MEAG POWER
2015 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS
of Financial Condition and Results of Operations

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.

MEAG Power's assets include ownership interests in ten electric generating units, which all have been placed in service. In addition, MEAG Power may purchase from, sell to or exchange with other bulk electric suppliers additional capacity and energy in order to enhance the Participants' bulk power supply. MEAG Power's ownership interests in those ten generating units represent 2,069 megawatts (MW) of nominally rated generating capacity, consisting of 808 MW of nuclear-fueled capacity, 750 MW of coal-fired capacity, 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 Plant Vogtle, Unit Nos. 3 (Vogtle Unit 3) and 4 (Vogtle Unit 4) (collectively, Vogtle Units 3&4), which represent 500 MW of nominally rated generating capacity. MEAG Power also owns transmission facilities that, together with those of other utilities, form a statewide, integrated transmission system.

MEAG Power is comprised of the following reporting components, as discussed in the Notes to Consolidated Financial Statements (Notes) Note 1 (A), "The Organization – Reporting Entity":

- Project One;
- General Resolution Projects;
- Combined Cycle Project (CC Project);
- Vogtle Units 3&4 Projects and Project Entities;
- The Municipal Competitive Trust (Competitive Trust) and the Deferred Lease Financing Trust, herein collectively referred to as the Trust Funds; and
- Telecommunications Project (Telecom).

OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 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. Revenues represent billings for wholesale electricity sales to the Participants and sales of electricity to unrelated parties (see Note 2 (C), "Summary of Significant Accounting Policies and Practices – Revenues"), as well as billings of Telecom. Expenses primarily include operating costs and debt service-related charges.

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

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

FINANCIAL CONDITION OVERVIEW

MEAG Power's Consolidated Balance Sheet as of December 31, 2015, 2014 and 2013 is summarized below (in thousands). Certain 2014 amounts have been revised in conjunction with MEAG Power's adoption of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" (Statement 68) in 2015 (see Note 2 (A), "Summary of Significant Accounting Policies and Practices – Basis of Accounting").

	2015	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Property, plant and equipment, net	**$4,913,961**	$4,575,586	$4,224,320
Other non-current assets	**3,524,718**	2,508,067	2,982,076
Current assets	**904,048**	795,608	760,273
Deferred outflows of resources	**99,171**	96,071	65,881
Total Assets and Deferred Outflows of Resources	**$9,441,898**	7,975,332	$8,032,550
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Long-term debt	**$6,833,409**	$5,534,638	$5,781,584
Non-current liabilities	**1,258,358**	1,229,159	1,195,092
Current liabilities	**985,544**	1,009,299	936,233
Deferred inflows of resources	**364,587**	202,236	119,641
Total Liabilities and Deferred Inflows of Resources	**$9,441,898**	$7,975,332	$8,032,550

The primary changes in MEAG Power's consolidated financial condition as of December 31, 2015 and 2014 were as follows:

2015 Compared to 2014

Assets and Deferred Outflows of Resources

Total assets and deferred outflows of resources increased $1.5 billion during 2015 due to increases of $338.4 million in property, plant and equipment, net (PP&E), $1.0 billion in other non-current assets, $108.4 million in current assets and $3.1 million in deferred outflows of resources.

PP&E increased due primarily to in-service additions of $79.5 million, including equipment upgrades and replacements at Plant Hatch and Plant Vogtle Unit Nos. 1 and 2 (Vogtle Units 1&2) of $45.7 million, as well as transmission additions of $26.4 million. An increase of $323.7 million in construction work in progress (CWIP) was mainly related to work at Vogtle Units 3&4 pertaining to manufacturing of major components such as the reactor vessels' internal parts and other related components, reactor coolant pumps and steam generators, fabrication and assembly of structural and mechanical modules, and site construction in the nuclear islands and balance of plant areas totaling $294.6 million, as well as transmission additions of $15.4 million. Nuclear fuel net of amortization increased by $6.6 million due to an increase in nuclear fuel reload costs at Plant Hatch and Vogtle Units 1&2 totaling $6.7 million, which was partially offset by an increase in amortization of $2.7 million. Another factor was the cost of the initial core nuclear fuel for Vogtle Units 3&4, which increased $2.6 million. These increases in PP&E were partially offset by an increase in accumulated depreciation of $71.4 million.

The increase in other non-current assets was due primarily to special funds, which increased $935.8 million mainly related to $1.3 billion in proceeds from the DOE Guaranteed Loans (see "Vogtle Units 3&4 Projects and Project Entities") and certain other borrowings for Vogtle Units 3&4. Proceeds received from bond issuances in other projects totaled $178.6 million. An additional $23.1 million was received from the Participants for the Environmental Facilities Reserve Accounts (EFRA) (see Note 4, "Special Funds and Supplemental Power Account – Environmental Facilities Reserve Accounts"). These factors were partially offset by CWIP payments pertaining to the work at Vogtle Units 3&4 discussed above, net interest payments on Vogtle Units 3&4 Bonds of $264.0 million (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities"), certain other PP&E-related improvements also discussed above, as well as transfers applied to lower Participant billings in Project One and the General Resolution Projects (Competitive Trust Funding) (see Note 1 (E), "The Organization – Trust Funds – Municipal Competitive Trust") of $77.2 million. Net costs to be recovered from Participants increased $55.6 million due mainly to net interest expense in the Vogtle Units 3&4 Projects and Project Entities of $57.1 million (see "Results of Operations – 2015 Compared to 2014 – Net Interest Expense"). An increase of $26.1 million in unamortized bond issuance costs was primarily due to the DOE Guaranteed Loans.

Current assets increased also mainly due to special funds, which increased $116.9 million due primarily to $140.0 million in proceeds from the DOE Guaranteed Loans, as well as voluntary Participant deposits and interest earnings into the flexible trust funds held for the Participants (Flexible Trust) (see "Liabilities and Deferred Inflows of Resources"). These factors were partially offset by CWIP payments for construction at Vogtle Units 3&4. Materials, supplies and other assets increased $11.8 million due primarily to inventory materials for plant maintenance and certain prepayments. Fuel stocks decreased $6.1 million due mainly to coal burn requirements exceeding deliveries. A $5.8 million decrease in securities lending collateral was due primarily to a decrease in lending activity.

The increase in deferred outflows of resources was due to a decrease of $5.6 million in the fair market value of interest rate swap obligations and natural gas hedges, as well as a $4.5 million increase pertaining to the adoption of Statement 68. These factors were partially offset by a $7.0 million decrease in unamortized loss on refunded debt, due to normal amortization.

Liabilities and Deferred Inflows of Resources

Total debt outstanding increased $1.2 billion resulting from increases of $1.3 billion in long-term debt, $33.4 million in the current portion of long-term debt and $17.6 million in the lease finance obligation. These factors were partially offset by a decrease in lines of credit and other short-term debt of $146.6 million.

The increase in long-term debt was due mainly to advances totaling $1.1 billion from the DOE Guaranteed Loans, $267.7 million in other borrowings for Vogtle Units 3&4 and $169.9 million in other bond issuances. These factors were partially offset by principal payments.

During 2015, non-current liabilities increased by $29.2 million due mainly to an increase in asset retirement obligations (ARO) of $39.7 million, primarily related to decommissioning estimates (see Note 2 (H), "Summary of Significant Accounting Policies and Practices – Asset Retirement Obligations and Decommissioning"). The increase in the lease finance obligation was due to normal accretion. Other non-current liabilities increased $10.8 million due mainly to increases of $8.7 million in accruals related to Vogtle Units 3&4 and $4.4 million in interest rate swap obligations, which were partially offset by a decrease of $2.2 million in the net pension liability. These factors were partially offset by a decrease in Competitive Trust obligations of $39.0 million primarily related to Competitive Trust Funding of $60.2 million, which was partially offset by Participant funding of new generation projects of $21.2 million.

A decrease of $23.8 million in current liabilities was primarily due to the decrease in lines of credit and other short-term debt, which was primarily attributable to pay downs, as well as a $5.8 million decrease in securities lending collateral, due to a decrease in lending activity. These factors were partially offset by an increase of $49.6 million in construction liabilities, related primarily to accruals for Vogtle Units 3&4, as well as the increase in the current portion of long-term debt. An increase of $26.7 million in Competitive Trust obligations was mainly due to an increase of $42.1 million in voluntary Participant deposits and interest earnings into the Flexible Trust, which was partially offset by a decrease of $15.4 million in the current portion of Competitive Trust Funding. Accounts payable increased $13.7 million due to a $10.8 million increase in 2015 year-end settlement refunds due to the Participants (see Note 2 (C), "Summary of Significant Accounting Policies and Practices – Revenues – Year-End Settlement"), as well as normal, timing-related factors. An increase of $5.3 million in accrued interest was primarily related to the DOE Guaranteed Loans and other borrowings for Vogtle Units 3&4, which were partially offset by lower accruals in other projects due to less principal outstanding in 2015 compared with 2014.

Deferred inflows of resources increased $162.4 million due primarily to timing differences between amounts billed and expenses determined in accordance with accounting principles generally accepted in the United States (Timing Differences) (see Note 2 (A), "Summary of Significant Accounting Policies and Practices – Basis of Accounting") of $172.0 million, which were partially offset by ARO of $16.3 million.

2014 Compared to 2013

Assets and Deferred Outflows of Resources

During 2014, total assets and deferred outflows of resources decreased $57.2 million due to a decrease in other non-current assets of $474.0 million, which was partially offset by increases of $351.3 million in PP&E, $35.3 million in current assets and $30.2 million in deferred outflows of resources.

Other non-current assets decreased due primarily to special funds, which decreased $407.1 million due mainly to CWIP payments of $200.2 million for construction at Vogtle Units 3&4, as discussed below, $121.0 million in net interest payments on Vogtle Units 3&4 Bonds, $29.5 million in other CWIP payments, as well as $20.7 million for scheduled major maintenance performed on the Wansley Combined Cycle Facility (CC Facility) (see "Results of Operations – 2014 Compared to 2013 – Operating Expenses"). These outflows were partially offset by advances of $32.1 million made under the Series 2012A Project P Note (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities"), $25.7 million in voluntary Participant deposits for new generation projects (see "Liabilities and Deferred Inflows of Resources"), as well as $25.2 million received from the Participants for the EFRA. A decrease of $65.3 million in net costs to be recovered was due mainly to a $100.4 million decrease in Project One, which was partially offset by a $36.1 million increase in the Vogtle Units 3&4 Projects. The decrease in Project One was primarily due to Timing Differences of $111.4 million, as well as a decrease in certain other factors of $6.3 million. As a result, $17.4 million was reclassified to deferred inflows of resources (see "Liabilities and Deferred Inflows of Resources"). Net costs to be recovered in the Vogtle Units 3&4 Projects increased due to net interest expense of $47.5 million, which was partially offset by $11.4 million in net reclassifications to CWIP, as discussed below. A decrease of $3.4 million in unamortized bond issuance costs was due to normal amortization.

The increase in PP&E was primarily due to in-service additions, which increased $192.9 million due mainly to $141.7 million in environmental improvements to Plant Scherer and Plant Wansley (the Coal Units), as well as equipment upgrades and replacements at the generating plants. An increase of $199.5 million in CWIP was primarily related to the Vogtle Units 3&4 Projects, including construction activity pertaining to manufacturing of major components such as the reactor vessels and steam generators, fabrication and assembly of structural and mechanical modules, and site construction in the nuclear islands and balance of plant areas, totaling $274.7 million, as well as $45.7 million in reclassifications from net costs to be recovered. These factors were partially offset by a net decrease of $120.9 million primarily related to environmental improvements to the Coal Units transferred from CWIP to in-service additions. An increase of $23.0 million in nuclear fuel net of amortization was due mainly to the cost of the initial core nuclear fuel for Vogtle Units 3&4. These increases in PP&E were partially offset by accumulated depreciation increases totaling $64.1 million.

The increase in current assets was also mainly due to an increase of $28.3 million in special funds, due primarily to an increase of $50.7 million in voluntary Participant deposits and interest earnings into the Flexible Trust (see "Liabilities and Deferred Inflows of Resources"), which was partially offset by $22.9 million in CWIP payments. Materials, supplies and other assets increased $7.2 million due primarily to increases in certain prepayments and inventory materials for plant maintenance.

A decrease of $38.7 million in the fair value of effective interest rate swap obligations and natural gas hedges was the primary factor pertaining to the increase in deferred outflows of resources. This was partially offset by a decrease of $8.5 million in unamortized loss on refunded debt also due to normal amortization.

Liabilities and Deferred Inflows of Resources

A decrease of $210.8 million in total debt outstanding resulted from decreases in long-term debt of $246.9 million and $3.2 million in lines of credit and other short-term debt, which were partially offset by increases in the current portion of long-term debt of $22.4 million and $16.9 million in the lease finance obligation.

Long-term debt decreased due primarily to principal payments of $212.6 million and reclassifications to the current portion of long-term debt of $34.1 million. The decrease in lines of credit and other short-term debt was due primarily to payments made on the CC Project line of credit. Also included in this category is an increase of $32.1 million in advances under the Series 2012A Project P Note, all of which were made by the Competitive Trust and, as such, are eliminated from MEAG Power's consolidated financial statements (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities" and "– Project Borrowings from the Trust Funds" within that Note). The $22.4 million increase in the current portion of long-term debt was due to scheduled bond amortization of $34.1 million reclassified from long-term debt, partially offset by an increase of $11.7 million in debt eliminated. The increase in the lease finance obligation was due to normal accretion, as discussed in Note 1 (E), "The Organization – Trust Funds – Deferred Lease Financing Trust."

During 2014, non-current liabilities increased by $29.4 million. An increase of $42.2 million in other non-current liabilities was primarily due to interest rate swap obligations, which increased $37.0 million, as well as an increase of $5.3 million in accruals related to Vogtle Units 3&4. ARO increased $19.8 million due to normal accretion (see Note 2 (H), "Summary of Significant Accounting Policies and Practices – Asset Retirement Obligations and Decommissioning"). The increase in the lease finance obligation discussed above was another factor. These increases were partially offset by a decrease of $49.5 million in Competitive Trust obligations. This decrease was primarily due to $75.6 million in Competitive Trust Funding, which was partially offset by voluntary Participant deposits to defray the future costs of new generation projects totaling $26.1 million.

Current liabilities increased $73.1 million during 2014. Competitive Trust obligations increased $35.6 million due to an increase of $50.7 million in the Flexible Trust (see "Assets and Deferred Outflows of Resources"), which was partially offset by a decrease of $15.1 million in the current portion of Competitive Trust Funding. A $15.1 million increase in accounts payable was mainly related to an increase of $20.6 million in normal, timing-related factors, partially offset by a $5.5 million decrease in 2014 year-end settlement refunds due to the Participants. Construction liabilities increased $14.2 million due mainly to CWIP additions at Vogtle Units 3&4 discussed previously. These factors were partially offset by a $5.9 million decrease in securities lending collateral primarily related to a decrease in fair market value and lending activity. Accrued interest also decreased $5.2 million due to less principal outstanding in 2014 compared to 2013. Other factors discussed previously include the increase in the current portion of long-term debt, as well as the net decrease in lines of credit and other short-term debt.

An increase of $87.3 million in deferred inflows of resources was due primarily to increases in Timing Differences of $75.9 million and $12.0 million in the General Resolution Projects and the CC Project, respectively, as well as $17.4 million reclassified in Project One from net costs to be recovered from Participants (see "Assets and Deferred Outflows of Resources"). These factors were partially offset by a decrease of $21.9 million in the CC Project, primarily related to scheduled major maintenance performed on the CC Facility (see "Results of Operations – 2014 Compared to 2013 – Operating Expenses").

RESULTS OF OPERATIONS

MEAG Power's Consolidated Statement of Net Revenues for each of the years ended December 31, 2015, 2014 and 2013 is summarized below (in thousands):

	2015	2014	2013
Revenues:			
Participant	**$ 523,710**	$621,208	$605,835
Other	**119,243**	127,363	108,528
Total revenues	**642,953**	748,571	714,363
Operating expenses	**594,125**	636,613	560,181
Net operating revenues	**48,828**	111,958	154,182
Interest expense, net	**180,102**	148,469	194,396
Change in net costs to be recovered from Participants or Competitive Trust obligations	**(131,274)**	(36,511)	(40,214)
Net Revenues	**$ —**	$ —	$ —

The primary changes in MEAG Power's results of operations for the years ended December 31, 2015 and 2014 were as follows:

2015 Compared to 2014

Revenues

2015 total revenues were $643.0 million compared with $748.6 million for 2014. Participant revenues decreased $97.5 million and other revenues decreased $8.1 million. The decrease in Participant revenues was due primarily to a $68.3 million increase in deferred inflows of resources pertaining to Timing Differences, mainly related to billings to the Participants for debt service that exceeded depreciation expense, as well as a reduction in major maintenance performed on the CC Facility (see "Operating Expenses"). Participant revenues were also impacted by a reduction in Participant billings for operating expenses and debt service. These factors were partially offset by increased revenue requirements due to a planned reduction of $16.4 million in Competitive Trust Funding in Project One, as well as a scheduled reduction in a sales agreement with Georgia Power Company (GPC), as discussed below.

Other revenues decreased due mainly to a scheduled reduction in a long-term sales agreement with GPC related to the output of Vogtle Units 1&2, which decreased capacity and energy sales by $18.9 million, as well as a decrease of $10.3 million in off-system energy sales due to pricing of the energy sold. These factors were partially offset by an increase of $14.2 million in contract energy sales under the Pseudo Scheduling and Services Agreement (PSSA) (see Note 2 (G) "Summary of Significant Accounting Policies and Practices – Generation and Transmission Facilities – Pseudo Scheduling and Services Agreement"). Also during 2015, MEAG Power received $6.6 million representing its share of a U.S. Court of Federal Claims award pertaining to a claim against the U.S. Government for damages related to the permanent disposal of spent nuclear fuel for the years 2005 through 2010 (see Note 2 (G), "Summary of Significant Accounting Policies and Practices – Generation and Transmission Facilities – Nuclear Generating Facilities").

Operating Expenses

Operating expenses for 2015 decreased 6.7% to $594.1 million, compared with $636.6 million for 2014. A decrease of $30.8 million in other generating and operating expense was primarily due to a reduction in major maintenance performed on the CC Facility, as well as a decrease in planned nuclear refueling outages. Purchases under the PSSA decreased $11.9 million due to reduced coal unit utilization as a result of natural gas dispatch options being more favorable in 2015, as discussed below. Total fuel expense decreased $6.2 million due to a decrease of $19.1 million in coal expense, which was partially offset by increases of $11.7 million in natural gas expense and $1.3 million in nuclear fuel expense. The decrease in coal expense was due to a 13% decrease in consumption, related to lower coal unit utilization, and a 5% reduction in unit price. Natural gas expense increased due to a substantial increase in generation from the CC Facility and a reduction in margins on gas sales to third parties, which were partially offset by a significant decrease in gas prices. The increase in CC Facility generation was due to the lower gas prices, which resulted in economic dispatch of natural gas resources before MEAG Power's coal resources. Nuclear fuel expense increased due mainly to a 4% increase in generation. A decrease of $3.6 million in transmission expense was primarily due to net receipts pertaining to joint-ownership of the integrated transmission system. Purchased power expense decreased $3.3 million due to both price and volume.

2015 Compared to 2014 (Continued)

Net Interest Expense

Net interest 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 Interest Expense), totaled $180.1 million for 2015. This 21.3% increase from the total of $148.5 million for 2014 was due primarily to changes in these components of Net Interest Expense:

- The fair value of financial instruments decreased $28.5 million due primarily to both interest rate and equity market conditions.
- A decrease of $7.6 million in investment income was due mainly to a reduction in gains on sales of investment securities, as well as maturity of certain longer-term investments.
- Interest expense increased $6.1 million due primarily to an increase of $18.8 million pertaining to the DOE Guaranteed Loans and other 2015 borrowings for Vogtle Units 3&4, which was partially offset by a decrease of $12.4 million primarily due to lower principal outstanding from scheduled principal payments.
- An increase of $11.5 million in interest capitalized was due mainly to additional capital investment in the Vogtle Units 3&4 Project Entities.

Net Costs to be Recovered or Competitive Trust Obligations

The change in net costs to be recovered from Participants or Competitive Trust obligations was $131.3 million and $36.5 million for the years ended December 31, 2015 and 2014, respectively. A decrease of $100.4 million in Project One was primarily due to the reclassification to deferred inflows of resources during 2014 (see "Financial Condition Overview – 2014 Compared to 2013 – Assets and Deferred Outflows of Resources"). The change in Competitive Trust obligations decreased $15.2 million due primarily to the planned reduction in Competitive Trust Funding discussed above. These factors were partially offset by an increase of $9.6 million in net costs to be recovered from Participants in the Vogtle Units 3&4 Projects and Project Entities, which pertained to an increase in Net Interest Expense in those projects.

2014 Compared to 2013

Revenues

Total revenues for 2014 were $748.6 million compared to 2013 total revenues of $714.4 million. Participant revenues and other revenues increased $15.4 million and $18.8 million, respectively. The increase in Participant revenues was due primarily to higher billings for operating expenses, due in part to a 2.3% increase in delivered energy, as well as deferred inflows of resources pertaining to major maintenance expenses at the CC Facility (see "Operating Expenses"). These items were partially offset by deferred inflows of resources pertaining to certain other items.

Other revenues increased due mainly to contract energy sales under the PSSA, which increased $17.1 million. Off-system energy sales also increased $4.3 million due to pricing of the energy sold. These factors were partially offset by a scheduled reduction in a long-term sales agreement with GPC related to the output of Vogtle Units 1&2, which decreased capacity and energy sales by $3.2 million.

Operating Expenses

2014 operating expenses increased 13.6% to $636.6 million, compared to $560.2 million for 2013. An increase of $48.7 million in other generating and operating expense was due primarily to scheduled major maintenance performed on the CC Facility, as well as maintenance cost for three planned nuclear refueling outages. Other generating and operating expense was also impacted by purchases under the PSSA, which increased $8.0 million due to increased scheduling of coal generation. Increases in purchased power and fuel expenses pertained to the extreme cold weather conditions in early 2014. Purchased power expense increased $8.3 million due mainly to an increase in energy delivered, higher market prices and increased volume. Total fuel expense increased $8.3 million due primarily to increases of $14.4 million and $1.8 million in coal and nuclear fuel expense, respectively, which were partially offset by a decrease of $8.0 million in natural gas expense. The increase in coal expense was due to a 13% increase in consumption and a 5% increase in price. Nuclear fuel expense increased due to higher amortization rates and on-site storage costs, which were partially offset by a 2% decrease in generation due mainly to the refueling outages. The decrease in natural gas expense was due to $13.0 million in margins on gas sales to third parties bundled with MEAG Power's gas transportation capacity, which was partially offset by an increase of $4.7 million in gas cost due equally to an increase in price and higher consumption. The increase in coal consumption was related to increased natural gas prices and the CC Facility major maintenance outage. Depreciation and amortization expense increased $9.0 million due primarily to a 4.3% increase in property in service, as well as an increase in depreciation rates.

Net Interest Expense

Net Interest Expense totaled $148.5 million in 2014, compared to $194.4 million in 2013. This 23.6% decrease was due primarily to changes in these components of Net Interest Expense:

- The fair value of financial instruments increased $28.8 million due primarily to declining long-term interest rates.
- A decrease of $14.4 million in interest expense was mainly due to previous refundings of higher coupon fixed-rate bonds by lower coupon variable-rate borrowings, as well as the maturity of higher coupon fixed-rate bonds.
- Interest capitalized increased $11.7 million due mainly to the additional capital investment in the Vogtle Units 3&4 Projects (see "Financial Condition Overview – 2014 Compared to 2013 – Assets and Deferred Outflows of Resources").
- Investment income decreased $9.3 million due mainly to declining long-term interest rates and lower investment balances, which were partially offset by gains on sales of investment securities.

Net Costs to be Recovered or Competitive Trust Obligations

The change in net costs to be recovered from Participants or Competitive Trust obligations increased $36.5 million and $40.2 million for the years ended December 31, 2014 and 2013, respectively. A change of $15.5 million in Project One was primarily due to the reclassification to deferred inflows of resources (see "Financial Condition Overview – 2014 Compared to 2013 – Assets and Deferred Outflows of Resources"). A decrease of $18.9 million in the Vogtle Units 3&4 Projects pertained to Net Interest Expense in those projects.

VOGTLE UNITS 3&4 PROJECTS AND PROJECT ENTITIES

History

MEAG Power, GPC, Oglethorpe Power Corporation (OPC) and the City of Dalton, Georgia (Dalton) (collectively, the Original Vogtle Co-Owners) agreed to expand the facilities at Plant 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's 22.7% interest in Vogtle Units 3&4, representing 500.3 MW of nominally rated generating capacity, is held by the Vogtle Units 3&4 Project Entities, which are special-purpose, limited-liability subsidiaries and wholly-owned by MEAG Power, as discussed below. Vogtle Units 3&4 are scheduled to begin commercial operation in the second quarters of 2019 and 2020, respectively.

