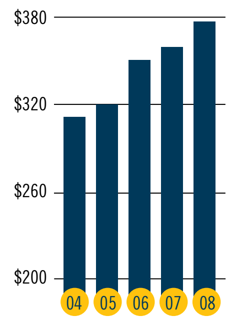
SECOND

QUARTER REPORT 2008 MEAG POWER

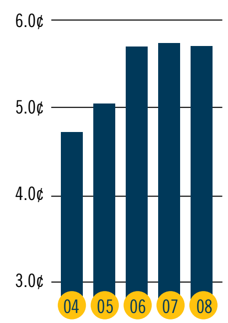
MEAG POWER 1470 Riveredge Parkway, NW Atlanta, Georgia 30328-4686 1-800-333-MEAG www.meagpower.org

YEAR-TO-DATE REVENUES
Through June 30: (in millions)



Through June 30, 2008, total revenues increased 4.7% from the first half of 2007 due primarily to a $15.2 million increase in off-system energy sales related mainly to price.

COST TO PARTICIPANTS
Through June 30: (cents per kWh)



Cents per kWh decreased to 5.69 through June 30, 2008, from 5.73 for the same period in 2007, due to an increase in revenue received from off-system energy sales, which lowers the Participants' net cost and offsets an increase in SEPA charges.

SIX MONTHS' PERFORMANCE

Revenue and Cost Analysis

Revenues: Total revenues of $376.0 million through June 30, 2008 reflect a 4.7% increase compared to total revenues of $359.0 million for the first half of 2007. The increase was due primarily to a $15.2 million increase in off-system energy sales related mainly to price.

Operating Expenses: Year-to-date operating expenses through June 30, 2008 increased 3.0% to $249.2 million, compared to $241.8 million for the same period in 2007. An increase of $9.8 million in coal cost was primarily due to increased consumption of coal, resulting from fewer days of planned maintenance, and higher coal prices. Other factors affecting the increase include a $1.8 million increase in nuclear fuel expense, a $1.2 million increase in other operating expenses, and a $1.5 million reduction in revenues MEAG Power received from the co-owners of the Integrated Transmission System. Natural gas expense decreased $5.4 million, mostly attributable to an increase in the mark-to-market value of the hedging program related to higher prices, and decreased consumption of natural gas. Purchased power expenses decreased $2.1 million mainly due to higher output of the generating units.

Interest Expense, Net: Net interest expense, which includes stated interest expense and other related components such as amortization of debt discount and expense, interest income, net change in the fair value of financial instruments, and interest capitalized, totaled $78.8 million through June 30, 2008, compared to $57.8 million for the same period in 2007. This 36.5% increase is due mainly to a $17.8 million decrease in the fair value of financial instruments, primarily related to the value of decommissioning investments and outstanding swap agreements, as well as a $12.3 million decrease in interest income due to lower interest rates and lower average invested balances. These factors were partially offset by a $10.0 million decrease in interest expense due primarily to lower amounts of debt outstanding, as well as lower interest rates.

Financial

MEAG Power's debt had a weighted average interest rate of 4.31% and 4.84% for the six months ended June 30, 2008 and 2007, respectively. The decrease was attributable to a reduction in interest rates on variable rate bonds. The weighted average interest rates exclude the impact of receipts and payments pertaining to interest rate swap agreements, as well as other related net interest expense components listed above.

As of June 30, 2008 and 2007, MEAG Power's investment portfolio included $1.2 billion and $1.3 billion in other non-current assets, as well as $522.0 million and $545.5 million, respectively, in current assets.

Operations

Energy delivered to MEAG Power Participants for the first half of 2008 totaled 5.2 million megawatt-hours, comparable to the amount of energy delivered for the same period in 2007.

Through June 30, 2008, total power cost to the Participants, including energy purchased from the Southeastern Power Administration (SEPA), was 5.69 cents/kWh compared to 5.73 cents/kWh for the same period in 2007. The main factor in this improvement was the increase in revenue received from off-system energy sales, which lowers the Participants' net cost and offsets an increase in SEPA charges.

For the first six months of 2008 in relation to the same period in 2007, the capacity factors of the nuclear and coal units increased to 86.4% and 84.7% from 84.4% and 80.6%, respectively, due to shortened planned outage schedules. The Combined Cycle Facility's equivalent availability factor through June 30, 2008 was 96.3% and its starting reliability was 100.0%, compared to June 30, 2007 factors of 98.4% and 100.0%, respectively. The slight decrease in the equivalent availability factor was due to two additional days of planned maintenance outage hours.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

