Georgia Transmission

Keeping Georgia's Future Bright

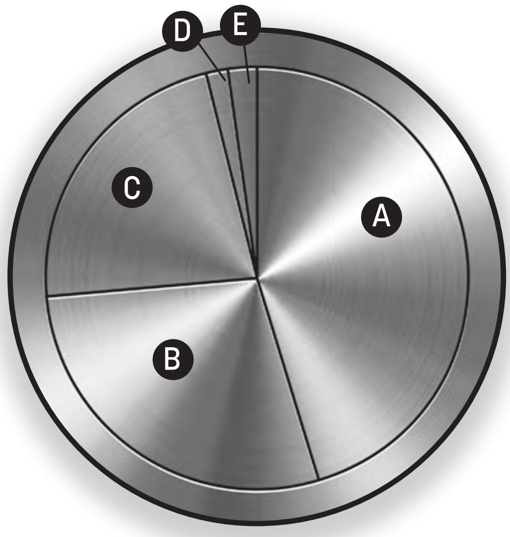
2021 ANNUAL REPORT

Georgia Transmission is working to keep Georgia's future bright. Together, with our 38 member electric membership corporations, we deliver electricity to more than 4.4 million Georgians.

CONTENTS

FINANCIAL AND OPERATING HIGHLIGHTS

	(dollars in thousands)
A. Transmission Lines	$1,088,473
B. Distribution Substations	697,643
C. Transmission Substations	548,028
D. Plant Held for Future Use	36,583
E. General Plant	43,147



	(dollars in thousands)
Total Assets	$2,780,908
Total Operating Revenues	369,573
Net Margin	16,147
Patronage Capital and Membership Fees	361,816

A MESSAGE FROM OUR OFFICERS

At Georgia Transmission, we believe that having easy access to safe, reliable and affordable electricity is essential to continued prosperity of the communities we serve. That's why we partner with our 38 member systems to ensure that we're delivering the energy needed to keep electricity at the flip of a switch for more than 4.4 million Georgians. Together, we're working every day to ensure that the future stays bright.

In 2021, this meant that Georgia Transmission:

- Invested $156.6 million, completing 88 capital projects, including facilities to support commercial/industrial customer-choice loads for our member systems;
- Received $78 million in loan advances from the Federal Financing Bank (FFB) for post-construction funding of capital projects;
- Completed amend-and-extend transactions on multiple credit facilities totaling $475 million;
- Refinanced $94 million in pollution control bonds;
- Submitted an application to the Rural Utilities Service for $156 million in new construction loans;
- Continued to monitor cyber security developments and comply with federal reliability standards; and,
- Incurred no environmental violations and no lost-time incidents for the eighth consecutive year.

Additionally, Georgia Transmission began 2021 with leadership changes. In January, Barbara Hampton assumed the role of president and CEO, as part of the succession plan announced by the Board of Directors in November 2020. This succession plan was developed in response to the earlier announcement from then President and CEO Jerry Donovan of his intention to retire at the start of 2021. In April, Georgia Transmission announced that Dustin Zubke would succeed Hampton as senior vice president and chief financial officer (CFO). Zubke joined Georgia Transmission following a tenure as CFO for East River Electric Power Cooperative in Madison, South Dakota.

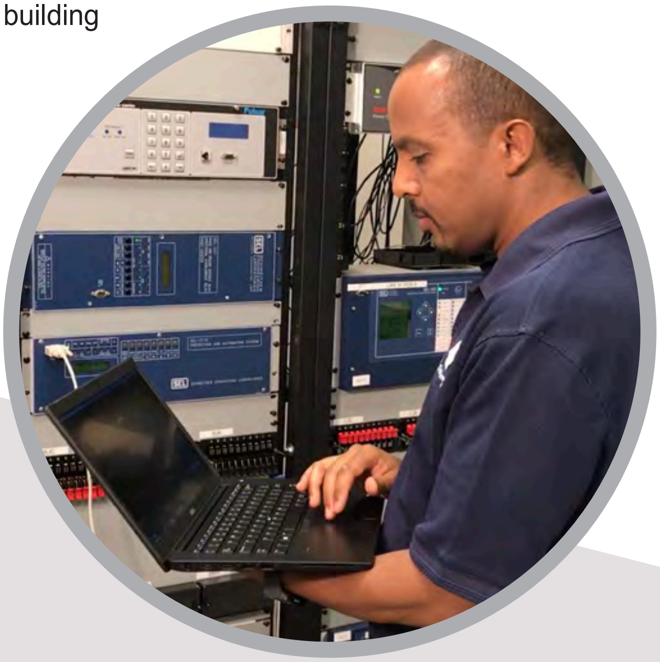
The new year also brought new opportunities, as we continued to best navigate the effects of the COVID-19 pandemic. Our associates approached each of these junctures with formidable resiliency and ingenuity — always finding a way to fulfill our mission of providing the best in reliable, cost-effective service for our members. In June, we transitioned back to the office and used this milestone as an opportunity to incorporate new flexibilities into our alternative work schedule, increase our

Work on our fiber network continued throughout 2021, enabling our members to engage in their own fiber-related projects.

on-campus video conferencing capabilities and assess how certain processes should permanently evolve in order to continue meeting the needs of a changing world.

As we endeavored these new opportunities, we found renewed resolve in ensuring that we're doing our part to keep the future bright for the millions of Georgians that rely on the energy we deliver. To that end, we continued to connect more renewable generation sources to the grid, expanded research and development activities around emerging technologies, and ensured that we continued to be good neighbors to our environment with our ever-budding rights of way habitat projects.

In 2021, we also furthered our fiber optic network development efforts — including connecting more key locations and building additional resiliency into the system. Our state-of-the-art network allows us to monitor and more securely operate our equipment remotely, assess conditions and communicate with our members' facilities — all faster and more reliably than before. Furthermore, we continue to explore ways and opportunities to use our network to assist members who choose to engage in their own fiber-related projects.



We also continued to support our ongoing focus on our robust cyber security and infrastructure security protocols. With a more mobile workforce than ever before, we took steps to evolve our cyber security training to ensure our associates were prepared for the risks associated

with this new level of digital reliance. Additionally, we continued ongoing efforts of adding new technologies — both in terms of physical security on our infrastructure and digital security to our networks — to further harden our systems against attacks.

Later in the year, we participated in a SERC Reliability Corp. (SERC) audit evaluating GTC's compliance with the North American Electric Reliability Corp. (NERC) Operations and Planning standards. The audit was conducted virtually and examined 10 reliability standards and 20 requirements, involving 23 subject matter experts. Overall, the audit did not identify any potential non-compliance or areas of concern for the standards evaluated. The audit team feedback included positive comments on GTC's excellent executive support, formal compliance risk assessment process, risk-based internal controls testing and use of internal controls software to manage controls.

All of these milestones, and others, helped make 2021 another incredible year at Georgia Transmission. We're excited to share more with you about the year's highlights and our continued financial strength throughout the following pages. And, we're looking forward to all the great things to come in 2022, as we work together to keep Georgia's future bright.

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

PREPARING FOR THE FUTURE BY INVESTING TODAY

When we complete infrastructure projects we're doing more than just building power lines — we're making an investment in the continued prosperity of the communities that we serve. Every year, we invest millions of dollars and numerous hours planning, building and maintaining our transmission lines and substations. While that may be our core business, being a not-for-profit electric cooperative means that we take a collaborative approach with our members in order to complete these tasks. And, since our members call the communities that we serve home, we're guided by their unique understanding of the specific challenges and needs of each community.

While new infrastructure being constructed to meet the energy needs of a growing community often gets the most attention, our teams also work every day on existing infrastructure to ensure that it continues to meet the needs of the communities it serves. From our vegetation management program and proactive maintenance schedules to our storm and outage response practices, our people play an active role in ensuring our systems remain resilient and reliable. When regular maintenance will no longer fulfill our goal of delivering safe, reliable and affordable electricity, we get to work on implementing a further solution.