Since a portion of the output and services of MEAG Power's interest in Vogtle Units 3&4 initially was expected to be surplus to the Participants' needs, for the initial 20 years of commercial operation of each of Vogtle Units 3&4, MEAG Power sold 66.1% of the output and services associated with its Vogtle Units 3&4 interest for a term of 20 years through take-or-pay power purchase agreements (PPA) to JEA and PowerSouth, as discussed in Note 1 (D), "The Organization – Vogtle Units 3&4 Projects and Project Entities – Structure, Financing and DOE Guaranteed Loans." MEAG Power initially structured its ownership interest in Vogtle Units 3&4 as three separate projects, Project M, Project J and Project P, collectively referred to herein as the Vogtle Units 3&4 Projects.

In order to provide a potential source of financing for its interest in Vogtle Units 3&4 and augment its financing alternatives, in 2008 MEAG Power submitted an application to the U.S. Department of Energy (DOE) for loans guaranteed by DOE pursuant to the Federal loan guarantee solicitation for nuclear projects employing new or significantly improved technology issued under Title XVII of the Energy Policy Act of 2005. DOE selected Vogtle Units 3&4 as such a nuclear project and issued a conditional commitment (Conditional Commitment) to MEAG Power for DOE-guaranteed loans.

The Conditional Commitment provided that DOE would guarantee three separate 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 (referred to therein as the "Project Entities" and described below). The DOE-guaranteed loans could be in the aggregate principal amount including capitalized interest of up to $1.8 billion for the Vogtle Units 3&4 Projects (DOE Guaranteed Loans), with the maximum available DOE Guaranteed Loans subject to certain individual caps. Among other conditions, the Conditional Commitment required that each Project Entity's DOE-guaranteed loan be secured by a first-priority perfected security interest in, among other things, such Project Entity's undivided ownership interest in Vogtle Units 3&4.

Vogtle Units 3&4 Project Entities

On June 24, 2015, in order to permit the Vogtle Units 3&4 Project Entities (hereinafter defined) to obtain $1.1 billion in initial advances of DOE Guaranteed Loans from the FFB, MEAG Power divided its undivided ownership interest in Vogtle Units 3&4 into three separate undivided interests and transferred such interests and nominally rated generating capacity to the following 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);
- 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); 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) 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 the Vogtle Units 3&4 Development Agreement, the Vogtle Units 3&4 Ownership Agreement, the Vogtle Operating Agreement and the Nuclear Managing Board Agreement in order to, among other things, permit MEAG Power to assign to the Project Entities, and permit the Project Entities to assume, MEAG Power's rights and obligations thereunder with respect to Vogtle Units 3&4. As a result of such assignment and assumption, the term Vogtle Co-Owners includes GPC, OPC, Dalton and the Project Entities, and does not include MEAG Power.

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

Technology, Construction and Licensing

In 2008, GPC, on behalf of itself and the other Original Vogtle Co-Owners, entered into an Engineering, Procurement and Construction Contract (EPC Contract) with a consortium consisting of Westinghouse and Stone & Webster, Inc., a subsidiary of The Shaw Group Inc. (Shaw), which was acquired by Chicago Bridge & Iron Company N.V. (CB&I) (Westinghouse and Stone & Webster, Inc. are referred to herein collectively as the Contractor). As a result of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Project Entities, the Project Entities have assumed MEAG Power's rights and obligations under the EPC Contract, in proportion to their respective undivided ownership interests in Vogtle Units 3&4. Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test two AP1000 nuclear units (with electric generating capacity of approximately 1,100 MWs each) and related facilities at Plant Vogtle.

Under the terms of the EPC Contract, the Vogtle Co-Owners agreed to pay a purchase price that is subject to certain price escalations and adjustments, including fixed escalation amounts and index-based adjustments, as well as adjustments for change orders, and performance bonuses for early completion and unit performance. The EPC Contract also provides for liquidated damages upon the Contractor's failure to fulfill the schedule and performance guarantees, subject to a cap. In addition, the EPC Contract provides for limited cost sharing by the Vogtle Co-Owners for Contractor costs under certain conditions (which have not occurred), with maximum additional capital costs under this provision attributable to the Project Entities (based on their respective ownership interests) of approximately $56.8 million. Each Vogtle Co-Owner is severally (and not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to the Contractor under the EPC Contract. The Project Entities' aggregate proportionate share is 22.7%.

On December 31, 2015, Westinghouse acquired Stone & Webster, Inc. from CB&I (the Acquisition). In connection with the Acquisition, Stone & Webster, Inc. changed its name to WECTEC Global Project Services Inc. Certain obligations of Westinghouse and Stone & Webster, Inc. had been guaranteed by Toshiba Corporation (Toshiba), Westinghouse's parent company, and Shaw, respectively. On March 9, 2016, in connection with the Acquisition and pursuant to the settlement agreement described below, the guarantee of Shaw was terminated. The guarantee of Toshiba remains in place. Additionally, as a result of recent credit rating downgrades of Toshiba, Westinghouse has provided the Vogtle Co-Owners with letters of credit in an aggregate amount of $920 million in accordance with, and subject to adjustment under, the terms of the EPC Contract.

In the event of certain credit rating downgrades of any Vogtle Co-Owner, such Vogtle Co-Owner will be required to provide a letter of credit or other credit enhancement.

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. There have been technical and procedural challenges to the construction and licensing of Vogtle Units 3&4, at the federal and state level, and additional challenges may arise as construction proceeds.

In 2012, the Original Vogtle Co-Owners and the Contractor commenced litigation regarding the costs associated with design changes to the DCD and the delays in the timing of approval of the DCD and issuance of the COLs, including the assertion by the Contractor that the Original Vogtle Co-Owners are responsible for these costs under the terms of the EPC Contract. The Contractor also asserted that it was entitled to extensions of the guaranteed substantial completion dates of April 2016 and April 2017 for Vogtle Unit 3 and Vogtle Unit 4, respectively. In May 2014, the Contractor filed an amended claim alleging that (i) the design changes to the DCD imposed by the NRC delayed module production and the impacts to the Contractor are recoverable by the Contractor under the EPC Contract and (ii) the changes to the basemat rebar design required by the NRC caused additional costs and delays recoverable by the Contractor under the EPC Contract. In June 2015, the Contractor updated its estimated damages to an aggregate (based on the Project Entities' aggregate 22.7% ownership interest) of approximately $289.0 million (in 2015 dollars). The case was pending in the U.S. District Court for the Southern District of Georgia (the Vogtle Construction Litigation).

On December 31, 2015, Westinghouse and the Vogtle Co-Owners entered into a definitive settlement agreement (the Contractor Settlement Agreement) to resolve disputes between the Vogtle Co-Owners and the Contractor under the EPC Contract, including the Vogtle Construction Litigation. Effective December 31, 2015, GPC, acting for itself and as agent for the other Vogtle Co-Owners, and the Contractor entered into an amendment to the EPC Contract to implement the Contractor Settlement Agreement. The Contractor Settlement Agreement and the related amendment to the EPC Contract (i) restrict the Contractor's ability to seek further increases in the contract price by clarifying and limiting the circumstances that constitute nuclear regulatory changes in law; (ii) provide for enhanced dispute resolution procedures; (iii) revise the guaranteed substantial completion dates to match the current estimated in-service dates of June 30, 2019 for Vogtle Unit 3 and June 30, 2020 for Vogtle Unit 4; (iv) provide that delay liquidated damages will now commence from the current estimated nuclear fuel loading date for each unit, which is December 31, 2018 for Vogtle Unit 3 and December 31, 2019 for Vogtle Unit 4, rather than the original guaranteed substantial completion dates under the EPC Contract; and (v) provide that the Project Entities, based on their aggregate 22.7% ownership interest, will pay to the Contractor approximately $174.0 million, of which approximately $60.0 million has been paid previously under the dispute resolution procedures of the EPC Contract. Further, subsequent to December 31, 2015, the Project Entities paid approximately $60.0 million under the terms of the Contractor Settlement Agreement. In addition, the Contractor Settlement Agreement provides for the resolution of other open existing items relating to the scope of the project under the EPC Contract, including cyber security, for which costs were reflected in the Project Entities' previously disclosed in-service cost estimate. Further, as part of the settlement and in connection with the Acquisition: (i) Westinghouse has engaged Fluor Enterprises, Inc., a subsidiary of Fluor Corporation, as a new construction subcontractor; and (ii) the Vogtle Co-Owners, CB&I, and Shaw have entered into mutual releases of any and all claims arising out of events or circumstances in connection with the construction of Vogtle Units 3&4 that occurred on or before the date of the Contractor Settlement Agreement. On January 5, 2016, the Vogtle Construction Litigation was dismissed with prejudice.

MEAG Power believes that giving effect to the payment of the Project Entities' shares of the settlement payment and the agreed-upon payment for the other open existing items relating to the scope of the project under the EPC Contract, including cyber security, described above, sufficient funds are available (consisting of amounts on deposit in various construction funds and accounts and projected earnings thereon and amounts remaining to be advanced under the DOE Guaranteed Loans, subject to the satisfaction of the conditions precedent to the making of such additional borrowings under the DOE Guaranteed Loans (Advances)) to pay 100% of the projected costs of acquisition and construction of the Vogtle Units 3&4 Projects (including the funding of reserves) and to provide a contingency in the amount of approximately $160.0 million, which contingency will be available to cover the Project Entities' shares of up to approximately $700.0 million of additional Vogtle Units 3&4 construction costs over current estimates (exclusive of financing costs).

MEAG Power expects that based on the current estimated in-service dates of June 30, 2019 for Vogtle Unit 3 and June 30, 2020 for Vogtle Unit 4, the Project Entities' estimated in-service cost will be approximately $4.4 billion, including construction costs, financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. Additional financing needs related to reserve funds and other fund deposits required under MEAG Power's and the Project Entities' financing documents result in total financing needs of $4.7 billion for the Vogtle Units 3&4 Projects, of which the following financing has been obtained: (i) $2.7 billion in the initial long-term financing in 2010; (ii) $1.1 billion from advances under DOE Guaranteed Loans; (iii) $185.2 million in Project J Bonds and $69.2 million in Project P Bonds issued in September 2015; (iv) $143.0 million in proceeds drawn under the Series 2010A Project P Notes, all of which was repaid in 2015; and (v) $90.8 million in proceeds drawn under the Series 2012A Project P Note (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities" and "– Project Borrowings from the Trust Funds" within that Note).

On January 21, 2016, GPC submitted the Contractor Settlement Agreement and the related amendment to the EPC Contract to the Georgia Public Service Commission (GPSC) for its review. In accordance with a GPSC order issued to GPC on February 2, 2016, on April 5, 2016 GPC filed supplemental information in support of the Contractor Settlement Agreement and GPC's position that all construction costs to date have been prudently incurred and that the current estimated in-service capital cost and schedule are reasonable. The order also permits the other Vogtle Co-Owners and parties other than the GPSC Staff (Staff) to file comments on GPC's supplemental information by May 5, 2016. MEAG Power expects that it will file comments on GPC's supplemental information by the date required. Following such filings under the order, the Staff will conduct a review of all costs incurred related to Vogtle Units 3&4, the schedule for completion of Vogtle Units 3&4, and the Contractor Settlement Agreement and the Staff is authorized to engage in related settlement discussions with GPC and any intervenors.

The order provides that the Staff is required to report to the GPSC by October 5, 2016 with respect to the status of its review and any settlement-related negotiations. If a settlement with the Staff is reached with respect to costs of Vogtle Units 3&4, the GPSC will then conduct a hearing to consider whether to approve that settlement. If a settlement with the Staff is not reached, the GPSC will determine how to proceed, including (i) modifying a 2013 stipulation between GPC and the Staff to waive the requirement to amend the Vogtle Units 3&4 certificate until the completion of Vogtle Unit 3, or earlier if deemed appropriate by the GPSC and GPC, (ii) directing GPC to file a request for an amendment to the certificate for Vogtle Units 3&4, (iii) issuing a scheduling order to address remaining disputed issues, or (iv) taking any other option within its authority.

Processes are in place that are designed to assure compliance with the requirements specified in the DCD and the COLs, including inspections by Southern Nuclear Operating Company, Inc., an affiliate of GPC and the operating agent for Vogtle Units 3&4, and the NRC that occur throughout construction. As a result of such compliance processes, certain license amendment requests have been filed and approved or are pending before the NRC. Various design and other licensing-based compliance issues may arise as construction proceeds, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Vogtle Co-Owners or the Contractor or to both.

As construction continues, the risk remains that challenges with Contractor performance including fabrication, assembly, delivery, and installation of the shield building and structural modules, delays in the receipt of the remaining permits necessary for the operation of Vogtle Units 3&4, or other issues could arise and may further impact the Vogtle Units 3&4 project schedule and cost.

Future claims by the Contractor or the Vogtle Co-Owners could arise throughout construction. These claims may be resolved through formal and informal dispute resolution procedures under the EPC Contract and, under the enhanced dispute resolution procedures, may be resolved through litigation after the completion of nuclear fuel load for both units.

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

For additional information related to Vogtle Units 3&4, see Note 1 (D), "The Organization – Vogtle Units 3&4 Projects and Project Entities."

FINANCING ACTIVITIES

During 2015, MEAG Power continued to implement strategies to further improve its competitive position and financial flexibility. These actions included: (1) obtaining $1.1 billion in advances of DOE Guaranteed Loans from the FFB to fund a portion of the acquisition and construction costs, as well as capitalized interest, of Vogtle Units 3&4 (see "Vogtle Units 3&4 Projects and Project Entities," as well as the table below), (2) promoting the benefits of deposits from the Participants into the New Generation and Capacity Funding account (see Note 1 (E), "The Organization – Trust Funds – Municipal Competitive Trust") to offset future costs of new generating projects, including Vogtle Units 3&4 and (3) undergoing a process to modernize the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution via a "springing lien" amendment, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Power Revenue Bonds and General Power Revenue Bonds."

MEAG Power issued the following long-term debt during 2015, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Subordinated Debt" and "– Financing of Vogtle Units 3&4 Projects and Project Entities" within that Note (in thousands):

2015 Month	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Telecom Project	Total Issued	Description
June	$ —	$ —	$ —	$1,136,841	$ —	$1,136,841	Initial advances of DOE Guaranteed Loans from the FFB to fund a portion of construction costs of Vogtle Units 3&4.
Various	—	—	—	7,146	—	7,146	Advances of DOE Guaranteed Loans from the FFB to pay capitalized interest on certain advances.
September	—	—	—	254,425	—	254,425	$185.2 million and $69.2 million in Project J and Project P bonds, respectively, to (i) finance a portion of the cost of acquisition and construction of Project J and Project P; (ii) fund certain capitalized interest on these bonds and (iii) fund debt service reserve accounts.
Various	—	—	—	13,247	—	13,247	Advances by the Competitive Trust to Project P, as an investment of funds on deposit in the Competitive Trust, to finance a portion of the costs of acquisition and construction and financing costs of Project P.
December	160,275	9,605	—	—	—	169,880	Subordinated bonds to finance certain capital improvements and refund certain other subordinated bonds and commercial paper.
Total	$160,275	$9,605	$ —	$1,411,659	$ —	$1,581,539	

Funds generated from operations are estimated to provide approximately 35%, 49%, and 44% of construction expenditures in the years 2016, 2017 and 2018, respectively, for Project One, the General Resolution Projects and the CC Project. The remaining expenditures will be met by issuing long-term bonds and utilizing MEAG Power's existing commercial paper (CP) program. Funds generated from operations from the Vogtle Units 3&4 Projects and Project Entities are not anticipated to begin until Vogtle Units 3&4 are placed into service. To meet short-term cash needs and contingencies, $237.0 million of unused credit was available through the Project P Credit Agreement and arrangements with banks (collectively, the Credit Arrangements) as of December 31, 2015, as described in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities" and "– Credit Agreements" within that Note.

The unenhanced ratings assigned to MEAG Power's senior lien and subordinated debt obligations as of December 31, 2015 were:

Project	Lien	Fitch Ratings	Moody's Investors Service	Standard & Poor's
Project One	Senior	A+	A1	A+
	Subordinated	A+	A2	A
General Resolution Projects	Senior	A+	A1	A+
	Subordinated	A+	A2	A
Combined Cycle Project	Senior	A+	A1	A
Vogtle Units 3&4 Projects:				
Project M	Senior	A+	A2	A+
Project J	Senior	A+	A2	A+
Project P	Senior	A-	Baa2	A-
Outlook/Trend (All Projects)		*	Stable	Stable

* Fitch Ratings' outlook on all project bonds is negative except for Project P bonds, which is stable.

LIQUIDITY AND CAPITAL RESOURCES

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

At December 31, 2015, MEAG Power had $3.7 billion of special funds deposits, of which $2.7 billion was available to fund various operating, construction, debt service and contingency requirements. Within the Competitive Trust, $627.2 million was invested and may be used by Participants to mitigate future billings. Investments in the Decommissioning Trust funds (see Note 2 (H), "Summary of Significant Accounting Policies and Practices – Asset Retirement Obligations and Decommissioning") totaled $413.5 million, and $226.9 million was invested in the EFRA. Within the Deferred Lease Financing Trust, $312.7 million was invested and may be used to fund a future lease purchase option. Committed Credit Arrangements with banks at December 31, 2015 totaled $759.8 million, of which $249.0 million provided liquidity support to $241.0 million of outstanding variable-rate demand obligations, $235.6 million supported $224.8 million of outstanding CP balances and $38.2 million was drawn on the Credit Arrangements, with the remaining $237.0 million available. The Credit Arrangements mature at various dates in 2016 through 2020, and management expects to renew or replace the facilities as needed prior to expiration. For additional information regarding available credit, see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities" and "– Credit Agreements" within that Note.

Net cash provided by MEAG Power during 2015 was $498.3 million. This increase in cash was due to net cash provided by operating activities of $379.3 million, as well as capital and related financing activities of $620.9 million. These inflows of cash were partially offset by net cash used in investing activities of $501.8 million.

Within investing activities, purchases of investment securities totaled $877.4 million. This outflow of cash was partially offset by sales and maturities of $293.4 million, contributions from the Participants to the Trust Funds of $53.0 million, distribution from alliance of $14.7 million and investment income receipts of $14.6 million.

The primary factor pertaining to capital and related financing activities was proceeds of $1.6 billion from DOE Guaranteed Loan advances, as well as long-term debt issuances. Voluntary Participant deposits to defray the future costs of new generation projects totaled $21.2 million. These inflows of cash were partially offset by retirement of long- and short-term debt, as well as lines of credit and net interest payments totaling $640.8 million. Property additions pertaining to Vogtle Units 3&4, equipment upgrades and replacements at the generating plants, as well as purchases of nuclear fuel totaled $327.3 million.

During 2016 through 2018, maturities of long-term debt and sinking fund redemptions are expected to total $598.2 million. These requirements will be included in the appropriate year's budgeted revenue requirements, as applicable, and collected from the Participants.

When considering the risks associated with liquidity and capital, MEAG Power is susceptible to changes in the interest rate environment. In rising interest rate markets, MEAG Power may be impacted by increases in costs associated with variable-rate subordinated debt and new debt issuances. These increases would be somewhat offset by increases in interest 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 interest earnings on some investments. To partially mitigate this risk, MEAG Power occasionally implements hedges that help to stabilize the impact of these interest rate fluctuations. In addition, MEAG Power maintains a relatively high credit rating and strong liquidity position, which provide access to competitive funding options.

Estimated construction and financing expenditures for Project One, the General Resolution Projects and the CC Project in total are estimated to be $130.4 million, $119.6 million and $163.1 million for the years 2016, 2017 and 2018, respectively. These expenditures are related to capital improvements at existing generating plants and investment in transmission facilities. Also included in the estimates are the costs necessary to comply with certain environmental regulations, as described in Note 8, "Commitments and Contingencies – Environmental Regulation." Estimated construction expenditures for Vogtle Units 3&4, including various contingencies and financing amounts for the years 2016 through 2018 are $1.4 billion. Actual construction costs may vary from the estimates because of factors such as changes in economic conditions; revised environmental regulations; changes to existing plants to meet regulatory requirements; updated load forecasts; and the cost of construction labor, equipment and materials. CWIP as of December 31, 2015 totaled $2.3 billion.

2015 CONSOLIDATED BALANCE SHEET

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
ASSETS (in thousands)								
Property, plant and equipment, at cost:								
In service	$ 3,197,046	$1,184,616	$ 330,918	$ —	$ —	$ 28,841	$ —	$ 4,741,421
Less accumulated depreciation	(1,692,008)	(562,825)	(111,317)	—	—	(22,288)	—	(2,388,438)
Property in service, net	1,505,038	621,791	219,601	—	—	6,553	—	2,352,983
Construction work in progress	121,385	27,410	139	2,128,424	—	—	—	2,277,358
Nuclear fuel, net of accumulated amortization	191,381	27,575	—	64,664	—	—	—	283,620
Total property, plant and equipment, net	1,817,804	676,776	219,740	2,193,088	—	6,553	—	4,913,961
Other non-current assets:								
Investment in Alliance	7,049	—	104	—	—	—	—	7,153
Special funds, including cash and cash equivalents	791,624	296,805	41,430	1,700,339	777,367	—	(546,839)	3,060,726
Other receivables	—	—	—	1,179,499	2,356	—	(1,179,499)	2,356
Net costs to be recovered from Participants	—	—	—	296,918	95,177	—	—	392,095
Unamortized bond issuance costs	9,602	3,230	1,047	48,509	—	—	—	62,388
Total other non-current assets	808,275	300,035	42,581	3,225,265	874,900	—	(1,726,338)	3,524,718
Current assets:								
Special funds, including cash and cash equivalents	260,619	125,465	25,885	104,363	162,512	898	—	679,742
Supplemental power account, including cash and cash equivalents	4,411	—	—	—	—	—	—	4,411
Securities lending collateral	2,087	244	—	—	—	—	—	2,331
Receivables from Participants	37,605	14,450	1,061	—	5,070	15	—	58,201
Other receivables	16,345	2,860	3,651	15,303	659	96	(14,687)	24,227
Fuel stocks, at average cost	13,650	15,946	—	—	—	—	—	29,596
Materials, supplies and other assets	83,779	15,717	5,888	156	—	—	—	105,540
Total current assets	418,496	174,682	36,485	119,822	168,241	1,009	(14,687)	904,048
Total assets	3,044,575	1,151,493	298,806	5,538,175	1,043,141	7,562	(1,741,025)	9,342,727
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivatives	63,147	—	5,216	—	—	—	—	68,363
Unamortized loss on refunded debt	13,886	5,652	6,772	—	—	—	—	26,310
Pensions	4,498	—	—	—	—	—	—	4,498
Total deferred outflows of resources	81,531	5,652	11,988	—	—	—	—	99,171
Total Assets and Deferred Outflows of Resources	$ 3,126,106	$1,157,145	$ 310,794	$5,538,175	$1,043,141	$ 7,562	$(1,741,025)	$ 9,441,898

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

2015 CONSOLIDATED BALANCE SHEET

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
LIABILITIES (in thousands)								
Long-term debt:								
Power Revenue bonds	$ 339,505	$ —	$ —	$ —	$ —	$ —	$ —	$ 339,505
General Power Revenue bonds	—	161,085	—	—	—	—	—	161,085
Combined Cycle Project Revenue bonds	—	—	169,520	—	—	—	—	169,520
Vogtle Units 3&4 Projects' Revenue bonds	—	—	—	3,013,071	—	—	(90,771)	2,922,300
DOE Guaranteed Loans	—	—	—	1,143,987	—	—	—	1,143,987
Unamortized (discount) premium, net	17,112	2,617	9,903	12,676	—	—	—	42,308
Total Revenue bonds and DOE Guaranteed Loans	356,617	163,702	179,423	4,169,734	—	—	(90,771)	4,778,705
Subordinated debt	1,802,053	654,267	—	—	—	—	(456,068)	2,000,252
Unamortized (discount) premium, net	51,470	2,982	—	—	—	—	—	54,452
Total subordinated debt	1,853,523	657,249	—	—	—	—	(456,068)	2,054,704
Total long-term debt	2,210,140	820,951	179,423	4,169,734	—	—	(546,839)	6,833,409
Non-current liabilities:								
Lease finance obligation	—	—	—	—	407,866	—	—	407,866
Asset retirement obligations	426,098	60,781	—	—	—	—	—	486,879
Competitive Trust obligations	—	—	—	—	245,550	—	—	245,550
Other	65,595	2,042	—	1,229,828	97	—	(1,179,499)	118,063
Total non-current liabilities	491,693	62,823	—	1,229,828	653,513	—	(1,179,499)	1,258,358
Current liabilities:								
Accounts payable	66,769	18,391	14,226	8,849	6,430	110	(14,687)	100,088
Construction liabilities	9,282	2,312	—	74,085	—	—	—	85,679
Securities lending collateral	2,112	247	—	—	—	—	—	2,359
Current portion of long-term debt	192,547	56,953	14,305	—	—	—	—	263,805
Lines of credit and other short-term debt	—	1,651	36,590	—	—	—	—	38,241
Competitive Trust obligations	—	—	—	—	383,198	—	—	383,198
Accrued interest	42,957	12,059	1,479	55,679	—	—	—	112,174
Total current liabilities	313,667	91,613	66,600	138,613	389,628	110	(14,687)	985,544
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	3,015,500	975,387	246,023	5,538,175	1,043,141	110	(1,741,025)	9,077,311
Deferred inflows of resources	110,606	181,758	64,771	—	—	7,452	—	364,587
Total Liabilities and Deferred Inflows of Resources	$3,126,106	$1,157,145	$310,794	$5,538,175	$1,043,141	$7,562	$(1,741,025)	$9,441,898

