



Municipal Electric Authority of Georgia

ANNUAL INFORMATION STATEMENT

For The Fiscal Year Ended December 31, 2009

The following documents (collectively, the “Annual Information Statement”) set forth certain information concerning MEAG Power (including, among other things, MEAG Power’s outstanding debt, its Projects, certain of its Participants and its audited consolidated financial statements for its fiscal years 2009 and 2008). The information contained in the Annual Information Statement speaks only as of the date thereof, and MEAG Power assumes no duty to update any information contained in the Annual Information Statement.

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

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

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

SUMMARY OF VOGTLE UNITS 3&4 POWER PURCHASE AGREEMENTS

The following is a description of certain of the provisions of (i) the Power Purchase Agreement (as amended, the “Project J PPA”), executed between the Municipal Electric Authority of Georgia (“MEAG Power”) and JEA, a municipally owned electric utility and a body politic and independent agency of the City of Jacksonville, Florida (“JEA”) relating to the Additional Units PPA Project (“Project J”) and (2) the Power Purchase Agreement (as amended, the “Project P PPA”), executed between MEAG Power and PowerSouth Energy Cooperative, a rural electric generation and transmission cooperative located in Andalusia, Alabama (“PowerSouth”), relating to the Additional Units PPA-2 Project (“Project P”).

Capitalized terms not otherwise defined in this APPENDIX J or defined in the Annual Information Statement shall be as defined in the Project J PPA or the Project P PPA, as applicable.

Project J PPA

The Project J PPA became effective on May 12, 2008, and will continue in full force and effect until (1) the twentieth anniversary of the commercial operation date of the second unit of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 to achieve commercial operation (the “Second Commercial Operation Date”) or (2) MEAG Power’s and JEA’s obligations under the Project J PPA have been fully performed and satisfied, whichever event occurs later, but in no event shall the term of the Project J PPA exceed 50 years.

Obligation Share

For a period of twenty years, commencing on the commercial operation date of the first unit of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 to achieve commercial operation (the “First Commercial Operation Date”), MEAG Power is obligated to provide, and JEA is obligated to take from MEAG Power, all of the output and services from Project J and related reserve, emergency and interchange service from the first unit of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 to achieve commercial operation. Separately, for a period of twenty years, commencing on the Second Commercial Operation Date, MEAG Power is obligated to provide, and JEA is obligated to take from MEAG Power, all of the output and services from Project J and related reserve, emergency and interchange service from the second unit of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 to achieve commercial operation. During each such twenty-year period, JEA is obligated to pay to MEAG Power its Obligation Share (which is defined in the Project J PPA to be 100 percent) of the Project J Annual Costs (as defined below) attributable to the applicable unit. JEA shall have no right to dispatch or schedule the operation of Project J or any facility thereof.

Project J Annual Budgets

MEAG Power is required to adopt an annual budget for Project J (a “Project J Annual Budget”) for each Power Supply Year (as defined in the Project J PPA), containing estimates of Project J’s annual costs (the “Project J Annual Costs”) and all revenues, income or other funds to be applied to such Project J Annual Costs, including the costs of Debt Service (as defined below). To the extent not paid as part of the costs of acquisition and construction, the Project J Annual Costs are all costs and expenses of MEAG Power allocable to Project J paid by MEAG Power during a given Power Supply Year, including fixed and other costs.

1. *Fixed costs* include: (a) taxes or payments in lieu thereof attributable to Project J; (b) amounts required for renewals and replacements attributable to Project J or reserves therefor; (c) amounts to be set aside for the retirement from service or disposal of facilities of Project J; *provided, however,* that JEA's responsibility for such amounts that are incurred during and estimated to be incurred after the term of the Project J PPA shall not exceed 50 percent of the total amount of such costs; (d) amounts that MEAG Power is required under the Project J Bond Resolution to pay or deposit into any fund or account established by the Project J Bond Resolution for the payment of Debt Service; (e) any other amounts that MEAG Power is required, under the Project J Bond Resolution (as defined in the Annual Information Statement), to pay or deposit during any Power Supply Year into any other fund or account established by or outside of the Project J Bond Resolution; *provided, however,* in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of "fixed costs"; (f) amounts for payment or deposit into any fund or account outside of the pledge of the Project J Bond Resolution attributable to costs or reserves of Project J, including such amounts established by MEAG Power in the Project J Annual Budget to provide reasonable reserves for the payment of MEAG Power's share of costs required pursuant to either the Vogtle Units 3&4 Ownership Agreement or the Vogtle Operating Agreement; *provided, however,* in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of "fixed costs"; and (g) amounts for payment of Additional Costs (as such term is defined in the Vogtle Units 3&4 Development Agreement) attributable to Project J incurred during any Power Supply Year.
2. *Other costs* include: (a) costs of producing and delivering Capacity and Energy (as defined in the Project J PPA) from Project J to JEA and (b) except to the extent funded by the Project J Bonds (as defined herein) or reserves held by MEAG Power, amounts required to pay the costs of or to provide reserves for (i) extraordinary operating and maintenance costs attributable to Project J, (ii) any major renewals, replacements, repairs, additions, betterments and improvements, in the opinion of MEAG Power, necessary to keep the facilities of Project J in good operating condition or to prevent a loss of revenues therefrom; *provided, however,* in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such major renewals, replacements, repairs, additions, betterments and improvements, the related financing costs shall also be included within the definition of "other costs" and (iii) any major additions, improvements, repairs or modifications to, or retirements or disposals of, Project J required by any governmental agency having jurisdiction over Project J or for which MEAG Power otherwise is responsible to the extent that MEAG Power is not reimbursed therefor from the proceeds of insurance or funds for such payments are not available to MEAG Power therefor from any funds or accounts established by MEAG Power, or funds for such payment are not provided or to be provided by the issuance of the Project J Bonds, which expenditures, to the extent they are capital expenditures, shall be treated as capital costs under the Project J PPA; *provided, however,* in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such major additions, improvements, repairs or modifications to, or retirements or disposals of, Project J, the related financing costs shall also be included within the definition of "other costs."
3. *Debt Service* means with respect to any period, the aggregate of the amounts required by the Project J Bond Resolution to be paid during said period into any fund or funds created by the Project J Bond Resolution for the sole purpose of paying (a) the principal (including the sinking fund installments) of, and premium, if any, and interest on, Project J Bonds and (b) any payments on Qualifying Hedging Contracts (as defined in the Project J PPA), including any swap premium or swap termination payment, or Reimbursement Obligations (as defined in the Project J PPA), relating to the Project J Bonds from time to time outstanding as the same shall become due;

provided, however, that Debt Service will not include any acceleration of the maturity of the Project J Bonds, including any redemption of any Project J Bonds prior to maturity at the election of MEAG Power or any acceleration resulting from the exercise of remedies by the holders of any Project J Bonds or any trustee acting on behalf of such holders; and, *provided, further*, that in the case of any swap premium or swap termination payment, the amount of such swap premium or swap termination payment included in Debt Service shall be only the portion of such swap premium or swap termination payment that, in the opinion of a mutually agreed upon nationally recognized independent financial advisor experienced in interest rate swaps or similar measures, is allocable to the term of the Project J PPA.

MEAG Power is expressly authorized to bill, in accordance with the terms of the Project J PPA, some or all of the Debt Service costs which are payable during construction and prior to the commercial operation date of any facility.

MEAG Power is authorized to amend the Project J Annual Budget upon 30 days' notice to JEA to adjust its rates and charges as required to meet Project J's costs. In addition, MEAG Power is required to prepare and submit to JEA a reasonable best estimate of its Project J Annual Budget from October 1 of the year before that Power Supply Year to September 30 of the Power Supply Year based on MEAG Power's current revenue requirement projections.

MEAG Power will submit and JEA will be obligated to pay, a monthly billing statement based upon the Project J Annual Budget. At the end of each Power Supply Year, MEAG Power will determine if the aggregate amounts collected from JEA's billing statements, together with any other income, was in the proper amount. Any excess amounts collected will, at JEA's election, either be credited to JEA's billing statements for the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made or paid directly to JEA. Any deficiencies in collections will be added to JEA's billing statements in equal installments over the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made. MEAG Power may, at its election, establish a policy for making monthly, quarterly or semi-annual retroactive adjustments to JEA's billings to account for variances between the billed amounts and the actual costs incurred during the respective period to avoid large cumulative adjustments at the end of each Power Supply Year.

In any Power Supply Year during the term of the Project J PPA in which MEAG Power directly or indirectly receives a payment or credit in exchange for the allocation to any person of a Production Tax Credit (as defined in the Project J PPA) relating to Project J, MEAG Power shall, at the end of such Power Supply Year, pay to JEA or credit JEA's billing statement for the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was determined to have been necessary, 50 percent of any such payment or credit. MEAG Power shall also sell all pre-commercial generation at fair market value and shall pay all resulting funds into Project J's construction fund.

