GeorgiaTransmission

2015 ANNUAL REPORT

BRINGING LIGHT TO GEORGIA

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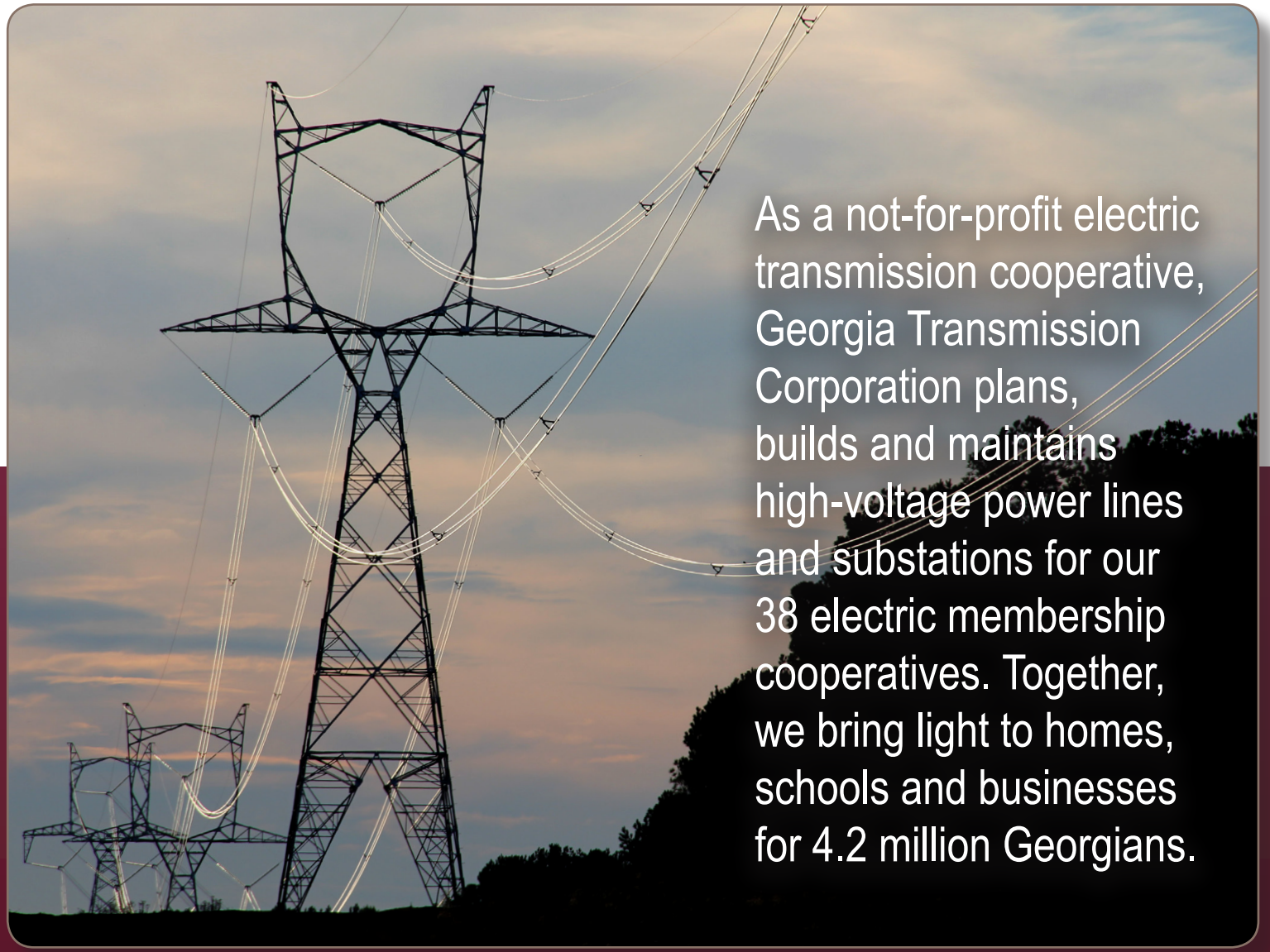

As a not-for-profit electric transmission cooperative, Georgia Transmission Corporation plans, builds and maintains high-voltage power lines and substations for our 38 electric membership cooperatives. Together, we bring light to homes, schools and businesses for 4.2 million Georgians.

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Financial and Operating Highlights

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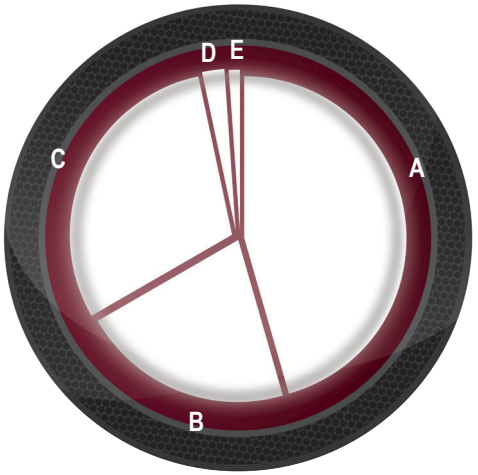
	(dollars in thousands)
A. Transmission Lines	$877,820
B. Transmission Substations	404,594
C. Distribution Substations	577,393
D. Plant Held for Future Use	42,911
E. General Plant	20,719



	(dollars in thousands)
Total Assets	$2,411,973
Total Operating Revenues	266,905
Net Margin	15,081
Patronage Capital and Membership Fees	269,197

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Georgia Transmission Corporation (GTC) provides the essential service of delivering electricity. This life-changing power flows through our statewide transmission network to our 38 electric membership cooperatives (EMCs) and on to nearly half of Georgia's population.

For 18 years, our focus has been, and continues to be, providing the best in reliable, cost-effective service for our members. Our achievements clearly demonstrate our commitment to this mission.

During 2015, GTC:

- completed 145 transmission projects through capital investments of more than $180 million;
- achieved our second-best-ever performance for lowest frequency of momentary outages;
- executed a syndicated bridge loan of $125 million, amended a $275 million line of credit and remarketed $94 million in pollution control revenue bonds;
- committed no violations of North American Electric Reliability Corporation (NERC) standards;
- incurred no environmental or safety violations; and
- earned accreditations from both the Rural Electric Safety Achievement Program and the Electric Cooperative Safety Accreditation Program.

In addition, we retired our frame-relay network and completed final steps to install a more advanced multi-protocol label switching (MPLS) communications network that will monitor and remotely access substations around the state. Over three years, we installed

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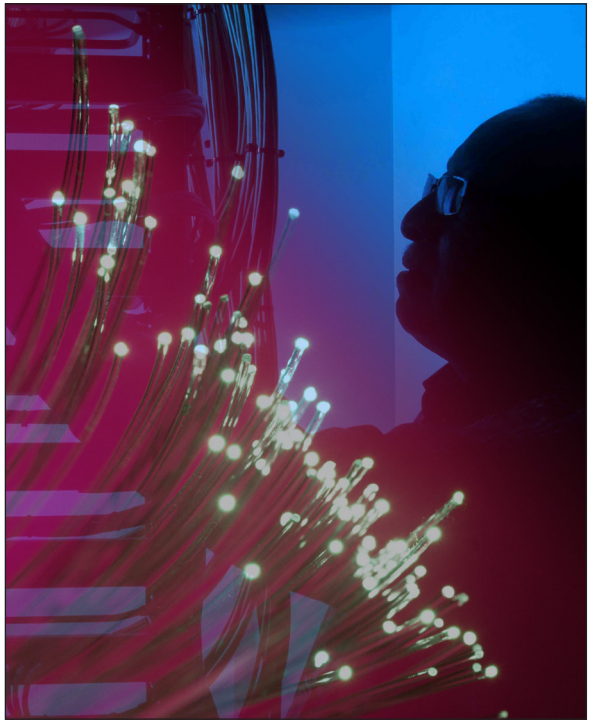
hardware and cabling to convert 900 sites to MPLS. As part of this effort, we also are connecting fiber-optic cable to facilities that will give us more control over costs, significantly increase our network bandwidth and help improve reliability. Moving forward, with Georgia System Operations Corporation (GSOC), we will focus more keenly on maximizing the benefits of this new, state-of-the-art, fiber network.

In other measures, GTC met 2015 deadlines for Occupational Safety and Health Administration (OSHA) rules and NERC standards. The new OSHA rules were the first with significant impact on electric utilities since the 1970s. In response, GTC redoubled efforts focused on contractor safety with more information sharing. In addition, to comply with NERC physical security standards, we identified critical facilities and implemented more stringent security measures through our maintenance and cyber security departments.

The year also saw the Environmental Protection Agency (EPA) issue a final rule on regulating carbon emissions from power plants and impacting renewable sources of power. The EPA section 111(d) rule included changes in response to more than four million comments from cooperatives and other electric utilities, nationwide, about its impact on consumers. The agency extended compliance deadlines and amended details about goals and implementation. In conjunction with Oglethorpe Power Corporation (OPC), Georgia Electric Membership Corporation (Georgia EMC) and the National Rural Electric Cooperative Association, we will continue to stay close to this conversation.



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Here at home, we broadened our relationship with Tucker Middle School (TMS). After helping the school achieve STEM (Science, Technology, Engineering and Math) certification in 2014, we went on to share the success story at the Georgia Education Leadership Institute in 2015. The conference focuses on teacher leadership and defining career paths for students. TMS was the first middle school in Georgia to earn the STEM designation. Because forecasted shortages in these fields continue to loom, we hope our efforts will encourage students to seek engineering careers that may bolster employee availability in our industry.

Our current employees could also draw young talent to the industry and to GTC. For the second time in five years, they nominated our company for *Georgia Trend* magazine's Best Places to Work – and did so compellingly, as GTC finished in the top 10 statewide. Similarly, employee survey responses landed GTC on the *Atlanta Business Chronicle's* Best Places to Work list in 2013.

As we review 2015, we understand that our bringing light to Georgia is the beginning of so much more. Whether it is the welcome sight of our own porch light, a new light dawning as technology evolves or the light of understanding in a young student's eyes, we are committed to empowering the possibilities.

