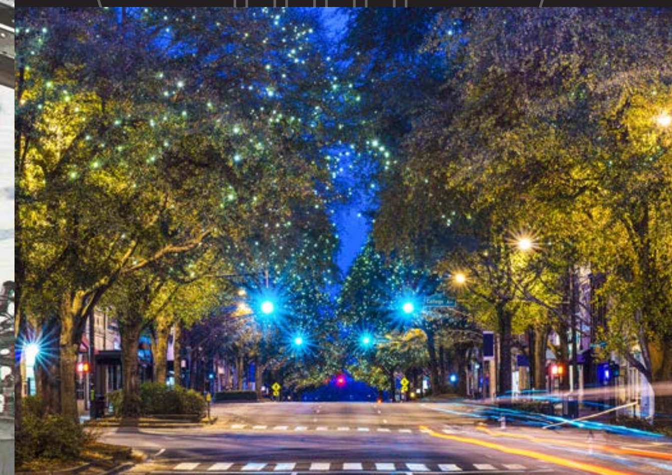
GeorgiaTransmission

2018 ANNUAL REPORT

The Power to Transform

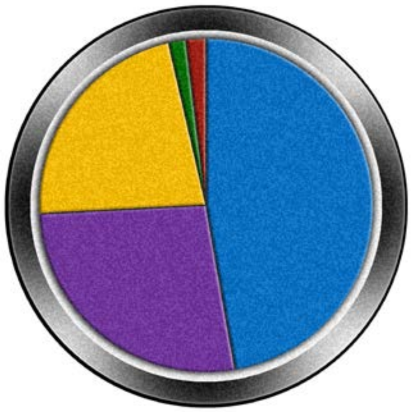


Home

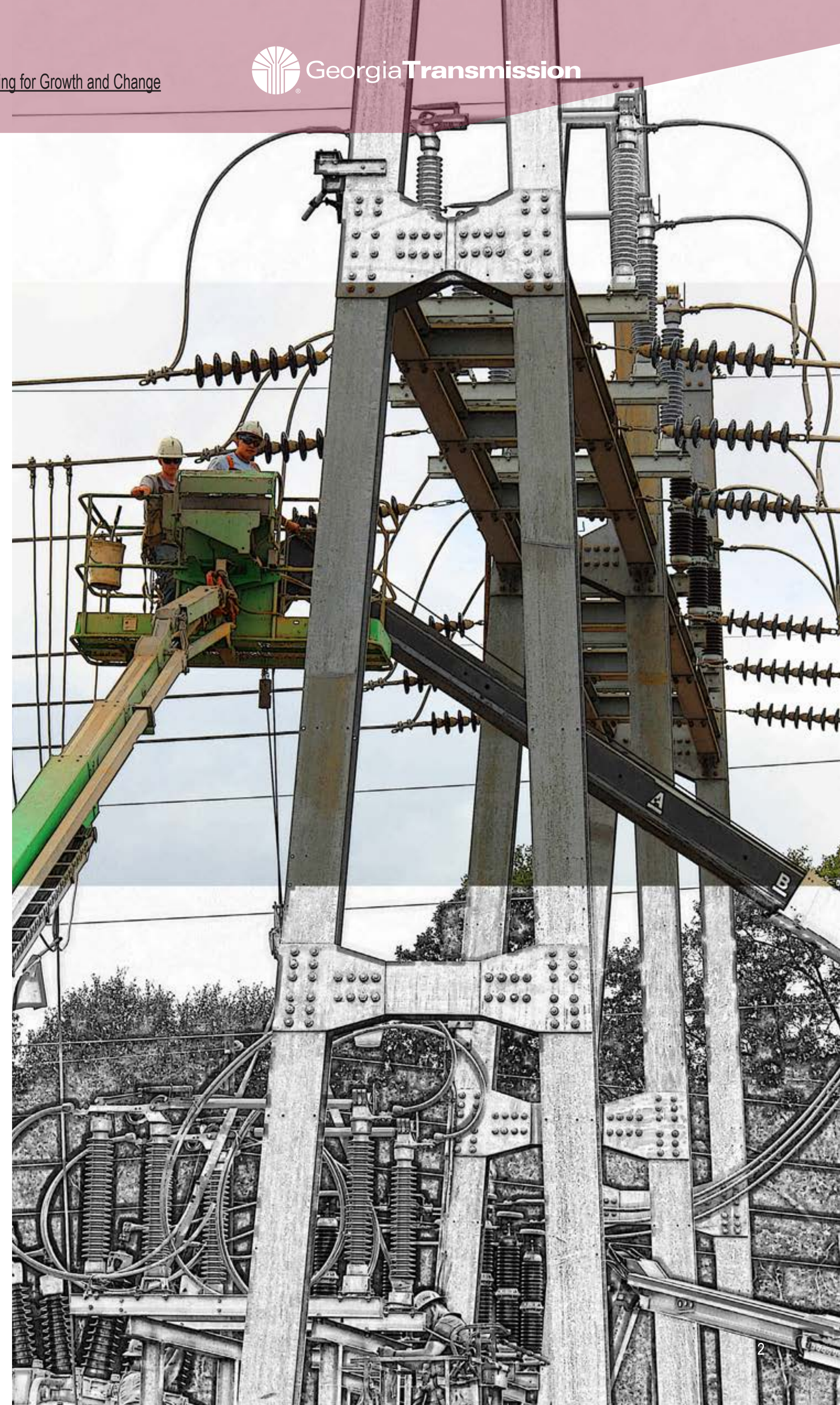
*Georgia Transmission Corporation delivers the power to transform – directly, through components such as transformers that convert high-voltage electricity into usable levels, and indirectly, by powering the constant evolution of life's necessities. More than 4.1 million people in nearly 70 percent of the state's land area rely on Georgia Transmission and our 38 electric membership corporations (**EMCs**) to provide the power that transforms lives.*

Financial and Operating Highlights

	(dollars in thousands)
Transmission Lines	$1,101,214
Distribution Substations	627,656
Transmission Substations	512,543
Plant Held for Future Use	38,243
General Plant	43,121



	(dollars in thousands)
Total Assets	$2,789,792
Total Operating Revenues	305,746
Net Margin	15,167
Patronage Capital and Membership Fees	312,797



Officers' Message

Electricity, in and of itself, has no intrinsic value. However, when used as a source of power, it illuminates the night, cools our homes on a hot summer day and connects us to the world through our electronic devices. We've come to depend on available, reliable electricity when we flip a switch or plug into an outlet. As the largest transmission-only electric cooperative in the nation, we take our role in today's world seriously. Our mission is to provide the best in reliable, cost-effective service to our member EMCs so they, in turn, can provide the reliable power Georgians expect and deserve.

In 2018, this meant Georgia Transmission:

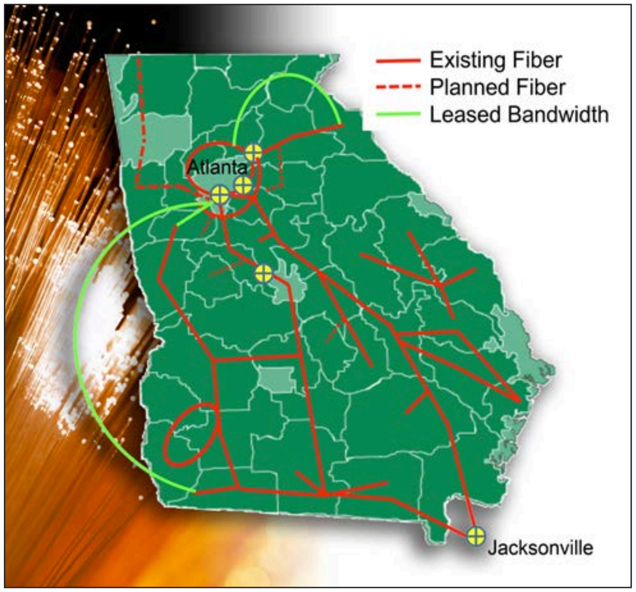
- Invested $264 million, completing 99 capital projects, including facilities to support commercial / industrial customer-choice loads for our member systems;
- Set a record for lowest occurence of sustained outages and second-best-ever performances for duration of outages and frequency of momentary outages;
- Received $355 million in loan advances from the Federal Financing Bank for asset purchases and post-construction funding of capital projects;
- Remarketed approximately $94 million in tax-exempt bonds;
- Received approval from the Rural Utilities Service for a $94 million construction loan;
- Expanded the Electric Cooperative Training Center to facilitate more training opportunities;
- Continued to monitor cyber security developments and comply with federal reliability standards; and,
- Incurred no environmental violations and no lost-time incidents for the fifth consecutive year.

All of this we achieved while also responding to one of the most violent hurricanes the state has experienced in decades. A Category 3 when it entered Georgia, Hurricane Michael's 100-mile-per-hour winds blew down sections of more than 50 transmission lines and caused extensive damage to nearly 100 substations serving our member systems. Although helpless to withstand the fury of the damaging winds, our workforce began preparing days before the storm hit by activating our Disaster Response Plan. In doing so, we were able to restore our facilities in less than five days and then lend a hand to our member systems, which experienced more than 210,000 consumer outages. This feat is even more impressive considering the time-consuming effort required. The extensive debris and devastating damage to equipment required not only repair, but, many times, total replacement.

In 2018, we moved closer to completing our fiber optic network that will serve as an important tool in attending to daily operations as well as in responding to complications due to severe weather. We completed three major installations to connect our member EMCs' headquarters and other key locations. This state-of-the-art network will enable us to monitor and more securely operate our equipment remotely, assess conditions and communicate with our members' facilities – all at a rate that is 100 times faster than before.

Above: Georgia Transmission's Disaster Response Team coordinates and monitors efforts to restore power after Hurricane Michael damaged more than 50 transmission lines.

Below: Crews repair a transmission line in Southwest Georgia.



Georgia Transmission employees receive instruction on splicing fiber optic cable.

Primarily intended to help ensure more reliable electric operations, our fiber network could potentially play a role in providing more access to broadband services for rural Georgia through our member systems. In much the same way they made electricity available to those without service more than 75 years ago, our member systems may be able to serve as vehicles to connect many underserved Georgians to the internet through excess bandwidth on their own fiber network and their connections to ours. Proposed state legislation slated for 2019 clearly defines statutory authority for the member systems if they choose to provide broadband services. At Georgia Transmission, we are optimistic about these developments and gratified to be part of the discussion.

Whether helping to attract new business to the state with reliable transmission service, standing together with our member systems on important issues, or simply providing the assurance of electric power – day in and day out – Georgia Transmission will continue to deliver the power to transform.

Charles R. Fendley	**Steve Rawl Sr.**	**Otis P. Jones**
Chairman	Vice Chairman	Secretary-Treasurer

GeorgiaTransmission

Turning Power into Possibility

Georgia Transmission helps turn power into possibility and possibility into reality. After announcing it would build a new $75 million data storage facility in Walton County, social media giant Facebook, Inc. also announced that Walton EMC, a Georgia Transmission member, would be its power supplier. Facebook based this decision, in part, on Walton EMC's commitment to meet green power requirements through hundreds of acres of solar panels. The 970,000-square-foot facility will be one of the largest commercial electrical loads in the state. In Georgia, companies with electrical loads of 900 kilowatts (kW) or above have the right to choose their electric power supplier. Georgia Transmission is constructing transmission lines and substations necessary for Walton EMC to provide power to Facebook's facility.

Facebook has been adding data centers in the U.S. and internationally since 2011 to handle the growing number of photos, videos and digital content from its more than two billion users. The Georgia facility will be Facebook's ninth data center in the U.S. The centers are among the most advanced, energy-efficient facilities in the world, using 38 percent less electricity than the average data center. The rooms that house the computer systems are cooled using outdoor air, rather than air conditioners. In addition, Facebook requires that all electricity used be 100 percent renewable. With plans to begin operations in 2019, the center is expected to create more than 100 full-time jobs.

This team of Georgia Transmission employees stood behind Walton EMC in its bid to win the customer-choice load for Facebook, Inc.'s data facility. Team members included, from left, Chris Smith, Greg Starks, David Akin, Jeff Brogdon, Angela Battle, Addis Kifle, Camron Carden, Taylor Wood, Jerome Vinson and Bob Casey (team lead). Georgia Transmission began work in 2018 on transmission facilities to serve the expected load.

A substation technician installs equipment in the transmission substation dedicated to the new Universal Industrial Gases plant, located in Houston County. Georgia Transmission member Flint Energies won this customer-choice load in 2018.

Georgia Transmission began initial work on the Facebook electric transmission projects in 2018 and also completed 99 other projects, including improvements to 83 substations and transmission lines, six new substations and more than 17 miles of new transmission lines. In addition, Georgia Transmission completed the purchase of the 55-mile Thomson-Vogtle 500 kV Transmission Line from Georgia Power Company to help bring our investment in the state's shared transmission system more in line with our usage.* During the next five years, we plan to invest more than $648 million in our transmission system to help turn power into possibility for Georgians.

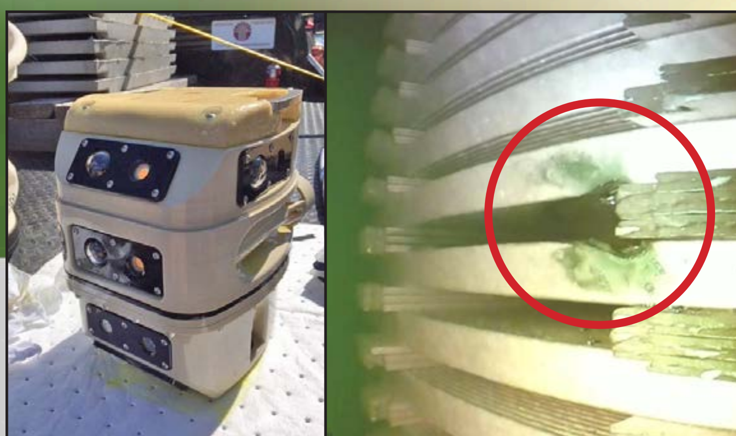
**Georgia Transmission plans and operates the state's Integrated Transmission System along with Georgia Power Company, MEAG Power and Dalton Utilities. The arrangement is unique to Georgia.*

2018 COMPLETED PROJECTS

6	New Substations
5	New Transmission Line Projects
20	Transmission Line Modifications
63	Substation Modifications
5	Low-side Projects
99	**Total Projects Completed**
17	**Miles of New Transmission Lines**

Transforming Time and Knowledge

At first glance, video footage from an exploratory mission inside one of our transformers might appear to be a scene from a National Geographic documentary venturing into outer space or the murky depths of the sea. However, the camera is actually using the latest technology to determine why the transformer failed and how it should be repaired. Using a "submersible drone," the entire operation took 90 minutes. Entering the transformer through a small hole, the battery-operated drone moved around taking video footage of internal workings until operators identified the location of the fault. Ordinarily, diagnosing this type of issue takes days and involves sending the transformer off site, cutting the top off and draining the oil so the core may be removed for inspection. That extra effort not only takes more time, but also is a far more expensive endeavor.



Georgia Transmission saved time and money using ABB Group's submersible drone (above left) to inspect a substation transformer and identify damage.

The submersible drone is part of a research effort under way through the Electric Power Research Institute (EPRI). Georgia Transmission staff participate on the EPRI Transmission & Substation Advisory Council whose members are studying this and other technologies to improve operations and maintenance procedures and products. We actively participate in industry groups to stay abreast of the latest developments and also to help shape the future of electric reliability. We plan to use the submersible drone again when conditions merit.

Georgia Transmission began using traditional drones in early 2017 as a tool to supplement routine transmission line inspections and to assess storm damage. Our licensed operators flew 50 missions in 2018 to investigate possible causes of outages, insulator contamination and other specific needs. We also performed routine inspections, by helicopter and on foot, on all 3,400-plus miles of our lines. Our maintenance process includes monthly substation reviews and pole and tower inspections every three years.

