



# Powering Our FUTURE

2021 Annual Report







## Who We Are

The Municipal Electric Authority of Georgia (MEAG Power) is a nonprofit, statewide generation and transmission organization. Recognized as one of the leading joint action agencies in the country, MEAG Power is among the top public power companies nationwide in terms of annual net generation, megawatt-hour sales and electric revenue. Its diverse, clean energy portfolio – delivering 66% emissions-free energy in 2021 – compares favorably with both the state and national averages.

MEAG Power provides reliable, competitive wholesale electricity to its 49 member communities (Participants), who own and operate their local electric distribution systems and serve approximately 319,000 customer accounts.

### FINANCIAL HIGHLIGHTS

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

	2021	2020	2019
Total revenues	\$ 714,194	\$ 639,707	\$ 648,904
Total assets and deferred outflows of resources	\$ 12,213,921	\$ 11,590,566	\$11,145,798
Property, plant and equipment, net	\$ 8,044,173	\$ 7,430,336	\$ 6,550,662
Debt outstanding (excluding defeased bonds)	\$ 9,090,092	\$ 8,706,456	\$ 8,499,698
Weighted average interest cost <sup>(1)</sup>	3.91%	4.10%	4.24%
Total delivered energy to MEAG Power Participants (MWh) <sup>(2)</sup>	11,009,774	10,377,224	10,811,016
Cost to MEAG Power Participants (cents per kWh):			
Total cost <sup>(2)</sup>	6.58	6.88	6.85
Bulk power cost	6.59	7.02	6.93
SEPA cost <sup>(2)</sup>	6.49	5.37	5.85
Peak demand (MW)	1,985	1,927	2,020
Total nominal generating capacity in service (MW) <sup>(3)</sup>	2,069	2,069	2,069

<sup>(1)</sup> 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.

<sup>(2)</sup> Participants purchase hydro energy directly from the Southeastern Power Administration (SEPA). Such energy is included in these calculations.

<sup>(3)</sup> Excludes SEPA capacity which is purchased by the Participants and capacity purchased by MEAG Power from others.



## Where We Work

Georgia is renowned for its pro-business environment, having been named the No. 1 state for business for eight consecutive years. Advantages range from its top-notch labor force to its world-leading logistics network and beyond. Georgia continues to attract new businesses and help existing businesses thrive.

### STATE OF GEORGIA

**5.3M**  
diverse, talented labor force

**5.75%**  
corporate tax rate

**440**  
Fortune 500 companies located in Georgia (18 have their corporate headquarters in the state)

**\$10.97B**  
in new investments in 2021

Our top  
**5**  
export markets:  
Canada, China, Germany, Mexico, Singapore

**33,439**  
new jobs in 2021

**Unrivaled**  
logistics network  
rail/air/highway/sea

**12th Largest**  
exporting state  
in the U.S.

**\$42.4B**  
a state record for  
exports in 2021

**Pro-Business Environment**  
› Georgia Advanced Manufacturing Center  
› Georgia Bioscience Training Center  
› Georgia Center for Innovation  
› Georgia Cyber Center  
› Georgia Film Academy  
› Georgia Fintech Academy

**Triple A**  
bond rating

Quick Start  
**#1**  
workforce job  
training program

**70%**  
of all financial payments in  
U.S. pass through Georgia





## Participant Achievements

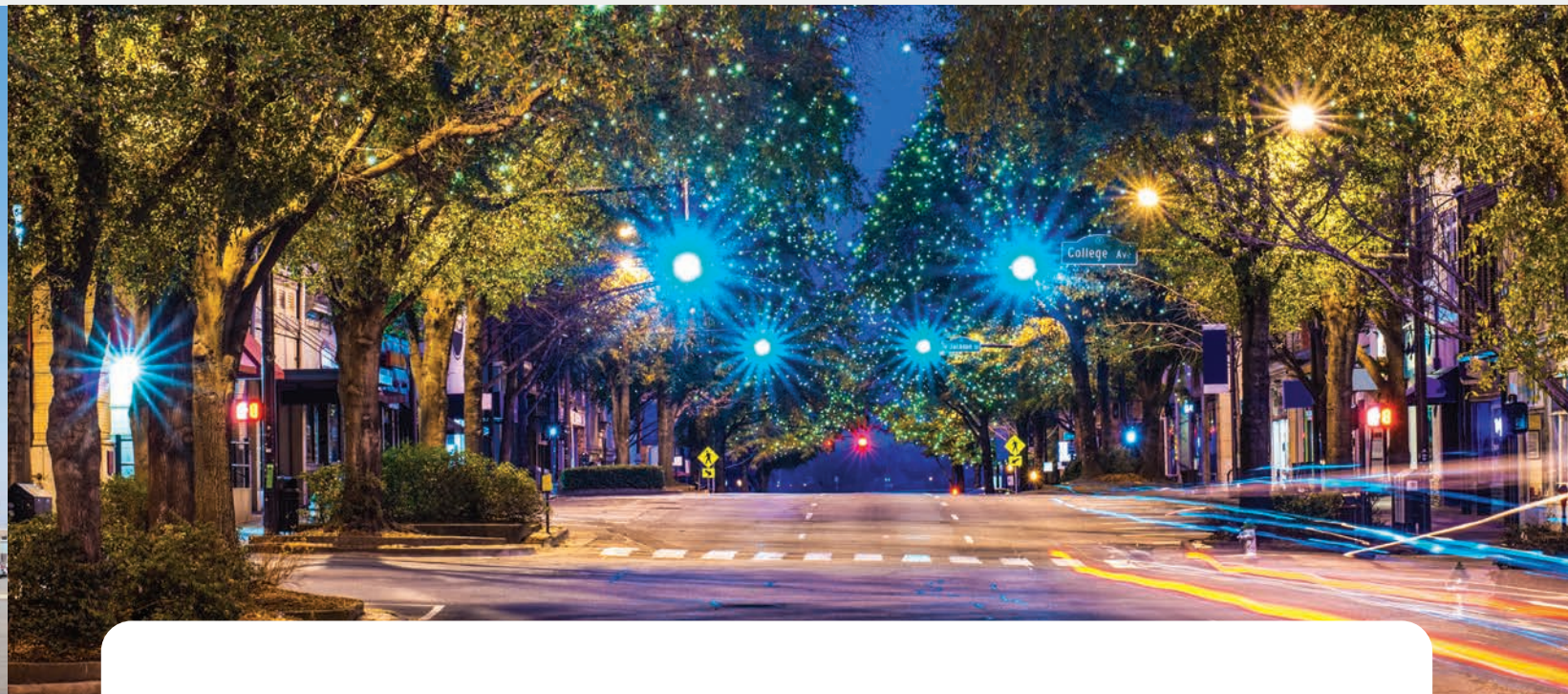
A sampling of some significant 2021 accomplishments.

### ECONOMIC DEVELOPMENT

- **Covington:** SKC, a subsidiary of SK Group and a major polyester films producer in North America, announced it will invest more than \$473 million in Newton County to manufacture glass-based substrates for semiconductor chips and create over 400 new jobs in Newton County.
- **East Point:** Microsoft Corp. will develop the East Point Data Center, a 250,000-square-foot facility situated on a 125-acre site located within Southmeadow Business Park. The value of the project is an estimated \$420 million.
- **Griffin:** Rinnai America Corporation, a manufacturer of tankless water heaters, was completing its 300,000-square-foot manufacturing facility in 2021 and began hiring for 150 new jobs in early 2022.
- **LaFayette:** Roper Corporation, a subsidiary of GE Appliances and Walker County's largest employer, will invest \$118 million in expanding its manufacturing operations, creating an additional 600 jobs in LaFayette.
- **LaGrange:** Remington Firearms is moving its global headquarters along with a new advanced manufacturing operation and research & development center. RemArms will invest \$100 million and create 865 jobs in Troup County over a 5-year period.
- **Sylvania:** Minder LLC has announced plans to build a data center facility, including constructing a substation, on 25 acres in the Screven County Development Authority Industrial Park. The development will occur in two phases, with the first phase in 2022 and the second in 2023.

### RECOGNITION & INITIATIVES

- **Cartersville:** The city has earned Georgia's Exceptional Main Street (GEMS) designation. In all, 19 cities hold the GEMS recognition, including five other MEAG Power Participant communities: Acworth, Monroe, Moultrie, Newnan and Thomasville.
- **Fort Valley, Griffin, Sylvester:** All were recognized by the Georgia Department of Community Affairs' PlanFirst program for comprehensive planning that is helping to create more vibrant communities. Previous PlanFirst designees include Douglas, Adel and Thomasville.
- **Acworth, Covington, Lawrenceville and Moultrie:** All four cities were among the nine recognized by the Georgia Municipal Association (GMA) and *Georgia Trend* in the third annual Visionary Cities Awards for projects that create positive change through collaboration and civic engagement. Previous Participant Visionary City winners include Douglas and Griffin in 2021, and Adel, Hogansville, Marietta and Thomasville in 2020.

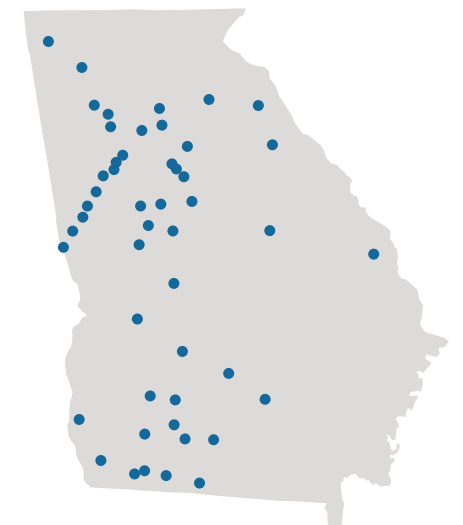


## Who We Serve

Many of the 49 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 optic 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.

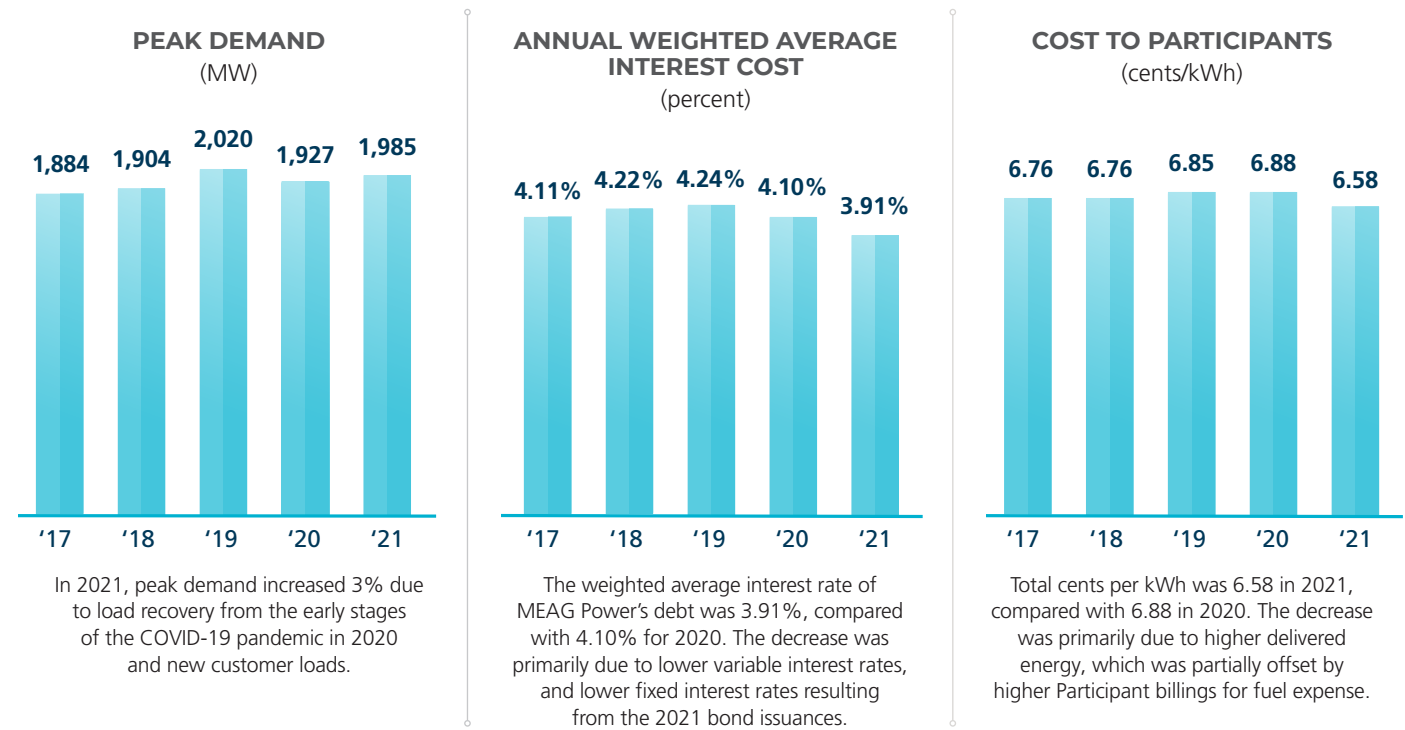
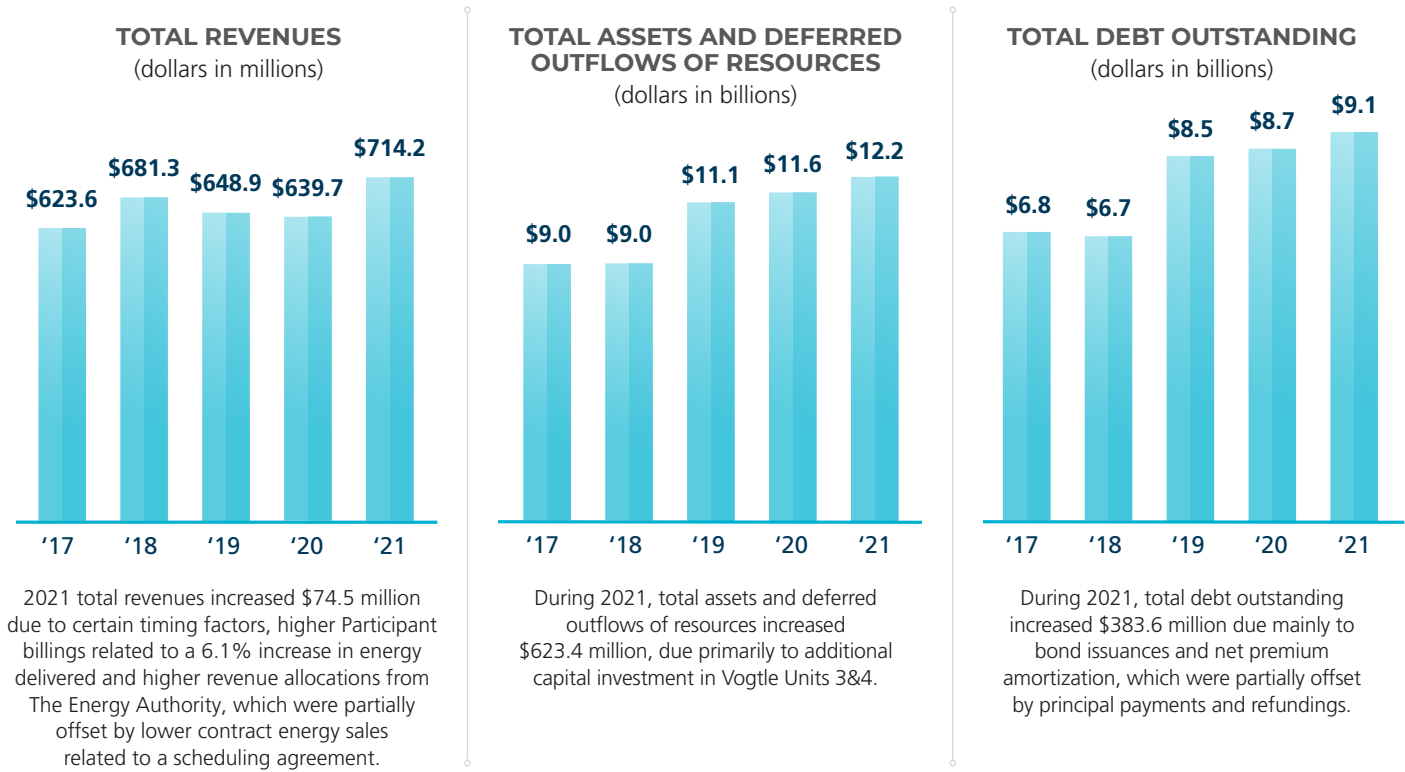
### MEAG POWER COMMUNITIES

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





# Selected Financial Highlights



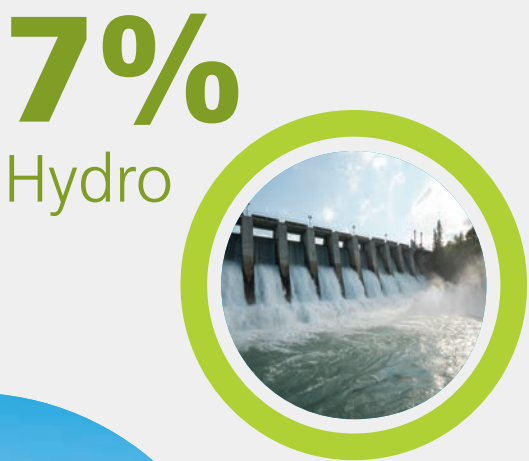
## Powering Our Future

MEAG Power's future is bright. Our continued ability to provide clean, reliable, competitively priced wholesale power is built on a solid foundation of advantages that power our future: a diversified delivered energy portfolio that is 66% emissions-free and becoming cleaner and more diverse; a clear strategy to meet our Participants' future resource needs; the financial strength to make it happen; the trading, technical and transmission tools for ongoing success; and 49 Participant public power communities that deliver a host of advantages of their own.



# A Diversified, Clean Fuel Portfolio

MEAG Power’s generation fleet includes ownership in six nuclear units, four coal units, one combustion turbine and 100% ownership of a combined cycle (natural gas) unit, as well as access to Southeastern Power Administration (SEPA) hydro generation. This highly diversified and nearly 70% emissions-free electric generation portfolio has the flexibility to adjust as market demand and pricing change – and will become even cleaner as Vogtle Units 3&4 enter service and additional non-emitting resources come online.



