

2018 SECOND QUARTER REPORT

MEAG POWER | 1470 RIVEREDGE PARKWAY, NW | ATLANTA, GEORGIA 30328-4640 | 1-800-333-MEAG | www.meagpower.org



Summary of Selected Financial and Operating Data

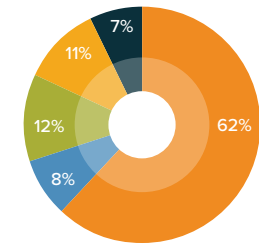
(Dollars in thousands)

Six months ended or as of June 30,	2018	2017	2016
Total revenues	\$ 326,175	\$ 304,409	\$ 344,730
Total assets and deferred outflows of resources	\$ 8,977,093	\$8,898,291	\$9,085,146
Weighted average interest cost ⁽¹⁾	3.92%	4.06%	4.08%
Total cost to MEAG Power Participants (cents per kWh) ⁽²⁾	6.76	7.01	6.98
Peak demand (MW)	1,885	1,758	1,891

⁽¹⁾ Excludes the impact of certain net non-operating expense components such as receipts and payments pertaining to interest rate swap agreements, amortization of debt discount and expense, investment income, the net change in the fair value of financial instruments and interest capitalized. The rate is net of subsidies on Build America Bonds.

⁽²⁾ Funds from the Municipal Competitive Trust were applied to lower the Participants' generation billings.

Delivered Energy by Source through June 30, 2018



■ Nuclear Generation
■ Hydro
■ Coal Generation
■ Gas Generation
■ Net Purchases

70% Clean/Emissions-Free through June 30, 2018

FIRST SIX MONTHS' PERFORMANCE

Revenue and Expense Analysis

Revenues: For the six months ended June 30, 2018 (YTD 2018), total revenues were \$326.2 million compared with \$304.4 million for the same period in 2017 (YTD 2017). Participant revenues and other revenues increased \$19.7 million and \$2.1 million, respectively.

Participant revenues increased mainly due to deferred inflows of resources related to normal timing differences between amounts billed and expenses determined in accordance with accounting principles generally accepted in the United States. A planned reduction of \$11.2 million in fund transfers from the Municipal Competitive Trust (Competitive Trust Funding) also increased Participant revenues. These factors were partially offset by a reduction in Participant billings for fuel, as discussed below.

The increase in other revenues was primarily due to a \$4.9 million increase in Pseudo Scheduling and Services Agreement energy sales, as well as a \$1.9 million increase in debt service billings pertaining to the Vogtle Units 3&4 Power Purchase Agreements. These factors were partially offset by a \$6.0 million decrease in off-system energy sales due to a reduction in the quantity of energy sold, partially offset by an increase in price.

Operating expenses: YTD 2018 operating expenses decreased 1.5% to \$281.3 million from \$285.6 million in YTD 2017. Total fuel expense decreased \$21.7 million due primarily to a \$27.4 million decrease in natural gas expense, partially offset by a \$4.4 million increase in coal expense. Natural gas expense decreased due to margins on delivered gas sales to third parties using MEAG Power's gas transportation capacity during unusually cold weather in early 2018 (see "Operations"). The increase in coal expense was mainly due to colder weather. A 45.9% decrease in generation from the Combined Cycle facility (Wansley Unit 9) was primarily due to scheduled major maintenance. The Wansley Unit 9 outage was also the primary factor in an \$11.4 million increase in purchased power expense. Expenses related to the major maintenance at Wansley Unit 9 increased \$9.2 million, which were partially offset by a reduction in nuclear refueling outages.

Non-operating expense (income), net: YTD 2018 net non-operating expense, which includes interest expense and other related components such as amortization of debt discount and expense, investment income, net change in the fair value of financial instruments, interest capitalized and subsidy on Build America Bonds, totaled \$51.9 million. This 5.4% decrease from the total of \$54.9 million during YTD 2017 was due primarily to changes in the following components of net non-operating expense:

- Investment income increased \$8.2 million due to short-term interest rates trending higher as a result of multiple Federal Reserve Bank (Fed) rate hikes in recent months.