Charles R. Fendley
Chairman

Steve Rawl Sr.
Vice Chairman

Otis P. Jones
Secretary-Treasurer

Employees celebrate Georgia Trend *magazine naming GTC one of 10 Best Places to Work in Georgia.*

In appreciation – Gary Drake

Gary Drake retired from the GTC board of directors March 31, 2016, having served since 2004. He also retired as president and CEO of Excelsior EMC after serving there for 38 years. His fellow board members and GTC employees are indebted to him for many years of dedicated leadership.

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Keeping Lights Burning Bright for All

Tortoises and electric transmission structures might seem to be unlikely neighbors. However, when the relationship is handled with care, GTC has proven the two can coexist peacefully, and even thrive.

Over a two-day period, GTC successfully relocated 12 gopher tortoises, prior to upgrading the Douglas 230 kV Substation in Coffee County. See video here. Once construction was completed, GTC removed barrier fences and, as expected, all 12 tortoises returned to the site independently, wasting no time creating new burrows. GTC's ongoing vegetation maintenance creates the perfect habitat for the tortoises, which are candidates for the federal Endangered Species list. The company is dedicated to protecting the environment and had zero environmental violations in 2015.

Beyond protecting wildlife, the Douglas substation modernization project faced other significant challenges. The facility serves a major hub near the city of Douglas and needed to stay in service during construction. Using delicate construction sequencing, involving six substations and six transmission lines, GTC staff successfully executed a carefully designed plan that has the project on schedule to meet 2016 summer demand.

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Click here to see the relocation of gopher tortoises.

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In other proactive measures to keep lights burning bright for Georgians, GTC improved 128 substations and transmission lines, constructed six new substations and built 15.8 miles of new transmission lines. Through 2018, we plan to invest more than $560 million in our transmission system to fortify the grid and ensure reliability.

2015 COMPLETED PROJECTS

6	New Substations
3	New Transmission Line Projects
39	Transmission Line Modifications
89	Substation Modifications
8	Low-side Projects
145	Total Projects Completed
15.8	Miles of New Transmission Lines

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Protecting the Path of Light

Today's developed world relies so heavily on electricity that it has become a cultural necessity and a matter of national security. If our ability to access electric power were severely curtailed, the effects could be devastating, both locally and nationally.

Committed to protecting the national grid and our way of life, GTC, and 350 other organizations across the U.S., participated in GridEx III in 2015. The exercise to test the vulnerability of the national power grid took on even more importance in light of recent terrorist attacks around the world. Registered participants numbered nearly 10,000, more than doubling participation from similar exercises held in 2011 and 2013.

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Led by NERC, the simulation exercise involved widespread cyber and physical attacks on the grid, destruction of communication systems, and devastation from explosives, drones and shootings. GTC has participated in all three GridEx events and continues to stay engaged in developments pertaining to grid security.

In other related efforts during 2015, GTC staff filled leadership roles in the North American Transmission Forum (NATF), a best practices group offering opportunities for peer reviews and sharing valuable information and experience. Our officials serve as chair of the Security Practices group, vice chair of the Compliance Practices group and as a director on the organization's board of directors.

From managing outside influences that could compromise system integrity to meticulous maintenance that extends the service life of our more than 3,100 miles of transmission lines and 700 substations, GTC helps protect the path of power to our member systems.

North American Transmission FORUM

Keith Daniel
Sr. Vice President
Transmission Policy
Georgia Transmission Corp.

Director
NATF Board of Directors

Angela Sheffield
Vice President
General Auditor/Chief Regulatory
Compliance Officer
Georgia Transmission Corp.

Vice Chair
NATF Compliance Practices

David Revill
Director
Security & Technology Operations
Cyber Security Operations
Georgia Transmission Corp.

Chair
NATF Security Practices

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Investing in the Light of the Future

When the member systems decided to create a generation and transmission electric cooperative in 1974, it only required a $5 contribution from each. Twenty-three years later, they separated the generation and transmission functions, and GTC emerged as a stand-alone transmission cooperative with assets totaling more than $763 million. Now, at more than $2 billion, we expect our assets will continue to grow in tandem with Georgia's increasing population.

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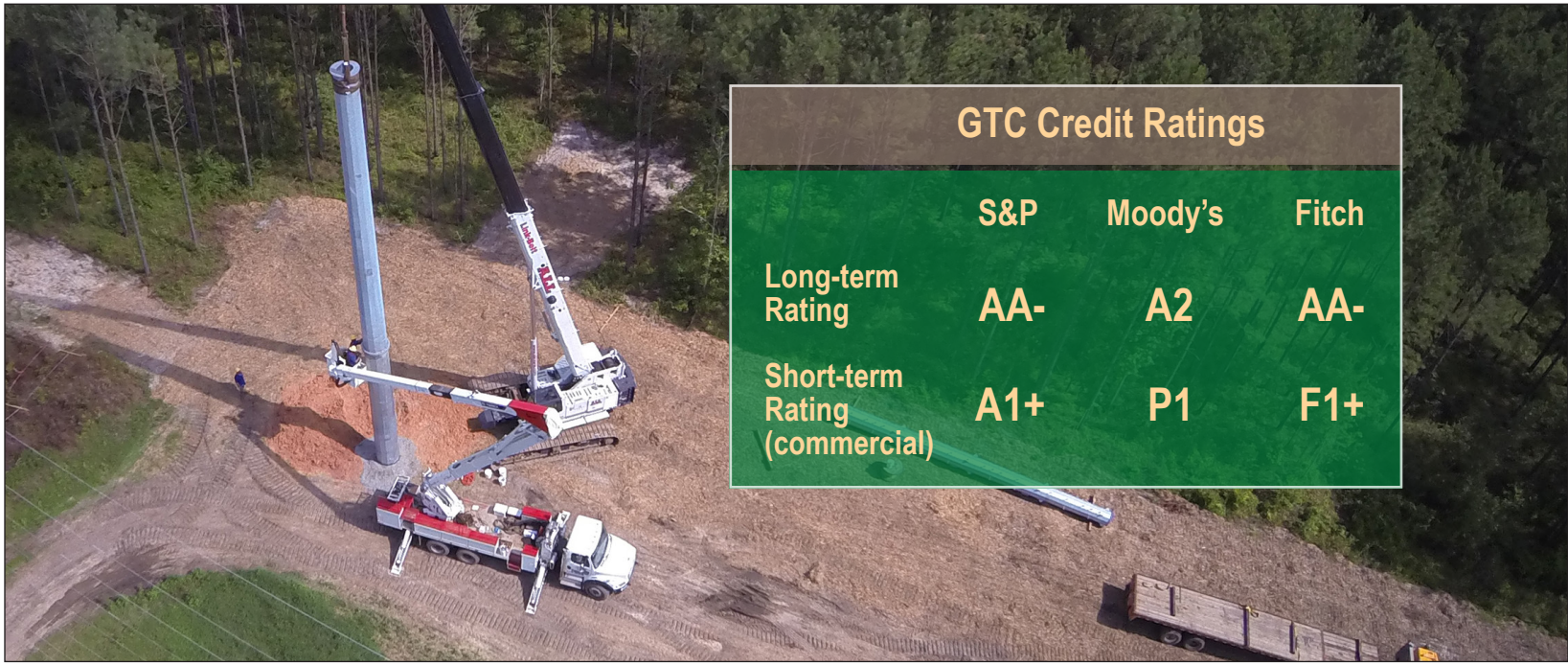

GTC Credit Ratings

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

To continue building and maintaining a strong transmission system for the member systems, GTC took a number of actions in 2015 to ensure the best financing options were in place. We executed a three-year, $125 million term loan through a syndicate of three banks, including $50 million with the National Rural Cooperative Finance Corporation (CFC), $40 million through Bank of America and $35 million from CoBank. To properly balance our investment share in the statewide Integrated Transmission System (ITS), we drew on this term loan to purchase $70 million in existing substations and transmission lines from another ITS participant.

We also amended our $275 million line of credit to extend the maturity date from 2018 to 2020 and lowered the amount to $240 million, beginning in 2019. In addition, we remarketed $94 million in tax-exempt pollution control revenue bonds. The transaction was well received with the remarketed bonds retaining the same basic tenor and structure as the original bonds.

GTC's high credit ratings, strong relationships with financial institutions and long-term history with our member systems allow us to procure low-cost financing and help ensure our ability to plan, build and maintain a reliable transmission network. By funding our $186 million capital budget in 2016, our work will continue with a planned 77 projects to light the journey ahead.

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GTC's Angela Battle (center) meets with STEM students from Tucker Middle School.

GTC volunteers helped clean and improve the Clyde Shepherd Nature Preserve in Decatur, Ga., as part of a Rivers Alive event.

Bringing Possibilities to Light

When Angela Battle attended the Philadelphia High School for Girls, she was unaware of any female engineers who could serve as role models for her. All the same, her love of math and science set her on the path to an engineering degree from Howard University.

Today, as GTC's manager of transmission projects, Battle, a 23-year veteran of the company, enthusiastically mentors Tucker Middle School (TMS) students through our partnership program. With GTC's support, the school earned STEM (Science, Technology, Engineering and Math) certification in 2014 – the first middle school in the state to do so.

As part of the Lexus Eco Challenge, Battle and her all-girl team of TMS students designed a pollution-free motorcycle engine using an air-compressor motor – and won a $10,000 award! The challenge asks students to find creative solutions to environmental concerns, and participants in 2015 were asked to develop ways to reduce pollution in Haiti.

The Keep Georgia Beautiful Foundation recognized GTC for yet another contribution to our community. Along with OPC, GSOC and Georgia EMC, GTC received a community improvement award for our 2015 project to clean and improve the Clyde Shepherd Nature Preserve in Decatur, Ga. GTC employees have volunteered time and effort to community clean-up projects since our inception.

In other outreach initiatives, GTC directed our attention to the Boys & Girls Clubs of America, United Way, the American Red Cross, The Salvation Army, The Clean Air Campaign and the MillionMile Greenway. These and other efforts will continue as we remain dedicated to bringing light to Georgia through our transmission system and our community connections.