9%  
Coal



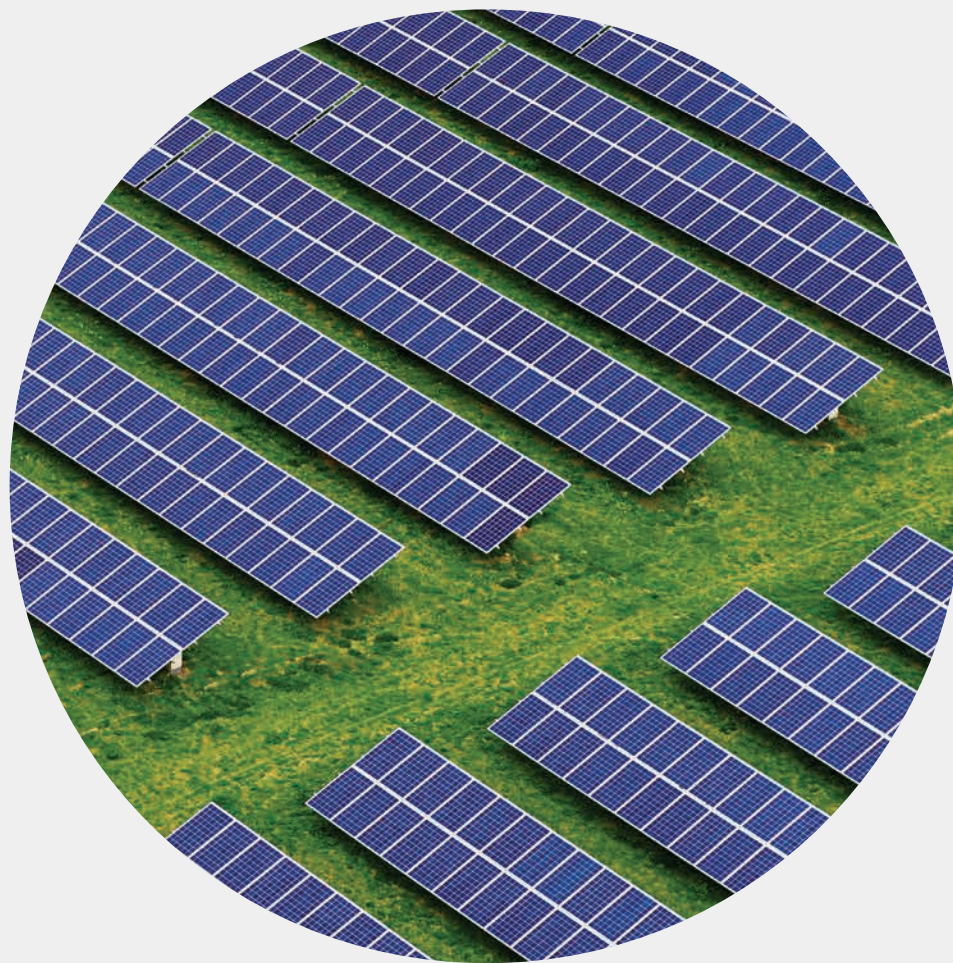
22%  
Natural Gas



3%  
Net Purchases







MEAG Power has signed a solar power purchase agreement for 80MW. The farm, to be located in south-central Georgia, is slated to cover some 600 acres and include 260,000 panels. It is expected to enter commercial service in early 2024. We project the use of additional solar in the future to meet resource needs.

## A Clear Strategy

In 2020 MEAG Power adopted a new Integrated Resource Plan (IRP) – a roadmap to meet the future capacity and energy requirements of its 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. Our portfolio already compares extremely favorably with both the state and national averages, and the IRP lays out steps toward an even cleaner, more flexible portfolio over the next decade.



Integrate the output from the new Plant Vogtle Units 3&4 into our portfolio when they are slated to come online between 2022 and 2024.

2022-2024

2025-2045



**Solar  
PPA**



**Vogtle  
Unit 3**



**Reduce  
Coal**



**Vogtle  
Unit 4**



**Add  
Solar**



**Reduce  
Gas**



**Add  
Nuclear**

Continue to lessen our reliance on coal, and to exit our ownership participation in Plant Wansley's coal units in 2022.

Support application to extend the operating license for Plant Hatch Units 1 & 2 by 20 years, and add the Vogtle Units 3&4 output after the JEA and PowerSouth sales contracts expire.





# Competitive Advantages

MEAG Power's competitive advantages run the gamut from operational to financial to infrastructure, all derived from being a non-profit public power joint action agency.

Low-cost debt averaging **3.91%**

Access to **\$605 Million** of bank credit facilities

Investment-grade credit ratings

Fitch Rating **BBB+ to A-**

Moody's Investment Services **Baa2 to A1**

Standard & Poor's **BBB+ to A**

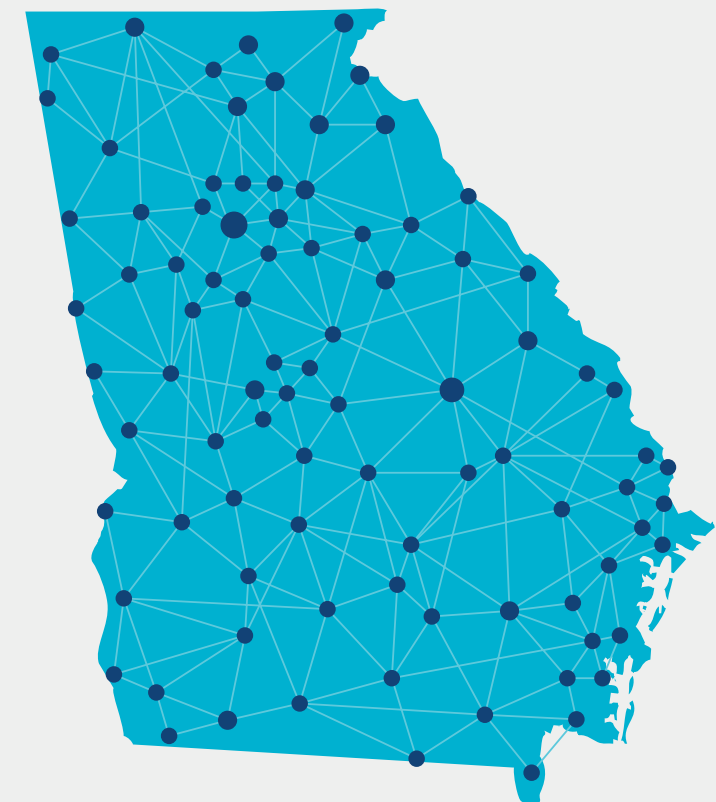
**\$2.2 Billion** of low-cost Department of Energy secured loans

**\$638 Million** of Municipal Competitive Trust assets

## Financial Strength

MEAG Power's financial strength derives from its hard-earned credibility in the marketplace, with more than \$12 billion in assets managed by utility industry financial experts who ensure that our projects are financed under the most favorable terms and rates possible.

- › Membership in Statewide Integrated Transmission System (ITS)
- › Access to Wholesale Markets
- › Low Cost per kWh (6.58¢ per kWh in 2021)
- › High Percentage of Emissions-Free Delivered Energy
- › United Advocacy at State and Federal Level
- › Engineering and Construction Solutions for Participants
- › Sophisticated Energy Market and Trading Resources Through The Energy Authority (TEA)
- › Membership in the Southeast Energy Exchange Market (SEEM)
- › Industry Leadership





# Public Power Communities

Our 49 public power Participants deliver a host of benefits to their communities that foster quality of life and long-term well-being. Local control allows Participants to deliver an array of public power advantages to the benefit of their communities with the full understanding and appreciation of local needs.



Community Ownership



Local Decision-Making



Favorable Financing



Quality Service



Hometown Employment



Superior Reliability



Affordable Power



Revenue Reinvested in the Hometown



Economic Development



# A Message from the Chairman and President



R. Steve “Thunder” Tumlin, Jr., Chairman, and James E. Fuller, President and Chief Executive Officer

For MEAG Power, 2021 saw many of the elements that will power our future move closer to fruition, while technology advances and trends that seem certain to have a sustained impact on the power industry and Participant communities gained momentum.

All of this, of course, took place against the backdrop of the ongoing COVID-19 pandemic, which continued to affect our business throughout the year. We returned to the office in July – following government agency-recommended protocols. We followed the same approach in returning to hosting our annual events in person.

## Vogtle Nearer Startup

Progress continues toward Plant Vogtle Unit 3’s planned startup in the first quarter of next year, and Unit 4’s commercial operation following approximately a year later.

As Unit 3 moves from construction into testing and operations, ongoing and potential future challenges remain, including completion of remaining Inspections, Tests, Analyses and Acceptance Criteria (ITAACs), fuel load, and final component and pre-operational tests.

As Unit 4 progresses through construction and continues to transition into testing, ongoing and potential future challenges include the availability of craft and other resources to support the completion of the electrical work and system turnovers.

Although there have been noted delays, Unit 3 is now 99% complete. It reached the last major milestone before fuel load – hot functional testing – in 2021. Unit 3 continues its progress toward commercial operation with the completion of activities including the receipt of the fuel for the initial core load, initial phases of the site lockdown and ITAAC completions.

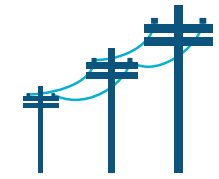
There are several recent achievements and milestones to note for Unit 4, as well. These include: open vessel testing activities have begun; completion of the containment vessel integrated leak rate test; integrated flush activities in the final stages; and completion of hydrostatic testing of steam generators. Bulk electrical construction continues, with the focus on the achievement of additional testing milestones later this year that will allow hot functional testing to begin on Unit 4. The total project, including both units, is now 92% complete.

## Diverse, Clean, Economic Path to the Future

Over the past couple of years, grid emergencies in California (in the summer) and Texas (in the winter) have clearly pointed to the importance of an electric power system that is diverse, reliable, resilient and economically stable.

A diverse energy portfolio like MEAG Power’s remains vital to managing fuel price fluctuations, demand spikes, weather-related emergencies and related disruptions. As we continue to work toward making our 66% clean delivered energy portfolio even cleaner and more diverse, we remain committed to doing so in a prudent, reliable, economic manner. So, while we agreed in 2021 to exit Plant Wansley’s coal units in 2022, we are evaluating whether to keep our two units at Plant Scherer operational in the coming years.

In 2021, coal comprised 9% of our delivered energy, up from 2% the prior year as an increase in natural gas prices made coal generation more economical for a part of the year. MEAG Power’s



**In 2021, energy delivered to Participants rose above 2020 levels by 6.1%. The native load peak for MEAG Power in 2021 was also 58 MW higher than 2020, reaching 1,985 MW on July 29.**

ownership in coal-fired generation – and on-site fuel storage at coal plants – enhances the security, fuel diversity, reliability and resiliency of our overall power supply as our generation fleet evolves.

Hydro remains an important part of our mix, as well, and this emissions-free energy source comprises approximately 7% of our delivered energy. For 2021, hydro generation output was above expected levels, owing to the above-average rainfall across the Southeastern Power Administration’s (SEPA) area.

In 2021, we also took steps toward making our portfolio even cleaner and more diverse. After careful consideration of our options, we signed our first solar power purchase agreement (PPA) in August for the output from an 80 MW solar farm to be located in south-central Georgia. The solar farm will connect to a MEAG Power-owned substation, with commercial operation expected to begin in early 2024.

The solar initiative will allow us to meet the needs of businesses in our Participant communities that are seeking renewable energy supply and associated credits (RECs) – as well as provide Participant communities the ability to meet their own clean energy goals. Some 23 Participants have subscribed to the power that will be generated at the farm.

## Renewables Rise While Coal Declines

Decreasing our coal-fired generation capacity and adding solar capacity to our portfolio are in keeping with the direction in which the industry has been headed for several years. According to a review by the SUN DAY Campaign of data from the Federal Energy Regulatory Commission (FERC) and the U.S. Energy Information Administration (EIA), solar, wind and other renewable energy sources (such as biomass, geothermal and hydropower) provided just over 81% of new domestic capacity in 2021.



And in 2020, electricity generation in the U.S. reached something of a crossover point. U.S. coal-fired electricity generation totaled 774 million MWh in 2020, less than both natural gas-fired (1.6 billion MWh) and nuclear-powered generation (790 million MWh), according to the EIA. It marked the first time in the U.S. since at least 1949 that coal was not the largest or second-largest source of annual electricity generation.

Coal-fired generation has experienced a downward trend as more units are being retired, and most of those remaining are being used less often. U.S. coal-fired generation capacity was 313 GW in 2008 – the earliest for which EIA’s State Electricity Profiles have capacity factor data – and coal’s capacity factor was 72% that year. By 2020, coal’s operating capacity had fallen to 223 GW, and the coal fleet’s capacity factor had fallen to 40%.

Nuclear generation has held relatively steady in the previous decade. U.S. nuclear power, with 97 GW of capacity in 2020, has less than half as much operating capacity as coal. However, nuclear power plants in 2020 operated at a capacity factor of 93%, continuing to deliver 20% of the nation’s electricity generation and contributing to the reliability and resiliency of the grid. (Nuclear generation comprised 59% of MEAG Power’s generation in 2021.) The addition of the two new units at Plant Vogtle will boost U.S. nuclear capacity by 2,234 MW.

As this industry transition continues, MEAG Power will focus on ensuring the reliability of the grid. This means the continued use of natural gas and coal resources to bridge the gap until the point at which non-emitting technologies are economically viable – and can provide the flexibility and resiliency for reliable grid operations – as replacements.

**Delivered Energy, System Reliability Increase**

Electricity demand dropped in 2020, a direct result of commercial and industrial cut-backs and closures due to COVID. We saw a reversal in 2021, with energy delivered to Participants rising above 2020 levels by 6.1%. The native load peak for MEAG Power in 2021 was also 58 MW higher than 2020, reaching 1,985 MW on July 29.

During 2021, MEAG Power’s Average System Availability Index, which measures the percent availability of wholesale electric service, averaged 99.998%. And the 2021 cumulative outage minutes were 2,037, which is 40% lower than 2020.

In addition to the resumption of more normal commercial and industrial activity, one of the drivers of the increase in delivered energy in 2021 was the rise of data center operations. These have become a source of load growth in MEAG Power Participant communities.

These loads, in addition to helping demand rebound from a down year in 2020, helped reduce the overall cents per kWh of our system wholesale power in 2021, to 6.58, compared to 6.88 cents/kWh for 2020.

**Southeast Energy Exchange Market Approved**

The Southeast Energy Exchange Market (SEEM) was approved by FERC in 2021, and MEAG Power has joined as a founding member. SEEM is a unique approach to enhancing the existing bilateral market. 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 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 the Eastern and Central time zones. These companies serve the energy needs of more than 32 million retail customers (roughly more than 50 million people).



**MEAG Power delivered a record year-end settlement to Participants in 2021 of \$48.9 million.**

SEEM’s Membership Board has been established and SEEM actions are now being governed by that Board. SEEM platform development activities are underway, and the Auditor and Administrator roles are being filled. SEEM expects to go live by the fourth quarter of 2022.

MEAG Power has Board member rights and cost responsibility in SEEM, and The Energy Authority (TEA) will be supporting the market participation on behalf of MEAG Power and other TEA members and partners. TEA will submit bids and offers in the platform, conduct bilateral transactions in the same manner as hourly transactions and perform settlement of transactions following current TEA processes.

We look forward to the benefits the market will deliver in terms of helping MEAG Power reduce hourly imbalances and the ability to manage costs relating to solar and other non-dispatchable resources in the future.

As a member, MEAG Power has a seat at the table to engage on proposed changes to the market. We also have the flexibility to withdraw if the market does not benefit our Participants.

**Favorable Financing Activity, Record Year-End Settlement**

MEAG Power continued a run of very favorable financings in 2021, seeing our weighted average interest rate decrease to under 4%. Our assets have now risen to more than \$12 billion.

On July 20, MEAG Power issued \$297.4 million in Projects M, J & P Bonds to fund Vogtle Units 3&4 construction expenditures. The issuance included \$83 million of Project M Bonds, \$150.4 million of Project J Bonds and \$64 million of Project P Bonds. The transactions were well received by the market, and the resulting interest rates are attractive. All-in true interest cost (TIC) ranges from 3.42% to 3.50% and 3.61% for M, J & P, respectively.

On October 7, MEAG Power issued \$304 million of Project One and General Resolution Series 2021A Tax-exempt and 2021B Taxable Bonds. The TIC was 2.63% with 15.5 years’ weighted average maturity and final maturity of January 2051. These bonds refunded retail price index bonds maturing on Jan. 1, 2022, provided capital for new projects and fixed out most of the outstanding credit facility balances to lock in historically low interest rates and free up borrowing capacity for future needs.

In addition to the historically low weighted average interest rate and favorable financing activities, MEAG Power delivered a record year-end settlement to Participants in 2021 of \$48.9 million.

**Industry Legislation and Advocacy**

On November 15, President Biden signed into law the Infrastructure Investment and Jobs Act (H.R. 3684), also referred to as the Bipartisan Infrastructure Law.

The Infrastructure law represents a significant investment in several power-industry areas, including \$7.5 billion to build out a national network of electric vehicle (EV) chargers in the United States, more than \$65 billion for clean energy transmission and grid resiliency, more than \$50 billion to make the U.S. infrastructure more resilient to the impacts of climate change and cyberattacks, and \$65 billion in broadband infrastructure deployment.







**In 2021, we reduced the overall cents per kWh of our wholesale power to 6.58, compared to 6.88 cents/kWh for 2020.**

The Infrastructure law comes as numerous EV-related projects and initiatives announced over the past couple of years seem to position Georgia as a nexus of the growing EV industry – with a number of related infrastructure companies and suppliers investing billions of dollars in the state.

The growth of the EV industry seems destined to fuel growth among MEAG Power Participants, both directly and indirectly. Some Participant communities are benefiting from direct and secondary investment from EV-related plant construction, tax-base growth and ancillary economic benefits. In the future, as EVs begin to predominate, a significant boost in electricity sales seems a likely benefit across the board.

Both the federal energy legislation and state legislation that could significantly affect our industry are prime examples of the importance of ongoing engagement by MEAG Power, as well as Participants. It is incumbent upon Participants to participate and remain engaged in the governmental and legislative affairs that affect joint action and public power.

LaGrange Mayor Jim Thornton became Georgia Municipal Association (GMA) president in 2021 – an example of such engagement. In addition, MEAG Power executives serve on numerous industry boards, including those of the American Public Power Association, TEA, the Large Public Power Council (LPPC), the SERC Reliability Corporation and SEEM, among other affiliations.

#### Continued Branding Progress

MEAG Power continues to make progress on our ongoing work to solidify and expand our branding. The new corporate website, launched early in the year, won the 2021 APPA Award of Excellence and is becoming a more widely used tool for engagement and communications.

The website will serve as the template and framework for a new Participant Portal, to be launched in 2022. It also will host a new event registration capability, to be in place for use with MEAG Power's 2022 annual meeting. Finally, the website serves as the springboard for bringing some existing communications vehicles like the CURRENT newsletter into the digital age. The new online CURRENT is set to launch in the spring of 2022.

As always, the MEAG Power staff is here to serve our Participants, and we will work diligently to provide them all the tools and advantages to power their successful futures.