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

2015 CONSOLIDATED STATEMENT OF NET REVENUES

For the Year Ended December 31, 2015 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Revenues:								
Participant	**$314,778**	**$133,965**	**$74,046**	**$ —**	**$ —**	**$ 921**	**$ —**	**$ 523,710**
Other	**63,227**	**40,244**	**15,667**	**—**	**—**	**105**	**—**	**119,243**
Total revenues	**378,005**	**174,209**	**89,713**	**—**	**—**	**1,026**	**—**	**642,953**
Operating expenses:								
Fuel	**97,028**	**60,620**	**48,640**	**—**	**—**	**—**	**—**	**206,288**
Purchased power	**32,353**	**—**	**—**	**—**	**—**	**—**	**—**	**32,353**
Other generating and operating expense	**153,069**	**56,842**	**22,771**	**—**	**68**	**213**	**—**	**232,963**
Transmission	**14,733**	**—**	**—**	**—**	**—**	**—**	**—**	**14,733**
Depreciation and amortization	**73,345**	**23,923**	**9,794**	**—**	**—**	**726**	**—**	**107,788**
Competitive Trust funding	**(77,159)**	**—**	**—**	**—**	**77,159**	**—**	**—**	**—**
Total operating expenses	**293,369**	**141,385**	**81,205**	**—**	**77,227**	**939**	**—**	**594,125**
Net operating revenues (loss)	**84,636**	**32,824**	**8,508**	**—**	**(77,227)**	**87**	**—**	**48,828**
Interest expense (income), net:								
Interest expense	**106,657**	**37,706**	**11,263**	**198,042**	**—**	**78**	**(20,057)**	**333,689**
Amortization of debt discount and expense	**(7,836)**	**(950)**	**(2,482)**	**(61)**	**17,633**	**10**	**—**	**6,314**
Investment income	**(12,553)**	**(4,961)**	**(378)**	**(7,563)**	**(21,025)**	**(1)**	**20,057**	**(26,424)**
Net change in the fair value of financial instruments	**5,455**	**1,369**	**105**	**3,819**	**335**	**—**	**—**	**11,083**
Interest capitalized	**(7,087)**	**(340)**	**—**	**(80,076)**	**—**	**—**	**—**	**(87,503)**
U.S. Treasury cash subsidy on Build America Bonds	**—**	**—**	**—**	**(57,057)**	**—**	**—**	**—**	**(57,057)**
Total interest expense (income), net	**84,636**	**32,824**	**8,508**	**57,104**	**(3,057)**	**87**	**—**	**180,102**
Change in:								
Net costs to be recovered from Participants	**—**	**—**	**—**	**(57,104)**	**—**	**—**	**—**	**(57,104)**
Competitive Trust obligations	**—**	**—**	**—**	**—**	**(74,170)**	**—**	**—**	**(74,170)**
Total change in net costs to be recovered from Participants or Competitive Trust obligations	**—**	**—**	**—**	**(57,104)**	**(74,170)**	**—**	**—**	**(131,274)**
Net Revenues	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

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

2015 CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	**$ 413,527**	**$ 191,379**	**$ 88,258**	**$ —**	**$ (573)**	**$ 1,705**	**$ —**	**$ 694,296**
Cash received from others	**53,594**	**41,575**	**14,321**	**—**	**—**	**121**	**—**	**109,611**
Cash paid for operating expenses	**(244,629)**	**(109,127)**	**(70,412)**	**—**	**(233)**	**(221)**	**—**	**(424,622)**
Competitive Trust funding	**77,159**	**—**	**—**	**—**	**(77,159)**	**—**	**—**	**—**
Net cash provided by (used in) operating activities	**299,651**	**123,827**	**32,167**	**—**	**(77,965)**	**1,605**	**—**	**379,285**
Cash flows from investing activities:								
Sales and maturities of investment securities	**121,050**	**36,434**	**5,248**	**27,362**	**103,327**	**—**	**—**	**293,421**
Purchase of investment securities	**(454,691)**	**(142,754)**	**(9,202)**	**(258,890)**	**(11,869)**	**—**	**—**	**(877,406)**
Investment income receipts	**12,436**	**4,943**	**410**	**9,187**	**7,614**		**(20,057)**	**14,533**
Distribution from Alliance	**14,661**	**—**	**—**	**—**	**—**	**—**	**—**	**14,661**
Contributions from Participants	**—**	**—**	**—**	**—**	**52,978**	**—**	**—**	**52,978**
Net cash (used in) provided by investing activities	**(306,544)**	**(101,377)**	**(3,544)**	**(222,341)**	**152,050**	**—**	**(20,057)**	**(501,813)**
Cash flows from capital and related financing activities:								
Property additions	**(133,939)**	**(25,207)**	**(242)**	**(167,912)**	**—**	**—**	**—**	**(327,300)**
Proceeds from issuance of long-term debt	**182,222**	**4,243**	**—**	**1,381,253**	**—**	**—**	**—**	**1,567,718**
Retirement of long-term debt	**(160,916)**	**(84,628)**	**(13,950)**	**—**	**—**	**(2,675)**	**—**	**(262,169)**
Interest payments	**(98,726)**	**(26,786)**	**(9,811)**	**(186,914)**	**—**	**(78)**	**20,057**	**(302,258)**
Net payments on lines of credit and other short-term debt	**—**	**300**	**(3,920)**	**(129,724)**	**—**	**—**	**—**	**(133,344)**
U.S. Treasury cash subsidy on Build America Bonds	**—**	**—**	**—**	**56,995**	**—**	**—**	**—**	**56,995**
Advance payments from Participants for New Generation and Capacity Funding	**—**	**—**	**—**	**—**	**21,209**	**—**	**—**	**21,209**
Net cash provided by (used in) capital and related financing activities	**(211,359)**	**(132,078)**	**(27,923)**	**953,698**	**21,209**	**(2,753)**	**20,057**	**620,851**
Increase (decrease) in cash and cash equivalents	**(218,252)**	**(109,628)**	**700**	**731,357**	**95,294**	**(1,148)**	**—**	**498,323**
Cash and cash equivalents at beginning of year	**775,958**	**364,904**	**52,324**	**743,188**	**92,545**	**2,046**	**—**	**2,030,965**
Cash and cash equivalents at end of year	**557,706**	**255,276**	**53,024**	**1,474,545**	**187,839**	**898**	**—**	**2,529,288**
Other investment securities and accrued interest receivable at end of year	**501,035**	**167,238**	**14,291**	**330,157**	**752,040**	**—**	**(546,839)**	**1,217,922**
Special funds, Supplemental power account and Securities lending collateral at end of year	**$1,058,741**	**$ 422,514**	**$ 67,315**	**$1,804,702**	**$939,879**	**$ 898**	**$(546,839)**	**$3,747,210**
Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities:								
Net operating revenues (loss)	**$ 84,636**	**$ 32,824**	**$ 8,508**	**$ —**	**$ (77,227)**	**$ 87**	**$ —**	**$ 48,828**
Adjustments to reconcile net operating revenues (loss) to net cash from operating activities:								
Depreciation and amortization	**127,501**	**31,999**	**9,794**	**—**	**—**	**726**	**—**	**170,020**
Deferred inflows of resources	**90,542**	**54,108**	**9,452**	**—**	**—**	**634**	**—**	**154,736**
Share of net revenues from Alliance	**(13,417)**	**—**	**—**	**—**	**—**	**—**	**—**	**(13,417)**
Change in current assets and liabilities:								
Accounts receivable	**2,115**	**3,078**	**1,845**	**—**	**(573)**	**141**	**—**	**6,606**
Fuel stocks	**4,181**	**1,963**	**—**	**—**	**—**	**—**	**—**	**6,144**
Materials, supplies and other assets	**(10,224)**	**(2,107)**	**2,323**	**—**	**—**	**—**	**—**	**(10,008)**
Accounts payable and other liabilities	**14,317**	**1,962**	**245**	**—**	**(165)**	**17**	**—**	**16,376**
Net cash provided by (used in) operating activities	**$ 299,651**	**$ 123,827**	**$ 32,167**	**$ —**	**$ (77,965)**	**$ 1,605**	**$ —**	**$ 379,285**

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

2014 CONSOLIDATED BALANCE SHEET

December 31, 2014	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects	Trust Funds	Telecom Project	Eliminations	Total
ASSETS (in thousands)								
Property, plant and equipment, at cost:								
In service	$ 3,125,391	$ 1,177,515	$ 330,209	$ —	$ —	$ 28,841	$ —	$ 4,661,956
Less accumulated depreciation	(1,646,867)	(547,124)	(101,522)	—	—	(21,562)	—	(2,317,075)
Property in service, net	1,478,524	630,391	228,687	—	—	7,279	—	2,344,881
Construction work in progress	95,123	24,101	606	1,833,819	—	—	—	1,953,649
Nuclear fuel, net of accumulated amortization	188,658	26,356	—	62,042	—	—	—	277,056
Total property, plant and equipment, net	1,762,305	680,848	229,293	1,895,861	—	7,279	—	4,575,586
Other non-current assets:								
Investment in Alliance	8,293	—	104	—	—	—	—	8,397
Special funds, including cash and cash equivalents	685,221	281,775	39,797	844,378	677,942	—	(404,233)	2,124,880
Other receivables	—	—	—	—	2,023	—	—	2,023
Net costs to be recovered from Participants	—	—	—	239,813	96,635	—	—	336,448
Unamortized bond issuance costs	10,481	3,698	1,255	20,885	—	—	—	36,319
Total other non-current assets	703,995	285,473	41,156	1,105,076	776,600	—	(404,233)	2,508,067
Current assets:								
Special funds, including cash and cash equivalents	256,017	145,572	23,000	2,881	256,253	2,046	(122,968)	562,801
Supplemental power account, including cash and cash equivalents	5,380	—	—	—	—	—	—	5,380
Securities lending collateral	7,254	846	—	—	—	—	—	8,100
Receivables from Participants	35,936	16,197	4,039	—	5,900	137	—	62,209
Other receivables	20,129	4,191	2,731	14,323	418	116	(14,256)	27,652
Fuel stocks, at average cost	17,831	17,909	—	—	—	—	—	35,740
Materials, supplies and other assets	70,857	13,627	9,022	220	—	—	—	93,726
Total current assets	413,404	198,342	38,792	17,424	262,571	2,299	(137,224)	795,608
Total assets	2,879,704	1,164,663	309,241	3,018,361	1,039,171	9,578	(541,457)	7,879,261
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivatives	58,294	—	4,406	—	—	50	—	62,750
Unamortized loss on refunded debt	17,031	7,954	8,326	—	—	10	—	33,321
Total deferred outflows of resources	75,325	7,954	12,732	—	—	60	—	96,071
Total Assets and Deferred Outflows of Resources	$ 2,955,029	$ 1,172,617	$ 321,973	$ 3,018,361	$ 1,039,171	$ 9,638	$ (541,457)	$ 7,975,332

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

2014 CONSOLIDATED BALANCE SHEET

December 31, 2014	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects	Trust Funds	Telecom Project	Eliminations	Total
LIABILITIES (in thousands)								
Long-term debt:								
Power Revenue bonds	$ 416,365	$ —	$ —	$ —	$ —	$ —	$ —	$ 416,365
General Power Revenue bonds	—	205,860	—	—	—	—	—	205,860
Combined Cycle Project Revenue bonds	—	—	183,825	—	—	—	—	183,825
Vogtle Units 3&4 Projects' Revenue bonds	—	—	—	2,667,875	—	—	—	2,667,875
Telecommunications Project Revenue bonds	—	—	—	—	—	—	—	—
Unamortized (discount) premium, net	19,457	4,196	12,592	2,272	—	—	—	38,517
Total Revenue bonds	435,822	210,056	196,417	2,670,147	—	—	—	3,512,442
Subordinated debt	1,734,082	652,100	—	—	—	—	(404,233)	1,981,949
Unamortized (discount) premium, net	36,757	3,490	—	—	—	—	—	40,247
Total subordinated debt	1,770,839	655,590	—	—	—	—	(404,233)	2,022,196
Total long-term debt	2,206,661	865,646	196,417	2,670,147	—	—	(404,233)	5,534,638
Non-current liabilities:								
Lease finance obligation	—	—	—	—	390,232	—	—	390,232
Asset retirement obligations	389,432	57,758	—	—	—	—	—	447,190
Competitive Trust obligations	—	—	—	—	284,518	—	—	284,518
Other	62,989	2,455	—	41,628	97	50	—	107,219
Total non-current liabilities	452,421	60,213	—	41,628	674,847	50	—	1,229,159
Current liabilities:								
Accounts payable	55,480	16,449	14,194	6,626	7,798	94	(14,256)	86,385
Construction liabilities	(1,748)	2,954	—	34,915	—	—	—	36,121
Securities lending collateral	7,290	851	—	—	—	—	—	8,141
Current portion of long-term debt	175,276	83,961	13,950	—	—	2,675	(45,444)	230,418
Lines of credit and other short-term debt	—	1,351	40,510	220,495	—	—	(77,524)	184,832
Competitive Trust obligations	—	—	—	—	356,526	—	—	356,526
Accrued interest	46,990	13,752	1,583	44,550	—	1	—	106,876
Total current liabilities	283,288	119,318	70,237	306,586	364,324	2,770	(137,224)	1,009,299
Commitments and contingencies (Note 8)	—	—	—	—	—	—	—	—
Total liabilities	2,942,370	1,045,177	266,654	3,018,361	1,039,171	2,820	(541,457)	7,773,096
Deferred inflows of resources	12,659	127,440	55,319	—	—	6,818	—	202,236
Total Liabilities and Deferred Inflows of Resources	$2,955,029	$1,172,617	$321,973	$3,018,361	$1,039,171	$9,638	$(541,457)	$7,975,332

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

2014 CONSOLIDATED STATEMENT OF NET REVENUES

For the Year Ended December 31, 2014 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects	Trust Funds	Telecom Project	Eliminations	Total
Revenues:								
Participant	$392,552	$144,550	$ 83,069	$ —	$ —	$1,037	$ —	$621,208
Other	70,039	39,305	17,925	—	—	94	—	127,363
Total revenues	462,591	183,855	100,994	—	—	1,131	—	748,571
Operating expenses:								
Fuel	104,059	71,475	36,969	—	—	—	—	212,503
Purchased power	35,697	—	—	—	—	—	—	35,697
Other generating and operating expense	156,728	62,143	44,619	—	87	231	—	263,808
Transmission	18,330	—	—	—	—	—	—	18,330
Depreciation and amortization	71,630	23,126	10,792	—	—	727	—	106,275
Competitive Trust funding	(93,576)	—	—	—	93,576	—	—	—
Total operating expenses	292,868	156,744	92,380	—	93,663	958	—	636,613
Net operating revenues (loss)	169,723	27,111	8,614	—	(93,663)	173	—	111,958
Interest expense (income), net:								
Interest expense	113,983	40,827	11,924	179,804	—	154	(19,071)	327,621
Amortization of debt discount and expense	(7,868)	(865)	(2,803)	17	16,871	19	—	5,371
Investment income	(15,023)	(4,928)	(414)	(12,296)	(20,426)	—	19,071	(34,016)
Net change in the fair value of financial instruments	(14,930)	(7,575)	(93)	5,925	(748)	—	—	(17,421)
Interest capitalized	(6,799)	(348)	—	(68,882)	—	—	—	(76,029)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	(57,057)	—	—	—	(57,057)
Total interest expense (income), net	69,363	27,111	8,614	47,511	(4,303)	173	—	148,469
Change in:								
Net costs to be recovered from Participants	100,360	—	—	(47,511)	—	—	—	52,849
Competitive Trust obligations	—	—	—	—	(89,360)	—	—	(89,360)
Total change in net costs to be recovered from Participants or Competitive Trust obligations	100,360	—	—	(47,511)	(89,360)	—	—	(36,511)
Net Revenues	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

2014 CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014 (in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects	Trust Funds	Telecom Project	Eliminations	Total
Cash flows from operating activities:								
Cash received from Participants	$ 404,644	$ 225,183	$ 69,586	$ —	$ (664)	$ 1,543	$ —	$ 700,292
Cash received from others	39,310	37,802	16,658	—	—	77	—	93,847
Cash paid for operating expenses	(252,415)	(124,804)	(76,646)	—	(255)	(221)	—	(454,341)
Competitive Trust funding	93,576	—	—	—	(93,576)	—	—	—
Net cash provided by (used in) operating activities	285,115	138,181	9,598	—	(94,495)	1,399	—	339,798
Cash flows from investing activities:								
Sales and maturities of investment securities	751,733	331,614	54,269	1,243,809	45,821	700	—	2,427,946
Purchase of investment securities	(482,297)	(204,260)	(25,997)	(551,955)	(55,213)	(700)	—	(1,320,422)
Investment income receipts	12,518	4,857	433	19,361	8,663	—	(19,071)	26,761
Distribution from Alliance	25,255	—	—	—	—	—	—	25,255
Contributions from Participants	—	—	—	—	54,117	—	—	54,117
Net cash provided by (used in) investing activities	307,209	132,211	28,705	711,215	53,388	—	(19,071)	1,213,657
Cash flows from capital and related financing activities:								
Property additions	(129,762)	(28,108)	(1,930)	(228,191)	—	—	—	(387,991)
Net proceeds from lines of credit and other short-term debt	—	600	(3,770)	32,112	—	—	—	28,942
Proceeds from issuance of long-term debt	4,856	29	21	—	—	—	—	4,906
Retirement of long-term debt	(148,195)	(49,450)	(13,655)	—	—	(1,255)	—	(212,555)
Interest payments	(106,011)	(29,782)	(10,304)	(179,792)	—	(154)	19,071	(306,972)
U.S. Treasury cash subsidy on Build America Bonds	—	—	—	57,057	—	—	—	57,057
Advance payments from Participants for New Generation and Capacity Funding	—	—	—	—	26,067	—	—	26,067
Net cash (used in) provided by capital and related financing activities	(379,112)	(106,711)	(29,638)	(318,814)	26,067	(1,409)	19,071	(790,546)
Increase (decrease) in cash and cash equivalents	213,212	163,681	8,665	392,401	(15,040)	(10)	—	762,909
Cash and cash equivalents at beginning of year	562,746	201,223	43,659	350,787	107,585	2,056	—	1,268,056
Cash and cash equivalents at end of year	775,958	364,904	52,324	743,188	92,545	2,046	—	2,030,965
Other investment securities and accrued interest receivable at end of year	177,914	63,289	10,473	104,071	841,650	—	(527,201)	670,196
Special funds, Supplemental power account and Securities lending collateral at end of year	$ 953,872	$ 428,193	$ 62,797	$ 847,259	$934,195	$ 2,046	$(527,201)	$2,701,161
Reconciliation of net operating revenues (loss) to net cash provided by (used in) operating activities:								
Net operating revenues (loss)	$ 169,723	$ 27,111	$ 8,614	$ —	$ (93,663)	$ 173	$ —	$ 111,958
Adjustments to reconcile net operating revenues (loss) to net cash from operating activities:								
Depreciation and amortization	123,694	30,507	10,792	—	—	727	—	165,720
Share of net revenues from Alliance	(26,807)	—	—	—	—	—	—	(26,807)
Change in current assets and liabilities:								
Accounts receivable	(1,590)	14	(5,432)	—	(664)	(16)	—	(7,688)
Fuel stocks	3,003	(314)	—	—	—	—	—	2,689
Materials, supplies and other assets	(4,829)	(414)	277	—	—	—	—	(4,966)
Accounts payable and other liabilities	5,229	2,743	4,714	—	(168)	(44)	—	12,474
Deferred inflows of resources	16,692	78,534	(9,367)	—	—	559	—	86,418
Net cash provided by (used in) operating activities	$ 285,115	$ 138,181	$ 9,598	$ —	$(94,495)	$ 1,399	$ —	$ 339,798

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

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

MEAG Power's assets include ownership interests in ten electric generating units, which all have been placed in service. In addition, MEAG Power may purchase from, sell to or exchange with other bulk electric suppliers additional capacity and energy in order to enhance the Participants' bulk power supply. MEAG Power's ownership interests in those ten generating units represent 2,069 megawatts (MW) of nominally rated generating capacity, consisting of 808 MW of nuclear-fueled capacity, 750 MW of coal-fired capacity, 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 Plant Vogtle, Unit Nos. 3 (Vogtle Unit 3) and 4 (Vogtle Unit 4) (collectively, Vogtle Units 3&4), which represent 500 MW of nominally rated generating capacity. MEAG Power also owns transmission facilities that, together with those of other utilities, form a statewide, integrated transmission system (ITS).

MEAG Power is comprised of the following reporting components, all defined herein:

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

(B) Project One and the General Resolution Projects

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

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

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

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

Inter-Participant agreements (IP agreements) are utilized by the Participants to improve their respective power supply resource mix. Four Participants have entered into long-term, life-of-the-facility IP agreements to sell the rights to a portion of their Project One output (Selling Participants) to three other Participants. The obligation of the Selling Participants to pay their share of the operating and debt service costs under their Project One Power Sales Contract is not affected.

(C) Combined Cycle Project

The Combined Cycle Project (CC Project) is wholly owned by MEAG Power and consists of a gas-fired and steam-driven combined cycle power plant that has a nominal summer capacity of 503 MW. It is also known as the Wansley Combined Cycle Facility (CC Facility). 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

General

As described below, 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. Since all of the capacity of MEAG Power's ownership interest in Vogtle Units 3&4 was not expected to be needed by the Participants initially, MEAG Power structured its ownership interest in Vogtle Units 3&4 into three separate projects, as described in the "Structure, Financing and DOE Guaranteed Loans" section in these Notes to Consolidated Financial Statements (Notes). On June 24, 2015, in order to permit the Vogtle Units 3&4 Project Entities to obtain DOE Guaranteed Loans (also described and defined in the "Structure, Financing and DOE Guaranteed Loans" section of this Note), MEAG Power divided its undivided ownership interest in Vogtle Units 3&4 into three separate undivided interests and transferred such interests to the Vogtle Units 3&4 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 Plant 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's interest in Vogtle Units 3&4 is held by the Vogtle Units 3&4 Project Entities, which are special-purpose, limited-liability subsidiaries and wholly-owned by MEAG Power. Vogtle Units 3&4 are scheduled to begin commercial operation in the second quarters of 2019 and 2020, respectively.

In order to meet an expected increase in the aggregate baseload capacity and energy demands of certain of the Participants in the coming years, MEAG Power entered into agreements with the other Original Vogtle Co-Owners that provide for the development, construction, licensing and operation of Vogtle Units 3&4. In 2005, the Original Vogtle Co-Owners entered into a joint agreement authorizing the potential expansion of up to two additional nuclear units at Plant Vogtle (the Vogtle Units 3&4 Development Agreement), and in 2006, the Original Vogtle Co-Owners entered into ownership, operating and administrative agreements (the Vogtle Units 3&4 Ownership Agreement, the Vogtle Operating Agreement and the Nuclear Managing Board Agreement, respectively) pertaining to Vogtle Units 3&4. 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.

Structure, Financing and DOE Guaranteed Loans

Vogtle Units 3&4 Projects

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

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

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

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

Following the twentieth anniversary of the commercial operation date of each of Vogtle Units 3&4, the output and services of Project J and Project P derived from such units shall be provided to the 39 Participants who have executed take-or-pay Power Sales Contracts for Project J and Project P (the Project J and Project P Participants, respectively, and, together with the Project M Participants, hereinafter referred to as the Vogtle Units 3&4 Participants). At such time, the Project J and Project P Participants become responsible for payment of their respective shares of all of MEAG Power's costs relating to Project J and Project P. 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.

Financing and DOE Loan Guarantee Program

In 2010, MEAG Power issued long-term financing for the Vogtle Units 3&4 Projects totaling $2.7 billion to finance a portion of the acquisition and construction costs of Vogtle Units 3&4 and to redeem certain Vogtle Units 3&4 Projects' bond anticipation notes (BANs). Also in 2010, MEAG Power entered into a credit agreement to finance a portion of the costs of acquisition and construction and financing costs of Project P (see Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities").

In order to provide a potential source of financing for its interest in Vogtle Units 3&4 and augment its financing alternatives, in 2008 MEAG Power submitted an application to the U.S. Department of Energy (DOE) for loans guaranteed by DOE pursuant to the Federal loan guarantee solicitation for nuclear projects employing new or significantly improved technology issued under Title XVII of the Energy Policy Act of 2005. DOE selected Vogtle Units 3&4 as such a nuclear project and issued a conditional commitment (Conditional Commitment) to MEAG Power for DOE-guaranteed loans.