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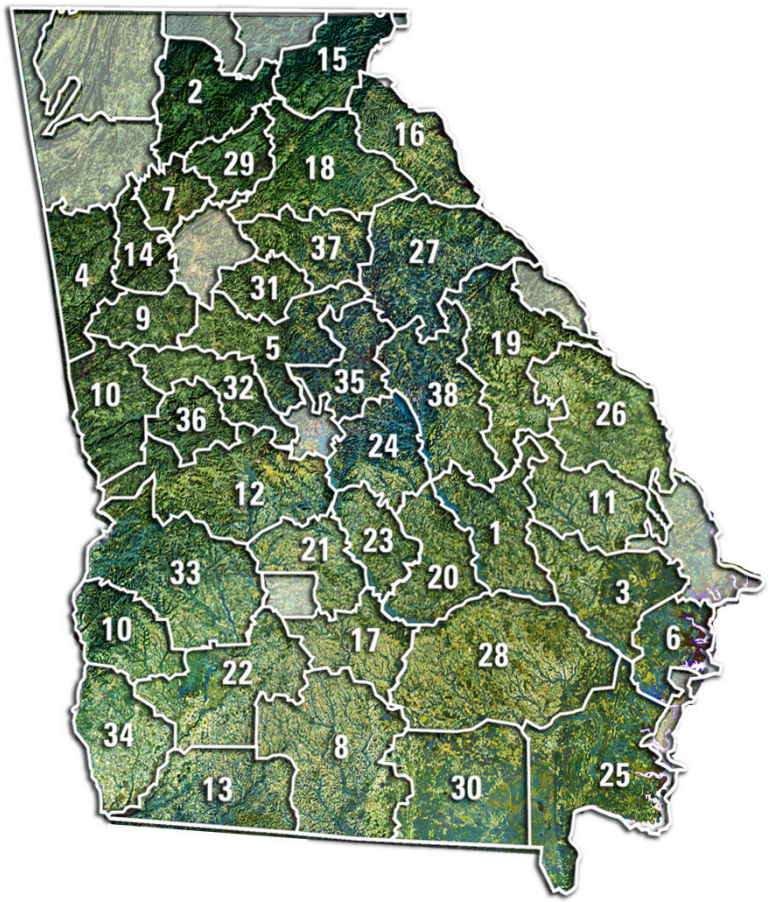
1 Altamaha EMC
2 Amicalola EMC
3 Canoochee EMC
4 Carroll EMC
5 Central Georgia EMC
6 Coastal EMC
*d/b/a Coastal Electric Cooperative
7 Cobb EMC
8 Colquitt EMC
9 Coweta-Fayette EMC
10 Diverse Power
11 Excelsior EMC
12 Flint EMC
*d/b/a Flint Energies
13 Grady EMC
14 GreyStone Power
15 Habersham EMC
16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

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



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Charles R. Fendley
Chairman
Member Director

Steve Rawl Sr.
Vice Chairman
Member Director

Otis P. Jones
Secretary-Treasurer
Member Director

Raphael Brumbeloe
Member Director

Gary Drake
Manager Director

David Dunaway
Member Director

Michael Goodroe
Manager Director

Ronnie Lee
Manager Director

Bobby Lewis
Member Director

Jill Tietjen
Outside Director

Tony Tucker
Manager Director

Jack Waters
Member Director

Everett Williams
Member Director

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Jerry Donovan
President and Chief Executive Officer

Barbara Hampton
Sr. Vice President and Chief Financial Officer

Keith Daniel
Sr. Vice President Transmission Policy

Tom Parker
Vice President External Affairs and Member Relations

John Raese
Vice President Project Services

Russ Schussler
Vice President System Planning

Angela Sheffield
Vice President General Auditor/ Chief Regulatory Compliance Officer

David Van Winkle
Vice President Operations and Maintenance

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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, 2015, 2014, and 2013, have been derived from our audited financial statements.

STATEMENTS OF REVENUES AND EXPENSES DATA

(dollars in thousands)

	2015	2014	2013
Operating revenues:			
Network services revenues	$ 234,998	$ 225,679	$ 217,680
Other transmission revenues	31,907	38,508	37,762
Total operating revenues	266,905	264,187	255,442
Operating expenses:			
Operation and maintenance	70,153	71,534	71,388
Parity expense, net	22,753	20,945	13,109
Control center services	19,362	19,267	16,397
Administrative and general	14,050	14,646	14,899
Depreciation and amortization	67,759	63,347	59,966
Taxes	722	629	616
Total operating expenses	194,799	190,368	176,375
Operating margin	72,106	73,819	79,067
Total other income, net	14,490	13,157	7,785
Total interest charges, net	71,515	71,857	71,596
Net margin	$ 15,081	$ 15,119	$ 15,256

BALANCE SHEET DATA

Electric plant, net:			
In service	$ 1,923,437	$ 1,863,864	$1,780,782
Plant acquisition adjustments, at amortized cost	39,436	5,747	2,694
Construction work in progress	72,609	51,887	83,353
Total electric plant, net	$ 2,035,482	$ 1,921,498	$1,866,829
Total assets	$ 2,411,973	$ 2,273,653	$2,127,734
Capitalization:			
Long-term debt, excluding amounts due within one year	$ 1,854,643	$ 1,751,733	$1,619,353
Patronage capital and membership fees	269,197	254,116	238,997
Total capitalization	$ 2,123,840	$ 2,005,849	$1,858,350

OTHER DATA

Net cash provided by operating activities	$ 89,611	$ 77,608	$ 84,684
Margins for interest ratio(1)	1.2322	1.2285	1.2260
Equity ratio(2)	12.7%	12.7%	12.9%
Property additions(3)	$ 181,438	$ 117,662	$ 128,568

(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

The following discussion should be read in conjunction with the financial statements and notes thereto included elsewhere in this annual report.

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

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

CORPORATE HISTORY AND INFORMATION

Georgia Transmission Corporation (GTC) 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 GTC and Oglethorpe.

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

Our Member Systems serve approximately 1.8 million electric consumers (meters) representing approximately 4.2 million people. Our Member Systems serve a region covering approximately 40,000 square miles, which is approximately 70% of the land area in the State of Georgia, encompassing 152 of the state's 159 counties, a small portion of the northern end of the State of Florida, and a small portion of the eastern side of the State of Alabama. In 2014, which is the most recent year that we have consolidated data, sales by the Member Systems amounted to approximately 37 million megawatt hours ("MWh"), with approximately 67% to residential consumers, 30% to commercial and industrial consumers, and 3% 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 2012 through 2014, our Member Systems experienced an average annual compound growth rate of 1.1% in number of consumers while MWh sales and electric revenues of our Member Systems increased by 3.3% and 4.2%, respectively. 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 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 GTC. 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 GTC, 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 to increase our percentage investment in ITS assets and reduce our projected parity expense in future periods; however, there can be no assurance that we will be able to reduce our parity expense in future periods due to, among other things, the increase by other ITS Owners of their investment in the ITS assets.

Our transmission assets consist primarily of the transmission lines and substations located throughout Georgia comprising our share of the ITS. As of December 31, 2015, we owned 3,196 miles of transmission lines and 714 substations. In addition to the assets we own, we have access to jointly use the entire system, including the assets of the other ITS Owners, pursuant to the ITSA. The assets we own are broken down into the following categories:

Transmission Lines	
46 kV Lines	206 miles
115 kV Lines	1,231 miles
230 kV Lines	1,279 miles
500 kV Lines	480 miles
Total Lines	3,196 miles

Substations	
Transmission Substations	57
Distribution Substations	597
Combined Transmission & Distribution Substations	60
Total Substations	714

As of December 31, 2015, we had total assets of approximately $2.4 billion and total long-term debt, including amounts due within one year, of approximately $1.9 billion. We have 294 approved full-time employees.

EXECUTIVE OVERVIEW

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

Since 2000, we have incurred parity expense primarily because the load in the Member Systems' territories has been either growing at a faster rate or declining at a slower rate than the load of other ITS owners. We expect this trend to continue. Also, current and projected off-system sales, for us as well as other ITS owners, are considerably less now than in previous years, which negatively affects our parity position. Therefore, we have begun to purchase assets more aggressively from other ITS owners, as is allowed under our parity management agreement/procedure with Georgia Power. During 2015, we purchased substation assets from Georgia Power for approximately $70 million as part of a long-term plan to achieve investment parity in the ITS. During 2016, we expect to purchase an additional $50 – $70 million in transmission assets.

Having an appropriately sized and properly credentialed staff available is critical for us. Accordingly, we have adopted a staff development focus to encourage mentoring, cross-training and new skills development within our organization. We are monitoring the availability of external construction crews. Although we see an improvement in market conditions generally, the persistent competition for qualified workers concerns us for both our operations and the construction of transmission line and substation projects. Additionally on the commodities side, maintaining vendor diversity for transformers has become challenging for

us in light of recent quality issues. Therefore, we closely examine all vendors of transformers from both a technical and commercial perspective.

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. In addition, we are concerned that recent proposed RUS rule making, which calls for increased environmental review tied to most/all actions taken by RUS, will lead to significant operational and construction delays and higher costs. 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 it is available and economically feasible for us.

In addition, we have long-term and intermediate-term financing in place provided by the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). Future financings may include loans from FFB, CFC, CoBank and other banks, as well as public and private debt offerings. Several years ago, we accessed the capital markets via two private placement debt transactions. Presently, we view private placement transactions as an attractive option for projects deemed ineligible for RUS funding. However, we are concerned that given a recent uptick in FFB debt buyouts by other generation and transmission cooperatives, the private placement market could become saturated with cooperative exposure, causing future GTC transactions to be less attractive.

We continue to maintain a strong liquidity position comprised of a diversified mix of cash and short-term instruments, and $545 million in borrowing capacity through our credit facilities and commercial paper program, of which $168 million was available at December 31, 2015. We will continue to monitor economic conditions and take appropriate actions to ensure ongoing access to liquidity as well as to short-term and long-term funding opportunities for our capital requirements.

As the electric power industry enters its ninth 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 ensuring we are 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 with a focus on ensuring any new or revised requirements tangibly improve reliability in a cost-effective manner.