JEA's Payment Obligations

General

As more fully described below, the Project J PPA provides, in general, that, subject to certain limitations, for the initial twenty years of commercial operation of each of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4, respectively, JEA will be responsible for all of MEAG Power's costs relating to Project J, including Debt Service on obligations issued to finance Project J. The Project J PPA also

provides that amounts owed by JEA under the Project J PPA will constitute a Contract Debt, which is payable from revenues of JEA's Electric System as a Cost of Operation and Maintenance.

JEA's payment obligations under the Project J PPA (other than its obligation to pay its Additional Compensation Obligation) are payable whether or not Project J is completed or is operating or operable, and whether or not its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or non-performance by any party of any agreement for any cause whatsoever.

In February of each calendar year during the term of the Project J PPA and following each of Plant Vogtle Unit No. 3's and Plant Vogtle Unit No. 4's commercial operation date, JEA's billing statements will include additional charges referred to herein as JEA's "Additional Compensation Obligation" which will be calculated as set forth in the Project J PPA. JEA shall only be required to pay its Additional Compensation Obligation if Project J is operating and JEA is not responsible for paying such amounts when output is suspended, interrupted or terminated.

All payments made by JEA attributable to Project J or the Project J Annual Costs (other than JEA's Additional Compensation Obligation) are to be pledged as security for Project J Bonds.

For a description of the Project J Participants' general payment obligations under the Project J Power Sales Contracts, see "SUMMARY OF THE VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay – *Payment Obligations of Project J Participants Under the Project J Power Sales Contracts*" in APPENDIX K to the Annual Information Statement.

Project J Annual Costs

Obligation to Pay Project J Annual Costs Other Than Debt Service. JEA's obligation to pay its Obligation Share of the Project J Annual Costs (other than Debt Service) with respect to the first unit of Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 to achieve commercial operation shall commence on the First Commercial Operation Date and JEA's obligation to pay its Obligation Share of the Project J Annual Costs (other than Debt Service) with respect to the second unit of Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 to achieve commercial operation shall commence on the Second Commercial Operation Date. Notwithstanding the foregoing, JEA's obligation to pay the Project J Annual Costs will commence simultaneously with the obligation of the Project M Participants to commence paying their respective shares of Project M's annual costs under the Project M Power Sales Contracts, which obligation may commence prior to the First Commercial Operation Date. Notwithstanding the foregoing, if it becomes practically or economically infeasible for MEAG Power to issue Project J Bonds due to a JEA Market Disruption (as defined in the Project J PPA), but it is practically or economically feasible for MEAG Power to issue Project M Bonds, MEAG Power may commence billing JEA for the Project J Annual Costs without simultaneously billing the Project M Participants for their shares of Project M's annual costs.

Obligation to Pay Debt Service. Except in the case of (x) Project J Bonds issued after the commercial operation date of Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4 to finance costs of acquisition and construction of capital improvements to Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4, as applicable (hereinafter referred to as "Project J Post-COD Capital Improvements Bonds") and (y) refunding Project J Bonds, JEA's obligation to pay (i) the interest component of Debt Service of each Series of Project J Bonds attributable to Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall

commence and (ii) the principal component of Debt Service of each Series of Project J Bonds attributable to Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall commence.

In the case of Project J Post-COD Capital Improvements Bonds, JEA's obligation to pay (i) the interest component of Debt Service of each such Series of Project J Post-COD Capital Improvements Bonds attributable to Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 shall commence on the day following the date to which all interest is capitalized on the Project J Post-COD Capital Improvements Bonds of such Series and (ii) the principal component of Debt Service of each such Series of Project J Post-COD Capital Improvements Bonds attributable to Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4, as applicable, shall commence on the date that is one year prior to the first due date of the principal installment of Debt Service of such Project J Post-COD Capital Improvements Bonds and, in either such case, shall continue to the last day on which JEA is entitled to its Obligation Share of the output of such unit pursuant to the terms of the Project J PPA. In the event of a delay in the in-service date of the capital improvements for which the Project J Post-COD Capital Improvement Bonds of such Series are issued under the Project J PPA, MEAG Power shall issue additional Project J Post-COD Capital Improvement Bonds to provide funds to capitalize interest on all such Project J Post-COD Capital Improvement Bonds until the actual in-service date of the capital improvements; *provided, however*, that in the event that MEAG Power determines it is practicably or economically infeasible for MEAG Power to issue such additional Project J Post-COD Capital Improvement Bonds at any time during the period between the estimated in-service date and the actual in-service date of the capital improvements, then MEAG Power shall not be required to issue such additional Project J Post-COD Capital Improvement Bonds and JEA's obligation to pay interest on all such Project J Post-COD Capital Improvement Bonds shall commence on the day following the date to which all interest is capitalized on the Project J Post-COD Capital Improvement Bonds of such Series.

In the case of refunding Project J Bonds, JEA's obligation to pay (i) the interest component of Debt Service of each Series of such refunding Project J Bonds shall continue only for the same number of months for which JEA would have been obligated to pay the interest component of Debt Service on the Project J Bonds refunded thereby had such refunded Project J Bonds not been so refunded and (ii) the principal component of Debt Service of each such Series of refunding Project J Bonds shall continue only for the same number of months for which JEA would have been obligated to pay the principal component of Debt Service on the refunded Project J Bonds had such refunded Project J Bonds not been so refunded.

"Series" is defined in the Project J PPA to mean any or all Project J Bonds issued upon original issuance on a particular date, as determined by an Authorized Officer of MEAG Power on or prior to the date of issuance thereof, whether or not such Project J Bonds constitute a separate "Series" of Bonds for purposes of (and as defined in) the Project J Bond Resolution. In the event that the Project J Bonds of any such Series shall constitute two or more separate "Series" of Project J Bonds for purposes of (and as defined in) the Project J Bond Resolution, the Project J Bonds of such Series may be aggregated for the purpose of establishing level monthly Debt Service pursuant to the Project J PPA.

JEA's Payment Obligations in the Event of Project J Delay or Termination

In the event of a delay in the scheduled commercial operation date of either or both of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4, MEAG Power may commence billing and JEA will be responsible for the payment of the principal component of Debt Service on the Project J Bonds of any Series related to the delayed unit or units prior to the commercial operation date of such unit or units. JEA will be obligated to pay its Obligation Share of such principal component of Debt Service on the Project J Bonds of such Series relating to such unit or units commencing on the date that is one year prior to the first due date of the principal component of such Debt Service; *provided, however*, in the event that

MEAG Power determines it is practicably or economically infeasible for MEAG Power to limit billing under the circumstances described above to the principal component relating to the Project J Bonds, MEAG Power may bill the entirety of such Debt Service on such Project J Bonds. Except in the case of Project J Post-COD Capital Improvement Bonds or refunding Project J Bonds, JEA's obligation to pay (x) the interest component of Debt Service of each such Series of Project J Bonds attributable to Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4, as applicable, shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project J Bonds attributable to such unit, which MEAG Power is required to structure in accordance with the Project J PPA, shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of refunding Project J Bonds, JEA's obligation to pay (1) the interest component of Debt Service of each Series of such refunding Project J Bonds shall be included as part of the Project J Annual Costs only for the same number of months for which JEA would have been obligated to pay the interest component of Debt Service on the Project J Bonds refunded thereby had such refunded Project J Bonds not been so refunded and (2) the principal component of Debt Service of each such Series of refunding Project J Bonds shall be included as part of the Project J Annual Costs only for the same number of months for which JEA would have been obligated to pay the principal component of Debt Service on the refunded Project J Bonds had such refunded Project J Bonds not been so refunded.

In the event that either or both of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 is cancelled or terminated pursuant to the Plant Vogtle Units 3&4 Development Agreement prior to the commercial operation date of such unit or units, JEA will be obligated to pay (1) 50 percent of its Obligation Share of the costs of acquisition and construction relating to such unit or units (other than any such costs that have been paid with proceeds from Project J Bonds) and (2) its Obligation Share of the Project J Annual Costs relating to such unit or units for a period of twenty years from the date MEAG Power commences billing of such annual costs to JEA and the Project M Participants; *provided, however*, that except in the case of refunding Project J Bonds, JEA's obligation to pay (x) the interest component of Debt Service of each Series of Project J Bonds attributable to such unit shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project J Bonds attributable to such unit, which MEAG Power is required to structure in accordance with the Project J PPA, shall be included as part of the Project J Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of refunding Project J Bonds, JEA's obligation to pay (x) the interest component of Debt Service of each Series of such refunding Project J Bonds shall continue only for the same number of months for which JEA would have been obligated to pay the interest component of Debt Service on the Project J Bonds refunded thereby had such refunded Project J Bonds not been so refunded and (2) the principal component of Debt Service of each such Series of refunding Project J Bonds shall continue only for the same number of months for which JEA would have been obligated to pay the principal component of Debt Service on the refunded Project J Bonds had such refunded Project J Bonds not been so refunded.