The Conditional Commitment provided that DOE would guarantee three separate 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 (referred to therein as the "Project Entities" and described below). The DOE-guaranteed loans could be in the aggregate principal amount including capitalized interest of up to $1.8 billion for the Vogtle Units 3&4 Projects (DOE Guaranteed Loans), with the maximum available DOE Guaranteed Loans subject to certain individual caps. Among other conditions, the Conditional Commitment required that each Project Entity's DOE-guaranteed loan be secured by a first-priority perfected security interest in, among other things, such Project Entity's undivided ownership interest in Vogtle Units 3&4.

Vogtle Units 3&4 Project Entities

On June 24, 2015, in order to permit the Vogtle Units 3&4 Project Entities to obtain $1.1 billion in initial advances of DOE Guaranteed Loans from the FFB, MEAG Power divided its undivided ownership interest in Vogtle Units 3&4, as specified above in the "Vogtle Units 3&4 Projects" section of this Note, into three separate undivided interests and transferred such interests and nominally rated generating capacity to the following 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 the Vogtle Units 3&4 Development Agreement, the Vogtle Units 3&4 Ownership Agreement, the Vogtle Operating Agreement and the Nuclear Managing Board Agreement in order to, among other things, permit MEAG Power to assign to the Project Entities, and permit the Project Entities to assume, MEAG Power's rights and obligations thereunder with respect to Vogtle Units 3&4. As a result of such assignment and assumption, the term Vogtle Co-Owners includes GPC, OPC, Dalton and the Project Entities, and does not include MEAG Power.

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

Technology, Construction and Licensing

In 2008, GPC, on behalf of itself and the other Original Vogtle Co-Owners, entered into an Engineering, Procurement and Construction Contract (EPC Contract) with a consortium consisting of Westinghouse and Stone & Webster, Inc., a subsidiary of The Shaw Group Inc. (Shaw), which was acquired by Chicago Bridge & Iron Company N.V. (CB&I) (Westinghouse and Stone & Webster, Inc. are referred to herein collectively as the Contractor). As a result of MEAG Power's transfer of its ownership interest in Vogtle Units 3&4 to the Project Entities as described in the "Structure, Financing and DOE Guaranteed Loans" section of this Note, the Project Entities have assumed MEAG Power's rights and obligations under the EPC Contract, in proportion to their respective undivided ownership interests in Vogtle Units 3&4. Pursuant to the EPC Contract, the Contractor agreed to design, engineer, procure, construct and test two AP1000 nuclear units (with electric generating capacity of approximately 1,100 MWs each) and related facilities at Plant Vogtle.

Under the terms of the EPC Contract, the Vogtle Co-Owners agreed to pay a purchase price that is subject to certain price escalations and adjustments, including fixed escalation amounts and index-based adjustments, as well as adjustments for change orders, and performance bonuses for early completion and unit performance. The EPC Contract also provides for liquidated damages upon the Contractor's failure to fulfill the schedule and performance guarantees, subject to a cap. In addition, the EPC Contract provides for limited cost sharing by the Vogtle Co-Owners for Contractor costs under certain conditions (which have not occurred), with maximum additional capital costs under this provision attributable to the Project Entities (based on their respective ownership interests) of approximately $56.8 million. Each Vogtle Co-Owner is severally (and not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to the Contractor under the EPC Contract. The Project Entities' aggregate proportionate share is 22.7%.

On December 31, 2015, Westinghouse acquired Stone & Webster, Inc. from CB&I (the Acquisition). In connection with the Acquisition, Stone & Webster, Inc. changed its name to WECTEC Global Project Services Inc. Certain obligations of Westinghouse and Stone & Webster, Inc. had been guaranteed by Toshiba Corporation (Toshiba), Westinghouse's parent company, and Shaw, respectively. On March 9, 2016, in connection with the Acquisition and pursuant to the settlement agreement described below, the guarantee of Shaw was terminated. The guarantee of Toshiba remains in place. Additionally, as a result of recent credit rating downgrades of Toshiba, Westinghouse has provided the Vogtle Co-Owners with letters of credit in an aggregate amount of $920 million in accordance with, and subject to adjustment under, the terms of the EPC Contract.

In the event of certain credit rating downgrades of any Vogtle Co-Owner, such Vogtle Co-Owner will be required to provide a letter of credit or other credit enhancement.

The Vogtle Co-Owners may terminate the EPC Contract at any time for their convenience, provided that the Vogtle Co-Owners will be required to pay certain termination costs. The Contractor may terminate the EPC Contract under certain circumstances, including certain Vogtle Co-Owner suspension or delays of work, action by a governmental authority to permanently stop work, certain breaches of the EPC Contract by the Vogtle Co-Owners, Vogtle Co-Owner insolvency, and certain other events.

In 2009, the Nuclear Regulatory Commission (NRC) issued an Early Site Permit and Limited Work Authorization, which allowed limited work to begin on Vogtle Units 3&4. The NRC certified the Westinghouse Design Control Document, as amended (DCD), for the AP1000 nuclear reactor design in late 2011, and issued Combined Construction and Operating Licenses (COLs) for Vogtle Units 3&4 in early 2012. Receipt of the COLs allowed full construction to begin. There have been technical and procedural challenges to the construction and licensing of Vogtle Units 3&4, at the federal and state level, and additional challenges may arise as construction proceeds.

In 2012, the Original Vogtle Co-Owners and the Contractor commenced litigation regarding the costs associated with design changes to the DCD and the delays in the timing of approval of the DCD and issuance of the COLs, including the assertion by the Contractor that the Original Vogtle Co-Owners are responsible for these costs under the terms of the EPC Contract. The Contractor also asserted that it was entitled to extensions of the guaranteed substantial completion dates of April 2016 and April 2017 for Vogtle Unit 3 and Vogtle Unit 4, respectively. In May 2014, the Contractor filed an amended claim alleging that (i) the design changes to the DCD imposed by the NRC delayed module production and the impacts to the Contractor are recoverable by the Contractor under the EPC Contract and (ii) the changes to the basemat rebar design required by the NRC caused additional costs and delays recoverable by the Contractor under the EPC Contract. In June 2015, the Contractor updated its estimated damages to an aggregate (based on the Project Entities' aggregate 22.7% ownership interest) of approximately $289.0 million (in 2015 dollars). The case was pending in the U.S. District Court for the Southern District of Georgia (the Vogtle Construction Litigation).

On December 31, 2015, Westinghouse and the Vogtle Co-Owners entered into a definitive settlement agreement (the Contractor Settlement Agreement) to resolve disputes between the Vogtle Co-Owners and the Contractor under the EPC Contract, including the Vogtle Construction Litigation. Effective December 31, 2015, GPC, acting for itself and as agent for the other Vogtle Co-Owners, and the Contractor entered into an amendment to the EPC Contract to implement the Contractor Settlement Agreement. The Contractor Settlement Agreement and the related amendment to the EPC Contract (i) restrict the Contractor's ability to seek further increases in the contract price by clarifying and limiting the circumstances that constitute nuclear regulatory changes in law; (ii) provide for enhanced dispute resolution procedures; (iii) revise the guaranteed substantial completion dates to match the current estimated in-service dates of June 30, 2019 for Vogtle Unit 3 and June 30, 2020 for Vogtle Unit 4; (iv) provide that delay liquidated damages will now commence from the current estimated nuclear fuel loading date for each unit, which is December 31, 2018 for Vogtle Unit 3 and December 31, 2019 for Vogtle Unit 4, rather than the original guaranteed substantial completion dates under the EPC Contract; and (v) provide that the Project Entities, based on their aggregate 22.7% ownership interest, will pay to the Contractor approximately $174.0 million, of which approximately $60.0 million has been paid previously under the dispute resolution procedures of the EPC Contract. Further, subsequent to December 31, 2015, the Project Entities paid approximately $60.0 million under the terms of the Contractor Settlement Agreement. In addition, the Contractor Settlement Agreement provides for the resolution of other open existing items relating to the scope of the project under the EPC Contract, including cyber security, for which costs were reflected in the Project Entities' previously disclosed in-service cost estimate. Further, as part of the settlement and in connection with the Acquisition: (i) Westinghouse has engaged Fluor Enterprises, Inc., a subsidiary of Fluor Corporation, as a new construction subcontractor; and (ii) the Vogtle Co-Owners, CB&I, and Shaw have entered into mutual releases of any and all claims arising out of events or circumstances in connection with the construction of Vogtle Units 3&4 that occurred on or before the date of the Contractor Settlement Agreement. On January 5, 2016, the Vogtle Construction Litigation was dismissed with prejudice.

MEAG Power believes that giving effect to the payment of the Project Entities' shares of the settlement payment and the agreed-upon payment for the other open existing items relating to the scope of the project under the EPC Contract, including cyber security, described above, sufficient funds are available (consisting of amounts on deposit in various construction funds and accounts and projected earnings thereon and amounts remaining to be advanced under the DOE Guaranteed Loans, subject to the satisfaction of the conditions precedent to the making of such additional borrowings under the DOE Guaranteed Loans (Advances)) to pay 100% of the projected costs of acquisition and construction of the Vogtle Units 3&4 Projects (including the funding of reserves) and to provide a contingency in the amount of approximately $160.0 million, which contingency will be available to cover the Project Entities' shares of up to approximately $700.0 million of additional Vogtle Units 3&4 construction costs over current estimates (exclusive of financing costs).

MEAG Power expects that based on the current estimated in-service dates of June 30, 2019 for Vogtle Unit 3 and June 30, 2020 for Vogtle Unit 4, the Project Entities' estimated in-service cost will be approximately $4.4 billion, including construction costs, financing costs through the estimated in-service dates, contingencies, initial fuel load costs, and switchyard and transmission costs. Additional financing needs related to reserve funds and other fund deposits required under MEAG Power's and the Project Entities' financing documents result in total financing needs of $4.7 billion for the Vogtle Units 3&4 Projects, of which the following financing has been obtained: (i) $2.7 billion in the initial long-term financing in 2010; (ii) $1.1 billion from advances under DOE Guaranteed Loans; (iii) $185.2 million in Project J Bonds and $69.2 million in Project P Bonds issued in September 2015; (iv) $143.0 million in proceeds drawn under the Series 2010A Project P Notes, all of which was repaid in 2015; and (v) $90.8 million in proceeds drawn under the Series 2012A Project P Note (see the "Financing and DOE Loan Guarantee Program" section of this Note, as well as Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Financing of Vogtle Units 3&4 Projects and Project Entities" and "– Project Borrowings from the Trust Funds" within that Note).

On January 21, 2016, GPC submitted the Contractor Settlement Agreement and the related amendment to the EPC Contract to the Georgia Public Service Commission (GPSC) for its review. In accordance with a GPSC order issued to GPC on February 2, 2016, on April 5, 2016 GPC filed supplemental information in support of the Contractor Settlement Agreement and GPC's position that all construction costs to date have been prudently incurred and that the current estimated in-service capital cost and schedule are reasonable. The order also permits the other Vogtle Co-Owners and parties other than the GPSC Staff (Staff) to file comments on GPC's supplemental information by May 5, 2016. MEAG Power expects that it will file comments on GPC's supplemental information by the date required. Following such filings under the order, the Staff will conduct a review of all costs incurred related to Vogtle Units 3&4, the schedule for completion of Vogtle Units 3&4, and the Contractor Settlement Agreement and the Staff is authorized to engage in related settlement discussions with GPC and any intervenors.

The order provides that the Staff is required to report to the GPSC by October 5, 2016 with respect to the status of its review and any settlement-related negotiations. If a settlement with the Staff is reached with respect to costs of Vogtle Units 3&4, the GPSC will then conduct a hearing to consider whether to approve that settlement. If a settlement with the Staff is not reached, the GPSC will determine how to proceed, including (i) modifying a 2013 stipulation between GPC and the Staff to waive the requirement to amend the Vogtle Units 3&4 certificate until the completion of Vogtle Unit 3, or earlier if deemed appropriate by the GPSC and GPC, (ii) directing GPC to file a request for an amendment to the certificate for Vogtle Units 3&4, (iii) issuing a scheduling order to address remaining disputed issues, or (iv) taking any other option within its authority.

Processes are in place that are designed to assure compliance with the requirements specified in the DCD and the COLs, including inspections by Southern Nuclear Operating Company, Inc. (an affiliate of GPC and the operating agent for Vogtle Units 3&4) and the NRC that occur throughout construction. As a result of such compliance processes, certain license amendment requests have been filed and approved or are pending before the NRC. Various design and other licensing-based compliance issues may arise as construction proceeds, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Vogtle Co-Owners or the Contractor or to both.

As construction continues, the risk remains that challenges with Contractor performance including fabrication, assembly, delivery, and installation of the shield building and structural modules, delays in the receipt of the remaining permits necessary for the operation of Vogtle Units 3&4, or other issues could arise and may further impact the Vogtle Units 3&4 project schedule and cost.

Future claims by the Contractor or the Vogtle Co-Owners could arise throughout construction. These claims may be resolved through formal and informal dispute resolution procedures under the EPC Contract and, under the enhanced dispute resolution procedures, may be resolved through litigation after the completion of nuclear fuel load for both units.

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

The Project Entities' investment in property, plant and equipment (PP&E), including nuclear fuel, for Vogtle Units 3&4 as of December 31, 2015 totaled $2.2 billion.

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

(E) Trust Funds

The financial statements include account balances of the Municipal Competitive Trust (Competitive Trust) and the Deferred Lease Financing Trust (Lease Financing Trust). Collectively, the Competitive Trust and the Lease Financing Trust are referred to as the Trust Funds. The Trust Funds are not fiduciary in nature and are not considered trust funds in the context of Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (Statement 34). The Reserve Funded Debt and Credit Support Operating accounts (discussed below) of the Competitive Trust are held for the benefit of Project One and the General Resolution Projects. The New Generation and Capacity Funding account of the Competitive Trust, among its other uses as discussed below, provides various funding options for certain Participants joining any future MEAG Power generation project (including the Vogtle Units 3&4 Projects and Project Entities).

Municipal Competitive Trust

The 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 Plant Vogtle Unit No. 1 (Vogtle Unit 1) and Plant Vogtle Unit No. 2 (Vogtle Unit 2) (collectively, 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. 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 $627.2 million at December 31, 2015. Changes impacting the balance in the Competitive Trust result from investment earnings and additional Participants' contributions, which are offset by scheduled distributions to Participants.

During 2008 and 2009, several amendments to the terms of the Competitive Trust authorized MEAG Power, on behalf of the Participants executing such amendments, to, among other things:

- apply funds from certain Competitive Trust accounts for the purpose of lowering the Participants' annual generation billings from MEAG Power during the period 2009 through 2018 (Competitive Trust Funding); and
- establish the New Generation and Capacity Funding account to permit the Participants to fund their share of the acquisition and construction costs of any future MEAG Power generation project joined by such Participants (including the Vogtle Units 3&4 Projects and Project Entities), as well as funding of capacity purchases proposed by MEAG Power, purchase of additional entitlement shares or obligation shares of existing MEAG Power projects, and for mitigation of certain bulk power supply cost increases.

If not otherwise expended, monies in the Credit Support Operating account and Reserve Funded Debt account may be withdrawn on or after December 31, 2018 and 2025, respectively, and monies in the New Generation and Capacity Funding account may be withdrawn after January 1, 2037. An external trustee holds the funds in the Competitive Trust and maintains balances on an individual Participant basis. All of the Participants participate in the Competitive Trust. Competitive Trust Funding totaled $77.2 million and $93.6 million for the years ended December 31, 2015 and 2014, respectively.

Deferred Lease Financing Trust

In 2000, MEAG Power completed a long-term lease transaction (Lease) with a third party (Lessor) with respect to MEAG Power's total 30.2% undivided interest in Unit Nos. 1 and 2 of Plant Scherer (Scherer Units 1&2) and its total 15.1% undivided interest in Unit Nos. 1 and 2 of Plant Wansley (Wansley Units 1&2) and related common facilities at each plant (together, the Undivided Interest or the Coal Units). Under the Lease, MEAG Power leased the Undivided Interest for a term of approximately 50 years. All rent under the Lease was paid by the Lessor at the commencement of the Lease. The Undivided Interest did not include the coal stockpile, inventories, intangibles and unit trains owned by MEAG Power at the sites.

The Lessor subleased the Undivided Interest back to MEAG Power under a sublease for a term of approximately 30 years. Under the sublease, MEAG Power was required to pay the entire balance of the rent due thereunder six months after the commencement of the sublease. During the term of the sublease, MEAG Power will continue to operate and maintain the Undivided Interest and will continue to receive all the output from the Undivided Interest. At the end of the sublease, MEAG Power will have an option to buy out the remaining term of the Lease for a fixed price determined at the commencement of the Lease. This purchase option is being accreted throughout the term of the sublease and was $407.9 million as of December 31, 2015. As a result of the transaction, investments totaling $312.7 million as of December 31, 2015 were available to settle this future obligation. MEAG Power expects that it will have sufficient funds available at the end of the term of the sublease to enable it to exercise its purchase option should it elect to do so. The Lease also addresses the rights and obligations of the parties in the event it is terminated early.

In 2008 and 2009, as a result of rating downgrades pertaining to the counterparty of a credit default swap entered into by the Lessor in connection with the Lease, MEAG Power became obligated to provide substitute credit support for the credit default swap. In 2009, the Lessor waived MEAG Power's obligation to provide such support and agreed that MEAG Power is not required to provide it unless the ratings on MEAG Power's Project One senior long-term unenhanced debt are downgraded and the Lessor provides a written demand for substitute credit support, neither of which has occurred.

See Note 9, "Subsequent Events" for a discussion of 2016 developments pertaining to the Lease.

(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, 2015 and 2014, 32 of the Participants (the Telecom participants) had such contracts. Telecom commenced operations in 1997 to: (1) provide advanced internal telecommunications services to MEAG Power, (2) enhance the education proficiencies of the Telecom participants through the deployment of state-of-the-art telecommunications and (3) foster economic growth and development of the Telecom participants throughout Georgia by providing competitive access services in conjunction with local municipal fiber-optic networks.

MEAG Power has a Master Agreement with Georgia Public Web (GPW) under which all operational control of Telecom's fixed assets was transferred to GPW, a Georgia nonprofit corporation formed by the Telecom participants. The Master Agreement also entitles GPW to derive revenue from the Telecom assets. In exchange for control of these assets, GPW assumed certain ongoing obligations of Telecom for the operation and maintenance of the Telecom assets. In addition, GPW pays Project One a monthly payment for use of rights-of-way.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(A) Basis of Accounting

The electric utility accounts of MEAG Power are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC), as provided by the Power Sales Contracts with the Participants. Telecom accounts are maintained substantially in accordance with the Uniform System of Accounts of the Federal Communications Commission. All such accounts are in conformity with accounting principles generally accepted in the United States (GAAP). MEAG Power's financial statements are prepared in accordance with GAAP as prescribed by the GASB and the Accounting Standards Codification (ASC) of the Financial Accounting Standards Board (FASB), where such FASB pronouncements do not conflict with or contradict GASB pronouncements.

MEAG Power's Board of Directors (the Board) has authority for establishing rates billed to the Participants each year as part of the Annual System Budget approval process. Accounting guidance under GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in its billings. As discussed in the "Net Costs to be Recovered and Deferred Inflows of Resources" section of this Note, differences between amounts billed and expenses determined in accordance with GAAP (Timing Differences) are charged or credited to net costs to be recovered from Participants or deferred inflows of resources.

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

- certain investment, long-term debt, interest income and interest expense balances, as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Project Borrowings from the Trust Funds";
- revenue and expense related to emission allowance transfers between generating plants; and
- interproject receivables and payables, including certain transfers related to the Project Entities and DOE Guaranteed Loans, as discussed in Note 1 (D), "The Organization – Vogtle Units 3&4 Projects and Project Entities – Structure, Financing and DOE Guaranteed Loans."

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

In conjunction with MEAG Power's adoption of GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" (Statement 68) (see the "Recent Accounting Pronouncements" section of this Note) during 2015, other non-current liabilities and deferred inflows of resources have been revised on the Consolidated Balance Sheet (Balance Sheet) as of December 31, 2014 by $4.7 million.

(B) Statement of Cash Flows

In accordance with Statement 34, the Consolidated Statement of Cash Flows (Statement of Cash Flows) is presented using the direct method. For reporting cash flows, highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents except for securities lending investments, as discussed in Note 4, "Special Funds and Supplemental Power Account – Securities Lending." For the years ended December 31, 2015 and 2014, cash and cash equivalents totaled $2.5 billion and $2.0 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, 2015 and 2014, such changes were $49.6 million and $14.2 million, respectively.

(C) Revenues

Participant

Wholesale electric sales to the Participants are recorded as Participant revenue 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. These billings to Participants of Project One, the General Resolution Projects and the CC Project accounted for 81.3% and 82.8% of total revenues for the years ended December 31, 2015 and 2014, respectively. Three Participants collectively accounted for approximately 26% of such revenues in both 2015 and 2014, with one Participant accounting for approximately 11.6% of these revenues in 2015 and 11.0% in 2014.

Telecom

Telecom's revenues are derived from contractual cost-recovery billings to Telecom participants, primarily related to costs of debt service and certain operating costs not assumed by GPW, as defined by the Telecom contracts. Revenues are recorded on an accrual basis and are recognized as corresponding costs are incurred.

Year-End Settlement

In accordance with the Power Sales Contracts and Telecom contracts, MEAG Power performs a year-end settlement process to determine if the aggregate amount of revenues received from the Participants and Telecom participants to provide recovery of costs incurred were in the proper amount. Any excess or deficit amounts resulting in adjustment of billings are refunded to or collected from the Participants and Telecom participants in the following year. For the years ended December 31, 2015 and 2014, the excess revenues received and included in accounts payable on MEAG Power's Balance Sheet were as follows (in thousands):

Project(s)	**2015**	2014
One	**$26,719**	$17,619
General Resolution	**9,864**	9,403
CC	**1,875**	686
Telecom	**78**	50
Total	**$38,536**	$27,758

Refunds for 2015 excess revenues will be processed beginning in the first quarter of 2016.

Other Revenues

Sales to other utilities and power marketers, which are also recorded on an accrual basis, comprise other revenues. Such sales are primarily to The Energy Authority, as discussed in Note 6, "Investment in Alliance," and GPC, as discussed in the "Generation and Transmission Facilities – Jointly Owned Generation Facilities" and "Pseudo Scheduling and Services Agreement" sections of this Note.

(D) Net Costs to be Recovered and Deferred Inflows of Resources

Timing Differences are charged or credited to net costs to be recovered from Participants in other non-current assets or deferred inflows of resources on the Balance Sheet. Depreciation and certain debt service billings are examples of such Timing Differences. All costs are billed to the Participants and Telecom participants over the period of the applicable contracts. Certain investment income represents earnings on funds not subject to year-end adjustment of billings.

At December 31, 2015 and 2014, net costs to be recovered from Participants and deferred inflows of resources consisted of the following (in thousands):

Net costs to be recovered from Participants

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
Timing Differences	**$ —**	**$ —**	**$ —**	**$ —**	**$ 284,724**	**$ —**	**$ 284,724**
Certain investment income	**—**	**—**	**—**	**—**	**(193,116)**	**—**	**(193,116)**
Asset retirement obligations	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Vogtle Units 3&4 Projects' and Project Entities' net interest expense	**—**	**—**	**—**	**296,918**	**—**	**—**	**296,918**
Other, net	**—**	**—**	**—**	**—**	**3,569**	**—**	**3,569**
Total net costs to be recovered from Participants	**$ —**	**$ —**	**$ —**	**$296,918**	**$ 95,177**	**$ —**	**$ 392,095**

December 31, 2014	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects	Trust Funds	Telecom Project	Total
Timing Differences	$ —	$ —	$ —	$ —	$ 267,091	$ —	$ 267,091
Certain investment income	—	—	—	—	(174,025)	—	(174,025)
Asset retirement obligations	—	—	—	—	—	—	—
Vogtle Units 3&4 Projects' net interest expense	—	—	—	239,813	—	—	239,813
Other, net	—	—	—	—	3,569	—	3,569
Total net costs to be recovered from Participants	$ —	$ —	$ —	$239,813	$ 96,635	$ —	$336,448

Deferred inflows of resources

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Total
Timing Differences	**$(246,471)**	**$131,303**	**$45,037**	**$ —**	**$ —**	**$7,414**	**$ (62,717)**
Certain investment income	**354,884**	**59,776**	**14,802**	**—**	**—**	**178**	**429,640**
Asset retirement obligations	**10,344**	**(8,190)**	**—**	**—**	**—**	**—**	**2,154**
Other, net	**(8,151)**	**(1,131)**	**4,932**	**—**	**—**	**(140)**	**(4,490)**
Total deferred inflows of resources	**$ 110,606**	**$181,758**	**$64,771**	**$ —**	**$ —**	**$7,452**	**$364,587**

December 31, 2014	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects	Trust Funds	Telecom Project	Total
Timing Differences	$(353,221)	$ 77,332	$34,439	$ —	$ —	$6,780	$(234,670)
Certain investment income	354,789	59,410	14,564	—	—	178	428,941
Asset retirement obligations	24,413	(5,968)	—	—	—	—	18,445
Other, net	(13,322)	(3,334)	6,316	—	—	(140)	(10,480)
Total deferred inflows of resources	$ 12,659	$127,440	$55,319	$ —	$ —	$6,818	$ 202,236

(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 the plant asset is placed in service; hence, most of the plant additions are transfers from CWIP. Repairs and replacement of minor items of property are charged to maintenance expense. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost, together with the cost of removal less salvage, is charged to accumulated depreciation, with no gain or loss recorded. Note 3, "Property, Plant and Equipment," includes additional PP&E information.