- A decrease of \$17.6 million in the fair value of financial instruments was mainly due to the Fed rate hikes and other Fed policy announcements that occurred during those months, which had a negative impact on certain fixed income assets held. Relative negative performance in the equity markets was also noted when compared with significant gains during YTD 2017.
- Interest capitalized increased \$11.8 million due primarily to additional capital investment in Vogtle Units 3&4.

The weighted average interest rate of MEAG Power's debt was 3.92% and 4.06% for YTD 2018 and YTD 2017, respectively, with the decrease mainly due to scheduled principal payments of certain high-cost fixed-rate debt and additional lower-rate line of credit borrowings. These factors were partially offset by an increase in the quarterly rate applied to U.S. Department of Energy (DOE) Guaranteed Loan advances by the Federal Financing Bank, as well as higher variable rates related to the Fed rate hikes.

Operations

During YTD 2018, energy delivered to MEAG Power Participants increased 4.8% from YTD 2017 due mainly to weather impacts. A colder winter and a warmer month of June significantly increased heating and cooling degree hours, respectively. Total power cost to the Participants, including hydro energy purchased from the Southeastern Power Administration (SEPA), was 6.76 cents/kilowatt-hour (kWh) for YTD 2018, compared with 7.01 cents/kWh for YTD 2017. The decrease was mainly related to higher energy delivered, as well as lower Participant billings for fuel, primarily attributable to the margins on delivered gas sales. These factors were partially offset by the reduction in Competitive Trust Funding and an increase in SEPA charges.

Update Regarding Vogtle Units 3&4

On September 26, 2018, the Vogtle co-owners (co-owners) received the required vote to continue construction of Vogtle Units 3&4. In connection with the vote to continue construction, Georgia Power Company (GPC) entered into (i) a binding term sheet (the Vogtle Owner Term Sheet) with the other co-owners to take certain actions which partially mitigate potential financial exposure for the other co-owners, including amendments to the Vogtle Joint Ownership Agreements and the purchase of production tax credits (PTCs) from the other co-owners, and (ii) a binding term sheet (the MEAG Term Sheet) with MEAG Power and the Project J Entity to provide funding with respect to the Project J Entity's ownership interest in Vogtle Units 3&4 (Project J) under certain circumstances.

Pursuant to the Vogtle Owner Term Sheet, the co-owners would amend the Vogtle Joint Ownership Agreements to provide the following:

- Each co-owner would be obligated to pay its proportionate share of construction costs for Vogtle Units 3&4 based on its ownership interest up to (A) the estimated cost at completion (EAC) for Vogtle Units 3&4 which forms the basis of GPC's forecast of \$8.4 billion in GPC's nineteenth Vogtle Construction Monitoring report (the 19th VCM) filed with the Georgia Public Service Commission (GPSC) (the 19th VCM EAC) plus (B) \$800 million of additional construction costs;

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Update Regarding Vogtle Units 3&4 (CONTINUED)

- GPC and the remaining co-owners will be responsible for 55.7% and 44.3%, respectively, of any construction costs that exceed the 19th VCM EAC by \$800 million to \$1.6 billion; and
- GPC and the remaining co-owners will be responsible for 65.7% and 34.3%, respectively, of any construction costs that exceed the 19th VCM EAC by \$1.6 billion to \$2.1 billion.

If the EAC exceeds the 19th VCM EAC by more than \$2.1 billion, each of the other co-owners would have a one-time option to tender a portion of its ownership interest to GPC in exchange for GPC's agreement to pay 100% of such co-owner's remaining share of construction costs in excess of the 19th VCM EAC plus \$2.1 billion. In this event, GPC would have the option of cancelling the project in lieu of purchasing a portion of the ownership interest of any other co-owner.

In the event the actual costs at completion are less than the 19th VCM EAC and Vogtle Units 3&4 are placed in service by the currently scheduled dates of November 2021 and November 2022, respectively, GPC would be entitled to 60.7% of the cost savings with respect to the relevant unit, and the remaining co-owners would be entitled to 39.3% of such savings.

