1979 Annual Report

Municipal Electric Authority of Georgia

1979 Highlights

- 4.4 billion kilowatt-hours required by participating systems.
- Gross revenues of $118,568,472.
- Issue of $100 million in Series D Power Revenue Bonds.
- Peak demand of 970,035 kilowatts set August 8.
- Purchase of Integrated Transmission System components valued at $10.4 million.
- Receipt of American Public Power Association's Scattergood Award for leadership in the public power industry.

MEAG

The Municipal Electric Authority of Georgia, created by the 1975 Georgia General Assembly to assure adequate, dependable and economical supplies of electricity in areas where ten percent of the state's population lives, is the bulk power supplier to 47 participants which operate their own electric distribution systems.

To Our Readers

The year 1979 for MEAG proved to be a continuing test of our ability to keep electric rates level in our third year of operation. We are pleased to report that we passed this test in excellent condition despite rising costs from almost every facet of operations.

Further, our preliminary estimates for 1980 appear to confirm our major goal of keeping the same rate structure for this period. This means that for the past three years, we have been able to provide bulk electricity to our participants at an average kilowatt-hour cost of 24 mills, which is substantially below alternative sources.

The year just ended saw Georgia's second nuclear electric generating unit go into commercial operation in the third quarter. The activation of Unit 2 at Plant Hatch doubled our nuclear capacity, and because of the very low fuel cost of this generation, played a major role in helping keep our rates level.

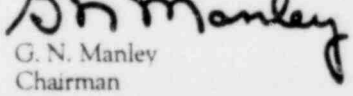
Another important factor in helping our cities hold down their rates was the adoption by several additional participants of electronic load management systems. We continue to recommend that participants examine closely this method of cost-cutting to determine the benefits to their particular load structures. Most have found that the savings experienced in the first 18 to 24 months of operation pay all equipment and installation costs, so savings beyond that period are virtually free.

Interest rates on the bonds we sell to continue the Authority's purchase of generation and transmission properties continued to climb during 1979 as the result of additional competition between borrowers for capital. Because of the demand for funds in the municipal bond market, we stepped up our program of visits to institutional investors in all parts of the country. At each stop, we discussed MEAG's on-going program of purchases, the savings experienced by our participants and the financial security of any investment in MEAG. In virtually every instance, MEAG's reputation for achievement was well known, which made our discussions with these very demanding audiences much easier.

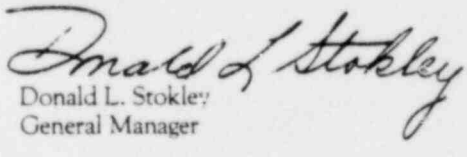
Any list of the year's highlights would have to include the honor given us in June by the American Public Power Association during the annual conference of this group in Seattle. Citing MEAG for "enhancing the prestige of and making substantial contributions to APPA and the public power industry," APPA presented to the Authority the E. F. Scattergood Achievement Award, given annually to an outstanding APPA member utility.

The last of the Authority's currently planned generating units goes into operation in the year 1989. Last year, we began to look at additional sources of generation in order to keep pace with the demands of our participants. Among the options being considered are low-head hydro, co-generation using manufacturing process steam, pumped storage and conventional steam-electric generating plants. Our preliminary studies indicated at least three low-head hydro sites had the potential for generating peaking energy on a cost-efficient basis, so we will examine these sites in additional detail this year.

The inflationary factors about which we commented on these pages last year continue to drive up the cost of doing business by increasing interest rates, pushing upward the cost of fuel and raising the salaries we must pay to continue to attract competent staff members. All of these factors are combining to hasten the day when we will be forced to increase the price we charge for supplying our 46 cities and one county with electricity. However, with the continuing cooperation and assistance of our participants, we intend to delay this action as long as possible by continuing tight control over expenditures, getting the maximum from a small but highly professional staff and exploring every opportunity to keep energy costs as low as possible.



G. N. Manley
Chairman



Donald L. Stokley
General Manager

MEAG'S PARTICIPANTS Their Story

The narrative portion of this third MEAG Annual Report tells the story of kilowatt-hours and consumption; of generating plants and transmission lines; and of dollars collected and spent.

But the real measure of how successful we are is how well we serve our 47 participants in meeting their electric energy needs. So we asked the people who represent our participants: mayors, city managers and utility commissioners, to express their feelings about MEAG. On the following pages, you will find a cross-section of their responses, along with some information about themselves and their cities. From communities large and small, urban or rural, highly industrialized or agriculture-oriented, the response was the same: MEAG is saving us and our customers money while serving us well.

We are grateful for their enthusiastic support of MEAG and pledge our continuing efforts to maintain our reputation as one of America's most successful joint action power suppliers.

Review of Operations

Generation and Transmission

For the third consecutive year, our rates for bulk power supplied to participants dropped slightly, despite the effects of inflation on fuel costs, purchased power and interest rates. The following table shows how bulk power costs (in mills per kwh) have declined since MEAG's inception:

Year	Bulk Power	Project Power	Supplemental Power
1977	24.73	19.93	26.11
1978	24.61	20.56	26.86
1979	24.44	18.58	31.47

Although many economists had forecast gloomy prospects for 1979, the year proved to be one of relatively level electrical consumption and demand, with slight increases in both areas. Total bulk power and federal hydroelectric energy delivered to our 47 participants was 4.36 billion kilowatt-hours (kwh), up four-tenths of one percent over 1978, while demand rose seven-tenths of one percent, to 910,907 kilowatts (kw). These slight increases, rather than the four to seven percent annual growth experienced during earlier periods, were caused by the overall state of the economy, variables in the weather, conservation, load management and reduced industrial growth.

Of the total energy provided to participants by MEAG, 55 percent was project power while supplemental purchases from Georgia Power Co. accounted for the remaining 45 percent. When compared to the 1978 ratio of 36 and 64 percent, respectively, the increase in lower priced project power accounts for the overall cost reduction. In addition to bulk power supplied by MEAG, participants received 620,704,400 kwh from the Southeastern Power Administration, which markets the federal hydroelectric energy.

The Georgia territorial peak load of 10,213,000 kw occurred between the hours of 5 and 6 p.m. on August 8, 1979. During this hour, MEAG's contribution to the peak was 970,035 kw (measured at the generator bus and including power furnished by the federal hydroelectric projects) or 9.5 percent of the territorial peak. One of the major reasons for this small expansion in demand over the previous year was the growth of electronic load management systems among participants. At the time of the 1979 peak, 13 participants had these load management systems in operation, while it is estimated that by the time of the 1980 peak day, 16 cities will be peak-shaving by controlling the operation of air conditioning compressors and electric water heaters. This growth in systems to hold down the peak load has both short-range and long-term implications, in that it currently saves participants money by cutting demand charges while over the long run, it delays the need to build expensive new generation capability just to meet peak-hour demands.

Our owned generating capacity increased by 135,405 kw on August 8, 1979, when Unit 2 of the Edwin I. Hatch Nuclear Generating Plant was declared in commercial operation. This unit achieved initial criticality on July 4, 1978, and was expected to be operational in December of that year. However, problems discovered in the startup testing phase imposed a delay of several months. One difficulty in particular was that certain pipe supports, or hangers, pulled loose from their mounts when subjected to extreme pressure shocks. To correct this problem, more than 800 hangers in each of the two Hatch units were replaced. Because of this discovery, reactors nationwide had to be checked and many underwent the same replacement procedure.

Retained capacity also increased significantly during the past year, from 198,188 kw on December 31, 1978, to 298,894 kw by the last day of 1979. These increases are attributable to the placing in commercial service of Unit 2 at Plant Hatch and the increased retention of capacity of Unit 1 of Plant Wansley and Unit 1 of Plant Hatch. These periodic increases in retained capacity are in keeping with our sellback agreement with Georgia Power Co.

One of the year's bright spots was the high availability of the generating units at plants Hatch and Wansley. Hatch 2 was operated at 80 percent for the four full months in which it was in commercial operation. In similar fashion, both Wansley units continued to be outstanding performers, with units 1 and 2 generating at 71 and 77 percent of capacity for the year. These records were among the major reasons why we were able to keep the kwh cost of delivered energy to participants at basically a level rate of 24 mills.

A $10.4 million purchase of transmission and distribution facilities on August 23 served to bring MEAG into parity in the statewide Integrated Transmission

System (ITS). This acquisition of 165 miles of transmission lines, two transmission substations and nine distribution substations also reduced parity payments for MEAG from an average of $167,000 per month to approximately $4,000 monthly. Current projections indicate 1980 annual receipts of $100,000 rather than payments for the use of the ITS.