R. Steve "Thunder" Tumlin, Jr.  
Chairman

James E. Fuller  
President and Chief Executive Officer

May 2, 2022

## The MEAG Power Board



**R. Steve "Thunder" Tumlin, Jr.**  
Chairman  
Mayor, Marietta



**Larry M. Vickery**  
Vice Chairman  
General Manager  
Calhoun Utilities



**L. Timothy Houston, Sr.**  
Secretary-Treasurer  
Alderman, Acworth



**Patrick C. Bowie, Jr.**  
Utility Director, LaGrange



**L. Keith Brady**  
Mayor, Newnan



**Terrell D. Jacobs**  
Municipal Operations Consultant  
Georgia Municipal Association



**Steve A. Rentfrow**  
Retired – Former General Manager  
Crisp County Power Commission



**Gregory P. Thompson**  
Businessman, Monroe



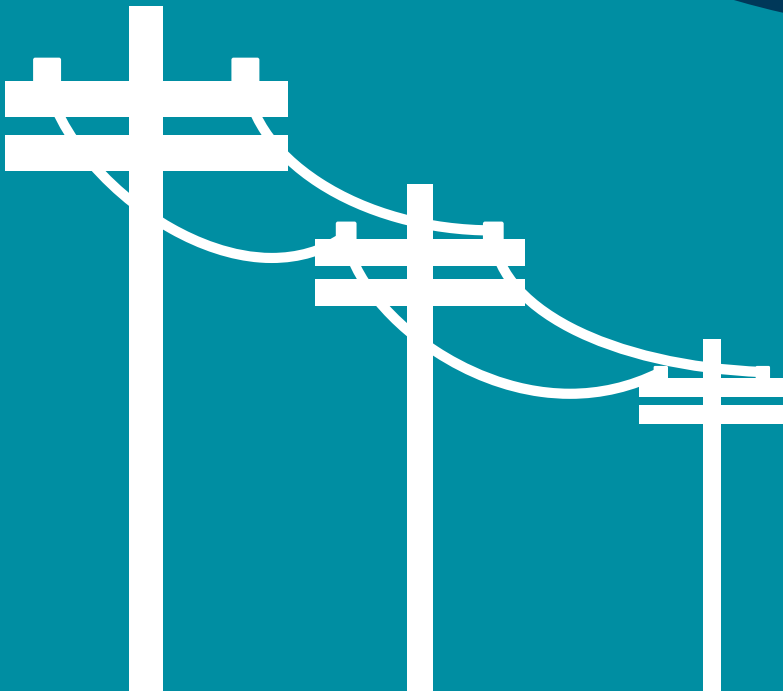
**William J. Yeara**  
State Representative, Sylvester



# MEAG POWER

# 2021 Financial Review

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

## Introduction

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

## Overview of the Consolidated Financial Statements

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

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

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

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

Revenue and expense information is presented in the Consolidated Statement of Net Revenues (Statement of Net Revenues). Revenues represent billings for wholesale electricity sales to the Participants and sales of electricity to unrelated parties, as discussed in Note 2, "Summary of Significant Accounting Policies and Practices" (Note 2), section (C), "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, 2021, 2020 and 2019 is summarized below (in thousands).

Significant 2021 transactions include:

- Construction work in progress (CWIP) additions of \$612.5 million, mainly pertaining to Generation Station Vogtle, Unit Nos. 3 (Unit 3) and 4 (Unit 4) (collectively, Vogtle Units 3&4).
- Bond issuances totaling \$601.3 million used primarily for capital improvements and debt refunding/retirement.

	2021	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Property, plant and equipment, net	\$ 8,044,173	\$ 7,430,336	\$ 6,550,662
Other non-current assets	2,499,093	2,491,581	3,411,710
Current assets	1,369,606	1,386,770	917,189
Total assets	11,912,872	11,308,687	10,879,561
Deferred outflows of resources	301,049	281,879	266,237
Total Assets and Deferred Outflows of Resources	\$12,213,921	\$11,590,566	\$11,145,798
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Long-term debt	\$ 8,846,018	\$ 8,474,846	\$ 8,148,694
Non-current liabilities	1,077,446	1,022,194	961,662
Current liabilities	968,061	887,493	982,394
Total liabilities	10,891,525	10,384,533	10,092,750
Deferred inflows of resources	1,322,396	1,206,033	1,053,048
Total Liabilities and Deferred Inflows of Resources	\$12,213,921	\$11,590,566	\$11,145,798



# 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, 2021 and 2020 were as follows:

## 2021 COMPARED WITH 2020

### Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased \$623.4 million, or 5.4%, during 2021. Within asset components:

- Property, plant and equipment (PP&E) increased \$613.8 million due primarily to CWIP additions at Vogtle Units 3&4, as discussed in Note 3, "Property, Plant and Equipment."
- A \$7.5 million increase in other non-current assets was mainly due to a \$161.0 million increase in net costs to be recovered from Participants, primarily related to Vogtle Units 3&4 capitalized interest, as the result of implementing GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" (see Note 2, section (N), "Recent Accounting Pronouncements"). Investment in Alliance increased \$12.4 million due to power marketing activities of The Energy Authority (TEA) (see Note 6, "Investment in Alliance" (Note 6)). These factors were partially offset by special funds, which decreased \$166.5 million primarily related to payments for Vogtle Units 3&4 CWIP additions, which were partially offset by bond issuance proceeds.
- Current assets decreased \$17.2 million primarily related to other receivables and fuel stocks. Other receivables decreased \$26.3 million mainly due to a decrease of \$24.2 million in subsidy accrued on Build America Bonds related to the timing of subsidy payments received from the U.S. Treasury. A \$12.2 million decrease in fuel stocks was primarily due to higher coal usage. These factors were partially offset by a \$19.8 million increase in materials, supplies and other assets, which was mainly due to an increase in the fair value of gas hedge investments (see below) and a \$5.1 million increase in plant maintenance materials.

Deferred outflows of resources increased \$19.2 million due primarily to a \$56.2 million increase in asset retirement obligations (ARO). These factors were partially offset by increases in the fair value of interest rate swap obligations and gas hedges of \$19.1 million and \$13.7 million, respectively.

### Liabilities and Deferred Inflows of Resources

Total liabilities increased \$507.0 million, or 4.9%, during 2021 as follows:

- Long-term debt increased \$371.2 million primarily due to \$601.3 million in bond issuances (see "Financing Activities") and \$74.2 million in net premium amortization. These factors were partially offset by \$327.1 million in bond repayments and debt refundings.
- An increase of \$55.3 million in non-current liabilities was primarily due to an increase of \$84.1 million in ARO, related to decommissioning costs and coal combustion

residual and effluent limitations guidelines, as discussed in Note 2, section (H), "Asset Retirement Obligations and Decommissioning." These factors were partially offset by a \$23.2 million decrease in other non-current liabilities, which was primarily due to the increase in the fair market value of interest rate swaps and a \$4.3 million reduction in net pension obligations (see Note 7, "Retirement Plan and Other Postemployment Benefits — Net Pension Liability").

- Current liabilities increased \$80.6 million due mainly to increases of:
  - \$47.1 million in accounts payable, mainly due to accruals for 2021 year-end settlement refunds due to the Participants (see Note 2, section (C), "Revenues — Year-End Settlement"), gas hedge collateral (see Note 2, section (K), "Derivative Financial Instruments"), and payments in lieu of ad valorem taxes pertaining to tangible property.
  - \$11.6 million in the current portion of long-term debt due to scheduled bond amortization.
  - \$13.4 million due to Participants deposits in the Competitive Trust Flexible Operating account.
  - \$9.3 million in accrued interest mainly due to 2021 bond issuances (see "Financing Activities"), as well as longer accrual periods for fourth quarter 2020 bond issuances.

These factors were partially offset by a \$4.0 million decrease in construction liabilities mainly related to Vogtle Units 3&4 and transmission facilities.

Deferred inflows of resources increased \$116.4 million primarily 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, section (A), "Basis of Accounting"), power marketing activities of TEA, (see "Assets and Deferred Outflows of Resources") and ARO-related items.

## 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 PP&E was due primarily to CWIP additions at Vogtle Units 3&4.
- 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 U.S. Department of Energy (DOE) Guaranteed Loans. 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, which were partially offset by net non-operating expense (see "Results of Operations — 2020 Compared with 2019 — Non-operating expense (income), net").



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

- 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 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, section (H), "Asset Retirement Obligations and Decommissioning").

## Results of Operations

MEAG Power's Statement of Net Revenues for each of the years ended December 31, 2021, 2020 and 2019 is summarized below (in thousands):

	2021	2020	2019
Revenues:			
Participant	\$592,225	\$538,213	\$504,403
Other	121,969	101,494	144,501
Total revenues	714,194	639,707	648,904
Operating expenses	604,628	565,562	596,873
Net operating revenues	109,566	74,145	52,031
Non-operating expense, net	32,526	50,999	34,283
Change in net costs to be recovered from Participants or Competitive Trust obligations	77,040	23,146	17,748
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, 2021 and 2020 were as follows:

## 2021 COMPARED WITH 2020

### Revenues

During 2021, total revenues were \$714.2 million, compared with \$639.7 million for 2020, an increase of 11.6%:

- Participant revenues increased \$54.0 million, or 10.0%, due primarily to deferred inflows of resources, which decreased \$35.0 million pertaining to Timing Differences and ARO-related items. Also, due in part to a 6.1% increase in energy delivered to the Participants, billings for certain operating expenses, mainly fuel, increased as discussed below.
- An increase of \$20.5 million, or 20.2%, in other revenues was mainly due to an allocation from TEA related to power marketing activities (see Note 6) totaling \$16.0 million. Off-system energy sales increased \$13.3 million due primarily to higher market prices. These factors were partially offset by a \$14.1 million decrease in contract energy sales under the Pseudo Scheduling and Services Agreement (PSSA).

### Operating Expenses

2021 operating expenses increased 6.9% to \$604.6 million, compared with \$565.6 million for 2020:

- Total fuel expense increased \$36.9 million due mainly to the following factors:
  - Natural gas expense, which increased \$23.2 million due mainly to higher natural gas prices that were partially offset by a 5.3% decrease in generation from the Wansley Combined Cycle Facility, due to the cost impact of higher natural gas prices on the economic dispatch of the unit.
  - A \$13.3 million increase in coal expense due to a significant increase in generation.
- Other generation and operating expense increased \$6.7 million due mainly to increases in PSSA purchases related to higher natural gas prices.

These factors were partially offset by a \$5.1 million decrease in transmission expense mainly related to lower than expected substation and vegetation maintenance.

### 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 \$32.5 million during 2021. This 36.2% decrease from the total of \$51.0 million for 2020 was due primarily to changes in these components of Net Non-operating Expense:

- Interest capitalized increased \$46.3 million due mainly to additional capital investment in Vogtle Units 3&4.

- A \$7.3 million increase in amortization of debt discount and expense was primarily due to premium amortization pertaining to 2021 and 2020 bond issuances.

These factors were partially offset by the fair value of financial instruments, which decreased \$40.5 million due mainly to an increase in interest rates, which was related to a slight recovery from the impact the novel coronavirus (COVID-19) pandemic had on financial markets in 2020.

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

The change in net costs to be recovered from Participants or Competitive Trust obligations was \$77.0 million and \$23.1 million for the years ended December 31, 2021 and 2020, 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 zero in 2021 and immaterial in 2020.

## 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 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 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.



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

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

During 2020, Net Non-operating Expense, totaled \$51.0 million. 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.

### 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 Vogtle Construction Monitoring 26 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 first quarter 2023 and fourth quarter 2023 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 \$7.3 billion, including construction and financing costs through the estimated in-service dates, contingencies, initial fuel load costs and switchyard and transmission costs. Additional financing needs relating to required reserve funds and other fund deposits result in total financing needs of approximately \$7.8 billion, of which approximately \$690 million remains to be financed.
- In July 2021, MEAG Power issued \$297.4 million of bonds for Vogtle Units 3&4 financing purposes (see "Financing Activities").
- MEAG Power and the other Vogtle Co-Owners do not agree with GPC on either the starting dollar amount for the determination of cost increases subject to the cost-sharing and tender provisions of the Global Amendments or the extent to which COVID-19-related costs impact the calculation. MEAG Power has asserted that the project cost increases and the revised cost estimate for completion have reached the cost-sharing thresholds and have triggered the tender provisions under the Global Amendments. On October 29, 2021, MEAG Power and the other Vogtle Co-Owners entered into an agreement to clarify the process for the tender provisions of the Global Amendments to provide for a decision between 120 and 180 days after the tender option is triggered, which MEAG Power and the Vogtle Co-Owners, excluding GPC, assert occurred on February 14, 2022.
- The latest schedule extension triggered the requirement that the holders of at least 90% of the ownership interests in Vogtle Units 3&4 must vote to continue construction. Subsequently, effective February 25, 2022, holders of 100% of such ownership interests had voted to continue construction.
- Major accomplishments for Unit 3 during 2021 included initial turnover of five buildings from construction to operations along with initial completion of 91 systems and eight additional yard areas. Significant progress was made with security milestones in 2021 also as phases 1 and 2 of the security lockdown plan were completed.



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Hot functional testing of the Reactor Coolant System on Unit 3 was completed along with Main Step-Up and Unit Auxiliary Transformer energization and testing. Significant construction milestones for Unit 4 included setting of the CB20 module (large water tank / roof atop the Shield Building) and initial energization of the Reserve Auxiliary Transformers and associated electrical busses. Unit 4 also commenced Open Vessel Testing of the Reactor Coolant System and completed the secondary side hydro-testing of the Steam Generators. The NRC issued 72 operators dual-unit licenses in 2021 in preparation for operations of Vogtle Units 3&4.

## Energy Resources

### Solar Initiative

In September 2021, MEAG Power entered into a Power Purchase Agreement (PPA) for the off-take of energy, capacity and environmental attributes from an 80 MW solar facility with a commercial operation date by 2024. The contract price is fixed for a term of 20 years. Twenty-three Participants have executed a Solar Power Purchase Contract with MEAG Power for the output of the facility. In addition to the current solar initiative, MEAG Power envisions future solar PPAs as a means to add clean, competitively priced energy to its portfolio on an as-needed basis.

On March 28, 2022, the U.S. Department of Commerce (Commerce Department) announced it had launched an investigation into circumvention of anti-dumping and countervailing duties by photovoltaic (PV) solar manufacturers in Cambodia, Malaysia, Thailand and Vietnam. Suppliers have broadly indicated that an investigation may lead them to stop shipments from the named countries to the United States at least until the Commerce Department issues a final ruling. Project developers with PV module orders with manufacturers in the named countries and delivery periods during or after this investigation may face delayed shipments. PV module prices in non-named countries are likely to increase with increased demand and limited supply. MEAG Power's project with Pineview Solar LLC may be impacted — to what extent is unknown at this time. Preliminary findings under this investigation are to be presented by the Commerce Department on August 30, 2022.

### 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 will use an automated, intra-hour energy exchange to buy and sell power close to the time the energy is consumed, utilizing available unreserved transmission capacity. In October 2021, the proposal became effective by operation of law following a tie vote by the Federal Energy Regulatory Commission (FERC), subject to certain rehearing requests. A petition for appeal has been filed

regarding the FERC's orders. In January 2022, MEAG Power Joined SEEM and is participating in the market as a member. SEEM is expected to begin service by late third quarter of 2022. The ultimate effect of the commencement of SEEM operations on the financial results of MEAG Power 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, 2021, were as follows (in thousands):

	Net Plant in service	Total CWIP
Nuclear	\$ 916,441	\$ 5,232,933
Coal	672,166	94,255
Natural gas	168,258	7,785
Transmission	346,769	75,719
Distribution	194,244	10,481
Telecom	2,250	—
General/other plant	25,910	7,545
Total	\$ 2,326,038	\$ 5,428,718

### Financing Activities

Funds generated from operations are estimated to provide approximately 45% of construction expenditures in 2022, 39% in 2023 and 42% in 2024, 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, \$448.7 million of unused credit was available through lines of credit and other arrangements with banks (collectively, the Credit Arrangements) as of December 31, 2021, as described in the "Financing of Vogtle Units 3&4 Projects and Project Entities" and "Credit Agreements and Other Short-Term Debt" sections of Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps" (Note 5).

To finance additional construction costs and to provide a portion of the funds required to refund certain outstanding Vogtle Units 3&4 Bonds, in July 2021, MEAG Power issued:

- \$83.0 million of its Plant Vogtle Units 3&4 Project M Bonds, Series 2021A,
- \$150.4 million of its Plant Vogtle Units 3&4 Project J Bonds, Series 2021A and
- \$64.0 million of its Plant Vogtle Units 3&4 Project P Bonds, Series 2021A.



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

In October 2021, MEAG Power issued Project One Subordinated Bonds, Series 2021A and Taxable Series 2021B, as well as General Resolution Projects Subordinated Bonds, Series 2021A and Taxable Series 2021B totaling \$303.9 million to

(a) finance or refinance certain capital improvements (including the repayment of certain interim borrowings) and (b) refund certain subordinated lien bonds, CP notes and revolving credit notes.

The unenhanced ratings and outlook assigned to MEAG Power's senior lien and subordinated debt obligations as of April 29, 2022 are as follows:

Project	Lien	Fitch Ratings		Moody's Investors Service		Standard & Poor's	
		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	A3	Stable	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.

### 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, 2021, MEAG Power had \$3.1 billion of special funds deposits, of which \$1.8 billion was available to fund various operating, construction, debt service and contingency requirements. Within the Competitive Trust, \$636.5 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 \$636.5 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, section (H), "Asset Retirement Obligations and Decommissioning") totaled \$634.2 million. Credit Arrangements with banks at December 31, 2021 totaled \$605.2 million, of which \$151.8 million provided liquidity support to \$148.1 million of outstanding variable-rate demand obligations, and \$4.7 million was drawn on the Credit Arrangements with the remaining \$448.7 million available. The Credit Arrangements mature at various dates in 2022 through 2025, and management expects to renew or replace the facilities as needed prior to expiration. For additional information regarding available credit,

see the "Financing of Vogtle Units 3&4 Projects and Project Entities" and "Credit Agreements and Other Short-Term Debt" sections of Note 5.

During 2022 through 2024, maturities of long-term debt and sinking fund redemptions are expected to total \$440.3 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 (see the "Structure, DOE Guaranteed Loans and Recent Bond Financings — Vogtle Units 3&4 Projects" section of Note 1 (D)).

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 \$136.8 million, \$155.2 million and \$162.1 million for the years 2022, 2023 and 2024, respectively. These expenditures are related to capital improvements at existing

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

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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 the "Environmental Regulation" section of Note 8, "Commitments and Contingencies" (Note 8). MEAG Power's estimated construction expenditures for Vogtle Units 3&4, including various contingencies and financing amounts for the years 2022 through 2024 are \$1.3 billion. Actual construction costs may vary from the estimates due to 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, 2021 totaled \$5.4 billion.