Interest on amounts borrowed to finance construction of MEAG Power's projects is capitalized and included in CWIP and also recorded as a reduction to net interest expense. Included in MEAG Power's Consolidated Statement of Net Revenues (Statement of Net Revenues) for the years ended December 31, 2015 and 2014, respectively, was total interest expense of $333.7 million and $327.6 million, of which $87.5 million and $76.0 million was capitalized.

(F) Depreciation

Depreciation of plant in service is computed using the straight-line composite method over the expected life of the plant. Annual depreciation provisions, expressed as a percentage of average depreciable property, are shown below as of both December 31, 2015 and 2014 as applicable for Project One, the General Resolution Projects and the CC Project. The composite electric utility depreciation rates for generation, transmission and distribution plant are based on engineering studies updated periodically, the most recent study being available for use by MEAG Power beginning in 2014. Depreciation expense for the PP&E components shown below totaled $82.7 million and $80.8 million for the years ended December 31, 2015 and 2014, respectively, and is included in depreciation and amortization in the Statement of Net Revenues. Accumulated depreciation information is included in Note 3, "Property, Plant and Equipment."

Generation Plant	Fuel	Rate
Hatch	Nuclear	2.1%
Scherer	Coal	2.0%
Vogtle Unit 1	Nuclear	1.1%
Vogtle Unit 2	Nuclear	1.6%
Wansley	Coal	2.9%
CC Facility	Natural gas	2.9%

Other Property, Plant and Equipment	Rate
Transmission Plant	2.0%
Distribution Plant	2.5%
General/Other Plant	2.5%-33.0%

Depreciation of telecommunications plant in service, which consists mainly of fiber-optic cable and network systems, totaled $0.7 million for each of the years ended December 31, 2015 and 2014. Depreciation expense is computed using the straight-line method over the expected life of the plant. The composite depreciation rates for both 2015 and 2014 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, 2015, MEAG Power's ownership percentages in jointly owned generation facilities in service were as follows:

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

MEAG Power, GPC, OPC and Dalton (collectively, the joint-owners) jointly own the facilities. GPC has contracted to operate and maintain the jointly owned facilities as agent for the respective joint-owners. MEAG Power's proportionate share of plant operating expenses is included in the corresponding operating expense items in the accompanying Statement of Net Revenues. MEAG Power also has a 22.7% ownership interest in Vogtle Units 3&4 through the Project Entities, currently under construction (see Note 1 (D), "The Organization – Vogtle Units 3&4 Projects and Project Entities").

MEAG Power and GPC are parties to agreements governing the ownership and operation of electric generating and transmission facilities. GPC is agent for the operation of the generating and transmission facilities. In addition, there is a long-term agreement that provides for the sale by MEAG Power to GPC of a portion of the output of Vogtle Units 1&2. Sales to GPC pursuant to this agreement, included in other revenues, were $12.6 million in 2015 and $27.3 million in 2014 for Project One, and $3.6 million in 2015 and $7.8 million in 2014 for the General Resolution Projects.

Nuclear Generating Facilities

MEAG Power's current nuclear generating facilities consist of its 17.7% ownership in Plant 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). As discussed in Note 1 (D), "The Organization – Vogtle Units 3&4 Projects and Project Entities," MEAG Power, through the Project Entities, is a co-owner in two additional nuclear generating units under construction at Plant Vogtle.

Per contracts GPC has with the DOE, permanent disposal of spent nuclear fuel was to begin in 1998. This has not occurred, and GPC has pursued, and continues to pursue, legal remedies against the U.S. Government for its partial breach of contract. In 2007, the U.S. Court of Federal Claims (the Federal Claims Court) awarded GPC damages, representing the vast majority of the direct costs of the spent nuclear fuel storage facilities from 1998 through 2004. In 2012, MEAG Power received $9.6 million, representing its total share of the 2007 award. On December 12, 2014, the Federal Claims Court awarded GPC damages pertaining to a second claim against the U.S. Government for damages incurred from January 1, 2005 through December 31, 2010. MEAG Power's share of those damages was $6.6 million and was recorded in December 2015 in other revenues on the Statement of Net Revenues.

On March 4, 2014, GPC filed additional lawsuits against the U.S. Government for the costs of continuing to store spent nuclear fuel at the existing Nuclear Units for the period from January 1, 2011 through December 31, 2013. The damage period was subsequently extended to December 31, 2014. Damages will continue to accrue until the issue is resolved or storage is provided. The final outcome of this matter cannot be determined at this time, and no amounts have been recognized in MEAG Power's financial statements as of December 31, 2015. Recent developments pertaining to spent fuel depositary fees are discussed in the "Fuel Costs" section of this Note.

Vogtle Units 1&2 have sufficient pool storage capacity for spent fuel to maintain full-core discharge capability for both units through 2017. Construction of an interim on-site dry storage facility at Vogtle Units 1&2 was completed in 2013. Such a facility became operational at Plant Hatch in 2000. These facilities can be expanded to accommodate spent fuel throughout the life of the plants. An additional interim facility at Vogtle Units 1&2 is expected to be completed in 2016 and will provide sufficient storage to maintain full-core discharge capability for both units until the permanent facility is completed in 2019.

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 did occur, it could result in substantial costs to MEAG Power. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit that could result in substantial costs. Moreover, a major incident at any nuclear facility in the United States could require MEAG Power to make material contributory payments.

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

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

Coal Generating Facilities

As discussed in Note 1 (E), "The Organization – Trust Funds – Deferred Lease Financing Trust," MEAG Power's coal generating facilities consist of its 30.2% ownership in Scherer Units 1&2 and its 15.1% ownership in Wansley Units 1&2 and related common facilities at each plant. For information regarding MEAG Power's long-term coal commitments, see Note 8, "Commitments and Contingencies – Fuel."

Natural Gas Generating Facilities

As discussed in Note 1 (C), "The Organization – Combined Cycle Project," MEAG Power wholly owns the gas-fired and steam-driven CC Facility within the CC Project. In October 2013, MEAG Power contracted with North American Energy Services Corporation to perform the operation and maintenance of the CC Project. The agreement is for a term of five years and provides a three-year renewal option thereafter. In March 2015, MEAG Power contracted with PW Power Systems for long-term parts and outage services for the CC Facility. The term of the contract is based on the operations of the unit and estimated to be in place through 2030. The prior agreement for these services with General Electric International Incorporated was terminated in December 2014.

Transmission Facilities

MEAG Power; GPC; Georgia Transmission Corporation, an Electric Membership Corporation; and Dalton each own transmission system facilities, which together comprise a statewide ITS. MEAG Power and each other entity may use all transmission system facilities included in the ITS, regardless of ownership, in serving its customers. Bulk power supply is furnished by MEAG Power to the Participants through the ITS. MEAG Power's ITS facilities are included in Project One.

MEAG Power and GPC entered into a Revised and Restated Integrated Transmission System Operation Agreement (the Operation Agreement), effective as of January 1, 2009. Through the Operation Agreement, MEAG Power has appointed GPC as its agent for the management and operation of MEAG Power's transmission system facilities. The revisions to the Operation Agreement included: initial term extended through December 31, 2011, with automatic two-year renewals thereafter, with the current renewal term extending through December 31, 2017; an increase in the advance notice of cancellation requirement; and certain other aspects pertaining to mandatory federal reliability standards. Neither party has given the required 24 months' prior notice of cancellation. Certain of the Operation Agreement revisions enabled MEAG Power, with GPC's agreement and consent, to request that SERC Reliability Corporation relieve

MEAG Power of a number of obligations in certain mandatory federal reliability standards pertaining to transmission systems, which relief is now effective in accordance with the North American Electric Reliability Corporation's (NERC) compliance registry (www.nerc.com).

The term of the maintenance agreement, pursuant to which GPC maintains certain of MEAG Power's transmission system facilities, has renewed annually since 2002, with the current renewal term extending through December 31, 2016. 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.

In 2010, the DOE and MEAG Power signed an award agreement in connection with MEAG Power's application for a Smart Grid Investment Grant (SGIG) submitted under the American Recovery and Reinvestment Act of 2009 (the Recovery Act). The $12.3 million SGIG supplemented funding by MEAG Power to provide improvements to 133 substations in all 49 Participant communities. MEAG Power's "Smart Grid" project was completed in 2013 with a total investment of $25.0 million, and this investment was partially offset by receipt of all of the $12.3 million SGIG commitment as of December 31, 2014.

Pseudo Scheduling and Services Agreement

MEAG Power and GPC are parties to a Pseudo Scheduling and Services Agreement (PSSA) that addresses unit scheduling and dispatch and system services required for MEAG Power to manage its resources and effectuate off-system sales and purchases within the Southern Company (parent company of GPC) system. Under this agreement, MEAG Power's schedule for the output from the Coal Units may differ from the actual output of its ownership share and will result in sales to or purchases from GPC to reconcile the difference. During the years ended December 31, 2015 and 2014, sales and purchases with GPC under this agreement were (in thousands):

PSSA	**2015**	2014
Sales	**$51,450**	$38,599
Purchases	**$ 9,822**	$21,746

(H) Asset Retirement Obligations and Decommissioning

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

The recognition of ARO is driven primarily by decommissioning costs associated with the existing Nuclear Units, as well as costs associated with potential closure of coal combustion residuals (CCR) impoundments related to the Coal Units (see Note 8, "Commitments and Contingencies – Environmental Regulation"). The most recent estimates pertaining to decommissioning costs and CCR were completed in 2015.

Future costs of decommissioning are recognized through the accretion of ARO as part of depreciation expense. As discussed in the "Generation and Transmission Facilities – Jointly Owned Generation Facilities" section of this Note, GPC is the operator of the existing Nuclear Units. During 2015, decommissioning cost studies updated by GPC pertaining to the existing Nuclear Units resulted in an adjustment to increase the estimated cost to decommission these units.

Details of the ARO included in non-current liabilities on the Balance Sheet as of December 31, 2015 and 2014 are (in thousands):

Asset Retirement Obligations	**2015**	2014
Balance January 1	**$447,190**	$427,397
Liabilities settled	**(195)**	(204)
Accretion	**20,878**	19,997
ARO adjustments	**19,006**	—
Balance December 31	**$486,879**	$447,190

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 plants to provide certain financial assurances that funds will be available when needed for required decommissioning activities.

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

	Hatch Units 1&2	Vogtle Units 1&2
Decommissioning period	2034–2075	2047–2079
Estimated future costs (2015 dollars)	$318,653	$399,525
Amount expensed in 2015	$9,891	$9,788
Accumulated provision in external funds	$207,387	$206,134

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 5.6% and 3.6%, respectively, were used to determine decommissioning-related billings to the Participants for 2016 budget purposes, based on NRC minimum funding levels. The above information is used only for purposes of calculating the funding needs pursuant to NRC guidelines.

(I) Fuel Costs

Fuel stocks, which are stated at average cost, are recorded as inventory when purchased and expensed as burned. Emission allowances are expensed as used on an expected-average-cost basis. Emission allowances granted by the U.S. Environmental Protection Agency (EPA) are included in inventory at zero cost. MEAG Power did not purchase any emission allowances during 2015 or 2014, and expensed immaterial amounts in both years. Amortization of nuclear fuel is calculated on a units-of-production basis.

On March 18, 2014, the U.S. Court of Appeals for the District of Columbia Circuit (the D.C. Circuit) denied a DOE petition for rehearing of a 2013 court decision ordering the DOE to cease collecting spent fuel depositary fees from nuclear power plant operators until such time as the DOE either complies with the Nuclear Waste Policy Act of 1982 or until the U.S. Congress enacts an alternative waste management plan. DOE set the nuclear fuel disposal fee to zero effective May 16, 2014, effectively eliminating future required payments.

Natural gas expense for the CC Project totaled $48.6 million and $37.0 million for 2015 and 2014, 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 $(5.2) million and $(4.4) million as of December 31, 2015 and 2014, respectively, is recorded on the Balance Sheet in materials, supplies and other assets. The decrease in fair value of $ 0.8 million for 2015 and $1.5 million for 2014 is recorded in deferred outflows of resources on the Balance Sheet.

Summary information pertaining to natural gas hedges as of December 31, 2015 and 2014 is as follows (dollars in thousands):

Contract Year	Notional Amount* December 31, 2015	Fair Value December 31, 2015	Latest Maturity Date
2016	**8,275,000**	**$(3,214)**	**Dec. 2016**
2017	**3,440,000**	**(1,405)**	**Dec. 2017**
2018	**1,190,000**	**(439)**	**Dec. 2018**
2019	**430,000**	**(137)**	**Dec. 2019**
2020	**160,000**	**(22)**	**Sept. 2020**
Total	**13,495,000**	**$(5,217)**	

Contract Year	Notional Amount* December 31, 2014	Fair Value December 31, 2014	Latest Maturity Date
2015	2,970,000	$(2,507)	Dec. 2015
2016	2,750,000	(1,467)	Dec. 2016
2017	1,370,000	(366)	Dec. 2017
2018	440,000	(64)	Oct. 2018
Total	7,530,000	$(4,404)	

*In mmBtus (one million British Thermal Units).

The above natural gas hedges were entered into between August 2010 and December 2015, with total cash paid at inception of $0.2 million and $0.6 million for natural gas hedges outstanding at December 31, 2015 and 2014, respectively. The price index for all of MEAG Power's natural gas hedges is the New York Mercantile Exchange Natural Gas Futures Contract at Henry Hub (Henry Hub Contract). All of MEAG Power's natural gas hedges are with one of two counterparties and had credit ratings with Fitch Ratings (Fitch), Moody's Investors Service (Moody's), and Standard & Poor's (S&P) at both December 31, 2015 and 2014 as follows:

	Counterparty Credit Rating		
	Fitch	Moody's	S&P
December 31, 2015	**AA-/A**	**Aa2/A3**	**A+/BBB+**
December 31, 2014	A+/A	Aa3/Baa1	A+/A-

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

(J) Materials, Supplies and Other Assets

Materials and supplies include the cost of transmission materials and the average cost of generating plant materials, which are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate. Emission allowances granted by the EPA have a zero cost basis, when calculating the allowance inventory at average cost, and are expensed as used. Other assets consist primarily of prepaid assets and the fair value of effective natural gas hedging instruments.

(K) Derivative Financial Instruments

Derivative financial instruments used in the management of interest rate exposure through swap transactions are governed by MEAG Power's Asset/Liability Management Policy (ALCO Policy), as authorized by the Asset/Liability Committee of the Board. As discussed in the "Fuel Costs" section 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." These derivatives are not held or issued for trading purposes and MEAG Power management has designated the swaps as hedge instruments. Under Statement 53, the swap agreements and natural gas hedges are marked-to-market monthly with the effective portion included in deferred outflows of resources. If the instrument is terminated before the end of the agreement's term, any gain or loss is amortized over a period consistent with the underlying liability.

Information about natural gas hedges and interest rate swap agreements outstanding as of December 31, 2015 and 2014 is included in the "Fuel Costs" section of this Note and Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Other Financing Transactions," respectively.

Regulations implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010 have imposed additional requirements on the use of over-the-counter derivatives, including clearing, margining and reporting requirements on parties to financial instrument transactions. MEAG Power is not subject to the clearing and margining requirements because it elected an end-user exemption from such requirements. In addition, since all counterparties to MEAG Power swap transactions are swap dealers and are responsible for the reporting requirements, MEAG Power is not subject to additional reporting requirements. As a result, MEAG Power does not consider the impact of Dodd-Frank Act regulations to be material.

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

Credit Risk

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

Finally, MEAG Power requires each counterparty to post collateral based on the exposure of the swap or hedge. The eight outstanding interest rate swaps and $5.4 million of the outstanding natural gas hedges were in the counterparty's favor in a liability position as of December 31, 2015, thereby minimizing the credit risk to MEAG Power.

Interest Rate Risk

MEAG Power is exposed to various interest rate risks on the variable-rate portion of its debt portfolio and utilizes interest rate swaps to help mitigate them. In accordance with the ALCO Policy, MEAG Power may either hedge specific bonds by synthetically converting them to a fixed rate of interest or hedge a portion of the overall debt portfolio for a specific period of time. Under the terms of each interest rate swap, MEAG Power pays a fixed rate of interest and receives a floating-rate payment that is based on an index. If interest rates rise, the amount of interest MEAG Power would pay on its variable-rate debt would rise. However, the higher payments made on its variable-rate debt should be offset by higher payments received on its interest rate swaps, thereby reducing MEAG Power's interest rate risk.

Basis Risk

Basis risk occurs when the floating rates on the interest rate swaps and the variable-rate bonds do not match exactly. When investors demand an interest rate on MEAG Power's variable-rate debt that is higher or lower than the variable-rate index used to calculate the payments on the swap, the payments may not offset completely. This mismatch in payments may be a benefit or detriment to MEAG Power.

MEAG Power is also exposed to basis risk between the natural gas hedges, which settle against the Henry Hub Contract, and the hedged gas deliveries, which are typically daily spot purchases in Transcontinental Gas Pipeline Company, LLC's zone 3 or zone 4. However, the prices at each of these pricing points are highly correlated and generally very close; therefore, MEAG Power's basis risk for its natural gas hedges is not substantial.

Termination Risk

Either party to an interest rate swap or a natural gas hedge may terminate the transaction for a variety of reasons, based upon the terms of the contract. MEAG Power would be exposed to additional interest rate risk or natural gas price volatility if the counterparty to a swap or hedge transaction defaults or if the swap or hedge is terminated. If the swap or natural gas hedge is a liability to MEAG Power at the time of termination, the counterparty would be due a payment from MEAG Power equal to the liability as specified in the International Swaps and Derivatives Association Agreement. An asset position in the swap or hedge at the time of termination would generate a payment to MEAG Power from the counterparty.

Rollover Risk

The interest rate swaps that are used to hedge a portion of the overall variable-rate debt portfolio may terminate prior to the maturity of the bonds they hedge. Therefore, MEAG Power may be exposed to rollover risk as these swaps terminate.

Market-Access Risk

MEAG Power is exposed to market-access risk on future bond or swap transactions and natural gas hedges if market conditions deteriorate in the future.

(L) Fair Value Measurements

MEAG Power follows ASC 820, "Fair Value Measurement" (ASC 820), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 also applies under other accounting pronouncements that permit or require fair value measurements.

Fair value is defined in ASC 820 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 (an exit price). 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 include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. U.S. Government Treasury securities are an example of Level 1 inputs.
- Level 2 inputs are data other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and would include government agency and mortgage-backed securities.
- Level 3 inputs are unobservable inputs that reflect MEAG Power's own assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

MEAG Power's fair value measurements performed on a recurring basis, and their levels within the fair value hierarchy as of December 31, 2015 and 2014 were as follows (in thousands):

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Special funds and supplemental power account, including cash and cash equivalents	**$861,381**	**$2,883,498**	**$ —**	**$3,744,879**
Securities lending collateral	**2,236**	**95**	**—**	**2,331**
Total	**$863,617**	**$2,883,593**	**$ —**	**$3,747,210**
Liabilities:				
Interest rate swaps, tax-exempt	**$ —**	**$ 56,664**	**$ —**	**$ 56,664**
Natural gas hedges	**—**	**5,217**	**—**	**5,217**
Securities lending collateral	**2,236**	**123**	**—**	**2,359**
Total	**$ 2,236**	**$ 62,004**	**$ —**	**$ 64,240**

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Special funds and supplemental power account, including cash and cash equivalents	$504,891	$2,188,170	$ —	$2,693,061
Securities lending collateral	7,876	224	—	8,100
Total	$512,767	$2,188,394	$ —	$2,701,161
Liabilities:				
Interest rate swaps:				
Tax-exempt	$ —	$ 55,557	$ —	$ 55,557
Taxable	—	50	—	50
Natural gas hedges	—	4,404	—	4,404
Securities lending collateral	7,876	265	—	8,141
Total	$ 7,876	$ 60,276	$ —	$ 68,152

(M) Enterprise Risk Management

MEAG Power's Board has established an Enterprise Risk Management (ERM) program through the approval of an ERM Policy. The ERM Policy governs the ERM program, which consists of a Board-level Risk Management and Audit Committee (RMAC), an Executive-level Risk Oversight Committee (ROC) and personnel dedicated to the day-to-day execution of ERM activities. The ERM function is responsible for assessing risk throughout the organization and working with the RMAC and ROC to monitor and mitigate material risks identified through the risk-assessment process.

(N) Recent Accounting Pronouncements

In June 2012, GASB issued Statement 68, the primary objective of which is to improve accounting and financial reporting by state and local governments for pensions. MEAG Power adopted Statement 68 in 2015 and recognized a net pension liability on its Balance Sheet. The net pension liability is the portion of the present value of projected benefit payments to be provided through its defined benefit pension plan (see Note 7, "Retirement Plan and Other Postemployment Benefits") to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the fair value amount of the pension plan's assets (fiduciary net position). Statement 68 also has new requirements for calculating projected benefit payments and requires recognition of pension expense rather than the annual required contribution (see Note 7, "Retirement Plan and Other Postemployment Benefits").

In November 2013, GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" (Statement 71) to address an issue regarding application of the transition provisions of Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 71 did not impact MEAG Power's financial reporting.

In February 2015, GASB issued Statement No. 72, "Fair Value Measurement and Application" (Statement 72), which addresses how fair value should be defined and measured. It also prescribes which assets and liabilities should be measured at fair value and expands disclosures related to fair value measurements. Statement 72 is effective for MEAG Power beginning in 2016 and is not expected to have a significant impact on MEAG Power's financial reporting.

In June 2015, GASB issued:

- Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" (Statement 74). The objective of Statement 74 is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Statement 74 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement 74 is effective for MEAG Power beginning in 2017 and is not expected to have a significant impact on its financial reporting.
- Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (Statement 75). Statement 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Statement 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement 75 is effective for MEAG Power beginning in 2018. The impact to MEAG Power's financial reporting has not been determined.
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" (Statement 76). The objective of Statement 76 is to identify – in the context of the current governmental financial reporting environment – the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. Statement 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement 76 is effective for MEAG Power beginning in 2016 and is not expected to have a significant impact on its financial reporting.

In December 2015, GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" (Statement 79). Statement 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Statement 79 is effective for MEAG Power beginning in 2016 and is not expected to have an impact on its financial reporting.

3. PROPERTY, PLANT AND EQUIPMENT

PP&E activity for the years ended December 31, 2015 and 2014 is shown (in thousands) in the following table. Land is included in the electric component at a non-depreciable cost basis of $35.8 million as of December 31, 2015 and 2014. In 2015, capital additions totaled $327.3 million, primarily pertaining to manufacturing of major components such as the reactor vessels' internal parts and other related components, reactor coolant pumps and steam generators, fabrication and assembly of structural and mechanical modules, and site construction in the nuclear islands and balance of plant areas at Vogtle Units 3&4. Capital improvements at existing generating plants and transmission facilities, as well as purchases of nuclear fuel, were also a factor.

Property, Plant and Equipment	As of December 31, 2013	Increases	Decreases	As of December 31, 2014	Increases	Decreases	**As of December 31, 2015**
Project One							
Electric utility plant in service	$ 3,035,015	$104,758	$ (14,382)	$ 3,125,391	$ 82,061	$(10,406)	**$ 3,197,046**
Less accumulated depreciation	(1,608,072)	(53,177)	14,382	(1,646,867)	(55,547)	10,406	**(1,692,008)**
Electric utility depreciable plant, net	1,426,943	51,581	—	1,478,524	26,514	—	**1,505,038**
CWIP	128,073	72,899	(105,849)	95,123	108,005	(81,743)	**121,385**
Nuclear fuel, net	183,326	5,332	—	188,658	2,723	—	**191,381**
Total Project One	1,738,342	129,812	(105,849)	1,762,305	137,242	(81,743)	**1,817,804**
General Resolution Projects							
Electric utility plant in service	1,078,599	103,187	(4,271)	1,177,515	11,813	(4,712)	**1,184,616**
Less accumulated depreciation	(531,613)	(19,782)	4,271	(547,124)	(20,413)	4,712	**(562,825)**
Electric utility depreciable plant, net	546,986	83,405	—	630,391	(8,600)	—	**621,791**
CWIP	108,680	19,317	(103,896)	24,101	15,871	(12,562)	**27,410**
Nuclear fuel, net	24,611	1,745	—	26,356	1,219	—	**27,575**
Total General Resolution Projects	680,277	104,467	(103,896)	680,848	8,490	(12,562)	**676,776**
Combined Cycle Project							
Electric utility plant in service	326,622	5,322	(1,735)	330,209	709	—	**330,918**
Less accumulated depreciation	(92,465)	(10,792)	1,735	(101,522)	(9,795)	—	**(111,317)**
Electric utility depreciable plant, net	234,157	(5,470)	—	228,687	(9,086)	—	**219,601**
CWIP	4,000	1,928	(5,322)	606	242	(709)	**139**
Total Combined Cycle Project	238,157	(3,542)	(5,322)	229,293	(8,844)	(709)	**219,740**
Vogtle Units 3&4 Projects and Project Entities							
CWIP	1,513,434	320,383	2	1,833,819	294,403	202	**2,128,424**
Nuclear fuel, net	46,104	15,938	—	62,042	2,622	—	**64,664**
Total Vogtle Units 3&4 Projects and Project Entities	1,559,538	336,321	2	1,895,861	297,025	202	**2,193,088**
Telecom Project							
Telecommunications plant in service	28,841	—	—	28,841	—	—	**28,841**
Less accumulated depreciation	(20,835)	(727)	—	(21,562)	(726)	—	**(22,288)**
Total Telecom Project	8,006	(727)	—	7,279	(726)	—	**6,553**
Total property, plant and equipment, net	$ 4,224,320	$566,331	$(215,065)	$ 4,575,586	$433,187	$(94,812)	**$ 4,913,961**

As of December 31, 2015 and 2014, the Telecom fiber-optic network encompassed over 1,500 miles of fiber. Telecom has entered into agreements that convey the rights to the use of certain fiber-optic cable owned by others. Telecom's costs under these agreements have been recorded as capital lease assets.