Just as was done in 1978, Georgia Power Co. lowered its forecast of the territorial growth rate because of economic conditions, conservation and the removal of natural gas constraints from residential and industrial hookups. From a prediction of an annual growth of 4.59 percent through 1994, peak demand growth was lowered to 3.85 percent per year. The MEAG staff predicted that our peak demand would increase 4.82 percent each year through 1994.

The lowered territorial forecast caused Georgia Power Co. to further delay units 3 and 4 of Plant Scherer to February 1987 and February 1989, the latest possible completion dates under the terms of MEAG's contract with the company. Concurrent with the announcement of the delay in mid-September, Georgia Power Co. proposed that the co-owners of Scherer units 3 and 4 consider giving up their interests in those units and doubling their present ownership shares in units 1 and 2. If accepted, this proposal would enable Georgia Power Co. to further delay, cancel or sell one or both remaining units to utilities outside Georgia.

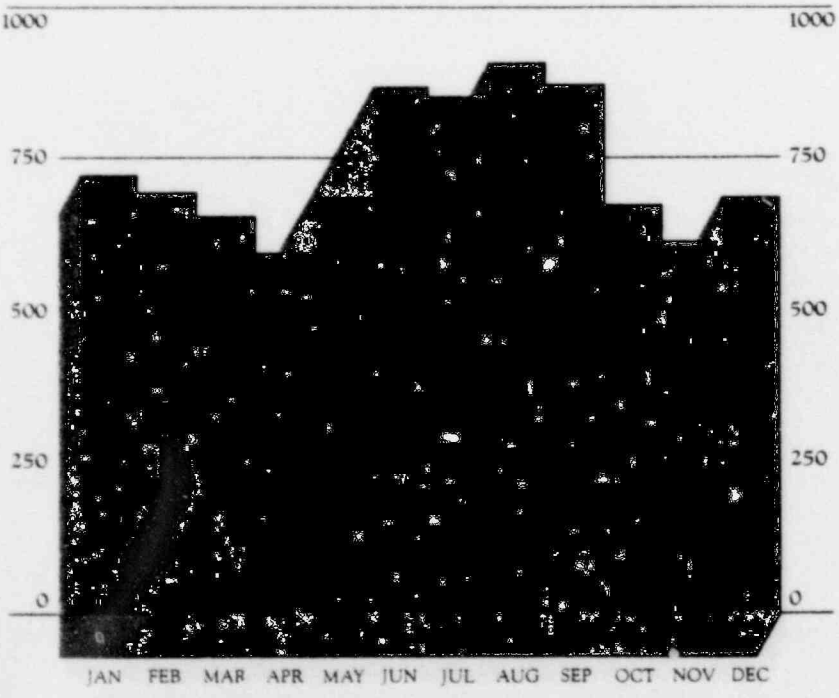
After months of negotiation and discussion, the Authority recommended this proposal, known as Project 3, to its participants because of the many benefits which it offers. First, the construction cost estimates for units 1 and 2 are much firmer, since their completion dates of 1982 and 1984 are near-term, and construction is much further along. At year-end, Unit 1 was past the 50 percent completion stage and still expected to begin operation late in 1981. Another major advantage to Project 3 is that a new buyback schedule starting with no retention by MEAG the first year and increasing by ten percent each succeeding year would fit MEAG's requirements much better. Finally, adoption of this project would save participants approximately $100 million in financing because the earlier units are less expensive than the later ones, plus additional operating savings would accrue to the participants over the life of the facility.

At this writing, more than 95 percent of our 47 participants have agreed to this new project and it is expected that the remaining cities will sign their agreements by May 15. The Project 3 agreement still provides MEAG with an option to acquire up to 15.1 percent capacity in Units 3 and 4 if it proves advantageous to our generation program. If exercised, this option would be a separate project.

On March 28, 1979, an accident at the Three Mile Island nuclear electric generating facility of Metropolitan Edison Co., plus the extensive media coverage of this accident, raised doubts in the minds of millions of Americans con-

Total MEAG Participant Demand–1979

IN MW



A citizen of Doerun for more than 40 years, *Mayor B. C. Crowell* enumerates some of the high points of living in the small Colquitt County town in south Georgia: friendly people, good security, fertile soil and low electrical rates. Said Mayor Crowell, owner of a gas station and auto parts store, "MEAG is one of the best things that ever happened to Doerun."

The town's 460 electricity customers include a sportswear manufacturer that employs 200 workers and peanut and fertilizer plants that are also sizable operations and big electricity consumers for the small town of 1,133. Load management poses no problem; the city cuts back on functions such as water pumping and, if things really get serious, will ask the sawmill on the outskirts of town to decrease its electrical usage.

College Park City Manager *Don Stone* cites "MEAG's helping us keep our rates low" as the primary advantage in the city he has managed for more than two years. "All we have to do is to compare our rates with those of other power suppliers," said Stone, whose utilities operation serves nearly 10,000 electric customers. "We have one of the lowest rates in the state."

With a population of approximately 26,000, College Park is one of MEAG's largest participants. In early 1979, the city completed a half million dollar electrical rehabilitation project that, during a period of several years, included the installation of new transformers, wires and poles. The system was converted from 7 kilovolts to 12 kv. With electrical loads growing, explained Stone, the completed work will enable the city to provide better service to customers.

cerning the safety of nuclear power. On April 3, 1979, the co-owners of all nuclear plants in the Southern electric system formed a high-level Nuclear Safety Review Task Force to investigate safety-related design, operation and training aspects of plants Hatch and Vogtle in Georgia and Farley in Alabama. MEAG selected as its representatives on this task force Dr. Lynn Weaver, head of Georgia Tech's School of Nuclear Engineering, and Edward Wiot, of NUS Corp.

Both reports of the group concluded that the nuclear plants in Georgia and Alabama are being operated safely, and that the co-owners are committed to all future enhancements of safety.

In order to assist us in our generation planning for the next decade, we engaged the Stone & Webster Engineering Corp. to develop a long-range generation plan. Their analysis showed the continuing benefits of Projects 1 and 2, and concluded that Project 3 would indeed be beneficial to MEAG, the same conclusion reached in a study by R. W. Beck & Associates. The report also stated that further ownership of nuclear, coal-fired and pumped-storage capacity offered the least expensive means of meeting MEAG's future requirements.

Because it has been estimated that the wood waste products of Georgia could supply five percent of the total energy requirements of the state, MEAG has explored several avenues leading to the utilization of these products. We have discussed possible generating sources with two lumber companies in the state and we continue to work with the wood utilization group at Georgia Tech. Several Army installations in Georgia have large, heavily-forested reservations, so discussions concerning the use of waste wood from these areas are continuing. In most parts of Georgia, the wood wastes within a 50 mile radius would support a generation unit of about 17 mw, while also providing steam for certain industrial processes.

Hydropower could also have an important role in any future MEAG generating projects. During 1979, we identified three existing Corps of Engineer dams which were not equipped with turbines when built but which have a potential for electric generation. These three sites: Carter's Lake Reregulation Dam on the Coosawattee River; the New Savannah Lock and Dam near Augusta; and the Andrews Lock and Dam on the Chattahoochee River in southwest Georgia, are currently undergoing feasibility studies by Stone & Webster. These studies are expected to be complete during the last quarter of 1980, and should assist us in determining which of the three have a cost/benefit potential to become MEAG hydro projects.

Legal and Regulatory

Two partial requirements (PR) rate cases affected the amounts MEAG paid for purchases of supplemental energy during the year 1979. The PR-3 rate, which was filed with the Federal Energy Regulatory Commission (FERC) on December 30, 1977, was finally settled by all of the parties involved in January 1979 and forwarded to FERC for approval. This approval came on June 13 of last year, and on August 24, following filing of a revised rate schedule by Georgia Power Co., MEAG refund checks totalling $4.4 million were mailed to participants.

The PR-4 rate request, which was filed by Georgia Power Co. on December 1, 1978, went into effect July 1, 1979, representing a four percent increase over PR-3 rates. A negotiated settlement was reached in the PR-4 matter and filed with FERC early in 1980. Part of this settlement included a moratorium on any further increases until November 1, 1980.