We continue to monitor energy legislative efforts in Congress and the regulatory efforts of the Federal Energy Regulatory Commission (FERC). FERC issued Order No. 1000 in 2011. In the rule, FERC requires public utility transmission providers to implement changes in regional transmission planning processes to address new planning and cost allocation requirements. Utilities in the Southeast have implemented these changes. We support a cost allocation approach that requires grid improvements be paid for by only those customers who directly benefit from them. We also believe that a regional approach to the grid, such as the ITS, and local decision-making are more effective toward meeting the needs of our Member Systems.

Currently, generation emission regulations are contributing to transmission project planning uncertainty. Specifically, the Environmental Protection Agency (EPA) issued the Clean Power Plan on August 3, 2015. While the Clean Power Plan and other emission requirements and proposals, which in part are intended to address climate change, do not directly address transmission, such requirements and proposals do affect generation resource retirements and the construction of new generating resources. Our efforts to plan and build much-needed transmission projects within critical time frames can be impacted by the generation resource decisions of our Member Systems as well as those of other parties that use the ITS. On February 9, 2016, the United States Supreme Court issued a stay of the implementation of the Clean Power Plan until the current legal challenge to the regulation has been fully decided in the courts. We are participating, along with the National Rural Electric Cooperative Association (NRECA) and Oglethorpe, as well as many others, in the legal challenge to the Clean Power Plan. Additionally, we continue to monitor various environmental rulemaking processes and their effects in order to provide input to and better inform our planning and construction processes.

Cyber and physical security continue to be a top priority for GTC. We are making upgrades in infrastructure, staffing, and technology to enhance protection of assets from security threats and improve loss prevention. We continue to be active in ongoing efforts to improve the security and reliability of our own infrastructure, and we participate in industry activities aimed at improving the security and reliability of the industry as a whole. We receive information on security incidents from the North American Reliability Corporation (NERC) Electricity Information Sharing and Analysis Center (E-ISAC), the FBI, and the Department of Homeland Security and proactively make improvements to our systems based on lessons learned from such events on other

systems. Moreover, we are focused on building a transmission system that is inherently redundant and resilient, capable of adapting and rerouting electricity when facing any threat or disruption, whether natural or man-made.

We are in the process of completing an upgrade to the telecommunications network used in our substations and other facilities to communicate with our control center and the Member Systems. We are also continuing to investigate other opportunities in the area of telecommunications. We 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.

We continue to monitor the progress toward the convergence and improvement of U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) undertaken by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board. Certain important accounting issues have not yet been adequately addressed and, therefore, their effects cannot be fully determined at this time. One such issue of particular importance to us is the accounting treatment of regulatory assets and liabilities. However, setting aside that issue, we believe the convergence of GAAP and IFRS and/or the adoption of IFRS will not have a material effect on our financial condition and results of operations.

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 GTC began operation, we have met this requirement. Currently, we have no reason to believe we will not meet this requirement in future years.

Indenture

The Indenture constitutes a first lien on substantially all of our tangible and some of our intangible property and secures, equally and ratably, all of our indebtedness issued under the Indenture. With the exception of our borrowings under the $250 million CoBank credit agreement and the $125 million syndicated loan, all of our outstanding long-term debt was issued under the Indenture, as of December 31, 2015.

Margins and Patronage Capital

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

Currently, our equity consists of our patronage capital and membership fees. Patronage capital constitutes our principal equity. As of December 31, 2015, we had $269 million in patronage capital and membership fees. Our equity ratio (patronage capital and membership fees divided by total capitalization) was 12.7% at December 31, 2015, unchanged from 12.7% at December 31, 2014.

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 GTC under this arrangement.

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

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

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

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

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

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

We achieved an MFI ratio, including land recovery, of 1.2322 in 2015, 1.2285 in 2014 and 1.2260 in 2013. 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 35-year period. Additional revenues associated with land recovery have resulted in, and are expected to continue to result in, an MFI ratio in excess of 1.10.

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

Composition of the Board of Directors

Our Board of Directors consists of 13 directors with 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 GTC's financial condition and results of operations, and requires assumptions or estimates about matters that were uncertain at the time of the preparation of our financial statements. Actual results could differ from those estimates. Changes in our estimates and assumptions could materially impact our results of operations and financial condition.

Regulatory Assets and Liabilities

We are subject to the provisions of authoritative guidance regarding Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent certain costs we expect to recover from the Member Systems and Oglethorpe in the future through the rate-making process. Regulatory liabilities represent probable future revenues associated with amounts that are to be credited to the Member Systems and Oglethorpe through the rate-making process. At December 31, 2015, we had regulatory assets and regulatory liabilities totaling $44.1 million and $8.0 million, respectively. (See Note 1(k) in "Notes to Financial Statements" for further discussion.)

Other than the potential effect of IFRS, 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. If such an event occurred, we could no longer apply the guidance regarding Accounting for the Effects of Certain Types of Regulation. We could be required to eliminate all regulatory assets and liabilities that otherwise could not be recognized as assets and liabilities by businesses in general. In addition, we could be required to determine any impairment to other assets, including plant, and write down those assets, if impaired, to their fair value.

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, 2015, 2014, and 2013

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. Revenue requirements from the Member Systems and Oglethorpe are reduced to the extent that we receive revenues from other sources. Network services revenues were 4.1% higher in 2015 in comparison to 2014. This was due to a decrease in other revenue as well as an increase in depreciation and parity expense. Network services revenues increased 3.7% in 2014 compared to 2013. This increase was due to greater parity, depreciation and control center services expenses, which were offset by increased investment income.

The member contributors that are or have been greater than 10% of our total operating revenue as well as their contribution percentages for the last three years are listed in the table on the right. Revenues from non-members accounted for 0.7%, 2.3% and 2.2% of our total operating revenues for 2015, 2014, and 2013, respectively. The decrease in 2015 is due to the decrease in transmission rental revenues described below.

Contribution to Total Operating Revenue	2015	2014	2013
Jackson EMC	12.0%	11.4%	11.0%
Oglethorpe	11.3%	11.3%	11.4%
Cobb EMC*	6.7%	10.2%	10.8%

* The decrease in Cobb EMC's contribution to total operating revenue in 2015 compared to 2014 was due to a shift in costs among the Member Systems caused by the effects of an unusual winter peak on our normally summer-peaking system.

Other transmission revenues primarily include transmission rental revenues. Transmission rental revenues consist of revenues from Oglethorpe and third parties for point-to-point transmission service. During 2015, other transmission revenues decreased by 17.1%, primarily due to lower revenues received from third parties for point-to-point firm transmission service. During 2014, other transmission revenues were flat in comparison to 2013.

Operating Expenses

In 2015, 2014, and 2013, we recorded net parity expenses related to the ITS of $22.8 million, $20.9 million, and $13.1 million, respectively. Parity rose by $1.9 million from 2014 to 2015, based on a $2.8 million increase attributable to expected true-ups for prior years, offset by net decreases of $0.9 million for various reasons, such as a reduction in the ITS carrying charge rate from 13.0% in 2014 to 11.8% in 2015, investment improvements, and changes to load. During 2014, parity expense increased by $7.8 million from 2013 with $3.5 million attributable to actual and expected parity true-ups in 2013 for prior years. The remainder of the increase was largely due to higher ITS loads and our increased share of the ITS.

Expenses for control center services purchased from GSOC increased by less than 1.0% during 2015 in comparison to 2014. During 2014, expenses for control center services purchased from GSOC were 17.5% higher than 2013. This increase was due to increases in associate-related expenses, depreciation on control center assets, and telecom-related expenses.

In 2015, depreciation and amortization expenses were 7.0% higher than in 2014 due to additions to plant that resulted in a larger depreciable fixed asset base. Depreciation and amortization expenses increased by 5.6% in 2014 from 2013 due to similar factors.

During 2015, taxes related to increases in certain general plant assets were 14.8% higher than in 2014. In 2014, taxes were relatively flat in comparison to 2013.

Other Income, Net

Investment income increased 2.0% in 2015 compared to 2014. This increase was primarily due to a higher average investment balance in the RUS Cushion of Credit account (COC). The COC balance, including interest earned, can only be applied to debt service on RUS notes and RUS-guaranteed FFB notes. The interest earned on the COC investment balance was $10.2 million in 2015 compared to $9.9 million in 2014. Investment income increased 89.4% in 2014 compared to 2013. The increase was primarily due to a higher average investment balance. Interest earned on the COC investment in 2013 was $4.4 million.

In 2015, allowance for equity funds used during construction was 13.6% lower compared to 2014. This decrease was primarily due to a lower average Construction-Work-in-Progress (CWIP) balance and a decrease in the rate from 4.5% to 4.3%. In 2014, allowance for equity funds used during construction was 4.4% higher than 2013. This increase was primarily due to a higher average CWIP balance offset by a decrease in the rate from 4.8% to 4.5%.

Other, net increased 68.2% in 2015 from 2014 primarily due to increased patronage capital dividends from CoBank. Other, net increased 7.5% in 2014 from 2013 due to a reduction in the write-off of cancelled capital projects.

Interest Charges, Net

Other interest charges, which primarily consist of interest on short-term borrowings, were 10.8% higher in 2015 compared to

2014 largely due to an increase in average commercial paper rates from 0.23% to 0.29%. Conversely, other interest charges were 6.6% lower in 2014 compared to 2013 largely due to a decrease in average commercial paper interest rates from 0.35% to 0.23%.

In 2015, allowance for debt funds used during construction was 17.7% lower than in 2014 primarily due to a lower average CWIP balance and a decrease in the rate from 4.5% to 4.3%. In 2014, allowance for debt funds used during construction was 2.7% higher than in 2013. The increase was primarily due to a higher average CWIP balance offset by a decrease in the rate from 4.8% to 4.5%.

Amortization of debt expense, net of gain, was 7.7% lower in 2015 compared to 2014 primarily due to the full amortization of various pre-payment penalties. Amortization of debt expense, net of gain, was 6.4% higher in 2014 compared to 2013. This was primarily due to full amortization of certain deferred gains.