### Economic Conditions/COVID-19

MEAG Power and its Participants have been and continue to be subject to risks related to the outbreak of COVID-19. Since the beginning of the pandemic, MEAG Power has continued to provide an essential service to its Participants, while protecting its employees by continuing to implement applicable business continuity plans, including teleworking, enhanced cleaning at business locations, and following applicable safety and health guidelines issued by federal and state officials. These procedures have been effective in maintaining MEAG Power's critical operations.

COVID-19 was 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, initially instituted restrictions on travel, public gatherings and certain business operations. While many of these restrictions

have been relaxed, there is no guarantee restrictions will not be reimposed in the future. 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 and 2021 and could continue to do so in the future. MEAG Power estimates that COVID-19 had no significant impact on energy delivered to the Participants during 2021. The effects of the continued outbreak of COVID-19 and related government responses could include new or extended disruptions to supply chains and capital markets, further reduced labor availability and productivity, and new or prolonged reduction in economic activity. These effects could have a variety of adverse impacts on MEAG Power and its Participants, including new or prolonged reduction in demand for electrical energy from the Participants.

Since March 2020, the number of active cases at the Vogtle Units 3&4 construction site has fluctuated consistent with the surrounding area; however, COVID-19 has not impacted the operation of other generating assets of MEAG Power.

MEAG Power cannot predict the extent or duration of the pandemic; the impact of new variants of COVID-19; the timing, availability, distribution or effectiveness of vaccines, anti-virals or other treatments or preventions for COVID-19; governmental responsive measures, including vaccine mandates; or the extent of the effects or impacts on the global, national or local economy, the capital markets or the Participants' customers, suppliers or operations. Because the duration and the breadth of the effects of COVID-19 are not yet known, the ultimate total economic impact on MEAG Power and its Participants, including electric power revenues and cash flows, cannot be determined at this time.

In regard to nuclear fuel supply and Russia's invasion of Ukraine, see the "Fuel" section of Note 8.



## 2021 Consolidated Balance Sheet

December 31, 2021	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
<b>ASSETS (in thousands)</b>								
Property, plant and equipment, at cost:								
In service	\$ 3,524,816	\$ 1,248,150	\$ 332,860	\$ —	\$ —	\$ 28,871	\$ —	\$ 5,134,697
Less accumulated depreciation	(1,957,174)	(660,262)	(164,602)	—	—	(26,621)	—	(2,808,659)
Property in service, net	1,567,642	587,888	168,258	—	—	2,250	—	2,326,038
Construction work in progress	181,863	51,887	7,785	5,187,183	—	—	—	5,428,718
Nuclear fuel, net of accumulated amortization	142,735	20,428	—	126,254	—	—	—	289,417
Total property, plant and equipment, net	1,892,240	660,203	176,043	5,313,437	—	2,250	—	8,044,173
Other non-current assets:								
Investment in Alliance	21,851	—	104	—	—	—	—	21,955
Special funds, including cash and cash equivalents	773,675	102,423	37,840	754,486	255,899	—	—	1,924,323
Other receivables	—	—	—	15,839	—	—	—	15,839
Net costs to be recovered from Participants	6,765	744	—	466,549	—	—	—	474,058
Unamortized bond issuance costs	7,882	1,788	586	52,662	—	—	—	62,918
Total other non-current assets	810,173	104,955	38,530	1,289,536	255,899	—	—	2,499,093
Current Assets:								
Special funds, including cash and cash equivalents	312,109	154,337	49,005	237,970	380,595	335	—	1,134,351
Supplemental power account, including cash and cash equivalents	4,245	—	—	—	—	—	—	4,245
Securities lending collateral	2,808	324	—	—	—	—	—	3,132
Receivables from Participants	43,722	7,787	6,799	1	154	12	—	58,475
Other receivables	6,289	400	1,381	10,504	1,567	105	(741)	19,505
Fuel stocks, at average cost	6,122	9,155	—	—	—	—	—	15,277
Materials, supplies and other assets	81,308	16,443	21,324	15,546	—	—	—	134,621
Total current assets	456,603	188,446	78,509	264,021	382,316	452	(741)	1,369,606
Total assets	3,159,016	953,604	293,082	6,866,994	638,215	2,702	(741)	11,912,872
Deferred outflows of resources:								
Accumulated decrease (increase) in fair value of hedging derivative instruments	70,650	—	(12,024)	—	—	—	—	58,626
Unamortized loss on refunded debt	6,138	10	287	—	—	—	—	6,435
Pensions and other postemployment benefits	3,740	546	164	365	—	—	—	4,815
Asset retirement obligations	129,573	101,600	—	—	—	—	—	231,173
Total deferred outflows of resources	210,101	102,156	(11,573)	365	—	—	—	301,049
Total Assets and Deferred Outflows of Resources	\$ 3,369,117	\$ 1,055,760	\$ 281,509	\$ 6,867,359	\$ 638,215	\$ 2,702	\$(741)	\$12,213,921

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

## 2021 Consolidated Balance Sheet

December 31, 2021	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
<b>LIABILITIES (in thousands)</b>								
Long-term debt:								
Power Revenue bonds	\$ 311,390	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 311,390
General Power Revenue bonds	—	101,075	—	—	—	—	—	101,075
Combined Cycle Project Revenue bonds	—	—	65,625	—	—	—	—	65,625
Vogle Units 3&4 Projects Revenue bonds	—	—	—	4,324,730	—	—	—	4,324,730
DOE Guaranteed Loans	—	—	—	2,124,652	—	—	—	2,124,652
Unamortized (discount) premium, net	14,237	3,544	9,073	179,802	—	—	—	206,656
Total Revenue bonds and DOE Guaranteed Loans	325,627	104,619	74,698	6,629,184	—	—	—	7,134,128
Subordinated debt	1,273,088	285,970	—	—	—	—	—	1,559,058
Unamortized (discount) premium, net	124,749	28,083	—	—	—	—	—	152,832
Total subordinated debt	1,397,837	314,053	—	—	—	—	—	1,711,890
Total long-term debt	1,723,464	418,672	74,698	6,629,184	—	—	—	8,846,018
Non-current liabilities:								
Asset retirement obligations	588,702	166,907	—	—	—	—	—	755,609
Competitive Trust obligations	—	—	—	—	256,422	—	—	256,422
Other	74,171	(706)	(236)	(7,911)	97	—	—	65,415
Total non-current liabilities	662,873	166,201	(236)	(7,911)	256,519	—	—	1,077,446
Current Liabilities:								
Accounts payable	75,942	13,315	35,766	28,879	—	32	(741)	153,193
Construction liabilities	16,388	2,570	—	26,525	—	—	—	45,483
Securities lending collateral	2,821	326	—	—	—	—	—	3,147
Current portion of long-term debt	112,944	16,130	18,290	92,010	—	—	—	239,374
Lines of credit and other short-term debt	2,000	—	2,700	—	—	—	—	4,700
Competitive Trust obligations	—	—	—	—	381,696	—	—	381,696
Accrued interest	33,968	8,569	597	97,334	—	—	—	140,468
Total current liabilities	244,063	40,910	57,353	244,748	381,696	32	(741)	968,061
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	2,630,400	625,783	131,815	6,866,021	638,215	32	(741)	10,891,525
Deferred inflows of resources	738,717	429,977	149,694	1,338	—	2,670	—	1,322,396
Total Liabilities and Deferred Inflows of Resources	\$3,369,117	\$1,055,760	\$281,509	\$6,867,359	\$638,215	\$2,702	\$(741)	\$12,213,921

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



## 2021 Consolidated Statement of Net Revenues

<b>For the Year Ended December 31, 2021</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Revenues:								
Participant	\$334,281	\$112,289	\$101,040	\$ 43,756	\$ —	\$859	\$—	\$ 592,225
Other	53,455	14,548	13,519	40,341	—	106	—	121,969
Total revenues	387,736	126,837	114,559	84,097	—	965	—	714,194
Operating expenses:								
Fuel	64,993	33,557	76,925	—	—	—	—	175,475
Purchased power	27,327	—	—	—	—	—	—	27,327
Other generating and operating expense	148,927	48,968	26,507	(200)	—	245	—	224,447
Transmission	24,626	—	—	—	—	—	—	24,626
Depreciation and amortization	107,556	35,362	9,115	—	—	720	—	152,753
Total operating expenses	373,429	117,887	112,547	(200)	—	965	—	604,628
Net operating revenues	14,307	8,950	2,012	84,297	—	—	—	109,566
Non-operating expense (income), net:								
Interest expense	76,845	16,977	4,663	298,165	—	—	—	396,650
Amortization of debt discount and expense	(19,409)	(3,671)	(2,858)	(4,988)	—	—	—	(30,926)
Investment income	(34,969)	(3,791)	(71)	(2,671)	—	—	—	(41,502)
Net change in the fair value of financial instruments	(1,322)	188	278	4,091	—	—	—	3,235
Interest capitalized	(6,838)	(753)	—	(230,545)	—	—	—	(238,136)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	(56,795)	—	—	—	(56,795)
Total non-operating expense (income), net	14,307	8,950	2,012	7,257	—	—	—	32,526
Change in:								
Net costs to be recovered from Participants	—	—	—	77,040	—	—	—	77,040
Competitive Trust obligations	—	—	—	—	—	—	—	—
Total change in net costs to be recovered from Participants or Competitive Trust obligations	—	—	—	77,040	—	—	—	77,040
Net Revenues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

## 2021 Consolidated Statement of Cash Flows

<b>For the Year Ended December 31, 2021</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	\$ 452,603	\$114,225	\$118,206	\$ 43,715	\$ 2,732	\$ 80	\$—	\$ 731,561
Cash received from others	34,245	17,068	14,180	40,350	—	105	—	105,948
Cash paid for operating expenses	(208,190)	(68,415)	(87,001)	4,943	(233)	(373)	—	(359,269)
Net cash provided by (used in) operating activities	278,658	62,878	45,385	89,008	2,499	(188)	—	478,240
Cash flows from investing activities:								
Sales and maturities of investment securities	398,455	83,369	60,709	1,149,652	540,421	—	—	2,232,606
Purchase of investment securities	(524,102)	(91,290)	(94,141)	(941,871)	(669,539)	—	—	(2,320,943)
Investment income receipts	9,444	1,255	(23)	6,490	8,282	—	—	25,448
Distribution from Alliance	11,230	—	—	—	—	—	—	11,230
Contributions from Participants	—	—	—	—	12,380	—	—	12,380
Net cash (used in) provided by investing activities	(104,973)	(6,666)	(33,455)	214,271	(108,456)	—	—	(39,279)
Cash flows from capital and related financing activities:								
Property additions	(160,240)	(20,639)	(3,210)	(626,626)	—	—	—	(810,715)
Net proceeds from lines of credit and other short-term debt	891	(72)	—	—	—	—	—	819
Proceeds from issuance of long-term debt	185,881	47,177	(59)	356,230	—	—	—	589,229
Retirement of long-term debt	(96,281)	(28,775)	(18,000)	(65,571)	—	—	—	(208,627)
Interest payments	(71,533)	(16,229)	(4,043)	(292,996)	—	—	—	(384,801)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	80,956	—	—	—	80,956
Net cash used in capital and related financing activities	(141,282)	(18,538)	(25,312)	(548,007)	—	—	—	(733,139)
(Decrease) increase in cash and cash equivalents	32,403	37,674	(13,382)	(244,728)	(105,957)	(188)	—	(294,178)
Cash and cash equivalents at beginning of year	301,686	124,228	41,975	553,515	111,841	523	—	1,133,768
Cash and cash equivalents at end of year	334,089	161,902	28,593	308,787	5,884	335	—	839,590
Other investment securities and accrued interest receivable at end of year	758,748	95,182	58,252	683,669	630,610	—	—	2,226,461
Special funds, Supplemental power account and Securities lending collateral at end of year	\$1,092,837	\$257,084	\$ 86,845	\$ 992,456	\$ 636,494	\$ 335	\$—	\$ 3,066,051
Reconciliation of net operating revenues to net cash provided by (used in) operating activities:								
Net operating revenues	\$ 14,307	\$ 8,950	\$ 2,012	\$ 84,297	\$ —	\$ —	\$—	\$ 109,566
Adjustments to reconcile net operating revenues to net cash from operating activities:								
Depreciation and amortization	155,374	43,036	9,114	—	—	720	—	208,244
Pensions and other postemployment benefits	(968)	(263)	(79)	(199)	—	—	—	(1,509)
Deferred inflows of resources	103,062	(1,944)	15,347	—	—	(720)	—	115,745
Share of net revenues from Alliance	(20,616)	—	—	—	—	—	—	(20,616)
Change in current assets and liabilities:								
Accounts receivable	2,013	6,771	(1,434)	6	2,731	(1)	—	10,086
Fuel stocks	5,877	6,296	—	—	—	—	—	12,173
Materials, supplies and other assets	173	910	(481)	—	—	—	—	602
Accounts payable and other liabilities	19,436	(878)	20,906	4,904	(232)	(187)	—	43,949
Net cash provided by (used in) operating activities	\$ 278,658	\$ 62,878	\$ 45,385	\$ 89,008	\$ 2,499	\$(188)	\$—	\$ 478,240

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	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
<b>ASSETS (in thousands)</b>								
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	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
<b>LIABILITIES (in thousands)</b>								
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
Vogle 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

<b>For the Year Ended December 31, 2020</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Revenues:								
Participant	\$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

<b>For the Year Ended December 31, 2020</b> (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	\$ 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.



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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## (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 the Wansley Combined Cycle Facility (Wansley Combined Cycle Facility), 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## Structure, DOE Guaranteed Loans and Recent Bond Financings

### Vogle Units 3&4 Projects

Since a portion of the output and services of MEAG Power's interest in Vogle Units 3&4 initially was expected to be surplus to the Participants' needs, for the initial 20 years of commercial operation of each of Vogle Units 3&4, MEAG Power sold 66.1% of the output and services associated with its Vogle 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 Vogle Units 3&4 as three separate projects, Project M, Project J and Project P, collectively referred to herein as the Vogle Units 3&4 Projects and summarized as follows:

Vogle 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 Vogle 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 Vogle 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 the "Financing of Vogle Units 3&4 Projects and Project Entities" section of Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps" (Note 5)), 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 Vogle 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 Vogle 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 Vogle Units 3&4 Participants). At such time, the Project J and Project P Participants become responsible for payment of their respective shares of all of MEAG Power's costs relating to Project J and Project P, other than Project J and Project P Debt Service (which is payable as described above). The payment obligations of each of the Project J and Project P Participants are general obligations to which its full faith and credit are pledged. Each Project J Power Sales Contract and Project P Power Sales Contract, as amended and discussed below, will continue in full force and effect for a term not to exceed 50 years from December 31, 2014.



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## DOE Loan Guarantee Program

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

Concurrently with the transfer of MEAG Power's undivided ownership in Vogtle Units 3&4 to the Vogtle Units 3&4 Project Entities (as discussed in the "Vogtle Units 3&4 Project Entities" section of this Note), each Vogtle Units 3&4 Project Entity entered into, among other agreements, a Loan Guarantee Agreement (Original LGA) with DOE. 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 (Eligible Project Costs). 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, the Project Entities obtained Advances for payment of certain capitalized interest pertaining to the DOE Guaranteed Loans totaling \$12.2 million. There were no such Advances during 2021. At both December 31, 2021 and 2020, the Project Entities had a total of \$2.2 billion of Advances outstanding.

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 Entities 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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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.

### 2021 Bond Financings

To finance additional construction costs and to provide a portion of the funds required to refund certain outstanding Vogtle Units 3&4 Bonds, on July 20, 2021, MEAG Power issued:

- \$83.0 million of its Plant Vogtle Units 3&4 Project M Bonds, Series 2021A;
- \$150.4 million of its Plant Vogtle Units 3&4 Project J Bonds, Series 2021A; and
- \$64.0 million of its Plant Vogtle Units 3&4 Project P Bonds, Series 2021A (Series 2021A Project P Bonds).

Additional information regarding financing of Vogtle Units 3&4 and the DOE Guaranteed Loans is included in the "Financing of Vogtle Units 3&4 Projects and Project Entities" section of Note 5 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## 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 17, 2022, GPC filed the twenty-sixth Vogtle Construction Monitoring (VCM) report (VCM 26 Report) with the Georgia Public Service Commission (GPSC) covering the period from July 1, 2021 through December 31, 2021, reporting GPC's portion of construction capital costs of \$584 million incurred during that period.

## Cost and Schedule

Based on the construction cost estimate set forth in the VCM 26 Report, as well as recently updated construction cost estimate and contingency information discussed herein, and based on in-service dates of first quarter 2023 and fourth quarter 2023 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 \$7.3 billion, including construction and financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. Additional financing needs relating to reserve funds and other fund deposits required under MEAG Power's and the Vogtle Units 3&4 Project Entities' financing documents result in total financing needs of approximately \$7.8 billion, of which approximately \$690 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. This forecast includes MEAG Power's portion of project level construction contingency of \$74 million and is based on projected in-service dates at the end of the first quarter 2023 and fourth quarter 2023 for Unit 3 and Unit 4, respectively.



## Notes to Consolidated Financial Statements

### For the Years Ended December 31, 2021 and 2020

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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.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of the novel coronavirus (COVID-19) at the construction site, including worker distancing measures, isolating individuals who tested positive for COVID-19, showed symptoms consistent with COVID-19, were being tested for COVID-19 or were in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures. Since March 2020, the number of active COVID-19 cases at the site has fluctuated consistent with the surrounding area.

During 2021, Southern Nuclear performed additional construction remediation work necessary to ensure quality and design standards are met and support system turnovers necessary for Unit 3 hot functional testing, which was completed in July 2021, and fuel load. As a result of Unit 3 challenges including, but not limited to, construction productivity, construction remediation work, the pace of system turnovers, spent fuel pool repairs, and the timeframe and duration for hot functional and other testing, Southern Nuclear further extended certain milestone dates, including fuel load for Unit 3. Through the fourth quarter 2021, the project continued to face these and other challenges related to the completion of documentation, including inspection records, necessary to submit the remaining Inspections, Tests, Analyses, and Acceptance Criteria (ITAAC) and begin fuel load. As a result, at the end of the fourth quarter 2021, Southern Nuclear further extended certain milestone dates. Fuel load for Unit 3 is projected during the third quarter or the fourth quarter 2022 with an in-service date projected during the first quarter 2023. The in-service date for Unit 3 will primarily depend on construction productivity and production levels, the volume of construction remediation work, the pace of system and area turnovers, and the progression of startup and other testing. GPC has disclosed that it projects an in-service date for Unit 3 by the end of the first quarter of 2023. Our budgets reflect our expectation of an in-service date for Unit 3 in March 2023.