2021 COMPLETED PROJECTS

5	New Substations
1	New Transmission Line Project
14	Transmission Line Modifications
57	Substation Modifications
10	Low-side Projects
1	Advance Land Purchase
88	**Total Projects Completed**

34.03 Miles of New Transmission Lines

One example of this is the completion of the latest phase of a multi-year, multi-project process designed to improve system reliability and resiliency throughout a portion of southeast Georgia. This most recent project involved the complex and large-scale modernization of the Eastman Primary substation that already plays a critical role in supporting the energy needs of the area. To further complicate the situation, this large substation receives three different levels of high-side voltage, while also delivering distribution level voltage to the local EMC.

This project is a prime example of the success of our collaborative approach. Beginning in the fall of 2020, team members came together to map out every step in the process and build contingency plans for any identified risks. From there, work began in earnest, following the methodical, staged approach developed during the planning process. And, in just a few short months, this complex project was safely in service — adding a new level of resiliency and reliability to the region.

TODAY'S INNOVATIONS LEAD TO EVEN BRIGHTER TOMORROWS

The potential power of electricity has captivated curious minds for centuries. This curiosity has driven industry innovations at a considerable pace — from first capturing electricity in Leyden jars to now relying on electricity for everyday activities, all within the past 300 years. Today, our teams continue to harness that same captivating curiosity to propel us to even brighter tomorrows.

At Georgia Transmission, finding an innovative solution is a core principle we apply in our approach to every project. Our history of research and development successes provide a proven foundation for our continued pursuit of industry progress — including our nationally-recognized EPRI-GTC Siting Methodology and our Delta 500 kV Tower Design. Over the past decade, both of these innovations have proven to result in greater project success, efficiency and system reliability — all while reducing our footprint and impact on the environment.

The Mile 131 Substation Project was built to connect a 68 MW solar farm to the grid.

As we look to the future, we're putting a greater emphasis on pushing our reputation for innovation to even greater heights. In 2021, we led a collaborative emerging technologies action committee, gathering voices from each of our sister organizations. Additionally, our research and development team continues to work on collaborative research projects with EPRI, our member systems and other industry peers.

Furthermore in 2021, we built upon our ongoing support activities around solar energy and other renewables. A few of the innovative projects from this year included:

- Completing the interconnection to our transmission system of a 68 MW solar generation site.
- Supporting the implementation of a battery energy storage system for an industrial use pilot program.
- Developing plans for a pilot program to study the application of a solar powered micro-grid.

RESPONSIBLE STEWARDSHIP KEEPS THE FUTURE BRIGHT

As a not-for-profit cooperative, owned by those we serve, we're committed to being responsible stewards of the funding they provide. This dedication to responsible stewardship has allowed Georgia Transmission to remain ready and able to meet our members' needs no matter the economic turbulence. In 2021, this was evidenced by the heightened level of detail and care to strategic planning shown by our associates as we navigated an uncertain economic climate, supply chain issues and rising costs. Our stewardship philosophy is remaining engaged and in communication with our members to ensure that needs, expectations and capabilities remain in sync.

Lending institutions consistently point to Georgia Transmission's long-term, stable relationships with our member systems and low risk as primary reasons for awarding us low-cost financing. During 2021, Georgia Transmission refinanced $94 million in pollution control bonds. In addition, we received $78 million through loan advances from the Federal Financing Bank (FFB) for post-construction funding of transmission

Georgia Transmission Corporation Credit Ratings

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

projects. In other actions, Georgia Transmission successfully completed amend-and-extend transactions on multiple credit facilities totaling $475 million.

Since our inception in 1997, Georgia's need for safe, reliable and affordable electricity has continued to grow. Our members have seen this growth firsthand, as they've watched their communities thrive as new friends and businesses choose to call Georgia home. And, we've been right by their side, growing our infrastructure — from nearly $760 million in assets in 1997 to nearly $2.8 billion today — to keep up with their demand. Together, we've helped keep the future bright for Georgia. And, with our $293.1 million capital budget for 2022, we're making investments today that ensure the future stays bright for years to come.

BUILDING THE WORKFORCE OF THE FUTURE, TODAY

Keeping Georgia's future bright begins with an investment in the people who drive that vision. Our workforce of 315 associates work each day to ensure our system is meeting the needs of today, while also preparing for the challenges of tomorrow. And, while our teams are busy building the transmission system for the future, we're also taking the time to invest in our associates to ensure that our workforce is ready for that future too.

As the COVID-19 pandemic continued to evolve — bringing with it fresh opportunities to assess our operations — our associates continued to showcase their resiliency, creativity and adaptability. Leaning into their demonstrated ingenuity and our learnings from the pandemic, Georgia Transmission spent time in 2021 transforming our strategy for professional development, recruitment and succession planning. As a result of this progression, the cooperative saw keen participation in our GTCU program, introduced a new benefit offering and formed the foundation for a new knowledge transfer process.

As you can see, the idea of continuous improvement is at the core of our plans for keeping Georgia's future bright. Our GTCU program is our way of offering everyone in the organization the opportunity to expand their skills and knowledge. A few programs within GTCU saw significant participation in 2021 — including our supervisor and management development programs, which both set participation records. Additionally, the "Welcome to GTC" required core curriculum courses provide our newest teammates

the opportunity to learn more about our industry and business, while engaging with leaders from each functional area of the organization.

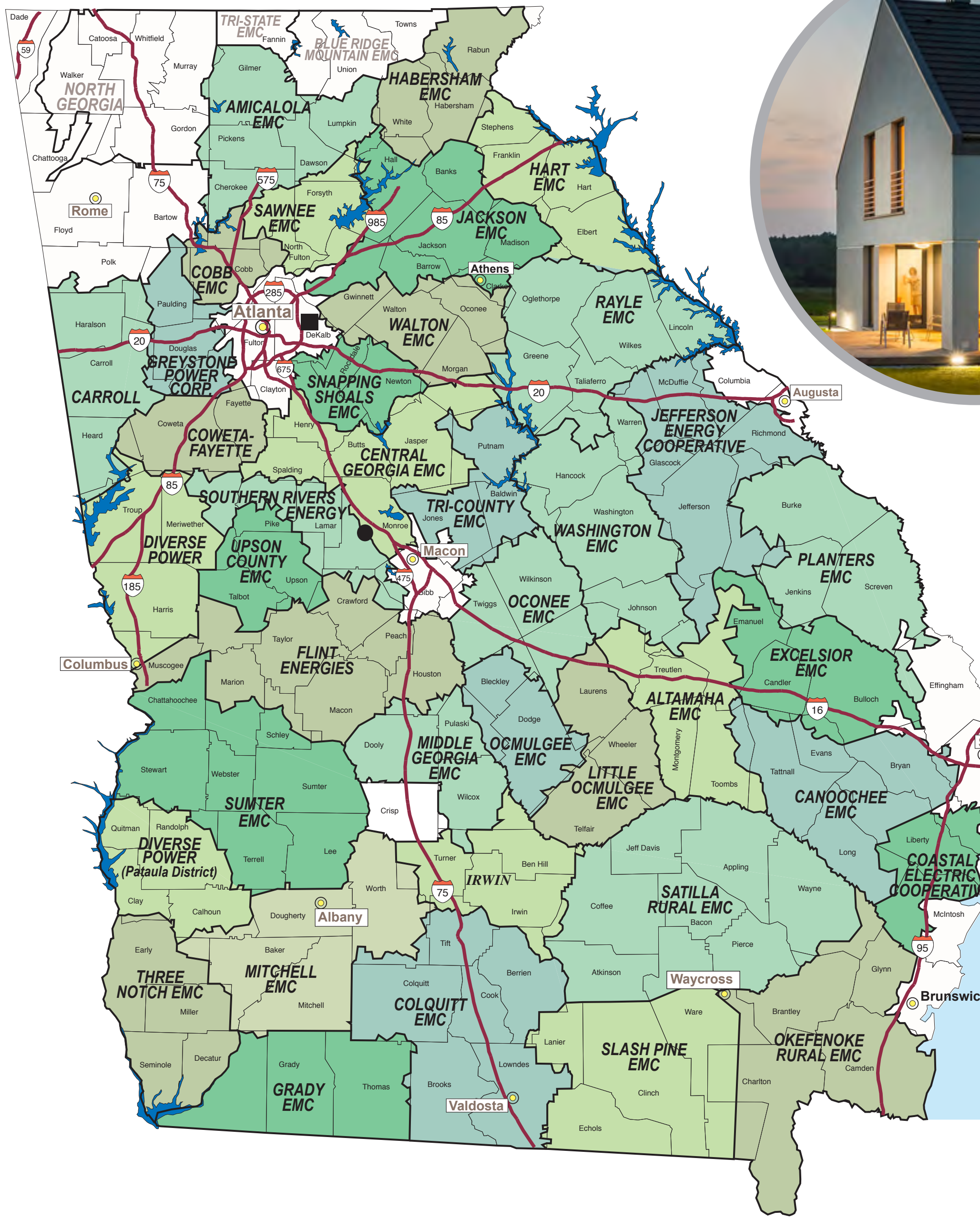
Professional development is just one piece of the puzzle for building the workforce of the future. The more challenging pieces are in how we apply all of the knowledge learned — and our associates are rising to that occasion too. As our industry faces technological and workforce transitions, we're making knowledge transfer tasks and innovation activities part of everyone's core job responsibilities. As we look ahead to 2022, we've enshrined this responsibility into our corporate performance goals.