Performing maintenance is a mainstay of any strong electric reliability program. At Georgia Transmission, we are always looking to improve processes and outcomes. Our 2018 results affirm the strength of our program with the lowest number of sustained outages recorded to date.

Georgia Transmission employees test updated substation communications equipment.

Providing for Growth and Change

As a not-for-profit cooperative, owned by those we serve, we seek funding to build the transmission system for our members – also not-for-profit cooperatives. Their growth translates into our growth. This symbiotic relationship requires Georgia Transmission to both anticipate and prepare to meet our members' needs by securing the best, lowest cost financing available.

Lending agencies consistently point to Georgia Transmission's long-term, stable relationships with our member systems and high credit ratings as primary reasons for awarding us low-cost financing. During 2018, the Rural Utilities Service (RUS) approved a Federal Financing Bank (FFB) loan for $94 million to fund Georgia Transmission's capital project construction. In addition, we received $355 million in six loan advances from the FFB for funding construction and asset purchases. In other actions, Georgia Transmission successfully remarketed approximately $94 million in tax-exempt pollution control revenue bonds.

Since our inception in 1997, our members have experienced much growth – some have even tripled in size. Our growth, from nearly $760 million in assets to nearly $3 billion today, reflects our collective transformation. Continuing this trend, our $121 million capital budget will fund more than 80 planned construction projects in 2019.

Georgia Transmission Corporation Credit Ratings

	S&P	Moody's	Fitch
Long-term Rating	AA-	A2	AA-
Short-term Rating (commercial)	A1+	P1	F1+

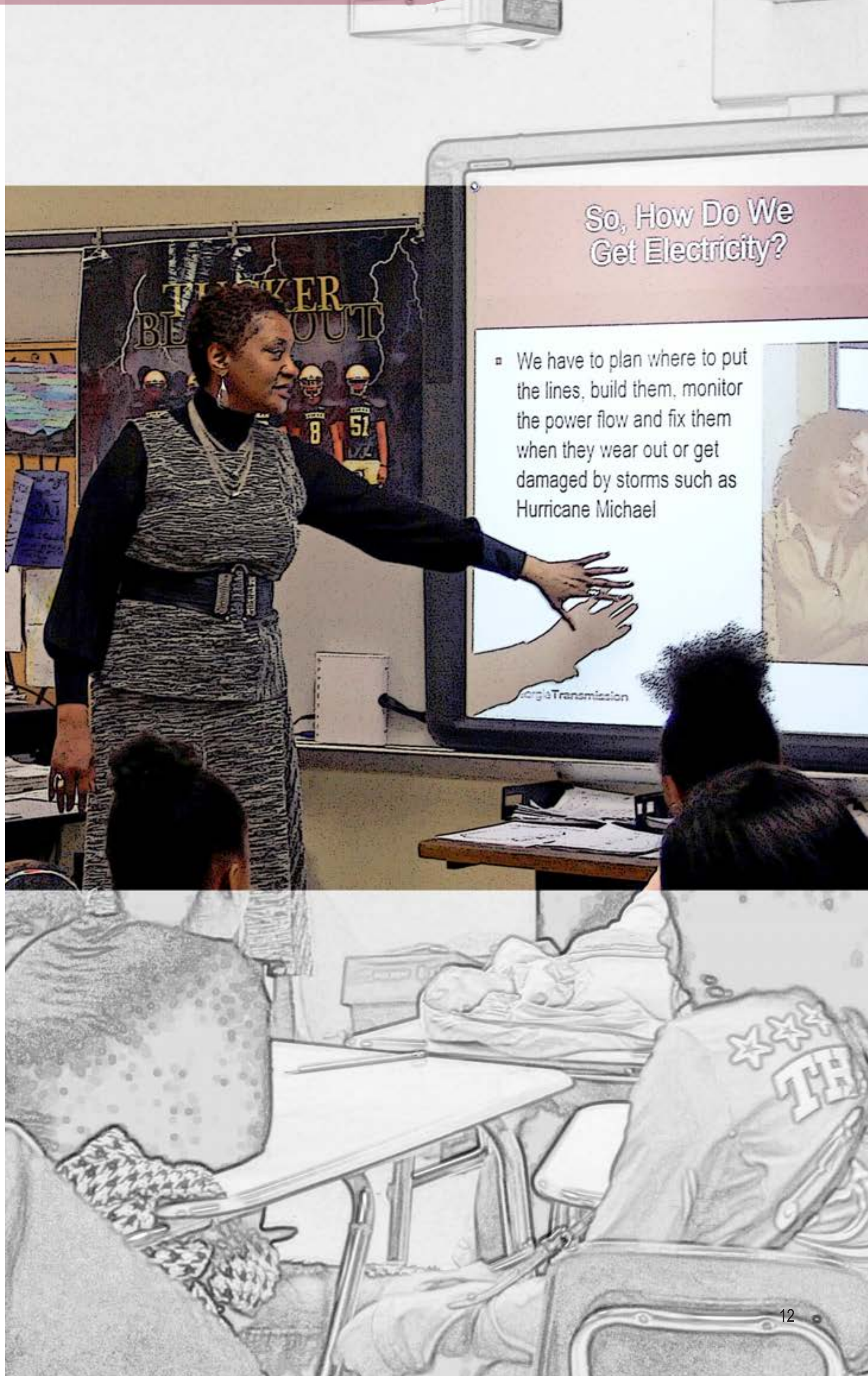
Making Life Better Together

Georgia Transmission's cooperative business model shapes not only the way we go about keeping the lights on, but also our way of being part of the community. Our reach extends to diverse groups, including the disadvantaged, elderly, youth, and our own industry and beyond.

A few miles down the road from our corporate headquarters, more than 100 employees, family members and friends came together during several fall weekends to help renovate a Habitat for Humanity home that had been stripped nearly to the frame. This marked the second year Georgia Transmission employees worked together with Georgia System Operations Corporation on a Habitat home.* Oglethorpe Power Corporation and Georgia EMC also joined the effort.* A local citizen donated the home to Habitat for Humanity, which offered it to the new homeowner under the usual terms that he work a minimum number of hours to qualify for a low-interest loan. The recent immigrant and his elderly mother moved into their home in January, transforming their American dream of home ownership into reality.

In other efforts, Georgia Transmission also continued to reach out to local youth through our partnership with Tucker Middle School (TMS). Working together since 2014, our partnership with TMS resulted in the school becoming the first middle school in Georgia to earn STEM (science, technology, engineering and math) certification. In 2018, we hosted a STEM Career Day at the school, with 15 companies staffing booths and interacting with more than 300 students. Each booth included an interactive component to engage students and demonstrate how their school STEM projects

** Oglethorpe Power Corporation, a generation and transmission cooperative, restructured into three separate entities in 1997. These included Oglethorpe Power Corporation, Georgia Transmission Corporation and Georgia System Operations Corporation. Georgia EMC is the statewide association for Georgia's EMCs.*



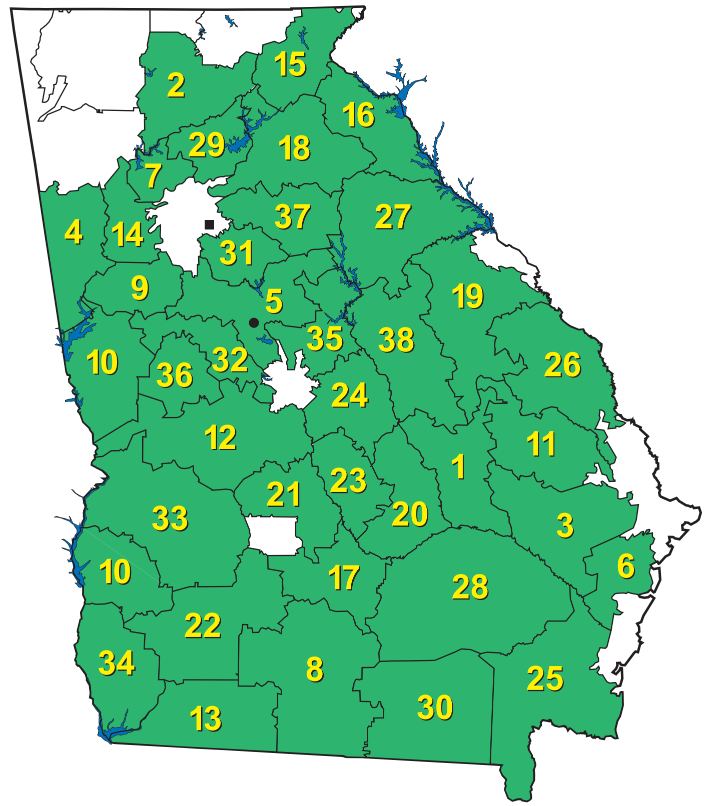
translate into real-world skills. Other outreach activities have included Georgia Transmission employees mentoring students, giving presentations and helping with projects. Our hope is these students will emerge as strong and innovative leaders in our own industry.

In addition to these service projects, Georgia Transmission employees put time and energy into the United Way, American Red Cross, Rivers Alive, The Salvation Army and Boys & Girls Clubs of America.

At Georgia Transmission, we know delivering reliable electric power is just one way we can make life better for our member systems and their members. Stretching beyond our core business to help our various communities speaks to our cooperative heritage. And this, we believe, underscores our power to transform.

Member Systems

1 Altamaha EMC
2 Amicalola EMC
3 Canoochee EMC
4 Carroll EMC
5 Central Georgia EMC
6 Coastal EMC
*d/b/a Coastal Electric Cooperative
7 Cobb EMC
8 Colquitt EMC
9 Coweta-Fayette EMC
10 Diverse Power
11 Excelsior EMC
12 Flint EMC
*d/b/a Flint Energies
13 Grady EMC
14 GreyStone Power
15 Habersham EMC
16 Hart EMC
17 Irwin EMC
18 Jackson EMC
19 Jefferson Energy Cooperative
20 Little Ocmulgee EMC
21 Middle Georgia EMC
22 Mitchell EMC
23 Ocmulgee EMC
24 Oconee EMC
25 Okefenoke REMC
26 Planters EMC
27 Rayle EMC
28 Satilla REMC
29 Sawnee EMC
30 Slash Pine EMC
31 Snapping Shoals EMC
32 Southern Rivers Energy
33 Sumter EMC
34 Three Notch EMC
35 Tri-County EMC
36 Upson EMC
37 Walton EMC
38 Washington EMC
** Oglethorpe Power



*d/b/a: doing business as
**A Georgia Transmission member and power supplier that serves 38 member systems

■ Georgia EMC, Georgia System Operations Corp., Georgia Transmission Corp. and Oglethorpe Power Corp., Tucker, Ga.
● Electric Cooperative Training Center, Smarr, Ga.

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Tony Tucker
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Jack Waters
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Financial Information

SELECTED FINANCIAL DATA

This selected financial data should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto included elsewhere in this annual report. The selected financial data as of the end of and for each of the fiscal years ended December 31, 2018, 2017, and 2016, have been derived from our audited financial statements.

STATEMENTS OF REVENUES AND EXPENSES DATA

(dollars in thousands)

	2018	2017	2016
Operating revenues:			
Network services revenues	$ 270,695	$ 259,953	$ 244,740
Other transmission revenues	35,051	32,819	32,062
Total operating revenues	305,746	292,772	276,802
Operating expenses:			
Operation and maintenance	78,044	76,348	73,818
Parity expense, net	16,462	19,273	20,604
Control center services	23,241	23,236	20,399
Administrative and general	15,281	15,961	15,185
Depreciation and amortization	86,474	79,864	74,080
Taxes	745	794	728
Total operating expenses	220,247	215,476	204,814
Operating margin	85,499	77,296	71,988
Total other income, net	16,809	14,877	16,036
Total interest charges, net	87,141	77,799	73,965
Net margin	$ 15,167	$ 14,374	$ 14,059

BALANCE SHEET DATA

	2018	2017	2016
Electric plant, net:			
In service	$ 2,322,777	$ 2,140,778	$1,974,131
Plant acquisition adjustments, at amortized cost	52,118	54,349	37,186
Construction work in progress	41,754	40,870	85,849
Total electric plant, net	$ 2,416,649	$ 2,235,997	$2,097,166
Total assets	$ 2,789,792	$ 2,650,850	$2,534,452
Capitalization:			
Long-term debt, excluding amounts due within one year	$ 2,153,607	$ 1,909,469	$1,970,785
Patronage capital and membership fees	312,797	297,630	283,256
Total capitalization	$ 2,466,404	$ 2,207,099	$2,254,041

OTHER DATA

	2018	2017	2016
Net cash provided by operating activities	$ 100,418	$ 101,071	$ 111,701
Margins-for-interest ratio(1)	1.21	1.22	1.22
Equity ratio(2)	12.7%	13.5%	12.6%
Property additions(3)	$ 266,884	$ 218,383	$ 135,427

(1) Our Indenture obligates us to establish and collect rates that, subject to any necessary regulatory approvals, are reasonably expected, together with other revenues, to yield a margins-for-interest (MFI) ratio equal to at least 1.10 for each fiscal year. The MFI ratio is the quotient of our MFI over our interest charges as calculated under the Indenture. See "Margins and Patronage Capital" and "Rates and Regulation" for further discussion of the MFI ratio.

(2) Our equity ratio is calculated by dividing patronage capital and membership fees by total capitalization.

(3) Property additions consist of assets obtained through the construction, acquisition, expansion and upgrading of facilities and systems.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements regarding matters that could have an impact on our business, financial condition and future operations. These include statements regarding: (i) anticipated capital expenditures, (ii) anticipated trends in our business and the regulation of the electric utility industry, (iii) anticipated availability of financing sources and (iv) other statements using terms such as "may," "will," "expects," "anticipates," "believes," "intends," "projects," "plans" or similar terms. These statements, which are based on our expectations and estimates, are not guarantees of future performance and are subject to risks, uncertainties and other factors that could cause actual events or results to differ materially from those expressed in the forward-looking statements. These risks, uncertainties, and other factors include, among others:

- new federal requirements related to cyber security, reliability, and transmission access;
- risks related to the economy and our ability to access the debt capital markets and other sources of liquidity;
- changes in environmental laws and policies;
- changes in the demand for transmission services;
- the weather and other natural phenomena, including the economic, operational, and other effects of storms; and
- other risks described under "Risk Factors."

Any forward-looking statement is based on assumptions or information known or believed to be accurate only as of the date of this annual report. We undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date of this annual report, even if new information becomes available or other events occur in the future.

CORPORATE HISTORY AND INFORMATION

Georgia Transmission Corporation (Georgia Transmission) was formed in 1996 pursuant to a corporate restructuring of Oglethorpe Power Corporation (Oglethorpe) that occurred in 1997. The corporate restructuring divided Oglethorpe into three separate operating companies with Oglethorpe retaining the wholesale generation business. We purchased Oglethorpe's transmission assets and operate the transmission business previously owned and operated by Oglethorpe. Georgia System Operations Corporation (GSOC), which was also formed in connection with the corporate restructuring, acquired the system operations business previously owned by Oglethorpe and currently provides system operations services, including control center services and administrative support services to Georgia Transmission and Oglethorpe.

We are a not-for-profit cooperative transmission services provider headquartered in Tucker, Georgia. We provide transmission services to our members in the State of Georgia. Our members consist of 38 of the 41 electric distribution cooperatives in Georgia (the Member Systems) as well as Oglethorpe. Oglethorpe provides wholesale electric power to the Member Systems through our electric power transmission facilities.