As the result of productivity challenges and temporarily diverting some Unit 4 craft and support resources to Unit 3 construction efforts, at the end of each of the second and third quarters 2021, Southern Nuclear also further extended milestone dates for Unit 4. The temporary diversion of Unit 4 resources to support Unit 3 has continued into the first quarter 2022; therefore, at the end of the fourth quarter 2021, Southern Nuclear further extended milestone dates for Unit 4. The in-service date for Unit 4 primarily depends on overall construction productivity and production levels, as well as appropriate levels of craft laborers, particularly electricians and pipefitters, being added and maintained. As the site work plan includes minimal margin to the milestone dates, an in-service date during the third or fourth quarter 2023 for Unit 4 is projected, although any further delays could result in a later in-service date. GPC has disclosed that it projects an in-service date for Unit 4 by the end of the fourth quarter 2023. Our current budgets anticipate an in-service date for Unit 4 in December 2023.

As Unit 3 completes system turnover from construction and moves to testing and transition to operations, ongoing and potential future challenges include completion of construction remediation work, completion of work packages, including inspection records, and other documentation necessary to submit the remaining ITAACs and begin fuel load, and final component and pre-operational tests. As Unit 4 progresses through construction and continues to transition into testing, ongoing and potential future challenges include the pace and quality of electrical installation, availability of craft and supervisory resources, including the temporary diversion of such resources to support Unit 3 construction efforts, and the pace of work package closures and system turnovers. 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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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. On November 17, 2021, the NRC issued the final significance report on its special inspection to review the root cause of this additional construction remediation work and the corresponding corrective action plans with two findings of low to moderate safety significance. Southern Nuclear had already identified and self-reported many of the issues in this report to the NRC and implemented corrective-action plans to resolve these issues. On March 25, 2022, the NRC completed its planned follow-up inspection at Unit 3, which evaluated the corrective actions and remediation efforts, and identified no findings of non-compliance with NRC regulations from a recently completed inspection procedure, "Construction Regulatory Response Column Inspections." The NRC closed the two white findings identified in November 2021 and returned Unit 3 to the NRC's baseline inspection program. Findings resulting from other inspections in the future 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.

Various design and other licensing-based compliance matters, including the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, have arisen or 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, 2021 totaled \$5.3 billion.

The U.S. Internal Revenue Service (IRS) 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. The U.S. Department of the Treasury (Treasury) and the IRS have yet to establish guidance as to the administration of the PTCs, although this topic has been included in Treasury's 2021-2022 Priority Guidance Plan.

### 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, 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

# Notes to Consolidated Financial Statements

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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.

### 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.

### Amendments to the Vogtle Joint Ownership Agreements

In connection with a September 2018 vote by the Vogtle Co-Owners to continue construction following the nineteenth VCM report (VCM 19 Report), 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 the Project J Entity to provide funding with respect to the Project J Entity’s ownership interest in Vogtle Units 3&4 under certain circumstances. On January 14, 2019, GPC, MEAG Power and the Project J Entity entered into an agreement to implement the provisions of the MEAG Term Sheet (MEAG Funding Agreement). On February 18, 2019, the Vogtle Co-Owners entered into the amendments to the Vogtle Joint Ownership Agreements to implement the provisions of the Vogtle Owner Term Sheet (Global Amendments).



# Notes to Consolidated Financial Statements

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Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, the Vogtle Joint Ownership Agreements provide that:

- each Vogtle Co-Owner is obligated to pay its proportionate share of construction costs for Vogtle Units 3&4 based on its ownership interest up to (A) the estimated cost at completion (EAC) for Vogtle Units 3&4 plus (B) \$800 million of additional construction costs;
- GPC will be responsible for 55.7% of actual construction costs, subject to exceptions such as costs that are a result of a force majeure event, that exceed the EAC in the VCM 19 Report by \$800 million to \$1.6 billion (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 construction costs, subject to exceptions such as costs that are a result of a force majeure event, that exceed the EAC in the VCM 19 Report by \$1.6 billion to \$2.1 billion (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 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 actually incurred 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.

MEAG Power and the other Vogtle Co-Owners do not agree with GPC on either the starting dollar amount for the determination of cost increases subject to the cost-sharing and tender provisions of the Global Amendments or the extent to which COVID-19-related costs impact the calculation. MEAG Power has asserted that the project cost increases and the

revised cost estimate for completion have reached the cost-sharing thresholds and have triggered the tender provisions under the Global Amendments. On October 29, 2021, MEAG Power and the other Vogtle Co-Owners entered into an agreement to clarify the process for the tender provisions of the Global Amendments to provide for a decision between 120 and 180 days after the tender option is triggered, which MEAG Power and the Vogtle Co-Owners, excluding GPC, assert occurred on February 14, 2022.

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 from the seventeenth VCM report estimated in-service dates of November 2021 and November 2022 for Unit 3 and Unit 4, respectively. The most recent schedule extensions, which reflected a cumulative delay of over a year for each unit from the schedules approved in the seventeenth VCM report, triggered the requirement for the holders of at least 90% of the ownership interests in Vogtle Units 3&4 to vote to continue construction. Effective February 25, 2022, holders of 100% of such ownership interests had voted to continue construction.

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

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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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 above) 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, “Summary of Significant Accounting Policies and Practices” (Note 2), section (G), “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 \$636.5 million at December 31, 2021. 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, which began in 2009 and ended in 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”.

### (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, 2021 and 2020, 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## 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" (Statement 62), 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:

- interproject receivables and payables, and
- certain investment and long-term debt balances as of December 31, 2020, as discussed in the "Project Borrowings from the Competitive Trust" section of Note 5 (none as of December 31, 2021).

Certain transfers related to the Project Entities and DOE Guaranteed Loans, as discussed in Note 1, "The Organization" (Note 1), section (D) — 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 the "Securities Lending" section of Note 4, "Special Funds and Supplemental Power Account" (Note 4) For the years ended December 31, 2021 and 2020, cash and cash equivalents totaled \$839.6 million and \$1.1 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, 2021 and 2020, such changes were \$(4.0) million and \$2.4 million, respectively.

### (C) REVENUES

#### Participant

Wholesale electric sales to the Participants are recorded as Participant revenues on an accrual basis. Billings to the Participants for delivered energy are designed to recover certain costs, as defined by the bond resolutions and Power Sales Contracts, and principally include current operating costs, scheduled debt principal and interest payments, and deposits in certain funds. Billings to Participants of Project One, the General Resolution Projects, the CC Project, as well as Project M and the Project M Entity, accounted for 82.8% and 84.0% of total revenues for the years ended December 31, 2021 and 2020, respectively. Three Participants collectively accounted for approximately 23% and 26% of Participant revenues in 2021 and 2020, respectively, with one Participant accounting for 9.8% of these revenues in 2021 and 11.6% in 2020.

#### 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.



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## 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, 2021 and 2020, the excess revenues received and included in accounts payable on MEAG Power's Balance Sheet were as follows (in thousands):

Year-end Settlement	2021	2020
Project One	<b>\$34,705</b>	\$18,437
General Resolution Projects	<b>9,788</b>	8,414
CC Project	<b>4,446</b>	599
Vogtle Units 3&4 Projects and Project Entities	<b>(17)</b>	21
Telecom Project	<b>6</b>	66
Total	<b>\$48,928</b>	\$27,537

Refunds for 2021 excess revenues will be processed beginning in the First Quarter of 2022.

## 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. Beginning in 2021, capitalized interest is included in net costs to be recovered from Participants (see Note 2, section (N), "Recent Accounting Pronouncements").

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

At December 31, 2021 and 2020, net costs to be recovered from Participants and deferred inflows of resources consisted of the following (in thousands):

## Net Costs to Be Recovered from Participants

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Total
<b>December 31, 2021</b>							
Timing Differences	\$ —	\$ —	\$—	<b>\$(230,747)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(230,747)</b>
Capitalized interest	<b>6,765</b>	<b>744</b>	—	<b>230,545</b>	—	—	<b>238,054</b>
Vogle Units 3&4 Projects' and Project Entities' net non-operating expense	—	—	—	<b>466,245</b>	—	—	<b>466,245</b>
Other, net	—	—	—	<b>506</b>	—	—	<b>506</b>
Total net costs to be recovered from Participants	<b>\$6,765</b>	<b>\$744</b>	<b>\$—</b>	<b>\$ 466,549</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 474,058</b>
<b>December 31, 2020</b>							
Timing Differences	\$—	\$—	\$—	<b>\$(146,643)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$(146,643)</b>
Vogle Units 3&4 Projects' and Project Entities' net non-operating expense	—	—	—	<b>458,979</b>	—	—	<b>458,979</b>
Other, net	—	—	—	<b>767</b>	—	—	<b>767</b>
Total net costs to be recovered from Participants	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 313,103</b>	<b>\$—</b>	<b>\$—</b>	<b>\$ 313,103</b>

## Deferred Inflows of Resources

	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Total
<b>December 31, 2021</b>							
Timing Differences	<b>\$322,387</b>	<b>\$375,331</b>	<b>\$124,897</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$3,080</b>	<b>\$ 825,695</b>
Certain investment income	<b>357,905</b>	<b>64,708</b>	<b>16,961</b>	—	—	<b>179</b>	<b>439,753</b>
Asset retirement obligations	<b>56,968</b>	<b>(14,912)</b>	—	—	—	—	<b>42,056</b>
Other, net	<b>1,457</b>	<b>4,850</b>	<b>7,836</b>	<b>1,338</b>	—	<b>(589)</b>	<b>14,892</b>
Total deferred inflows of resources	<b>\$738,717</b>	<b>\$429,977</b>	<b>\$149,694</b>	<b>\$1,338</b>	<b>\$ —</b>	<b>\$2,670</b>	<b>\$1,322,396</b>
<b>December 31, 2020</b>							
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	<b>\$635,159</b>	<b>\$431,754</b>	<b>\$134,359</b>	<b>\$ 1,372</b>	<b>\$ —</b>	<b>\$3,389</b>	<b>\$1,206,033</b>

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

### (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" (Note 3) 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, 2021 and 2020, respectively, was total interest expense of \$396.7 million and \$398.3 million, of which \$238.1 million and \$191.8 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, 2021 and 2020 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 \$114.9 million and \$113.5 million for the years ended December 31, 2021 and 2020, respectively, and is included in depreciation and amortization in the Statement of Net Revenues. Accumulated depreciation information is included in Note 3.

Generating Unit	Fuel	Rate	Other Property, Plant and Equipment	Rate
Hatch	Nuclear	3.05%	Transmission Plant	2.20%
Scherer	Coal	2.48%	Distribution Plant	2.70%
Vogtle Units 1&2	Nuclear	1.65%	General/Other Plant	2.5%–33.0%
Wansley	Coal	5.38%		
Wansley Combined Cycle Facility	Natural gas	2.92%		

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, 2021 and 2020. Depreciation expense is computed using the straight-line method over the expected life of the plant. The composite depreciation rates for both 2021 and 2020 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, 2021, MEAG Power's ownership percentages in jointly owned generation facilities in service were as follows:

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



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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, section (D), "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 \$8.2 million in 2021 and \$7.3 million in 2020 for Project One, and \$2.2 million in 2021 and \$2.1 million in 2020 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, 2021, 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 the "Nuclear Insurance" and "Fuel" sections of Note 8, "Commitments and Contingencies" (Note 8).

## 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 the "Fuel" section of Note 8.

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 as of April 30, 2021, which was subsequently extended to August 31, 2022.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## Natural Gas Generating Facilities

As discussed in Note 1, section (C), “Combined Cycle Project,” MEAG Power wholly owns the Wansley Combined Cycle Facility 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 2024. MEAG Power has contracted with Mechanical Dynamics & Analysis, formerly PW Power Systems, for long-term parts and outage services for the Wansley Combined Cycle Facility. The term of the contract is based on the operations of the unit and estimated to be in place through 2030.

## Transmission Facilities

MEAG Power; GPC; Georgia Transmission Corporation, 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, 2023; (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 Operations and Planning Standards or FERC O&P) and FERC Order No. 706, “Mandatory Reliability

Standards for Critical Infrastructure Protection” (FERC Critical Infrastructure Protection (CIP) Standards or FERC CIP). 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 O&P and FERC CIP is discussed in the “Legislative and Regulatory Issues” section of Note 8.

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, 2022. 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). The aggregate amount of capacity and associated energy received by the Participants under the SEPA contracts as of December 31, 2021 was 398 MWs.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## Pseudo Scheduling and Services Agreement

MEAG Power and GPC are parties to a Pseudo Scheduling and Services Agreement (PSSA) that addresses unit scheduling and dispatch and system services required for MEAG Power to manage its resources and effectuate off-system sales and purchases within the Southern Company system. Under this agreement, MEAG Power's schedule for the output from the Coal Units may differ from the actual output of its ownership share and will result in sales to or purchases from GPC to reconcile the difference. During the years ended December 31, 2021 and 2020, sales and purchases with GPC under this agreement were (in thousands):

PSSA	2021	2020
Sales	<b>\$13,009</b>	\$26,081
Purchases	<b>\$15,191</b>	\$ 6,401

## (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 residuals (CCR) and the effluent limitations guidelines (ELG) regulations (see the "Environmental Regulation" section of Note 8). The most recent estimates pertaining to decommissioning costs were completed in 2021. Additional updates pertaining to coal ash ponds were received in 2020.

In accordance with GASB Statement No. 83, "Certain Asset Retirement Obligations," 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, 2021 and 2020 were as follows (dollars in thousands):

December 31, 2021	Total ARO	ARO at MEAG Power's Ownership Percentage <sup>(1)</sup>
Nuclear	<b>\$2,572,569</b>	<b>\$504,701</b>
Coal ash	<b>1,452,666</b>	<b>219,353</b>
Other	<b>187,975</b>	<b>31,555</b>
Total	<b>\$4,213,210</b>	<b>\$755,609</b>

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

(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 (2021 dollars)	\$359,725	\$438,542
Amount expensed in 2021	\$ 15,176	\$ 13,243
Accumulated provision in external funds	\$321,386	\$312,770



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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 3.2% and 2.0%, respectively, were used to determine decommissioning-related billings to the Participants for 2022 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 \$76.9 million and \$53.8 million for 2021 and 2020, 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 \$12.0 million and \$(1.7) million as of December 31, 2021 and 2020, respectively, is recorded on the Balance Sheet in materials, supplies and other assets. The increase in fair value of \$13.7 million and \$5.1 million for 2021 and 2020, respectively, is recorded in deferred outflows of resources on the Balance Sheet.

Summary information pertaining to natural gas hedges as of December 31, 2021 and 2020 is as follows (dollars in thousands):

Contract Year	Notional Amount* December 31, 2021	Fair Value December 31, 2021	Latest Maturity Date
2022	6,180,000	\$ 6,513	Dec. 2022
2023	4,890,000	3,183	Dec. 2023
2024	3,160,000	1,456	Dec. 2024
2025	1,930,000	872	Oct. 2025
Total	16,160,000	\$12,024	

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)	

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

The above natural gas hedges were entered into between June 2017 and December 2021 with immaterial total cash paid at inception for natural gas hedges outstanding at both December 31, 2021 and 2020. 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, 2021 and 2020 as follows:

	Counterparty Credit Rating		
	Fitch	Moody's	S&P
December 31, 2021	AA/A	Aa2/A2	A+/BBB+
December 31, 2020	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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## (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, 2021 and 2020 is included in "Fuel Costs," section (I) of this Note and the "Other Financing Transactions" section of Note 5, 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 four outstanding interest rate swaps were in the counterparty's favor in a liability position as of December 31, 2021, thereby minimizing the credit risk to MEAG Power. The value of natural gas hedges in MEAG Power's favor totaled \$12.0 million. MEAG Power held \$8.8 million in collateral as of December 31, 2021 against the value of our natural gas hedges.

### 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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## 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.

## 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 the "Other Financing Transactions" section of Note 5.

## Natural Gas Hedges

MEAG Power's natural gas hedges consist of over-the-counter swaps, call options, and put options. These hedges are valued using price quotes for identical assets or liabilities in active markets, which places them at Level 1 in the fair value hierarchy. For additional information pertaining to MEAG Power's natural gas hedges, see "Fuel Costs," section (I) of this Note.



## Notes to Consolidated Financial Statements

### For the Years Ended December 31, 2021 and 2020

MEAG Power's fair value measurements and their levels within the fair value hierarchy as of December 31, 2021 and 2020 were as follows (in thousands):

<b>December 31, 2021</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<i>Investments by fair value level:</i>				
U.S. Treasury securities	\$ 998,986	\$ 998,986	\$ —	\$—
U.S. government agency and agency-backed securities	877,156	—	877,156	—
Corporate notes	166,569	—	166,569	—
Municipal bonds	21,151	—	21,151	—
Total investments by fair value level	2,063,862	\$ 998,986	\$1,064,876	\$—
<i>Investments measured at the net asset value (NAV):</i>				
Common equity investment trusts	200,236			
<i>Investments measured at cost:</i>				
Money market mutual funds	801,899			
Cash/Other	54			
Total investments measured at cost	801,953			
Total special funds, supplemental power account and securities lending collateral	\$3,066,051			
<i>Derivative financial instruments:</i>				
Interest rate swaps	\$ (69,149)	\$ —	\$ (69,149)	\$—
Natural gas hedges	12,023	12,023	—	—
Total derivative financial instruments	\$ (57,126)	\$ 12,023	\$ (69,149)	\$—
<b>December 31, 2020</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<i>Investments by fair value level:</i>				
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	\$—
<i>Investments measured at the net asset value (NAV):</i>				
Common equity investment trusts	189,775			
<i>Investments measured at cost:</i>				
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			
<i>Derivative financial instruments:</i>				
Interest rate swaps	\$ (84,621)	\$ —	\$ (84,621)	\$—
Natural gas hedges	(1,738)	(1,738)	—	—
Total derivative financial instruments	\$ (86,359)	\$ (1,738)	\$ (84,621)	\$—

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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

Common Equity Investment Trusts Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
<b>December 31, 2021</b>	<b>\$200,236</b>	<b>\$ —</b>	<b>Daily, monthly</b>	<b>1–30 days</b>
December 31, 2020	\$189,775	\$ —	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 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 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. MEAG Power adopted Statement 89 effective January 1, 2021 and recorded capitalized interest as a regulatory asset (see section (D) of this Note, “Net Costs to be Recovered from Participants and Deferred Inflows of Resources), in accordance with Statement 62 and as authorized by the Board.

