

IN COMMITTEE

What's on the docket in MEAG Power Board's Asset/Liability Committee?



The Asset/Liability Committee is a three-member group including Committee Chairman Patrick Bowie (LaGrange), who has served in this position since July 2007, Keith Brady (Newnan) and Steve Rentfrow (Crisp County).

current: What are the responsibilities of the Asset/Liability Committee?

Bowie: As the name implies, our committee evaluates, monitors, and recommends to the board policies related to the capital structure and investment portfolio of MEAG Power. An organization can only be successful through a properly managed balance sheet, and fortunately, MEAG Power does this as good as any. If most cities are like mine (LaGrange), the debt

service that we pay to MEAG Power represents a very large part of the total cost of service of our electric system, so keeping these costs low greatly impacts our competitive position and the quality of life in our communities.

current: How often, on average, does the membership meet?

Bowie: We meet at least once per quarter to review the performance of our investment portfolio, interest rate swaps and gas

hedging positions. During the meetings, we also discuss upcoming financing transactions and objectives, with the overall goal of minimizing costs and maximizing earnings as much as possible.

current: What were some of the key focuses the Committee addressed last year? And what is front and center this year?

Bowie: One of the primary goals over the past couple of years has been to lock in as much debt as possible at today's low interest rates. There has been a significant shift in the risks associated with auction and other variable rate debt, fueled by the disappearance of bond insurers and uncertainty of credit risk. Fortunately, MEAG Power has emerged on the other side of this financial crisis as strong as ever, thanks to its talented staff. The biggest challenge ahead for our Committee and the Treasury Staff will be maximizing investment yields in this low interest rate environment. This is particularly significant given the cash on hand associated with the Plant Vogtle Build America Bond proceeds, and our goal of reducing the negative arbitrage associated with this debt.

UPDATE

Plant Vogtle: A consortium of national labor unions has made an agreement with the construction arm managing the expansion at Plant Vogtle to provide local workers and specialized training programs for the project.

Coal Ash: The Environmental Protection Agency (EPA) is proposing the first-ever national rules to cover the disposal and management of coal ash from coal-fired power plants. Comments on the proposals are due 90 days from the date of publication in the Federal Register, which was June 21.

Coal Plant Protests: Environmentalists and citizen groups are mounting a legal challenge against proposed Plant Washington, an 850-megawatt coal-fired facility near Sandersville, but plans continue to go forward. Also, a challenge to the 2009 public consent process conducted by the state Environmental Protection Division concerning Plant Lingle in Early County has won on appeal. Therefore, the process will have to be repeated.

EPA: The EPA said, beginning in July 2011, any newly planned large facilities, defined as those releasing 100,000 or more tons of carbon dioxide per year, will have to hold permits to emit

greenhouse gases. Large facilities that undergo modifications that would increase emissions by 75,000 tons or more will be subject to permitting requirements even earlier, beginning in January 2011. The rule still faces likely legal challenges from critics who say the EPA lacks the authority to distinguish between large and small emitters. Opposition also continues in Congress to delay or eliminate the EPA's endangerment finding of greenhouse gases and the agency's move to regulate CO₂ under the Clean Air Act.

Smart Grid Award: Negotiations with the Department of Energy have been completed and MEAG Power has been awarded \$12.3 million to invest in automation improvements. MEAG Power will match this amount, bringing the total investment to \$24.5 million.

Water Stewardship Act of 2010: Many of the recommendations made by the Governor's Water Contingency Task Force which included Joe Maltese, LaGrange's Director of Community and Economic Development, and Bob Johnston, MEAG Power's President and CEO, were included in the Stewardship Act signed this June.



Jim Fuller, MEAG Power's Senior Vice President and CFO, led the financing team.

A FINANCING SUCCESS STORY

Garnering \$2.7 billion of low 4.35 percent financing for the first new nuclear project in 30 years wasn't easy, but MEAG Power found a way to make it happen and achieved the goal of obtaining the lowest possible long-term borrowing cost for a significant portion of the capital requirements of the Vogtle expansion effort.

This success for MEAG Power and our Participants constitutes the single largest new money financing in the history of public power, and with a 2057 maturity, the bonds have the longest final maturity ever sold for a large-scale municipal market financing.

MEAG Power had significant pluses to appeal to investors including such features as: the take-or-pay general obligation pledge of the power sales contracts; a strong conservative balance sheet that included funds of the Municipal Competitive Trust; the conditional commitment obtained under the Department of Energy's Federal Loan Guarantee Program; the risk reduction provided by the Engineering,

Procurement and Construction contract; the power purchase agreements with JEA and PowerSouth sharing the construction risks; and a solid, well-established partnership with Plant Vogtle's other owners.

Especially unique to this financing project was the fact that the majority of the bonds were issued as taxable Build America Bonds (BABs), where MEAG Power would issue taxable debt in lieu of tax exempt debt, in exchange for a 35 percent federal subsidy on the interest expense on the debt for the life of the bonds. MEAG Power made significant efforts to educate potential investors and followed through with an intense market outreach program.