Furthermore, if the past couple of years have taught us anything, it is to ensure flexibility is built into everything we do. With that in mind, we introduced a new benefit to our associates that provides additional flexibility to our alternative work schedule program.

Building our future workforce doesn't stop with our internal programs, rather it all begins with our investments in the communities we serve. Our cooperative education program partners with local universities, colleges and technical schools to provide students with experiential learning opportunities. For younger students, our K-12 STEM education programs — including our Binary Battle game — helps to inspire the next generation to pursue futures in STEM-related careers.

In addition to our educational outreach, our associates give back to the local community by contributing time and resources to the United Way, The Salvation Army, Boys & Girls Clubs of America and the American Red Cross. In 2021, associates also raised funds for the American Cancer Society and the Atlanta Community Food Bank. Additionally, we carried on our investments and research for creating wildlife habitat opportunities in our rights of way.

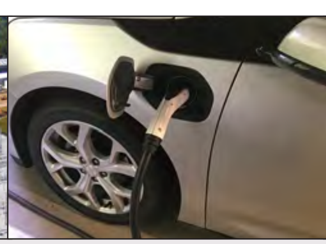
MEMBER SYSTEMS



Oglethorpe Power is a Georgia Transmission member and power supplier that serves 38 member systems.

■ Georgia EMC, Georgia System Operations, Georgia Transmission, Oglethorpe Power and Green Power EMC, Tucker, Georgia.

● Electric Cooperative Training Center, Smarr, Georgia.

GTC BOARD OF DIRECTORS

Charles R. Fendley
Chairman
Member Director

Steve Rawl Sr.
Vice Chairman
Member Director

Otis P. Jones
Secretary-Treasurer
Member Director

Raphael Brumbeloe
Member Director

David Dunaway
Member Director

Ronnie Lee
Manager Director

Bobby Lewis
Member Director

Michael McMillan
Manager Director

Wendy Sellers
Manager Director

Jill Tietjen
Outside Director

Tony Tucker
Manager Director

Jack Waters
Member Director

Everett Williams
Member Director

GTC CEO AND EXECUTIVE STAFF

Barbara Hampton
President
and CEO

Dustin Zubke
Sr. Vice President
and Chief Financial
Officer

Keith Daniel
Sr. Vice President
Transmission Policy

David Van Winkle
Sr. Vice President
Operations and
Maintenance

Angie Farsee
Vice President
Human Resources

John Raese
Vice President
Project Services

Angela Sheffield
Vice President
General Auditor/
Chief Regulatory
Compliance Officer

Joe Sowell
Vice President
System Planning

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, 2021, 2020, and 2019, have been derived from our audited financial statements.

STATEMENTS OF REVENUES AND EXPENSES DATA

(dollars in thousands)

	2021	2020	2019
Operating revenues:			
Network services revenues	$ 324,801	$ 302,182	$ 288,890
Other transmission revenues	44,772	43,325	41,572
Total operating revenues	369,573	345,507	330,462
Operating expenses:			
Operation and maintenance	100,069	91,129	83,575
Parity expense, net	41,647	28,787	19,995
Control center services	24,285	24,700	24,500
Administrative and general	16,208	15,896	15,924
Depreciation and amortization	97,010	93,350	90,211
Taxes	839	903	733
Total operating expenses	280,058	254,765	234,938
Operating margin	89,515	90,742	95,524
Total other income, net	2,159	5,195	8,622
Total interest charges, net	75,527	79,430	87,781
Net margin	$ 16,147	$ 16,507	$ 16,365

BALANCE SHEET DATA

	2021	2020	2019
Electric plant, net:			
In service	$ 2,413,874	$ 2,367,218	$2,336,688
Plant acquisition adjustments, at amortized cost	45,424	47,655	49,886
Construction work in progress	94,988	78,606	54,217
Total electric plant, net	$ 2,554,286	$ 2,493,479	$2,440,791
Total assets	$ 2,780,908	$ 2,671,712	$2,670,390
Capitalization:			
Long-term debt, excluding amounts due within one year	$ 2,125,015	$ 2,101,315	$2,078,439
Patronage capital and membership fees	361,816	345,669	329,162
Total capitalization	$ 2,486,831	$ 2,446,984	$2,407,601

OTHER DATA

	2021	2020	2019
Net cash provided by operating activities	$ 155,820	$ 147,143	$ 119,845
Margins-for-interest ratio(1)	1.23	1.22	1.21
Equity ratio(2)	14.5%	14.1%	13.7%
Property additions(3)	$ 157,482	$ 145,760	$ 114,164

(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;
- changes to the economy affecting our ability to access the debt capital markets and other sources of liquidity;
- changes in environmental laws and policies and other governmental regulations;
- 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. We have no rights to the assets or responsibility for the liabilities of the Member Systems. Oglethorpe provides wholesale electric power to the Member Systems through our electric power transmission facilities.

Our Member Systems serve approximately 2 million electric consumers (meters) representing approximately 4.4 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, 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 2020, the most recent year for which we have consolidated data, sales by the Member Systems amounted to approximately 38 million megawatt hours (MWh), with approximately 67% to residential consumers, 29% 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 2018 through 2020 our Member Systems experienced an average annual compound growth rate of 1.5% in number of consumers; however, MWh sales decreased by 1.6% and electric revenues remained flat.

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 planning new transmission projects and pursuing asset acquisitions 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. Therefore, we expect to continue to pay parity expense at some level into the foreseeable future.

Our transmission assets consist primarily of the transmission lines and substations located throughout Georgia comprising our share of the ITS. As of December 31, 2021, we owned 3,557 miles of transmission lines and 765 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 can be categorized as follows:

Transmission Lines	
46 kV lines	302 miles
115 kV lines	1,419 miles
230 kV lines	1,301 miles
500 kV lines	535 miles
Total lines	3,557 miles

Substations	
Transmission substations	77
Distribution substations	611
Combined transmission & distribution substations	77
Total substations	765

As of December 31, 2021, 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 315 approved full-time employees.

EXECUTIVE OVERVIEW

Cyber Security

Cyber and physical security are top priorities for Georgia Transmission. We focus on all aspects of security, including technology, process, and people. We provide periodic cyber security training to our entire staff. We regularly exercise and refine our processes to identify, protect, detect, respond, and recover from security events. We continue to make infrastructure and technology upgrades to enhance protection of assets from security threats. As we continue to be active in ongoing efforts to improve our own security posture, we participate in industry activities aimed at improving the security and reliability of the industry as a whole. We monitor security alerts from the North American Electric Reliability Corporation (NERC) Electricity Information Sharing and Analysis Center (E-ISAC), the Electricity Subsector Coordinating Council (ESCC), the FBI, the Cybersecurity and Infrastructure Security Agency (CISA), the Department of Homeland Security, and public and private partners. We receive information about security incidents, such as recent ransomware attacks, that occur at other organizations and proactively make improvements to our systems based on lessons learned from those events. Moreover, we are focused on building a transmission system that is inherently resilient, capable of adapting and rerouting electricity when facing any threat or disruption, whether natural or human-made.

System Load

For most of 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, the addition of distributed generation facilities, and the use of demand-side management by our Member Systems. However, in 2019, we recorded a historically high peak load caused by a hot summer. Since then, our peak loads have declined slightly each year. Our current forecasts project that slight percentage increases in load growth are likely for the next few years. We continue to construct new transmission facilities and modify existing facilities to meet our Member Systems' needs and to achieve our system reliability objectives.