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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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In March 2020, GASB issued Statement No. 93, "Replacement of Interbank Offered Rates" (Statement 93). The objectives of Statement 93 are to address 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, 2021, 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 statements 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. 96, "Subscription-Based Information Technology Arrangements" (Statement 96). The objective of Statement 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. 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 objective of Statement 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which 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 of 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, 2021 and 2020 is shown (in thousands) in the following table. Land is included in the electric component at a non-depreciable cost basis of \$44.8 million and \$44.7 million as of December 31, 2021 and 2020, respectively. In 2021, capital additions totaled \$810.7 million, primarily pertaining to the continued site construction within the nuclear islands, turbine islands, and balance of plant areas at Vogtle Units 3&4.



# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

Property, Plant and Equipment	As of December 31, 2019	Increases	Decreases	As of December 31, 2020	Increases	Decreases	As of December 31, 2021
<i>Project One</i>							
Electric utility plant in service	\$ 3,392,712	\$ 73,428	\$ (16,237)	\$ 3,449,903	\$ 99,754	\$ (24,841)	<b>\$ 3,524,816</b>
Less accumulated depreciation	(1,842,959)	(77,842)	16,237	(1,904,564)	(77,451)	24,841	<b>(1,957,174)</b>
Electric utility depreciable plant, net	1,549,753	(4,414)	—	1,545,339	22,303	—	<b>1,567,642</b>
CWIP	126,923	111,035	(73,300)	164,658	118,566	(101,361)	<b>181,863</b>
Nuclear fuel, net	174,319	—	(20,828)	153,491	—	(10,756)	<b>142,735</b>
Total Project One	1,850,995	106,621	(94,128)	1,863,488	140,869	(112,117)	<b>1,892,240</b>
<i>General Resolution Projects</i>							
Electric utility plant in service	1,239,417	17,857	(7,529)	1,249,745	10,012	(11,607)	<b>1,248,150</b>
Less accumulated depreciation	(622,073)	(28,585)	7,529	(643,129)	(28,740)	11,607	<b>(660,262)</b>
Electric utility depreciable plant, net	617,344	(10,728)	—	606,616	(18,728)	—	<b>587,888</b>
CWIP	56,110	14,338	(18,657)	51,791	10,756	(10,660)	<b>51,887</b>
Nuclear fuel, net	22,835	—	(2,361)	20,474	—	(46)	<b>20,428</b>
Total General Resolution Projects	696,289	3,610	(21,018)	678,881	(7,972)	(10,706)	<b>660,203</b>
<i>Combined Cycle Project</i>							
Electric utility plant in service	332,860	—	—	332,860	—	—	<b>332,860</b>
Less accumulated depreciation	(146,291)	(9,114)	—	(155,405)	(9,197)	—	<b>(164,602)</b>
Electric utility depreciable plant, net	186,569	(9,114)	—	177,455	(9,197)	—	<b>168,258</b>
CWIP	1,945	2,547	—	4,492	3,293	—	<b>7,785</b>
Total Combined Cycle Project	188,514	(6,567)	—	181,947	(5,904)	—	<b>176,043</b>
<i>Vogtle Units 3&amp;4 Projects and Project Entities</i>							
CWIP	3,730,407	864,882	31	4,595,320	591,863	—	<b>5,187,183</b>
Nuclear fuel, net	80,767	26,963	—	107,730	18,524	—	<b>126,254</b>
Total Vogtle Units 3&4 Projects and Project Entities	3,811,174	891,845	31	4,703,050	610,387	—	<b>5,313,437</b>
<i>Telecom Project</i>							
Telecommunications plant in service	28,871	—	—	28,871	—	—	<b>28,871</b>
Less accumulated depreciation	(25,181)	(720)	—	(25,901)	(720)	—	<b>(26,621)</b>
Total Telecom Project	3,690	(720)	—	2,970	(720)	—	<b>2,250</b>
Total property, plant and equipment, net	\$ 6,550,662	\$ 994,789	\$(115,115)	\$ 7,430,336	\$ 736,660	\$(122,823)	<b>\$ 8,044,173</b>

As of December 31, 2021 and 2020, 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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, section (L), "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, 2021, 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, 2021 were (dollars in thousands):

Issuer	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$345,498	11.27%
Federal Farm Credit Bank	\$295,281	9.63%

### 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, 2021, 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.

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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, 2021, maturities of special funds, the supplemental power account and securities lending were as follows (in thousands):

Investment Type	Maturities (in years)						Total
	Under One	One-Three	Three-Seven	Seven-Ten	Over Ten	No Specific Maturity	
U.S. Treasury securities	\$ 585,702	\$140,776	\$220,223	\$ 52,285	\$ —	\$ —	\$ 998,986
U.S. government agency and agency-backed securities	416,714	152,024	257,966	42,143	8,309	—	877,156
Corporate notes	22,637	27,075	81,408	33,505	1,944	—	166,569
Common equity investment trusts	—	—	—	—	—	200,236	200,236
Municipal bonds	—	5,281	15,870	—	—	—	21,151
Money market mutual funds	801,878	—	—	—	21	—	801,899
Cash/Other	—	—	—	—	—	54	54
Total special funds, supplemental power account and securities lending collateral	\$1,826,931	\$325,156	\$575,467	\$127,933	\$10,274	\$200,290	\$3,066,051

### Environmental Facilities Reserve Accounts

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

### Classification

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

- Construction funds are established to maintain funds for the payment of all costs and expenses related to the cost of acquisition and construction of a project, which MEAG

Power is permitted to finance through the issuance of debt.

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



## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

At December 31, 2021 and 2020, investments in special funds, the supplemental power account and securities lending were classified on the Balance Sheet as follows (in thousands):

<b>December 31, 2021</b>	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total
Special funds, non-current:								
Decommissioning Trust	\$ 568,488	\$ 65,668	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 634,156
Construction fund	130,109	12,716	198	362,845	—	—	—	505,868
Debt Service fund —								
Reserve and Retirement accounts	52,343	12,961	23,412	391,641	—	—	—	480,357
Revenue and Operating fund	—	—	12,149	—	—	—	—	12,149
Reserve and Contingency fund	22,735	11,078	2,081	—	—	—	—	35,894
Environmental Facilities								
Reserve account	—	—	—	—	—	—	—	—
Competitive Trust:								
New Generation and Capacity								
Funding account	—	—	—	—	254,227	—	—	254,227
Reserve Funded Debt account	—	—	—	—	1,672	—	—	1,672
Total special funds, non-current	773,675	102,423	37,840	754,486	255,899	—	—	1,924,323
Special funds, current:								
Revenue and Operating fund	91,880	54,291	45,360	(9)	—	335	—	191,857
Debt Service fund —								
Debt Service account	48,406	9,209	3,645	97,940	—	—	—	159,200
Subordinated Debt Service fund —								
Debt Service accounts	168,073	90,837	—	—	—	—	—	258,910
Construction fund	3,750	—	—	140,039	—	—	—	143,789
Competitive Trust:								
Flexible Operating account	—	—	—	—	380,595	—	—	380,595
Total special funds, current	312,109	154,337	49,005	237,970	380,595	335	—	1,134,351
Supplemental power account	4,245	—	—	—	—	—	—	4,245
Securities lending collateral	2,808	324	—	—	—	—	—	3,132
Total special funds, supplemental power account and securities lending collateral	\$1,092,837	\$257,084	\$86,845	\$992,456	\$636,494	\$335	\$—	\$3,066,051

## Notes to Consolidated Financial Statements

### For the Years Ended December 31, 2021 and 2020

December 31, 2020	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	\$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 previously held by the Competitive Trust, as discussed in the "Project Borrowings from the Competitive Trust" section of Note 5, which were 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 Vogle Units 3&4 Projects under the applicable resolutions are senior debt.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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

At December 31, 2020, MEAG Power had 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 Superior Court of Fulton County. 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, section (B), “Project One and the General Resolution Projects.”

On July 17, 2018, the Superior Court of Fulton County 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 Superior Court of Fulton County 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 October 2021, MEAG Power issued the following Project One Subordinated Bonds, Series 2021A and Taxable Series 2021B, as well as General Resolution Projects Subordinated Bonds, Series 2021A and Taxable Series 2021B to (a) finance or refinance certain capital improvements (including the repayment of certain interim borrowings) and (b) refund certain subordinated lien bonds, CP notes and revolving credit notes (in thousands):

Project(s)	Series	Amount
One	2021A	\$136,365
One	Taxable 2021B	104,605
General Resolution	2021A	42,355
General Resolution	Taxable 2021B	20,590
Total		\$303,915

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 subordinated lien bonds (in thousands):

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



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

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, 2021, the amount held in escrow to defease Power Revenue Bonds and General Power Revenue Bonds removed from the Balance Sheet amounted to \$2.1 million.

### Combined Cycle Project Revenue Bonds

As of December 31, 2021, 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) 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 CC Project Revolving Credit 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, 2021, 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, 2021 was 5.7% and is also 5.7% for the federal fiscal year ending September 30, 2022.

In July 2021, MEAG Power issued the following Series 2021A bonds to finance additional construction costs for Vogtle Units 3&4 and to provide a portion of the funds required to refund certain outstanding Vogtle Units 3&4 Bonds (in thousands):

Vogtle Units 3&4	Amount
Project M	\$ 83,000
Project J	150,350
Project P	64,010
Total	\$297,360

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### For the Years Ended December 31, 2021 and 2020

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, section (D), "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. On July 20, 2021, the 2018 Project P Credit Agreement terminated concurrently with the issuance of the Series 2021A Project P Bonds. Changes in the Series 2018B Project P Bond for the years ended December 31, 2020 and 2021, and the Series 2019A Project P Bond for the year ended December 31, 2020 were (in thousands):

	Balance December 31, 2019	Proceeds	Payments	Balance December 31, 2020	Proceeds	Payments	Balance December 31, 2021
Series 2018B Project P Bond	\$27,500	\$ —	\$27,500	\$ —	\$ —	\$ —	\$ —
Series 2019A Project P Bond	30,000	—	30,000	—	—	—	—
Total	\$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, 2021, 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, 2021 and 2020, \$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 zero and \$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, 2021 and December 31, 2020.

In November, 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, 2021 and 2020.

Subordinated bonds issued as variable-rate demand obligations and outstanding as of December 31, 2021 totaled \$148.1 million. Bondholders may require repurchase of these subordinated bonds at the time of periodic interest rate adjustments. An agreement has been entered into to provide for the remarketing of the subordinated bonds if such repurchase is required. An agreement has also been entered into with a certain bank, which generally provides for the purchase by the bank of subordinated bonds which are not remarketed. As of December 31, 2021, none of the aforementioned bonds were held by the bank. Under the terms of this agreement, any bonds purchased by the bank would be payable by MEAG Power on a semiannual basis over five years.

On April 5, 2022, MEAG Power entered into three revolving credit agreements with a commercial bank, one for Project One, one for the General Resolution Projects and one for the CC Project (respectively, the Project One Revolving Credit Agreement, the General Resolution Projects Revolving Credit Agreement and the CC Project Revolving Credit Agreement and, collectively, the Lines of Credit), in substitution for previous lines of credit entered into for Project One, the General Resolution Projects

## Notes to Consolidated Financial Statements

### For the Years Ended December 31, 2021 and 2020

and the CC Project, respectively. The aggregate commitment under all three Lines of Credit is \$72.5 million. Amounts outstanding under one of these Lines of Credit reduces the amount that may be borrowed under the other Lines of Credit. All loans under the Lines of Credit are evidenced by notes that constitute bond anticipation notes in accordance with the Act. Under the Lines of Credit, prior to the "termination date" thereof (which currently is April 5, 2025, but is subject to extension from time to time at the sole discretion of the bank), MEAG Power is required to issue and sell Power

Revenue Bonds, General Power Revenue Bonds or CC Project Bonds, as applicable, in an amount sufficient to repay the notes in full at their maturity, unless other funds have been provided therefor. The Lines of Credit provide that, upon the occurrence and continuation of any event of default on the part of MEAG Power thereunder, the bank may, among other things, require MEAG Power to issue a series of Power Revenue Bonds, General Power Revenue Bonds or CC Project Bonds, as applicable in exchange for the notes, which bonds shall mature in one, two or three years, at the option of the bank.

Changes in Lines of Credit and other short-term debt during the years ended December 31, 2021 and 2020 were (in thousands):

Lines of Credit and Other Short-term Debt	Balance December 31, 2019			Balance December 31, 2020			Balance December 31, 2021
	Proceeds	Payments		Proceeds	Payments		
Project One	\$23,426	\$51,809	\$ 74,126	\$ 1,109	\$51,700	\$50,809	<b>\$2,000</b>
General Resolution Projects	541	9,972	10,441	72	—	72	<b>—</b>
CC Project	—	21,805	19,105	2,700	—	—	<b>2,700</b>
Total	\$23,967	\$83,586	\$103,672	\$3,881	\$51,700	\$50,881	<b>\$4,700</b>

MEAG Power had unused Lines of Credit of \$67.8 million and \$68.6 million as of December 31, 2021 and 2020, respectively.

#### Project Borrowings from the Competitive Trust

In previous years, in order to facilitate certain financings, borrowings by various projects of MEAG Power (the Series 2012A BANs and the Series 2012B Bonds) were purchased by

the Competitive Trust as an investment. 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 consolidated financial statements. As of December 31, 2021, no such borrowings were outstanding. Payments on the Series 2012A BANs and the Series 2012B Bonds during 2021 and 2020 were (in thousands):

Description		Balance December 31, 2019			Balance December 31, 2020			Balance December 31, 2021
		Proceeds	Payments		Proceeds	Payments		
Project One	Series 2012A BANs	\$28,075	\$—	\$28,075	\$ —	\$—	\$ —	<b>\$—</b>
Project One	Series 2012B Bonds	19,555	—	—	19,555	—	19,555	<b>—</b>
General Resolution Projects	Series 2012A BANs	4,670	—	4,670	—	—	—	<b>—</b>
General Resolution Projects	Series 2012B Bonds	27,235	—	13,940	13,295	—	13,295	<b>—</b>
CC Project	Series 2012A BANs	19,105	—	19,105	—	—	—	<b>—</b>
Total		\$98,640	\$—	\$65,790	\$32,850	\$—	\$32,850	<b>\$—</b>

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## 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, 2021 and 2020, 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 \$70.6 million and \$89.7 million as of December 31, 2021 and 2020, 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, 2021 and 2020, a fair value increase (decrease) of \$19.1 million and \$(20.8) 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%.

The terms of the interest rate swap agreements outstanding as of December 31, 2021 and 2020 were as follows (dollars in thousands):

Project	Notional Amount Outstanding December 31, 2021	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	10,600	3.90%	CPI Rate+1.05%	Jan. 2007	Jan. 2022	AA-	A2	A-
Total	\$158,250							

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.

For a discussion of risks pertaining to interest rate swap agreements, see Note 2, section (K), "Derivative Financial Instruments."



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

### Long-Term Debt Activity

Changes in long-term debt during the years ended December 31, 2021 and 2020 were (in thousands):

Senior and Subordinated Debt	As of December 31, 2019	Increases	Decreases	As of December 31, 2020	Increases	Decreases	As of December 31, 2021
<b>Project One</b>							
Power Revenue bonds	\$ 409,560	\$ —	\$ (45,275)	\$ 364,285	\$ —	\$ (12,455)	\$ 351,830
Unamortized (discount) premium, net	20,960	—	(3,449)	17,511	—	(3,274)	14,237
Subordinated debt	1,282,401	261,614	(269,065)	1,274,950	263,404	(192,762)	1,345,592
Unamortized (discount) premium, net	89,692	34,741	(14,807)	109,626	33,002	(17,879)	124,749
Bond anticipation notes (unsecured)	28,075	—	(28,075)	—	—	—	—
Total Project One	1,830,688	296,355	(360,671)	1,766,372	296,406	(226,370)	1,836,408
<b>General Resolution Projects</b>							
General Power Revenue bonds	127,250	—	(11,865)	115,385	—	(7,015)	108,370
Unamortized (discount) premium, net	4,753	—	(619)	4,134	—	(590)	3,544
Subordinated debt	336,570	72,895	(128,345)	281,120	28,505	(14,820)	294,805
Unamortized (discount) premium, net	10,955	11,008	(2,462)	19,501	12,149	(3,567)	28,083
Bond anticipation notes (unsecured)	4,670	—	(4,670)	—	—	—	—
Total General Resolution Projects	484,198	83,903	(147,961)	420,140	40,654	(25,992)	434,802
<b>Combined Cycle Project</b>							
Combined Cycle Project Revenue bonds	122,605	77,390	(98,080)	101,915	—	(18,000)	83,915
Unamortized (discount) premium, net	2,739	11,670	(2,230)	12,179	—	(3,106)	9,073
Bond anticipation notes (unsecured)	19,105	—	(19,105)	—	—	—	—
Total Combined Cycle Project	144,449	89,060	(119,415)	114,094	—	(21,106)	92,988
<b>Vogtle Units 3&amp;4 Projects and Project Entities</b>							
Vogtle Units 3&4 Projects Revenue bonds	4,143,303	—	(26,523)	4,116,780	297,360	(30,520)	4,383,620
Unamortized (discount) premium, net	128,500	—	(6,115)	122,385	64,949	(7,532)	179,802
DOE Guaranteed Loans	1,785,733	429,019	(19,098)	2,195,654	—	(37,882)	2,157,772
Total Vogtle Units 3&4 Projects and Project Entities	6,057,536	429,019	(51,736)	6,434,819	362,309	(75,934)	6,721,194
Total senior and subordinated debt	\$8,516,871	\$898,337	\$(679,783)	\$8,735,425	\$699,369	\$(349,402)	\$9,085,392

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

### 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. 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, 2021 and 2020, MEAG Power's long-term debt consisted of the following (in thousands):

Project One	2021	2020
<i>Power Revenue Bonds (senior):</i>		
Series BB	\$ 11,135	\$ 13,595
Series EE	38,125	38,125
Series GG	113,535	117,205
Series HH	166,220	169,310
Taxable Series Four	22,815	26,050
Total	351,830	364,285
Unamortized (discount) premium, net	14,237	17,511
Total Power Revenue Bonds outstanding	366,067	381,796
<i>Subordinated debt:</i>		
Series 2005A-1 — Taxable fixed rate	48,265	51,005
Series 2007A-2 — Variable rate	10,600	18,075
Series 2007B — Taxable fixed rate	10,830	11,320
Series 2008A — Fixed rate	—	7,395
Series 2008B — Variable rate	148,065	148,065
Series 2011A — Fixed rate	—	26,775
Series 2011B — Fixed rate	—	1,005
Series 2012A — Taxable fixed rate	40,960	40,960
Series 2012B — Taxable fixed rate	—	19,555
Series 2012C — Fixed rate	36,005	40,305
Series 2015A — Fixed rate	125,755	133,835
Series 2015A — Fixed rate CABs	10,090	10,090
Series 2016A — Fixed rate	239,840	259,840
Series 2019A — Fixed rate	237,460	242,960
Series 2020A — Fixed rate	194,355	194,355
Series 2021A — Fixed rate	136,365	—
Series 2021B — Taxable fixed rate	104,605	—
Series A and B BANS —		
Taxable variable rate CP	—	11,782
Revolving credit note —		
Taxable variable rate	—	55,665
Total	1,343,195	1,272,987
Accretion of CABs	2,397	1,963
Unamortized (discount) premium, net	124,749	109,626
Total subordinated debt	1,470,341	1,384,576
Total senior and subordinated debt	1,836,408	1,766,372
Current portion of long-term debt	(112,944)	(99,210)
Total Project One long-term debt	\$1,723,464	\$1,667,162
<i>Combined Cycle Project</i>	2021	2020
<i>Revenue bonds (senior):</i>		
Series 2012A	\$ 12,445	\$ 24,525
Series 2020A	71,470	77,390
Total	83,915	101,915
Unamortized (discount) premium, net	9,073	12,179
Total senior bonds outstanding	92,988	114,094
Current portion of long-term debt	(18,290)	(18,000)
Total Combined Cycle Project long-term debt	\$ 74,698	\$ 96,094