Effective October 1, 1979, FERC ruled that utilities collecting increased rates under bond must pay the existing prime rate, compounded quarterly, on any amounts required to be refunded, rather than the nine percent simple interest previously charged. It is hoped that this action gives an added impetus for utilities filing higher rates to settle expeditiously to avoid payment of the higher interest rates.

It is encouraging to note that FERC Chairman Charles Curtis has proposed a one-year timetable for completing action on wholesale rate cases. Curtis has also predicted that the problem of pancaking—the filing of one rate increase before a previous one is settled—would disappear if Congress amended the Federal Power Act to prevent any rate increase from taking effect until FERC found it just and reasonable.

The state legislation which would remove MEAG's exemption from ad valorem tax remained in Senate committee at the close of the 1979 session of the Georgia General Assembly. The matter came up again during the 1980 session, and a bill was passed which continued the ad valorem exemption on Project

1 and 2 property until all issued bonds have matured or the year 2010. Project 3 purchases, if carried out, would be taxable. Although this bill became law on March 25, 1980, the net impact will be minimal until the year 2010, when payments in lieu of taxes will increase by a small amount yet to be determined.

The U. S. District Court's dismissal of Appling County Commission's suit charging MEAG and Georgia Power Co. with conspiracy to deprive that county's citizens of their right to due process because of a decline in property tax collections was appealed by Appling County to the U. S. Circuit Court of Appeals, Fifth District. Oral arguments in this case will be heard in mid-June.

Administrative

Results of the yearly election of Authority members were announced at the Annual Meeting in July; the three members whose terms expired were reelected. Following the Annual Meeting, G. N. Manley was also reelected chairman.

The contract for purchase of 15 acres of land for our new office building in northwest Atlanta was signed on March 27, 1979, and the architectural firm of Cooper Carry & Associates, Inc., Atlanta, was commissioned to design a two-story structure of approximately 30,000 square feet. The exterior of the basically rectangular building will be of stone or masonry and is designed to complement the wooded site.

Total Energy Delivered to MEAG Participants – 1979

IN THOUSANDS OF MWH

Batson-Cook Construction Co., of West Point, Ga., will be the builder of the new facility. Initial site preparation began early in 1980, and it is hoped that the staff will be able to occupy the Riveredge Park building by the end of 1980.

Although the workload grew at a significant rate during 1979, staff growth was relatively minimal. We began the year with 31 employees; by year-end, our staff totalled 40. We are fortunate to have as employees a group of highly professional, dedicated people, most of whom have extensive experience in utility planning, accounting or engineering. They are enthusiastic about the challenge represented by the formation of a relatively new major joint action agency, and this vitality is reflected in the spirit of teamwork which prevails in all of our efforts to serve our participants.

Because of an increasing demand for electronic data processing services, a data processing section was established, reporting to the Director of Financial Services. This unit began doing many of the tasks formerly accomplished by outside contractors, resulting in a considerable saving to the Authority.

MEAG, in cooperation with three other major power suppliers in the state, embarked on an educational program designed to reach virtually every one of Georgia's sixth-graders. Called "Light Up Your Life," this two-week program teaches students the basics of electric generation, transmission, distribution and

In LaFayette, City Manager *Grady McCalmon* has found MEAG to be a primary selling point in attracting industry to the city of 7,000. Working with the Georgia Department of Industry and Trade, McCalmon is encouraging industries to look seriously at LaFayette.

"I've discussed MEAG and the role the organization plays in the community," said the city administrator. "Industries want to be assured their present electrical loads will be met, as well as those they'll require for future expansion."

In early 1980, McCalmon was working with two industrial prospects considering LaFayette as a prime location. Before the year is over, one of the industries, predicted McCalmon, will announce plans to locate in the northwest Georgia city.

Active in local and regional politics since she was a teenager, *Lillian Webb* has served Norcross as its mayor for the past six years, following a four-year stint as a member of the city council. The Norcross native, mother of four, is also chairman of Electric Cities as well as a member of the executive board of the Atlanta Regional Commission.

"We became a MEAG participant," Mayor Webb said, "because it offered us three important advantages. First, it promised us the chance to have a voice in the decision-making process of our power supplier."

"Next, it allowed us to be more competitive with other cities in trying to encourage new industry for Norcross, because we could assure prospects of being able to serve any size electrical load," she continued.

"Finally, MEAG gave us the chance to stabilize our rates for a few years, rather than impose increases on our customers almost every year. And the earnings from our electric system have enabled us to make some city improvements that we just didn't have the tax dollars to do otherwise. As you can tell, I'm a great supporter of MEAG, and I'm delighted that the organization has been so successful in its short history."

use, emphasizing the social aspects as well as the technical ones. Approved by the State Board of Education, the program was received enthusiastically by educators during a trial period and was lengthened because of their requests.

In another educational effort, MEAG was a cosponsor with the Georgia Municipal Association for a series of energy audit seminars around the state. At these workshops, employees of participant utility systems were trained to conduct energy audits of both municipal buildings and residences.

Participant Report

We are grateful for the spirited support provided us by participants during the year just ended. This backing was evidenced by their enthusiastic acceptance of an invitation to meet with investment analysts visiting the Authority and discuss the advantages to their individual systems and customers of MEAG's achievements. They were quick to point out that since MEAG's formation, participants could make all-out efforts to attract industries of any size, confident in the knowledge that electric energy demands can and will be met from MEAG's capabilities.

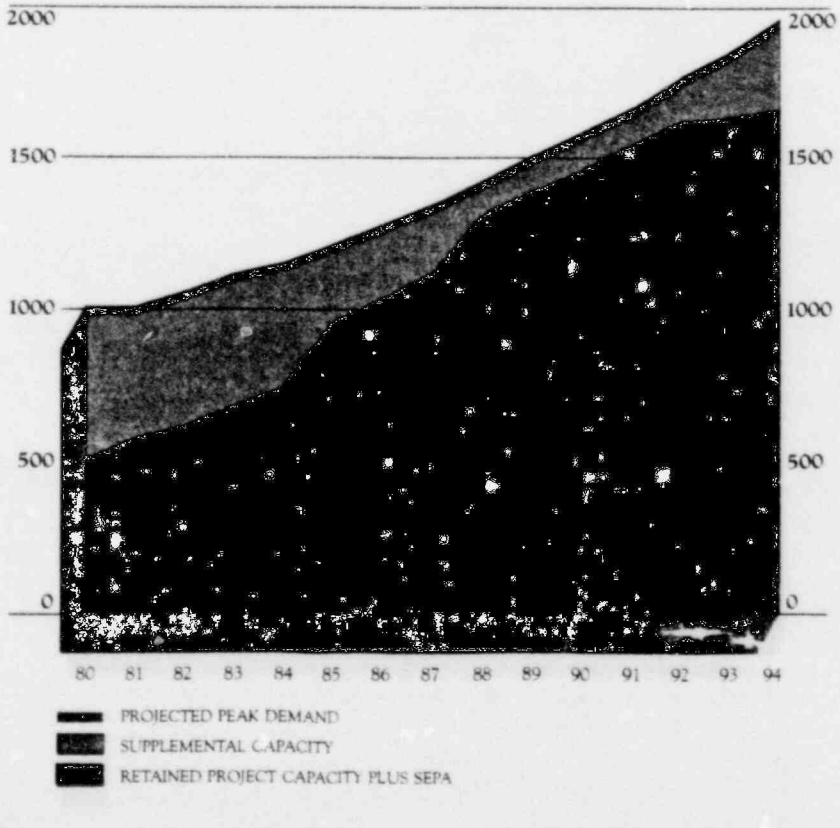
Participants also responded wholeheartedly when we asked them to speak on our behalf at legislative hearings at both the state and national level. Their collective input had a major impact on some proposed legislation being considered by the Georgia General Assembly and was also important in discussions before lawmakers and the various regulatory agencies of the federal government in Washington, D. C.

We were pleased at the number of local officials, both elected and appointed, who attended our regular monthly Authority meetings in Atlanta and at three other locations around the state during 1979. They also showed great interest in special meetings on specific topics such as Project 3 and ad valorem tax legislation, listening to our presentations on these subjects and making known their views to elected officials in letters, phone calls and informal meetings. Such support is indicative of the active role participants exercise in the planning and growth of MEAG.