Working with Goldman Sachs and Public Financial Management, MEAG Power provided possible buyers with information that helped clarify the distinctions between BABs and conventional corporate bonds, while underscoring the strong credit characteristics of MEAG Power. Additionally, assessing a fair market interest rate for this unique new credit instrument posed its challenges but again, the team listened to feedback from the marketplace and ultimately set a rate for each of the three project credits at the lowest possible level that would support the successful placement of the entire initial \$2.7 billion Vogtle financing objective.

THE POWERS THAT BE A Look at Our Generating Assets Beginning with Plant Scherer

MEAG Power and our Participants are fortunate to have a diverse portfolio of quality generating assets representing over \$4 billion and providing over 1,550 megawatts of power. The four plants with which we share ownership and the combined cycle facility that we own 100 percent provide some of the lowest-emitting generation in the Southeast. Indeed, the greenhouse gas emission per kWh of MEAG Power facilities is 30 percent below the industry average.

Plant Scherer Today

Plant Scherer, a coal-fired facility, is located in middle Georgia in Monroe County and is one of the largest generating stations in the country with a total net capacity of 3,280,000 kilowatts. The facility encompasses one of Georgia's most expansive public recreational regions, including Lake Juliette and acres of surrounding uplands. The total property is some 12,000 acres with the actual plant operating area covering approximately 3,500 acres.

While Plant Scherer consists of four separate units, MEAG Power has joint ownership, along with Oglethorpe Power, Georgia Power and the city of Dalton, only in Units 1 and 2. Unit 1 became operational in 1982 and Unit 2 came online in 1984. Both units are expected to have a life span of up to 60 years. Together, these two units provide two-thirds of MEAG Power's coal capacity, with each unit generating 248,000 kilowatts for the MEAG Power system.

Recognized For Operational Excellence

The owners of Plant Scherer have invested many millions of dollars in emission control systems to make certain that the

Plant's air quality meets or exceeds all environmental standards. The coal supply, from the Powder River Basin in Wyoming, is a fuel that contains lower concentrations of sulfur and results in lower emissions of nitrogen oxides. Additionally, electrostatic precipitators remove more than 99 percent of fly ash from the flue gases, and opacity and gas monitors continually measure plant emissions in the two stacks. New fabric filters (aka "bag-houses") were recently installed along with activated carbon injection systems to remove mercury from the flue gas. Also, construction has begun to install selective catalytic reduction systems and flue gas desulfurization systems to remove NO_x and SO₂ from the flue gas. These systems will be installed on all four units by the end 2014.

The water sources for Plant Scherer are the Ocmulgee River and Lake Juliette. The facility uses a closed-cycle cooling system so the same water is used repeatedly in the generating process. Moreover, the closed-loop steam cycle and cooling towers prevent thermal pollution of Lake Juliette and the Ocmulgee River.

Plant Scherer is a vital part of the entire Southeast's energy supply and the economic growth such energy supports. Because of its high availability, Plant Scherer was recognized for generating more energy than any other fossil-fueled or hydroelectric generating station in the nation for 2008. The plant has been one of the top energy producers in the country over the past several years. Today the facility employs approximately 400 people.

current

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WE WANT YOU

The Administration wants more people innovating, working and fluent in clean energy technology. In late April, the Administration announced that it would provide opportunities for thousands of American students to pursue careers in science, engineering and entrepreneurship related to clean energy in conjunction with the National Science Foundation (NSF), the Department of Energy (DOE) and other government agencies. These organizations would also work to educate the public about energy choices and challenge educational institutions to develop innovative ways to enhance instruction in these areas. Indeed, the DOE, in partnership with the NSF, is dedicating at least 5 percent, or \$19 million, to undergraduate and graduate fellowships, scholarship and traineeship programs for students pursuing clean energy careers.

Additionally, the DOE is earmarking nearly \$100 million for 54 smart grid workforce-training programs that will involve community colleges, universities, utilities and manufacturers. It is estimated that the programs will

train approximately 30,000 Americans who will help to modernize the nation's electrical grid and implement smart grid technologies in communities across the country. The programs fall under two categories. The electric power sector is receiving \$41.6 million to fund 33 projects, which essentially focus on enhancing training programs to help ensure that the American workforce can meet the demands that will be created by smart grid technology. The second category – \$57.7 million for 21 projects – concentrates on smart grid workforce training and development. These projects will provide advanced training to utility workers and new hire training for those in underserved communities and military veterans. Georgia Tech Research Corporation/NEETRAC in Atlanta has received nearly \$650,000 to develop a training program for line crews and engineers.

Participants who desire more information on MEAG Power smart grid training programs, contact Doug Lego at dlego@meagpower.org or 770-563-0378.