General Resolution Projects	2021	2020
<i>General Power Revenue Bonds (senior):</i>		
1993B Series	\$ 25	\$ 30
1993C Series	1,705	2,520
2012B Series	4,955	5,305
2018A Series	61,995	63,070
Taxable 2012A Series	39,690	44,460
Total	108,370	115,385
Unamortized (discount) premium, net	3,544	4,134
Total General Power Revenue Bonds outstanding	111,914	119,519
<i>Subordinated debt:</i>		
Series 2007A — Taxable fixed rate	21,775	22,755
Series 2008A — Fixed rate	—	11,240
Series 2011A — Fixed rate	—	180
Series 2011B — Fixed rate	—	1,875
Series 2012A — Taxable fixed rate	73,465	74,240
Series 2012B — Taxable fixed rate	—	13,295
Series 2015A — Fixed rate	8,900	9,145
Series 2016A — Fixed rate	60,660	60,660
Series 2019A — Fixed rate	8,605	9,425
Series 2020A — Fixed rate	58,455	58,455
Series 2021A — Fixed rate	42,355	—
Series 2021B — Taxable fixed rate	20,590	—
Revolving credit note — Variable rate	—	1,130
Revolving credit note — Taxable variable rate	—	18,720
Total	294,805	281,120
Unamortized (discount) premium, net	28,083	19,501
Total subordinated debt	322,888	300,621
Total senior and subordinated debt	434,802	420,140
Current portion of long-term debt	(16,130)	(31,838)
Total General Resolution Projects long-term debt	\$ 418,672	\$ 388,302
<i>Vogtle Units 3&amp;4 Projects and Project Entities</i>	2021	2020
<i>Revenue bonds (senior):</i>		
Series 2010A, Project J — Taxable (Build America Bonds)	\$1,191,845	\$1,204,920
Series 2010B, Project J	—	1,410
Series 2015A, Project J	185,180	185,180
Series 2019A, Project J	570,925	570,925
Series 2021A, Project J	150,350	—
Series 2010A, Project M — Taxable (Build America Bonds)	982,655	993,405
Series 2010B, Project M	—	980
Series 2019A, Project M	445,635	445,635
Series 2021A, Project M	83,000	—
Series 2010A, Project P — Taxable (Build America Bonds)	373,800	377,665
Series 2010B, Project P	—	440
Series 2015A, Project P	69,245	69,245
Series 2019B, Project P	266,975	266,975
Series 2021A, Project P	64,010	—
Total	4,383,620	4,116,780
Unamortized (discount) premium, net	179,802	122,385
Current portion of long-term debt	(58,890)	(57,690)
Total Vogtle Units 3&4 Bonds	4,504,532	4,181,475
<i>DOE Guaranteed Loans:</i>		
Federal Financing Bank, SPVJ — Fixed rate	354,675	379,414
Federal Financing Bank, SPVJ — Variable rate	311,254	299,455
Federal Financing Bank, SPVM — Fixed rate	396,393	402,958
Federal Financing Bank, SPVM — Variable rate	285,512	290,237
Federal Financing Bank, SPVP — Fixed rate	601,624	612,776
Federal Financing Bank, SPVP — Variable rate	208,314	210,814
Total	2,157,772	2,195,654
Current portion of long-term debt	(33,120)	(25,906)
Total DOE Guaranteed Loans	2,124,652	2,169,748
Total Vogtle Units 3&4 Projects and Project Entities long-term debt	\$6,629,184	\$6,351,223

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For the Years Ended December 31, 2021 and 2020

## Debt Service

At December 31, 2021, expected debt service payments for the Power Revenue Bonds, General Power Revenue Bonds, CC Project Bonds, Vogtle Units 3&4 Bonds and DOE Guaranteed Loans (net of applicable subsidy payments on the Build America Bonds and capitalized interest payments totaling \$2.2 billion collectively for the Vogtle Units 3&4 Bonds and DOE Guaranteed Loans, including other borrowings for capitalized interest of \$294.6 million, and excluding amounts paid under PPA of \$1.6 billion for principal and \$3.0 billion for interest net of subsidy payments on the Build America Bonds), are shown in the table below (in thousands). Debt service is reflected net of payments funded from sources other than revenue (DSRA, working capital, etc.).

Year	Project One		General Resolution Projects		Combined Cycle Project		Vogtle Units 3&4 Projects and Project Entities		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 40,440	\$ 17,884	\$ 7,295	\$ 5,016	\$18,678	\$ 3,454	\$ 22,275	\$ 18,459	\$ 133,501
2023	22,075	15,883	7,555	4,697	20,703	2,683	23,734	72,284	169,614
2024	29,210	14,792	6,905	4,359	18,318	1,855	28,461	83,890	187,790
2025	42,220	13,106	5,875	4,047	4,366	1,122	29,536	82,792	183,064
2026	24,730	10,445	7,490	3,779	4,560	940	30,622	81,729	164,295
2027–2031	34,545	40,755	25,037	13,256	14,242	1,404	171,438	387,940	688,617
2032–2036	41,769	30,710	12,810	8,553	—	—	206,811	349,177	649,830
2037–2041	47,072	20,768	11,665	5,760	—	—	249,799	306,436	641,500
2042–2046	30,185	11,836	—	4,598	—	—	746,050	712,167	1,504,836
2047–2051	39,584	3,128	23,738	1,767	—	—	975,444	625,050	1,668,711
2052–2056	—	—	—	—	—	—	1,165,618	380,652	1,546,270
2057–2061	—	—	—	—	—	—	623,590	117,062	740,652
2062–2063	—	—	—	—	—	—	42,162	3,468	45,630
Total	\$351,830	\$179,307	\$108,370	\$55,832	\$80,867	\$11,458	\$4,315,540	\$3,221,106	\$8,324,310

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

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

At December 31, 2021, scheduled debt service payments, including Capital Appreciation Bonds (CABs), which are accreted through December 31, 2021, for the subordinated debt were as follows (in thousands):

Year	Project One			General Resolution Projects		
	Principal	Interest	Net Swap Cash Flows	Principal	Interest	Total
2022	\$ 70,185	\$ 43,510	\$ 6,194	\$ 4,755	\$ 7,698	\$ 132,342
2023	69,310	48,333	6,194	6,995	9,764	140,596
2024	36,650	44,925	6,194	6,735	9,397	103,901
2025	32,405	43,154	6,194	7,155	9,012	97,920
2026	69,715	41,573	6,194	6,360	8,581	132,423
2027–2031	218,321	170,876	30,970	82,670	33,030	535,867
2032–2036	246,630	118,848	29,636	70,625	14,804	480,543
2037–2041	188,120	71,975	21,252	21,215	3,945	306,507
2042–2046	144,075	48,079	9,958	4,515	1,545	208,172
2047–2051	189,600	17,016	397	6,430	655	214,098
2052–2056	6,670	556	—	—	—	7,226
Total	\$1,271,681	\$648,845	\$123,183	\$217,455	\$98,431	\$2,359,595

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, 2021 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).



## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

For 2021 and 2020, the Senior Requirement and the Subordinated Requirement were met for the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution; the CC Requirement was met for the CC Project Bond Resolution; and the Vogtle Units 3&4 Requirements were met for the Vogtle Units 3&4 Projects Bond Resolutions and Lending Agreements, as shown in the following table (dollars in thousands):

	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Total
<b>2021</b>					
Total revenues	<b>\$387,736</b>	<b>\$126,837</b>	<b>\$114,559</b>	<b>\$ 84,097</b>	<b>\$713,229</b>
Deferred inflows of resources <sup>(1)</sup>	<b>103,062</b>	<b>(1,944)</b>	<b>15,347</b>	<b>—</b>	<b>116,465</b>
Adjusted revenues	<b>\$490,798</b>	<b>\$124,893</b>	<b>\$129,906</b>	<b>\$ 84,097</b>	<b>\$829,694</b>
Operating expenses (excluding depreciation and amortization)	<b>\$265,873</b>	<b>\$ 82,525</b>	<b>\$103,432</b>	<b>\$ (200)</b>	<b>\$451,630</b>
Total investment income	<b>\$ 34,969</b>	<b>\$ 3,791</b>	<b>\$ 71</b>	<b>\$ 2,671</b>	<b>\$ 41,502</b>
Excluding Decommissioning Trust income <sup>(2)</sup>	<b>(8,975)</b>	<b>(1,107)</b>	<b>—</b>	<b>—</b>	<b>(10,082)</b>
Including subsidy received on Build America Bonds	<b>—</b>	<b>—</b>	<b>—</b>	<b>80,956</b>	<b>80,956</b>
Total other income	<b>\$ 25,994</b>	<b>\$ 2,684</b>	<b>\$ 71</b>	<b>\$ 83,627</b>	<b>\$112,376</b>
Available amounts to pay debt service	<b>\$250,919</b>	<b>\$ 45,052</b>	<b>\$ 26,545</b>	<b>\$167,924</b>	<b>\$490,440</b>
Amounts released from DSRA <sup>(3)</sup>	<b>44</b>	<b>38</b>	<b>9</b>	<b>—</b>	<b>91</b>
Amounts drawn for capitalized interest <sup>(4)</sup>	<b>6,838</b>	<b>753</b>	<b>—</b>	<b>230,545</b>	<b>238,136</b>
Total amounts available to pay debt service	<b>\$257,801</b>	<b>\$ 45,843</b>	<b>\$ 26,554</b>	<b>\$398,469</b>	<b>\$728,667</b>
Total Senior Debt Service <sup>(5)</sup>	<b>\$ 58,413</b>	<b>\$ 12,311</b>	<b>\$ 22,663</b>	<b>\$359,164</b>	<b>\$452,551</b>
Senior Debt Service Coverage	<b>4.41</b>	<b>3.72</b>	<b>1.17</b>	<b>1.11</b>	<b>1.61</b>
Total Subordinated Debt Service <sup>(5)</sup>	<b>\$153,631</b>	<b>\$ 17,527</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$171,158</b>
Total Debt Service <sup>(5)</sup>	<b>\$212,044</b>	<b>\$ 29,838</b>	<b>\$ 22,663</b>	<b>\$359,164</b>	<b>\$623,709</b>
Debt Service Coverage on Total Debt Service	<b>1.22</b>	<b>1.54</b>	<b>1.17</b>	<b>1.11</b>	<b>1.17</b>

(1) Deferred inflows of resources represent Timing Differences.

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

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

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

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

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

2020	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Total
Total revenues	\$377,925	\$113,650	\$ 91,457	\$ 55,769	\$638,801
Deferred inflows of resources <sup>(1)</sup>	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 <sup>(2)</sup>	(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 <sup>(3)</sup>	4,804	7,936	9,965	—	22,705
Amounts drawn for capitalized interest <sup>(4)</sup>	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 <sup>(5)</sup>	\$ 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 <sup>(5)</sup>	\$129,148	\$ 69,122	\$ —	\$ —	\$198,270
Total Debt Service <sup>(5)</sup>	\$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.

### 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, 2021, 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. 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, 2021 and 2020, sales to TEA totaled \$34.5 million and \$16.7 million, with net purchases from TEA totaling \$12.6 million and \$14.1 million, respectively. During 2021 and 2020, an aggregate of \$9.3 million and \$3.0 million, respectively, of net revenues received from TEA were netted against related fuel, transmission and operating expenses, based on methodology approved by the Board for the application of off-system sales revenues. MEAG Power was allocated \$16.0 million from TEA pertaining to 2021 power marketing activities. Remaining net revenues of TEA were allocated as sales margins as follows (in thousands):

Project(s)	2021	2020
One	\$1,304	\$ 168
General Resolution	1,817	151
CC	3,510	2,126
Total	\$6,631	\$2,445

# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

In addition to \$3.8 million of contributed capital, MEAG Power has committed up to an additional \$42.9 million through a combination of guarantees as of December 31, 2021. 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, 2021 and 2020, MEAG Power had no liability related to these guarantees outstanding.

As of December 31, 2021 and 2020, MEAG Power's current other receivables due from TEA totaled \$5.5 million and \$3.4 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, 2021 and 2020, the following Plan participants were covered by Retirement Plan benefits:

Plan participants	2021	2020
Active	70	73
Inactive, vested	74	79
Retirees and beneficiaries	143	135
Total	287	287

#### 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, 2021 and 2020, MEAG Power contributed 8.3% and 1.1% respectively, of covered payroll. No contributions by Plan participants are required.

## Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

### Net Pension Liability

MEAG Power's net pension liability was measured as of December 31, 2021 and 2020, 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, 2021 and 2020 (in thousands):

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)–(b)
Balance at December 31, 2020	\$64,828	\$77,822	\$(12,994)
<i>Changes for the year:</i>			
Service cost	659	—	659
Interest on the total pension liability	4,735	—	4,735
Difference between expected and actual experience	1,064	—	1,064
Assumption changes	101	—	101
MEAG Power contributions	—	775	(775)
Net investment income	—	10,114	(10,114)
Benefit payments	(3,426)	(3,426)	—
Administrative expenses	—	—	—
Net change	3,133	7,463	(4,330)
<b>Balance at December 31, 2021</b>	<b>\$67,961</b>	<b>\$85,285</b>	<b>\$(17,324)</b>

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)–(b)
Balance at December 31, 2019	\$62,928	\$70,646	\$ (7,718)
<i>Changes for the year:</i>			
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)



# Notes to Consolidated Financial Statements

## For the Years Ended December 31, 2021 and 2020

### Actuarial Assumptions and Methods

The assumptions used to measure the total pension liability as of December 31, 2021 include a 7.5% investment rate of return, a long-term expected inflation rate 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-2021 improvement scale.

The long-term expected rates of return on Retirement Plan investments, valued as of December 31, 2021 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%	7.85%
Domestic Mid-Cap/Small-Cap Equity	15%	8.75%
International Equity	15%	8.25%
Domestic Fixed Income	40%	1.80%
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, section (L), "Fair Value Measurements"), as of the measurement dates of December 31, 2021 and 2020, were as follows (in thousands):

	2021	2020
Mutual Funds:		
U.S. Equity Index Fund	\$26,969	\$25,334
Mid-Cap Index Fund	8,964	8,446
Small-Cap Index Fund	4,022	4,376
Diversified International Fund	13,156	12,828
Aggregate Bond Fund	23,281	17,585
Total Bond Fund	8,882	9,030
Institutional Government Portfolio	3	3
Cash	8	120
Contribution receivable	—	100
Total	\$85,285	\$77,822

### Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2021 and 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that future employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of Plan participants. Therefore, the long-term expected rate of return on Retirement Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Lower 6.5%	Current Discount Rate 7.5%	1% Higher 8.5%
Net pension liability			
<b>December 31, 2021</b>	<b>\$(9,958)</b>	<b>\$(17,324)</b>	<b>\$(23,575)</b>
December 31, 2020	\$(5,848)	\$(12,994)	\$(19,050)

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## 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, 2021 and 2020, MEAG Power recognized pension expense of \$(2.5) million and \$(1.3) million, respectively. At December 31, 2021 and 2020, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

Deferred Outflows of Resources	2021	2020
Differences between expected and actual experience	\$ 374	\$ —
Assumption changes	35	—
Net difference between projected and actual earnings on Retirement Plan investments	1,482	2,963
<b>Total</b>	<b>\$1,891</b>	<b>\$2,963</b>

Deferred Inflows of Resources	2021	2020
Differences between expected and actual experience	\$ —	\$ 44
Assumption changes	—	93
Net difference between projected and actual earnings on Retirement Plan investments	9,758	9,627
<b>Total</b>	<b>\$9,758</b>	<b>\$9,764</b>

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

Year	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$1,891	\$3,504
2023	—	3,504
2024	—	1,869
2025	—	881
2026	—	—
<b>Total</b>	<b>\$1,891</b>	<b>\$9,758</b>

## Other Retirement Benefits

MEAG Power also offers a 403(b) Plan to all employees and matches regular employee contributions at the rate of 100% of the first 5% of compensation contributed by the employee, as well as 50% of certain additional contributions. Total matching contributions made by MEAG Power to the 403(b) Plan were \$1.1 million in both 2021 and 2020. 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, 2021 and 2020, the following participants were covered by the Plan benefits:

	2021	2020
Active employees	127	136
Retired employees or beneficiaries	82	79
<b>Total</b>	<b>209</b>	<b>215</b>

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## Actuarial Assumptions

Actuarial assumptions used to determine MEAG Power's OPEB liability, measured as of December 31, 2021 and 2020, were as follows:

Inflation	2.50%
Salary Increases	4.00%
Discount Rate	2.06% for December 31, 2021 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 and Healthy Retiree Mortality table, male and female, projected generationally using the MP-2021 improvement scale.

## Changes in the OPEB Liability

MEAG Power's total OPEB liability as of December 31, 2021 and 2020 was as follows (in thousands):

	2021	2020
Beginning total OPEB Liability	\$12,780	\$12,110
Changes for the year:		
Service cost	359	331
Interest	266	325
Change of benefit terms	—	—
Differences between expected and actual experience	(81)	39
Benefits payments	(453)	(453)
Changes of assumptions or other inputs	137	428
Net Changes	228	670
Ending total OPEB liability	\$13,008	\$12,780

Changes of assumptions or other inputs reflect a decrease in the discount rate from 2.12% to 2.06%. The mortality improvement scale was updated to the MP-2021 scale.