This same vitality and consuming interest was also mirrored in the industrial growth experienced by participant municipalities during 1979 and early 1980. Typical of the expansion plans of major firms, the Miller Brewing Co. announced plans early in the year to build a $28.7 million aluminum can manufacturing plant in Moultrie. Annual wages and purchases for this facility are estimated at

Projected Peak Demand and Power Supply

CAPACITY IN MW



$7.2 million. The new plant, expected to employ about 200, will provide a portion of the container needs of Miller's new $247 million brewery in Albany, 40 miles northwest of Moultrie.

In Cartersville, Stratton Industries, a major manufacturer of carpet fiber, expanded their capacity by leasing a 100,000 square foot building and adding nearly 200 employees. And LaGrange received a boost in its economy when three new plants were announced for the city's industrial park. There, Butler Manufacturing Co. employed 120 people to build incubators, the Whiting Corp. facility assembling tracked vehicles provided jobs for about 135, and about 350 employees were hired for the new Hanes Hosiery mill.

A $5 million investment by Moorman Manufacturing in Cordele during the year is expected to provide jobs for 50 when their new cattle and hog feed plant opens soon. Elsewhere in Crisp County, Retco's facility at Warwick employs 150 in the manufacture of chemical warfare suits for the Army. Another 300 jobs were created in the Cordele area in 1979 when two major shopping centers were opened.

Yamaha International Corp. began construction of a 100,000 square foot facility in Thomaston last year to produce electronic organs and other musical instruments. First year employment is expected to be about 100, but with a potential work force of several hundred technicians.

And in Norcross, Rockwell International announced plans for an electronics manufacturing and assembly plant which could provide work for up to 2,000 people within the next two or three years. Although not all of these industries are being served by MEAG participant systems, the new jobs and increased economic activity produced by these developments add further stability and strength to local governments.

Financial

For the twelve months ended December 31, 1979, MEAG recorded gross revenues of $118,568,472. Bulk power sales to participants totaling 3,741,482,798 kwh provided revenues of $91,447,739, while capacity and energy sales to Georgia Power Co. accounted for the remaining $27,120,733. Although bulk power energy use by our 47 participants increased slightly over 1978, revenues from participants actually decreased one-tenth of a percent because the average bulk power cost declined. Bulk power includes all delivered power except participants' SEPA allocations.

The cost of bulk power supplied in 1979 to our participants averaged 24.44 mills per kwh. Included in this figure is 1,700,972,563 kwh of supplemental power purchased from Georgia Power Company at an average delivered cost of 31.47 mills, while project power was supplied for 18.58 mills per kwh. These costs include the PR-3 settlement refund of $6,074,603 but do not include the PR-4 settlement, which has not yet been approved by FERC.

In the first quarter of each year, the previous year's actual costs are compared with revenues collected from our participants during that period. Because billings for project power are on a budgeted basis, any under- or over-billing is adjusted at that time. The 1979 year-end settlement resulted in a MEAG refund to participants of $6,176,750. Major reasons for this refund included greater interest earnings on investments than anticipated; higher capacity factors on generating plants and adjustments for generation and transmission costs relating to 1977 and 1978.

The Authority's capital expenditures for purchase and construction of generating plants and transmission lines increased slightly in 1979, from $100.8 million in 1978 to $109.3 million. However, these outlays are expected to increase significantly in 1980, when major investments in plants Vogtle and Scherer will be required and Project 3, when approved, will also account for a major capital expenditure. The following table is a capsule summary of direct capital appropriations (including capitalized interest) for 1978, 1979 and 1980:

Capital Expenditures
(in millions of dollars)

Year	Project 1	Project 2	Project 3	Total
1978	59.7	41.1	—	$100.8
1979	97.6	11.7	—	$109.3
1980 (estimated)	139.0	15.3	104.8	$259.1

On January 17, 1979, the Authority sold $100 million in Series D Power Revenue Bonds for a net interest cost of 7.009 percent. With this sale, the weighted average net interest cost of all $725 million MEAG bonds was 6.316 percent. An-

Alex Howell, Sr. was city manager of Blakely, another MEAG participant city, before he became Fairburn's city manager 5½ years ago. For the south Fulton County town of 3,800, he foresees steady but not booming progress. Feeling confident that Fairburn could supply electrical power to any size industry because of MEAG, he would like to see more industry come to town in the long-range future.

"We feel that our electrical operation is a smooth-running one," Howell commented. "Our residential, commercial and industrial electricity customers are pleased with the service and the reasonable rates we are able to offer through our association with MEAG."

A future project that will upgrade Fairburn's service to its 1,500 electrical customers is a new substation that should be completed in mid-summer 1980.

Claude Lawson, a Fort Valley native who owns and operates Quality Cleaners, was appointed chairman of the city's utilities commission in early 1980 and feels that "Those who understand utilities think MEAG is one of the best things the city has ever done." A member of the commission since April 1974, Lawson emphasized, "People who are in a position to assess MEAG's impact on the city are glad we have the benefits that MEAG affords."

In May 1979, the city of 10,000 instituted a $136,000 load management system that has been an economic plus for the town and a source of pride for Lawson and the commission. The system has worked so well, in fact, that Lawson would like to share Fort Valley's success story with towns of comparable size throughout the country.

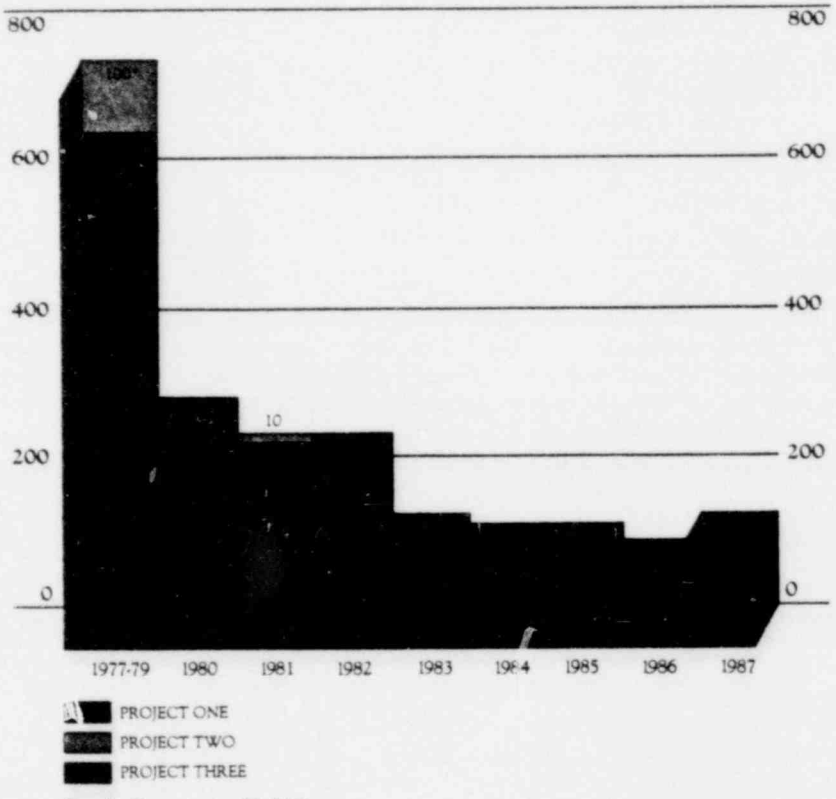
other sale, the Series E issue in January, 1980, reflected the precipitous rise in overall interest rates for bonds in just one year, when it was priced at a net interest cost of 7.875 percent. This $125 million sale of securities raised our net interest cost for $850 million outstanding to 6.546 percent.

Because of the current uncertain state of the bond market and the record high interest rates required to sell long-term obligations, the Authority in early 1980 began to examine all aspects of alternative methods of financing. Some of the options being considered include additional bank lines of credit and the sale of tax-exempt commercial paper or notes with terms of less than ten years.

The Authority's two current projects had been expected to require approximately $1.207 billion in financing through 1987 in addition to the $850 million already raised. If Project 3 is approved as expected, this adds an additional financing requirement of approximately $215 million, but saves $313 million in Project 1 and 2 costs for a net savings of $98 million. This chart shows the approximate amounts required each year (in millions of dollars) to carry out the total financial program of the Authority:

MEAG Financing Schedule

IN MILLIONS OF DOLLARS



Total all projects $1,959

*Already issued

In late 1979, the MEAG financial staff began the implementation and testing of a new computerized money management system called Moneymax. With this new system, expected to be fully operational by mid-1980, MEAG can maximize its earnings on investments, monitor daily cash flow requirements and improve its accounting for investments.