In the event that either or both of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement after the commercial operation date of such unit or units, JEA will be obligated to pay its Obligation Share of the Project J Annual Costs relating to the cancelled unit or units for a period of twenty years following the commercial operation date of the applicable unit; *provided, however*, that in the event that MEAG Power commences billing JEA a Debt Service component relating to such unit prior to the commercial operation date, except in the case of Project J Post-COD Capital Improvements Bonds (which only are to be issued following the

commercial operation date of the applicable unit) and refunding Project J Bonds, JEA's obligation to pay (x) the interest component of Debt Service of each such Series of Project J Bonds attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project J Bonds attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of Project J Post-COD Capital Improvements Bonds, JEA's obligation to pay the interest and principal components of Debt Service of each such Series of Project J Bonds attributable to each of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 shall continue only until the last day on which JEA is entitled to its Obligation Share of the output of each such unit pursuant to the terms of the Project J PPA.

In the case of refunding Project J Bonds, JEA's obligation to pay (x) the interest component of Debt Service of each Series of such refunding Project J Bonds shall be included as part of Project J Annual Costs for only the same number of months for which JEA would have been obligated to pay the interest component of Debt Service on the Project J Bonds refunded thereby had such refunded Project J Bonds not been so refunded and (y) the principal component of Debt Service of each such Series of refunding Project J Bonds shall be included as part of the Project J Annual Costs for only the same number of months for which JEA would have been obligated to pay the principal component of Debt Service on the refunded Project J Bonds had such refunded Project J Bonds not been so refunded.

If either of Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement during the term of the Project J PPA, and MEAG Power sells all or a portion of its interest in such cancelled or terminated unit, its nuclear fuel, equipment and related facilities, then MEAG Power has agreed to distribute to JEA, or credit JEA's billing statement, 50 percent of the net proceeds allocated to Project J, if any, actually paid and received by MEAG Power, *provided*, that MEAG Power similarly distributes or credits any such net proceeds to any or all of the Vogtle Units 3&4 Participants (as such term is defined in the Annual Information Statement).

Nature of JEA's Obligations

For a discussion of the nature of JEA's obligations under the Project J PPA, see "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power's Project J Bonds – *The Project J PPA*" in the Annual Information Statement.

Rate Covenant of JEA

JEA has covenanted to maintain and collect rates and charges for the electric services of its Electric System so as to provide revenues sufficient, together with available Electric System reserves, to enable JEA to pay MEAG Power all amounts payable under the Project J PPA, to pay all other amounts payable from and all lawful charges against or liens on the revenues of its Electric System.

Capital Costs

Except as described herein, MEAG Power will finance capital costs related to Project J with Project J Bond proceeds. During any period when MEAG Power determines that it is infeasible to issue (1) Project J Bonds and Project M Bonds to finance capital costs related to Project J and Project M, or (2) Project J Bonds to finance capital costs related to Project J due to a JEA Market Disruption but it is feasible to issue Project M Bonds attributable to Project M, then in either such event, MEAG Power shall finance such capital costs from a reserve fund maintained for the payment of renewals and replacements.

Any portion of such capital costs attributable to Project J that cannot be financed by such reserve fund will be billed to JEA; *provided, however*, MEAG Power will not bill JEA for any capital costs incurred prior to the First Commercial Operation Date. In such event, JEA is entitled to a payment from MEAG Power in accordance with the terms of the Project J PPA upon the expiration of the term of the Project J PPA. In the event JEA shall pay any amounts in respect of Debt Service on Project J Post-COD Capital Improvement Bonds prior to the actual in-service date of the capital improvements financed through the issuance of such Project J Post-COD Capital Improvement Bonds, then, upon expiration of the term of the Project J PPA, JEA is entitled to a payment from MEAG Power in an amount equal to such amounts in respect of Debt Service paid prior to the actual in-service date.

Certain Interest Expenses

During any period when MEAG Power determines that it is infeasible to issue (1) Project J Bonds and Project M Bonds, or (2) Project J Bonds due to a JEA Market Disruption but it is feasible to issue Project M Bonds, to finance interest costs attributable to either of Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 incurred by MEAG Power prior to the applicable commercial operation date, then JEA shall pay such interest costs (the “Capitalized Interest”) through the commercial operation date of the applicable unit. In such event, JEA is entitled to a payment from MEAG Power in accordance with the terms of the Project J PPA upon the expiration of the term of the Project J PPA.

Reserve Funds

The Project J PPA provides for two types of reserve funds: Non-amortized Reserve Funds and Amortized Reserve Funds. In the event that MEAG Power determines that it is infeasible to issue (1) Project J Bonds and Project M Bonds, or (2) Project J Bonds due to a JEA Market Disruption but it is feasible for MEAG Power to issue Project M Bonds, to finance such reserve funds, MEAG Power may utilize revenues derived from either year end distributions or billings to JEA under the Project J PPA to finance such reserve funds, but only so long as MEAG Power is also utilizing revenues derived from either year end distributions or billings to the Project M Participants under the Project M Power Sales Contracts to also finance such reserve funds of Project M, unless the billing was necessitated by a JEA Market Disruption. Funds added to either type of reserve fund by JEA to either initially fund or increase the funding of such reserve funds (but not to replenish such reserve funds) and which were not used during the term of the Project J PPA, will be reimbursed to JEA upon the expiration of the term of the Project J PPA.

For any “Non-amortized Reserve Fund” created under the Project J Bond Resolution or Project J Power Sales Contracts, JEA will pay its Obligation Share of any interest on the Project J Bonds that financed such Non-amortized Reserve Funds during each Power Supply Year during the term of the Project J PPA, offset by any interest earned on such funds during the Power Supply Year that are not required under the Project J Bond Resolution to be retained in such funds. Except as provided in the Project J PPA, JEA is not entitled to any reimbursement upon the expiration of the term of the Project J PPA with respect to such funds.

For any “Amortized Reserve Fund” created under the Project J Bond Resolution or Project J Power Sales Contracts, JEA will pay for both principal and interest on the Project J Bonds that financed such Amortized Reserve Fund during each Power Supply Year during the term of the Project J PPA, offset by any interest earned on such funds during the Power Supply Year that are not required under the Project J Bond Resolution to be retained in such funds. Upon the expiration of the term of the Project J PPA, MEAG Power shall reimburse JEA the total amount of principal payments made by JEA on the Project J Bonds relating to such funds.

MEAG Power has agreed that all moneys held in funds and accounts established pursuant to the Project J Bond Resolution shall be invested and reinvested to the fullest extent practicable in Investment Securities (as defined in the Project J Bond Resolution) which shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts. Interest earned on any moneys and investments in the funds and accounts will be paid into a revenue fund, subject to specific exceptions set forth in the Project J Bond Resolution.

Allocation of Costs Between the Vogtle Units 3&4 Projects

With the exception of MEAG Power's administrative and general expenses, MEAG Power has agreed to allocate all costs and other expenses incurred or payable in connection with its ownership interest in Vogtle Units 3&4, other than Debt Service and other debt-related and financing costs and expenses, among Project J, Project P and Project M in proportion to the respective number of MWs constituting each such project.

Issuance of Project J Bonds

The Project J PPA provides that MEAG Power may issue and sell bonds ("Project J Bonds") in accordance with the provisions of the Project J Bond Resolution to finance, or refinance by refunding outstanding Project J Bonds, any costs of acquisition and construction and financing costs associated with Project J. Such Project J Bonds may be secured by assignment of all payments attributable to Project J or the Project J Annual Costs, as such payments may be increased and extended due to the issuance of such Project J Bonds. Project J Bonds may be issued in amounts sufficient to cover such costs in full and to provide such reserves as may be reasonably determined by MEAG Power to be desirable.

MEAG Power has agreed to structure the Project J Bonds within certain parameters. To the extent a Series of Project J Bonds is issued to finance costs attributable to both Vogtle Units 3&4, the principal of such Series will be allocated between Vogtle Units 3&4. Except for Project J Post-COD Capital Improvements Bonds and refunding Project J Bonds, the principal of a Series of Project J Bonds will be assumed to amortize to result in level monthly Debt Service commencing not earlier than twelve months, nor later than 36 months, following the estimated commercial operation date of the applicable unit to which such principal relates and ending on the fortieth anniversary of the first principal installment due date for such Series. For Project J Bonds (or portions thereof) bearing interest at fixed rates, debt service will reflect the actual fixed interest rates. For Project J Bonds (or portions thereof) bearing interest at variable rates, debt service will reflect the average rate of interest to be borne by such bonds over their assumed term.