Under the Vogtle Owner Term Sheet, an increase in the construction cost estimate for Vogtle Units 3&4 would no longer constitute a Project Adverse Event (PAE) and would no longer require that co-owners holding 90% of the ownership interests in Vogtle Units 3&4 vote to continue construction. The Vogtle Joint Ownership Agreements would be further revised to provide that GPC may cancel the project at any time in its sole discretion.

The Vogtle Joint Ownership Agreements also would be amended to provide that following any future PAE, work on Vogtle Units 3&4 would continue for a period of 30 days if the holders of more than 50% of the ownership interests vote in favor of continuing construction. In such a case, certain conditions for resuming or cancelling the project would apply.

In addition, under the terms of the Vogtle Owner Term Sheet, GPC agreed to purchase additional PTCs from the other co-owners (to the extent any Project J Entity PTC rights remain after any purchases required under the MEAG Term Sheet as described below) at varying purchase prices dependent upon the actual cost to complete construction of Vogtle Units 3&4 as compared to the 19th VCM EAC. The purchases will be at the option of the applicable co-owner.

Pursuant to the MEAG Term Sheet, if the Project J Entity is unable to make its payments due under the Vogtle Joint Ownership Agreements solely because (i) the conduct of JEA, such as JEA's continuation of its litigation challenging its obligations under the Project J Power Purchase Agreement (Project J PPA) as discussed below, materially impedes access to capital markets for MEAG Power for Project J, or (ii) the Project J PPA is declared void by a court of competent jurisdiction or rejected by JEA under the applicable provisions of the United States Bankruptcy Code (each of (i) and (ii), a JEA Default), GPC will purchase from the Project J Entity the rights to PTCs attributable to the Project J Entity's share of Vogtle Units 3&4 (approximately 206 megawatts (MW)) at varying prices dependent upon the stage of construction of Vogtle Units 3&4. The aggregate purchase price of the PTCs, together with any loans made as described in the next paragraph, shall not exceed \$300 million.

At the option of MEAG Power, as an alternative or supplement to GPC's purchase of PTCs as described above, GPC has agreed to provide up to \$250 million in funding to MEAG Power for Project J in the form of loans (either advances under the Vogtle Joint Ownership Agreements or the purchase of Project J Bonds), subject to any required approvals of the GPSC and the DOE. In the event the Project J Entity certifies to GPC that it is unable to fund its obligations under the Vogtle Joint Ownership Agreements as a result of a JEA Default and GPC becomes obligated to provide funding as described above, MEAG Power is required to (i) assign to GPC its right to vote on any future PAE, and (ii) diligently pursue JEA for its breach of the Project J PPA. In addition, GPC agreed that it will not sue MEAG Power for any amounts due from the Project J Entity under MEAG Power's Vogtle Units 3&4 Guaranty of the Project J Entity's obligations, so long as the Project J Entity complies with the terms of the MEAG Term Sheet as to its payment obligations and the other provisions of the Vogtle Joint Ownership Agreements.

Pursuant to the Vogtle Owner Term Sheet, the co-owners will continue to retain a third party to independently consult, advise and report to the co-owners on issues pertaining to (i) project management and controls, (ii) organizational controls, (iii) commercial management plans and (iv) interim project reports.

As previously disclosed, on September 28, 2017, DOE offered MEAG Power and the Vogtle Units 3&4 Project Entities a conditional commitment for up to \$415 million in additional loan guarantees toward construction of the Vogtle Units 3&4 Project Entities' shares of Vogtle Units 3&4. On September 17, 2018, DOE extended the expiration date of such conditional commitment to March 31, 2019.

On September 11, 2018, MEAG Power filed a lawsuit in federal court against JEA for breach of contract and seeking a court order that would require JEA to abide by its Project J Amended and Restated PPA with MEAG Power. Also on September 11, 2018, the City of Jacksonville, Florida and JEA filed a lawsuit in Florida circuit court against MEAG Power seeking to void the Amended and Restated Project J PPA, which provides for the purchase of approximately 206 MW during the initial 20 years of commercial operation of Vogtle Units 3&4.