As data automation requirements continued to grow, the Authority approved in September 1979 initiation of a preliminary study concerning the purchase of in-house computer equipment. Proposals were subsequently received from several vendors and these proposals are being evaluated by the staff. A recommendation to the Authority is expected by June 1980.

Keeping the financial community informed, always a matter of high priority, received increased emphasis in 1979, with a significant number of visits to institutional investors, analysts and rating agencies. We plan to continue our efforts in this area because of our belief that our relatively low average interest cost is at least partly due to our policy of discussing MEAG's programs and achievements frequently with a variety of audiences in the financial community.

Auditors' Opinion

Municipal Electric Authority
of Georgia:

We have examined the balance sheets of Municipal Electric Authority of Georgia as of December 31, 1979 and 1978 and the related statements of net revenues and accumulated net revenues and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Authority at December 31, 1979 and 1978 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations of the financial statements of the Authority also comprehended the accompanying separate balance sheets of the Authority's Project One and Project Two as of December 31, 1979 and the related statements of net revenues and accumulated net revenues and of changes in financial position for the year then ended, and our opinion stated above is to be considered as applying thereto.

Our examinations also comprehended the supplemental schedules of changes in assets of the bond resolution funds and other funds of the Authority's Project One and Project Two for the year ended December 31, 1979. In our opinion, such supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins & Sells

Atlanta, Georgia
February 29, 1980

Financial Section

Contents

Balance Sheets

MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

	1979		Authority Total	
ASSETS	Project One	Project Two	1979	1978
Utility Plant, at cost (Note 1(d)):				
Electric plant:				
Electric plant in service	$345,494,246	$ 30,520,342	**$376,014,588**	$253,364,279
Construction work in progress	154,284,680	22,958,255	**177,242,935**	192,282,316
Total	499,778,926	53,478,597	**553,257,523**	445,646,595
Less accumulated depreciation	41,529,925	2,020,603	**43,550,528**	29,481,133
Electric plant—net	458,249,001	51,457,994	**509,706,995**	416,165,462
Nuclear fuel	23,264,566		**23,264,566**	24,918,680
Less accumulated amortization	6,386,152		**6,386,152**	7,527,428
Nuclear fuel—net	16,878,414		**16,878,414**	17,391,252
Total utility plant—net	475,127,415	51,457,994	**526,585,409**	433,556,714
Special Funds—Primarily short-term security investments, at cost, which approximates market, and accrued interest (Note 2):				
Construction fund	82,057,606	25,088,875	**107,146,481**	70,245,285
Debt service fund, excluding deposits for payment of accrued interest on power revenue bonds: 1979—$21,915,131, and 1978—$19,091,776	54,419,580	15,688,170	**70,107,750**	67,021,842
Reserve and contingency fund	5,995,575	434,611	**6,430,186**	4,697,157
General reserve fund	501,285		**501,285**	
Total special funds restricted under revenue bond resolutions	142,974,046	41,211,656	**184,185,702**	141,964,284
Bond anticipation note fund	195,982		**195,982**	40,063,167
Total special funds	143,170,028	41,211,656	**184,381,684**	182,027,451
Current Assets:				
Operating Fund—Primarily short-term security investments, at cost, which approximates market, and accrued interest (Note 2)	17,146,728	4,927,845	**22,074,573**	18,954,264
Deposits in debt service fund for payment of accrued interest on power revenue bonds (Note 2)	18,652,575	3,262,556	**21,915,131**	19,091,776
Deposit in bond anticipation note fund for payment of accrued interest (Note 3)	610,000		**610,000**	214,167
Supplemental power account—Primarily short-term security investments, at cost, which approximates market, and accrued interest (Note 1(a))	9,560,903		**9,560,903**	9,879,107
Net utility revenue accounts receivable from Participants billed and accrued (Note 2)	352,188		**352,188**	3,635,287
Other receivables	851	333,269	**334,120**	492,358
Fuel stocks, at average cost	3,051,264	1,556,145	**4,607,409**	3,658,966
Prepayments	173,134	85,242	**258,376**	69,675
Total current assets	49,547,643	10,165,057	**59,712,700**	55,995,600
Deferred Debits:				
Depreciation, amortization, and other expenses to be recovered from future revenues from Participants (Note 1(c))	19,783,111	825,331	**20,608,442**	13,209,884
Unamortized debt expense	7,526,701	1,633,179	**9,159,880**	8,465,047
Total deferred debits	27,309,812	2,458,510	**29,768,322**	21,674,931
Total Assets	$695,154,898	$105,293,217	**$800,448,115**	$693,254,696

December 31, 1979 and 1978

LIABILITIES	1979 Project One	1979 Project Two	Authority Total 1979	Authority Total 1978
Capitalization:				
Power revenue bonds (Note 2):				
Series A	$295,635,000		**$295,635,000**	$297,850,000
Series B	149,075,000		**149,075,000**	150,000,000
Series C	74,875,000		**74,875,000**	75,000,000
Series D	100,000,000		**100,000,000**	
1978 Series		$100,000,000	**100,000,000**	100,000,000
Unamortized discount on long-term debt	(947,593)	(192,437)	**(1,140,030)**	(533,911)
Total power revenue bonds	618,637,407	99,807,563	**718,444,970**	622,316,089
Bond anticipation notes payable (Note 3)	40,000,000		**40,000,000**	40,000,000
Accumulated net revenues (Note 1(c))	10,612,396	266,287	**10,878,683**	6,886,456
Total capitalization	669,249,803	100,073,850	**769,323,653**	669,202,545
Liabilities Payable From Construction Fund	3,744,384	1,345,354	**5,089,738**	491,328
Current Liabilities, excluding current maturities of power revenue bonds payable from debt service fund: 1979—$3,810,000, and 1978—$3,265,000:				
Accounts payable	2,898,136	9,416	**2,907,552**	4,142,083
Accrued interest on power revenue bonds	18,652,575	3,262,556	**21,915,131**	19,091,776
Accrued interest on bond anticipation notes	610,000		**610,000**	214,167
Net utility revenue billing adjustment		602,041	**602,041**	112,797
Total current liabilities, excluding current maturities of power revenue bonds	22,160,711	3,874,013	**26,034,724**	23,560,823
Commitments and Contingencies (Notes 4 and 5)				
Total Liabilities	$695,154,898	$105,293,217	**$800,448,115**	$693,254,696

SEE NOTES TO FINANCIAL STATEMENTS ON PAGES 17-19

Statements of Net Revenues and Accumulated Net Revenues

MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA — For the years ended December 31, 1979 and 1978

	1979		Authority Total	
	Project One	Project Two	**1979**	1978
Revenues:				
Project power	$ 53,832,301	$ 11,200,847	**$ 65,033,148**	$ 47,533,179
Supplemental bulk power (net of supplier refunds of $4,722,400 in 1979 and $3,180,301 in 1978)	53,535,324		**53,535,324**	64,255,118
Total revenues	107,367,625	11,200,847	**118,568,472**	111,788,297
Expenses:				
Project power operating expenses exclusive of depreciation and amortization of utility plant	34,820,790	10,431,040	**45,251,830**	31,208,308
Supplemental bulk power purchases	53,535,324		**53,535,324**	64,255,118
Total project power operating expenses, exclusive of depreciation and amortization, and supplemental bulk power purchases	88,356,114	10,431,040	**98,787,154**	95,463,426
Interest charges (and credits) (Note 4):				
Interest on long-term debt payable from project power revenues	18,756,024	2,621,000	**21,377,024**	16,502,259
Interest on investments	(9,138,346)	(2,488,287)	**(11,626,633)**	(6,632,507)
Interest charges—net	9,617,678	132,713	**9,750,391**	9,869,752
Depreciation and amortization charges (and credits):				
Depreciation of electric plant	10,921,009	918,255	**11,839,264**	9,379,643
Amortization of nuclear fuel	4,443,097		**4,443,097**	2,325,171
Amortization of debt discount and expense	1,378,939	274,665	**1,653,604**	1,449,617
Depreciation and amortization to be recovered from future revenues from Participants	(11,075,152)	(822,113)	**(11,897,265)**	(10,174,170)
Depreciation and amortization charges—net	5,667,893	370,807	**6,038,700**	2,980,261
Total expenses	103,641,685	10,934,560	**114,576,245**	108,313,439
Net Revenues (Note 1(c))	3,725,940	266,287	**3,992,227**	3,474,858
Accumulated Net Revenues—Beginning of year	6,886,456	—	**6,886,456**	3,411,598
Accumulated Net Revenues—End of year	$ 10,612,396	$ 266,287	**$ 10,878,683**	$ 6,886,456