Parity

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 will continue to build as well as purchase assets from other ITS Owners, as is permitted under both the ITSA and our parity management agreement/procedure with Georgia Power.

Staffing and Supply Chain

Having an appropriately sized and properly credentialed staff is critical for us. Accordingly, we have adopted a staff development focus internally to encourage mentoring, cross-training and new skills development within our organization. Externally, we are focused on attracting and recruiting skilled job applicants to proactively fill positions as a growing percentage of our workforce moves toward retirement. In addition, we maintain extensive bidders lists of qualified material/equipment suppliers and contractors for our capital projects and maintenance activities. However, due to a tighter labor market in general and the aging infrastructure across the United States, as well as the ongoing COVID-19 pandemic, finding available, qualified crews in a timely manner continues to be challenging for us. Such factors, as well as raw material and shipping constraints, have also affected our supply chain function resulting in longer lead-times and increased costs for our construction and maintenance projects.

Long-Term Financing

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); CoBank, ACB (CoBank); and Bank of America, N.A. (Bank of America). Future financings may include loans from FFB, CFC, CoBank, Bank of America, and other banks, as well as public and private debt offerings.

Liquidity and Credit Facilities

We continue to maintain a strong liquidity position comprised of a diversified mix of cash and short-term instruments, and $735 million in borrowing capacity through our credit facilities and commercial paper program, of which $688 million was available at December 31, 2021. 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. In 2021, such actions included making changes to our existing credit facilities in preparation for the eventual cessation of LIBOR as the dominant short-term funding benchmark. Specifically, we amended our credit agreements with Bank of America and CoBank to allow for the use of alternative benchmarks.

Reliability Standards

As the electric power industry enters its fifteenth 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.

FERC Regulation

We continue to monitor energy legislative efforts in Congress and the regulatory efforts of the Federal Energy Regulatory Commission (FERC), including the recent Advance Notice of Proposed Rulemaking regarding transmission planning, cost allocation, and generation interconnections. FERC previously required in Order No. 1000 that public utility transmission providers implement changes in regional transmission planning processes to address 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 provide the most effective means of meeting the needs of our Member Systems.

Environmental Regulation
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. In addition, we expect regulatory requirements and restrictions from the EPA and other federal agencies to increase. Therefore, we will continue to monitor existing and proposed changes in environmental laws and their effects in order to provide input to and better inform our planning and construction processes.

Depreciation Change
We have used RUS-prescribed depreciation rates since our inception. However, in our dealings with the other ITS owners, we became aware that the depreciation rate assumptions that we were using pertaining to the useful life of transmission assets differed from the depreciation rates used by the other owners. As a result, we engaged a valuation and rates consultant to conduct a depreciation study in order to better align our depreciation rates with the useful life of our assets. The study ultimately determined that our transmission assets, in particular our transmission lines, had longer useful lives than we had previously assumed. In November 2021, we presented these findings to our Board and proposed a reduction to our depreciation rates to begin in 2022 consistent with the depreciation study. These new depreciation rates will also be more in line with rates applied by Georgia Power to assets we have acquired from them. The Board approved this reduction. In addition, the Board approved our setting of network service rates in 2022 to achieve a Margins-For-Interest (MFI) ratio of 1.20 (excluding land amortization), which is the maximum amount permitted by our rate formula, rather than the minimum 1.10 MFI ratio required by our Indenture (See "Margins and Patronage Capital" and "Rates and Regulations" for more information on our Indenture requirements.) This extra margin will help us maintain our financial ratios in 2022 and will continue into the future.

Telecommunications
We have a fiber-based telecommunications network that ties our Member Systems and our facilities together. We are 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.

Broadband
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. However, in recent years, several of our Member Systems have created affiliates to provide broadband services to their customers, which have been approved by the Georgia Public Service Commission. Other Member Systems have partnered with existing broadband providers, thereby extending broadband availability within their territories.

SEEM
We have been in discussions with 14 other utilities regarding the development of the Southeast Energy Exchange Market (SEEM). SEEM is an extension of the current bilateral energy market that will offer sub-hourly trading through an automated system using unreserved, zero-cost transmission for those transactions. SEEM was cleared for implementation by FERC in October 2021 and we formally became a member of SEEM in January 2022. We expect SEEM to be a mechanism for lowering cost for our Member Systems.

COVID-19
As variants of the COVID-19 virus moved through the nation and the state of Georgia during early 2021, we followed existing contingency plans and policies that allowed us to work remotely as we continued to provide the transmission services our Member Systems expect from us. In June, all non-field associates returned to the headquarters building in Tucker, Georgia for the majority of their work hours. Our intention was to prudently move associates back into the office as vaccinations became generally available to the statewide population during 2021. To date, the effects of the pandemic on our ability to effectively conduct our jobs have been relatively small. We continued to plan, construct and maintain our transmission projects with limited or no interruptions. Our liquidity, receivables, and cash balances were not strained during 2021, and our financial profile remains strong. Likewise, the effect of COVID-19 on our Member Systems has been relatively minimal.

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. All of our outstanding long-term debt was issued under the Indenture, as of December 31, 2021.

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, of which $159.8 million is related to land recovery. Patronage capital 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, 2021, we had $362 million in patronage capital and membership fees. Our equity ratio (patronage capital and membership fees divided by total capitalization) was 14.5% at December 31, 2021, up from 14.1% at December 31, 2020.

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 of 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 a 1.10 MFI ratio.

We achieved an MFI ratio, including land recovery, of 1.23 in 2021, 1.22 in 2020, and 1.21 in 2019. 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 long-term loans associated with our projects. Additional revenues associated with land recovery have resulted in, and are expected to continue to result in an MFI ratio in excess of 1.20.

Our formulary rate must be approved by RUS. 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.

Prior to 2022, we designed our network service rates and annual budgets with margins at levels to achieve an MFI ratio of 1.10, which is the minimum amount allowed under the Indenture. However, in November 2021, the Board of Directors allowed us to adjust our margin target for the 2022 budget to achieve an MFI of 1.20, which is the maximum allowed under the Tariff. This MFI change was done in tandem with Board approval of a change to our depreciation rates affecting 2022 as well as future years. (See "Depreciation Change" under the "Executive Overview" section for further discussion).

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 ratemaking process. Regulatory liabilities represent probable future revenues associated with amounts that are to be credited to the Member Systems and Oglethorpe through the ratemaking process. At December 31, 2021, we had regulatory assets and regulatory liabilities totaling $36.4 million and $2.1 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, 2021, 2020, and 2019

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 7.5% higher in 2021 compared to 2020 and 4.6% higher in 2020 compared to 2019. In both cases, the changes in revenues were caused by higher parity expenses, higher operations and maintenance expenses, higher depreciation expense, and lower investment income offset by lower interest expense on long-term debt and lower other Interest expense.

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 approximately 1.0% of our total operating revenues for all years: 2021, 2020, and 2019.

Contribution to Total Operating Revenue	2021	2020	2019
Jackson EMC	11.4%	11.7%	12.0%
Oglethorpe	11.3%	11.4%	11.5%
Cobb EMC*	9.9%	10.2%	7.4%

*Although Cobb EMC's contribution to Total Operating Revenue was less than 10% in 2021 and 2019, it was greater than 10% in 2020, which is why it is included in the chart.

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. Other transmission revenues increased 3.3% in 2021 compared to 2020 largely due to higher point-to-point rates and additional short-term transactions by third parties. Other transmission revenues increased 4.2% in 2020 compared to 2019 primarily due to higher point-to-point transmission rates.

Operating Expenses
Operation and maintenance expenses increased by 9.8% in 2021 compared to 2020 and by 9.0% in 2020 compared to 2019. In both cases, the increases were due to higher charges from Georgia Power, higher costs related to internal labor, and higher costs associated with routine operation and maintenance activities.

Net parity expenses increased by 44.7% in 2021 compared to 2020 primarily due to GTC's increased load responsibility, decreased non-territorial transactions by Georgia Power, increased Georgia Power investments and expected true-ups impacting 2021. Net parity expenses increased by 44.0% in 2020 compared to 2019 primarily due to higher investment additions by other ITS Owners and expected true-ups impacting 2020.