Our Member Systems serve approximately 1.9 million electric consumers (meters) representing approximately 4.1 million people. Our Member Systems serve a region covering approximately 40,000 square miles, which is approximately 70% of the land area in the State of Georgia, encompassing 152 of the state's 159 counties, a small portion of the northern end of the State of Florida, and a small portion of the eastern side of the State of Alabama. In 2017, the most recent year for which we have consolidated data, sales by the Member Systems amounted to approximately 36 million megawatt hours (MWh), with approximately 65% to residential consumers, 31% to commercial and industrial consumers, and 4% to other consumers. The Member Systems are the principal suppliers for the power needs of rural Georgia. While our Member Systems do not serve any major cities, portions of their service territories are in close proximity to urban areas and have experienced varying degrees of growth in previous years due to the expansion of urban areas, including metropolitan Atlanta, into suburban areas and the growth of suburban areas into neighboring rural areas. From 2015 through 2017, our Member Systems experienced an average annual compound growth rate of 1.4% in number of consumers while MWh sales decreased by 0.9% and electric revenues of our Member Systems increased by 0.9%. Currently, we have a Member Transmission Service Agreement (MTSA) with each Member System through December 31, 2060, subject to certain options that allow a Member System to reduce service if it so chooses. Under the MTSA, each Member System is jointly and severally liable for all of the obligations relating to our transmission business, including the payment of principal and interest on our indebtedness, and is required to pay us rates for the provision of transmission services in accordance with our Transmission Service Tariff (the Tariff). In addition, the MTSAs contain express covenants requiring the Member Systems to set and collect retail rates sufficient to meet their respective obligations under the MTSAs.

We coordinate transmission service planning and operational issues in Georgia through the Integrated Transmission System Agreements (ITSAs), which are bilateral contracts executed between Georgia Power Company (Georgia Power) and three other transmission owners in the state, including Georgia Transmission. Under the ITSA, we incur parity expense to the extent our percentage use of the Integrated Transmission System (ITS) exceeds our percentage investment in the assets that are part of the ITS. We receive parity revenue to the extent our percentage use of the ITS is less than our percentage investment in ITS assets. The owners of the ITS (the ITS Owners) are Georgia Transmission, Georgia Power, the Municipal Electric Authority of Georgia (MEAG Power), and the City of Dalton, Georgia (Dalton Utilities). Currently, we are acquiring and planning new transmission projects to increase our percentage investment in ITS assets and reduce our projected parity expense in future periods; however, there can be no assurance that we will be able to reduce our parity expense in future periods due to, among other things, the increase by other ITS Owners of their investment in the ITS assets.

Our transmission assets consist primarily of the transmission lines and substations located throughout Georgia comprising our share of the ITS. As of December 31, 2018, we owned 3,459 miles of transmission lines and 742 substations. In addition to the assets we own, we have access to jointly use the entire system, including the assets of the other ITS Owners, pursuant to the ITSA. The assets we own are broken down into the following categories:

Transmission Lines	
46 kV Lines	247 miles
115 kV Lines	1,376 miles
230 kV Lines	1,301 miles
500 kV Lines	535 miles
Total Lines	3,459 miles

Substations	
Transmission Substations	67
Distribution Substations	603
Combined Transmission & Distribution Substations	72
Total Substations	742

As of December 31, 2018, we had total assets of approximately $2.8 billion and total long-term debt, including amounts due within one year, of approximately $2.2 billion. We have 284 approved full-time employees.

EXECUTIVE OVERVIEW

For the past several years, we have seen a relative flattening of Georgia's load growth due to such factors as the effects of milder seasonal temperatures, technological advances in today's energy efficient devices, general economic fluctuations, and the use of demand-side management by our Member Systems. Our current forecasts suggest this trend will likely continue for the next few years. Still, we continue to construct new transmission facilities and modify existing ones to meet our Member Systems' needs and to achieve our system reliability objectives.

Since 2000, we have incurred parity expense primarily because the load in the Member Systems' territories has been either growing at a faster rate or declining at a slower rate than the load of other ITS Owners. We expect this trend to continue. Also, current and projected off-system sales, for us as well as other ITS Owners, are considerably less now than in previous years, which negatively affects our parity position. Therefore, as part of a long-term plan to achieve investment parity in the ITS, we have begun purchasing assets more aggressively from other ITS Owners, as is permitted under both the ITSA and our parity management agreement/procedure with Georgia Power. For example, during 2018, we purchased a newly constructed transmission line valued at approximately $132 million from Georgia Power.

Having an appropriately sized and properly credentialed staff is critical for us. Accordingly, we have adopted a staff development focus to encourage mentoring, cross-training and new skills development within our organization. We maintain extensive bidders lists of qualified contractors for our capital projects and maintenance activities. However, both improved market conditions and aging infrastructure across the United States are having an adverse effect on the availability of qualified crews.

The primary long-term financing source for our capital expenditures is loans from the Federal Financing Bank (FFB), guaranteed and administered by the Rural Utilities Service (RUS). The continued availability of RUS-guaranteed loan funds is subject to uncertainty because of congressional budgetary pressures and competition for RUS funds from other borrowers. We, therefore, cannot predict the future availability or amount of RUS-guaranteed loans. However, we intend to continue to submit annual loan applications to RUS for the long-term financing of our capital projects for as long as the loan program is available and it is economically feasible for us to borrow such funds. In addition, we have long-term and intermediate-term financing in place provided by the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). Future financings may include loans from FFB, CFC, CoBank and other banks, as well as public and private debt offerings.

As an RUS Borrower, we have participated in the RUS Cushion of Credit (COC) program since 2008. (See "Liquidity and Sources of Capital" for a discussion of the COC program and our 2018 activity). During December 2018, President Trump signed the Agriculture Improvement Act of 2018 into law, which includes several provisions affecting RUS borrower participation in the COC program and adds new prepayment and refinancing options. Under the law, RUS will no longer accept new deposits into COC accounts. Also, a new interest rate schedule was adopted for existing deposits: 5% per annum through September 2020, 4% through September 2021, and then from October 2021 onward, deposit earnings will be tied to the applicable 1-year Treasury Rate. Additionally, the law allows RUS borrowers to use their existing COC deposits to make prepayments on their FFB loans made or guaranteed under the Rural Electrification Act of 1936 without incurring prepayment penalties. As RUS works to implement these and other provisions related to the new law, we will evaluate financial strategies and prepare action plans that will balance interest income and low interest rates across our debt portfolio. (See "Subsequent Events" for a discussion of our recent actions related to the new law).

We continue to maintain a strong liquidity position comprised of a diversified mix of cash and short-term instruments, and $585 million in borrowing capacity through our credit facilities and commercial paper program, of which $246 million was available at December 31, 2018. We will continue to monitor economic conditions and take appropriate actions to ensure ongoing access to liquidity as well as to short-term and long-term funding opportunities for our capital requirements.

As the electric power industry enters its 11th year under mandatory reliability standards, we continue to demonstrate compliance with applicable requirements. The body of standards continues to evolve as new requirements are added to address emerging risks to the bulk power system and existing standards are modified to improve the quality and content of the requirements. We are focused on being prepared for any new or revised standards applicable to us. As such, we continue to participate in standards drafting teams, working groups and other initiatives to ensure any new or revised requirements tangibly improve reliability in a cost-effective manner.

Cyber and physical security continue to be top priorities for Georgia Transmission. We are making infrastructure and technology upgrades to enhance protection of assets from security threats and to improve loss prevention. We continue to be active in ongoing efforts to improve the security and reliability of our own infrastructure, and we participate in industry activities aimed at improving the security and reliability of the industry as a whole. We receive information on security incidents from the North American Electric Reliability Corporation (NERC) Electricity Information Sharing and Analysis Center (E-ISAC), the Electricity Subsector Coordinating Council (ESCC), the FBI, and the Department of Homeland Security, and proactively make improvements to our systems based on lessons learned from such events on other systems. Moreover, we are focused on building a transmission system that is inherently redundant and resilient, capable of adapting and rerouting electricity when facing any threat or disruption, whether natural or man-made.

We continue to monitor energy legislative efforts in Congress and the regulatory efforts of the Federal Energy Regulatory Commission (FERC). With Order No. 1000, FERC required public utility transmission providers to implement changes in regional transmission planning processes to address new planning and cost allocation requirements. Utilities in the Southeast have implemented these changes. We support a cost allocation approach that requires grid improvements be paid for by only those customers who directly benefit from them. We also believe a regional approach to the grid, such as the ITS, and local decision-making are more effective toward meeting the needs of our Member Systems.

Generation emission regulations contribute to transmission project planning uncertainty. While emissions proposals and rules by the Environmental Protection Agency (EPA) generally do not directly address transmission providers, such requirements and proposals could affect generation resource retirements and the construction of new generating resources, which in turn may lead to transmission project planning uncertainty. Our efforts to plan and build much-needed transmission projects within critical time frames are influenced by the generation resource decisions of our Member Systems as well as those of other parties that use the ITS. Under the Trump Administration, we anticipate favorable industry changes with regard to a number of environmental and generation emission regulations. Such changes include the replacement of the Clean Power Plan with the proposed Affordable Clean Energy (ACE) Rule, and fewer regulatory requirements and restrictions from the EPA and other federal agencies. Nevertheless, we will continue to monitor existing and proposed environmental rulemaking processes and their effects in order to provide input to and better inform our planning and construction processes.

We are implementing a fiber-based telecommunications network that ties our Member Systems and our facilities together. We are also continuing to investigate other telecommunications opportunities and have identified situations where there is value to the Member Systems in owning telecommunication assets versus the previous practice of leasing lines from service providers. We believe such enhanced telecommunications assets will benefit the Member Systems by providing larger bandwidth for more complex operational applications and improving connectivity for business processes.

The absence of adequate high-speed broadband services in most of rural Georgia directly affects our Member Systems and the quality of life of the communities they serve in terms of education, business, healthcare, and general economic development. Several of our Member Systems are open to providing some level of broadband services to rural Georgia, either directly or through partnerships with other providers. Therefore, we and our Member Systems have encouraged state House and Senate leadership currently drafting broadband legislation to provide legal clarity regarding an electric cooperative's ability to offer, individually or with partners, high-speed broadband to Georgia's rural areas.

SUMMARY OF COOPERATIVE OPERATIONS

Tax Status

We are a 501(c)(12) cooperative and are exempt from federal and state income taxes, provided revenues from our Member Systems and Oglethorpe constitute 85% or more of our total revenues. For all years since Georgia Transmission began operation, we have met this requirement. Currently, we have no reason to believe we will not meet this requirement in future years.

Indenture

The Indenture constitutes a first lien on substantially all of our tangible and some of our intangible property and secures, equally and ratably, all of our indebtedness issued under the Indenture. With the exception of our borrowings under the $325 million CoBank credit agreement, all of our outstanding long-term debt was issued under the Indenture, as of December 31, 2018.

Margins and Patronage Capital

We operate on a not-for-profit basis and, accordingly, seek only to generate revenues sufficient to recover our cost of service and to generate margins sufficient to establish reasonable reserves and meet certain financial coverage requirements set forth in our Indenture. Revenues in excess of current period costs in any year are designated as net margin in our statements of revenues and expenses. Retained net margins are designated on our balance sheets as patronage capital, which is allocated to each of our Member Systems and Oglethorpe on the basis of certain transmission service purchases from us.

In connection with the corporate restructuring of Oglethorpe in 1997, Oglethorpe made a $49 million special patronage capital distribution to the Member Systems, which they then used to contribute equity and provide initial working capital for us. Currently, our equity consists of our patronage capital and membership fees. Patronage capital constitutes our principal equity. As of December 31, 2018, we had $313 million in patronage capital and membership fees. Our equity ratio (patronage capital and membership fees divided by total capitalization) was 12.7% at December 31, 2018, down from 13.5% at December 31, 2017.

Any distributions of patronage capital are subject to the discretion of our Board of Directors and our Indenture requirements. The Indenture prohibits us from making any distribution, payment, or retirement of patronage capital to our Member Systems and Oglethorpe if we are in default under the Indenture. Otherwise, we are permitted to make distributions to our Member Systems and Oglethorpe if, after the distribution: (1)(a) our aggregate margins and equity as of the end of the most recent fiscal quarter would be equal to, or greater than, 20% of our total long-term debt and equity, and (b) the aggregate amount of all distributions after the date on which our aggregate margins and equity first reached 20% of total long-term debt and equity does not exceed 35% of our aggregate net margins earned after that date; or (2) our aggregate margins and equity as of the end of the most recent fiscal quarter would be equal to, or greater than, 30% of our total long-term debt and equity. If so, then 100% of the current year margin, upon board approval, could be returned to the Member Systems.

Rates and Regulation

We have entered into an MTSA with each of the Member Systems under which we provide transmission services. (See "Corporate History and Information" for further discussion.) We have also entered into a transmission service agreement with Oglethorpe to provide transmission service to Oglethorpe's headquarters and certain generating facilities. This agreement is substantially similar to the other MTSAs except Oglethorpe, unlike the Member Systems, is not obligated to cover any revenue shortfall resulting from a payment default by a Member System or any other transmission customer. Oglethorpe also makes point-to-point purchases from Georgia Transmission under this arrangement.

All of our Member Systems, Oglethorpe, and any other transmission customers are required to pay us for transmission service furnished under a transmission service agreement in accordance with the rate formulas established and reflected in the Tariff. The Tariff includes formulary rates for network and point-to-point service, with minor differences, applicable to the Member Systems, Oglethorpe, and other customers. The rate formulas set forth in the Tariff are intended to recover all of our costs and expenses paid or incurred. The rate formulas expressly include, in the description of costs to be recovered, all principal and interest on our indebtedness.

We review our annual budget and rates at such intervals as we deem appropriate, but we are required to do so at least once every year. We are required to update our network service rates as necessary so the revenues derived from such rates, together with our revenues from all other sources, will be sufficient to pay operating costs, including the purchase of land and land rights, and the payment of principal and interest on all indebtedness, and to provide for the establishment and maintenance of reasonable reserves as required under the Indenture. If necessary, we may modify the charges to our Member Systems during the year through an adjustment to our annual budget.

Substantially all of our network services revenue requirements are based on fixed costs and, thus, these revenues do not vary during the year based on use. We determine the network services revenue requirements by subtracting point-to-point service revenues and other revenues from total revenue requirements. Network services revenue requirements are allocated to the Member Systems and Oglethorpe annually based primarily on each network customer's use during the prior year's peaks, with a smaller component based on distribution investment.

Under the Indenture, we are required, subject to any necessary regulatory approval, to establish rates and collect network services revenues that are reasonably expected, together with other revenues, to yield a margins-for-interest (MFI) ratio for each fiscal year equal to at least 1.10. The MFI ratio is the ratio of MFI to our total interest charges (as defined below) for a given period. The Indenture defines MFI as the sum of:

- our net margins (including our revenues subject to refund at a later date but excluding provisions for (i) non-recurring charges to income, including the non-recoverability of assets or expenses, except to the extent we determine to recover such charges in rates, and (ii) refunds of revenues collected or accrued subject to refund); plus
- interest charges, whether capitalized or expensed, on all indebtedness secured under the Indenture or by a lien equal to or prior to the lien of the Indenture, including amortization of debt discount and expense or premium; plus
- any amount included in net margins for accruals for federal or state income taxes imposed on income after deduction of interest expense.

The network service rate formula also includes a prior period adjustment mechanism designed to ensure we achieve the minimum 1.10 MFI ratio. Amounts, if any, by which we fail to achieve a minimum 1.10 MFI ratio would be accrued as of December 31 of the applicable year and collected from the Member Systems and Oglethorpe during the period April through December of the following year. Amounts within a range from a 1.10 MFI ratio to a 1.20 MFI ratio may be retained as patronage capital, subject to approval by the Board of Directors. Amounts, if any, by which we exceed the maximum 1.20 MFI ratio, after excluding amounts for land recovery, would be charged against revenues as of December 31 of the applicable year and offset against amounts owed by the Member Systems and Oglethorpe during the period April through December of the following year. The rate formula is intended to provide for the collection of revenues that, together with revenues from all other sources, are equal to all costs and expenses we record, plus amounts necessary to achieve at least the minimum 1.10 MFI ratio.