SEE NOTES TO FINANCIAL STATEMENTS ON PAGES 17-19

Statements of Changes in Financial Position

MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA — For the years ended December 31, 1979 and 1978

	1979		Authority Total	
	Project One	Project Two	1979	1978
Sources of Working Capital:				
Operations:				
Net revenues	$ 3,725,940	$ 266,287	$ 3,992,227	$ 3,474,858
Depreciation and amortization charges—net	5,667,893	370,807	6,038,700	2,980,261
Total	9,393,833	637,094	10,030,927	6,455,119
Proceeds from power revenue bonds, less debt discount and expense	97,045,446		97,045,446	171,183,113
Special funds		8,991,732	8,991,732	
Proceeds from bond anticipation notes payable				40,000,000
Interest on investments of construction fund deferred	4,498,706		4,498,706	2,431,961
Liabilities payable from construction fund	3,744,384	854,026	4,598,410	491,328
Total	114,682,369	10,482,852	125,165,221	220,561,521
Uses of Working Capital:				
Utility plant additions:				
Electric plant, net of accumulated depreciation at date of purchase, $2,937,363 in 1979 and $2,055,147 in 1978	93,671,418	11,709,380	105,380,798	96,123,652
Nuclear fuel, net of test period amortization, $498,967 in 1979 and $523,042 in 1978	3,930,259		3,930,259	4,707,315
Bond principal retirements	3,265,000		3,265,000	2,150,000
Special funds	11,345,965		11,345,965	106,879,725
Liabilities payable from construction fund				2,376,173
Total	112,212,642	11,709,380	123,922,022	212,236,865
Increase (Decrease) in Working Capital (excluding current maturities of power revenue bonds)	$ 2,469,727	$(1,226,528)	$ 1,243,199	$ 8,324,656
Components of Increase (Decrease) in Working Capital (excluding current maturities of power revenue bonds):				
Operating fund	$ 4,218,480	$(1,098,171)	$ 3,120,309	$ 7,846,119
Deposit in debt service fund for payment of accrued interest on power revenue bonds	3,367,084	(543,729)	2,823,355	5,229,608
Deposit in bond anticipation note fund for payment of accrued interest	395,833		395,833	214,167
Supplemental power account	(318,204)		(318,204)	561,093
Net utility revenue accounts receivable from Participants billed and accrued	(3,283,099)		(3,283,099)	(3,489,909)
Other receivables	(1,823)	(156,415)	(158,238)	424,097
Fuel stocks	626,627	321,816	948,443	1,276,628
Prepayments	105,431	83,270	188,701	43,334
Accounts payable	1,122,315	112,216	1,234,531	1,776,091
Accrued interest on power revenue bonds	(3,367,084)	543,729	(2,823,355)	(5,229,608)
Accrued interest on bond anticipation notes	(395,833)		(395,833)	(214,167)
Net utility revenue billing adjustment		(489,244)	(489,244)	(112,797)
Increase (Decrease) in Working Capital (excluding current maturities of power revenue bonds)	$ 2,469,727	$ (1,226,528)	$ 1,243,199	$ 8,324,656

SEE NOTES TO FINANCIAL STATEMENTS ON PAGES 17-19

Project One Supplemental Schedule of Changes in Assets of the Bond Resolution Funds and Other Funds

MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA

	Cash and Investments, December 31, 1978 (2) (3)	Debt Proceeds (1)
Bond Resolution Funds:		
Revenue Fund		
Operating Fund:		
General Operating Account	$ 6,166,094	
Payroll Account	28,174	
Nuclear Fuel Account	4,355,021	$ 4,536,000
Revolving Construction Account	250,000	
Fossil Fuel Account	2,117,606	
Working Fund	250	
Total Operating Fund	12,917,145	4,536,000
Reserve and Contingency Fund:		
Renewal and Replacement Account	2,202,718	
Decommissioning Account	777,960	
Reserve Account	1,376,150	84,000
Total Reserve and Contingency Fund	4,356,828	84,000
General Reserve Fund		
Construction Fund	36,927,621	71,893,207
Debt Service Fund:		
Debt Service Account	23,691,383	13,269,152
Debt Service Reserve Account	38,661,448	8,149,643
Total Debt Service Fund	62,352,831	21,418,795
Total Bond Resolution Funds	116,554,425	97,932,002
Other Funds:		
Supplemental Power Account	9,759,222	
Bond Anticipation Note Fund	40,005,403	
TOTAL	$166,319,050	$97,932,002

(1) Receipts from bond proceeds include interest received at issuance ($304,152) and are net of underwriters' fees ($1,725,000) and bond discount ($647,150).

(2) Investments exclude interest receivable of $1,681,127 at December 31, 1978 and $5,406,684 at December 31, 1979.

(3) Cash and investments at December 31, 1978 exclude receivables from Georgia Power Company of $2,130,899.

For the year ended December 31, 1979

Power Billings	Investment Interest	Transfers	Disburse-ments	Cash and Investments, December 31, 1979 (2)
$ 56,829,657	$ 251,131	$(45,575,519)	$ 11,505,269	
	636,161	8,355,367	9,052,498	$ 6,105,124
	992	334,316	335,309	28,173
	729,523	3,900,934	4,483,532	9,037,946
	21,872	38,693	63,242	247,323
	89,163	13,039,929	13,618,133	1,628,565
		2,175	2,175	250
	1,477,711	25,671,414	27,554,889	17,047,381
	171,022	1,168,178	1,065,401	2,476,517
	70,616	515,984		1,364,560
	187,729	437,571		2,085,450
	429,367	2,121,733	1,065,401	5,926,527
	38,942	461,058		500,000
	5,080,787	(4,464,295)	31,235,544	78,201,776
	2,302,316	22,961,284	37,203,166	25,020,969
	3,315,527	(3,315,527)		46,811,091
	5,617,843	19,645,757	37,203,166	71,832,060
56,829,657	12,895,781	(2,139,852)	108,564,269	173,507,744
58,401,794	910,548	(413,543)	59,230,322	9,427,699
	2,706,045	2,553,395	44,466,736	798,107
$115,231,451	$16,512,374	$ —	$212,261,327	$183,733,550

Project Two Supplemental Schedule of Changes in Assets of the Bond Resolution Funds

MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA — For the year ended December 31, 1979

	Cash and Investments, December 31, 1978 (1)	Power Billings	Investment Interest	Transfers	Disbursements	**Cash and Investments, December 31, 1979 (1)**
Revenue Fund		$12,505,828	$ 54,641	$(10,380,278)	$ 2,180,191	
Operating Fund:						
General Operating Account	$ 5,067,962		352,586	444,247	2,150,604	**$ 3,714,191**
Payroll Account				224,820	224,820	
Revolving Construction Account	250,000		24,849	(24,849)		**250,000**
Fossil Fuel Account	585,232		45,483	8,164,723	7,903,008	**892,430**
Total Operating Fund	5,903,194		422,918	8,808,941	10,278,432	**4,856,621**
Reserve and Contingency Fund:						
Renewal and Replacement Account	146,400		13,017	135,479	37,808	**257,088**
Reserve Account	175,550		16,739	(16,739)		**175,550**
Total Reserve and Contingency Fund	321,950		29,756	118,740	37,808	**432,638**
General Reserve Fund	—					—
Construction Fund	30,627,183		2,626,781	110,111	8,894,329	**24,469,746**
Debt Service Fund:						
Debt Service Account	14,515,109		1,003,640	2,047,360	7,068,887	**10,497,222**
Debt Service Reserve Account	7,972,470		704,874	(704,874)		**7,972,470**
Total Debt Service Fund	22,487,579		1,708,514	1,342,486	7,068,887	**18,469,692**
TOTAL	$59,339,906	$12,505,828	$4,842,610	$ —	$28,459,647	**$48,228,697**

(1) Investments exclude interest receivable of $578,976 at December 31, 1978 and $1,173,360 at December 31, 1979.

Notes To Financial Statements

1. GENERAL MATTERS AND ACCOUNTING POLICIES

(a) General Matters

The Municipal Electric Authority of Georgia (the "Authority") is a public corporation and an instrumentality of the State of Georgia, created by an Act of the 1975 Session of the General Assembly of the State of Georgia (the "Act") to supply electricity to local government electric distribution systems. The Act provides that the Authority will establish rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate its projects for profit, except insofar as any such profit will inure to the benefit of the public. Forty-six cities and one county (the "Participants") of the State of Georgia have contracted for power with the Authority.