4. SPECIAL FUNDS AND SUPPLEMENTAL POWER ACCOUNT

Investments

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

All of MEAG Power's investments are recorded and carried at fair value except for investments of the Lease Financing Trust, which are carried and eliminated at book value (see the "Classification" section of this Note). Quoted market prices 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, 2015, 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. Investments in money market mutual funds were rated AAAm by S&P and Aaa-mf by Moody's. Common equity investment trusts are not rated. Credit risk considerations for the securities lending program are discussed in "Securities Lending" below.

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, 2015 were (dollars in thousands):

Issuer	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	$1,734,175	40.4%
Federal Farm Credit Bank	$ 266,965	6.2%
Federal Agricultural Mortgage Corporation	$ 257,927	6.0%

Securities Lending

The Board has approved a securities lending program (the program) which allows MEAG Power to lend securities held in the Decommissioning Trust and the Competitive 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, 2015, MEAG Power and the lending agent had no credit risk exposure to borrowers for direct lending activity because the fair value of the collateral held was greater than the fair value of the securities loaned. Contracts with the lending agent require it to indemnify MEAG Power if the borrowers fail to return the securities and the collateral is inadequate to replace the securities loaned or fail to pay MEAG Power for income distributions while the securities are on loan. There were no violations of legal or contractual provisions, no realized borrower or lending agent default losses, and no recoveries of prior period counterparty losses during the year. There were no income distributions owing on the securities loaned.

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

Interest Rate Risk

All fixed-income investments are exposed to interest rate risk. MEAG Power's investments would be subject to changes in fair value due to potential changes in interest rates. The ALCO Policy describes the maximum maturity limitations and performance benchmarks for each account in the funds established under the various bond resolutions and agreements pertaining to the Trust Funds. 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, 2015, maturities of special funds, the supplemental power account and securities lending were as follows (in thousands):

	Maturities (in years)						
Investment Type	Under One	One – Three	Three – Seven	Seven – Ten	Over Ten	No Specific Maturity	Total
U.S. Government agency notes and bonds	$2,098,828	$ 179,028	$113,089	$ 65,860	$ 112,892	$ —	$2,569,697
U.S. Government securities	3,372	25,965	58,124	29,726	—	—	117,187
Mortgage-backed securities	—	2,966	10,786	4,617	16,175	—	34,544
Money market mutual funds	745,083	594	—	—	—	—	745,677
Common equity investment trusts	—	—	—	—	—	133,627	133,627
Asset-backed securities	—	—	—	8	95	—	103
Municipal bonds	32,759	132,874	48,161	8,453	342,647	—	564,894
Elimination*	(32,759)	(132,874)	(48,161)	(8,453)	(324,592)	—	(546,839)
Corporate notes	8,892	39,744	60,182	18,074	675	—	127,567
Cash	753	—	—	—	—	—	753
Total special funds, supplemental power account and securities lending collateral	$2,856,928	$ 248,297	$242,181	$118,285	$ 147,892	$133,627	$3,747,210

* Represents investments in MEAG Power bonds held by the Competitive Trust or the Lease Financing Trust as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds," which are eliminated at par value, except for investments of the Lease Financing Trust, which are carried and eliminated at current-accreted book value.

Environmental Facilities Reserve Accounts

In 2006, MEAG Power established separate Environmental Facilities Reserve Accounts (EFRA), one for Project One and the others with respect to the General Resolution Projects. These accounts were established in order to mitigate future planned environmental costs at the Coal Units and were funded initially with $77.9 million of the proceeds received from the Lease involving MEAG Power's ownership interest in the Coal Units, discussed in Note 1 (E), "The Organization – Trust Funds – Deferred Lease Financing Trust." Additional funding is provided from billings to the Participants, which totaled $23.1 million and $25.2 million during 2015 and 2014, respectively. Amounts on deposit in the EFRA accounts may be applied to any lawful purpose of MEAG Power related to the Coal Units or, to the extent not so applied, to the payment of debt service on any bonds issued with respect to the Coal Units. See Note 9, "Subsequent Events" for a discussion of 2016 EFRA developments.

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

At December 31, 2015 and 2014, the fair value of all investments in special funds, the supplemental power account and securities lending as classified on the Balance Sheet were as follows (in thousands):

December 31, 2015	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects and Project Entities	Trust Funds	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	$ 370,248	$ 43,273	$ —	$ —	$ —	$ —	$ —	$ 413,521
Construction fund	200,340	47,521	3	1,533,750	—	—	—	1,781,614
Debt Service fund –								
Reserve and Retirement accounts	98,822	69,018	32,929	166,589	—	—	—	367,358
Revenue and Operating fund	—	—	6,013	—	—	—	—	6,013
Reserve and Contingency fund	21,307	10,992	2,485	—	—	—	—	34,784
Environmental Facilities								
Reserve account	100,907	126,001	—	—	—	—	—	226,908
Competitive Trust:								
Credit Support Operating account	—	—	—	—	531	—	—	531
New Generation and Capacity								
Funding account	—	—	—	—	178,617	—	(44,946)	133,671
Reserve Funded Debt account	—	—	—	—	132,626	—	(36,300)	96,326
Flexible Operating account	—	—	—	—	152,905	—	(152,905)	—
Lease Financing Trust	—	—	—	—	312,688	—	(312,688)	—
Total special funds, non-current	791,624	296,805	41,430	1,700,339	777,367	—	(546,839)	3,060,726
Special funds, current:								
Revenue and Operating fund	59,438	36,800	21,341	104,361	—	598	—	222,538
Debt Service fund –								
Debt Service account	87,615	50,159	4,544	—	—	—	—	142,318
Subordinated Debt Service fund –								
Debt Service accounts	105,520	19,050	—	—	—	—	—	124,570
Construction fund	8,046	19,456	—	2	—	300	—	27,804
Competitive Trust –								
Flexible Operating account	—	—	—	—	162,512	—	—	162,512
Total special funds, current	260,619	125,465	25,885	104,363	162,512	898	—	679,742
Supplemental power account	4,411	—	—	—	—	—	—	4,411
Securities lending collateral	2,087	244	—	—	—	—	—	2,331
Total special funds, supplemental power account and securities lending collateral	$1,058,741	$422,514	$67,315	$1,804,702	$939,879	$898	$(546,839)	$3,747,210

December 31, 2014	Project One	General Resolution Projects	Combined Cycle Project	Vogtle Units 3&4 Projects	Trust Funds	Telecom Project	Eliminations*	Total
Special funds, non-current:								
Decommissioning Trust	$366,200	$ 42,733	$ —	$ —	$ —	$ —	$ —	$ 408,933
Construction fund	87,183	45,376	108	699,751	—	—	—	832,418
Debt Service fund –								
Reserve and Retirement accounts	118,837	70,735	32,676	144,627	—	—	—	366,875
Revenue and Operating fund	—	—	5,058	—	—	—	—	5,058
Reserve and Contingency fund	23,758	12,000	1,955	—	—	—	—	37,713
Environmental Facilities								
Reserve account	89,243	110,931	—	—	—	—	—	200,174
Competitive Trust:								
Credit Support Operating account	—	—	—	—	3,907	—	—	3,907
New Generation and Capacity								
Funding account	—	—	—	—	157,702	—	(46,628)	111,074
Reserve Funded Debt account	—	—	—	—	195,028	—	(36,300)	158,728
Flexible Operating account	—	—	—	—	27,707	—	(27,707)	—
Lease Financing Trust	—	—	—	—	293,598	—	(293,598)	—
Total special funds, non-current	685,221	281,775	39,797	844,378	677,942	—	(404,233)	2,124,880
Special funds, current:								
Revenue and Operating fund	59,027	28,370	18,439	2,708	—	740	—	109,284
Debt Service fund –								
Debt Service account	104,617	50,396	4,561	2	—	1,306	—	160,882
Subordinated Debt Service fund –								
Debt Service accounts	80,197	41,937	—	—	—	—	—	122,134
Construction fund	12,176	24,869	—	171	—	—	—	37,216
Competitive Trust:								
Credit Support Operating account	—	—	—	—	—	—	—	—
Reserve Funded Debt account	—	—	—	—	11,210	—	(11,210)	—
Flexible Operating account	—	—	—	—	245,043	—	(111,758)	133,285
Total special funds, current	256,017	145,572	23,000	2,881	256,253	2,046	(122,968)	562,801
Supplemental power account	5,380	—	—	—	—	—	—	5,380
Securities lending collateral	7,254	846	—	—	—	—	—	8,100
Total special funds, supplemental power account and securities lending collateral	$953,872	$428,193	$62,797	$847,259	$934,195	$2,046	$(527,201)	$2,701,161

* Represents investments in MEAG Power bonds held by the Competitive Trust or the Lease Financing Trust as discussed in Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps — Project Borrowings from the Trust Funds," which are eliminated at par value, except for investments of the Lease Financing Trust, which are carried and eliminated at current-accreted book value.

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

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

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

Power Revenue Bonds and General Power Revenue Bonds

As of December 31, 2015, MEAG Power had validated by court judgments $8.0 billion in Power Revenue Bonds and $3.3 billion in General Power Revenue Bonds. Reference to “court judgments” for these bonds, as well as for the bonds described below, indicates that MEAG Power is authorized to issue such bonds up to the validated amount. The resolutions permit the issuance of bonds in the future for certain purposes. No scheduled debt maturity for Project One or the General Resolution Projects extends beyond June 2054, the expiration of the Power Sales Contracts for the respective project – see Note 1 (B), “The Organization – Project One and the General Resolution Projects.”

On December 16, 2011, MEAG Power adopted the Amended and Restated Resolutions (the Amending Resolutions) for the purpose of making certain amendments (the Proposed Amendments) to the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution (collectively, the Senior Resolutions). As a result of changes in market conditions and standard practices, MEAG Power is undergoing this process to modernize the Senior Resolutions via a “springing lien” amendment to the Senior Resolutions. The Amending Resolutions would 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. Most of the Proposed Amendments take effect on the earlier of when two-thirds of the holders of the Power Revenue Bonds and General Power Revenue Bonds consent to the changes or all such bonds outstanding at December 16, 2011 are no longer outstanding. The remaining Proposed Amendments take effect only when all Power Revenue Bonds and General Power Revenue Bonds outstanding at December 16, 2011 are no longer outstanding. As of March 31, 2016, 66.7% and 61.3% of the holders of outstanding Power Revenue Bonds and General Power Revenue Bonds, respectively, have consented to the Proposed Amendments.

Various bond issues have been defeased by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government securities that were placed in such trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Balance Sheet of Project One and the General Resolution Projects. As of December 31, 2015, the amount held in escrow to defease Power Revenue Bonds and General Power Revenue Bonds removed from the Balance Sheet amounted to $40.1 million.

Subordinated Debt

As of December 31, 2015, MEAG Power had validated by court judgments subordinated bonds totaling $5.4 billion for Project One and $1.8 billion for the General Resolution Projects. The resolutions permit the issuance of bonds in the future for certain purposes. Debt issued under the subordinated bond resolutions is subordinate in all respects to the Power Revenue Bonds and the General Power Revenue Bonds.

In December 2015, MEAG Power issued the following tax-exempt bonds to finance certain capital improvements and refund certain bonds and CP (in thousands):

Project(s)	
One	**$160,275**
General Resolution	**9,605**
Total	**$169,880**

Combined Cycle Project Revenue Bonds

As of December 31, 2015, MEAG Power had validated by court judgments $1.3 billion of CC Project bonds, which includes $200.0 million for prepayment of fuel costs.

Financing of Vogtle Units 3&4 Projects and Project Entities

Project M, Project J and Project P are being financed, in part, through the issuance of bonds, including BANs and revenue bonds constituting Build America Bonds (Build America Bonds) for purposes of the 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, 2015, 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, $6.0 billion of Project J Bonds for the purpose of financing Project J and refunding Project J Bonds, and $3.4 billion of Project P Bonds for the purpose of financing Project P and refunding Project P Bonds.

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. As a result of enactment of the Bipartisan Budget Act of 2013, sequester reduction on all subsidy payments owed to issuers of direct-pay Build America Bonds was extended until 2023 (the Sequester Reduction). The Sequester Reduction for federal fiscal year 2015 was 7.3%. The Sequester Reduction percentage for the federal fiscal year ending September 30, 2016 is 6.8%.

In September 2015, MEAG Power issued $185.2 million of Project J Bonds and $69.2 million of Project P Bonds to fund a portion of the costs of acquisition and construction of Project J and Project P, respectively, provide moneys to fund a debt service reserve account established under the applicable bond resolution and fund certain capitalized interest on the Project J Bonds and the Project P Bonds.

As discussed in Note 1 (D), "The Organization – Vogtle Units 3&4 Projects and Project Entities – Structure, Financing and DOE Guaranteed Loans," in June 2015, the Project Entities obtained initial advances of DOE Guaranteed Loans totaling $1.1 billion. Under each DOE Loan Guarantee Agreement, the applicable Project Entity may request a borrowing under its DOE Guaranteed Loan (an Advance) up to a specified maximum amount until the earliest to occur of (i) December 31, 2020, (ii) the date on which available FFB credit is fully utilized or the commitment is terminated, or (iii) termination of the applicable Project Entity's right to request Advances. The DOE Guaranteed Loans have a final maturity date of April 2, 2045.

MEAG Power and two commercial banks have entered into a credit agreement to finance a portion of the costs of acquisition and construction and financing costs of Project P (the Project P Credit Agreement). In order to evidence its obligation to repay borrowings made and to be made by MEAG Power pursuant to the Project P Credit Agreement, and interest thereon, in 2010, MEAG Power issued its Project P BANs, Taxable Series 2010A (the Series 2010A Project P Notes) to the banks that are parties to the Project P Credit Agreement. In June 2015, all of the Series 2010A Project P Notes under the Project P Credit Agreement were repaid. In September 2015, MEAG Power and the banks party thereto amended and restated the Project P Credit Agreement in order to extend the term thereof to September 25, 2018 and convert the agreement into a revolving credit agreement.

In 2012, MEAG Power issued a Project P BAN, Taxable Series 2012A (the Series 2012A Project P Note) to evidence MEAG Power's obligation to repay advances made by the trustee of the Competitive Trust to MEAG Power, as an investment of funds on deposit in the Competitive Trust, and the interest thereon. Such advances are made in lieu of borrowings under the Project P Credit Agreement and are used by MEAG Power to finance a portion of the costs of acquisition and construction and financing costs of Project P. As a result of the extension of the Project P Credit Agreement, the maturity date of both the Series 2010A Project P Notes and the Series 2012A Project P Note was correspondingly extended to September 25, 2018 and the maximum principal amount that may be outstanding under the Project P Credit Agreement was reduced to $100.0 million.

Due to the extension of the Project P Credit Agreement to September 25, 2018, both the Series 2010A Project P Notes and the Series 2012A Project P Note were reclassified to long-term debt during 2015. Changes in the Series 2010A Project P Notes and Series 2012A Project P Note during the years ended December 31, 2015 and 2014 were (in thousands):

	Balance December 31, 2013	Proceeds	Payments	Balance December 31, 2014	Proceeds	Payments	**Balance December 31, 2015**
Series 2010A Project P Notes	$142,971	$ —	$ —	$142,971	$ —	$142,971	**$ —**
Series 2012A Project P Note	45,412	32,112	—	77,524	13,247	—	**90,771**
Total	$188,383	$32,112	$ —	$220,495	$13,247	$142,971	**$90,771**

Telecommunications Project Revenue Bonds

As of December 31, 2015, 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. During 2015, all Telecommunications Project Revenue Bonds (Telecom Series 2009) were repaid.

Credit Agreements

Direct pay letters of credit totaling $285.8 million issued by commercial banks pursuant to related reimbursement agreements between MEAG Power and the commercial banks supported CP notes issued and outstanding as of December 31, 2015 and 2014 in the amount of $224.8 million and $231.6 million, respectively. Any amounts drawn under the letters of credit would be payable by MEAG Power on a semiannual basis over a three-year period using the bank's interest rates. The maximum amount of CP authorized to be issued is $410.0 million, but in no event can the aggregate principal amount of all CP notes outstanding, and the interest thereon due at maturity, exceed the aggregate stated amounts of such letters of credit. 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 December 31, 2015.

Subordinated bonds issued as variable-rate demand obligations and outstanding as of December 31, 2015 totaled $241.0 million. Bondholders may require repurchase of these subordinated bonds at the time of periodic interest rate adjustments. Agreements have been entered into to provide for the remarketing of the subordinated bonds if such repurchase is required. Agreements have also been entered into with certain banks, which generally provide for the purchase by those banks of subordinated bonds which are not remarketed. As of December 31, 2015, none of the aforementioned bonds were held by the banks. Under the terms of these agreements, any bonds purchased by the banks would be payable by MEAG Power on a semiannual basis over periods generally ranging over two to five years.

As of December 31, 2015, MEAG Power and two banks had entered into committed credit agreements providing for lines of credit (LOC) available to Project One, the General Resolution Projects and the CC Project for $125.0 million individually, but not to exceed $125.0 million in the aggregate. The agreements were renewed in March 2015 and expire in March 2020. The LOC generally provide for interest at taxable rates.

Changes in LOC during the years ended December 31, 2015 and 2014 were (in thousands):

Lines of Credit	Balance December 31, 2013	Proceeds	Payments	Balance December 31, 2014	Proceeds	Payments	**Balance December 31, 2015**
Project One	$ —	$2,000	$2,000	$ —	$ 6,500	$ 6,500	**$ —**
General Resolution Projects	751	1,200	600	1,351	4,400	4,100	**1,651**
CC Project	44,280	—	3,770	40,510	—	3,920	**36,590**
Total	$45,031	$3,200	$6,370	$41,861	$10,900	$14,520	**$38,241**

Project Borrowings from the Trust Funds

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

In 2012, MEAG Power issued BANs in a maximum principal amount to be outstanding at any time of $100.0 million for each of Project One, the General Resolution Projects and the CC Project (the Series 2012A BANs). The Series 2012A BANs, as well as the Series 2012A Project P Note (see the "Financing of Vogtle Units 3&4 Projects and Project Entities" section of this Note) were issued to evidence MEAG Power's obligation to repay loans made by the trustee of the Competitive Trust to MEAG Power, as an investment of funds on deposit in the Competitive Trust, and the interest thereon. Such loans are used by MEAG Power to finance a portion of the costs of acquisition and construction and working capital needs of the applicable project(s), as well as financing costs for Project P.

In various months during 2015, the Competitive Trust received net reimbursements from Project One and the General Resolution Projects totaling $1.5 million related to the Series 2012A BANs and made additional advances totaling $13.2 million under the Series 2012A Project P Note. As of December 31, 2015 and 2014, the balance outstanding for the Series 2012A BANs and the Series 2012A Project P Note were (in thousands):

	Description	**2015**	2014
Project One	Series 2012A BANs	**$ 28,075**	$ 28,856
General Resolution Projects	Series 2012A BANs	**4,670**	5,378
CC Project	Series 2012A BANs	**—**	—
Project P	Series 2012A Project P Note	**90,771**	77,524
Total		**$123,516**	$111,758

In December 2012, MEAG Power issued $67.7 million of Project One subordinated bonds and $54.8 million of General Resolution Projects subordinated bonds (collectively, Series 2012B) to refund previously issued bonds outstanding in the same amount. The Series 2012B bonds were purchased by the Competitive Trust as an investment and were outstanding as of December 31, 2015 and 2014 in the amount of $55.9 million and $64.4 million, respectively, for Project One and in the amount as issued for both years for the General Resolution Projects.

In 2006, MEAG Power issued $173.2 million of Capital Appreciation Bonds (CABs) (Series 2006A) for Project One and Projects Two and Three of the General Resolution Projects to finance environmental improvements at the Coal Units. The Series 2006A bonds were purchased as an investment by the Lease Financing Trust and were outstanding as of December 31, 2015 and 2014 in the amount of $136.6 million and $128.2 million, respectively, for Project One and in the amount of $176.1 million and $165.4 million, respectively, for the General Resolution Projects. See Note 9, "Subsequent Events" for a discussion of 2016 developments pertaining to the Series 2006A bonds.

The Telecom Series 2009 bonds were also purchased as an investment by the Competitive Trust and were not outstanding as of December 31, 2015 and were outstanding in the amount of $2.7 million as of December 31, 2014.

As such, the investments of the Competitive Trust or the Lease Financing Trust that were also liabilities of the various project(s), along with interest expense paid on the bonds and interest earned by the Competitive Trust or the Lease Financing Trust, were eliminated as applicable from MEAG Power's 2015 and 2014 consolidated financial statements.

Other Financing Transactions

MEAG Power uses various methods of hedging, including floating-to-fixed interest rate swap agreements, as part of its debt management under the ALCO Policy. Floating-to-fixed interest rate swaps, as discussed in these Notes, are hedging instruments where MEAG Power pays a fixed rate and receives a floating rate.

Under certain circumstances, a swap transaction is subject to early termination prior to its scheduled termination and prior to the maturity of the related bonds, in which event MEAG Power may be obligated to make or receive a substantial payment to or from the counterparty. As of both December 31, 2015 and 2014, MEAG Power had interest rate swap transactions outstanding under interest rate swap master agreements with four counterparties.

The fair value of interest rate swap agreements is recorded in other non-current liabilities on the Balance Sheet and totaled $65.2 million and $60.8 million as of December 31, 2015 and 2014, 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, 2015 and 2014, a fair value decrease of $4.8 million and $37.3 million, respectively, was recorded in deferred outflows of resources on the Balance Sheet.

MEAG Power previously entered into certain interest rate swap agreements that had a notional amount outstanding as of December 31, 2015 of $20.3 million, to hedge portions of the variable-rate debt portfolio. These hedges do not meet the criteria for effectiveness under the evaluation methods permitted by Statement 53. As such, the change in the fair value of ineffective hedges, which increased $0.4 million for each year ended December 31, 2015 and 2014, is reported in net change in the fair value of financial instruments in the Statement of Net Revenues.

The terms of the interest rate swap agreements outstanding as of December 31, 2015 and 2014 were as follows (dollars in thousands):

Project(s)	**Notional Amount Outstanding December 31, 2015**	Interest Rate*		Term Dates		Counterparty Credit Rating		
		Paid	Received	Start	End	Fitch	Moody's	S&P
One	**$ 39,150**	4.20%	SIFMA	Jan. 2005	Jan. 2044	A	Baa1	BBB+
One	**59,275**	4.31%	SIFMA	Jan. 2005	Jan. 2048	AA	Aa2	AA-
One	**49,225**	4.32%	SIFMA	Jan. 2005	Jan. 2048	AA-	Aa3	A+
One	**46,725**	3.81%–3.90%	CPI + 1.05%	Jan. 2007	Jan. 2019 – 2022	A+	A3	A-
Total Project One	**194,375**							
General Resolution	**20,280**	3.78%	SIFMA	Jan. 2007	Jan. 2020	A	Baa1	BBB+
Total	**$214,655**							

Project(s)	Notional Amount Outstanding December 31, 2014	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	Baa2	A-
One	59,275	4.31%	SIFMA	Jan. 2005	Jan. 2048	A	Baa2	A-
One	49,225	4.32%	SIFMA	Jan. 2005	Jan. 2048	A+	Aa3	A+
One	46,725	3.81%–3.90%	CPI + 1.05%	Jan. 2007	Jan. 2019 – 2022	A+	A3	A
Total Project One	194,375							
General Resolution	22,480	3.78%	SIFMA	Jan. 2007	Jan. 2020	A	Baa2	A-
Telecom	2,675	4.09%	1 month LIBOR	Apr. 2003	Dec. 2015	A	Baa2	A-
Total	$219,530							

*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. LIBOR is the London Interbank Offered Rate.