Net Margin

As discussed under "Rates and Regulation," our rates are designed to provide a net margin that is adequate to meet the financial requirements of the Indenture. Generally, the Indenture contains a net margin requirement that is based on 10% of interest expenses on secured long-term debt plus an amount to recover the principal and interest payments on long-term debt related to the purchase of land and land rights. For 2015, 2014, and 2013, this provision for land produced an additional $8.6 million, $8.5 million, and $8.4 million of net margin, respectively. Net margins for the years ended December 31, 2015, 2014, and 2013 were $15.1 million, $15.1 million, and $15.3 million, respectively.

FINANCIAL CONDITION

General

The principal changes in our financial condition from 2014 to 2015 resulted from additions to transmission and distribution assets and additional long-term debt. The average interest rate on our long-term debt decreased from 3.8% on December 31, 2014, to 3.6% on December 31, 2015.

Liquidity and Sources of Capital

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

To meet short-term cash needs and liquidity requirements, we had approximately $44 million in cash and cash equivalents as of December 31, 2015. In addition, as described in the first table on the right, as of December 31, 2015, we had short-term and intermediate-term committed and uncommitted credit facilities totaling $545 million, of which $168 million was available.

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

Short-/Intermediate-Term Credit Facilities	Authorized Amount	Available Amount
As of December 31, 2015	*(dollars in thousands)*	
Committed		
Syndicated bank credit facility	$275,000	$275,000
CoBank credit agreement	250,000	50,000
Less commercial paper outstanding	–	(177,000)
Total committed available	$525,000	$148,000
Uncommitted		
CFC line of credit	$ 20,000	$ 20,000
Total	$545,000	$168,000

Syndicated Bank Credit Facilities Participant Banks	Commitment through 2018	Commitment 2019 – 2020
As of December 31, 2015	*(dollars in thousands)*	
CFC, administrative agent	$75,000	$100,000
Bank of Tokyo-Mitsubishi UFJ, Ltd.	$60,000	$60,000
Bank of America, NA	$60,000	$60,000
PNC Bank	$35,000	–
CoBank	$25,000	$20,000
SunTrust Bank	$20,000	–

Our revolving credit agreement with CoBank has a $250 million maximum borrowing capacity and is an active source for liquidity and funding project construction as well as general corporate purposes. It may also be used as support for our commercial paper program. Its term extends to December 2018. As of December 31, 2015, we had advanced $200 million using the CoBank agreement.

We have a $275 million commercial paper program that is primarily used for project financing during construction. As of December 31, 2015, we had $177 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 May.

We currently have a $300 million shelf loan from CFC, approximately $229 million of which was available as of December 31, 2015. The purpose of this shelf loan is to fund a portion of our projected capital expenditures, primarily those that are not eligible for RUS funding. Advances on this facility, which are available through December 2016, may have final maturity dates up to December 15, 2036.

During 2015, we executed a three-year $125 million loan to bridge finance several transmission asset purchases from Georgia Power. The loan was syndicated among CFC, Bank of America, Bank of Tokyo-Mitsubishi, and CoBank. We intend to apply to RUS to fund the assets long-term and anticipate that process to take two to three years. Ultimately, funds received from RUS will be used to repay the loan. During November and December 2015, assets were purchased for $70 million using the loan, leaving $55 million remaining for 2016 asset purchases.

During 2015, we fully advanced approximately $83.8 million of an existing RUS-guaranteed FFB loan related to 2013 transmission projects. In May 2014, we submitted a loan application to RUS for approximately $104 million to provide long-term financing for capital expenditures related to 2014 transmission projects. This application was approved in September 2014. No advances on this loan have occurred to date. In June 2015, we submitted another loan application for approximately $115 million related to 2015 transmission projects. This application is still under review at RUS.

RUS offers a COC program for its borrowers to deposit FFB debt service payments prior to their scheduled due dates. These funds earn interest for the borrower at a fixed 5% rate per annum. We began 2015 with an account balance of $188.8 million. During the year, we deposited an additional $102 million and received interest income of $10.2 million. Subsequent withdrawals for debt service payments of $88.4 million resulted in a balance of $212.6 million as of December 31, 2015.

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, and had an original fixed term rate of 1.25%. The initial mandatory tender date was May 1, 2015. Subsequently, we remarketed the PCBs during 2015, retaining the structure and tenor (three years) of the original bonds. The fixed term rate on the remarketed PCBs is 1.3%. The next mandatory tender date is May 3, 2018.

Capital Requirements

Capital Expenditures

Property additions, which consist primarily of substations and lines, totaled $181.4 million for the year ended December 31, 2015. As part of our ongoing planning, we forecast capital expenditures required for transmission facilities. Such forecasts of capital expenditures include transmission facilities we may acquire from Georgia Power pursuant to a parity management agreement. The table on the right details these expenditure forecasts for 2016 through 2018.

Year	Capital Expenditures
	(dollars in thousands)
2016	$ 183,063
2017	269,346
2018	109,147
Total	$ 561,556

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

Environmental Matters

Based on the current status of regulatory requirements, we do not anticipate that any capital expenditures or other expenses associated with our compliance with current environmental laws and regulations will have a material adverse effect on our results of operations 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, 2015, we incurred parity expense of $22.8 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, 2015, we paid Oglethorpe and GSOC $3.8 million and $30.4 million, respectively.

We have four contracts with Georgia Power covering certain operation services, maintenance services, spare parts and equipment requirements, and planning services. Either party may cancel one or more of these contracts upon two years' notice. As of December 31, 2015, neither party had issued a cancellation notice. Our purchases and uses of the services 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 or increases to our ownership percentage in the ITS.

The table on the right reflects, as of December 31, 2015, our contractual obligations for the periods indicated. These are known commitments for future expenditures. Other expenses we expect to incur that are unknown at this time, such as parity expense, are not included.

We have signed a contract with a vendor to provide construction services. Currently, the contract includes a minimum guaranteed payment through 2016 of approximately $983,000.

Contractual Obligations
(dollars in thousands)

As of 12/31/15	2016	2017 – 2020	2021 and beyond	Total
Long-term debt:				
Principal	$ 50,451	$477,477	$1,377,166	$1,905,094
Interest [1]	69,928	252,806	717,516	1,040,250
O&M agreements [2]	15,864	33,170	–	49,034
Other	983	–	–	983
Total	$137,226	$763,453	$2,094,682	$2,995,361

Note: Table does not include commercial paper.
(1) Includes an interest rate assumption for variable rate debt.
(2) Represents minimum payment obligations to Georgia Power under our four operation and maintenance contracts with escalation rates in future years remaining constant, and assumes a termination notice is given at year-end 2016.

Credit Rating Risk
The table on the right sets forth our current credit ratings.

GTC 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 GTC. The Fitch rating is its "Senior Secured" rating for GTC.

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.

Given our present ratings, we do not currently expect a rating downgrade that would trigger the restrictions in these loan agreements. However, our ratings reflect the views of the rating agencies and not of us, and, 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 a higher interest rate 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, 2015, we were exposed to the risk of changes in interest rates related to our $447 million of variable rate debt, including $177 million of commercial paper outstanding (which typically has maturities of between one and 90 days), $270 million in LIBOR-based credit facilities outstanding, and approximately $94.5 million of PCBs with a May 3, 2018 interest rate reset. At December 31, 2015, the weighted average interest rate on this variable rate debt was 1.04%. If, within the next 12 months, interest rates on this debt increased by a hypothetical 100 basis points on the respective repricing dates and remained at that level for the remainder of the year, annual interest expense would increase by approximately $3.9 million.

Our objective in managing interest rate risk is to maintain a balance of fixed and variable rate debt that will lower our overall borrowing costs within reasonable risk parameters. At December 31, 2015, we had 22% of our total debt, including commercial paper and LIBOR-based credit facilities, in a variable rate mode.

Interest Rate Hedge Transactions
We anticipate a significant amount of new long-term debt in connection with forecasted capital expenditures. Therefore, we are exposed to the risk of rising interest rates. We have entered into interest rate derivatives to partially hedge exposure to changes in interest rates. The use of these financial instruments helps reduce the potential impact of increases in interest rates and variability in our transmission rates. If long-term interest rates increase, the fair value loss on any unrealized derivatives will likely decrease. Additionally, our total long-term interest cost will likely increase because approximately 90% of our anticipated long-term debt from 2016 to 2019 is unhedged. Conversely, if long-term rates decrease, the fair value loss on any unrealized derivatives will likely increase, and our total long-term interest cost will likely decrease because approximately 90% of our anticipated long-term debt from 2016 to 2019 is unhedged. The derivatives used are employed as hedging instruments on anticipated debt issuances and are structured to be highly effective. We do not enter into derivative financial instruments for speculative or trading purposes.

We are exposed to credit risk loss in the event of nonperformance by counterparties in interest rate derivative transactions; however, we do take steps to manage exposure to counterparties. These steps include: setting minimum rating requirements for counterparties, diversifying transactions among counterparties, and using mandatory early cash settlements.

In 2011, we entered into zero cost, or costless, LIBOR-based swap collars (collars) with initial notional amounts totaling $105 million to hedge approximately 10% to 20% of anticipated financings from FFB from 2011 through 2016. The collars are designed to create a range of effective interest rates below the cap rate and above the floor rate. The values of the collars depend on the prevailing LIBOR swap rates on the effective dates that are timed to match anticipated FFB draws. If the prevailing LIBOR swap rates on an effective date are above the floor rate, but below the cap rate, then neither party will make a payment. If the prevailing LIBOR swap rates on an effective date are above the cap rate, then the counterparty will make a payment to GTC. If the prevailing LIBOR swap rates on an effective date are below the floor rate, then GTC will make a payment to the counterparty. In June 2013, we made a cash termination payment of approximately $1.3 million on a $15 million notional collar. In June 2014, we made a cash termination payment of approximately $2.4 million on a $15 million notional collar. Another $15 million notional collar terminated in 2014 with no cash payment required. In June 2015, we made cash termination payments of $805,000 and $3.5 million on two notional collars of $15 million each. We currently have one notional collar of $30 million remaining, which has an effective date of June 2016.