The Authority and Georgia Power Company ("GPC") are party to agreements governing the ownership and operation of electric generating and transmission facilities. GPC manages the construction and operation of the Authority's generating facilities and operation of the Authority's transmission facilities, designated Project One and Project Two. These agreements require the Authority to sell to GPC declining portions of the output and services of each generating unit of Project One and Project Two during the first eight years of commercial operation. Failure of the Authority to meet any obligation to GPC under these agreements in respect of a specific plant would allow GPC to invoke its remedies in respect of the Authority's entire interest in that plant.

Project One consists of 17.7% undivided ownership interests in each of four nuclear-fueled generating units, 10% undivided ownership interests in each of six coal-fired generating units, separately-owned transmission facilities, and working capital required for the Authority's bulk power supply operation. Acquisition of these facilities is financed by the issuance of revenue bonds pursuant to the Power Revenue Bond Resolution adopted August 30, 1976 as subsequently amended.

Project Two consists of 5.1% additional undivided ownership interests in each of six coal-fired generating units which have been acquired with proceeds from revenue bonds issued pursuant to the General Power Revenue Bond Resolution adopted March 22, 1978 and readopted April 19, 1978.

Project One began operations on January 27, 1977 and Project Two began operations on June 21, 1978.

Supplemental bulk power supply is that portion of the Participants' bulk power supply in excess of their entitlement to Project One power and the output and related services of Project Two. Payments received by the Authority from the Participants for supplemental bulk power supply are not pledged under either resolution.

The Project One and Project Two Power Sales Contracts between the Authority and each of the forty-seven Participants require the Authority to provide, and the Participants to purchase from the Authority, all of the Participants' bulk power supply, as defined in the contracts. Each Participant is obligated to pay its share of the Authority's operation and debt service costs of each project.

The resolutions require that payments by Participants for project power be deposited in special funds and be used only for operation costs, debt service, and other stipulated purposes. The resolutions also establish construction funds to hold assets for payment of project acquisition costs.

Other funds are used to hold assets not subject to the restrictions of the resolutions but designated for specific purposes.

(b) Basis of Accounting

The accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission, as required by the Power Sales Contracts with the Participants, and are in conformity with generally accepted accounting principles. A separate set of accounts is maintained for each of the Authority's projects.

(c) Revenues and Net Revenues

The Power Sales Contracts with the Participants provide for billings to the Participants for output and services of both projects to provide for payment of current operating expenses, payment of debt principal and interest (debt service), and deposits in certain funds, all in compliance with the bond resolutions. These billings and the related expenses are accounted for as follows:

Portion of billings that provides for current operating expenses and interest expense—Operating revenues are accrued and include an amount equal to these expenses; a billing adjustment is made in the following year for the difference between the amount accrued and billable and the amounts of interim bills rendered. There is no resulting effect on Net Revenues.

Portion of billings that provides for payment of debt the proceeds of which were used in the acquisition of utility plant, etc.—The excess of depreciation of electric plant (straight-line method), amortization of nuclear fuel (unit-of-production method), amortization of debt discount and expense (bonds outstanding method), and certain operating expenses over such portion of the billing is accounted for as an amount to be recovered from future billable project revenues and is classified as a deferred debit. There is no resulting effect on Net Revenues.

Portion of billings that provides for deposits in the Reserve and Contingency Fund and Operating Fund and for payment of debt the proceeds of which were used in the acquisiton of initial working capital—There are no expenses that relate to this portion of the billings; as a result, such portion represents the Net Revenues for the period.

Earnings on investments of the Construction Funds and the Bond Anticipation Note Fund reduce the cost of utility plant additions to the extent that the earnings are allocable to construction work in progress; otherwise, the earnings reduce the deferred debits to be recovered from Participants. Earnings on investments of other funds reduce the billings to Participants for current operating expenses.

Accumulated net revenues are invested in various funds of the Authority and are subject to disposition in accordance with the provisions of the resolutions.

(d) Utility Plant

The cost of utility plant includes direct and overhead costs and the net cost of funds borrowed by the Authority and used for construction purposes.

The Authority computes depreciation of electric plant by the straight-line method over the expected service life of the plant, using composite annual rates of 3.70% for nuclear-fueled generating plant, 2.76% for coal-fired generating plant, and 3.10% for transmission and distribution plant. The cost of decommissioning the nuclear-fueled generating plant promptly after each unit has been taken out of service has been considered in the establishment of the composite annual depreciation rate.

Amortization of nuclear fuel is based on the quantity of heat produced for the production of electric energy. GPC, acting for the Authority, has a nuclear fuel supply contract whereby the ownership of certain spent nuclear fuel assemblies will revert to the supplier; no provision has been made for nuclear fuel storage costs which might be incurred if reprocessing services are not available when required for these nuclear fuel assemblies. For nuclear fuel assemblies not subject to the above contract, provision is being made for estimated storage and disposition costs.

When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost, together with its cost of removal less salvage, is charged to accumulated depreciation.

The cost of maintenance, repairs, and replacements of minor items of property is charged to maintenance expense accounts. The cost of replacements of property (exclusive of minor items of property) is charged to utility plant accounts.

2. POWER REVENUE BONDS

The resolutions authorize the issuance of Power Revenue Bonds in the aggregate principal amount of $1,600,000,000 and the issuance of General Power Revenue Bonds in the aggregate principal amount of $260,000,000, for the financing of the projects. Such aggregate principal amounts of bonds have been validated by court judgments. The resolutions permit the issuance of additional bonds for certain purposes, including completion of the projects.

Power revenue bonds issued under the resolutions are secured by pledges of project power revenues attributable to the respective projects after payment of their operating expenses, as well as pledges of the assets in the funds established by the bond resolutions. Each Participant's payment obligations under the Power Sales Contracts are general obligations to the payment of which the Participant's full faith and credit are pledged.

Project One Power Revenue Bonds outstanding at December 31, 1979 were as follows:

Series A:	
3.70% to 5¼% maturing annually to 1995	$ 92,140,000
6% maturing in 2000 with annual sinking fund requirements beginning in 1996	54,265,000
6.20% maturing in 2009 with annual sinking fund requirements beginning in 2001	149,230,000
Total	$295,635,000
Series B:	
3¼% to 6% maturing annually to 1998	$ 49,685,000
6.10% maturing in 2002 with annual sinking fund requirements beginning in 1999	20,460,000
6¼% maturing in 2012 with annual sinking fund requirements beginning in 2003	78,930,000
Total	$149,075,000
Series C:	
4% to 5.70% maturing annually to 1998	$ 22,600,000
6% maturing in 2004 with annual sinking fund requirements beginning in 1999	17,305,000
6⅛% maturing in 2012 with annual sinking fund requirements beginning in 2005	34,970,000
Total	$ 74,875,000
Series D:	
5½% to 6.70% maturing annually to 1998	$ 20,395,000
6⅝% maturing in 2003 with annual sinking fund requirements beginning in 1999	14,890,000
7% maturing in 2015 with annual sinking fund requirements beginning in 2004	64,715,000
Total	$100,000,000

On January 18, 1980 the Authority sold $125,000,000 principal amount of Power Revenue Bonds, Series E, with interest rates ranging from 6.40% to 7⅛% and with annual maturities and sinking fund requirements to 2018.

Project Two General Power Revenue Bonds outstanding at December 31, 1979 were as follows:

1978 Series:	
4.60% to 6¼% maturing annually to 1995	$ 20,870,000
6⅜% maturing in 2002 with annual sinking fund requirements beginning in 1996	22,620,000
6.70% maturing in 2006 with annual sinking fund requirements beginning in 2003	18,310,000
6.80% maturing in 2012 with annual sinking fund requirements beginning in 2007	38,200,000
Total	$100,000,000

Scheduled principal maturities for the next six years of power revenue bonds outstanding at December 31, 1979 were as follows:

Maturity Date	Project One	Project Two
January 1, 1980	$3,380,000	$ 430,000
January 1, 1981	3,945,000	450,000
January 1, 1982	6,010,000	470,000
January 1, 1983	6,260,000	500,000
January 1, 1984	6,535,000	520,000
January 1, 1985	6,845,000	550,000

3. REVOLVING CREDIT AND TERM LOAN AGREEMENT

A revolving credit and term loan agreement (the "Agreement") between the Authority and a group of banks allows the Authority to borrow up to $40,000,000 in Term Advances and up to $60,000,000 in Revolving Credit Advances, until March 31, 1980. Borrowings under the Agreement bear interest at the lesser of an annual rate of sixty-seven percent of the rate of interest available for ninety day loans to substantial and responsible commercial

borrowers of the participating banks (the prime rate) or 9%. Compensating balances of $4,045,000 are to be maintained but are not legally restricted as to withdrawal.