Depreciation and amortization expenses increased by 3.9% in 2021 compared to 2020 and increased by 3.5% in 2020 compared to 2019. These increases were due to additions to plant that resulted in a larger depreciable fixed asset base.

During 2021, taxes were 7.1% less than in 2020 due to aging equipment. During 2020, taxes were 23.2% higher than in 2019 due to general plant asset additions as well as an increase in taxes related to advance land purchases.

Other Income, Net
Investment income decreased by 73.1% in 2021 compared to 2020 and by 65.7% in 2020 compared to 2019. Both decreases were caused by lower average RUS Cushion of Credit (COC) balances and lower interest rates.

Allowance for equity funds used during construction was 21.7% higher in 2021 compared to 2020 and 46.0% higher in 2020 compared to 2019. This increase was caused by higher average Construction Work in Progress (CWIP) balances.

Other, net decreased by 44.4% in 2021 compared to 2020 due to a decrease in patronage capital from CoBank, which was caused by lower outstanding balances during the year. Other, net increased by 311.8% in 2020 compared to 2019 primarily due to lower write-down expenses and a decrease in cancelled projects.

Interest Charges, Net
Interest charges on long-term debt decreased by 3.8% in 2021 compared to 2020 and by 6.4% in 2020 compared to 2019 interest charges. These decreases were primarily due to lower long-term borrowing rates, including the refinancing of higher rate debt to lower rates in 2019.

Other interest charges, which consist mostly of interest on short-term borrowings, decreased by 19.8% in 2021 compared to 2020 and by 42.9% in 2020 compared to 2019 primarily due to lower commercial paper balances and lower interest rates.

Allowance for debt funds used during construction in 2021 was 17.2% higher compared to 2020 due to higher CWIP balances. Allowance for debt funds used during construction was 33.7% higher compared to 2019. This increase was also caused by higher average CWIP balances.

Net Margin
As discussed under "Rates and Regulation," our rates through December 31, 2021, were designed to provide a net margin that is adequate to meet the financial requirements of the Indenture. We set rates to achieve a minimum net margin that was based on 10% of interest expenses on debt secured under the Indenture plus an amount to recover the principal and interest payments on debt related to the purchase of land and land rights. For 2021, 2020, and 2019, this provision for land produced an additional $8.8 million, $8.9 million, and $8.7 million of net margin, respectively. Total net margins for the years ended December 31, 2021, 2020, and 2019, were $16.1 million, $16.5 million, and 16.4 million, respectively. Starting in 2022, net margins will reflect a new target of 20% for interest expense on debt secured under the Indenture as approved by the Board of Directors.

FINANCIAL CONDITION

General

The principal changes in our financial condition from 2020 to 2021 resulted from additions to transmission and distribution assets and additional long-term debt. The average interest rate on our long-term debt remained flat for this period: 3.3% as of December 31, 2021, and December 31, 2020.

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, Bank of America, and other lending institutions, and public and private debt offerings. We expect these same sources to provide future funding of our capital requirements.

Short-/Intermediate-Term Credit Facilities	Authorized Amount	Available Amount
As of December 31, 2021	*(dollars in thousands)*	
Committed		
CoBank credit agreement	$425,000	$425,000
Syndicted bank credit facility	240,000	240,000
Bank of America credit agreement	50,000	50,000
Less commercial paper outstanding	–	(47,000)
Total committed available	$715,000	$668,000
Uncommitted		
CFC line of credit	20,000	20,000
Total	$735,000	$688,000

Syndicated Bank Credit Facility Participant Banks	Commitment through 2025
As of December 31, 2021	*(dollars in thousands)*
CFC, administrative agent	$115,000
Bank of America	75,000
CoBank	50,000
Total	$240,000

To meet short-term cash needs and liquidity requirements, we had approximately $96 million in cash and cash equivalents as of December 31, 2021. In addition, as described in the table on the upper right, as of December 31, 2021, we had short-term and intermediate-term committed and uncommitted credit facilities totaling $735 million, of which $688 million was available.

In September 2021, we executed a $425 million revolving credit agreement with CoBank by combining the capacities of two existing agreements (one for $325 million and the other for $100 million). The resulting five-year agreement, scheduled to terminate in 2026, is a resource for liquidity and funding project construction or acquisitions as well as for general corporate purposes. The agreement may also be used as support for our commercial paper program. At year-end, no unpaid balance was outstanding on the CoBank agreement.

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. The table on the lower right lists the participant banks and the amount of their commitments under the facility through its maturity in 2025.

In June 2021, we executed a two-year credit agreement with Bank of America for $50 million by amending and extending an existing one-year agreement for $48 million. This agreement provides extra liquidity as well as potential bridge financing of projects to long-term loans. In February 2021, we advanced $10 million through the agreement, which was subsequently repaid after three months. At year end, no unpaid balance was outstanding on the agreement.

We have a $240 million commercial paper program that is primarily used for short-term project financing during construction. As of December 31, 2021, we had $47 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.

We have a $230 million long-term shelf loan facility with CFC. The main purpose of the shelf loan is to fund a portion of our capital expenditures, primarily those that are not eligible for FFB funding. Originally, advances under the facility were available for a five-year draw period through 2021. During 2021, we extended the draw period for an additional five years to 2026. During 2020, we advanced approximately $57 million under the CFC shelf loan, with which we replaced $57 million in prepaid long-term FFB debt. In 2019, we advanced approximately $20 million under the loan to fund certain transmission projects not funded through RUS/FFB.

During 2021, we advanced approximately $78 million from an existing RUS-guaranteed FFB loan to fund construction costs related to 2019 transmission projects. We have another RUS-guaranteed FFB loan for approximately $114 million tied to 2020 transmission projects, which we have not advanced but intend to fully during 2022. Also, we submitted an application for an additional RUS-guaranteed FFB loan for approximately $156 million related to 2021 transmission projects. This application is under review at RUS.

As an RUS Borrower, we have participated in the COC program since 2008. When the Agriculture Improvement Act of 2018 became law, several provisions pertaining to RUS borrower participation in the COC program, including new prepayment and refinancing options, went into effect. Under the law, RUS no longer accepts new deposits into COC accounts. Also, a different 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 one-year Treasury Rate. Additionally, the law allowed 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. In 2019 and 2020, we adopted a strategy to prepay certain outstanding FFB loan debt using our COC deposits. We began 2020 with a COC account balance of $60 million. During the year, we made no additional deposits into the account and received interest of $2 million. Subsequent withdrawals for debt service payments of $62 million resulted in a zero balance as of December 31, 2020. Of the $62 million in debt services payments, $57 million were related to prepayments and $5 million were related to scheduled payments. During 2021, we made no additional deposits into the account, thereby maintaining a zero balance in the account throughout the year.

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. During 2021, the PCBs were remarketed again, but this time the three-year structure was abandoned in favor of taking the bonds to their final maturity at a fixed rate of 2.75%.

Capital Requirements

Capital Expenditures

Property additions, which consist primarily of substations and lines, totaled $157 million for the year ended December 31, 2021. As part of our ongoing planning, we forecast capital expenditures required for transmission facilities, which we may either construct or purchase. The table on the right details these expenditure forecasts for 2022 through 2024.

Year	Capital Expenditures
	(dollars in thousands)
2022	$ 287,447
2023	235,532
2024	219,389
Total	$ 742,368

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 or purchase 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, 2021, we incurred parity expense of approximately $41.6 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, 2021, we paid Oglethorpe and GSOC $4.8 million and $35.1 million for these services, 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, 2021, 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 investment percentage in the ITS.

We have four dedicated crew contracts pertaining to transmission project construction and maintenance. These contracts contain guaranteed minimum amounts to be paid to the service providers for work conducted in 2022. These payments total approximately $11.9 million.

The table on the right reflects, as of December 31, 2021, 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 12/31/21	2022	2023 – 2026	2027 and beyond	Total
Long-term debt:				
Principal	$ 65,653	$311,603	$1,813,412	$2,190,668
Interest (1)	72,951	269,405	649,871	992,227
O&M agreements (2)	17,164	36,241	–	53,405
Dedicated crews	11,883	–	–	11,883
Total	$167,651	$617,249	$2,463,283	$3,248,183

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 hypothetical termination notice is given at year-end 2022.