From 2012 through 2015, we did not execute any new interest rate hedge transactions.

OTHER INFORMATION

Legal Proceedings

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

Patronage Capital Litigation

On March 13, 2014, a lawsuit was filed in the Superior Court of DeKalb County, Georgia ("Walker Case"), against us, Oglethorpe and three of our Member Systems. The plaintiffs, four former consumer-members of four of our Member Systems, challenged the patronage capital distribution practices of Georgia's electric cooperatives and seek to certify a defendant class of all but one of our 38 Member Systems. Among other claims, the plaintiffs claim that the patronage capital of former consumer-members held by defendants and the proposed defendant class should be retired immediately when the consumer-members end their membership by terminating service, or alternatively, according to a revolving schedule. The plaintiffs further seek to require the defendants to adjust rates in order to establish and maintain reasonable reserves to fund patronage capital retirements on this basis.

Our first mortgage indenture restricts our ability to distribute patronage capital. (See "Margins and Patronage Capital" for further discussion.) Although not expected, if we were ordered by the Court to make distributions of our patronage capital, our first mortgage indenture would require us to raise our rates to a level sufficient so that we could comply with the current patronage capital distribution restrictions, and the rate increases required to meet the plaintiffs' demands would be significant for a period of years.

On August 20, 2014, a second patronage capital lawsuit was filed in the Superior Court of DeKalb County ("Shapiro Case") against us, Oglethorpe, and two of our Member Systems. The case was filed by two alleged current consumer-members of the two Member Systems named in the lawsuit. Similar to the Walker Case, this complaint challenges the patronage capital distribution practices of Georgia's electric cooperatives; however, one notable difference is that the Walker Case seeks to bring claims on behalf of former members while the Shapiro Case seeks to bring claims on behalf of current members. The plaintiffs seek unspecified damages and equitable relief, including an order declaring that the defendants be required to retire patronage capital "according to a regular, reasonable revolving plan." Similar to the Walker Case, although not expected, if we were ordered by the Court to make distributions of our patronage capital, our first mortgage indenture would require us to raise our rates to a level where we could comply with the current patronage capital distribution restrictions, and rate increases required to meet the plaintiffs' demands could be significant for a period of years.

On May 12, 2015, the judge in both the Walker and Shapiro Cases appointed a retired federal judge as the Special Master in both cases. On September 4, 2015, the Special Master issued proposed orders dismissing the two cases in their entirety. The proposed orders have been challenged by the plaintiffs and are subject to approval by the court. If approved, the court's decision to grant the motions to dismiss would be subject to appeal.

RISK FACTORS

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

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

As an owner of bulk electric system assets, we are subject to FERC rules, regulations and policies regarding mandatory reliability standards. FERC, the federal agency that regulates the interstate transmission of electricity, has 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 have registered with NERC as a Transmission Owner, Transmission Service Provider, Planning Authority, Transmission Planner and Distribution Provider. Currently, we are subject to 61 mandatory reliability standards and support compliance with several other mandatory reliability standards applicable to Oglethorpe and GSOC. As the body of mandatory reliability standards continues to grow and evolve, our industry experts are monitoring standards development and participating in various NERC standards drafting teams. Our goal is to provide technical expertise to NERC to ensure developing standards are 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.

SERC Reliability Corporation (SERC) is the entity with delegated authority from NERC to enforce mandatory reliability standards in 16 central and southeastern states. SERC uses various monitoring methods, including audits and spot checks, to identify possible violations of reliability standards. SERC last audited GTC in 2014 and evaluated our compliance with certain mandatory reliability standards. Other than one violation, which GTC had previously detected and self-reported to SERC, SERC found no violations and concluded GTC was in full compliance with the standards reviewed. SERC concluded the self-reported violation was a minimal risk to the reliability of the bulk electric system and processed it without any imposed penalties or sanctions. However, as for 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.

FERC recently approved major revisions to reliability standards designed to protect the nation's critical electric infrastructure from potential disruptions from cyber security incidents. These standards, which become mandatory and enforceable beginning April 1, 2016, include new cyber security controls and extend the scope of the assets that the standards protect. Additionally, in November 2014, FERC approved a new standard designed to lessen the overall vulnerability of certain high-voltage transmission substations and their primary control centers against physical attacks. The requirements of this standard became effective on October 1, 2015. GTC also is monitoring potential legislation in the U.S. Congress related to cyber security. With this increased focus, we anticipate increasingly stringent reliability requirements in the area of cyber and physical security, which could require us to invest in additional technology, equipment, personnel, processes, and services.

In June 2014, FERC approved a mandatory standard requiring certain owners and operators of the bulk power system to develop and implement operational procedures to mitigate the effects of geomagnetic disturbances (GMD) on the reliable operation of the transmission grid. A second proposed GMD standard is under consideration by FERC that would require certain owners and operators of the bulk power system to assess benchmark GMD events and develop and implement plans to protect the bulk power system from those events. Deliberations are underway to revise the second proposed standard to include more stringent requirements. If the standard is revised and approved, GTC may be required to make significant expenditures in new equipment or modifications to our facilities to comply with the new requirements.

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.

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

In 2015, the Occupational Safety and Health Administration (OSHA) began a staggered enforcement of the 2014 CFR 1926 Subpart V and 1910.269 updated regulations. The cross-functional working groups submitted their final recommendations and strategies were implemented to address the new regulations. These efforts will continue to evolve and be integrated as part of normal business throughout 2016.

While we do not expect our compliance with these laws, regulations, standards, and orders to have a material adverse effect on our results of operations 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 results of operations.

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 RUS loans. Historically, we and other electric cooperatives have relied principally on RUS-guaranteed and administered federal loan programs to meet a significant portion of our long-term financing needs. However, the availability and magnitude of annual RUS funding levels, the types of facilities eligible for RUS funding, and the RUS operating budget are subject to the federal budget appropriations process, and, therefore, are subject to uncertainty because of periodic budgetary pressures within Congress. In addition, new generation, environmental capital expenditures, and transmission construction nationwide among electric cooperatives may result in increased competition for available RUS funding. Lastly, the direction and priorities of the RUS program are subject to change under current and future administrations. If the amount of RUS-guaranteed loan funds available to us in the future were to decrease, we may have to seek alternative financing, and our cost of borrowing could significantly increase.

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

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

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

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 the continued use of certain existing generation resources becomes uneconomical. Decisions on what generation resources continue into the future and what types of generation resources are added may have a significant impact on power flows across the transmission grid. Therefore, our decisions pertaining to transmission project planning will also be affected going forward.

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

We are undertaking 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 additional capital expenditures in order to maintain efficient and reliable operations, and to comply with changing regulatory requirements. In addition, to meet the future needs of our Member Systems, we plan to construct or acquire significant new transmission facilities. For 2016 through 2025, we project investments totaling approximately $1.4 billion in new transmission facilities and upgrades to our existing transmission facilities.

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

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

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

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

We have undertaken a sizable capital expenditure program to meet the future transmission needs of our Member Systems and Oglethorpe, and we expect to incur a considerable amount of long-term debt in connection with this program. For 2016 through 2025, we project we will invest approximately $1.4 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 we will have approximately $1.9 billion in long-term debt outstanding by the end of 2025.

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 highly leveraged and certain of our financial metrics may weaken, which could affect our credit ratings. Any reduction in our credit ratings could increase our borrowing costs and decrease our access to the credit and capital markets.

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

From time to time, we are subject to litigation from various parties. (See "Legal Proceedings" for further discussion of the current, most significant cases.) Our business, financial condition, and results of operations may be materially affected by adverse results of certain litigation. Unfavorable resolution of legal proceedings in which we are involved or other future legal proceedings could require significant expenditures that could have the effect of increasing the cost of electric service we provide our Member Systems and, as a result, affect their contractual obligations to us.

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

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

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

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

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

The Member Systems and Oglethorpe are our owners, and we do not control their operations or financial performance. As a result, we are exposed to the risk that one or more Member Systems or Oglethorpe could default in the performance of their obligations to us under the MTSAs or Transmission Service Agreement, respectively. Our ability to meet our financial obligations, including the payment of principal and interest on outstanding indebtedness, could be adversely affected if one or more of the Member Systems, particularly one of our larger Member Systems, or Oglethorpe defaulted on obligations to us. Although the MTSAs

obligate non-defaulting Member Systems to pay the amounts of any payment default pursuant to a pro-rata 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.

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 the usual 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, and 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 have obtained insurance to mitigate our risk in this area.

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

Currently, our transmission assets provide service from central generating stations to distribution load centers. Distributed generation technologies, such as fuel cells, microturbines and solar technology, located at or nearer to the distribution load centers could, if broadly adopted, lessen the demand on our existing transmission assets. A faster than projected development and adoption of distributed generation technologies augmented through microgrids could reduce demand on our transmission assets at a rate faster than our growth and could affect the value of our existing transmission assets. Under any decentralized generation scenario projected for the foreseeable future, any effect on the need for or value of our transmission assets would be offset in part as our transmission assets would be required for diversity exchanges and backup between areas and to provide associated voltage and frequency support (also known as Essential Reliability Services).

At the same time, advances in green technology related to large scale wind, solar and/or nuclear would serve to increase demand upon our transmission assets. Asynchronous wind and solar resources do not inherently provide the same system support as do conventional synchronous rotating machines. 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 to provide flexibility and provide for needed levels of reliability.

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 results of operations.