On December 6, 1978 the Authority borrowed $40,000,000 in Term Advances maturing March 31, 1980. Such notes bore interest at the annual rates of 9% at December 31, 1979 and 7.7% at December 31, 1978. The Authority intends to repay such Term Advances with bond proceeds obtained from the issuance in January 1980 of Series E, Power Revenue Bonds. Such bond proceeds are pledged for the repayment of the Term Advances.

4. CONSTRUCTION PROGRAM

The Authority has substantial commitments in connection with the acquisition and construction of the projects.

It is estimated that the total cost of acquisition and construction will be $1,854,000,000 for Project One and $197,000,000 for Project Two and that bonds in these principal amounts, including bonds previously issued, will be required to be issued to pay the cost of acquisition and construction. The Supreme Court of the State of Georgia has validated bonds in the aggregate principal amount of $1,600,000,000 for the purpose of financing Project One and $260,000,000 for the purpose of financing Project Two.

The Authority has tentatively accepted an offer by GPC under which GPC would purchase the Authority's 15.1% interest in two coal-fired generating units, Scherer Units 3 and 4, and the Authority would purchase an additional 15.1% interest in two coal-fired generating units, Scherer Units 1 and 2 (which would be financed by the Authority as a separate project). Final acceptance of this offer is conditioned, among other things, upon the Participants' execution of power sales contracts with the Authority for the output and services of these additional interests. If the offer is ultimately accepted by the Authority the present estimated cost of acquisition and construction of Project One and Project Two would be reduced.

Delays in construction or changes in environmental and regulatory standards could increase the cost of such facilities.

An operating license must be obtained from the Nuclear Regulatory Commission prior to operation of a nuclear unit.

The cost of utility plant additions during 1979 and 1978 includes the net cost of funds borrowed by the Authority and used for construction purposes, as follows:

	Project One	Project Two
1979:		
Interest on long-term debt	$21,506,800	$3,904,157
Interest on investments	6,822,636	3,005,014
Net cost of funds	$14,684,164	$ 899,143
1978:		
Interest on long-term debt	$15,298,133	$2,062,818
Interest on investments	2,052,288	851,665
Net cost of funds	$13,245,845	$1,211,153

5. CONTINGENCIES

Nuclear fuel reprocessing services are currently not commercially available. The unavailability of reprocessing services when needed would necessitate arrangements for storage of spent fuel at substantial cost.

The Price-Anderson Act limits the public liability of a licensee of a nuclear power plant to $560,000,000 for a single nuclear incident, which amount is to be covered by private insurance and agreements of indemnity with the Nuclear Regulatory Commission. Such private insurance and agreements of indemnity are carried by GPC for the benefit of all co-owners of the plants. Effective August 1, 1977, as part of a program to phase out the government indemnity portion of the public protection program provided by the Price-Anderson Act, each licensee of a nuclear power plant became obligated, in the event of a nuclear incident, to pay a deferred premium of up to $5,000,000 per incident for each licensed reactor operated by it but not more than $10,000,000 in a calendar year. The government indemnity was, after such date, reduced by the aggregate amount of all deferred premiums payable. The Authority is liable for its 17.7% share of any such deferred premium.

GPC, on behalf of all the co-owners of the plants, is a member of Nuclear Mutual Limited, a mutual insurer established to provide property damage insurance to members' nuclear generating plants. In the event of catastrophic losses to the insurer, the members are subject to assessments in proportion to their participation in the mutual insurer. The portion of the maximum present assessment for GPC which would be payable by the Authority is approximately $4,860,000.

GPC has filed new supplemental bulk power rates with the Federal Energy Regulatory Commission. The Authority has been charged under these rates, which are subject to refund, since July 1, 1979. Any refund will be distributed by the Authority to Participants in proportion to their respective purchases of supplemental power.

General Information

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Secretary-Treasurer
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(Manager, City of LaGrange)

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Co-Trustee
Trust Company Bank
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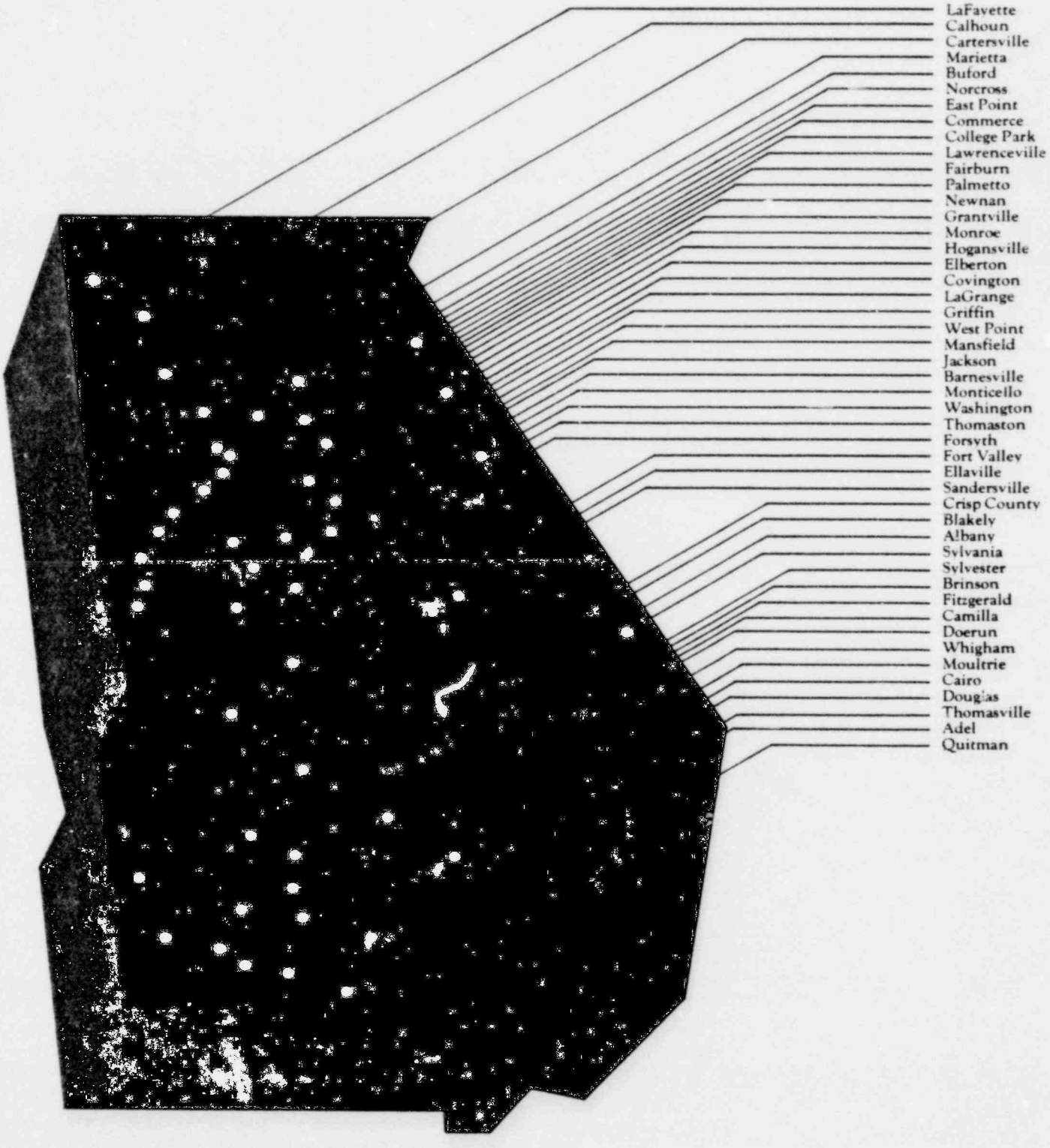
**Chairman, Audit Committee*
**Member, Audit Committee*

Authority Participants



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