Credit Rating Risk

The table on the right shows our current credit ratings.

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.

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.

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, 2021, we were exposed to the risk of changes in interest rates related to our variable rate debt, which consisted entirely of $47 million in commercial paper issuances. Our commercial paper maturities typically range between one and 90 days. We had no outstanding balances on any of our short-term/intermediate-term credit facilities. At December 31, 2021, the weighted average interest rate on this variable rate debt was 0.17%. 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 $360,000.

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, 2021, we had 0.2% of our total debt, including commercial paper and short-term/intermediate-term credit facilities, in a variable rate mode.

OTHER INFORMATION

Legal Proceedings

We are subject to legal claims arising in the ordinary course of business. 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 material 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 material, could negatively affect our business operations, financial condition, and future results of operations. The risks below are not listed in order of importance.

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 54 mandatory reliability standards, comprised of 740 individual requirements, 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 standard 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 across the southeastern and central regions of the United States. To date, none of our self-reported issues have triggered a regulatory enforcement action or resulted in fines or penalties from NERC. We are awaiting final disposition from SERC on one open self-report, which we anticipate to be handled similarly.

As part of its responsibilities, SERC uses various monitoring methods, including audits and spot checks, to identify possible violations of reliability standards. SERC performed an audit of Georgia Transmission in 2021 to assess our compliance with mandatory operations and planning requirements. There were no compliance findings in the audit and SERC concluded we were in compliance with the standards reviewed. 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 2021, 131 new or modified reliability standard requirements applicable to Georgia Transmission became mandatory. These new or modified standards are related to functions such as cyber security incident response, facility interconnections, facility ratings, system modeling, and disturbance modeling. Numerous new requirements related to transmission system planned performance for geomagnetic disturbance (GMD) events also became mandatory, which requires additional studies and vulnerability assessments of the potential impact of GMD events on the bulk power system.

NERC, as part of its responsibilities delegated by FERC, is responsible for assuring the effective and efficient reduction of risks to the reliability and security of the grid. As such, NERC, through its industry-driven standards development process, identifies mitigation strategies, including mandatory reliability standards, to address identified risks. Given the changing nature of the grid, increasing cyber security threats, and the rise in widespread extreme events, we anticipate increasingly stringent reliability requirements in the future which may 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 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. 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.

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 and our ability to comply with applicable environmental requirements, including NEPA (the National Environmental Policy Act of 1970). 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. Entities with projects that align with the Biden administration's environmental objectives are likely to explore federal funding opportunities for their capital expenditures, including RUS funding. 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 COVID-19, 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. In addition, an increasing number of lenders and investors are taking into account environmental, social and corporate governance criteria when making lending and investment decisions. Although we are not aware of any instances where our access to capital was limited due to these criteria, such considerations could potentially limit the number of lenders or investors who are willing to lend capital to us or other utility companies in the future.

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 could 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 timely completion of these construction projects without cost overruns is subject to certain risks, including:

- labor shortages due to the effects of COVID-19 and market conditions, causing work stoppages and delays;
- shortages and inconsistent quality of equipment and materials;
- 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 we expect to 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 2022 through 2031, we project we will invest approximately $2.4 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 $2.2 billion as of December 31, 2021 to approximately $2.9 billion by the end of 2031.

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 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 operations may be materially affected by adverse results of certain litigation. Unfavorable resolution of 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 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. However, we are mindful of the potential negative effects of COVID-19 on the customers of our Member Systems, which could possibly impact their ability to make timely payments for their retail service. To date, we have not noticed a meaningful increase in bad debt at the Member System level caused by any such lapse or delay in payments by their members/customers. Moreover, all the Member Systems have made their obligated monthly payments to us in a timely manner throughout the COVID-19 pandemic.

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. In February 2022, Georgia Power, the co-owner managing construction of the project, announced new construction cost increases and expected in service dates of March 2023 for Unit No. 3 and December 2023 for Unit No. 4. Oglethorpe's current budget for its ownership share of this project of $8.25 billion (which is based on commercial operation dates of September 2022 for Unit No. 3 and June 2023 for Unit No. 4) is under evaluation given these recent announcements. As construction continues, Oglethorpe remains subject to construction risks and potential delays in commercial operation dates. Oglethorpe is responsible for 30% of all project costs unless Oglethorpe elects to exercise its one-time option to tender a portion of its ownership interest to Georgia Power in exchange for Georgia Power's agreement to pay 100% of Oglethorpe's remaining share of construction costs in excess of the estimated cost at completion for Vogtle Units No.3 and No. 4 set forth in the nineteenth Vogtle Construction Monitoring Report plus $2.1 billion. 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 system reliability as well as the demand on our transmission assets.

Currently, our transmission assets provide service from central generating stations to distribution substations. Distributed generation technologies, such as fuel cells, storage facilities, microturbines, and solar technology, located at or near distribution load centers could, if broadly adopted, affect the reliability of the bulk electric system. A faster than projected development and adoption of distributed generation technologies augmented through battery technology and microgrids could expose the bulk electric system to larger swings in voltage and frequency, depending on area penetration levels, which could increase demand on our transmission assets that improve system stability.

Costs associated with solar power are continuing to decrease. Battery technology is improving, and further developments may lead to significantly lower costs and longer battery lives. These improved technological capabilities are touted as enhancements to area reliability through the deployment of microgrids and/or other Distributed Energy Resources (DER). We will continue to monitor such developments through active engagement with industry trade organizations as well as pursue governmental grants/pilot projects that will further our knowledge of these systems and their impact to reliability of the transmission grid.

Under any decentralized generation scenario projected for the foreseeable future, the need for our transmission assets would be required for diversity exchanges, increased resiliency and backup between areas, and to provide associated voltage and frequency support (also known as Essential Reliability Services). Advances in green technology related to large-scale wind, utility-scale batteries, solar and/or nuclear power actually increase the 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 the reliability of the transmission grid may need to be carefully monitored to minimize reliability risks associated with those technological changes.

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.

Electric generation, transmission and distribution facilities may be the target of future acts of war, physical attacks, cyber security breaches, or terrorism which could negatively affect our business, financial condition, and operating results. 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, 2021, 2020, and 2019

(dollars in thousands)

	2021	2020	2019
Operating revenues:			
Network services revenues	$ 324,801	$ 302,182	$ 288,890
Other transmission revenues	44,772	43,325	41,572
Total operating revenues	369,573	345,507	330,462
Operating expenses:			
Operation and maintenance	100,069	91,129	83,575
Parity expense, net	41,647	28,787	19,995
Control center services	24,285	24,700	24,500
Administrative and general	16,208	15,896	15,924
Depreciation and amortization	97,010	93,350	90,211
Taxes	839	903	733
Total operating expenses	280,058	254,765	234,938
Operating margin	89,515	90,742	95,524
Other income, net:			
Investment income	855	3,178	9,255
Allowance for equity funds used during construction	336	276	189
Other, net	968	1,741	(822)
Total other income, net	2,159	5,195	8,622
Interest charges:			
Interest on long-term debt	72,122	74,953	80,110
Other interest	3,014	3,759	6,588
Allowance for debt funds used during construction	(2,109)	(1,799)	(1,346)
Amortization of debt expense, net of gain	2,500	2,517	2,429
Total interest charges, net	75,527	79,430	87,781
Net margin	$ 16,147	$ 16,507	$ 16,365

STATEMENTS OF PATRONAGE CAPITAL AND MEMBERSHIP FEES

For the years ended December 31, 2021, 2020, and 2019

(dollars in thousands)

	2021	2020	2019
Patronage capital and membership fees, beginning of period	$ 345,669	$ 329,162	$ 312,797
Net margin	16,147	16,507	16,365
Patronage capital and membership fees, end of period	$ 361,816	$ 345,669	$ 329,162

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

BALANCE SHEETS

As of December 31, 2021, and 2020

(dollars in thousands)