We achieved an MFI ratio, including land recovery, of 1.21 in 2018, 1.22 in 2017 and 1.22 in 2016. Because land and land rights are not depreciable items, the land recovery component in our rate formula allows us to collect costs related to land purchases over a certain recovery period. This recovery period has been periodically adjusted to better match the lives of the associated assets. Our current depreciation rates for transmission and distribution facilities support average lives of approximately 40 years. In years prior to 2016, we used 35 years or less in our rate formula. Additional revenues associated with land recovery have resulted in, and are expected to continue to result in, an MFI ratio in excess of 1.10.

Under the Indenture and related loan contract with RUS, changes to the rate formula and adjustments to our rates to reflect changes in our budgets are not subject to RUS approval, but RUS approval or a notice to RUS with the opportunity for RUS to object may apply under certain circumstances, such as a reduction in rates in a fiscal year following a fiscal year in which we have failed to meet the minimum 1.10 MFI ratio set forth in the Indenture. Our rates are approved by our Board of Directors and not subject to approval by any other federal or state agency or authority, including FERC and the Georgia Public Service Commission.

Composition of the Board of Directors

Our Board of Directors consists of 13 directors: eight Member Directors, four Manager Directors and one independent Outside Director. Each Member Director must be a director of a Member System. One Member Director must come from each of five Scheduling Member Groups. Generally, the Scheduling Member Groups consist of certain Member Systems that have chosen to partner together in transactions for their future generation supply. Three Member Directors serve as Member At-Large Directors. Each Manager Director must be a general manager of a Member System. The Manager Directors also represent different Scheduling Member Groups. The Outside Director may not be a director, officer, or employee of Oglethorpe, GSOC, or any Member System. Our bylaws provide for staggering the terms of the directors by dividing the number of directors into three groups. Directors are elected for a term of three years.

ACCOUNTING POLICIES

Basis of Accounting

We follow accounting principles generally accepted in the United States of America and the practices prescribed in the FERC Uniform System of Accounts as modified and adopted by RUS.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported.

We have determined the accounting policy below is critical to understanding and evaluating Georgia Transmission's financial condition and results of operations, and requires assumptions or estimates about matters that were uncertain at the time of the preparation of our financial statements. Actual results could differ from those estimates. Changes in our estimates and assumptions could materially impact our results of operations and financial condition.

Regulatory Assets and Liabilities

We are subject to the provisions of authoritative guidance regarding Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent certain costs we expect to recover from the Member Systems and Oglethorpe in the future through the rate-making process. Regulatory liabilities represent probable future revenues associated with amounts that are to be credited to the Member Systems and Oglethorpe through the rate-making process. At December 31, 2018, we had regulatory assets and regulatory liabilities totaling $41.0 million and $2.9 million, respectively. (See Note 1(k) in "Notes to Financial Statements" for further discussion.) We do not foresee any event related to competition or other factors that will make it improbable for us to recover these costs from the Member Systems and Oglethorpe through rates under the MTSAs.

Other Significant Policies

Our other significant policies and estimates include those related to depreciation and parity. (See Note 1(e) in "Notes to Financial Statements" for a discussion of our accounting for depreciation expense and Note 1(l) in "Notes to Financial Statements" for a discussion of our accounting for parity under the ITSA.)

RESULTS OF OPERATIONS

Results for the Years Ended December 31, 2018, 2017, and 2016

Operating Revenues

We collect revenues for network services from the Member Systems and Oglethorpe pursuant to the transmission agreements discussed under "Corporate History and Information" and "Rates and Regulation." Such revenues are in the form of fixed payments based on our expected net costs and the net margins required under the Indenture. Network services revenues were 4.1% higher in 2018 compared to 2017. This change was due in part to increased interest, depreciation, and operation and maintenance expenses. During 2017, network services revenues increased 6.2% compared to 2016 due to similar factors.

Members with contributions that are greater than or equal to 10% of our total operating revenue as well as their contribution percentages for the last three years are listed in the table on the right. Revenues from non-members accounted for 0.9% of our total operating revenues for all years: 2018, 2017, and 2016.

Contribution to Total Operating Revenue	2018	2017	2016
Jackson EMC	11.8%	11.8%	12.0%
Oglethorpe	10.6%	10.3%	11.3%
Cobb EMC*	10.0%	10.3%	8.8%

*Cobb EMC's contribution to Total Operating Revenue was either greater than or equal to 10% in 2018 and 2017. In 2016, there was a shift in costs among the Member Systems caused by the effects of unusual winter peaks on our normally summer-peaking system.

Other transmission revenues primarily include transmission rental revenues. Transmission rental revenues consist of revenues from Oglethorpe and third parties for point-to-point transmission service. During 2018, other transmission revenues increased 6.8%, partially due to higher point-to-point transmission rates as well as an increase in reimbursements associated with storm-related costs. During 2017, other transmission revenues increased by 2.4% compared to 2016 due to similar factors.

Operating Expenses

In 2018, operation and maintenance expenses remained relatively flat compared to 2017: up 2.2%. In 2017, operations and maintenance expenses increased slightly by 3.4% compared to 2016.

Net parity expenses decreased by 14.6% in 2018 and by 6.5% in 2017 primarily due to investment additions during the year, offset by actual and expected true-ups for prior years.

In 2018, expenses for control center services provided by GSOC remained flat compared to 2017. However, control center expenses increased by 13.9% during 2017 compared to 2016. This was due to the transfer of the Cyber Operations group from Georgia Transmission to GSOC as well as other higher associate-related expenses.

In 2018, administrative and general expenses decreased slightly compared to 2017: down 4.3%. During 2017, administrative and general expenses increased by 5.1% compared to 2016. This change was due to higher facility- and associate-related costs as well as higher property insurance.

In 2018, depreciation and amortization expenses increased 8.3% compared to 2017. This increase was due to additions to plant that resulted in a larger depreciable fixed asset base. Depreciation and amortization expenses increased by 7.8% in 2017 compared to 2016 due to similar factors.

During 2018, taxes were 6.2% lower than in 2017 due to a decrease in our advance land purchases balance. In 2017, taxes were 9.1% higher than in 2016 due to increased general plant additions as well as a higher advance land purchases balance.

Other Income, Net

Investment income during 2018 increased 8.0% compared to 2017. This increase was due to higher average RUS COC balances and investment rates during the year. Investment income during 2017 decreased 6.6% compared to 2016. This decrease was due to a lower average RUS COC balance partially offset by higher investment interest rates during the year.

In 2018, allowance for equity funds used during construction was 22.7% lower compared to 2017. This decrease was due to a lower average Construction Work in Progress (CWIP) balance. In 2017, allowance for equity funds used during construction was 6.8% lower compared to 2016 for the same reason.

Other, net increased 40.5% in 2018 compared to 2017 due to an increase in third-party rental income of transmission assets and an increase in patronage capital from third parties. Other, net decreased 10.0% in 2017 compared to 2016 due, in part, to a decrease in other non-operating income as well as an increase in the write-off of cancelled projects.

Interest Charges, Net

During 2018, interest charges on long-term debt were 10.0% higher than in 2017 due to increased borrowings from FFB through loans, which are guaranteed and administered through RUS. During 2017, interest charges were 3.5% higher than in 2016. This increase was also due in part to an increase in borrowings through FFB loans.

Other interest charges, which consist primarily of interest on short-term borrowings, were 49.0% higher in 2018 compared to 2017 largely due to higher commercial paper rates and a higher average commercial paper balance. Other interest charges were 36.6% higher in 2017 compared to 2016 due to similar factors.

In 2018, allowance for debt funds used during construction was 24.4% lower than in 2017 primarily due to lower average CWIP balances. In 2017, allowance for debt funds used during construction was 5.9% lower than in 2016 due to similar factors.

Amortization of debt expense, net was 17.9% lower in 2018 compared to 2017, primarily due to the full amortization of various prepayment penalties. Amortization of debt expense, net was 3.7% higher in 2017 compared to 2016. This was due to the full amortization of debt issuance costs related to the early replacement of a financing resource.

Net Margin

As discussed under "Rates and Regulation," our rates are designed to provide a net margin that is adequate to meet the financial requirements of the Indenture. Generally, the Indenture contains a net margin requirement that is based on 10% of interest expenses on secured long-term debt plus an amount to recover the principal and interest payments on long-term debt related to the purchase of land and land rights. For 2018, 2017, and 2016, this provision for land produced an additional $7.9 million, $7.6 million and $7.5 million of net margin, respectively. Total net margins for the years ended December 31, 2018, 2017, and 2016, were $15.2 million, $14.4 million, and $14.1 million, respectively.

FINANCIAL CONDITION

General

The principal changes in our financial condition from 2017 to 2018 resulted from additions to transmission and distribution assets and additional long-term debt. The average interest rate on our long-term debt increased for this period: 3.7% as of December 31, 2018, compared to 3.5% as of December 31, 2017.

Liquidity and Sources of Capital

In general, we fund our operations, including property additions and other capital expenditures, using revenues from operations, revolving credit facilities, commercial paper issuances, financing from the FFB (guaranteed and administered through RUS), CFC, CoBank and other lending institutions, and public and private debt offerings. We expect these same sources to provide future funding of our capital requirements.

To meet short-term cash needs and liquidity requirements, we had approximately $41 million in cash and cash equivalents as of December 31, 2018. In addition, as described in the table on the right, as of December 31, 2018, we had short-term and intermediate-term committed and uncommitted credit facilities totaling $585 million, of which $246 million was available.

Short-/Intermediate-Term Credit Facilities	Authorized Amount	Available Amount
As of December 31, 2018	*(dollars in thousands)*	
Committed		
Syndicated bank credit facility	$240,000	$240,000
CoBank credit agreement	325,000	160,000
Less commercial paper outstanding	–	(174,000)
Total committed available	$565,000	$226,000
Uncommitted		
CFC line of credit	20,000	20,000
Total	$585,000	$246,000

We have a committed revolving credit facility provided by a group of banks syndicated by CFC. This facility was established to fund general corporate purposes and to serve as a backup for our commercial paper program. During 2015, we extended the facility through December 2020; however, we reduced the facility size from $275 million to $240 million for years 2019 and 2020 based on projected capital needs. Also, the number of participating banks decreased from six to four. The table on the right lists the participant banks and the amount of their commitments under the facility through both 2018 and 2020.

Syndicated Bank Credit Facility Participant Banks	Commitment through 2018	Commitment 2019 – 2020
As of December 31, 2018	*(dollars in thousands)*	
CFC, administrative agent	$ 75,000	$100,000
MUFG	60,000	60,000
Bank of America, NA	60,000	60,000
PNC Bank	35,000	–
CoBank	25,000	20,000
SunTrust Bank	20,000	–
Total	$275,000	$240,000

We have a $325 million revolving credit agreement with CoBank scheduled to terminate in 2022. This agreement is an active source for liquidity and funding project construction as well as general corporate purposes. The agreement may also be used as support for our commercial paper program. At year-end, $165 million was outstanding on the CoBank agreement.

We have a $240 million commercial paper program that is primarily used for short-term project financing during construction. As of December 31, 2018, we had $174 million outstanding in commercial paper issuances. Because we use our committed credit facilities to fully back our commercial paper program, the combined borrowing capacity for both facilities is limited by the current amount of commercial paper outstanding.

We have an uncommitted, one-year revolving line of credit for $20 million from CFC. This line functions as another potential liquidity resource; although, we have never accessed it. We expect to renew the line of credit each year by its renewal date in April.

During 2018, we had a three-year $125 million loan credit facility that we used to bridge finance several transmission asset purchases from Georgia Power. The facility was syndicated among CFC, Bank of America and CoBank. Ultimately, we used FFB loan funds received from RUS to repay the facility prior to its termination date in October 2018.

We have a $230 million long-term shelf loan facility with CFC. The purpose of the shelf loan is to fund a portion of our projected capital expenditures, primarily those that are not eligible for FFB funding. Advances under the facility are available for a five-year term (through 2021) and may be extended for an additional five years. We did not advance funds from this facility during 2018.

During 2018, we advanced approximately $91 million from existing RUS-guaranteed FFB loans to fund construction costs related to numerous transmission projects. We also received advances totaling $265 million to fund transmission asset purchases from Georgia Power. Among these purchases was the 47-mile Thomson-Vogtle 500 kV Transmission Line. This line provides improved system reliability within the statewide transmission grid. In addition, we received approval for another RUS-guaranteed FFB loan for approximately $94 million related to transmission projects to be completed in 2018. No advances on this loan have occurred to date.

RUS offers a COC program allowing its borrowers to deposit FFB debt service payments prior to their scheduled due dates. (See "Executive Overview" and "Subsequent Events" for further discussion of the COC program, including recent developments and 2019 activity). We began 2018 with an account balance of $260 million. During the year, we deposited an additional $30 million and received interest of $11 million. Subsequent withdrawals for debt service payments of $95 million resulted in a balance of $206 million as of December 31, 2018.

We may issue additional indebtedness secured under our Indenture upon certification of (i) our achievement of an MFI ratio of at least 1.10 for the immediately preceding fiscal year and (ii) a basis for issuance of additional obligations under the Indenture, including either retired principal payments or new property additions pledged under the Indenture with a value in an amount of 110% of the additional secured indebtedness to be issued. Our rates for the provision of transmission services are designed to ensure we achieve the required MFI ratio. (See "Rates and Regulation" for further discussion of MFI and our rates.) Based on carry-forwards of property additions from prior years, internally generated funds, unsecured sources of indebtedness available to us, and the availability of retired debt as a basis for the issuance of additional secured indebtedness, we do not foresee the property additions requirement as an impediment to raising the aggregate financing required for our current operating and proposed capital expenditure needs.

Refinancing Transactions
In connection with the 1997 corporate restructuring in which we purchased Oglethorpe's transmission assets (which represented 16.864% of Oglethorpe's assets at the time), we assumed 16.864% of Oglethorpe's then outstanding indebtedness, including an assumption of the primary payment obligation with respect to Oglethorpe's then outstanding debt associated with multiple series of pollution control revenue bonds (PCBs). On April 25, 2012, we refinanced the debt associated with such PCBs through the issuance of the Development Authority of Burke County PCBs (Georgia Transmission Corporation Vogtle Project), Series 2012, in the principal amount of approximately $94.5 million. The Series 2012 bonds have a final maturity date of January 1, 2052. We remarketed the PCBs in 2015 and, again, during 2018, retaining the structure and tenor (three years) of the original bonds. Currently, the bonds have a fixed term rate of 2.5% and a mandatory tender date of May 3, 2021.

Capital Requirements
Capital Expenditures
Property additions, which consist primarily of substations and lines, totaled $267 million for the year ended December 31, 2018. As part of our ongoing planning, we forecast capital expenditures required for transmission facilities. The table on the right details these expenditure forecasts for 2019 through 2021.

Year	Capital Expenditures
	(dollars in thousands)
2019	$ 111,125
2020	143,149
2021	147,818
Total	$ 402,092

Actual costs may vary from the estimates listed because of factors such as changes in business conditions, fluctuations in load growth, litigation, design changes, delays in receiving the necessary federal or other regulatory approvals, construction delays, changes in the cost of capital, equipment, material and labor, and decisions regarding the ultimate timing to construct planned facilities.

Environmental Matters
Based on the current status of regulatory requirements, we do not anticipate that any capital expenditures or other expenses associated with our compliance with environmental laws and regulations will have a material adverse effect on our operating results or financial condition.