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

For both years ended December 31, 2021 and 2020, MEAG Power's OPEB expense was \$1.0 million. As of December 31, 2021 and 2020, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

Deferred Outflows of Resources	2021	2020
Differences between expected and actual experience	\$ 87	\$ 174
Changes of assumptions or other inputs	1,137	1,597
Total	\$1,224	\$1,771

Deferred Inflows of Resources	2021	2020
Differences between expected and actual experience	\$ 173	\$ 262
Changes of assumptions or other inputs	118	278
Total	\$ 291	\$540

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
2022	\$ 617	\$248
2023	495	18
2024	99	18
2025	13	7
2026	—	—
Total	\$1,224	\$291

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

## 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, 2021 and 2020 (dollars in thousands):

### Discount Rate Sensitivity

	December 31, 2021		
	1.06%	2.06%	3.06%
Total OPEB Liability	<b>\$14,768</b>	<b>\$13,008</b>	<b>\$11,561</b>
	December 31, 2020		
	1% Decrease 1.12%	Current Rate 2.12%	1% Increase 3.12%
Total OPEB Liability	\$14,501	\$12,780	\$11,363

### Healthcare Cost Trend Rate Sensitivity

	December 31, 2021		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	<b>\$12,908</b>	<b>\$13,008</b>	<b>\$13,118</b>
	December 31, 2020		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$12,668	\$12,780	\$12,903

## 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 \$13.5 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.



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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, 2021, could be as much as \$16.9 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 2022–2024 total \$29.3 million. For the years beginning 2022 through 2026, nuclear fuel commitments total \$125.8 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, section (G), "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 2022 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.

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TEA provides natural gas fuel management services for MEAG Power, including procurement, scheduling and risk management of the transportation and supply portfolio. MEAG Power entered into two 30-year-term gas purchase agreements with the Municipal Gas Authority of Georgia (see table below for details). Such purchases are structured to match the usage in the peak operating months and are expected to equal an approximate percentage 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 each contract term; however, based on February 1, 2022 market prices, the commitments are calculated net of a prepaid discount. MEAG Power has the right to opt-out of the contracts if the minimum discounts are not met at the end of the initial pricing period. Additionally, there are provisions for permanent load losses or the cessation of natural gas-fired generation.

#### Long-Term Gas Purchase Agreements

Entered Date	Begin Date	End Date	Take and Pay /mmBtus per day*	Initial Pricing Period	Gas Commitments
February 1, 2022	July 1, 2022	June 30, 2052	2,490	July 1, 2022 thru October 31, 2027	\$13.9 million
March 17, 2022	August 1, 2022	July 31, 2052	3,898	July 1, 2022 thru November 30, 2029	\$31.4 million

\*On an average annual basis

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 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. Natural gas pipeline and storage commitments through August 2023 total \$4.2 million.

In regard to nuclear fuel supply and Russia's invasion of Ukraine, as Southern Nuclear does not source enriched uranium fuel supply from Russia, MEAG Power expects no direct impact from any Russian sanctions. In addition, Southern Nuclear has excess inventory on hand to alleviate impacts from supply disruptions. To the extent sanctions are imposed and other nuclear owners shift from Russian supply and increase the demand on Western and other non-Russian sources, MEAG Power may see indirect impacts such as increased cost on future supplies.

#### 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.

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

For 2022, MEAG Power has entered into power purchase agreements with:

- Morgan Stanley Capital Group Inc. through TEA for 48 MW of firm capacity. This resource is subscribed to by five of the Participants.
- Mercuria through TEA for 70 MW of firm capacity. This resource is subscribed to by one Participant.

### Environmental Regulation

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

Compliance with environmental regulatory requirements require owners/operators of affected facilities, including MEAG Power, to commit significant expenditures for installation, operation, and maintenance of pollution control and environmental monitoring equipment. Failure to comply with these requirements could lead to fines, sanctions, or civil and criminal penalties. Environmental regulatory requirements are complex; they are subject to change due to continuing legislative, regulatory and judicial actions; and they have become substantially more stringent over time. MEAG Power cannot predict at this time whether any additional legislation, regulations, permit requirements or other rules will be enacted which will affect its operations, or the cost of continuing compliance.

For the Coal Units, MEAG Power has invested \$680.1 million from 2000 through 2021 in generating unit environmental enhancements, including a switch to lower-sulfur coal at Scherer Units 1&2, and installing control technologies to reduce emissions of mercury, sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), non-mercury metals and acid gases. MEAG Power anticipates total capital investment for environmental improvements at the Coal Units for the years 2022 through 2026, including additions to comply with CCR and ELG regulations (see "Coal Combustion Residuals and Effluent Limitations Guidelines Regulations" within this Note), will be approximately \$38.6 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, which was issued by the Obama Administration's EPA. In earlier proposals of the ACE rule, the EPA included language to change the CAA's New Source Review (NSR) permitting program; however, this language was not included in the final rule. Instead, EPA proceeded with updating the NSR regulations and issued a final, corrected rule on July 19, 2021.

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. On October 29, 2021, the U.S. Supreme Court (Supreme Court) said it would review the D.C. Circuit's decision in *American Lung Association et al. v. EPA*. The high court granted four separate petitions to review the D.C. Circuit's January 2021 decision. The Supreme Court's review will focus on the extent of the EPA's authority to regulate greenhouse gas emissions from the power plant sector under Section 111(d) of the CAA. Oral arguments were heard by the high court on February 28, 2022. A decision is anticipated to be reached by summer of 2022. EPA has stated that it will propose a new rule to regulate CO<sub>2</sub> emissions from electric generating units. Until that rule is promulgated, 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 were designated as non-attainment, the State submitted a State Implementation Plan (SIP) on July 2, 2020 to address the base year emissions inventory requirements. On November 26, 2021, EPA proposed to approve the SIP. On February 25, 2022, EPD submitted a request to redesignate the metro Atlanta ozone nonattainment area to attainment with respect to the 2015 8-hour ozone

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NAAQS and a maintenance plan of the 2015 8-hour ozone standard in the Atlanta area.

On March 11, 2022, EPA released a proposed rule to address the interstate transport of air pollution from 26 upwind states under the CAA. The proposed rule would establish a federal implementation plan for reducing NOx emissions from fossil-fueled electric generating units (that combust coal, gas, or oil) in 25 of these states. These proposed NOx reductions are intended to address nonattainment problems in downwind states in violation with the 2015 NAAQS for ozone. Georgia is not an upwind state, so MEAG Power is not affected by this proposal.

#### **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 man-made air pollution. The CAA directs EPA to issue regulations to assure reasonable progress toward 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 (EPD anticipates submitting a SIP by July 31, 2022), 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 to achieve the next round of visibility improvements, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating units.

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

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. In January 2022, EPA informed EPD that they intended to disapprove the revised regulations as written and provided a mark-up of the regulations with language that they are willing to approve. The new language makes every operational state (including startup, shutdown and malfunction) with excess emissions a violation of permit conditions and provides EPD with the discretion to pursue enforcement. EPD has reached out to MEAG Power and other affected parties for comment.

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, commonly referred to as the Mercury and Air Toxic Standards



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(MATS). To comply with MATS, 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.

On May 22, 2020, EPA finalized a finding that it is not appropriate and necessary to regulate hazardous air pollutant emissions from coal- and oil-fired power plants under CAA section 112, reversing a determination first made in 2000, and later affirmed in 2012 and 2016. On January 31, 2022, EPA issued a Notice of Proposed Rulemaking on the Mercury and Air Toxics Standards that reaffirms the finding that it is appropriate and necessary to regulate hazardous air pollutants from coal- and oil-fired power plants. The proposed rule would ensure that the existing emissions standards for MATS would remain in effect. The proposed rule also solicits information on the cost and performance of new or improved technologies and methods of operation for controlling hazardous air pollutant emissions. To the extent the proposed rule is intended solely to reaffirm existing standards, MEAG Power does not anticipate impact to the Coal Units.

#### **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 requirements.

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. In 2019, GPC stopped sending CCR waste to the ash ponds at the Coal Units, as well as non-CCR waste streams to the ash ponds at Wansley Units 1&2. In early 2021, GPC completed a new wastewater treatment system that receives and manages the non-CCR waste streams at Scherer Units 1&2. GPC submitted a Notice of Intent to Initiate

Closure of CCR Unit Ash Pond-1 at Generation Station Scherer on October 30, 2020. The amended closure plan dated October 30, 2020 contemplates consolidating CCR from the prior 550-acre unit to a smaller, approximately 300-acre area. At present, all closure activities are estimated to be complete in 2031.

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 most recent semiannual groundwater reports were submitted on August 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 final rule was immediately challenged in the D.C. Circuit and then transferred to the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit Appeals Court) for consolidation with other cases. On July 26, 2021, the EPA

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announced initiation of a rulemaking process to determine whether the ELG rule should be revised to include more stringent limitations and standards, and, in coordination with the U.S. Department of Justice, filed a request to the Fourth Circuit Appeals Court to hold the litigation in abeyance. While EPA pursues this new rulemaking process, the current regulations are to be implemented and enforced. EPA intends to issue a proposed rule for public comment in the fall of 2022. The ELG rule also includes a Voluntary Incentives Program (VIP) 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 ELG rule requires submission of a notice of planned participation (NOPP) by October 13, 2021, if a steam electric generating unit falls within one of the aforementioned subcategories or chooses the VIP option. GPC submitted a NOPP to EPD on October 13, 2021, electing the VIP option for Scherer Units 1&2 and reserving its ability to submit a later determination of a new compliance pathway as allowed by the ELG rule if circumstances change. GPC also submitted a NOPP to EPD on October 13, 2021, electing compliance by cessation of combustion by 2028 for Wansley Units 1&2. On January 31, 2021, GPC filed its Integrated Resource Plan with the GPSC, requesting the retirement and decertification of Wansley Units 1&2 and the Wansley Combustion Turbine Unit 5A by August 31, 2022, stating that such retirement is in the public interest. In the absence of an objection, the retirements and decertifications will proceed on this basis.

The Joint-Owners are finalizing plans for the development of environmental control systems required to comply with the existing ELG rule for Scherer Units 1&2. To the extent revisions are made to the ELG rule that impact Scherer Units 1&2, these plans may have to be changed or revisited.

### **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.

Following a federal district court decision vacating the NWPR on August 30, 2021, the Agencies halted implementation of the NWPR and began interpreting the definition of “waters of the United States” consistent with the pre-2015 regulatory regime. On December 7, 2021, the Agencies published for public comment a proposed rule to reestablish the pre-2015 definition of “waters of the United States.” Until a final rule is promulgated, MEAG Power is not able to determine whether there would be 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, the 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.

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### 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.

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 new and revised CIP standards. In partnership with GPC, MEAG Power transfers the majority of its transmission FERC CIP compliance responsibility and associated financial risk to GPC via certain sections of the ITS Operation Agreement. 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 FERC CIP Standards effective by January 1, 2022. In addition, both parties have filed CFR documents with NERC that are consistent with the FERC CIP compliance support details within the ITS Operation Agreement. Through this agreement and associated NERC CFR documents, MEAG Power has assumed administrative responsibilities for portions of FERC CIP, thereby reducing its exposure to compliance risk and associated monetary penalty risk. Currently, MEAG Power is in full compliance with all transmission FERC CIP standards and has procedures in place to address future FERC CIP standards.

In the Third Quarter 2021, SERC completed a joint FERC CIP standards audit with MEAG Power and Southern Company. For MEAG Power's portion of the audit, SERC reported no findings and no recommendations, which ended the audit.

Regarding generation operations, MEAG Power is in full compliance with all current FERC CIP standards and has procedures in place to address future FERC CIP standards. On March 11, 2019, MEAG Power contracted with NAES to handle all compliance responsibilities at the Wansley Combined Cycle Facility pertaining to FERC O&P and FERC CIP. 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 the Wansley Combined Cycle Facility, thereby reducing MEAG Power's exposure to FERC O&P and FERC CIP 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.

# Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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 2020, SERC started an Operations and Planning NERC Standards audit. In January 2021, SERC reported “No Findings and No Comments,” which ended the audit. In July 2021, SERC announced a follow-up 2022 audit of Facility/Facilities FAC-008 — Facility Ratings, with the purpose of performing an onsite audit of transmission substation facilities where they walk through selected substations to verify element and facility ratings.

## 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. It is currently unclear what effect, if any, the result of such challenge or finalized water allocation plan may have on the financial condition of MEAG Power.

The ACF revised water allocation plan was 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.

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

On 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.



## Notes to Consolidated Financial Statements

### For the Years Ended December 31, 2021 and 2020

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In July 2020, a group of individual plaintiffs filed a complaint in the Superior Court of Fulton County against GPC alleging that releases from Plant 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. GPC has filed multiple motions to dismiss the complaint. On October 8, 2021, three additional complaints were filed in the Superior Court of Monroe County, Georgia (Superior Court of Monroe County) against GPC alleging that releases from Plant Scherer have impacted groundwater and air, resulting in alleged personal injuries and property damages. The plaintiffs seek an unspecified amount of monetary damages including punitive damages. On November 11, 2021, GPC filed a notice to remove the three cases pending in the Superior Court of Monroe County to the U.S. District Court in the Middle District of Georgia. On February 7, 2022, four additional complaints were filed in the Superior Court of Monroe County against GPC seeking damages for alleged personal injuries or property damage. The ultimate outcome of such proceedings and the amount of any possible losses from these matters cannot be estimated 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 was scheduled to 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. On July 20, 2021, Hogansville exercised its call option and purchased its electrical distribution system from MEAG Power.

As of December 31, 2021, 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, 2021, the balance outstanding pertaining to the lease transactions totaled \$2.1 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 May 2, 2022 and reports that certain 2022 developments are discussed in Note 1, section (D), "Vogtle Units 3&4 Projects and Project Entities;" Note 2, section (G), "Generation and Transmission Facilities — Coal Generating Facilities;" the "Credit Agreements and Other Short-Term Debt" section of Note 5; and the "Fuel," "Environmental Regulation" and "Litigation" sections of Note 8.

## 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):

	2021	2020	2019	2018	2017	2016	2015
<i>Total pension liability</i>							
Service cost	\$ 659	\$ 692	\$ 703	\$ 769	\$ 795	\$ 904	\$ 1,012
Interest on the total pension liability	4,735	4,607	4,334	4,189	4,152	4,040	3,738
Difference between expected and actual experience	1,064	(112)	295	(183)	(212)	(661)	362
Assumption changes	101	(233)	1,277	(136)	(915)	(273)	(134)
Benefit payments	(3,426)	(3,054)	(2,883)	(2,557)	(2,540)	(2,269)	(1,938)
Net change in total pension liability	3,133	1,900	3,726	2,082	1,280	1,741	3,040
Total pension liability — beginning of year	64,828	62,928	59,202	57,120	55,840	54,099	51,059
Total pension liability — end of year (a)	67,961	64,828	62,928	59,202	57,120	55,840	54,099
<i>Plan fiduciary net position</i>							
MEAG Power contributions	775	100	775	775	3,141	934	8,500
Net investment income	10,114	10,130	12,594	(2,643)	8,098	3,969	325
Benefit payments	(3,426)	(3,054)	(2,883)	(2,557)	(2,540)	(2,269)	(1,938)
Administrative expenses	—	—	—	—	—	—	—
Net change in plan fiduciary net position	7,463	7,176	10,486	(4,425)	8,699	2,634	6,887
Plan fiduciary net position — beginning of year	77,822	70,646	60,160	64,585	55,886	53,252	46,365
Plan fiduciary net position — end of year (b)	85,285	77,822	70,646	60,160	64,585	55,886	53,252
Net pension liability — ending (a) — (b)	\$(17,324)	\$(12,994)	\$(7,718)	\$(958)	\$(7,465)	\$(46)	\$ 847
Plan fiduciary net position as a percentage of total pension liability	125.49%	120.04%	112.26%	101.62%	113.07%	100.08%	98.43%
Covered payroll	\$ 9,364	\$ 9,482	\$ 9,836	\$10,664	\$10,922	\$11,230	\$11,013
Net pension liability as a percentage of covered payroll	-185.01%	-137.04%	-78.46%	-8.98%	-68.35%	-0.41%	7.69%

## Required Supplementary Information

(Unaudited)

### 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
<b>2021</b>	<b>\$ —</b>	<b>\$ 775</b>	<b>\$ (775)</b>	<b>\$ 9,364</b>	<b>8.28%</b>
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.

### 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):

	2021	2020	2019	2018	2017
<i>Total OPEB liability</i>					
Service cost	<b>\$ 359</b>	\$ 331	\$ 235	\$ 262	\$ 226
Interest	<b>266</b>	325	384	363	394
Changes of benefit terms	<b>—</b>	—	—	—	—
Differences between expected and actual experiences	<b>(81)</b>	39	177	(715)	244
Benefit payments	<b>(453)</b>	(453)	(356)	(335)	(298)
Changes of assumptions or other inputs	<b>137</b>	428	2,132	(757)	156
Net change in total OPEB liability	<b>228</b>	670	2,572	(1,182)	722
Total OPEB liability — beginning of year	<b>12,780</b>	12,110	9,538	10,720	9,998
Total OPEB liability — end of year	<b>\$13,008</b>	\$12,780	\$12,110	\$ 9,538	\$10,720
Covered employee payroll	<b>\$16,153</b>	\$15,760	\$15,512	\$15,030	\$14,632
Total OPEB liability as a percentage of covered payroll	<b>80.53%</b>	81.09%	78.07%	63.46%	73.26%

Notes to Schedule:

- The Plan has no trust for accumulating assets.
- The discount rate decreased from 2.12% to 2.06% and the mortality improvement scale was updated to the MP-2021 scale.

# Report of Independent Auditors

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

### Opinions

We have audited the accompanying financial statements of the total 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, 2021 and 2020, including the related notes, which collectively comprise MEAG Power's basic consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial positions of the total 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 MEAG Power as of December 31, 2021 and 2020, and the respective changes in their financial position and their cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MEAG Power and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MEAG Power's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MEAG Power's ability to continue as a going concern for a reasonable period of time.



## Report of Independent Auditors

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 27, schedule of changes in net pension liability and related ratios on page 91, schedule of employer contributions to the pension plan on page 92, and schedule of changes in total OPEB liability and related ratios on page 92 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic,

or historical context. We have applied certain limited procedures to the required supplemental 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Pricewaterhouse Coopers LLP*

Atlanta, Georgia

May 2, 2022

# CORPORATE INFORMATION

## **MEAG Power**

Municipal Electric  
Authority of Georgia

## **Office**

1470 Riveredge Parkway, NW  
Atlanta, GA 30328-4640  
1-800-333-MEAG  
[www.meagpower.org](http://www.meagpower.org)

## **Bond Counsel**

Orrick, Herrington & Sutcliffe LLP  
New York, NY

## **Financial Advisor**

PFM Financial Advisors LLC  
Philadelphia, PA

## **Trustees**

Project One, General Resolution  
Projects and Combined Cycle Project  
The Bank of New York Mellon  
New York, NY

Vogtle Units 3&4 Projects  
Wells Fargo Bank, National Association  
Atlanta, GA

## **Independent Auditors**

PricewaterhouseCoopers LLP  
Atlanta, GA



1470 Riveredge Parkway, NW  
Atlanta, Georgia 30328-4640  
1-800-333-MEAG

[www.meagpower.org](http://www.meagpower.org)