	2021	2020
Assets		
Electric plant:		
In service	$ 3,674,097	$ 3,554,029
Less: Accumulated provision for depreciation	(1,260,223)	(1,186,811)
	2,413,874	2,367,218
Plant acquisition adjustments, at amortized cost	45,424	47,655
Construction work in progress	94,988	78,606
	2,554,286	2,493,479
Investments:		
Investment in associated organizations	24,642	25,105
	24,642	25,105
Current assets:		
Cash, cash equivalents, and restricted cash	95,868	51,865
Receivables	37,303	35,209
Inventories, at weighted average cost	20,841	17,823
Prepaid commercial paper discount	2	3
Prepayments and other current assets	7,205	7,339
	161,219	112,239
Deferred charges and other assets:		
Premium and loss on reacquired debt, being amortized	14,229	15,272
Unobligated FEMA assistance	294	294
Deferred debt expense, being amortized	4,938	3,956
Deferred loss on interest rate hedges, being amortized	17,034	17,958
Special fund, deferred compensation	4,266	3,409
	40,761	40,889
	$ 2,780,908	$ 2,671,712

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

(dollars in thousands)

	2021	2020
Equity and liabilities		
Capitalization (see accompanying statements):		
Patronage capital and membership fees	$ 361,816	$ 345,669
Long-term debt, excluding amount due within one year	2,125,015	2,101,315
	2,486,831	2,446,984
Commitments and contingencies:		
Current liabilities:		
Long-term debt due within one year	65,653	71,541
Commercial paper, recorded gross	47,000	17,000
Accounts payable	71,767	57,154
Accrued taxes	14,747	16,040
Accrued interest	15,427	1,024
Accrued current year budget adjustment for members	8,700	1,600
Other current liabilities	64,274	54,373
	287,568	218,732
Deferred credits and other liabilities:		
Accumulated provision for benefits	4,415	3,663
Deferred gain on interest rate hedges, being amortized	2,094	2,333
	6,509	5,996
	$ 2,780,908	$ 2,671,712

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

STATEMENTS OF CAPITALIZATION

As of December 31, 2021, and 2020

(dollars in thousands)

	2021	2020
Long-term debt:		
Mortgage notes payable to the Federal Financing Bank (FFB), weighted average rate of 3.08% at December 31, 2021, due in quarterly installments through 2054	$1,691,556	$1,650,173
Mortgage notes issued in conjunction with the sale by public authorities of pollution control revenue bonds:		
• Series 2012 Fixed at 2.75%; 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	89,000	103,500
• 2010 mortgage notes payable: fixed at 4.81% due in quarterly installments beginning March 30, 2025, through December 30, 2039	135,000	135,000
• 2019 mortgage notes payable: fixed at 3.30% due in quarterly installments through December 31, 2050	69,562	71,058
National Rural Utilities Cooperative Finance Corporation (CFC) notes payable:		
• Mortgage notes payable: weighted average rate of 2.97% at December 31, 2021, due in quarterly installments through October 31, 2049	99,626	104,920
• Mortgage notes payable: weighted average rate of 3.53% at December 31, 2021, due in quarterly installments through October 31, 2024	11,459	13,740
Long-term debt	2,190,668	2,172,856
Less: Long-term debt due within one year	65,653	71,541
Long-term debt, excluding amounts due within one year	2,125,015	2,101,315
Patronage capital and membership fees	361,816	345,669
Total capitalization	$2,486,831	$2,446,984

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

Contents

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021, 2020, and 2019

(dollars in thousands)

	2021	2020	2019
Cash flows from operating activities:			
Net margin	$ 16,147	$ 16,507	$ 16,365
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	99,510	95,867	92,640
Allowance for equity funds used during construction	(336)	(276)	(189)
Decrease in unearned revenues	–	(13)	(13)
Accumulated provision for benefits	752	774	400
Decrease (increase) in net current assets, excluding long-term debt due within one year and commercial paper:			
Receivables	(2,094)	(458)	156
Unobligated FEMA assistance	–	1,056	(406)
Inventories	(3,018)	405	(2,426)
Prepayments and other current assets	134	(2,133)	(1,147)
Prepaid commercial paper discount	1	144	140
Accounts payable	14,613	11,972	9,189
Accrued taxes	(1,293)	2,920	3,177
Accrued interest	14,403	192	(448)
Accrual for current year budget adjustment to members	7,100	(600)	1,100
Other current liabilities	9,901	20,786	1,307
Total adjustments	139,674	130,636	103,480
Net cash provided by operating activities	155,821	147,143	119,845
Cash flows from investing activities:			
Property additions	(157,482)	(145,760)	(114,164)
Net change in investment in associated organizations	463	194	(105)
Special deposits	(857)	(691)	(349)
Net cash used in investing activities	(157,876)	(146,258)	(114,618)
Cash flows from financing activities:			
Proceeds from issuance of notes and bonds	88,134	200,754	234,068
Payments for long-term debt of maturities and refinancings	(70,322)	(176,680)	(302,235)
Changes in commercial paper	30,000	(75,000)	(82,000)
Debt issuance cost	(1,753)	(511)	(500)
Net cash provided in financing activities	46,058	(51,437)	(150,667)
Net increase (decrease) in cash and cash equivalents	44,003	(50,552)	(145,440)
Cash, cash equivalents, and restricted cash – beginning of period	51,865	102,417	247,857
Cash, cash equivalents, and restricted cash – end of period	$ 95,868	$ 51,865	$ 102,417
Cash paid for interest (net of amounts capitalized)	$ 71,734	$ 77,105	$ 84,904

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, 2021, Georgia Transmission owned 3,557 miles of transmission lines and 765 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 made a one-time aggregate payment of $195 in membership fees. At December 31, 2021, patronage capital consisted of a $49 million special patronage contribution from the Member Systems, cumulative net margins, and $160 million related to land recovery. 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, the Board of Directors may approve budget adjustments to achieve targeted margin levels. In November 2021, the Board approved an MFI ratio of 1.20 as part of Georgia Transmission's 2022 budget.

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 approximately 1.0% of our total operating revenues for all years: 2021, 2020, and 2019.

Contribution to Total Operating Revenue	2021	2020	2019
Jackson EMC	11.4%	11.7%	12.0%
Oglethorpe	11.3%	11.4%	11.5%
Cobb EMC*	9.9%	10.2%	7.4%

*Although Cobb EMC's contribution to Total Operating Revenue was less than 10% in 2021 and 2019, it was greater than 10% in 2020, which is why it is included in the chart.

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 2021, 2020, and 2019, using RUS-prescribed rates, were as shown in the table on the right.

	2021	2020	2019
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 2021 was 1.0% and 2.9%, respectively, for a total weighted cost of 3.9%. The weighted cost of equity and debt funds for 2020 was 1.0% and 3.1%, 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 minor units are charged to expense. Replacements and renewals of items considered to be major units are charged to the plant accounts. When properties are disposed of, 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. Deposits maintained in the COC program are considered restricted cash for the purposes of presentation in the financial statements. The restriction on the cash is permanent until such time the deposits are used to pay FFB debt service payments. At December 31, 2019, Georgia Transmission had a balance of $60 million in a COC account. During 2020, Georgia Transmission made no new deposits and received $2 million in interest. Subsequent withdrawals of debt service payments for $62 million resulted in a zero balance as of December 31, 2020. The COC program is closed to new deposits so the zero balance was maintained through all of 2021 as well.

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, 2021, and 2020. 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 ratemaking process. Regulatory liabilities represent probable future revenues associated with amounts to be credited to the Member Systems, Oglethorpe and third parties through the ratemaking process. Regulatory assets include unamortized losses on reacquired debt, unamortized and unrealized losses on interest rate hedges, accruals for paid time off (PTO) and unobligated FEMA assistance. Regulatory liabilities include unamortized gains on reacquired debt and unamortized gains on interest rate hedges.

(dollars in thousands)	12/31/21	12/31/20
Regulatory assets:		
Unamortized loss - reacquired debt	$14,229	$15,272
Loss on interest rate hedges, being amortized	17,034	17,958
PTO accrual	4,865	4,618
Unobligated FEMA assistance	294	294
Total assets	$36,422	$38,142
Regulatory liabilities:		
Gain on interest rate hedges, being amortized	2,094	2,333
Total liabilities	$ 2,094	$ 2,333

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 incurred parity expense. 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, 2021, and December 31, 2020.