The amounts and due dates for the first twenty installments of the principal of a Series of Project J Bonds as calculated in the foregoing paragraph will be the actual amounts and due dates for the first twenty installments of principal. However, MEAG Power will have the sole discretion to determine the actual amounts and due dates for the remaining twenty installments of principal related to the applicable Series of Project J Bonds.

The Project J PPA provides that MEAG Power may also issue Project J Post-COD Capital Improvements Bonds, which, if issued, would not be subject to the bond structure of Project J Bonds, to finance any costs of acquisition and construction and financing costs of (i) any major renewals, replacements, repairs, additions, or improvements associated with Project J and (ii) any major additions, improvements, repairs, or modifications required by any governmental authority having jurisdiction over Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4. The Project J PPA also provides that MEAG Power may issue refunding Project J Bonds, which, if issued, would not be subject to the bond structure of Project J Bonds, but the Debt Service on each such Series of refunding Project J Bonds shall be structured

in a manner consistent with the principles governing the issuance of Project J Bonds under the Project J PPA, so as to equitably apportion the savings or dissavings, as applicable, resulting from the issuance of such refunding Project J Bonds both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on such refunding Project J Bonds under the Project J Power Sales Contracts.

In the case of Project J Post-COD Capital Improvements Bonds, the principal of any Series of Project J Post-COD Capital Improvements Bonds will be allocated to each capital improvement item (or group of capital improvement items having comparable estimated useful lives) and such principal shall be assumed to be amortized in such a manner as will result in level monthly Debt Service with respect to such principal over the assumed period commencing on the second April 1 following the estimated in-service date of the capital improvements (or group of capital improvements) and ending on the earlier of (x) the expiration of the term of the applicable unit's combined construction and operating license, or (y) the end of the estimated economic useful life of the capital improvement item (or group of capital improvement items). For Project J Bonds (or portions thereof) bearing interest at fixed rates, debt service will reflect the actual fixed interest rates. For Project J Bonds (or portions thereof) bearing interest at variable rates, debt service will reflect the average rate of interest to be borne by such bonds over their assumed term.

The amounts coming due on or before April 1 of the calendar year following the last day on which JEA is entitled to its Obligation Share of the output of the unit of Vogtle Units 3&4 will be the actual amounts and due dates of each such installment of the principal of the Project J Post-COD Capital Improvements Bonds of such Series. However, MEAG Power will have the sole discretion to determine the actual amounts and due dates for the remaining installments of principal related to the applicable Series of Project J Post-COD Capital Improvements Bonds.

In the case of refunding Project J Bonds, Debt Service on each such Series of Project J Bonds will be structured in a manner consistent with the principles governing the issuance of Project J Bonds under the Project J PPA, so as to equitably apportion the savings or dissavings, as applicable, resulting from the issuance of such refunding Project J Bonds both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on such refunding Project J Bonds under the Project J Power Sales Contracts.

In particular, in the case of fixed rate refunding Project J Bonds issued to refund variable rate Project J Bonds, Debt Service on the refunding Project J Bonds will be structured to result in level monthly Debt Service over the period from and including the month following the month in which the refunding Project J Bonds are issued to and including the month in which JEA's obligation to pay the principal component of Debt Service on such refunded Project J Bonds would have ended had the refunded Project J Bonds not been so refunded determined consistent with the parameters applied to Project J Bonds other than refunding Project J Bonds or Project J Post-COD Capital Improvements Bonds. In the case of refunding Project J Bonds issued to achieve Debt Service savings, the issuance of such refunding Project J Bonds will result in (x) no cash flow dissavings in any year during the period from and including the year in which the refunding Project J Bonds are issued to and including the year preceding the final maturity date of the refunded Project J Bonds and (y) the weighted average life of the refunding PPA Bonds shall not exceed the remaining weighted average life of the refunded PPA Bonds, calculating such remaining weighted average life of the refunded Project J Bonds immediately prior to the issuance of the refunding Project J Bonds. In the case of refunding Project J Bonds issued to extend the maturity of any Project J Bonds any principal installment for which constitutes a Refundable Principal Installment (as defined in the Project J Bond Resolution), the final maturity date of the refunding Project J Bonds shall be not later than the latest date on which the principal of the refunded Project J Bonds was permitted to mature for purposes of determining the assumed amortization of the refunded Project J

Bonds other than refunding Project J Bonds and Project J Post-COD Capital Improvements Bonds (i.e., the 40th anniversary of the first principal installment due date for the Series of Project J Bonds of which the refunded Project J Bonds were a part), and the Debt Service on the refunding Project J Bonds shall be structured so as to result in level monthly Debt Service over the period from and including the month in which the maturity date of the refunded Project J Bonds was to occur to and including the month preceding the final maturity date of the refunding Project J Bonds, determined in the same manner provided for Project J Bonds other than refunding Project J Bonds or Project J Post-COD Capital Improvements Bonds.

In addition to funds required for Costs of Acquisition and Construction and Financing Costs, and certain reserve requirements related thereto, MEAG Power may issue Project J Bonds in amounts sufficient to provide for the Debt Service Reserve Requirement (as defined in the Project J PPA) under the Project J Bond Resolution, capitalized interest relating to Project J Bonds of any Series and amounts that MEAG Power determines are necessary to fund any Amortized Reserve Funds and/or Non-amortized Reserve Funds under the Project J Bond Resolution. MEAG Power shall structure any Project J Bonds issued to fund Non-amortized Reserve Funds in a manner whereby (i) any payments of the principal components of such Project J Bonds shall occur after the term of the Project J PPA, and (ii) JEA will not be required to pay its Obligation Share of the principal components of such Project J Bonds.

Adjustment of Project J Costs

In the event the proceeds derived from the sale of any Project J Bonds exceed the aggregate amount required for the purposes for which such Project J Bonds were issued, the amount of such excess shall be timely used during the term of the Project J PPA to make up any deficiency then existing in any fund or account under the Project J Bond Resolution in the manner therein provided, and any balance shall be timely used during the term of the Project J PPA to retire by purchase, redemption or defeasance Project J Bonds in advance of maturity in a manner consistent with the principles governing their issuance under the Project J PPA, so as to equitably apportion the Debt Service savings resulting from the retirement of such Project J Bonds both during the term of the Project J PPA and during the period that the Project J Participants are obligated to pay Debt Service on the Project J Bonds under the Project J Power Sales Contracts, and in such event MEAG Power will reduce such elements of the Project J Annual Costs as are necessary and appropriate to reflect such accelerated retirement.

Remedies

Failure by JEA to make any payment due under the Project J PPA will constitute a default thereunder. In such event, MEAG Power shall provide written notice of such default to JEA prior to invoking any of the remedies discussed below. MEAG Power may enforce payment by action at law or equity and may, upon 60 days' written notice to JEA, discontinue providing services to JEA under the Project J PPA. If the default continues for a period in excess of 180 days, MEAG Power may permanently discontinue providing service to JEA. In the event of such default, JEA shall not be relieved of its liability for payment of any amounts required to be made under the Project J PPA; *provided, however*, that if MEAG Power discontinues providing service to JEA, MEAG Power will apply the net proceeds from any sale to a third party of all or a portion of the output of Project J to which JEA was previously entitled, to mitigate JEA's payment obligations.

JEA's failure to comply with any other covenant, agreement, representation, warranty or obligation of the Project J PPA shall also constitute a default. In response to such default, MEAG Power may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation, but MEAG Power may not discontinue providing service as a result of a default of JEA other than a non-payment default.

MEAG Power's failure to comply with any covenant, agreement, representation, warranty or obligation of the Project J PPA shall also constitute a default and JEA may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation but nothing in the Project J PPA shall be construed to permit JEA to terminate, rescind, void or otherwise abandon its obligations to MEAG Power under the Project J PPA as a result of such default.

Termination or Amendment

The Project J PPA may not be terminated by either party under any circumstances and may not be amended, modified or otherwise altered in any manner except as permitted in the Project J PPA. So long as any Project J Bonds are outstanding or until adequate provisions for payment thereof have been made in accordance with the provisions of the Project J Bond Resolution, the Project J PPA shall not be amended, modified or otherwise altered in any manner that would reduce the payments pledged as security for Debt Service on the Project J Bonds, extend the time for such payments, adversely impact, in the opinion of a nationally recognized tax counsel retained by MEAG Power, the tax exempt status of the Project J Bonds intended to be exempt or in any manner impair or adversely affect the rights of the owners from time to time of the Project J Bonds.