Contractual Obligations
We incur transmission parity expense or receive transmission parity revenue for use of the ITS and related transmission interfaces. We receive revenues from the other ITS Owners to the extent our percentage of investment in the ITS exceeds our percentage use of the ITS. We incur transmission parity expense if our percentage use of the system exceeds our percentage investment therein. In general, the Member Systems are growing at a faster rate than the other ITS Owners. For the year ended December 31, 2018, we incurred parity expense of $16.5 million.

We have agreements with Oglethorpe and GSOC for certain administrative, general and control center operations services. (See Note 9 in "Notes to Financial Statements" for further discussion.) For the year ended December 31, 2018, we paid Oglethorpe and GSOC $4.1 million and $34.0 million, respectively.

We have four contracts with Georgia Power covering certain operation services, maintenance services, spare parts and equipment requirements, and planning services. Either party may cancel one or more of these contracts upon two years' notice. As of December 31, 2018, neither party had issued a cancellation notice. Our purchases and uses of the services offered under the contracts are optional. However, each contract is subject to a minimum annual payment. Future charges are tied to escalation factors based on Bureau of Labor statistics indices and changes to our ownership percentage in the ITS.

In January 2019, we entered into a ten-and-a-half-month contract for construction services to be provided during 2019, with the option to extend two additional years. The contract has a guaranteed minimum amount of approximately $977,200. For 2020 and beyond, no guaranteed minimum payments are currently required under this contract.

In January 2019, we entered into a three-year contract, commencing 2019 with a 2021 expiration date, for maintenance services provided annually. The contract was written for time and materials with no guaranteed minimum contract amount.

The upper table on the right reflects, as of December 31, 2018, our contractual obligations for the periods indicated. These are known commitments for future expenditures. The amount of other expenses we expect to incur that are unknown at this time, such as parity expense, are not included.

Contractual Obligations
(dollars in thousands)

As of 12/31/18	2019	2020 – 2023	2024 and beyond	Total
Long-term debt:				
Principal	$ 63,342	$413,401	$1,740,206	$2,216,949
Interest (1)	81,413	294,557	788,945	1,164,915
O&M agreements (2)	15,708	32,844	–	48,552
Other	977	–	–	977
Total	$161,440	$740,802	$2,529,151	$3,431,393

Note: Table does not include commercial paper.
(1) Includes an interest rate assumption for variable rate debt.
(2) Represents minimum payment obligations to Georgia Power under our four operation and maintenance contracts with escalation rates in future years remaining constant, and assumes a termination notice is given at year-end 2019.

Credit Rating Risk
The lower table on the right shows our current credit ratings.

Georgia Transmission Ratings	S&P	Moody's	Fitch
Long-term rating*	AA-	A2	AA-
Short-term rating (commercial paper)	A1+	P1	F1+

*The Moody's rating shown here is its "Issuer Rating" for Georgia Transmission. The Fitch rating is its "Senior Secured" rating for Georgia Transmission.

Provisions in our loan contract with RUS and certain other loan or credit agreements contain covenants based on credit ratings that could result in higher rates, restrictions on issuing debt, or increased RUS oversight but would not result in acceleration of any debt if those covenants are not met.

Given our present ratings, we do not currently expect a rating downgrade that would trigger the restrictions in these loan agreements. However, the ratings reflect the views of the rating agencies, not ours; therefore, we cannot give any assurance that our ratings will be maintained at their current levels for any period of time. Any future downgrades of our credit ratings could limit our ability to access the capital markets, including the commercial paper markets. In addition, we likely would be required to pay higher interest rates on renewed lines of credit and debt from future public and private debt offerings.

Off-Balance Sheet Arrangements
We currently do not have any off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Due to our cost-based rate structure, we have limited exposure to market risks. However, changes in interest rates on our outstanding indebtedness may result in fluctuations in rates to the Member Systems and Oglethorpe.

Interest Rate Risk
At December 31, 2018, we were exposed to the risk of changes in interest rates related to our $339 million of variable rate debt, including $174 million of commercial paper outstanding (which typically has maturities of between one and 90 days) and $165 million in LIBOR-based credit facilities outstanding. At December 31, 2018, the weighted average interest rate on this variable rate debt was 3.2%. Hypothetically, if within the next 12 months, interest rates on this debt were to increase by 100 basis points on the respective repricing dates and remain at that level for the remainder of the year, annual interest expense would increase by approximately $10.1 million.

Our objective in managing interest rate risk is to maintain a balance of fixed and variable rate debt that will lower our overall borrowing costs within reasonable risk parameters. At December 31, 2018, we had 14% of our total debt, including commercial paper and LIBOR-based credit facilities, in a variable rate mode.

Interest Rate Hedge Transactions
From 2012 through 2018, we did not execute any new interest rate hedge transactions. All hedge transactions executed prior to 2012 have terminated.

OTHER INFORMATION

Legal Proceedings
The final outcome of any pending or potential litigation against us cannot be predicted at this time; however, we do not anticipate liabilities, if any, arising from such proceedings would have a material effect on our financial condition or results of operations.

RISK FACTORS

The following describes the most significant risks, in management's view, that may affect our business and financial condition. This discussion is not exhaustive, and there may be other risks we face that are not described below. The risks described below, as well as additional risks and uncertainties presently unknown to us or currently not deemed significant, could negatively affect our business operations, financial condition, and future results of operations.

Our transmission activities are subject to certain federal laws, regulations and policies – and changes in these laws or new laws, regulations or policies could adversely affect our operating results or financial condition.

Under the Energy Policy Act of 2005, Georgia Transmission, as an owner of bulk electric system assets, is subject to mandatory reliability standards. FERC, the federal agency that regulates the interstate transmission of electricity, certified NERC as the national organization to establish and enforce mandatory reliability standards. Volunteer industry experts and NERC staff work collaboratively to develop standards, subject to FERC approval. FERC and NERC both have the authority to impose penalties for violations of FERC-approved reliability standards. We are registered with NERC as a Transmission Owner, Transmission Service Provider, Planning Coordinator, Transmission Planner and Distribution Provider. Currently, we are subject to 58 mandatory reliability standards and support compliance with several other mandatory reliability standards applicable to Oglethorpe and GSOC. Our industry experts monitor standards development activity and participate in various NERC standards drafting teams. Our goal is to provide technical expertise to NERC to ensure standards are developed based on sound reliability principles.

We have a formal compliance program to identify and assess new or revised mandatory reliability standards applicable to our system and facilities; implement processes, procedures, and service agreements to support compliance; and perform routine monitoring to provide assurance of ongoing compliance. Through this monitoring, we have identified and self-reported several minimal risk issues to SERC Reliability Corporation (SERC), the entity with delegated authority from NERC to enforce mandatory reliability standards in all or parts of 16 central and southeastern states. We are awaiting word of SERC's final disposition of these items.

As part of its responsibilities, SERC uses various monitoring methods, including audits and spot checks, to identify possible violations of reliability standards. SERC last performed an audit of Georgia Transmission in 2017. Other than one minor issue identified during the audit related to software patching and the open self-reported issues, SERC found no violations and concluded we were in compliance with the standards reviewed. We anticipate our next SERC audit to be in 2020. For Georgia Transmission, like all registered entities, failure to meet federal mandatory reliability standards or other mandated standards in the future can lead to significant assessed fines and penalties or mandated remedial action plans.

In January 2020, the scope of the assets requiring protection under the Cyber Infrastructure Protection (CIP) standards will expand significantly. Additionally, new standards related to supply chain cyber security risk management have been approved by FERC and will become mandatory in July 2020. The increasingly stringent reliability requirements in the areas of cyber and physical security could require us to invest in additional technology, equipment, personnel, processes, and services.

In addition to mandatory reliability standards, we are subject to other federal regulations. For example, as a "transmitting utility" under the Federal Power Act, we are subject to mandatory wheeling orders that FERC issues. Mandatory wheeling orders compel transmitting utilities to transmit electricity across their transmission systems. Furthermore, under Section 211A of the Federal Power Act, FERC potentially could order us to offer transmission service at rates and terms that are comparable to service we provide ourselves. Currently, we are not a public utility subject to FERC jurisdiction under the Federal Power Act, which exempts us from a large number of FERC regulations; however, there is no guarantee we will remain exempt from such additional regulations in the future.

Georgia Transmission voluntarily participates in regional transmission planning with several other utilities in the Southeast and the Midwest through the Southeastern Regional Transmission Planning (SERTP) process. For jurisdictional public utility transmission providers, participation in a regional planning process is required by FERC through Order Nos. 890 and 1000. We worked with Southern Company, other utilities, and stakeholders on proposed changes to the SERTP process to incorporate the requirements of FERC Order No. 1000. FERC generally supports the idea of "no allocation of costs without benefits." However, if our participation in Order No. 1000 processes were to become mandatory, our main risk would be that we might be allocated certain costs based on a broad definition of "benefits."

Due to the interconnected nature of the electric grid and our participation in the ITS and the SERTP, FERC rules, regulations and policies could materially affect our relationship with other FERC-jurisdictional public utilities, such as Georgia Power and Southern Company, as well as services to our Member Systems.

Pursuant to our ongoing focus on workplace safety, we continue to engage with industry groups, provide in-depth training on safety compliance, policies and work practices, and maintain a robust personal protective equipment program in adherence with the latest Occupational Safety and Health Administration's (OSHA) regulations. In 2018, our risk mitigation efforts included updating the Administrative Safety & Health (ASH) Manual, which incorporates OSHA regulations into internal policies and procedures for maintaining compliance. We also participated in two safety observations in 2018, the Rural Electric Safety Achievement Program (RESAP) and the Electric Cooperative Safety Accreditation Program (ECSAP) of Georgia. We received strong performance scores in a majority of the selected categories under both observations.

While we do not expect our compliance with these laws, regulations, standards, and orders to have a material adverse effect on our operating results or financial condition, actual compliance costs could be significantly more than we currently anticipate.

Our access to, and cost of, capital could be adversely affected by various factors, including market conditions, potential limitations on the availability of RUS loans, and potential downgrades by rating agencies. Significant constraints on our access to, or increases in our cost of, capital could adversely affect our financial condition and future operating results.

We rely on access to external funding sources as a significant source of liquidity for capital expenditure requirements not satisfied by cash flow generated from operations. Our ability to access these funding sources and our cost of capital could be adversely affected by various factors, including potential limitations on the availability of loans from the Federal Financing Bank, guaranteed and administered by RUS. Historically, we and other electric cooperatives have relied principally on RUS-guaranteed and administered federal loan programs to meet a significant portion of our long-term financing needs. However, the availability and magnitude of annual RUS funding levels, the types of facilities eligible for RUS funding, and the RUS operating budget are subject to the federal budget appropriations process, and, therefore, are subject to uncertainty because of periodic budgetary pressures within Congress. In addition, new generation, environmental capital expenditures, and transmission construction nationwide among electric cooperatives may result in increased competition for available RUS funding. Lastly, the direction and priorities of the RUS program are subject to change under current and future administrations. If the amount of RUS-guaranteed loan funds available to us in the future were to decrease, we may have to seek alternative financing, and our cost of borrowing could significantly increase.

The unpredictable nature of RUS funding means our ability to access both short-term and long-term capital markets may become increasingly important. Although we have successfully accessed the capital markets through private placement and PCB transactions and have obtained sufficient liquidity facilities, the capital markets are subject to instability based on national and international events, including recessions and global acts of terrorism. Any such events could constrain, at least temporarily, our liquidity and ability to access capital on favorable terms or at all. Additionally, if our credit ratings were lowered, our borrowing costs could increase, and our potential pool of investors, funding sources, and liquidity could decrease.

If our ability to access capital becomes significantly constrained or our cost of capital significantly increases for any of the reasons stated above, our ability to finance capital expenditures required to maintain existing transmission facilities and to construct or acquire additional transmission facilities could be limited, and our financial condition and future operating results could be adversely affected.

We are subject to environmental laws and regulations that can give rise to substantial liabilities and could adversely affect our business, financial condition, or operating results.

Our operations are subject to federal and state environmental laws and regulations, which affect, among other areas, erosion control practices during construction, prevention of oil spills into navigable waters, and waste disposal practices. In addition to generally applicable requirements, some of our facilities and properties are located near environmentally sensitive areas, such as wetlands or protected species habitats. Environmental requirements affect the design and manner of construction of new transmission facilities, as well as the operation and maintenance of existing transmission facilities. We believe we are in compliance with current regulatory requirements; however, there is no assurance our facilities will continue to be subject to the regulations currently in effect. Furthermore, there is no assurance we will be in compliance with future regulations when they first go into effect. New requirements may increase the cost of electric transmission service by requiring changes in the design or operation of existing facilities or changes or delays in the location, design, construction, or operation of new facilities. Failure to comply with existing environmental laws and regulations could result in significant civil or criminal penalties and remediation costs. Additionally, compliance with new environmental legislation or regulations could have a significant impact on us; however, any impact would depend on the final legislation and the implementation of regulations, which cannot be determined at this time.

We may also be responsible for costs to investigate or remediate contamination as well as other liabilities concerning hazardous materials or contamination, such as claims for property damage. Compliance with environmental laws and regulations, and liabilities concerning contamination or hazardous materials may increase our costs.

Electric generation facilities are also subject to significant environmental regulation that may indirectly affect our business. Our resources and the ITS as a whole were planned and constructed to connect existing generation resources. Changing environmental regulations to address issues such as climate change may shift electric generation to new generation resources located in different areas. As a result, the continued use of certain existing generation resources may become uneconomical. Decisions on what generation resources continue into the future and what types of generation resources are added may have a significant impact on power flows across the transmission grid. Therefore, our decisions pertaining to transmission project planning will also be affected going forward.

We expect to incur considerable costs related to capital expenditures at our existing transmission facilities and for the construction or acquisition of new transmission facilities. Such costs are subject to uncertainty associated with construction.

We have undertaken a capital expansion program to upgrade our existing transmission facilities and construct or acquire additional transmission facilities. Many of our transmission facilities were constructed years ago and, as a result, may require modifications in order to maintain efficient and reliable operations, and to comply with changing regulatory requirements.

The modification of existing transmission facilities and addition of new transmission facilities will require construction-related expenditures. The completion of these construction projects without delays or cost overruns is subject to certain risks, including:

- shortages and inconsistent quality of equipment, materials and labor;
- work stoppages;
- permits, approvals and other regulatory matters;
- adverse weather conditions;
- unforeseen engineering problems;
- environmental and geological conditions;
- unanticipated cost increases; and
- attention to other projects.

Each of these risks could have the effect of increasing our construction expenditures and, consequently, increasing the cost of transmission services we provide to the Member Systems and Oglethorpe.

We have undertaken a sizable capital expenditure program that may increase our long-term debt.

We have undertaken a sizable capital expenditure program to meet the future transmission needs of our Member Systems and Oglethorpe, and we expect to incur a considerable amount of long-term debt in connection with this program. For 2019 through 2028, we project we will invest approximately $1.2 billion in new transmission facilities and upgrades to our existing transmission facilities. As a result of these investments, net of projected principal payments, we estimate that our outstanding long-term debt, including amounts due within one year, will increase from approximately $2.3 billion as of December 31, 2018 to approximately $2.4 billion by the end of 2028.

Additional long-term debt will likely increase the cost of transmission service we provide to the Member Systems and Oglethorpe. Also, as a result of this debt, we may become more leveraged and certain of our financial metrics may weaken, which could affect our credit ratings. Any reduction in our credit ratings could increase our borrowing costs and decrease our access to the credit and capital markets.

The costs of providing reliable transmission services could be impacted or delayed by litigation, which could materially increase our cost of providing transmission services and may affect the reliability of such services.

