Atlanta Regional Commission (ARC), the Cobb County-Marietta Water Authority, Alabama, and Alabama Power Company (an affiliate of GPC), with several Alabama municipalities also intervening. The ACF revised water allocation plan has been challenged in two federal lawsuits filed by Alabama and three environmental groups, and Georgia, ARC, and several metropolitan Atlanta area water providers have intervened in the lawsuits to defend the Army Corps' decision.

Because both water allocation plans have been challenged by interested parties, it is currently unclear what effect, if any, the result of such finalized water allocation plans may have on the financial condition of MEAG Power.

In October 2013, Florida filed a Motion for Leave to File a Complaint, invoking the U.S. Supreme Court's (Supreme Court) original jurisdiction, asking the Supreme Court to equitably apportion the waters of the ACF.

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

Based upon the record developed at trial as well as written and oral argument by the parties, the special master filed a report on December 11, 2019 recommending that the Supreme Court deny Florida's request for a decree equitably apportioning the waters of the ACF Basin on the grounds that the evidence did not show harm to Florida caused by Georgia. The special master also concluded that the evidence demonstrated that Georgia's water use was reasonable and further determined that the evidence did not demonstrate that the benefits of apportionment would outweigh the potential harms. On April 1, 2021, in a unanimous opinion, the Supreme Court ruled in favor of Georgia.

On July 29, 2020, a group of individual plaintiffs filed a complaint in the Fulton County Superior Court against GPC alleging that releases from Generation Station Scherer, of which MEAG Power is a co-owner, have impacted groundwater, surface water, and air, resulting in alleged personal injuries and property damage. The plaintiffs seek an unspecified amount of monetary damages including punitive damages, a medical monitoring fund, and injunctive relief. MEAG Power is not named as a defendant in the complaint, but GPC does act as MEAG Power's agent in connection with the operation of the facility. In September 2020, GPC filed a motion to dismiss. The ultimate outcome of such proceeding cannot be determined at this time.

No MEAG Power litigation or adversarial 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.

As of December 31, 2020, MEAG Power had lease transactions with three of the Participants through its Distribution Lease Financing Policy, 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, 2020, the balance outstanding pertaining to the lease transactions totaled $2.3 million.

MEAG Power has no other conduit debt obligations.

## 9. SUBSEQUENT EVENTS

In accordance with GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards," MEAG Power's management evaluated operating activities through April 30, 2021, and reports that certain 2021 developments are discussed in Note 1 (D), "The Organization — Vogtle Units 3&4 Projects and Project Entities," Note 2 (G), "Summary of Significant Accounting Policies and Practices — Generation and Transmission Facilities "— Coal Generating Facilities" and Note 8, "Commitments and Contingencies — "Long-Term Purchases and Sales of Power," "— Environmental Regulation," "— Legislative and Regulatory Issues — FERC Matters" and "— Litigation," within that Note.

# Required Supplementary Information
(Unaudited)

## Retirement Plan

### Schedule of Changes in Net Pension Liability and Related Ratios

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

| | **2020** | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| *Total pension liability* | | | | | | |
| Service cost | **$ 692** | $ 703 | $ 769 | $ 795 | $ 904 | $ 1,012 |
| Interest on the total pension liability | **4,607** | 4,334 | 4,189 | 4,152 | 4,040 | 3,738 |
| Difference between expected and actual experience | **(112)** | 295 | (183) | (212) | (661) | 362 |
| Assumption changes | **(233)** | 1,277 | (136) | (915) | (273) | (134) |
| Benefit payments | **(3,054)** | (2,883) | (2,557) | (2,540) | (2,269) | (1,938) |
| Net change in total pension liability | **1,900** | 3,726 | 2,082 | 1,280 | 1,741 | 3,040 |
| Total pension liability — beginning of year | **62,928** | 59,202 | 57,120 | 55,840 | 54,099 | 51,059 |
| Total pension liability — end of year (a) | **64,828** | 62,928 | 59,202 | 57,120 | 55,840 | 54,099 |
| *Plan fiduciary net position* | | | | | | |
| MEAG Power contributions | **100** | 775 | 775 | 3,141 | 934 | 8,500 |
| Net investment income | **10,130** | 12,594 | (2,643) | 8,098 | 3,969 | 325 |
| Benefit payments | **(3,054)** | (2,883) | (2,557) | (2,540) | (2,269) | (1,938) |
| Administrative expenses | **—** | — | — | — | — | — |
| Net change in plan fiduciary net position | **7,176** | 10,486 | (4,425) | 8,699 | 2,634 | 6,887 |
| Plan fiduciary net position — beginning of year | **70,646** | 60,160 | 64,585 | 55,886 | 53,252 | 46,365 |
| Plan fiduciary net position — end of year (b) | **77,822** | 70,646 | 60,160 | 64,585 | 55,886 | 53,252 |
| Net pension liability — ending (a)–(b) | **$(12,994)** | $ (7,718) | $ (958) | $ (7,465) | $ (46) | $ 847 |
| Plan fiduciary net position as a percentage of total pension liability | **120.04%** | 112.26% | 101.62% | 113.07% | 100.08% | 98.43% |
| Covered payroll | **$ 9,482** | $ 9,836 | $10,664 | $10,922 | $11,230 | $11,013 |
| Net pension liability as a percentage of covered payroll | **-137.04%** | -78.46% | -8.98% | -68.35% | -0.41% | 7.69% |