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Project P PPA

The Project P PPA became effective on May 12, 2008, and will continue in full force and effect until (1) the Second Commercial Operation Date or (2) MEAG Power's and PowerSouth's obligations under the Project P PPA have been fully performed and satisfied, whichever event occurs later, but in no event shall the term of the Project P PPA exceed 50 years.

Obligation Share

For a period of twenty years, commencing on the First Commercial Operation Date, MEAG Power is obligated to provide, and PowerSouth is obligated to take from MEAG Power, all of the output and services from Project P and related reserve, emergency and interchange service from the first unit of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 to achieve commercial operation. Separately, for a period of twenty years, commencing on the Second Commercial Operation Date, MEAG Power is obligated to provide, and PowerSouth is obligated to take from MEAG Power, all of the output and services from Project P and related reserve, emergency and interchange service from the second unit of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 to achieve commercial operation. During each such twenty-year period, PowerSouth is obligated to pay to MEAG Power its Obligation Share (which is defined in the Project P PPA to be 100 percent) of the Project P Annual Costs (as defined below) attributable to the applicable unit. PowerSouth shall have no right to dispatch or schedule the operation of Project P or any facility thereof.

Project P Annual Budgets

MEAG Power is required to adopt an annual budget for Project P (a "Project P Annual Budget") for each Power Supply Year (as defined in the Project P PPA), containing estimates of Project P's annual costs (the "Project P Annual Costs") and all revenues, income or other funds to be applied to such Project P Annual Costs, including the costs of Debt Service (as defined below). To the extent not paid as part of the costs of acquisition and construction, the Project P Annual Costs are all costs and expenses of MEAG Power allocable to Project P paid by MEAG Power during a given Power Supply Year, including fixed and other costs.

1. *Fixed costs* include: (a) taxes or payments in lieu thereof attributable to Project P; (b) amounts required for renewals and replacements attributable to Project P or reserves therefor; (c) amounts to be set aside for the retirement from service or disposal of facilities of Project P; (d) amounts that MEAG Power is required under the Project P Bond Resolution to pay or deposit into any fund or account established by the Project P Bond Resolution for the payment of Debt Service; (e) any other amounts that MEAG Power is required, under the Project P Bond Resolution, to pay or deposit during any Power Supply Year into any other fund or account established by the Project P Bond Resolution; *provided, however*, in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of "fixed costs"; (f) amounts for payment or deposit into any fund or account outside of the pledge of the Project P Bond Resolution attributable to costs or reserves of Project P, including such amounts established by MEAG Power in the Project P Annual Budget to provide reasonable reserves for the payment of MEAG Power's share of costs required pursuant to either the Vogtle Units 3&4 Ownership Agreement or the Vogtle Operating Agreement; *provided, however*, in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such payments or deposits, the related financing costs shall also be included within the definition of "fixed costs"; and (g) amounts for payment of Additional Costs (as such term is defined in the Vogtle Units 3&4 Development Agreement) attributable to Project P incurred during any Power Supply Year.

2. *Other costs* include: (a) costs of producing and delivering Capacity and Energy (as defined in the Project P) from Project P to PowerSouth and (b) amounts required to pay the costs of or to provide reserves for (i) extraordinary operating and maintenance costs attributable to Project P, (ii) any major renewals, replacements, repairs, additions, betterments and improvements, in the opinion of MEAG Power, necessary to keep the facilities of Project P in good operating condition or to prevent a loss of revenues therefrom; *provided, however*, in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such major renewals, replacements, repairs, additions, betterments and improvements, the related financing costs shall also be included within the definition of “other costs” and (iii) any major additions, improvements, repairs or modifications to, or retirements or disposals of, Project P required by any governmental agency having jurisdiction over Project P or for which MEAG Power otherwise is responsible to the extent that MEAG Power is not reimbursed therefor from the proceeds of insurance or funds for such payments are not available to MEAG Power therefor from any funds or accounts established by MEAG Power, or funds for such payment are not provided or to be provided by the issuance of the Project P Bonds (as defined herein); *provided, however*, in the event MEAG Power utilizes letter of credit agreements or other financing instruments to finance such major additions, improvements, repairs or modifications to, or retirements or disposals of, Project P, the related financing costs shall also be included within the definition of “other costs.”
3. *Debt Service* means, with respect to any period, the aggregate of the amounts required by the Project P Bond Resolution to be paid during said period into any fund or funds created by the Project P Bond Resolution for the sole purpose of paying (a) the principal (including the sinking fund installments) of, and premium, if any, and interest on, Project P Bonds and (b) any payments on Qualifying Hedging Contracts (as defined in the Project P PPA), including any swap premium or swap termination payment, or Reimbursement Obligations (as defined in the Project P PPA), relating to the Project P Bonds from time to time outstanding as the same shall become due; *provided, however*, that Debt Service shall not include any acceleration of the maturity of the Project P Bonds.

MEAG Power is expressly authorized to bill, in accordance with the terms of the Project P PPA, some or all of the Debt Service costs which are payable during construction and prior to the commercial operation date of any facility.

MEAG Power is authorized to amend the Project P Annual Budget upon 30 days’ notice to PowerSouth to adjust its rates and charges as required to meet Project P’s costs. In addition, MEAG Power is required to prepare and submit to PowerSouth a reasonable best estimate of its Project P Annual Budget from October 1 of the year before that Power Supply Year to September 30 of the Power Supply Year based on MEAG Power’s current revenue requirement projections, such estimate to be delivered to PowerSouth within 30 days after preparation thereof.

MEAG Power will submit and PowerSouth will be obligated to pay, a monthly billing statement based upon the Project P Annual Budget. At the end of each Power Supply Year, MEAG Power will determine if the aggregate amounts collected from PowerSouth’s billing statements, together with any other income, was in the proper amount. Any excess amounts collected will, at PowerSouth’s election, either be credited to PowerSouth’s billing statements for the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made or paid directly to PowerSouth. Any deficiencies in collections will be added to PowerSouth’s billing statements in equal installments over the remaining month or months of the Power Supply Year next succeeding the Power Supply Year for which such adjustment was made. MEAG Power may, at its election, establish a policy for making monthly, quarterly or semi-annual retroactive adjustments to PowerSouth’s billings to account for variances between the billed amounts and the actual costs incurred during the respective period to avoid large cumulative adjustments at the end of each Power Supply Year.

In the event the proceeds derived from the sale of any Project P Bonds exceed the amount required for the purposes for which such Project P Bonds were issued, such excess shall be timely allocated during the term of the Project P PPA to make up for any deficiency then existing in any fund or account established under the Project P Bond Resolution. If excess funds still remain, such funds shall be used to retire Project P Bonds in advance of maturity by purchase, redemption or defeasance, and in such event, MEAG Power will reduce the Project P Annual Costs to reflect such accelerated retirement.

PowerSouth's Payment Obligations

General

As more fully described below, the Project P PPA provides, in general, that, subject to certain limitations, for the initial twenty years of commercial operation of each of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4, respectively, PowerSouth will be responsible for all of MEAG Power's costs relating to Project P, including Debt Service on obligations issued to finance Project P. The Project P PPA also provides that amounts owed by PowerSouth under the Project P PPA will be paid by PowerSouth as a cost of purchased power and energy for PowerSouth's electric utility system and otherwise as an expense of operation and maintenance thereof.

PowerSouth's payment obligations under the Project P PPA are payable whether or not Project P is completed or is operating or operable, and whether or not its output is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction, whether by offset or otherwise, and shall not be conditioned upon the performance or non-performance by any party of any agreement for any cause whatsoever.

In February of each calendar year during the term of the Project P PPA and following each of Plant Vogtle Unit No. 3's and Plant Vogtle Unit No. 4's commercial operation date, PowerSouth's billing statements will include additional charges referred to herein as PowerSouth's "Additional Compensation Obligation" which will be calculated as set forth in the Project P PPA. PowerSouth's Additional Compensation Obligation shall apply only to energy associated with the portion of Project P comprising up to, but not exceed, 4.5372 percent of the output of Vogtle Units 3&4.

All payments made by PowerSouth attributable to Project P or the Project P Annual Costs (other than PowerSouth's Additional Compensation Obligation) are to be pledged as security for Project P Bonds.

For a description of the Project P Participants' general payment obligations under the Project P Power Sales Contracts, see "SUMMARY OF THE VOGTLE UNITS 3&4 POWER SALES CONTRACTS – Vogtle Units 3&4 Participants' Obligations to Pay – *Payment Obligations of Project P Participants Under the Project P Power Sales Contracts*" in APPENDIX K to the Annual Information Statement.