Strategic targets, such as electric generation, transmission, and distribution facilities, may be targets of future acts of war or terrorist attacks, including cyber security breaches. Physical attacks or cyber security incidents 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 internal communications and external communications with third parties. 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, 2015, 2014, and 2013

(dollars in thousands)

	2015	2014	2013
Operating revenues:			
Network services revenues	$ 234,998	$ 225,679	$ 217,680
Other transmission revenues	31,907	38,508	37,762
Total operating revenues	266,905	264,187	255,442
Operating expenses:			
Operation and maintenance	70,153	71,534	71,388
Parity expense, net	22,753	20,945	13,109
Control center services	19,362	19,267	16,397
Administrative and general	14,050	14,646	14,899
Depreciation and amortization	67,759	63,347	59,966
Taxes	722	629	616
Total operating expenses	194,799	190,368	176,375
Operating margin	72,106	73,819	79,067
Other income, net:			
Investment income	11,323	11,102	5,863
Allowance for equity funds used during construction	306	354	339
Other, net	2,861	1,701	1,583
Total other income, net	14,490	13,157	7,785
Interest charges:			
Interest on long-term debt	67,962	68,686	68,434
Other interest	2,258	2,038	2,181
Allowance for debt funds used during construction	(2,032)	(2,470)	(2,406)
Amortization of debt expense, net of gain	3,327	3,603	3,387
Total interest charges, net	71,515	71,857	71,596
Net margin	$ 15,081	$ 15,119	$ 15,256

STATEMENTS OF PATRONAGE CAPITAL AND MEMBERSHIP FEES

For the years ended December 31, 2015, 2014, and 2013

(dollars in thousands)

	2015	2014	2013
Patronage capital and membership fees, beginning of period	$ 254,116	$ 238,997	$ 223,741
Net margin	15,081	15,119	15,256
Patronage capital and membership fees, end of period	$ 269,197	$ 254,116	$ 238,997

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

BALANCE SHEETS

As of December 31, 2015, and 2014

(dollars in thousands)

	2015	2014
Assets		
Electric plant:		
In service	$ 2,766,965	$ 2,616,380
Less: Accumulated provision for depreciation	(843,528)	(752,516)
	1,923,437	1,863,864
Plant acquisition adjustments, at amortized cost	39,436	5,747
Construction work in progress	72,609	51,887
	2,035,482	1,921,498
Investments:		
Investment in associated organizations	24,928	24,787
	24,928	24,787
Current assets:		
Cash and cash equivalents	44,252	40,611
Receivables	29,169	28,456
Inventories, at weighted average cost	14,172	15,118
Prepaid commercial paper discount	68	75
Prepayments and other current assets	4,087	3,750
	91,748	88,010
Deferred charges and other assets:		
Premium and loss on reacquired debt, being amortized	21,714	23,802
Deferred debt expense, being amortized	5,106	4,811
Deferred loss on interest rate hedges, being amortized	15,383	12,233
Deferred loss on interest rate hedges, unrealized	3,522	8,253
Special deposit, Cushion of Credit	212,526	188,771
Special fund, deferred compensation	1,564	1,488
	259,815	239,358
	$ 2,411,973	$ 2,273,653

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

(dollars in thousands)

	2015	2014
Equity and Liabilities		
Capitalization (see accompanying statements):		
Patronage capital and membership fees	$ 269,197	$ 254,116
Long-term debt, excluding amount due within one year	1,854,643	1,751,733
	2,123,840	2,005,849
Commitments and contingencies:		
Current liabilities:		
Long-term debt due within one year	50,451	48,550
Commercial paper, recorded gross	177,000	157,000
Accounts payable	23,526	17,050
Accrued taxes	13,817	13,657
Accrued interest	1,244	901
Accrued current year budget adjustment for members	–	950
Other current liabilities	15,914	22,890
	281,952	260,998
Deferred credits and other liabilities:		
Unearned revenues	65	78
Accumulated provision for benefits	1,564	1,488
Gain on reacquired debt, being amortized	721	1,043
Deferred gain on interest rate hedges, being amortized	3,831	4,197
	6,181	6,806
	$ 2,411,973	$ 2,273,653

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

STATEMENTS OF CAPITALIZATION

As of December 31, 2015, and 2014

(dollars in thousands)

	2015	2014
Long-term debt:		
Mortgage notes payable to the Federal Financing Bank (FFB) at interest rates varying from 0.27% to 8.43% (average rate of 3.93% at December 31, 2015) due in quarterly installments through 2054	$1,193,223	$1,105,270
Mortgage notes issued in conjunction with the sale by public authorities of pollution control revenue bonds:		
• Series 2012 Term rate of 1.30% to April 30, 2018; 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	145,000	148,500
• 2010 mortgage notes payable: fixed at 4.81% due in quarterly installments beginning March 30, 2025, through December 30, 2039	135,000	135,000
National Rural Utilities Cooperative Finance Corporation (CFC) notes payable:		
• Mortgage notes payable: fixed at 2.70% due in quarterly installments through January 31, 2017	831	1,477
• Mortgage notes payable: varying from 3.15% to 8.50% (average rate of 4.08% at December 31, 2015) due in quarterly installments through October 31, 2036	42,129	44,705
• Mortgage notes payable: varying from 2.65% to 6.75% (average rate of 3.83% at December 31, 2015) due in quarterly installments through October 31, 2024	24,446	25,866
CoBank revolving credit note payable:		
• Unsecured, average variable rate of 1.55% at December 31, 2015, due 2018	200,000	200,000
Syndicated Loan:		
• Unsecured, average variable rate of 1.19% at December 31, 2015, due 2018	70,000	–
Long-term debt	1,905,094	1,800,283
Less: Long-term debt due within one year	50,451	48,550
Long-term debt, excluding amounts due within one year	1,854,643	1,751,733
Patronage capital and membership fees	269,197	254,116
Total capitalization	$2,123,840	$2,005,849

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

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015, 2014, and 2013

(dollars in thousands)

	2015	2014	2013
Cash flows from operating activities:			
Net margin	$ 15,081	$ 15,119	$ 15,256
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	71,086	66,950	63,353
Allowance for equity funds used during construction	(306)	(354)	(339)
Decrease in unearned revenues	(13)	(13)	(13)
Accumulated provision for benefits	76	180	345
Deferred gain (loss) on forward interest rate hedge, unrealized	4,731	(6,669)	12,777
Decrease (increase) in net current assets, excluding long-term debt due within one year and commercial paper:			
Receivables	(713)	144	(2,221)
Inventories	946	1,629	(1,303)
Prepayments and other current assets	(337)	250	(360)
Prepaid commercial paper discount	7	–	31
Accounts payable	6,476	(1,155)	(2,480)
Accrued taxes	160	(673)	4,856
Accrued interest	343	90	(121)
Accrual for current year budget adjustment to members	(950)	(7,050)	6,500
Other current liabilities	(6,976)	9,160	(11,597)
Total adjustments	74,530	62,489	69,428
Net cash provided by operating activities	89,611	77,608	84,684
Cash flows from investing activities:			
Property additions	(181,438)	(117,662)	(128,568)
Net change in investment in associated organizations	(141)	181	163
Special deposits and funds	(23,831)	(87,712)	(19,901)
Net cash used in investing activities	(205,410)	(205,193)	(148,306)
Cash flows from financing activities:			
Proceeds from issuance of notes and bonds	153,844	176,300	184,051
Payments for long-term debt of maturities and refinancings	(49,033)	(51,807)	(107,014)
Changes in commercial paper	20,000	7,000	5,000
Debt issuance cost	(1,038)	31	(923)
Hedge settlements, net	(4,333)	(2,350)	(1,299)
Net cash provided by financing activities	119,440	129,174	79,815
Net increase in cash and cash equivalents	3,641	1,589	16,193
Cash and cash equivalents – beginning of period	40,611	39,022	22,829
Cash and cash equivalents – end of period	$ 44,252	$ 40,611	$ 39,022
Cash paid for interest (net of amounts capitalized)	$ 67,845	$ 68,344	$ 68,088

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

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2015, 2014, and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Business description

Georgia Transmission Corporation (GTC) is a Georgia electric membership corporation headquartered in Tucker, Georgia. GTC 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. GTC 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 GTC and Oglethorpe. GTC commenced operations effective April 1, 1997. The members of GTC 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, GTC operates on a not-for-profit basis. GTC'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. GTC also provides transmission services to Oglethorpe and third parties. At December 31, 2015, GTC owned 3,196 miles of transmission lines and 714 substations of various voltages. GTC succeeded to all of Oglethorpe's rights and obligations with respect to the Integrated Transmission System (ITS), consisting of transmission facilities owned by GTC, 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

GTC 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

GTC is organized and operates as a cooperative. The Member Systems and Oglethorpe paid an aggregate of $195 in membership fees. Patronage capital is the retained net margin of GTC. As provided in GTC'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 GTC. Under the GTC Indenture, GTC 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 GTC's Indenture and the discretion of the Board of Directors. Under the Indenture, GTC 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) GTC's equity as of the end of the immediately preceding fiscal quarter is less than 20% of GTC's total capitalization, or (iii) the aggregate amount expended for distributions on or after the date on which GTC's equity first reaches 20% of GTC's total capitalization exceeds 35% of GTC'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, GTC's equity as of the end of the immediately preceding fiscal quarter is not less than 30% of GTC'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 GTC maintains with each of the Member Systems. These agreements expire on December 31, 2060. These transmission contracts obligate each of the Member Systems to pay GTC for transmission service furnished to it in accordance with rates GTC 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. These revenues are also recognized as services are provided. GTC constructs certain generation interconnection facilities for the Member Systems, Oglethorpe and third parties. GTC bills the user for GTC'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.)

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

Rates charged for transmission services are described in the Tariff, and are designed to recover all of GTC's costs and expenses. These rates expressly include, in the description of costs to be recovered, all principal and interest on GTC'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 GTC 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, GTC reviews its annual budget and rates at least once every year and at such intervals as it deems appropriate. In addition, from time to time, board-approved budget adjustments are also made to better target required margin levels.

GTC 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 GTC transmission customer. Oglethorpe also makes point-to-point purchases from GTC under this arrangement.

The member contributors that are or have been greater than 10% of GTC's total operating revenue as well as their contribution percentages for the last three years are listed in the table on the right. Revenues from non-members accounted for 0.7%, 2.3% and 2.2% of GTC's total operating revenues for 2015, 2014, and 2013, respectively.