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

Senior and Subordinated Debt Activity

Changes in senior and subordinated debt during the years ended December 31, 2015 and 2014 were (in thousands):

Senior and Subordinated Debt	As of December 31, 2013	Increases	Decreases	As of December 31, 2014	Increases	Decreases	**As of December 31, 2015**
Project One							
Power Revenue bonds	$ 603,055	$ —	$ (95,545)	$ 507,510	$ —	$ (91,145)	**$ 416,365**
Unamortized (discount) premium, net	21,869	199	(2,611)	19,457	137	(2,482)	**17,112**
Subordinated debt	1,857,386	13,477	(52,650)	1,818,213	225,141	(125,614)	**1,917,740**
Unamortized (discount) premium, net	45,394	110	(8,747)	36,757	23,590	(8,877)	**51,470**
Total Project One	2,527,704	13,786	(159,553)	2,381,937	248,868	(228,118)	**2,402,687**
General Resolution Projects							
General Power Revenue bonds	287,050	—	(37,485)	249,565	—	(43,705)	**205,860**
Unamortized (discount) premium, net	5,764	69	(1,637)	4,196	52	(1,631)	**2,617**
Subordinated debt	694,225	10,096	(11,965)	692,356	20,358	(46,269)	**666,445**
Unamortized (discount) premium, net	4,301	11	(822)	3,490	325	(833)	**2,982**
Total General Resolution Projects	991,340	10,176	(51,909)	949,607	20,735	(92,438)	**877,904**
Combined Cycle Project							
Combined Cycle Project Revenue bonds	211,430	—	(13,655)	197,775	—	(13,950)	**183,825**
Unamortized (discount) premium, net	15,605	25	(3,038)	12,592	25	(2,714)	**9,903**
Total Combined Cycle Project	227,035	25	(16,693)	210,367	25	(16,664)	**193,728**
Vogtle Units 3&4 Projects and Project Entities							
Vogtle Units 3&4 Projects' Revenue bonds*	2,667,875	—	—	2,667,875	345,196	—	**3,013,071**
Unamortized (discount) premium, net	2,997	—	(725)	2,272	11,208	(804)	**12,676**
DOE Guaranteed Loans	—	—	—	—	1,143,987	—	**1,143,987**
Total Vogtle Units 3&4 Projects and Project Entities	2,670,872	—	(725)	2,670,147	1,500,391	(804)	**4,169,734**
Telecom Project							
Telecom Project Revenue bonds	3,930	—	(1,255)	2,675	—	(2,675)	**—**
Total Telecom Project	3,930	—	(1,255)	2,675	—	(2,675)	**—**
Total senior and subordinated debt	$6,420,881	$23,987	$(230,135)	$6,214,733	$1,770,019	$(340,699)	**$7,644,053**

*As discussed in the "Financing of Vogtle Units 3&4 Projects and Project Entities" section of this Note, both the Series 2010A Project P Notes and the Series 2012A Project P Note were reclassified from other short-term to long-term debt during 2015.

Long-Term Debt by Series and DOE Guaranteed Loans

All Power Revenue Bonds, General Power Revenue Bonds, CC Project Bonds, as well as Vogtle Units 3&4 Bonds, and certain subordinated bonds bear interest at fixed rates, except for certain Project P BANs. The remaining subordinated bonds bear interest at variable interest rates. Advances under the DOE Guaranteed Loans are at both fixed and variable rates. At December 31, 2015 and 2014, MEAG Power's long-term debt consisted of the following (in thousands):

Project One	2015	2014
Power Revenue Bonds (senior):		
Series V	$ 15,235	$ 20,865
Series W	20,280	28,490
Series X	10,260	16,710
Series Y	21,345	52,630
Series Z	46,595	78,385
Series BB	23,880	25,645
Series EE	38,125	38,125
Series GG	133,970	136,970
Taxable Series Three	6,145	9,120
Taxable Series Four	100,530	100,570
Total	416,365	507,510
Unamortized (discount) premium, net	17,112	19,457
Total Power Revenue Bonds outstanding	433,477	526,967
Subordinated debt:		
Series 1998A – Fixed rate	—	13,730
Series 2005A-1 – Taxable fixed rate	69,635	70,225
Series 2005A-2 – Fixed rate CABs	6,627	6,627
Series 2005D – Fixed rate	18,145	19,160
Series 2005E – Fixed rate	4,830	4,830
Series 2005F – Taxable fixed rate	—	655
Series 2006A – Taxable fixed rate CABs	75,626	75,626
Series 2007A-1 and A-2 – Fixed rate	22,800	40,510
Series 2007A-2 – Variable rate	46,725	46,725
Series 2007B – Taxable fixed rate	13,410	13,765
Series 2008A – Fixed rate	121,945	126,005
Series 2008B – Variable rate	148,065	148,065
Series 2008D – Fixed rate	324,015	327,340
Series 2009B – Fixed rate	251,895	254,760
Series 2011A – Fixed rate	224,325	233,995
Series 2011B – Fixed rate	28,705	29,610
Series 2011D – Taxable fixed rate	13,955	18,100
Series 2012A – Taxable fixed rate	59,575	59,575
Series 2012A BANs – Taxable variable rate	28,075	28,856
Series 2012B – Taxable fixed rate	55,855	64,390
Series 2012C – Fixed rate	45,255	45,255
Series 2015A – Fixed rate	150,185	—
Series 2015A – Fixed rate CABs	10,090	—
Series A and B BANs:		
Tax-exempt variable rate CP	59,922	59,922
Taxable variable rate CP	71,460	72,890
Total	1,851,120	1,760,616
Accretion of CABs	66,620	57,597
Unamortized (discount) premium, net	51,470	36,757
Total subordinated debt	1,969,210	1,854,970
Total senior and subordinated debt	2,402,687	2,381,937
Current portion of long-term debt	(192,547)	(175,276)
Total Project One long-term debt	$2,210,140	$2,206,661

Combined Cycle Project	2015	2014
Revenue bonds (senior):		
Series 2010A	$ 113,315	$ 116,450
Series 2012A	70,510	81,325
Total	183,825	197,775
Unamortized (discount) premium, net	9,903	12,592
Total bonds outstanding	193,728	210,367
Current portion of long-term debt	(14,305)	(13,950)
Total Combined Cycle Project long-term debt	$ 179,423	$ 196,417

Telecom Project	2015	2014
Revenue bonds (senior):		
Taxable Series 2009 – Variable rate	$ —	$ 2,675
Current portion of long-term debt	—	(2,675)
Total Telecom Project long-term debt	$ —	$ —

General Resolution Projects	2015	2014
General Power Revenue Bonds (senior):		
1992A Series	$ 21,615	$ 25,180
1992B Series	54,730	89,725
1993B Series	180	185
1993C Series	14,325	15,195
2012B Series	48,990	49,300
Taxable 2011A Series	8,125	12,030
Taxable 2012A Series	57,895	57,950
Total	205,860	249,565
Unamortized (discount) premium, net	2,617	4,196
Total General Power Revenue Bonds outstanding	208,477	253,761
Subordinated debt:		
Series 1985A – Variable rate	23,050	23,050
Series 1985B – Variable rate	35,445	43,140
Series 1985C – Variable rate	34,475	42,215
Series 2005A – Taxable fixed rate	—	1,295
Series 2006A – Taxable fixed rate CABs	97,539	97,539
Series 2007A – Taxable fixed rate	26,895	27,590
Series 2008A – Fixed rate	47,815	50,965
Series 2008C – Fixed rate	11,005	11,005
Series 2009B – Fixed rate	9,565	9,840
Series 2011A – Fixed rate	5,575	5,795
Series 2011B – Fixed rate	51,700	53,250
Series 2011D – Taxable fixed rate	1,180	18,775
Series 2012A – Taxable fixed rate	81,160	81,160
Series 2012A BANs – Taxable variable rate	4,670	5,378
Series 2012B – Taxable fixed rate	54,780	54,780
Series 2015A – Fixed rate	9,605	—
Series A and B BANs:		
Tax-exempt variable rate CP	—	2,913
Taxable variable rate CP	93,397	95,830
Total	587,856	624,520
Accretion of CABs	78,589	67,836
Unamortized (discount) premium, net	2,982	3,490
Total subordinated debt	669,427	695,846
Total senior and subordinated debt	877,904	949,607
Current portion of long-term debt	(56,953)	(83,961)
Total General Resolution Projects long-term debt	$ 820,951	$ 865,646

Vogtle Units 3&4 Projects and Project Entities	2015	2014
Revenue bonds (senior):		
Series 2010A, Project J – Taxable (Build America Bonds)	$1,224,265	$1,224,265
Series 2010B, Project J	24,170	24,170
Series 2015A, Project J	185,180	—
Series 2010A, Project M – Taxable (Build America Bonds)	1,012,235	1,012,235
Series 2010B, Project M	16,710	16,710
Series 2010A, Project P – Taxable (Build America Bonds)	383,405	383,405
Series 2010B, Project P	7,090	7,090
Series 2012A Project P Note – Taxable variable rate*	90,771	—
Series 2015A, Project P	69,245	—
Total	3,013,071	2,667,875
Unamortized (discount) premium, net	12,676	2,272
Total Vogtle Units 3&4 Bonds	3,025,747	2,670,147
DOE Guaranteed Loans:		
Federal Financing Bank, SPVJ – Fixed rate	134,724	—
Federal Financing Bank, SPVJ – Variable rate	193,931	—
Federal Financing Bank, SPVM – Fixed rate	296,241	—
Federal Financing Bank, SPVM – Variable rate	179,894	—
Federal Financing Bank, SPVP – Fixed rate	339,197	—
Total DOE Guaranteed Loans	1,143,987	—
Total Vogtle Units 3&4 Projects and Project Entities long-term debt	$4,169,734	$2,670,147

*As of December 31, 2014, the Series 2012A Project P Note had a balance of $77.5 million and was classified as other short-term debt.

Debt Service

At December 31, 2015, 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 $2.3 billion collectively for the Vogtle Units 3&4 Bonds and DOE Guaranteed Loans, excluding debt service on all BANs, including future DOE Guaranteed Loan draws for capitalized interest of $106.4 million, and excluding amounts paid under PPA of $787.9 million for principal and $2.9 billion for interest net of subsidy payments on the Build America Bonds), were as follows (in thousands):

	Project One		General Resolution Projects		Combined Cycle Project		Vogtle Units 3&4 Projects and Project Entities		
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	$ 48,980	$ 16,929	$ 42,085	$ 8,075	$ 14,393	$ 8,668	$ 3,754	$ —	$ 142,884
2017	26,680	14,110	38,495	5,740	14,913	7,979	8,301	—	116,218
2018	32,885	12,983	17,590	3,817	15,547	7,265	9,741	915	100,743
2019	35,985	11,717	10,600	2,882	16,569	6,543	12,783	21,859	118,938
2020	9,365	10,279	5,940	2,339	15,600	5,723	17,069	45,305	111,620
2021–2025	128,570	34,545	30,225	7,821	84,508	15,927	101,393	265,940	668,929
2026–2030	22,620	10,677	13,885	1,486	19,912	2,105	120,766	247,156	438,607
2031–2035	17,860	6,620	1,475	315	—	—	144,327	229,392	399,989
2036–2040	12,885	2,544	790	52	—	—	361,842	321,034	699,147
2041–2045	3,675	278	—	—	—	—	547,588	477,194	1,028,735
2046–2050	—	—	—	—	—	—	656,614	386,437	1,043,051
2051–2055	—	—	—	—	—	—	863,353	229,774	1,093,127
2056–2060	—	—	—	—	—	—	537,301	41,330	578,631
Total	$339,505	$120,682	$161,085	$32,527	$181,442	$54,210	$3,384,832	$2,266,336	$6,540,619

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

At December 31, 2015, scheduled EFRA billings and debt service payments, including CABs (other than Series 2006A), which are accreted through December 31, 2015, for the subordinated debt were as follows (in thousands):

	Project One			General Resolution Projects			
Year	Principal	Interest	Net Swap Cash Flows	Principal	Interest	Net Swap Cash Flows	Total
2016	$ 72,193	$ 70,697	$ 7,544	$ 12,178	$ 21,537	$ 678	$ 184,827
2017	114,322	74,925	7,544	18,685	21,496	588	237,560
2018	81,136	69,927	7,544	26,310	21,147	493	206,557
2019	61,289	66,054	7,308	88,193	20,652	394	243,890
2020	126,482	63,587	6,795	35,581	18,271	—	250,716
2021–2025	305,621	258,795	31,844	82,264	83,495	—	762,019
2026–2030	204,343	196,908	31,560	60,172	75,035	—	568,018
2031–2035	203,276	166,534	31,004	91,300	25,974	—	518,088
2036–2040	167,243	96,937	23,676	26,424	4,633	—	318,913
2041–2045	98,401	79,142	12,659	620	3,365	—	194,187
2046–2050	225,668	54,700	1,384	32,920	2,340	—	317,012
2051–2055	87,446	9,617	—	11,000	125	—	108,188
2056–2060	—	—	—	—	—	—	—
Total	$1,747,420	$1,207,823	$168,862	$485,647	$298,070	$2,153	$3,909,975

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, 2015 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 rates to provide sufficient revenues under the senior lien and subordinated lien, to the extent not otherwise provided and together with other available funds, at least equal to 110% of senior debt service (Senior Requirement), and 100% of subordinated debt service (Subordinated Requirement). The CC Project Bond Resolution requires that MEAG Power charge and collect rates to provide sufficient revenues, together with other available funds, at least equal to 100% of debt service and the collections for the Reserve and Contingency fund (CC Requirement).

For 2015 and 2014, the Senior Requirement and the Subordinated Requirement were met for the Power Revenue Bond Resolution and the General Power Revenue Bond Resolution, and the CC Requirement was met for the CC Project Bond Resolution, as shown in the following table (dollars in millions). Collectively, the Senior Requirement, the Subordinated Requirement and the CC Requirement are referred to as the Requirements.

2015	Project One		General Resolution Projects		Combined Cycle Project
	Senior	Subordinated	Senior	Subordinated	Senior only
Applicable revenues for the Requirements	**$ 98.4**	**$111.0**	**$55.5**	**$30.4**	**$27.7**
Reserve and Contingency revenues	**23.6**	**—**	**11.3**	**—**	**0.8**
Total	**$122.0**	**$111.0**	**$66.8**	**$30.4**	**$28.5**
Debt Service Requirement	**$ 98.4**	**$111.0**	**$55.5**	**$30.4**	**$27.7**
Debt Service Coverage	**124%**	**100%**	**120%**	**100%**	**103%**

2014	Project One		General Resolution Projects		Combined Cycle Project
	Senior	Subordinated	Senior	Subordinated	Senior only
Applicable revenues for the Requirements	$118.1	$110.4	$57.1	$50.2	$27.7
Reserve and Contingency revenues	16.8	—	9.9	—	0.8
Total	$134.9	$110.4	$67.0	$50.2	$28.5
Debt Service Requirement	$ 118.1	$110.4	$57.1	$50.2	$27.7
Debt Service Coverage	114%	100%	117%	100%	103%

Fair Value

The fair value of long-term debt is estimated based on currently published rates for debt obligations with similar characteristics. At December 31, 2015 and 2014, such debt had carrying amounts and estimated fair values as follows (in thousands):

	2015		2014	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Project One	**$2,334,105**	**$2,539,350**	$2,325,723	$2,562,169
General Resolution Projects	**872,305**	**911,637**	941,921	1,003,852
CC Project	**183,825**	**207,535**	197,775	224,389
Vogtle Units 3&4 Projects and Project Entities	**4,157,058**	**4,707,315**	2,888,370	3,678,840
Telecom	**—**	**—**	2,675	2,675
Total	**$7,547,293**	**$8,365,837**	$6,356,464	$7,471,925

6. INVESTMENT IN ALLIANCE

Investment in Alliance reflects MEAG Power's 16.7% ownership interest in The Energy Authority (TEA), a governmental nonprofit power marketing corporation. As of December 31, 2015, eight members (Members) including MEAG Power comprised TEA: JEA (Florida), South Carolina Public Service Authority, Nebraska Public Power District, Gainesville Regional Utilities (Florida), City Utilities of Springfield (Missouri), Public Utility District No. 1 of Cowlitz County (Washington) and American Municipal Power, Inc. (Ohio). TEA provides energy products and resource management services to Members and non-members and allocates transaction savings and operating expenses to Members pursuant to Settlement Procedures under the Operating Agreement. TEA has access to more than 30,000 MW of its Members' and non-members' generation resources.

In the Statement of Net Revenues, certain portions of MEAG Power's sales to TEA are recorded in either other revenues or netted against related fuel expense. Purchases from TEA are recorded in purchased power expense. For the years ended December 31, 2015 and 2014, sales to TEA totaled $53.5 million and $74.7 million, with net purchases from TEA totaling $19.7 million and $22.2 million, respectively. During 2015 and 2014, an aggregate of $5.3 million and $2.9 million, respectively, of net revenues received from TEA were netted against related fuel, transmission and operating expenses, based on methodology approved by the Board for the application of off-system sales revenues. Remaining net revenues of TEA were allocated as sales margins as follows (in thousands):

Project(s)	**2015**	2014
One	**$ 2,111**	$ 4,388
General Resolution	**3,152**	3,487
CC	**4,894**	18,863
Total	**$10,157**	$26,738

In addition to $2.7 million of contributed capital, MEAG Power has committed up to an additional $62.0 million through a combination of guarantees as of December 31, 2015. TEA evaluates its credit needs periodically and requests Members to adjust their guarantees accordingly. The guarantee agreements are authorized by the Board and intended to provide credit support for TEA when entering into transactions on behalf of its Members. Such guarantees would require the Members to make payments to TEA's counterparties if TEA failed to deliver energy, capacity or natural gas as required by contract with a counterparty, or if TEA failed to make payment for purchases of such commodities. If guaranty payments are required, MEAG Power has rights with other Members that such payments would be apportioned based on certain criteria.

The guarantees generally have indefinite terms; however, MEAG Power can terminate its guaranty obligations by providing notice to counterparties and others, as required by the agreements. Such termination would not pertain to any transactions TEA entered into prior to notice being given. As of December 31, 2015 and 2014, MEAG Power had no liability related to these guarantees outstanding.

TEA's accounting records are maintained in conformity with the pronouncements of the GASB. For the year ended December 31, 2015, TEA's total net position was $40.8 million, a decrease of $6.6 million from 2014. Complete financial statements for TEA may be obtained at The Energy Authority, 301 W. Bay Street, Suite 2600, Jacksonville, FL 32202.

As of December 31, 2015 and 2014, MEAG Power's current other receivables due from TEA totaled $4.2 million and $8.6 million, respectively.

7. RETIREMENT PLAN AND OTHER POSTEMPLOYMENT BENEFITS

Retirement Plan Description

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

Benefits Provided

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

A Plan participant who retires on his/her 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 his/her 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 his/her 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, 2015, the following Plan participants were covered by Retirement Plan benefits:

Plan participants	**2015**
Active	**110**
Inactive, vested	**96**
Retirees and beneficiaries	**90**
Total	**296**

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 year ended December 31, 2015, MEAG Power contributed 77.2% of covered payroll. No contributions by Plan participants are required.

Net Pension Liability

MEAG Power's net pension liability was measured as of December 31, 2015, 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 year ended December 31, 2015 (in thousands):

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Position Liability (a)-(b)
Balance at December 31, 2014	$51,059	$46,365	$ 4,694
Changes for the year:			
Service cost	1,012	—	1,012
Interest on the total pension liability	3,738	—	3,738
Difference between expected and actual experience	362	—	362
Assumption changes	(134)	—	(134)
MEAG Power contributions	—	8,500	(8,500)
Net investment income	—	325	(325)
Benefit payments	(1,938)	(1,938)	—
Administrative expenses	—	—	—
Net change	3,040	6,887	(3,847)
Balance at December 31, 2015	**$54,099**	**$53,252**	**$ 847**

Actuarial Assumptions and Methods

The assumptions used to measure the total pension liability as of December 31, 2015 include a 7.5% investment rate of return, an inflation assumption of 2.5% per year and salary increases of 4.0% per year. Mortality rates were based on the RP-2014 Mortality table, male and female, projected generationally using the MP-2015 Projection Scale.

The long-term expected rates of return on Retirement Plan investments, valued as of December 31, 2015, 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 ten-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), and anticipated changes in Plan asset allocation were not considered. The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Large Cap Equity	35%	7.25%
Domestic Mid Cap/Small Cap Equity	15%	7.55%
International Equity	10%	7.25%
Domestic Fixed Income	40%	3.00%
Total	100%	

Retirement Plan's Assets

The fair value of the Retirement Plan's assets, based on quoted market prices as of the measurement date of December 31, 2015, was as follows (in thousands):

	2015
Mutual Funds:	
U.S. Equity Index Fund	**$18,472**
Mid-Cap Index Fund	**5,330**
Small Cap Index Fund	**2,654**
Diversified International Fund	**5,355**
Aggregate Bond Fund	**13,355**
Total Bond Fund	**7,889**
Institutional Government Portfolio	**174**
Cash	**23**
Total	**$53,252**

Discount Rate

The discount rate used to measure the total pension liability 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	$8,803	$847	$(5,560)

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 the new standard 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 together 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 year ended December 31, 2015, MEAG Power recognized pension expense of $1.8 million. At December 31, 2015, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 180	$ —
Assumption changes	—	(67)
Net difference between projected and actual earnings on Retirement Plan investments	2,718	—
Total	$2,898	$(67)

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
2016	$ 860	$(67)
2017	680	—
2018	679	—
2019	679	—
2020	—	—
Total	$2,898	$(67)

MEAG Power also offers a 403(b) Plan to all employees and matches regular employee contributions at the rate of 100% of the first 5% of compensation contributed by the employee, as well as 50% of certain additional contributions. Total matching contributions made by MEAG Power to the 403(b) Plan were $0.7 million and $0.6 million for 2015 and 2014, respectively. Employees hired after December 31, 2013 are eligible to receive a non-matching contribution equal to a specified percentage of the employees' compensation based on years of service.

In addition to the retirement benefits described above, MEAG Power offers limited medical benefits to its retirees, based on years of service and age requirements. The MEAG Power Retiree Medical Premium Reimbursement Plan reimburses eligible retirees for a defined amount of the cost of their eligible health care premiums. These reimbursements are paid through MEAG Power's operating fund, the cost of which was immaterial for the years ended December 31, 2015 and 2014. Based on actuarial calculations, MEAG Power's estimated liability for such reimbursements as of December 31, 2015 was $10.6 million.

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 power plants. The Amendments Act provisions together with private insurance cover third-party liability arising from any nuclear incident occurring at the nuclear power plants 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 plant is insured against this liability to a maximum of $375.0 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 power plant could be assessed up to $127.3 million per incident for each licensed reactor they operate, but not more than an aggregate of $19.0 million per reactor, per incident, to be paid in a calendar year. MEAG Power's share of the potential ANI deferred premiums could be up to $100.0 million, with an annual limit of $14.9 million. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years. The next scheduled adjustment is due in September 2018.

GPC, on behalf of all the joint-owners of the existing Nuclear Units, is a member of the Nuclear Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance for members' nuclear generating facilities. NEIL provides three types of property coverage for the joint-owners through GPC, primary property insurance, excess property insurance and excess non-nuclear property insurance. The primary property insurance provides coverage limits of $1.5 billion per plant. The excess property insurance provides coverage limits up to $1.25 billion per plant 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 plant 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 plant. 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, 2015, could be as much as $17.6 million for primary, excess property insurance and excess non-nuclear property, $7.4 million per incident for replacement power and other costs, and $10.8 million during each policy year for the Vogtle Units 3&4 builders' risk policy. All retrospective assessments, whether generated for liability, property or replacement power may be subject to applicable state premium taxes.

Terrorist acts against commercial nuclear power plants are covered under the ANI and NEIL insurance, subject to normal policy limits. The Terrorism Risk Insurance Program Reauthorization Act of 2015 extended coverage of domestic acts of terrorism until December 31, 2020. Claims resulting from terrorist acts are covered under both the ANI and NEIL policies, subject to normal policy limits. The aggregate, however, that NEIL will pay for all claims resulting from terrorist acts in any 12-month period is $3.2 billion plus such additional amounts NEIL can recover through reinsurance, indemnity or other sources.

In accordance with NRC regulations related to on-site property damage insurance policies for commercial nuclear power plants, 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 plants. Coal and/or related transportation commitments for the period 2016 – 2019 total $34.0 million. For the years beginning 2016 through 2020, nuclear fuel commitments total $112.9 million. Commitments for nuclear fuel are calculated based on MEAG Power's ownership percentage of jointly owned generation facilities per operating agreements with GPC, as discussed in Note 2 (G), "Summary of Significant Accounting Policies and Practices – Generation and Transmission Facilities – Jointly Owned Generation Facilities." With respect to its long-term coal commitments, MEAG Power manages its own coal stockpile inventory including selection of fuel sources, contract arrangements and coal inventory levels. GPC, as the coal agent for MEAG Power, has contracted with Southern Company Fuel Services to act as coal procurement agent, and it is responsible for issuance of requests for proposals for coal supply, contract negotiations and scheduling coal delivery. Also discussed within that Note is information regarding sales by MEAG Power to GPC of a portion of the output of Vogtle Units 1&2, which have the effect of reducing MEAG Power's gross commitments for nuclear fuel. Railcar lease commitments through 2019 total $1.5 million. In general, most, if not all, of the contracted material and services reflected in these estimates could be sold on the market, thereby reducing MEAG Power's liability.