(in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Trust Funds	Eliminations	Total Electric Projects	Telecom and Business Units	Total	Total
	June 30, 2008								June 30, 2007
ASSETS									
Property, plant and equipment – net	$1,451,720	$461,141	$278,689	$ –	$ –	$2,191,550	$12,792	**$2,204,342**	$2,132,895
Other non-current assets	391,400	171,393	50,416	818,622	(194,946)	1,236,885	74	**1,236,959**	1,268,327
Current assets	354,764	124,603	68,833	168,075	(4,809)	711,466	2,936	**714,402**	706,472
Deferred debits	645,738	172,060	10,045	(524,476)	–	303,367	(4,261)	**299,106**	424,971
TOTAL ASSETS	$2,843,622	$929,197	$407,983	$ 462,221	$(199,755)	$4,443,268	$11,541	**$4,454,809**	$4,532,665
LIABILITIES									
Long-term debt	$2,086,818	$804,390	$364,059	$ –	$ (194,946)	$ 3,060,321	$ 8,495	**$ 3,068,816**	$3,341,512
Lease finance obligation	–	–	–	292,763	–	292,763	–	**292,763**	280,107
Other non-current liabilities	300,780	49,628	–	1,387	–	351,795	1,162	**352,957**	326,398
Current portion of long-term debt	144,093	44,044	12,825	–	–	200,962	600	**201,562**	163,501
Flexible trust funds held for Participants	–	–	–	136,873	–	136,873	–	**136,873**	126,762
Other current liabilities	311,931	31,135	31,099	31,198	(4,809)	400,554	1,284	**401,838**	294,385
TOTAL LIABILITIES	$2,843,622	$929,197	$407,983	$ 462,221	$(199,755)	$4,443,268	$11,541	**$4,454,809**	$4,532,665

CONDENSED CONSOLIDATED STATEMENT OF NET REVENUES (UNAUDITED)

(in thousands)	Project One	General Resolution Projects	Combined Cycle Project	Trust Funds	Eliminations	Total Electric Projects	Telecom and Business Units	Total	Total
	Six months ended June 30, 2008								Six months ended June 30, 2007
Revenues:									
Participant [(1)]	$180,207	$80,523	$26,103	$ –	$ –	$ 286,833	$3,926	**$ 290,759**	$290,813
Other	49,402	22,894	13,576	–	(734)	85,138	75	**85,213**	68,218
Total revenues	229,609	103,417	39,679	–	(734)	371,971	4,001	**375,972**	359,031
Operating expenses	155,007	70,635	21,386	103	(734)	246,397	2,761	**249,158**	241,815
Net operating revenues (loss)	74,602	32,782	18,293	(103)	–	125,574	1,240	**126,814**	117,216
Net interest expense (income)	59,954	21,544	8,331	(11,934)	–	77,895	928	**78,823**	57,758
Decrease in net costs to be recovered from future billings to Participants	14,648	11,238	9,962	11,831	–	47,679	312	**47,991**	59,458
Total other expenses (income), net	74,602	32,782	18,293	(103)	–	125,574	1,240	**126,814**	117,216
NET REVENUES	$ –	$ –	$ –	$ –	$ –	$ –	$ –	**$ –**	$ –

(1) Net of over-recovery of $11.1 million and $8.0 million for the six months ended June 30, 2008 and 2007, respectively. These amounts are included in other current liabilities and may not be indicative of future results. The final 2007 over-recovery is available to all the Participants and has been substantially distributed.

These condensed consolidated financial statements, which include the accounts of the Power Revenue Bond Resolution (Project One), the General Power Revenue Bond Resolution (General Resolution Projects), the Combined Cycle Project Bond Resolution (Combined Cycle Project), the Municipal Competitive Trust and the Deferred Lease Financing Trust (Trust Funds), (collectively, the Electric Projects), the Telecommunications Project (Telecom), as well as the Distribution Services and the Marketing Services Business Units (Business Units), should be read in conjunction with MEAG Power's 2007 audited financial statements.

BUSINESS DESCRIPTION

The Municipal Electric Authority of Georgia (MEAG Power) exists for one primary reason: to generate and transmit reliable and economical wholesale electric power to our 49 Participants. We have addressed this requirement successfully in our more than three decades of service since being chartered by the Georgia General Assembly as a public power corporation. We provide power through our co-ownership of two nuclear and two coal-fired generating plants, sole ownership of a combined cycle facility, as well as ownership of over 1,300 miles of high voltage transmission lines and nearly 200 substations. MEAG Power also monitors and advocates on energy issues at the state and federal levels on behalf of our Participants. In addition, through separate business units, MEAG Power offers our Participants technical support, training, pricing strategies, joint purchasing, energy services, meter testing and economic development assistance.

MEAG Power is among the country's leading joint action agencies, with one of the most diversified fuel portfolios in the Southeast. We were also one of the first public power organizations to extend our power sales contracts, thus providing for the continued operation and financing of our generation and transmission assets in the most efficient manner.

As a public power enterprise, MEAG Power was created to serve our Participants. It is for their benefit, not shareholders', that we exist; it is their decisions at the local level that drive our long-term operations; and it is by combining their voices into one that we help protect their interests as energy policies and legislation are discussed and enacted.