Project P Annual Costs

Obligation to Pay Project P Annual Costs Other Than Debt Service. PowerSouth's obligation to pay its Obligation Share of the Project P Annual Costs (other than Debt Service) with respect to the first unit of Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 to achieve commercial operation shall commence on the First Commercial Operation Date and PowerSouth's obligation to pay its Obligation Share of the Project P Annual Costs (other than Debt Service) with respect to the second unit of Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 to achieve commercial operation shall commence on the Second Commercial Operation Date. Notwithstanding the foregoing and unless it becomes impractical or economically infeasible for MEAG Power to issue Project P Bonds, PowerSouth's obligation to pay the Project P Annual Costs will commence simultaneously with the obligation of the Project M Participants to

commence paying their respective shares of Project M's annual costs under the Project M Power Sales Contracts, which obligation may commence prior to the First Commercial Operation Date. Notwithstanding the foregoing, if it becomes impractical or economically infeasible for MEAG Power to issue Project P Bonds due to a PowerSouth Market Disruption, MEAG Power may commence billing PowerSouth for the Project P Annual Costs without simultaneously billing the Project M Participants for their shares of Project M's annual costs.

Obligation to Pay Debt Service. Except in the case of (x) Project P Bonds issued after the commercial operation date of Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4 to finance costs of acquisition and construction of capital improvements to Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4, as applicable (hereinafter referred to as "Project P Post-COD Capital Improvements Bonds"), (y) refunding Project P Bonds and (z) Project P BANs (PowerSouth's obligation in respect of the payment of Debt Service on which is described under "*PowerSouth's Payment Obligations Relating to Project P BANs*" below), PowerSouth's obligation to pay (i) the interest component of Debt Service of each Series of Project P Bonds attributable to Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall commence and (ii) the principal component of Debt Service of each Series of Project P Bonds attributable to Plant Vogtle Unit No. 3 and/or Plant Vogtle Unit No. 4 shall continue for a period of 240 months from and including the month in which such obligation shall commence.

In the case of Project P Post-COD Capital Improvements Bonds, PowerSouth's obligation to pay (i) the interest component of Debt Service of each such Series of Project P Post-COD Capital Improvements Bonds attributable to Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 shall commence on the day following the date to which all interest is capitalized on the Project P Post-COD Capital Improvements Bonds of such Series and (ii) the principal component of Debt Service of each such Series of Project P Post-COD Capital Improvements Bonds attributable to Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4, as applicable, shall commence on the date that is one year prior to the first due date of the principal installment of Debt Service of such Project P Post-COD Capital Improvements Bonds and, in either case, shall continue to the last day on which PowerSouth is entitled to its Obligation Share of the output of such unit pursuant to the terms of the Project P PPA. In the event of a delay in the in-service date of the capital improvements for which the Project P Post-COD Capital Improvement Bonds of such Series are issued under the Project P PPA, MEAG Power shall issue additional Project P Post-COD Capital Improvement Bonds to provide funds to capitalize interest on all such Project P Post-COD Capital Improvement Bonds until the actual in-service date of the capital improvements; *provided, however*, that in the event that MEAG Power determines it is practicably or economically infeasible for MEAG Power to issue such additional Project P Post-COD Capital Improvement Bonds at any time during the period between the estimated in-service date and the actual in-service date of the capital improvements, then MEAG Power shall not be required to issue such additional Project P Post-COD Capital Improvement Bonds and PowerSouth's obligation to pay interest on all such Project P Post-COD Capital Improvement Bonds shall commence on the day following the date to which all interest is capitalized on the Project P Post-COD Capital Improvement Bonds of such Series.

In the case of refunding Project P Bonds, PowerSouth's obligation to pay (i) the interest component of Debt Service of each Series of such refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Project P Bonds refunded thereby had such refunded Project P Bonds not been so refunded and (ii) the principal component of Debt Service of each such Series of refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the refunded Project P Bonds had such refunded Project P Bonds not been so refunded.

"Series" is defined in the Project P PPA to mean any or all Project P Bonds issued upon original issuance on a particular date, as determined by an Authorized Officer of MEAG Power on or prior to the

date of issuance thereof, whether or not such Project P Bonds constitute a separate “Series” of Bonds for purposes of (and as defined in) the Project P Bond Resolution. In the event that the Project P Bonds of any such Series shall constitute two or more separate “Series” of Project P Bonds for purposes of (and as defined in) the Project P Bond Resolution, the Project P Bonds of such Series may be aggregated for the purpose of establishing level monthly Debt Service pursuant to the Project P PPA.

PowerSouth’s Payment Obligations in the Event of Project P Delay or Termination

In the event of a delay in the scheduled commercial operation date of either or both of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4, MEAG Power may commence billing and PowerSouth will be responsible for the payment of the principal component of Debt Service on the Project P Bonds of any Series related to the delayed unit or units prior to the commercial operation date of such unit or units. PowerSouth will be obligated to pay its Obligation Share of such principal component of Debt Service on the Project P Bonds of such Series relating to such unit or units commencing on the date that is one year prior to the first due date of the principal component of such Debt Service; *provided, however*, in the event that MEAG Power determines it is practicably or economically infeasible for MEAG Power to limit billing under the circumstances described above to the principal component relating to the Project P Bonds, MEAG Power may bill the entirety of such Debt Service on such Project P Bonds. Except in the case of refunding Project P Bonds and with respect to Project P BANs (PowerSouth’s obligation in respect of the payment of Debt Service on which is described under “– PowerSouth’s Payment Obligations Relating to Project P BANs” below), PowerSouth’s obligation to pay (x) the interest component of Debt Service of each such Series of Project P Bonds attributable to Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4, as applicable, shall be included as part of the Project P Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project P Bonds attributable to such unit shall be included as part of the Project P Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of refunding Project P Bonds, PowerSouth’s obligation to pay (1) the interest component of Debt Service of each Series of such refunding Project P Bonds shall be included as part of the Project P Annual Costs only for the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Project P Bonds refunded thereby had such refunded Project P Bonds not been so refunded and (2) the principal component of Debt Service of each such Series of refunding Project P Bonds shall be included as part of the Project P Annual Costs only for the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the refunded Project P Bonds had such refunded Project P Bonds not been so refunded.

In the event that either or both of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 is cancelled or terminated pursuant to the Plant Vogtle Units 3&4 Development Agreement prior to the commercial operation date of such unit or units, PowerSouth will be obligated to pay (1) 50 percent of its Obligation Share of the costs of acquisition and construction relating to such unit or units (other than any such costs that have been paid with proceeds from Project P Bonds) and (2) its Obligation Share of the Project P Annual Costs relating to such unit or units for a period of twenty years from the date MEAG Power commences billing of such annual costs to PowerSouth and the Project M Participants; *provided, however*, that except in the case of refunding Project P Bonds and with respect to Project P BANs (PowerSouth’s obligation in respect of the payment of Debt Service on which is described under “– PowerSouth’s Payment Obligations Relating to Project P BANs” below), PowerSouth’s obligation to pay (x) the interest component of Debt Service of each Series of Project P Bonds attributable to such unit shall be included as part of the Project P Annual Costs only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project P Bonds attributable to such unit shall be included as part of the Project P Annual

Costs only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of refunding Project P Bonds, PowerSouth's obligation to pay (x) the interest component of Debt Service of each Series of such refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Project P Bonds refunded thereby had such refunded Project P Bonds not been so refunded and (2) the principal component of Debt Service of each such Series of refunding Project P Bonds shall continue only for the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the refunded Project P Bonds had such refunded Project P Bonds not been so refunded.

In the event that either or both of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement after the commercial operation date of such unit or units, PowerSouth will be obligated to pay its Obligation Share of the Project P Annual Costs relating to the cancelled unit or units for a period of twenty years following the commercial operation date of the applicable unit; *provided, however*, that in the event that MEAG Power commences billing PowerSouth a Debt Service component relating to such unit prior to the commercial operation date, except in the case of Project P Post-COD Capital Improvements Bonds (which only are to be issued following the commercial operation date of the applicable unit) and refunding Project P Bonds, PowerSouth's obligation to pay (x) the interest component of Debt Service of each such Series of Project P Bonds attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence and (y) the principal component of Debt Service of each such Series of Project P Bonds attributable to such unit shall continue only for a period of 240 months from and including the month in which such obligation shall commence.

In the case of Project P Post-COD Capital Improvements Bonds, PowerSouth's obligation to pay the interest and principal components of Debt Service of each such Series of Project P Bonds attributable to each of Plant Vogtle Unit No. 3 and Plant Vogtle Unit No. 4 shall continue only until the last day on which PowerSouth is entitled to its Obligation Share of the output of each such unit pursuant to the terms of the Project P PPA.