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

For additional information, see MEAG Power's filings with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access website between September 27, 2018 and the date of publication of MEAG Power's unaudited financial statements for its quarter ended September 30, 2018.

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CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In thousands)	June 30, 2018								June 30, 2017
	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total	Total
Assets and Deferred Outflows of Resources									
Property, plant and equipment, net	\$1,920,550	\$ 704,033	\$ 197,810	\$ 2,617,959	\$ -	\$ 4,739	\$ -	\$5,445,091	\$5,587,358
Other non-current assets	599,471	155,408	42,860	3,146,400	180,215	-	(1,584,002)	2,540,352	2,424,321
Current assets	274,741	160,484	48,095	51,255	417,857	579	(38,228)	914,783	787,194
Deferred outflows of resources	69,216	1,960	5,516	175	-	-	-	76,867	99,418
Total Assets and Deferred Outflows of Resources	\$2,863,978	\$1,021,885	\$294,281	\$5,815,789	\$598,072	\$5,318	\$(1,622,230)	\$8,977,093	\$8,898,291
Liabilities and Deferred Inflows of Resources									
Long-term debt	\$1,700,019	\$ 478,371	\$172,347	\$4,082,788	\$ -	\$ -	\$ (107,750)	\$6,325,775	\$6,583,886
Non-current liabilities	546,876	82,880	(400)	1,476,188	249,627	-	(1,476,252)	878,919	861,658
Current liabilities	264,834	141,673	27,748	256,294	348,445	129	(38,228)	1,000,895	862,090
Deferred inflows of resources	352,249	318,961	94,586	519	-	5,189	-	771,504	590,657
Total Liabilities and Deferred Inflows of Resources	\$2,863,978	\$1,021,885	\$294,281	\$5,815,789	\$598,072	\$5,318	\$(1,622,230)	\$8,977,093	\$8,898,291

CONDENSED CONSOLIDATED STATEMENT OF NET REVENUES (UNAUDITED)

(In thousands)	Six months ended June 30, 2018								Six months ended June 30, 2017
	Project One	General Resolution Projects	Combined Cycle Project	Vogle Units 3&4 Projects and Project Entities	Municipal Competitive Trust	Telecom Project	Eliminations	Total	Total
Revenues:									
Participant ⁽¹⁾	\$176,968	\$51,490	\$26,237	\$ 4,734	\$ -	\$ 408	\$ -	\$259,837	\$240,139
Other	31,542	25,484	1,717	7,547	-	48	-	66,338	64,270
Total revenues	208,510	76,974	27,954	12,281	-	456	-	326,175	304,409
Operating expenses	177,684	68,143	24,680	-	10,364	459	-	281,330	285,621
Net operating revenues (loss)	30,826	8,831	3,274	12,281	(10,364)	(3)	-	44,845	18,788
Non-operating expense (income), net	30,826	8,831	3,274	9,123	(150)	(3)	-	51,901	54,865
Change in net costs to be recovered from Participants or Competitive Trust obligations	-	-	-	3,158	(10,214)	-	-	(7,056)	(36,077)
Net Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Net of over-recovery of \$16.8 million and \$19.8 million for the six months ended June 30, 2018 and 2017, respectively. These amounts are included in current liabilities and may not be indicative of future results.

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 Vogle Units 3&4 Projects and Project Entities, the Municipal Competitive Trust and the Telecommunications Project (Telecom Project), should be read in conjunction with MEAG Power's 2017 audited financial statements.

THE MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

MEAG Power is a nonprofit entity that was created by the Georgia General Assembly in 1975 to generate and transmit reliable, competitively priced wholesale electric power to 49 Participant communities throughout the state. These communities have access to MEAG Power's multibillion-dollar resources, including some of the lowest-cost, emissions-free energy in the region, as well as one of the most diversified fuel portfolios. MEAG Power operates in one of the largest and fastest-growing regions in the United States because of Georgia's attractive logistics, pro-business environment and talented workforce.