From time to time, we are subject to litigation from various parties. Our business, financial condition, and operating results may be materially affected by adverse results of certain litigation. Unfavorable resolution of legal proceedings in which we are involved or other future legal proceedings could require significant expenditures that could have the effect of increasing the cost of electric service we provide our Member Systems.

In addition, we continue to experience periodic opposition to transmission line and substation projects, primarily through challenges to the siting process. If challengers who oppose local transmission projects are successful, the completion of transmission projects could be delayed or prevented, which could materially increase our cost of providing transmission services in those areas and/or may affect the reliability of such service. Opponents of local projects could also attempt to change state laws that could affect our business operations. To date, this type of opposition has been unsuccessful.

Termination of the ITSA between Georgia Power and us may adversely affect our cost of providing transmission services.

We rely on our ITSA with Georgia Power to access the ITS, a statewide, jointly-owned transmission grid that consists of the combined transmission facilities of the ITS Owners. The ITSA will remain in effect until terminated by five years' prior written notice by either party. Pursuant to an agreement with Georgia Power, we each committed not to provide a notice of termination before December 31, 2022, extending the term of the ITSA through at least December 31, 2027. If the ITSA were terminated, we and the other ITS Owners could be forced to enter into alternative arrangements to use the ITS or construct new transmission facilities. There is no assurance the ITSA will continue past 2027 or will continue with its current provisions. Termination of or changes to the current terms or administration of the ITSA could result in increased costs to us, including increased investment responsibility.

Our ability to meet our financial obligations is dependent upon the performance by the Member Systems of their obligations under the MTSAs and Oglethorpe of its obligations under its Transmission Service Agreement.

We derive our revenues primarily from the sale of transmission services to the Member Systems pursuant to the MTSAs and to Oglethorpe pursuant to its transmission service agreement. Under the MTSAs and Oglethorpe's Transmission Service Agreement, we collect revenues that are sufficient, when taken together with revenues from other sources, to meet all of our costs and other obligations and liabilities, including the costs of the operation and maintenance of transmission facilities, the payment of principal and interest on outstanding indebtedness, and the establishment and maintenance of reasonable financial reserves.

The Member Systems and Oglethorpe are our owners, and we do not control their operations or financial performance. As a result, we are exposed to the risk that one or more Member Systems or Oglethorpe could default in the performance of their obligations to us under the MTSAs or Transmission Service Agreement, respectively. Our ability to meet our financial obligations, including the payment of principal and interest on outstanding indebtedness, could be adversely affected if one or more of the Member Systems, particularly one of our larger Member Systems, or Oglethorpe defaulted on obligations to us. Although the MTSAs obligate non-defaulting Member Systems to pay the amounts of any payment default pursuant to a prorata, step-up formula, there can be no guarantee that other Member Systems would not also default. The MTSAs contain express covenants requiring the Member Systems to set and collect retail rates sufficient for meeting their respective obligations under the MTSAs.

In addition, Oglethorpe is participating as a 30% co-owner in the construction of two additional nuclear units at Plant Vogtle and has committed significant capital expenditures to that endeavor. The construction of large, complex generating plants involves significant financial risk and certain events have materially delayed the original commercial operation dates and increased the original project budget for the additional Vogtle units. Further, no nuclear plants have been constructed in the United States using advanced designs, such as the Westinghouse AP1000 design, and therefore estimating the total cost of construction and the related schedule is inherently uncertain. Oglethorpe's current project budget for these units is $7.5 billion and the scheduled commercial operation dates are November 2021 for Unit No. 3 and November 2022 for Unit No. 4. As construction continues, Oglethorpe remains subject to construction risks and will be responsible for 30% of all project costs. The ultimate outcome of these matters cannot be determined at this time. For more information on Oglethorpe and the Vogtle construction project, see Oglethorpe's current and periodic reports as filed with the Securities and Exchange Commission.

Hazards associated with high-voltage electricity transmission may result in suspension of our operations, lawsuits or the imposition of civil or criminal penalties.

Our operations are subject to potential hazards associated with high-voltage electricity transmission, including accidental contact by the public or by crews during construction or maintenance, explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, equipment interruptions, and oil discharges. These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment, environmental damage, and may result in suspension of operations, lawsuits, and the imposition of civil or criminal penalties. We maintain liability insurance to cover any third-party claims for both bodily injury and property damage associated with our ownership and operation of transmission lines and substations. We also carry property insurance to cover damage to owned transmission substations with property values greater than $2 million, but we are self-insured for damage to smaller distribution substations and transmission facilities, such as poles and towers. We do not purchase insurance for losses related to outages, such as business interruption insurance, because there is no risk of loss of revenue based on the inability to transmit power.

In addition, claims have been made or threatened against electric utilities for bodily injury, disease, or other damages allegedly related to exposure to electromagnetic fields and stray voltages associated with electric transmission and distribution lines. The scientific community, regulatory agencies, and the electric utility industry continue to examine the possible health effects of electromagnetic fields and related theories. We maintain insurance to mitigate our risk in this area.

Changes in technology could affect the value of or demand on our transmission assets.

Currently, our transmission assets provide service from centralized generating stations to distribution substations.

Distributed generation technologies, such as fuel cells, microturbines, and solar technology, located at or near distribution load centers could, if broadly adopted, lessen the demand on our existing transmission assets. A faster than projected development and adoption of distributed generation technologies augmented through battery technology and microgrids could potentially reduce demand on our transmission assets at a rate faster than our growth and could affect the value of our existing transmission assets.

Costs associated with solar power continue to decrease. Battery technology is improving, and further developments may lead to significantly lower costs and longer battery lives. Improved technological capabilities may result in reliability and power quality being enhanced through the employment of microgrids. We will continue to monitor such developments through active engagement with various industry trade organizations.

Under any decentralized generation scenario projected for the foreseeable future, any effect on the need for or value of our transmission assets would be offset in part because our transmission assets would be required for diversity exchanges and backup between areas and to provide associated voltage and frequency support (also known as Essential Reliability Services).

At the same time, advances in green technology related to large-scale wind, utility-scale batteries, solar, and/or nuclear power would serve to increase demand upon our transmission assets. Wind and solar resources do not inherently provide the same support to the power system as do conventional generators, which rotate and provide inertia to the system. The need to ensure adequate Essential Reliability Services combined with the intermittent nature of these resources would require a more robust and extensive transmission network able to provide both flexibility and needed levels of reliability.

We expect the grid will be needed for a long time and will continue to provide value, despite potential technological changes; however, service characteristics may change such that current rate structures create problems. Methods of cost allocation must be carefully monitored to minimize cost recovery risks associated with cost-sharing practices and rate structures.

Electric generation, transmission and distribution facilities may be the target of future acts of war or terrorist attacks, including cyber security breaches, which could negatively affect our business, financial condition, and operating results.

Strategic targets, such as electric generation, transmission, and distribution facilities, may be targets of future acts of war or terrorist attacks, including cyber security breaches. Physical attacks or cyber security incidents, including those propagated through our supply chain, could disrupt our normal business operations, affect our ability to control and monitor our transmission and distribution assets, cause damage to transmission assets, jeopardize safety, and hamper both internal and external communications. Additionally, any cyber security incident, unauthorized access, or other loss of information could also result in legal claims or proceedings, regulatory penalties, disruptions of our operations, damage to our reputation, and a loss of confidence in our services, which could adversely affect our business.

STATEMENTS OF REVENUES AND EXPENSES

For the years ended December 31, 2018, 2017, and 2016

(dollars in thousands)

	2018	2017	2016
Operating revenues:			
Network services revenues	$ 270,695	$ 259,953	$ 244,740
Other transmission revenues	35,051	32,819	32,062
Total operating revenues	305,746	292,772	276,802
Operating expenses:			
Operation and maintenance	78,044	76,348	73,818
Parity expense, net	16,462	19,273	20,604
Control center services	23,241	23,236	20,399
Administrative and general	15,281	15,961	15,185
Depreciation and amortization	86,474	79,864	74,080
Taxes	745	794	728
Total operating expenses	220,247	215,476	204,814
Operating margin	85,499	77,296	71,988
Other income, net:			
Investment income	12,958	11,996	12,847
Allowance for equity funds used during construction	242	313	336
Other, net	3,609	2,568	2,853
Total other income, net	16,809	14,877	16,036
Interest charges:			
Interest on long-term debt	80,088	72,811	70,353
Other interest	6,265	4,204	3,077
Allowance for debt funds used during construction	(1,687)	(2,232)	(2,373)
Amortization of debt expense, net of gain	2,475	3,016	2,908
Total interest charges, net	87,141	77,799	73,965
Net margin	$ 15,167	$ 14,374	$ 14,059

STATEMENTS OF PATRONAGE CAPITAL AND MEMBERSHIP FEES

For the years ended December 31, 2018, 2017, and 2016

(dollars in thousands)

	2018	2017	2016
Patronage capital and membership fees, beginning of period	$ 297,630	$ 283,256	$ 269,197
Net margin	15,167	14,374	14,059
Patronage capital and membership fees, end of period	$ 312,797	$ 297,630	$ 283,256

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

As of December 31, 2018, and 2017

(dollars in thousands)

Assets	**2018**	2017
Electric plant:		
In service	$ 3,364,242	$ 3,110,999
Less: Accumulated provision for depreciation	(1,041,465)	(970,221)
	2,322,777	2,140,778
Plant acquisition adjustments, at amortized cost	52,118	54,349
Construction work in progress	41,754	40,870
	2,416,649	2,235,997
Investments:		
Investment in associated organizations	25,194	25,054
	25,194	25,054
Current assets:		
Cash and cash equivalents	41,466	32,559
Receivables	35,851	31,157
Inventories, at weighted average cost	15,802	15,632
Prepaid commercial paper discount	287	198
Prepayments and other current assets	4,059	3,798
	97,465	83,344
Deferred charges and other assets:		
Premium and loss on reacquired debt, being amortized	17,479	18,644
Deferred debt expense, being amortized	4,360	4,543
Deferred loss on interest rate hedges, being amortized	19,886	20,980
Special deposit, Cushion of Credit	206,391	259,929
Special fund, deferred compensation	2,368	2,359
	250,484	306,455
	$ 2,789,792	$ 2,650,850

The accompanying notes are an integral part of these financial statements.

(dollars in thousands)

	2018	2017
Equity and liabilities		
Capitalization (see accompanying statements):		
Patronage capital and membership fees	$ 312,797	$ 297,630
Long-term debt, excluding amount due within one year	2,153,607	1,909,469
	2,466,404	2,207,099
Commitments and contingencies:		
Current liabilities:		
Long-term debt due within one year	63,342	178,023
Commercial paper, recorded gross	174,000	181,001
Accounts payable	35,993	28,220
Accrued taxes	9,943	11,290
Accrued interest	1,280	17,136
Accrued current year budget adjustment for members	1,100	3,000
Other current liabilities	32,280	19,228
	317,938	437,898
Deferred credits and other liabilities:		
Unearned revenues	26	39
Accumulated provision for benefits	2,489	2,440
Gain on reacquired debt, being amortized	73	212
Deferred gain on interest rate hedges, being amortized	2,862	3,162
	5,450	5,853
	$ 2,789,792	$ 2,650,850

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CAPITALIZATION

As of December 31, 2018, and 2017

(dollars in thousands)

	2018	2017
Long-term debt:		
Mortgage notes payable to the Federal Financing Bank (FFB), weighted average rate of 3.57% at December 31, 2018, due in quarterly installments through 2054	$1,641,996	$1,339,433
Mortgage notes issued in conjunction with the sale by public authorities of pollution control revenue bonds:		
• Series 2012 Term rate of 2.50% to April 30, 2021; final maturity date of January 1, 2052	94,465	94,465
Private Placement notes payable:		
• 2009 mortgage notes payable: fixed at 5.59% due in quarterly installments through June 30, 2030	128,000	136,250
• 2010 mortgage notes payable: fixed at 4.81% due in quarterly installments beginning March 30, 2025, through December 30, 2039	135,000	135,000
National Rural Utilities Cooperative Finance Corporation (CFC) notes payable:		
• Mortgage notes payable: weighted average rate of 4.13% at December 31, 2018, due in quarterly installments through October 31, 2036	34,258	36,905
• Mortgage notes payable: weighted average rate of 3.39% at December 31, 2018, due in quarterly installments through October 31, 2024	18,230	20,439
CoBank revolving credit note payable:		
• Unsecured, weighted average variable rate of 3.87% at December 31, 2018, due 2022	165,000	200,000
Syndicated Loan:		
• Unsecured, weighted average variable rate of 2.21% at December 31, 2017, terminated 2018	–	125,000
Long-term debt	2,216,949	2,087,492
Less: Long-term debt due within one year	63,342	178,023
Long-term debt, excluding amounts due within one year	2,153,607	1,909,469
Patronage capital and membership fees	312,797	297,630
Total capitalization	$2,466,404	$2,207,099

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018, 2017, and 2016

(dollars in thousands)

	2018	2017	2016
Cash flows from operating activities:			
Net margin	$ 15,167	$ 14,374	$ 14,059
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	88,949	82,880	76,988
Allowance for equity funds used during construction	(242)	(313)	(336)
Decrease in unearned revenues	(13)	(13)	(13)
Accumulated provision for benefits	49	510	30
Deferred gain (loss) on forward interest rate hedge, unrealized	–	–	3,522
Decrease (increase) in net current assets, excluding long-term debt due within one year and commercial paper:			
Receivables	(4,694)	(1,779)	(209)
Inventories	(170)	2,523	(3,983)
Prepayments and other current assets	(261)	552	(263)
Prepaid commercial paper discount	(89)	(10)	(120)
Accounts payable	7,773	3,966	728
Accrued taxes	(1,347)	(6,666)	4,139
Accrued interest	(15,856)	3,237	12,655
Accrual for current year budget adjustment to members	(1,900)	1,800	1,200
Other current liabilities	13,052	10	3,304
Total adjustments	85,251	86,697	97,642
Net cash provided by operating activities	100,418	101,701	111,701
Cash flows from investing activities:			
Property additions	(266,884)	(218,383)	(135,427)
Net change in investment in associated organizations	(140)	77	(203)
Special deposits net of Cushion of Credit payments	53,538	(31,789)	(16,074)
Net cash used in investing activities	(213,486)	(250,095)	(151,704)
Cash flows from financing activities:			
Proceeds from issuance of notes and bonds	355,462	114,966	159,414
Payments for long-term debt of maturities and refinancings	(226,006)	(50,242)	(41,740)
Changes in commercial paper	(7,001)	35,000	(30,999)
Debt issuance cost	(480)	(844)	(166)
Hedge settlements, net	–	–	(8,055)
Net cash provided by financing activities	121,975	98,880	78,454
Net increase (decrease) in cash and cash equivalents	8,907	(50,144)	38,451
Cash and cash equivalents – beginning of period	32,559	82,703	44,252
Cash and cash equivalents – end of period	$ 41,466	$ 32,559	$ 82,703
Cash paid for interest (net of amounts capitalized)	$ 68,810	$ 71,545	$ 58,402

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Business description

Georgia Transmission Corporation (Georgia Transmission) is a Georgia electric membership corporation headquartered in Tucker, Georgia. Georgia Transmission was formed in 1996 pursuant to a corporate restructuring of Oglethorpe Power Corporation (Oglethorpe) that occurred in 1997. The corporate restructuring divided Oglethorpe into three separate operating companies with Oglethorpe retaining the wholesale generation business. Georgia Transmission purchased the transmission assets and operates the transmission business previously owned and operated by Oglethorpe. Georgia System Operations Corporation (GSOC), which was also formed in connection with the corporate restructuring of Oglethorpe, acquired the system operations business previously owned by Oglethorpe and currently provides system operations service to Georgia Transmission and Oglethorpe. Georgia Transmission commenced operations effective April 1, 1997. The members of Georgia Transmission are 38 of the 41 retail electric distribution cooperative members in Georgia (the Member Systems) and Oglethorpe. The Member Systems are entirely owned by their retail consumers.