In the case of refunding Project P Bonds, PowerSouth's obligation to pay (x) the interest component of Debt Service of each Series of such refunding Project P Bonds shall be included as part of Project P Annual Costs for only the same number of months for which PowerSouth would have been obligated to pay the interest component of Debt Service on the Project P Bonds refunded thereby had such refunded Project P Bonds not been so refunded and (y) the principal component of Debt Service of each such Series of refunding Project P Bonds shall be included as part of the Project P Annual Costs for only the same number of months for which PowerSouth would have been obligated to pay the principal component of Debt Service on the refunded Project P Bonds had such refunded Project P Bonds not been so refunded.

If either of Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4 is cancelled or terminated pursuant to the Vogtle Units 3&4 Development Agreement during the term of the Project P PPA, and MEAG Power sells all or a portion of its interest in such cancelled or terminated unit, its nuclear fuel, equipment and related facilities, then MEAG Power has agreed to distribute to PowerSouth, or credit PowerSouth's billing statement, 50 percent of the net proceeds allocated to Project P, if any, actually paid and received by MEAG Power, *provided*, that such proceeds are not otherwise restricted by the revenue lien held by the bondholders.

PowerSouth's Payment Obligation Relating to Project P BANs

On May 21, 2009, MEAG Power and PowerSouth entered into an amendment to the Project P PPA (the "Project P PPA Amendment No. 1") pursuant to which PowerSouth agreed that, in the event that MEAG Power shall not have sufficient funds to pay in full the principal of or interest on any Project P BANs (as defined herein) when due (including, without limitation, as a result of MEAG Power's inability, for any reason, to borrow funds in an amount sufficient to refund any Project P BANs at or prior to their respective maturity dates (whether through the issuance of other Project P Bonds (including other Project P BANs) or otherwise), PowerSouth shall be obligated to pay to MEAG Power 50 percent of the amount of such shortfall, which amount shall be payable on or before the due date of such principal and/or interest, whether before or after the applicable commercial operation date.

In the event that PowerSouth shall pay to MEAG Power any amount in respect of the principal of maturing Project P BANs as provided in the preceding paragraph, MEAG Power agrees that, subject to certain conditions set forth in the Project P PPA Amendment No. 1, on the first date thereafter on which it is able to borrow funds to pay costs of acquisition and construction and financing costs of Project P, it shall include in such borrowing an amount sufficient to reimburse PowerSouth and the Project P Participants for all amounts paid by them in respect of the principal of such maturing Project P BANs that have not theretofore been reimbursed by MEAG Power, but without interest thereon.

Nature of PowerSouth's Obligations

For a discussion of the nature of PowerSouth's obligations under the Project P PPA, see "CAPITAL IMPROVEMENTS AND FINANCING PROGRAMS – Security for MEAG Power's Project P Bonds – *The Project P PPA*" in the Annual Information Statement.

Rate Covenant of PowerSouth

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

Capital Costs

Except as described herein, MEAG Power will finance capital costs related to Project P with Project P Bond proceeds. During any period when MEAG Power determines that it is infeasible to issue Project P Bonds to finance capital costs attributable to Project P, MEAG Power shall finance such capital costs from a reserve fund maintained for the payment of renewals and replacements. Any portion of such capital costs attributable to Project P that cannot be financed by such reserve fund will be billed to PowerSouth; *provided, however*, MEAG Power will not bill PowerSouth for any capital costs incurred prior to the First Commercial Operation Date. In such event, PowerSouth is entitled to a payment from MEAG Power in accordance with the terms of the Project P PPA upon the expiration of the term of the Project P PPA. In the event PowerSouth shall pay any amounts in respect of Debt Service on Project P Post-COD Capital Improvement Bonds prior to the actual in-service date of the capital improvements financed through the issuance of such Project P Post-COD Capital Improvement Bonds, then, upon expiration of the term of the Project P PPA, PowerSouth is entitled to a payment from MEAG Power in an amount equal to such amounts in respect of Debt Service paid prior to the actual in-service date.

Reserve Funds

The Project P PPA provides for two types of reserve funds: Non-amortized Reserve Funds and Amortized Reserve Funds. In the event that MEAG Power determines that it is infeasible to issue Project P Bonds and Project M Bonds to finance such reserve funds, MEAG Power may utilize revenues derived from either year end distributions or billings to PowerSouth under the Project P PPA to finance such reserve funds. Funds added to either type of reserve fund by PowerSouth to either initially fund or increase the funding of such reserve funds (but not to replenish such reserve funds) and which were not used during the term of the Project P PPA, will be reimbursed to PowerSouth upon the expiration of the term of the Project P PPA.

For any “Non-amortized Reserve Fund” created under the Project P Bond Resolution or Project P Power Sales Contracts, PowerSouth will pay its Obligation Share of any interest on the Project P Bonds that financed such Non-amortized Reserve Funds during each Power Supply Year during the term of the Project P PPA, offset by any interest earned on such funds during the Power Supply Year that are not required under the Project P Bond Resolution to be retained in such funds. Except as provided in the Project P PPA, PowerSouth is not entitled to any reimbursement upon the expiration of the term of the Project P PPA with respect to such funds.

For any “Amortized Reserve Fund” created under the Project P Bond Resolution or Project P Power Sales Contracts, PowerSouth will pay for both principal and interest on the Project P Bonds that financed such Amortized Reserve Fund during each Power Supply Year during the term of the Project P PPA, offset by any interest earned on such funds during the Power Supply Year that are not required under the Project P Bond Resolution to be retained in such funds. Upon the expiration of the term of the Project P PPA, MEAG Power shall reimburse PowerSouth the total amount of principal payments made by PowerSouth on the Project P Bonds relating to such funds, subject to PowerSouth’s having complied in full with its obligations under the Project P PPA.

MEAG Power has agreed that all moneys held in funds and accounts established pursuant to the Project P Bond Resolution shall be invested and reinvested to the fullest extent practicable in Investment Securities (as defined in the Project P Bond Resolution) which shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such funds and accounts. Interest earned on any moneys and investments in the funds and accounts will be paid into a revenue fund, subject to specific exceptions set forth in the Project P Bond Resolution.

Issuance of Project P Bonds

The Project P PPA provides that MEAG Power may issue and sell bonds (“Project P Bonds”) in accordance with the provisions of the Project P Bond Resolution to finance, or refinance by refunding outstanding Project P Bonds, any costs of acquisition and construction and financing costs associated with Project P. Such Project P Bonds may be secured by assignment of all payments attributable to Project P or the Project P Annual Costs, as such payments may be increased and extended due to the issuance of such Project P Bonds. Project P Bonds may be issued in amounts sufficient to cover such costs in full and to provide such reserves as may be reasonably determined by MEAG Power to be desirable.

Subject to the interim financing permitted by the Project P PPA Amendment No. 1, MEAG Power will structure the Project P Bonds within certain parameters. To the extent a Series of Project P Bonds is issued to finance costs attributable to both Vogtle Units 3&4, the principal of such Series will be allocated between Vogtle Units 3&4. Except for Project P Post-COD Capital Improvements Bonds, refunding Project P Bonds and Project P BANs, the principal of a Series of Project P Bonds will be assumed to amortize to result in level monthly Debt Service commencing not earlier than twelve months, nor later than 36 months, following the estimated commercial operation date of the applicable unit to which such principal relates and ending on the fortieth anniversary of the first principal installment due date for such

Series. For Project P Bonds (or portions thereof) bearing interest at fixed rates, debt service will reflect the actual fixed interest rates. For Project P Bonds (or portions thereof) bearing interest at variable rates, debt service will reflect the average rate of interest to be borne by such bonds over their assumed term.

The amounts and due dates for the first twenty installments of the principal of a Series of Project P Bonds as calculated in the foregoing paragraph will be the actual amounts and due dates for the first twenty installments of principal. However, MEAG Power will have the sole discretion to determine the actual amounts and due dates for the remaining twenty installments of principal related to the applicable Series of Project P Bonds.

The Project P PPA provides that MEAG Power may also issue Project P Post-COD Capital Improvements Bonds, which, if issued, would not be subject to the bond structure of Project P Bonds, to finance any costs of acquisition and construction and financing costs of (i) any major renewals, replacements, repairs, additions, or improvements associated with Project P and (ii) any major additions, improvements, repairs, or modifications required by any governmental authority having jurisdiction over Plant Vogtle Unit No. 3 or Plant Vogtle Unit No. 4. The Project P PPA also provides that MEAG Power may issue refunding Project P Bonds, which, if issued, would not be subject to the bond structure of Project P Bonds, but the Debt Service on each such Series of refunding Project P Bonds shall be structured in a manner consistent with the principles governing the issuance of Project P Bonds under the Project P PPA, so as to equitably apportion the savings or dissavings, as applicable, resulting from the issuance of such refunding Project P Bonds both during the term of the Project P PPA and during the period that the Project P Participants are obligated to pay Debt Service on such refunding Project P Bonds under the Project P Power Sales Contracts.