(dollars in thousands)	December 31, 2021			
	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	$ 95,868	$ 95,868	$ 95,868	$ –
Total assets	$ 95,868	$ 95,868	$ 95,868	$ –
Liabilities:				
Commercial paper	$ 47,000	$ 47,000	$ 47,000	$ –
Long-term debt	2,190,668	2,555,231	–	2,555,231
Total liabilities	$2,237,668	$2,602,231	$ 47,000	$2,555,231

(dollars in thousands)	December 31, 2020			
	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	$ 51,865	$ 51,865	$ 51,865	$ –
Total assets	$ 51,865	$ 51,865	$ 51,865	$ –
Liabilities:				
Commercial paper	$ 17,000	$ 17,000	$ 17,000	$ –
Long-term debt	2,172,856	2,688,224	–	2,688,224
Total liabilities	$2,189,856	$2,705,224	$ 17,000	$2,688,224

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, 2021, and 2020, the remaining unamortized balance in deferred charges were $17.0 million and $18.0 million, respectively, and the remaining unamortized balances in the deferred credits were $2.1 million and $2.3 million, respectively.

In 2021 and 2020, the net amortization expenses for the aforementioned cash-settled interest rate hedges were $685,000 and $695,000, respectively. See Note 2(a) for the fair value of Georgia Transmission's derivative instruments as reflected on 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, 2021, and 2020, are shown in the table on the right.

(dollars in thousands)	2021	2020
CFC	$18,740	$19,268
CoBank	5,180	5,143
Federated Insurance	365	336
Gresco Utility Supply	357	358
Total	$24,642	$25,105

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 and Gresco Utility Supply investments consist of patronage capital.

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, 2021, and 2020, 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 System and Oglethorpe are at least 85% of Georgia Transmission's total revenues.

Georgia Transmission has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, and to identify and evaluate other matters that may be considered tax positions. Georgia Transmission has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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 $1.7 billion at both December 31, 2021, and 2020, respectively, with rates ranging from 1.15% to 8.01%.

During 2021, Georgia Transmission advanced approximately $78 million from existing RUS-guaranteed FFB loans to fund construction costs related to transmission projects. In addition, Georgia Transmission has another RUS-guaranteed FFB loan for approximately $114 million related to constructed transmission projects completed in 2020. No advances on this loan have occurred to date. Georgia Transmission also submitted an application for another RUS-guaranteed FFB loan for approximately $156 million related to 2021 transmission projects. This application is under review at RUS.

Georgia Transmission executed three private placement debt transactions in previous years: one for $73 million in 2019, one for $135 million in 2010 and another in 2019 for $150 million. As of December 31, 2021, and December 31, 2020, Georgia Transmission had outstanding balances of $293.6 million and $309.6 million on its combined private placement debt, respectively.

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. During 2021, the bonds were remarketed again but this time to their final maturity date at a fixed rate of 2.75%. As of both December 31, 2021, and December 31, 2020, Georgia Transmission had an outstanding balance of $94.5 million on its PCB debt.

Georgia Transmission has a $230 million shelf loan facility from CFC. The main 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 facility were originally available for a five-year term; however, during 2021, Georgia Transmission extended the draw period for an additional five years. During 2020, Georgia Transmission advanced approximately $57 million, which replaced $57 million in prepaid long-term FFB debt. As of December 31, 2021, and December 31, 2020, Georgia Transmission had outstanding balances of $111.1 million and $118.7 million on its combined CFC debt, respectively.

Georgia Transmission has a $425 million revolving credit agreement with CoBank, scheduled to terminate in 2026. 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 Georgia Transmission's commercial paper program. As of December 31, 2021, and December 31, 2020, Georgia Transmission had no balances outstanding on the CoBank agreement.

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, 2021, and December 31, 2020, commercial paper outstanding amounts were $47 million and $17 million, respectively. There were no outstanding amounts on the CFC-led facility as of December 31, 2021, or December 31, 2020.

Georgia Transmission has a two-year agreement with Bank of America for $50 million to 2023. This agreement provides extra liquidity to counter the uncertainty posed by COVID-19 on Georgia Transmission's financial condition and on the Member Systems. Also, if needed, this agreement can be used for bridge financing to a long-term loan. In February 2021, Georgia Transmission advanced $10 million through the agreement, which was subsequently repaid after three months. At year end, no balance was outstanding on the agreement.

Georgia Transmission has a $20 million uncommitted short-term line of credit with CFC with no outstanding amounts as of December 31, 2021, or December 31, 2020.

Maturities for long-term and short-term debt through 2026, excluding commercial paper, are as shown in the table on the right.

Maturity Schedule

(dollars in thousands)	2022	2023	2024	2025	2026	Thereafter	Total
FFB	$ 46,079	$ 48,574	$ 63,137	$ 52,208	$ 52,497	$1,429,061	$1,691,556
CFC	6,462	7,008	12,073	4,123	4,153	77,266	111,085
PCB	–	–	–	–	–	94,465	94,465
Private placement	13,112	9,212	13,316	23,997	21,303	212,622	293,562
Total	$ 65,653	$ 64,794	$ 88,526	$ 80,328	$ 77,953	$1,813,414	$2,190,668

6. ELECTRIC PLANT AND RELATED AGREEMENTS:

A summary of Georgia Transmission's transmission and distribution investments and related accumulated depreciation as of December 31, 2021, and December 31, 2020, is shown in the table on the right.

(dollars in thousands) Plant	2021 Investment	2020 Investment
In service		
Transmission lines	$ 1,726,674	$ 1,681,621
Transmission substations	780,644	747,606
Distribution substations	1,054,785	1,009,121
General plant and other	75,411	78,593
Plant held for future use	36,583	37,088
Total utility plant in service	$ 3,674,097	$ 3,554,029
Construction work in progress		
Transmission lines	$ 21,387	$ 32,038
Transmission substations	38,354	11,858
Distribution substations	21,210	19,369
General plant and other	14,037	15,168
Plant held for future use	–	173
Total construction work in progress	$ 94,988	$ 78,606

Plant	2021 Accumulated Depreciation & Amortization	2020 Accumulated Depreciation & Amortization
In service		
Transmission lines	$ 638,201	$ 603,429
Transmission substations	232,616	215,454
Distribution substations	357,142	338,557
General plant and other	32,264	29,371
Total in service	$ 1,260,223	$ 1,186,811

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; therefore, 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 $1.6 million, $1.5 million and $1.4 million in 2021, 2020, and 2019, 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. Georgia Transmission's contributions to the employer retirement contribution feature of the 401(k) plan were approximately $4.1 million, $4.0 million and $3.8 million, in 2021, 2020, and 2019, 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 $4.4 million, $3.4 million and $2.9 million as of December 31, 2021, December 31, 2020 and December 31, 2019, 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, 2021, 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 investment 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 $4.8 million, $4.3 million and $4.3 million for 2021, 2020, and 2019, respectively, and are allocated to Georgia Transmission based on square footage. The amounts due to Oglethorpe for December 31, 2021, and December 31, 2020, were $0.8 million and $0.7 million, respectively.

Georgia Transmission is also party to agreements for shared services and control center operations that 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 $35.1 million, $35.0 million and $35.8 million, for 2021, 2020, and 2019, respectively. Amounts due to GSOC were $2.2 million and $2.5 million as of December 31, 2021, and December 31 2020, 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:

In January 2022, Georgia Transmission advanced $50 million on its credit agreement with Bank of America. The advance was used to fund a purchase of transmission assets from Georgia Power, which occurred on January 31, 2022. Georgia Transmission expects the advance will bridge to some form of long-term financing later in 2022.

In March 2022, Georgia Transmission signed an engagement letter with Bank of America to act as its agent in a $100 million private placement transaction to be executed sometime later this year.

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 controls 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 controls 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 controls 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.

Barbara Hampton
President and Chief Executive Officer

Dustin Zubke
Sr. Vice President and Chief Financial Officer

Contents

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Georgia Transmission Corporation
Tucker, Georgia

Opinion

We have audited the accompanying financial statements of Georgia Transmission Corporation, which comprise the balance sheets and statements of capitalization as of December 31, 2021 and 2020, the related statements of revenue and expenses, patronage capital and membership fees, and cash flows for the years ended December 31, 2021, 2020 and 2019, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Georgia Transmission Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years ended December 31, 2021, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with accounting standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date the financial statements are available to be issued).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Continued next page

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time, or one year beyond the date the financial statements are available to be issued.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

RSM US LLP

Greensboro, North Carolina
March 16, 2022