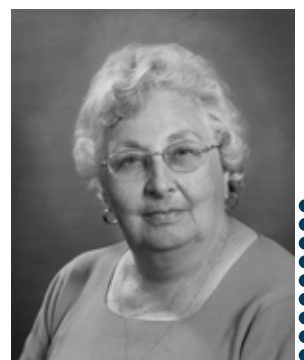


VOGTLE EXPANSION VIDEO & VENDOR/JOBS INFORMATION

To view interesting updates on the progress and details of Units 3 and 4 and for details on vendor and job opportunities, go to the MEAG Power website – www.meagpower.org.

Meet Your COLLEAGUES

Camille Payne began serving on the Thomasville City Council in 1988 and was the city's mayor from 1994–1997. Today she is in her second term as the city's chief executive being unanimously elected to the office in January 2010 by her fellow councilmembers. During her first term, Mayor Payne embarked on a number of initiatives, including garnering funding for downtown Thomasville traffic and pedestrian enhancements and for improvements at area park facilities. She was also instrumental in the development of the Thomasville Rose Garden at Cherokee Lake Park.



Tell us how you came to be mayor? Our city charter calls for the mayor, as well as the mayor pro tem, to be elected by a majority vote of all the city councilmembers. Once elected, we serve for a term of two years. While mayor, I continue to vote and participate as a councilmember, but have no veto power.

Each councilmember rotates into the executive position. We think this keeps fresh ideas coming, and each of us typically has a particular passion we are able to nurture as mayor.

I really look out for the aesthetic appeal of our town such as the lovely gateway we have created with the Rose Garden and Cherokee Lake Park. It gives me a lot of satisfaction to see the use of Cherokee Lake by our citizens as it offers wonderful walking trails.

What's the best part of being Mayor of Thomasville?

The best part for me is working with this great staff and meeting the needs of our citizens and businesses. I can really say being mayor is fun.

Thomasville and MEAG Power have been partners for some time. What do you appreciate about the partnership?

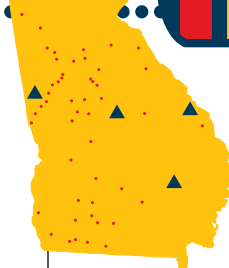
The partnership with MEAG Power gives us the opportunity to offer the lowest-cost power. We also get a chance to network with 48 other communities, which, like Thomasville, want to be Georgia's best. With MEAG Power, we also have access to solid resources. The Plant Vogtle expansion project is an example. This emission-free resource will be invaluable to us and ensure Thomasville has the increased power supply we will need in the future.





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MEAG POWER current NEIGHBORS



Buford Buford is building a beautiful new community center featuring a ballroom, playhouse theater and more. “The center is part of the overall plan to complement the historic downtown and provide a gateway into the city,” says City Manager Bryan Kerlin.

Covington Mayor Kim Carter has named SKC Inc. Chairman Shin an honorary citizen and given him the key to the city to mark SKC’s aggressive expansion in the community.

Grantville & Mansfield Lights. Camera. Action! Film crews recently set up shop in these two communities. “Panama City,” a comedy, was shot in Grantville and “The Walking Dead,” a six-episode TV series will have scenes along Highway 11 in Mansfield.

Hogansville Saving money is on everyone’s mind and Hogansville has found a way to do so by making its own guardrails using the city’s light poles and some purchased metal.

Jackson Debt free – that’s a claim Jackson is glad to make by paying off a sewer improvements bond floated in 1993. “As a result,” said Mayor Charlie Brown, “the bond fee on our residents’ water bills will be removed.”

Lawrenceville Gwinnett Medical Center has broken ground on its new \$33-million Heart & Vascular Center. The outpouring of support from the community was instrumental in bringing this Center to Lawrenceville.

Sandersville This city is willing to invest in itself and that is just why the Georgia Environmental Facilities Authority has granted the community a low-interest loan to help finance the installation of water and sewer lines.

Thomaston The Solo Cup plant in Thomaston will employ more workers now that more production is being added to this efficient facility.

Make A NOTE

20
10

MEAG Power Board Meetings

August 19
September 16
October 21

Mayors Summit
November 12-14

How Does Your GARDEN GROW?

The Norcross Charity Garden planted in the city’s historic district is doing just fine. Rows of okra, squash, tomatoes and green beans have been planted by 30 Norcross residents, and once harvested, will be donated to Rainbow Village, a Duluth-based transitional home for homeless families. Each gardener pays \$30 for a box or plot and enjoys a wonderful opportunity to “dig in the dirt” and do something good. It’s expected that the garden will reap about 500 pounds of vegetables – 200 more than last year. “We added new people this year and 32 square feet more of gardening space,” explains Laura Laszlo, the garden organizer. “Plus the city of Norcross is donating the water we need. Want to join in? We can always use the help,” says Laura.

P.S. Where Do Pocket Gophers Go?

If they had been living at the construction site of Plant Vogtle’s new units, it looks like many have decided to take up new residency. Crews at the site hope all the site’s gophers have joined the three pocket gophers that workers relocated to safer ground and are now thriving in their new habitat. Pocket gophers are not a threatened species and there was no obligation to move them, but the concern was for the animals’ benefit and livelihood.

GREENING UP