As with cooperatives generally, Georgia Transmission operates on a not-for-profit basis. Georgia Transmission's principal business is providing transmission services to the Member Systems for delivery of the Member Systems' power purchases from Oglethorpe and other power suppliers. Georgia Transmission also provides transmission services to Oglethorpe and third parties. At December 31, 2018, Georgia Transmission owned 3,459 miles of transmission lines and 742 substations of various voltages. Georgia Transmission succeeded to all of Oglethorpe's rights and obligations with respect to the Integrated Transmission System (ITS), consisting of transmission facilities owned by Georgia Transmission, Georgia Power Company (Georgia Power), the Municipal Electric Authority of Georgia (MEAG Power), and the City of Dalton, Georgia (Dalton Utilities). Through agreements, common access to the combined facilities that comprise the ITS enables the owners to use their combined resources to make deliveries to, or for, their respective customers and to provide transmission services to third parties.

b. Basis of accounting

Georgia Transmission follows accounting principles generally accepted in the United States of America and the practices prescribed in the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) as modified and adopted by the Rural Utilities Service (RUS).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

c. Patronage capital and membership fees

Georgia Transmission is organized and operates as a cooperative. The Member Systems and Oglethorpe paid an aggregate of $195 in membership fees. Patronage capital is the retained net margin of Georgia Transmission. As provided in Georgia Transmission's Bylaws, any excess of revenue over expenses from operations is treated as advances of capital by the Member Systems and Oglethorpe, and is allocated to each of them on the basis of their transmission services purchased from Georgia Transmission. Under the Georgia Transmission Indenture, Georgia Transmission is required to achieve a margins-for-interest (MFI) ratio for each fiscal year equal to at least 1.10.

Any distributions of patronage capital are subject to the requirements under Georgia Transmission's Indenture and the discretion of the Board of Directors. Under the Indenture, Georgia Transmission is prohibited from making any distribution of patronage capital to the Member Systems and Oglethorpe if, at the time thereof or after giving effect to the distribution: (i) an event of default exists under the Indenture, (ii) Georgia Transmission's equity as of the end of the immediately preceding fiscal quarter is less than 20% of Georgia Transmission's total capitalization, or (iii) the aggregate amount expended for distributions on or after the date on which Georgia Transmission's equity first reaches 20% of Georgia Transmission's total capitalization exceeds 35% of Georgia Transmission's aggregate net margins earned after such date. The restrictions set forth in (ii) and (iii), however, will not apply if, after giving effect to such distribution, Georgia Transmission's equity as of the end of the immediately preceding fiscal quarter is not less than 30% of Georgia Transmission's total capitalization. If so, then 100% of the current year margin, upon board approval, could be returned to the Member Systems.

d. Operating revenues

Operating revenues are derived primarily from sales of transmission services pursuant to the long-term transmission service agreements Georgia Transmission maintains with each of the Member Systems. These agreements extend to December 31, 2060. These transmission contracts obligate each of the Member Systems to pay Georgia Transmission for transmission service furnished to it in accordance with rates Georgia Transmission establishes.

Network services revenues include transmission services revenues from the Member Systems and Oglethorpe, and are recognized in accordance with the Transmission Service Tariff (the Tariff) discussed below.

Other transmission revenues include revenues from transmission services provided to Oglethorpe and certain third parties, and are recognized as those services are provided. Other transmission revenues also include revenues from the performance of operation and maintenance services for certain generation interconnection facilities and storm-related repairs. These revenues are also recognized as services are provided. Georgia Transmission constructs certain generation interconnection facilities for the Member Systems, Oglethorpe and third parties. Georgia Transmission bills the user for Georgia Transmission's costs for construction and enters into an interconnection and operation and maintenance agreement for the facility. (See Notes 1(f) and 6 for a discussion of the accounting for the construction of the facilities.)

Georgia Transmission has a Member Transmission Service Agreement (MTSA) with each of the Member Systems under which Georgia Transmission provides transmission services to the Member System. These MTSAs state Member Systems are responsible, on a joint-and-several basis, for all of Georgia Transmission's obligations relating to the transmission business.

Rates charged for transmission services are described in the Tariff, and are designed to recover all of Georgia Transmission's costs and expenses. These rates expressly include, in the description of costs to be recovered, all principal and interest on Georgia Transmission's indebtedness, including the principal and interest payments on debt related to the purchase of land and land rights. The rates further provide for the accumulation of net margins to satisfy an MFI ratio for each fiscal year equal to at least 1.10 as required in the Indenture. In addition, the Tariff requires that any amount by which Georgia Transmission exceeds a 1.20 MFI ratio, after reduction for recovery of land costs, will be refunded to the Member Systems and Oglethorpe. Amounts between 1.10 and 1.20 may be retained, after reduction for recovery of land costs, subject to approval by the Board of Directors. For this reason, Georgia Transmission reviews its annual budget and rates at least once every year and at such intervals as it deems appropriate. In addition, from time to time, board-approved budget adjustments are made to achieve required margin levels.

Georgia Transmission has also entered into a transmission service agreement with Oglethorpe to provide network service to Oglethorpe's headquarters and certain generating facilities. This agreement is substantially similar to the other MTSAs except Oglethorpe, unlike the Member Systems, is not obligated to cover any revenue shortfall resulting from a payment default by a Member System or any other transmission customer. Oglethorpe also makes point-to-point purchases from Georgia Transmission under this arrangement.

Members with contributions that are greater than or equal to 10% of our total operating revenue as well as their contribution percentages for the last three years are listed in the table on the right. Revenues from non-members accounted for 0.9% of our total operating revenues for all years: 2018, 2017, and 2016.

Contribution to Total Operating Revenue	2018	2017	2016
Jackson EMC	11.8%	11.8%	12.0%
Oglethorpe	10.6%	10.3%	11.0%
Cobb EMC*	10.0%	10.3%	8.8%

*Cobb EMC's contribution to Total Operating Revenue was either greater than or equal to 10% in 2018 and 2017. In 2016, there was a shift in costs among the Member Systems caused by the effects of unusual winter peaks on our normally summer-peaking system.

e. Depreciation

Depreciation is computed on eligible assets when they are placed in service using the composite straight-line method. Annual depreciation rates in effect in 2018, 2017, and 2016, using RUS-prescribed rates, were as shown in the table on the right.

	2018	2017	2016
Transmission	2.75%	2.75%	2.75%
Distribution	2.88%	2.88%	2.88%
General plant and other	2.00-33.33%	2.00-33.33%	2.00-33.33%

Georgia Transmission's depreciation rates include a component that addresses the cost of removal and salvage. Provisions for the cost of removal, net salvage, are included in accumulated depreciation.

f. Electric plant

Electric plant is stated at original cost, which is the cost of the plant when first dedicated to public service plus the cost of any subsequent additions. Electric plant includes direct labor and materials, allocated overheads and contract labor, and is reduced by any contribution in aid of construction. Original cost includes an allowance for the cost of equity and debt funds used during construction. Georgia Transmission calculates the weighted cost of equity and debt funds at the embedded cost of all such funds. The weighted cost of equity and debt funds for 2018 was 1.0% and 3.1%, respectively, for a total weighted cost of 4.1%. The weighted cost of equity and debt funds for 2017 was 0.9% and 3.2%, respectively, for a total weighted cost of 4.1%. The plant acquisition adjustments represent the excess of the cost of the plant to Georgia Transmission over the original cost, less accumulated depreciation at the time of acquisition, and are amortized over periods ranging from 10 to 40 years.

Maintenance and repairs of property as well as replacements and renewals of items determined to be less-than-complete retirement units are charged to expense. Replacements and renewals of items considered to be complete retirement units are charged to the plant accounts. At the time in which properties are disposed, the original cost plus the cost of removal, less any salvage of such property, is charged to the accumulated provision for depreciation.

g. Cash and cash equivalents

Georgia Transmission considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents. Georgia Transmission maintains substantially all of its cash and cash equivalents in commercial paper with short-term maturities.

h. Cushion of Credit

RUS offers a Cushion of Credit (COC) program allowing its borrowers to deposit Federal Financing Bank (FFB) debt service payments prior to their scheduled due dates. During 2018, these funds earned interest income for borrowers at an annual fixed rate of 5%. At December 31, 2017, Georgia Transmission had a balance of $260 million in a COC account. During 2018, Georgia Transmission deposited an additional $30 million and received $11 million in interest. Subsequent withdrawals of debt service payments for $95 million resulted in a balance of $206 million as of December 31, 2018.

i. Accounts receivable

Accounts receivable includes Georgia Transmission's members' outstanding monthly billings as well as charges for wheeling revenues, which are carried at invoiced amounts. Management determined that all billings are collectible as billed and, thus, no allowance for doubtful accounts has been recorded.

j. Inventories

Georgia Transmission maintains inventories of new and replacement parts for its transmission network. These inventories are stated at their weighted average cost on the accompanying balance sheets. Obsolete items are written off as identified.

k. Regulatory assets and liabilities

The table on the right represents Georgia Transmission's regulatory assets and liabilities as of December 31, 2018, and 2017. Georgia Transmission is subject to the provisions of Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future expenses that are expected to be recoverable by Georgia Transmission from the Member Systems, Oglethorpe and third parties through the rate-making process. Regulatory liabilities represent probable future revenues associated with amounts to be credited to the Member Systems, Oglethorpe and third parties through the rate-making process. Regulatory assets include unamortized losses on reacquired debt, unamortized and unrealized losses on interest rate hedges, and accruals for paid time off (PTO). Regulatory liabilities include unamortized gains on reacquired debt and unamortized gains on interest rate hedges.

(dollars in thousands)	12/31/18	12/31/17
Regulatory assets		
Unamortized loss - reacquired debt	$17,479	$18,644
Loss on interest rate hedges, being amortized	19,886	20,980
PTO accrual	3,672	3,598
Total assets	$41,037	$43,222
Regulatory liabilities		
Unamortized gain - reacquired debt	$ 73	$ 212
Gain on interest rate hedges, being amortized	2,862	3,162
Total liabilities	$ 2,935	$ 3,374

l. Parity

Georgia Transmission incurs transmission parity expense or receives transmission parity revenue for use of the ITS and related transmission interfaces in accordance with an ITS Agreement between Georgia Transmission and Georgia Power. In December 2006, Georgia Transmission and Georgia Power provided each other with letters committing to continue the ITS Agreement through at least December 31, 2027, which is an additional 15 years from the previous earliest opt-out date. Similar letters were exchanged between Georgia Power and MEAG Power, and between Georgia Power and Dalton Utilities. Georgia Transmission earns parity revenues from other ITS participants to the extent Georgia Transmission's percentage of investment in the ITS exceeds its percentage use of the system. Georgia Transmission incurs transmission parity expense if its percentage use of the system exceeds its percentage investment in the ITS. Since 2000, Georgia Transmission has been in a parity expense incurring position. Amounts billed or received for parity for the contract year are subject to adjustment, based on review by the ITS Joint Committee for Planning and Operations, of actual investment in the ITS and the investment responsibility of each party. Based upon such review, payments and credits are adjusted for the contract year. Georgia Transmission records the actual amounts billed (or paid) for the period as parity revenue (expense), net, and adjusts this amount for its estimate of the ultimate amount receivable or payable for the period.

m. Derivatives

Authoritative guidance regarding Derivatives and Hedging Activities requires derivative financial instruments be recorded as assets or liabilities on the balance sheet at their fair value. Georgia Transmission's interest rate hedge arrangements are designated as cash flow hedges. The fair value of Georgia Transmission's cash flow hedges is estimated based on inputs other than quoted prices that are observable for the interest rate hedge arrangement, which includes LIBOR swap rates and yield curves that are observable at commonly quoted intervals for the full terms of the swap (Level 2). See Note 2(a) for a discussion of fair value measurement, including definitions of Levels 1-3.

Authoritative guidance regarding Derivatives and Hedging Activities also requires specific disclosures regarding the location and amounts of derivative instruments in a corporation's financial statements, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect a corporation's financial position, financial performance and cash flows. Georgia Transmission has not elected to use hedge accounting for its derivative instruments but instead has elected to use the guidance of Accounting for the Effects of Certain Types of Regulation to record these arrangements as regulatory assets and liabilities.

n. Asset retirement obligations

Authoritative guidance regarding Asset Retirement Obligations requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and to capitalize that amount as part of the book value of the long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. Georgia Transmission has concluded it does not have any significant legal obligations that require accrual under the related guidance.

2. FINANCIAL INSTRUMENTS:

a. Fair value measurements

Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in the pricing of an asset or liability. Through a three-tier hierarchy that separates inputs into valuation categories, observable inputs are maximized and unobservable inputs are minimized for fair value measurement.

- Level 1 consists of observable market data in an active market for identical assets or liabilities.
- Level 2 consists of observable market data other than those included in Level 1 that are either directly or indirectly observable.
- Level 3 consists of unobservable market data. The input may reflect the assumptions by a corporation of what a market participant would use in pricing an asset or liability. If there is little available market data, then the corporation's own assumptions are considered the best available information. Georgia Transmission has no assets or liabilities that are categorized as Level 3.

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy at which the fair value measurement is reported.

The tables on the right summarize Georgia Transmission's assets and liabilities aggregated by levels within the fair value hierarchy as of December 31, 2018, and December 31, 2017.

(dollars in thousands)	December 31, 2018			
	Reported Value	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable (Level 2)
Assets:				
Cash and cash equivalents	$ 41,466	$ 41,466	$ 41,466	$ –
Cushion of Credit	206,391	206,391	206,391	–
Total Assets	$ 247,857	$ 247,857	$ 247,857	$ –
Liabilities:				
Commercial paper	$ 174,000	$ 174,000	$ 174,000	$ –
Long-term debt	2,216,949	2,352,900	–	2,352,900
Total Liabilities	$2,390,949	$2,526,900	$ 174,000	$2,352,900

(dollars in thousands)	December 31, 2017			
	Reported Value	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable (Level 2)
Assets:				
Cash and cash equivalents	$ 32,559	$ 32,559	$ 32,559	$ –
Cushion of Credit	259,929	259,929	259,929	–
Total Assets	$ 292,488	$ 292,488	$ 292,488	$ –
Liabilities:				
Commercial paper	$ 181,001	$ 181,001	$ 181,001	$ –
Long-term debt	2,087,492	2,294,885	–	2,294,885
Total Liabilities	$2,268,493	$2,475,886	$ 181,001	$2,294,885

b. Derivative instruments and hedging activities

Cash settlements related to interest rate derivatives from previous years are accumulated in deferred charges and deferred credits. They are amortized as a component of interest expense during the life of the associated debt. At December 31, 2018, and 2017, the remaining unamortized balance in deferred charges were $19.9 million and $21.0 million, respectively, and the remaining unamortized balance in the deferred credits were $2.9 million and $3.2 million, respectively.

In 2018 and 2017, the net amortization expenses for the aforementioned cash-settled interest rate hedges were $794,000 and $898,000, respectively. See Note 2(a) for the fair value of Georgia Transmission's derivative instruments as reflected in the balance sheet.

3. INVESTMENTS:

Investments in associated organizations include equities allocated to Georgia Transmission in the form of patronage capital and capital term certificates. The patronage capital and capital term certificates investments are a result of Georgia Transmission's membership in various organizations. Investments at December 31, 2018, and 2017, are shown in the table on the right.

(dollars in thousands)	2018	2017
CFC	$20,305	$20,669
CoBank	4,289	3,831
Federated Insurance	300	269
Other	300	285
Total	$25,194	$25,054

The investments in CFC include $10 million in CFC Member Capital Securities. These securities have an interest rate of 5.0% payable semi-annually with a maturity date of April 23, 2044, and are callable by CFC by April 23, 2024, at 100%. The remaining investments in CFC and CoBank, ACB (CoBank) are similar to compensating bank balances in that they are required to maintain current financing arrangements. Federated Insurance consists of patronage capital. Other consists of investments in Gresco Utility Supply and GSOC.