## Schedule of Employer Contributions to the Pension Plan

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

| Year | Actuarially Determined Contributions | Actual Contributions | Contribution Deficiency (Excess) | Covered Payroll | Actual Contributions as a Percent of Covered Payroll |
|---|---|---|---|---|---|
| **2020** | **$ 91** | **$ 100** | **$ (9)** | **$ 9,482** | **1.05%** |
| 2019 | $ — | $ 775 | $ (775) | $ 9,836 | 7.88% |
| 2018 | $ — | $ 775 | $ (775) | $10,664 | 7.27% |
| 2017 | $ 637 | $ 3,141 | $(2,504) | $10,922 | 28.76% |
| 2016 | $ 900 | $ 934 | $ (34) | $11,230 | 8.32% |
| 2015 | $1,875 | $8,500 | $(6,625) | $11,013 | 77.18% |
| 2014 | $1,871 | $2,400 | $ (529) | $11,956 | 20.07% |

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

# Required Supplementary Information
(Unaudited)

## OPEB

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

Pursuant to GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," 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):

| | **2020** | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| *Total OPEB liability* | | | | |
| Service cost | **$ 331** | $ 235 | $ 262 | $ 226 |
| Interest | **325** | 384 | 363 | 394 |
| Changes of benefit terms | **—** | — | — | — |
| Differences between expected and actual experiences | **39** | 177 | (715) | 244 |
| Benefit payments | **(453)** | (356) | (335) | (298) |
| Changes of assumptions or other inputs | **428** | 2,132 | (757) | 156 |
| Net change in total OPEB liability | **670** | 2,572 | (1,182) | 722 |
| Total OPEB liability — beginning of year | **12,110** | 9,538 | 10,720 | 9,998 |
| Total OPEB liability — end of year | **$12,780** | $12,110 | $ 9,538 | $10,720 |
| Covered employee payroll | **$15,760** | $15,512 | $15,030 | $14,632 |
| Total OPEB liability as a percentage of covered employee payroll | **81.09%** | 78.07% | 63.46% | 73.26% |

Notes to Schedule:
- The Plan has no trust for accumulating assets.
- The discount rate decreased from 2.74% to 2.12%, and the mortality improvement scale was updated to the MP-2020.

# Report of Independent Auditors

## To the Board of Directors of Municipal Electric Authority of Georgia

We have audited the accompanying consolidated financial statements of the business-type activities, the Project One major fund, the General Resolution Projects major fund, the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund, the Municipal Competitive Trust major fund, and the Telecommunications Project aggregate nonmajor fund of Municipal Electric Authority of Georgia ("MEAG Power") as of and for the years ended December 31, 2020 and 2019, and the related notes to the consolidated financial statements, which collectively comprise MEAG Power's basic consolidated financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the Project One major fund, the General Resolution Projects major fund, the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund, the Municipal Competitive Trust major fund, and the Telecommunications Project aggregate nonmajor fund of Municipal Electric Authority of Georgia as of December 31, 2020 and 2019, 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 24 through 31, schedule of changes in net pension liability and related ratios on page 94, schedule of employer contributions to the pension plan on page 94 and schedule of changes in total OPEB liability and related ratios on page 95 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 30, 2021

# Corporate Information

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