TEA provides natural gas fuel management services for MEAG Power, including procurement, scheduling and risk management of the transportation and supply portfolio. In addition, MEAG Power entered into a long-term gas purchase agreement with Main Street Natural Gas, Inc. (Main Street) in 2007 for a term of 15 years. From December 31, 2015 through the remaining term of the contract, MEAG Power will purchase from Main Street, on a "take-and-pay" basis, 1,901 mmBtus per day of natural gas on an average annual basis. Such purchases are structured to match the usage in the peak operating season and are expected to equal approximately 5% of MEAG Power's natural gas requirements for its native load. The price paid by MEAG Power is based on a discount from a natural gas index. The volatility of the natural gas market precludes MEAG Power from precisely estimating a cost for the remaining term; however, based on December 31, 2015 market prices, the commitment, net of a prepaid discount, totals $10.9 million for the remaining term. Additional commitments for fuel supply will be required in the future.

Through participation in the Momentum Expansion Phase II, previously known as the "Cornerstone Expansion," of the Transco natural gas pipeline system, 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 through January 2019, and has obtained certain renewal options with respect thereto. For the remainder of the facility's natural gas transportation requirements, MEAG Power uses a combination of daily and short-term capacity purchases. MEAG Power entered into a summer capacity release agreement with the Municipal Gas Authority of Georgia for the period June 1 - October 31, 2016 to fill the bulk of this need for 2016.

MEAG Power has entered into agreements with Petal Gas Storage, L.L.C., which was acquired by Boardwalk HP Storage Company, LLC in December 2011, providing for storage and associated transportation of 200,000 mmBtus of natural gas for a term of 15 years that began in 2008. In addition, effective February 28, 2013, MEAG Power revised a firm storage agreement with the Transco natural gas pipeline system for storage of 21,174 mmBtus of natural gas at Transco's Eminence gas storage facility. The revision was required to reflect MEAG Power's pro rata share of the reduced volume of storage available after FERC approved Transco's abandonment of a portion of the facility. Operation under the Transco agreement began in 2008 and continues until January 2019. The agreements provide MEAG Power with storage rights for natural gas for the CC Project that may be drawn to manage daily gas supplies or to partially compensate for supply disruptions. Natural gas pipeline and storage commitments through mid-2023 total $18.3 million.

Purchased Power

In 2009, TEA, acting on behalf of MEAG Power, entered into a six-year power purchase agreement with Morgan Stanley Capital Group Inc. for 24 MW of baseload power, effective January 1, 2010 through December 31, 2015. This resource was subscribed to by seven Participants.

MEAG Power also 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.

Environmental Regulation

The existing Nuclear Units, the Coal Units and the CC Project are subject to various federal and state environmental regulatory requirements. Vogtle Units 3&4 are also subject to applicable environmental regulatory requirements. The EPA and the Georgia Environmental Protection Division (EPD) of the Department of Natural Resources have primary responsibility for developing and enforcing the requirements where directed or authorized by statutes such as the Federal

Clean Air Act (CAA), Federal Clean Water Act (CWA), Federal Resource Conservation and Recovery Act (RCRA), and the Georgia Air Quality Act, Georgia Water Quality Control Act, and Georgia Comprehensive Solid Waste Management Act.

Compliance with these requirements requires MEAG Power to commit significant expenditures for installation of pollution control and environmental monitoring equipment. Failure to comply with these requirements could lead to fines, sanctions, or civil and criminal penalties. These environmental requirements are complex; they change frequently due to continuing legislative, regulatory and judicial actions; and they have tended to become more stringent over time.

For the Coal Units, MEAG Power has invested $568.0 million from 2000 through 2015 in plant 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_2), nitrogen oxides (NOx), non-mercury metals, and acid gases at the Coal Units. MEAG Power anticipates that the total capital investment for environmental equipment additions at the Coal Units for the years 2016 through 2020 will be approximately $103.0 million (see "Coal Combustion Residuals and Effluent Limitations Guidelines Regulations" within this Note for ARO estimates of closing CCR impoundments at the Coal Units).

Greenhouse Gas Regulation

In 2009 and 2010, EPA published various final greenhouse gas (GHG) regulations affecting mobile or stationary emission sources. The four most significant regulations were an "endangerment rule" relating to GHGs from new motor vehicles, a "tailpipe rule" that set GHG emissions limits for model-year 2012-2016 light-duty vehicles, a "timing rule" establishing that regulation of GHG emissions from stationary sources would begin on January 2, 2011, and a "tailoring rule" that set GHG emission applicability thresholds for the CAA Prevention of Significant Deterioration (PSD) construction permit program and the CAA Title V operating permit program. On June 23, 2014, the U.S. Supreme Court (Supreme Court) reversed the "tailoring rule" GHG applicability thresholds for PSD and Title V permits as invalid but affirmed that Best Available Control Technology is required for GHGs when a PSD permit is required because of emissions of other pollutants.

On June 25, 2013, President Obama issued a memorandum, "Power Sector Carbon Pollution Standards," requesting the EPA to issue proposed standards of performance for GHGs for new electric generating units by September 20, 2013, and proposed standards, regulations or guidelines, as appropriate, for modified, reconstructed and existing power plants by June 1, 2014. The memorandum also requested EPA to issue a final regulation for new units in a "timely fashion," to issue final standards, regulations or guidelines for modified, reconstructed and existing power plants by June 1, 2015, and to include in the guidelines for existing power plants a requirement that states submit implementation plans by June 30, 2016.

On October 23, 2015, EPA published two final regulations in the Federal Register:

(1) A final regulation (referred to by EPA as the Clean Power Plan (CPP)), "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units," establishing emission guidelines for states to follow in developing plans to reduce carbon dioxide (CO_2) emissions from existing fossil-fueled electric generating units. The regulation set CO_2 emission performance rates representing the best system of emission reduction for two subcategories of existing fossil fuel-fired electric generating units – fossil fuel-fired electric utility steam generating units and stationary combustion turbines, set alternative state-specific CO_2 goals for existing electric generating units reflecting the CO_2 emission performance rates, and provided guidelines for the development, submittal, and implementation of state plans to demonstrate achievement of the performance rates or goals. EPA's final guidelines required that the state plans meet interim CO_2 performance rates or goals between 2022 and 2029 and final rates or goals in 2030 and beyond.

(2) A final regulation, "Standards of Performance for Greenhouse Gas Emissions From New, Modified, and Reconstructed Stationary Sources: Electric Utility Generating Units," establishing standards for emissions of CO_2 for newly constructed, modified, and reconstructed affected fossil fuel-fired electric generating units. The regulation set separate standards of performance for new, modified, and reconstructed fossil fuel-fired electric utility steam generating units and fossil fuel-fired stationary combustion turbines.

Also on October 23, 2015, EPA published a proposed regulation, "Federal Plan Requirements for Greenhouse Gas Emissions From Electric Utility Generating Units Constructed on or Before January 8, 2014; Model Trading Rules; Amendments to Framework Regulations." This proposal would establish an EPA-administered federal plan (the Federal Plan) to implement the final CPP regulation for states that do not submit an approvable state plan to EPA. The Federal Plan proposal presented two compliance approaches for comment, a rate-based model trading rule and a mass-based model trading rule. The proposal's model trading rules could also be adopted by states for their state plans for complying with the final CPP regulation. EPA stated that it intends to finalize the Federal Plan proposal in the summer of 2016.

Numerous Petitions for Review and motions for stay were filed with the D.C. Circuit to contest the final CPP regulation for existing units. On January 21, 2016, the D.C. Circuit denied the stay motions, but ordered that consideration of the appeals be expedited with oral argument scheduled for June 2, 2016. On February 23, 2016, MEAG Power filed a brief of amicus curiae with the D.C. Circuit in support of the petitioners.

On February 9, 2016, following multiple applications for a stay, the Supreme Court stayed the final CPP regulation pending disposition of the Petitions for Review in the D.C. Circuit, and continuing until the Supreme Court subsequently denies a petition for writ of certiorari or the Supreme Court decides the case after granting a petition for writ of certiorari.

Petitions for Review were also filed with the D.C. Circuit to contest the standards of performance for newly constructed, modified, or reconstructed units.

Towards satisfying its obligations under the final CPP regulation, the EPD initiated a stakeholder process in August 2014, and EPD had stated its intent to file an initial state plan with EPA by September 6, 2016. MEAG Power has been participating in the stakeholder process. However, based on the February 9, 2016 Supreme Court stay ruling, EPD announced that it would stop working on development of the state plan for Georgia until the courts have resolved the CPP matter.

MEAG Power is currently examining potential financial and operating impacts to its generating resources that could arise if the CPP were fully implemented. Until legal challenges to the regulations are resolved, and until the EPD submits and EPA approves a final state plan to implement the CPP regulation, it is not possible to make a final assessment of the financial and operational impacts of the CPP regulation on MEAG Power's generating resources.

National Ambient Air Quality Standards and Related Regulations

On October 26, 2015, EPA published a final regulation in the Federal Register: "National Ambient Air Quality Standards for Ozone." The regulation revises 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).

Fifteen counties in the metropolitan Atlanta area are currently designated by EPA as not attaining the prior (2008) standard of 0.075 ppm, while other areas in Georgia are meeting the 2008 and 2015 standards. By October 2016, states must recommend to EPA the designation status (attainment, non-attainment, or not classifiable) of areas within their states, and EPA is scheduled to make final designations by October 2017. If counties in the metropolitan Atlanta area are designated as non-attainment, the EPD may be required to develop a plan to attain the 2015 standard. Until a final designation is made by EPA and until the EPD develops an attainment plan, if needed, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating resources.

On June 12, 2015, EPA published a final rule/action in the Federal Register: "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 State Implementation Plan (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 and industry groups are contesting the EPA action. Georgia was among a group of 17 states that filed a joint Petition for Review with the D.C. Circuit on August 11, 2015. The Georgia Coalition for Sound Environmental Policy and Georgia Industry Environmental Coalition filed a joint Petition for Review with the same court that day. In parallel, the EPD has begun a process to develop a corrective SIP.

Until court challenges are resolved and until the EPD develops and 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 resources.

National Emissions Standards for Hazardous Air Pollutants

On February 16, 2012, EPA published a final regulation setting National Emissions Standards for Hazardous Air Pollutants (NESHAP) for new and existing coal- and oil-fired electric utility steam generating units. The Coal Units are subject to the regulation, which sets limits on emissions of mercury, non-mercury metals and acid gases, and establishes a compliance date for existing sources of April 16, 2015. The CAA allows up to one additional year for compliance by existing sources. On February 23, 2015, EPD granted a one-year compliance extension, to April 16, 2016, for the Coal Units. MEAG Power and other joint-owners of the Coal Units evaluated compliance strategies and related financial and operational impacts, taking into account emissions controls installed to comply with other air quality regulations. To comply with the NESHAP regulation, hydrated lime injection systems have been added to the Coal Units, and activated carbon injection systems have also been added to Wansley Units 1&2.

On June 29, 2015, the Supreme Court held the EPA interpreted the CAA unreasonably when it deemed cost irrelevant to its decision to regulate electric utility steam generating units under the NESHAP regulation and effectively remanded the rule to EPA for further proceedings to address this deficiency. On April 14, 2016, in response to the Supreme Court's remand, the EPA Administrator signed a final "Supplemental Finding that It Is Appropriate and Necessary to Regulate Hazardous Air Pollutants from Coal- and Oil-Fired Electric Utility Steam Generating Units," which explains how EPA included cost in evaluating whether the NESHAP regulation is appropriate and necessary. The final supplemental finding becomes effective when published in the Federal Register. If this final supplemental finding is not successfully challenged in the courts, these actions will allow implementation and enforcement of the NESHAP regulation. The ultimate resolution of the NESHAP challenges and final supplemental finding should not affect MEAG Power's capital or operating costs in any material respect.

Coal Combustion Residuals and Effluent Limitations Guidelines Regulations

On April 17, 2015, EPA published a final regulation in the Federal Register: "Hazardous and Solid Waste Management System; Disposal of Coal Combustion Residuals From Electric Utilities," regulating the disposal of CCR as solid waste under Subtitle D of the RCRA. The regulation finalized national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments and all lateral expansions. The criteria include impoundment and landfill location restrictions, design and operating criteria, groundwater monitoring and corrective action, closure requirements and post-closure care, and recordkeeping, notification, and Internet posting requirements. The regulation requires any existing unlined CCR surface impoundment that is contaminating groundwater above a regulated constituent's groundwater protection standard to stop receiving CCR and either retrofit or close, except in limited circumstances. The regulation sets schedules for completing various compliance activities.

Impoundments and landfills at the Coal Units are affected by the regulation. GPC, the operator of the Coal Units, reports that it is meeting the initial compliance requirements, including completion of fugitive dust control plans, conducting periodic structural inspections, and placing required information on a publicly accessible Internet site.

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

In response to the final CCR and ELG regulations, GPC announced on September 28, 2015 that it was developing a closure schedule for all ash ponds that it operates including ash ponds serving the Coal Units at Plant Wansley and Plant Scherer. GPC stated that it expected to finalize and release the schedule within six months of the announcement. On March 29, 2016, GPC announced that closure preparation activities were underway for all of its ash ponds. The closures of the ash ponds at Plant Wansley and Plant Scherer are expected to take place during the less than 10 or 10-14 year time periods outlined in the GPC announcement. The closures would occur in conjunction with complying with the ELG regulation by conversion of the wet ash handling systems at Plant Wansley and Plant Scherer to dry ash handling, allowing storage in lined landfills in lieu of the current unlined ash ponds. MEAG Power estimates that its ARO expenditures for the years 2016 through 2020 related to closing the ash ponds serving the Coal Units will be $18.8 million. The ultimate costs for the Coal Units to comply with the CCR and ELG regulations cannot be determined at this time.

Waters of the United States Regulation

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

Many states and industry groups are contesting the regulation, filing court actions in various federal district and appellate courts. The State is one of the petitioners. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit (the Sixth Circuit), as a Judicial Panel on Multi-District Litigation, issued a nationwide stay of the regulation, pending a further order of the court on subject-matter jurisdiction. On February 22, 2016, the Sixth Circuit issued a further order finding that it has the requisite jurisdiction to review the challenges presented, but did not modify the stay.

Until court challenges are resolved and until further analysis of the scope of the regulation can be made, if needed, MEAG Power is not able to determine whether there would be any significant financial or operational impacts to its generating resources.

Legislative and Regulatory Issues

In recent years, 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 or the Participants and cannot be identified with any degree of certainty at the current time. Neither MEAG Power nor the Participants is subject to regulation by the GPSC, the State regulatory body for certain utility matters.

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

MEAG Power's ownership in TEA, as discussed in Note 6, "Investment in Alliance," satisfies a standard of conduct requirement, which has the effect of requiring MEAG Power to establish a wholesale marketing organization separate and apart from its operating group that controls operations of its generation and transmission facilities.

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.

On February 12, 2013, President Obama issued an executive order addressing cybersecurity, which calls for, among other things, expedited security clearances and information access for personnel employed by critical infrastructure owners and operators, a framework to establish a baseline for entities managing cyber risks to critical infrastructure and the confidential identification of critical infrastructure considered to be at risk. The effect of this executive order on MEAG Power cannot be determined at this time.

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

As a non-public utility, MEAG Power is not directly subject to the requirements of Order No. 1000. However, in the order, FERC stated that non-public utilities that decline to bear their assigned share of the costs for new regional facilities may be denied tariff-based transmission service from public utilities and that FERC will consider using the authority it has under Section 211A of the FPA against such non-public utilities. In May 2012, FERC issued Order No. 1000A, which denied all substantial requests for rehearing of Order No. 1000, including rehearing requests from a coalition of Southeast utilities and the Large Public Power Council (LPPC), which were sponsored by, among others, MEAG Power. MEAG Power chose not to seek judicial review of Order No. 1000 or Order No. 1000A. However, MEAG Power supported the LPPC's request for judicial review of Order No. 1000 and other related orders. Argument regarding the appeals of Order Nos. 1000 and 1000A took place on March 20, 2014 before the D.C. Circuit. On August 15, 2014, a three-judge panel of the D.C. Circuit issued its opinion upholding Order No. 1000 in its entirety. Subsequently, the LPPC petitioned the D.C. Circuit for an en banc review of the three-judge panel's affirmation of FERC's approach to cost allocation for new transmission facilities. The D.C. Circuit, in an October 17, 2014 order, denied such petition. The D.C. Circuit's ruling upholding Order No. 1000 stands, given that all avenues for further appeal have been exhausted. MEAG Power has intervened in the Order No. 1000 compliance filings of Southern Company and certain other FERC-jurisdictional utilities. At this time, MEAG Power is continuing to participate, voluntarily, in a regional and inter-regional transmission planning process with Southern Company and certain other Southeast utilities. The effect of Order No. 1000 on MEAG Power, the Participants or the ITS cannot be determined at this time.

Mutual Aid Agreement

MEAG Power has entered into a mutual aid agreement with six Florida utilities for provision of replacement power during an extended outage of certain specified baseload generating units. In the event of an outage of Scherer Unit No. 1 or Scherer Unit No. 2 that extends beyond 60 days, MEAG Power will receive 100 MW at a price based upon a fixed heat rate and a published gas price index or, if replacement power is provided by a coal unit, such coal unit's actual dispatch cost. In an amendment to the mutual aid agreement, MEAG Power included 150 MW of capacity of the CC Project subject to the provisions of such agreement. The inclusion of such capacity under the mutual aid agreement provides that in the event of an outage of the CC Project that extends beyond 60 days, MEAG Power will receive 150 MW at a price based upon a fixed heat rate and a published gas price index or, if replacement power is provided by a coal unit, such coal unit's actual dispatch cost. If a counterparty has an extended outage, MEAG Power expects that it would be required to provide between 13 MW and 31 MW for a maximum of 305 days, also at a price based upon a fixed heat rate and a published gas price index or, if replacement power is provided by a coal unit, such coal unit's actual dispatch cost. The mutual aid agreement expires in October 2017.

Litigation

Prior to July 2012, several federal lawsuits were pending that may have had an impact on water storage and related issues at Lake Lanier, Georgia. These lawsuits related to over 20 years of litigation and periodic settlement discussions pertaining to water allocations, including for drinking water and hydropower, of the Apalachicola-Chattahoochee-Flint River Basin (ACF) and the Alabama-Coosa-Tallapoosa River Basin (ACT). Parties involved in these proceedings included Southeastern Federal Power Customers, Inc., a coalition of municipal and cooperative utilities, the Army Corps, as well as the states of Georgia, Florida and 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. In October 2013, the State of Florida (Florida) filed a Motion for Leave to File a Complaint, invoking the Supreme Court's original jurisdiction, asking the Supreme Court to equitably apportion the waters of the ACF. On November 3, 2014, the Supreme Court granted Florida's motion, and Florida filed its complaint against the State of Georgia. Currently, Florida and Georgia are the only parties to the action. A special master has been appointed by the Supreme Court, and discovery has commenced. Under the current scheduling order, all depositions must be completed by July 1, 2016, and dispositive motions must be filed by August 17, 2016. Georgia filed a motion to dismiss the proceeding on the grounds that Florida had failed to join the United States as an indispensable party to the proceeding. In June 2015, the special master denied that motion. It is currently unclear when this lawsuit may be finally concluded and what effect, if any, the result of such lawsuit may have on the financial condition of MEAG Power.

No other litigation or proceeding is pending that would have any material adverse effect on the financial condition of MEAG Power.

Other

In January 2011, MEAG Power purchased certain portions of the distribution system of the City of Hogansville (Hogansville), one of MEAG Power's Participants. Pursuant to an Installment Sales Agreement, MEAG Power will pay the purchase price of \$6.0 million in 26 semi-annual installments from February 2011 through April 2023. MEAG Power took title to Hogansville's distribution system in order to facilitate the lease of the distribution system back to Hogansville (the Distribution Lease). The Distribution Lease has a term of 30 years, and Hogansville's payment obligations thereunder are its general obligation, to which its full faith and credit are pledged. Payments under the Distribution Lease, which commenced in October 2012, are structured to fully reimburse MEAG Power for the purchase price paid to Hogansville under the Installment Sales Agreement.

In May 2013, MEAG Power facilitated, through its Distribution Lease Financing Policy, issuance of \$0.8 million of tax-exempt Certificates of Participation (Certificates) by the City of Doerun (Doerun), one of MEAG Power's Participants. Pursuant to a lease agreement between MEAG Power and Doerun, the Certificates were issued to: (i) finance the costs of the acquisition, construction, replacement and installation of certain extensions and improvements to Doerun's electrical system and (ii) pay certain costs, including but not limited to capitalized interest, incurred in connection with the issuance of the Certificates. The rentals under the lease agreement (Rentals) will be paid to the owners of the Certificates (Owners) over the 25-year term of the Certificates. MEAG Power is not liable for payment of the Rentals, and the Owners have no right to look to MEAG Power for payment of the Certificates. MEAG Power has no other conduit debt obligations.

9. SUBSEQUENT EVENTS

In accordance with ASC 855, MEAG Power management evaluated operating activities through April 22, 2016 and reports the following:

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

  As a result of such termination, the Lease and all of the other related agreements, with the exception of certain provisions that MEAG Power does not believe will have any material adverse effect on MEAG Power, automatically and irrevocably terminated and were discharged, and neither MEAG Power nor the Lessor has any further right, liability or obligation to the other with respect to the Lease and such other related agreements, except with respect to the provisions referenced above.

  The termination of the Lease is expected to reduce MEAG Power's revenue requirements for the period through December 15, 2030.
- Also on March 31, 2016, MEAG Power issued \$194.1 million of its Project One Bond Anticipation Notes, Series 2016A and \$80.9 million of its General Resolution Projects Bond Anticipation Notes, Series 2016A in order to, among other things, provide, together with a portion of the amounts on deposit in the EFRA, the funds required to redeem the Series 2006A bonds and thereby provide, together with the balance of the amounts on deposit in the EFRA, the amount needed to pay the early termination amount under the Termination Agreement.

Certain other 2016 developments are discussed in Note 1 (D), "The Organization – Vogtle Units 3&4 Projects and Project Entities"; Note 2 (N), "Summary of Significant Accounting Policies and Practices – Recent Accounting Pronouncements"; Note 5, "Long- and Short-Term Debt, Credit Agreements and Interest Rate Swaps – Power Revenue Bonds and General Power Revenue Bonds"; and Note 8, "Commitments and Contingencies – Environmental Regulation" and "– Litigation" within that Note.

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):

	2015
Total pension liability	
Service cost	**$ 1,012**
Interest on the total pension liability	**3,738**
Difference between expected and actual experience	**362**
Assumption changes	**(134)**
Benefit payments	**(1,938)**
Net change in total pension liability	**3,040**
Total pension liability – beginning of year	**51,059**
Total pension liability – end of year (a)	**54,099**
Plan fiduciary net position	
MEAG Power contributions	**8,500**
Net investment income	**325**
Benefit payments	**(1,938)**
Administrative expenses	**—**
Net change in plan fiduciary net position	**6,887**
Plan fiduciary net position – beginning of year	**46,365**
Plan fiduciary net position – end of year (b)	**53,252**
Net pension liability – ending (a) – (b)	**$ 847**
Plan fiduciary net position as a percentage of total pension liability	**98.43%**
Covered employee payroll	**$ 11,013**
Net pension liability as a percentage of covered employee payroll	**7.69%**

Schedule of employer contributions to the pension plan

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

Year	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percent of Covered Payroll
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 the 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.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Municipal Electric Authority of Georgia's business-type activities, Project One major fund (Power Revenue Bond Resolution Project), the General Resolution Projects major fund (General Power Revenue Bond Resolution Projects Two, Three and Four), the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund (Project M, Project J, Project P, SPVM, SPVJ and SPVP), the Trust Funds major fund (Municipal Competitive Trust and Deferred Lease Financing Trust) and the aggregate nonmajor fund (Telecommunications Project) (collectively, MEAG Power), which collectively comprise the balance sheets as of December 31, 2015 and December 31, 2014, and the related statements of net revenues and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Municipal Electric Authority of Georgia's business-type activities, Project One major fund (Power Revenue Bond Resolution Project), the General Resolution Projects major fund (General Power Revenue Bond Resolution Projects Two, Three and Four), the Combined Cycle Project major fund, the Vogtle Units 3&4 Projects and Project Entities major fund (Project M, Project J, Project P, SPVM, SPVJ and SPVP), the Trust Funds major fund (Municipal Competitive Trust and Deferred Lease Financing Trust) and the aggregate nonmajor fund (Telecommunications Project) as of December 31, 2015 and December 31, 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 14 through 23, schedule of changes in net pension liability and related ratios, and schedule of employer contributions to the pension plan on page 69 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Atlanta, Georgia
April 22, 2016