All investments in associated organizations are accounted for using the cost method for investments because there is no market for these investments, and it is not practicable to estimate their fair values. Under this method, the fair value of an investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on its fair value. Georgia Transmission annually reviews all of its "cost method investments" to determine if there are any other than temporary impairments that need to be recognized. During the years ended December 31, 2018, and 2017, there were no identified events or changes in circumstances that were determined to have a significant adverse effect on the fair value of these investments or that resulted in other than temporary impairments.

4. INCOME TAXES:

Georgia Transmission is a 501(c)(12) cooperative and is exempt from federal and state income taxes, provided revenues from its Member Systems and Oglethorpe are at least 85% of Georgia Transmission's total revenues. For all years since Georgia Transmission began operation, Georgia Transmission has met this requirement.

Financial Accounting Standards Board (FASB) issued guidance on Accounting for Uncertainty in Income Taxes. Georgia Transmission adopted this guidance for the year ended December 31, 2009. Management has examined Georgia Transmission's tax positions and concluded Georgia Transmission has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. Georgia Transmission is generally not subject to income tax examinations by federal, state or local tax authorities for years before 2015.

5. DEBT:

Long-term debt consists of mortgage notes payable to the United States of America acting through FFB and the RUS, mortgage notes payable issued in conjunction with the sale by public authorities of pollution control revenue bonds (PCBs) and notes payable to CoBank, CFC, and private placement debt holders. In connection with the corporate restructuring of Oglethorpe, Georgia Transmission assumed responsibility for payment of a portion of Oglethorpe's mortgage notes issued in conjunction with the sale by public authorities of PCBs. Substantially all of the owned tangible and certain of the intangible assets of Georgia Transmission are pledged as collateral under the Indenture for FFB and RUS notes, the CoBank and CFC notes, private placement notes, and the notes issued in conjunction with the sale of PCBs. The detail of the notes is included in the Statements of Capitalization.

Georgia Transmission has RUS-guaranteed FFB notes under which the outstanding principal amounts were $1.6 billion and $1.3 billion at both December 31, 2018, and 2017, respectively, with rates ranging from 1.98% to 8.43%.

During 2018, Georgia Transmission advanced approximately $91 million from existing RUS-guaranteed FFB loans to fund construction costs related to numerous transmission projects. Georgia Transmission also received FFB loan advances totaling nearly $265 million to fund transmission asset purchases from Georgia Power. In addition, Georgia Transmission received approval for another RUS-guaranteed FFB loan for approximately $94 million related to constructed transmission projects to be completed in 2018. No advances on this loan have occurred to date.

During 2012, Georgia Transmission refinanced debt related to certain outstanding PCBs and a CoBank bridge loan through the issuance of the Development Authority of Burke County PCBs (Georgia Transmission Corporation Vogtle Project), Series 2012, in the principal amount of approximately $94.5 million. Georgia Transmission is the sole obligor with respect to the debt associated with these refinanced PCBs, which have a final maturity date of January 1, 2052. The PCBs had an original fixed term rate of 1.25% and an initial mandatory tender date of May 1, 2015. Subsequently, Georgia Transmission remarketed the PCBs in 2015 and, again, during 2018, retaining the structure and tenor (three years) of the original bonds. The fixed term rate on the latest remarketed PCBs is 2.5%. The next mandatory tender date is May 3, 2021.

Georgia Transmission has a $230 million shelf loan facility from CFC. The purpose of the shelf loan is to fund a portion of Georgia Transmission's projected capital expenditures, primarily those that are not eligible for RUS funding. Advances under the new facility are available for a five-year term (through 2021) and may be extended for an additional five years. Georgia Transmission did not advance funds from this facility during 2018 or 2017.

During 2015, Georgia Transmission executed a three-year $125 million loan credit facility to bridge finance several transmission asset purchases from Georgia Power. The loan was syndicated among CFC, Bank of America, and CoBank. In early 2018, Georgia Transmission received long-term funding from RUS via FFB loan advances for the purchased assets. Ultimately, proceeds from this funding were used to repay the outstanding balance on the facility, allowing Georgia Transmission to retire the facility prior to its termination date in October 2018.

During 2017, Georgia Transmission replaced its existing $325 million revolving credit agreement with CoBank, originally scheduled to terminate in late 2018, with a similar five-year agreement with CoBank for the same amount scheduled to terminate in 2022. Like the original, the new agreement is an active source for liquidity and funding project construction as well as general corporate purposes. The agreement may also be used as support for Georgia Transmission's commercial paper program. As of December 31, 2018, and December 31, 2017, Georgia Transmission had $165 million and $200 million outstanding on the CoBank agreement, respectively.

Georgia Transmission has a committed $240 million credit facility provided by a group of banks led by CFC. Like the CoBank-led credit agreement, the facility was established to fund general corporate purposes and as a backup for Georgia Transmission's commercial paper program. Because Georgia Transmission uses both committed credit facilities to fully back its commercial paper program, the combined borrowing capacity for both facilities is limited to the amount of commercial paper outstanding. As of December 31, 2018, and December 31, 2017, commercial paper outstanding amounts were $174 million and $181 million, respectively. There were no outstanding amounts on the CFC-led facility as of December 31, 2018, or December 31, 2017.

Georgia Transmission has a $20 million uncommitted short-term line of credit with CFC with no outstanding amounts as of December 31, 2018, or December 31, 2017.

Maturities for long-term and short-term debt through 2023, excluding commercial paper, are as shown in the table on the right.

Maturity Schedule

(dollars in thousands)	2019	2020	2021	2022	2023	Thereafter	Total
FFB	$ 48,438	$ 47,176	$ 47,334	$ 42,964	$ 44,643	$1,411,441	$1,641,996
CFC	4,904	4,969	5,004	3,890	4,418	29,303	52,488
PCB	–	–	–	–	–	94,465	94,465
Private placement	10,000	14,500	14,500	11,500	7,500	205,000	263,000
CoBank credit agreement	–	–	–	165,000	–	–	165,000
Total	$ 63,342	$ 66,645	$ 66,838	$223,354	$ 56,561	$1,740,209	$2,216,949

6. ELECTRIC PLANT AND RELATED AGREEMENTS:

A summary of Georgia Transmission's transmission and distribution investments and related accumulated depreciation as of December 31, 2018, and December 31, 2017, is shown in the table on the right.

(dollars in thousands)

Plant	2018 Investment	2017 Investment
In service		
Transmission lines	$ 1,630,168	$ 1,456,605
Transmission substations	695,867	668,947
Distribution substations	933,093	893,664
General plant and other	66,871	53,551
Plant held for future use	38,243	38,232
Total utility plant in service	$ 3,364,242	$ 3,110,999
Construction work in progress		
Transmission lines	$ 10,674	$ 12,468
Transmission substations	10,125	14,069
Distribution substations	17,327	9,382
General plant and other	3,515	4,927
Plant held for future use	113	24
Total construction work in progress	$ 41,754	$ 40,870

Plant	2018 Accumulated Depreciation & Amortization	2017 Accumulated Depreciation & Amortization
In service		
Transmission lines	$ 528,954	$ 493,809
Transmission substations	183,324	169,983
Distribution substations	305,437	286,933
General plant and other	23,750	19,496
Total in service	$ 1,041,465	$ 970,221

Georgia Transmission has entered into interconnection and operation and maintenance agreements with the owners of various generation facilities. Generally, the initial terms of these agreements coincide with the expected life of each generation facility. These agreements typically provide for Georgia Transmission to build, operate and maintain a switching station and related interconnection facilities that allow the generation facility access to the ITS. Although Georgia Transmission is reimbursed for the cost of building the interconnection facilities and all related operation and maintenance expenses, Georgia Transmission retains legal ownership of the interconnection facilities other than those incidental to the generation facilities, which the generator will own. Georgia Transmission accounts for these transactions on its balance sheet by recording the switching station at cost with an offsetting amount recorded to contribution in aid of construction, and, thus, the station is carried with a zero net book value. No revenues or expenses are recorded for such construction because all amounts are reimbursed. The majority of these generation facilities are designated network resources of Georgia Transmission's Member Systems and Oglethorpe, and, as such, Georgia Transmission does not collect revenues from the generation facilities for the transmission services Georgia Transmission provides. Georgia Transmission earns revenues from operation and maintenance on these interconnection facilities. See Note 1(d) for further discussion.

7. EMPLOYEE BENEFIT PLANS:

The Georgia Transmission Retirement Plan's 401(k) feature covers substantially all employees. An employee may contribute, subject to Internal Revenue Service (IRS) limitations, up to 60% of his/her eligible annual compensation. Georgia Transmission has the discretion to match a portion of the first 6% of the employee's contribution and has done so each year of the plan's existence. Georgia Transmission's current policy is to match the employee's contribution as long as there is sufficient margin to do so. The match, which is calculated each pay period, may be equal to as much as three-quarters of the first 6% of the employee's annual contribution, depending on the amount and timing of the employee's contribution. Georgia Transmission's contributions to the matching feature of the plan were approximately $1.4 million, $1.3 million, and $1.3 million in 2018, 2017, and 2016, respectively.

Under the Georgia Transmission Retirement Plan's employer retirement contribution feature of the 401(k) plan, Georgia Transmission contributes 11%, subject to IRS limitations, of each employee's eligible annual compensation. Effective January 2016, Georgia Transmission raised the contribution rate to 11% from the 8% rate in effect for prior years. Georgia Transmission's contributions to the employer retirement contribution feature of the 401(k) plan were approximately $3.6 million, $3.6 million, and $3.5 million, in 2018, 2017, and 2016, respectively.

Georgia Transmission also sponsors three deferred compensation plans for eligible employees. Eligible employees are defined as highly compensated individuals within the definition of Internal Revenue Code (IRC) section 414(q). The three plans are the Georgia Transmission Deferred Compensation Plan for Employees administered by the National Rural Electric Cooperative Association (NRECA), the Georgia Transmission Deferred Compensation Plan offering investment options from

Fidelity Investments (Fidelity) and administered by Fidelity, and the Georgia Transmission 457(f) Deferred Compensation Plan administered in-house. The Georgia Transmission Deferred Compensation Plans offer investment options to all eligible participants without regard to salary limits under IRC section 401(a)(17). In addition, the Fidelity plan also enables Georgia Transmission to continue contributions via its employer retirement contribution to the highly compensated employees who exceed the IRS salary limits on retirement plan contributions under IRC section 401(a)(17).

The annual deferral to the two deferred compensation plans is calculated in accordance with IRC section 457, subject to changes under IRC section 457(b). The 457(f) Plan enables Georgia Transmission to continue company contributions that exceed the annual limit for the 457(b) Plan. The value of the NRECA and Fidelity plans is recorded as an asset and an equal offsetting liability with balances of $2.4 million and $2.4 million as of December 31, 2018, and December 31, 2017, respectively.

8. COMMITMENTS AND CONTINGENCIES:

Georgia Transmission has entered into four contracts with Georgia Power covering certain operation services, maintenance services, spare parts and equipment requirements, and planning services. Either party may cancel one or more of these contracts upon two years' notice. As of December 31, 2018, neither party had issued a cancellation notice. Purchases and uses of the services by Georgia Transmission under each of these contracts are optional. However, each contract is subject to a minimum annual payment. Future charges are tied to escalation factors based on Bureau of Labor statistics indices and changes to Georgia Transmission's ownership percentage in the ITS.

Georgia Transmission also has agreements with Oglethorpe and GSOC for certain administrative, general and control center services, as discussed further in Note 9.

Georgia Transmission has agreements with certain executive officers that provide for severance compensation upon termination following a change of control. These agreements contain certain automatic renewal provisions.

Georgia Transmission is subject to legal claims arising in the ordinary course of business. Georgia Transmission does not believe any legal claims exist that would have a material adverse effect on its operating results, financial position, or cash flows. As a result, no provision is made in the financial statements for any contingent liabilities.

9. RELATED PARTY TRANSACTIONS:

Georgia Transmission is party to certain agreements with Oglethorpe and GSOC for the recovery of certain costs incurred by them on behalf of Georgia Transmission. Oglethorpe charges Georgia Transmission for use of office space (under a lease renewable annually), use of certain facilities and equipment, and other services. Amounts paid to Oglethorpe for such services were $4.1 million, $4.1 million, and $3.9 million for 2018, 2017, and 2016, respectively, and are allocated to Georgia Transmission based on square footage. Amounts due to Oglethorpe were $670,000 and $687,000 as of December 31, 2018, and December 31, 2017, respectively.

Georgia Transmission is also party to agreements for shared services and control center operations GSOC provides. Under these agreements, GSOC performs certain administrative, general and control center services on behalf of Georgia Transmission. GSOC bills Georgia Transmission for such services at its cost plus a required margin. Amounts paid by Georgia Transmission to GSOC for such services were $34.0 million, $34.0 million, and $31.0 million, for 2018, 2017, and 2016, respectively. Amounts due to GSOC were $2.3 million and $2.1 million as of December 31, 2018, and December 31 2017, respectively.

The agreement with Oglethorpe renews each year, unless terminated by either party by giving 180 days' notice. See Note 6 for additional information on related party transactions with Oglethorpe. The GSOC shared services agreement renews each year, unless terminated by either party giving 180 days' notice. The GSOC operations agreement has a one-year notice provision.

10. SUBSEQUENT EVENTS:

Under recently adopted amendments to the Rural Electrification Act of 1936 via the Agriculture Improvement Act of 2018, RUS borrowers may now prepay FFB debt using COC deposits without incurring prepayment penalties. Therefore, in February 2019, Georgia Transmission requested RUS approve a prepayment of approximately $74 million from its COC account to retire principal balances on certain outstanding FFB debt. At this time, the timing of the approval is uncertain.

In January 2019, Georgia Transmission entered into a ten-and-a-half-month contract for construction services to be provided during 2019, with the option to extend two additional years. The contract has a guaranteed minimum amount of approximately $977,200. For 2020 and beyond, no guaranteed minimum payments are currently required under this contract.

In January 2019, Georgia Transmission entered into a three-year contract, commencing 2019 with a 2021 expiration date, for maintenance services provided annually. The contract was written for time and materials with no guaranteed minimum contract amount.

REPORT OF MANAGEMENT

The management of Georgia Transmission Corporation has prepared this report and is responsible for the financial statements and related information. These statements were prepared in conformity with accounting principles generally accepted in the United States of America and appropriate in the circumstances and necessarily include amounts that are based on best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

Georgia Transmission maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal control based upon the recognition that the cost of the system should not exceed its benefits. Georgia Transmission believes that its system of internal accounting controls, together with an internal auditing function, maintains appropriate cost/benefit relations.

Georgia Transmission's system of internal control is evaluated on an ongoing basis by its qualified internal audit staff. Georgia Transmission's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements; however, this report of management is not required to be, and was not, subject to attestation by our independent public accountants.

The independent public accountants also provide an objective assessment of how well management meets its responsibility for fair financial reporting. Management believes that its policies and procedures provide reasonable assurance that Georgia Transmission's operations are conducted with a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Georgia Transmission.

Jerry L. Donovan
President and Chief Executive Officer

Barbara E. Hampton
Sr. Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Georgia Transmission Corporation
Tucker, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Georgia Transmission Corporation, which are comprised of the balance sheets and statements of capitalization as of December 31, 2018 and 2017, and the related statements of revenue and expenses, patronage capital and membership fees, and cash flows for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Transmission Corporation as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018, 2017 and 2016, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Morehead City, North Carolina
March 18, 2019