In the case of Project P Post-COD Capital Improvements Bonds, the principal of any Series of Project P Post-COD Capital Improvements Bonds will be allocated to each capital improvement item (or group of capital improvement items having comparable estimated useful lives) and such principal shall be assumed to be amortized in such a manner as will result in level monthly Debt Service with respect to such principal over the assumed period commencing on the second April 1 following the estimated in-service date of the capital improvements (or group of capital improvements) and ending on the earlier of (x) the expiration of the term of the applicable unit's combined construction and operating license, or (y) the end of the estimated economic useful life of the capital improvement item (or group of capital improvement items). For Project P Bonds (or portions thereof) bearing interest at fixed rates, debt service will reflect the actual fixed interest rates. For Project P Bonds (or portions thereof) bearing interest at variable rates, debt service will reflect the average rate of interest to be borne by such bonds over their assumed term.

The amounts coming due on or before April 1 of the calendar year following the last day on which PowerSouth is entitled to its Obligation Share of the output of the unit of Vogtle Units 3&4 will be the actual amounts and due dates of each such installment of the principal of the Project P Post-COD Capital Improvements Bonds of such Series. However, MEAG Power will have the sole discretion to determine the actual amounts and due dates for the remaining installments of principal related to the applicable Series of Project P Post-COD Capital Improvements Bonds.

In the case of refunding Project P Bonds, Debt Service on each such Series of Project P Bonds will be structured in a manner consistent with the principles governing the issuance of Project P Bonds under the Project P PPA, so as to equitably apportion the savings or dissavings, as applicable, resulting from the issuance of such refunding Project P Bonds both during the term of the Project P PPA and during the period that the Project P Participants are obligated to pay Debt Service on such refunding Project P Bonds under the Project P Power Sales Contracts.

In particular, in the case of fixed rate refunding Project P Bonds issued to refund variable rate Project P Bonds, Debt Service on the refunding Project P Bonds will be structured to result in level

monthly Debt Service over the period from and including the month following the month in which the refunding Project P Bonds are issued to and including the month in which PowerSouth's obligation to pay the principal component of Debt Service on such refunded Project P Bonds would have ended had the refunded Project P Bonds not been so refunded determined consistent with the parameters applied to Project P Bonds other than refunding Project P Bonds or Project P Post-COD Capital Improvements Bonds. In the case of refunding Project P Bonds issued to achieve Debt Service savings, the issuance of such refunding Project P Bonds will result in (x) no cash flow dissavings in any year during the period from and including the year in which the refunding Project P Bonds are issued to and including the year preceding the final maturity date of the refunded Project P Bonds and (y) the weighted average life of the refunding PPA Bonds shall not exceed the remaining weighted average life of the refunded PPA Bonds, calculating such remaining weighted average life of the refunded Project P Bonds immediately prior to the issuance of the refunding Project P Bonds. In the case of refunding Project P Bonds issued to extend the maturity of any Project P Bonds any principal installment for which constitutes a Refundable Principal Installment (as defined in the Project P Bond Resolution), the final maturity date of the refunding Project P Bonds shall be not later than the latest date on which the principal of the refunded Project P Bonds was permitted to mature for purposes of determining the assumed amortization of the refunded Project P Bonds other than refunding Project P Bonds and Project P Post-COD Capital Improvements Bonds (i.e., the 40th anniversary of the first principal installment due date for the Series of Project P Bonds of which the refunded Project P Bonds were a part), and the Debt Service on the refunding Project P Bonds shall be structured so as to result in level monthly Debt Service over the period from and including the month in which the maturity date of the refunded Project P Bonds was to occur to and including the month preceding the final maturity date of the refunding Project P Bonds, determined in the same manner provided for Project P Bonds other than refunding Project P Bonds or Project P Post-COD Capital Improvements Bonds.

Subject to the interim financing permitted pursuant to the Project P PPA Amendment No. 1, MEAG Power may issue Project P BANs. Project P BANs are Project P Bonds that are issued to finance or refinance the costs of acquisition and construction and financing costs of Project P on an interim basis prior to the issuance of other Project P Bonds. MEAG Power is authorized to issue such Project P BANs on such terms and on such conditions as, in its sole judgment, it shall determine. In addition to the amount of proceeds of the Project P BANs of a particular issue to be applied to the payment of costs of acquisition and construction and other financing costs, the Project P BANs of such issue shall be sized so as to provide such amount of capitalized interest on the Project P BANs of any issue as MEAG Power shall determine is reasonably necessary. In addition to any assignment of all payments attributable to Project P or Project P's Annual Costs to be made in accordance with or pursuant to the provisions of the Project P PPA or the Project P Power Sales Contracts, as such payments may be increased and extended by reason of the issuance of any Project P BANs, such Project P BANs may be secured by an assignment of proceeds of other Project P Bonds (including other Project P BANs) to be issued to refund such Project P BANs.

In addition to funds required for Costs of Acquisition and Construction and Financing Costs, and certain reserve requirements related thereto, MEAG Power may issue Project P Bonds in amounts sufficient to provide for the Debt Service Reserve Requirement under the Project P Bond Resolution, capitalized interest relating to Project P Bonds of any Series and amounts that MEAG Power determines are necessary to fund any Amortized Reserve Funds and/or Non-amortized Reserve Funds under the Project P Bond Resolution. However Project P Bonds issued to fund Non-amortized Reserve Funds are not subject to the structuring requirements of the Project P PPA.

MEAG Power has agreed to consult with PowerSouth regarding the mix of fixed and variable interest rates to be borne by a Series of Project P Bonds prior to issuance, but retains ultimate discretion as to such mix of interest rates.

Adjustment of Project P Costs

In the event the proceeds derived from the sale of any Project P Bonds exceed the aggregate amount required for the purposes for which such Project P Bonds were issued, the amount of such excess shall be timely used during the term of the Project P PPA to make up any deficiency then existing in any fund or account under the Project P Bond Resolution in the manner therein provided, and any balance shall be timely used during the term of the Project P PPA to retire by purchase, redemption or defeasance Project P Bonds in advance of maturity in a manner consistent with the principles governing their issuance under the Project P PPA, so as to equitably apportion the Debt Service savings resulting from the retirement of such Project P Bonds both during the term of the Project P PPA and during the period that the Project P Participants are obligated to pay Debt Service on the Project P Bonds under the Project P Power Sales Contracts, and in such event MEAG Power will reduce such elements of the Project P Annual Costs as are necessary and appropriate to reflect such accelerated retirement.

Remedies

Failure by PowerSouth to make any payment due under the Project P PPA will constitute a default thereunder. MEAG Power may enforce payment by action at law or equity and may, upon 60 days' written notice to PowerSouth, discontinue providing services to PowerSouth under the Project P PPA. If the default continues for a period in excess of 180 days, MEAG Power may permanently discontinue providing service to PowerSouth. In the event of such default, PowerSouth shall not be relieved of its liability for payment of any amounts required to be made under the Project P PPA; provided, however, that if MEAG Power discontinues providing service to PowerSouth, MEAG Power will apply the net proceeds from any sale to a third party of all or a portion of the output of Project P to which PowerSouth was previously entitled, to mitigate PowerSouth's payment obligations.

PowerSouth's failure to comply with any other covenant, agreement, representation, warranty or obligation of the Project P PPA shall also constitute a default. In response to such default, MEAG Power may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation, but MEAG Power may not discontinue providing service as a result of a default of PowerSouth other than a non-payment default.

MEAG Power's failure to comply with any covenant, agreement, representation, warranty or obligation of the Project P PPA shall also constitute a default and PowerSouth may bring suit, action or proceeding in law or equity to enforce such covenant, agreement, representation, warranty or obligation but nothing in the Project P PPA shall be construed to permit PowerSouth to terminate, rescind, void or otherwise abandon its obligations to MEAG Power under the Project P PPA as a result of such default.

Termination or Amendment

The Project P PPA may not be terminated by either party under any circumstances and may not be amended, modified or otherwise altered in any manner except as permitted in the Project P Bond Resolution. So long as any Project P Bonds are outstanding or until adequate provisions for payment thereof have been made in accordance with the provisions of the Project P Bond Resolution, the Project P PPA shall not be amended, modified or otherwise altered in any manner that would reduce the payments pledged as security for Debt Service on the Project P Bonds, extend the time for such payments, adversely impact or in any manner impair or adversely affect the rights of the owners from time to time of the Project P Bonds.