Contribution to Total Operating Revenue	2015	2014	2013
Jackson EMC	12.0%	11.4%	11.0%
Oglethorpe	11.3%	11.3%	11.4%
Cobb EMC*	6.7%	10.2%	10.8%

* The decrease in Cobb EMC's contribution to total operating revenue in 2015 compared to 2014 was due to a shift in costs among the Member Systems caused by the effects of an unusual winter peak on our normally summer-peaking system.

e. Depreciation

Depreciation is computed on eligible assets when they are placed in service using the composite straight-line method. Annual depreciation rates in effect in 2015, 2014, and 2013, using RUS-prescribed rates, were as shown in the table on the right.

	2015	2014	2013
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%

GTC's depreciation rates include a component that addresses the cost of removal and salvage. Provisions for the cost of removal, net of 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. GTC 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 2015 was 1.0% and 3.3%, respectively, for a total weighted cost of 4.3%. The weighted cost of equity and debt funds for 2014 was 1.0% and 3.5%, respectively, for a total weighted cost of 4.5%. The plant acquisition adjustments represent the excess of the cost of the plant to GTC over the original cost, less accumulated depreciation at the time of acquisition, and are being amortized during periods ranging from 10 to 35 years.

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

g. Cash and cash equivalents

GTC considers all temporary cash investments purchased with an original maturity of three months or less to be cash equivalents. GTC 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 for its borrowers to deposit Federal Financing Bank (FFB) debt service payments prior to their scheduled due dates. These funds earn interest income for the borrower at a fixed 5% rate per annum. At December 31, 2014, GTC had a balance of $188.8 million in a COC account. In 2015, GTC deposited an additional $102 million and received $10.2 million in interest income. Subsequent withdrawals of debt service payments for $88.4 million resulted in a balance of $212.6 million, as of December 31, 2015. Additionally, GTC had a net receivable of approximately $1.8 million related to COC interest, as of December 31, 2015.

i. Accounts receivable

Accounts receivable includes 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

GTC 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 to the right represents GTC's regulatory assets and liabilities as of December 31, 2015, and 2014. GTC 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 GTC from the Member Systems, Oglethorpe and third parties through the rate-making process. Regulatory liabilities represent probable future revenues associated with amounts to be credited to the Member Systems, Oglethorpe and third parties through the rate-making process. Regulatory assets include

(dollars in thousands)	12/31/15	12/31/14
Regulatory assets		
Unamortized loss-reacquired debt	$21,714	$23,802
Loss on interest rate hedges, being amortized	15,383	12,233
Loss on interest rate hedges, unrealized	3,522	8,253
PTO accrual	3,483	3,379
Total assets	$44,102	$47,667
Regulatory liabilities		
Unamortized gain-reacquired debt	$ 721	$ 1,043
Gain on interest rate hedges, being amortized	3,831	4,197
PTO accrual	3,483	3,379
Total liabilities	$ 8,035	$ 8,619

unamortized losses on reacquired debt, unamortized and unrealized losses on interest rate hedges, and accruals for paid time off (PTO). Regulatory liabilities include unamortized gains on reacquired debt, unamortized gains on interest rate hedges and accruals for PTO.

If, in the future, competitive or other factors make it improbable for GTC to recover these costs from the Member Systems and Oglethorpe through rates under the MTSAs, GTC could no longer apply the guidance for Accounting for the Effects of Certain Types of Regulation. In that event, GTC could be required to eliminate all regulatory assets and liabilities that otherwise could not be recognized as assets and liabilities by businesses in general. In addition, GTC could be required to determine any impairment to other assets, including plant, and write down those assets, if impaired, to their fair values.

l. Parity

GTC 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 GTC and Georgia Power. In December 2006, GTC 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. GTC earns parity revenues from other ITS participants to the extent GTC's percentage of investment in the ITS exceeds its percentage use of the system. GTC incurs transmission parity expense if its percentage use of the system exceeds its percentage investment in the ITS. 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. GTC 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. GTC's interest rate hedge arrangements are designated as cash flow hedges. The fair value of GTC'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) below 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. GTC 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. GTC has concluded it does not have any significant legal obligations that require accrual under the related guidance.

2. FINANCIAL INSTRUMENTS:

a. Fair value measurement

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. GTC 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 to the right summarize GTC's assets and liabilities aggregated by levels within the fair value hierarchy as of December 31, 2015, and December 31, 2014.

(dollars in thousands) December 31, 2015

	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	$ 44,252	$ 44,252	$ 44,252	$ –
Cushion of Credit	212,526	212,526	212,526	–
Total Assets	$ 256,778	$ 256,778	$ 256,778	$ –
Liabilities:				
Commercial paper	$ 177,000	$ 177,000	$ 177,000	$ –
Long-term debt	1,905,094	2,116,640	–	2,116,640
Interest rate hedges – unrealized	3,522	3,522	–	3,522
Total Liabilities	$2,085,616	$2,297,162	$ 177,000	$2,120,162

(dollars in thousands) December 31, 2014

	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	$ 40,611	$ 40,611	$ 40,611	$ –
Cushion of Credit	188,771	188,771	188,771	–
Total Assets	$ 229,382	$ 229,382	$ 229,382	$ –
Liabilities:				
Commercial paper	$ 157,000	$ 157,000	$ 157,000	$ –
Long-term debt	1,800,283	2,082,590	–	2,082,590
Interest rate hedges – unrealized	8,253	8,253	–	8,253
Total Liabilities	$1,965,536	$2,247,843	$ 157,000	$2,090,843

b. Derivative instruments and hedging activities

GTC anticipates a significant amount of new long-term debt in connection with forecasted capital expenditures. Therefore, GTC is exposed to the risk of rising interest rates. GTC has entered into interest rate derivatives to partially hedge exposure to changes in interest rates. The use of these financial instruments helps mitigate exposure to increases in interest rates and variability in GTC's transmission rates. The derivatives function as hedging instruments on anticipated debt issuances and are structured to be highly effective. GTC does not enter into derivative financial instruments for speculative or trading purposes.

GTC is exposed to credit risk loss in the event of nonperformance by counterparties in interest rate derivative transactions; however, GTC does take steps to manage exposure to counterparties. These steps include: setting minimum rating requirements for counterparties, diversifying transactions among counterparties and using mandatory early cash settlements. GTC continuously monitors the creditworthiness of the counterparties in its derivative contracts and assesses each counterparty's ability to perform under any open contracts. Given this assessment, as well as an assessment of GTC's own credit risk when determining the fair value of derivative liabilities, the impact of credit risk was deemed immaterial to the fair value of derivative liabilities presented on the balance sheet as of December 31, 2015, and December 31, 2014.

In 2011, GTC entered into collars with initial notional amounts totaling $105 million to hedge approximately 10% to 20% of anticipated FFB loan advances from 2013 through 2016. The collars are designed to create a range of effective interest rates below a cap rate and above a floor rate. The values of the collars depend on the prevailing LIBOR swap rates on the effective dates, which are timed to match anticipated FFB draws. If the prevailing LIBOR swap rates on an effective date are above the floor rate but below the cap rate, neither counterparty will make a payment. If the prevailing LIBOR swap rates on an effective date are above the cap rate, the counterparty will make a payment to GTC. If the prevailing LIBOR swap rates

on an effective date are below the floor rate, GTC will make a payment to the counterparty. In June 2013, GTC made a payment of approximately $1.3 million on a $15 million notional collar. In June 2014, GTC made a cash termination payment of approximately $2.4 million on a $15 million notional collar. Another $15 million notional collar terminated with no cash payment required. In June 2015, GTC made cash termination payments of $805,000 and $3.5 million on two notional collars of $15 million each. GTC elected to apply the guidance of Accounting for Certain Types of Regulation to these transactions. At December 31, 2015, and December 31, 2014, the interest rate derivatives in the tables on the right were outstanding.

Collar 2015 December 31, 2015	Effective Date	Notional Amounts (in millions)	Cap	Floor	Termination Date*	Fair Value Gain (Loss) (in millions)
	June 2016	$ 30	5.00%	3.36%	June 2048	$(3.5)
Total		$ 30				$(3.5)

* The collar above has cash settlements on the effective date.

Collars 2014 December 31, 2014	Effective Date	Notional Amounts (in millions)	Cap	Floor	Termination Date*	Fair Value Gain (Loss) (in millions)
	June 2015	$ 30	5.50%	3.25%	June 2047	$(5.3)
	June 2016	30	5.00%	3.36%	June 2048	(3.0)
Total		$ 60				$(8.3)

* All of the above collars have cash settlements on the effective date.

GTC's derivative contracts contain provisions stating that if GTC's (or the counterparty's) long-term debt rating from one of the major credit rating agencies falls below investment grade, the other counterparty could request immediate and ongoing full overnight collateralization on derivatives in net liability positions. The aggregate fair values of all derivatives in net liability positions on December 31, 2015, and December 31, 2014, were $3.5 million and $8.3 million, respectively, for which GTC posted collateral of $0 in the normal course of business.

At December 31, 2015, and December 31, 2014, the fair value losses of $3.5 million and $8.3 million, respectively, on the unrealized collars were included in deferred charges with the corresponding offset included in other liabilities.

All of the aforementioned cash settlements 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, 2015, and December 31, 2014, the remaining unamortized balances in deferred charges were $15.4 million and $12.2 million, respectively, and the remaining unamortized balances in the deferred credits were $3.8 million and $4.2 million, respectively.

In 2015 and 2014, the net amortization expenses for the aforementioned cash-settled interest rate hedges were $816,000 and $859,000, respectively. See Note 2(a) for the fair value of GTC's derivative instruments as reflected in the balance sheet.

3. INVESTMENTS:

Investments in associated organizations include equities allocated to GTC in the form of patronage capital and capital term certificates. The patronage capital and capital term certificates investments are a result of GTC's membership in the various organizations. Investments at December 31, 2015, and 2014, are shown in the table to the right.

(dollars in thousands)	2015	2014
CFC	$ 21,602	$21,978
CoBank	2,915	2,458
Georgia Electric Membership Corporation Workers' Comp	47	67
Federated Insurance	208	177
Other	156	107
Total	$24,928	$24,787

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

All investments in associated organizations are accounted for using the cost method for investments because there is no market for these investments, and it is not practicable to estimate their fair values. Under this method, the fair value of an investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on its fair value. GTC 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, 2015 and 2014, 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:

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

Financial Accounting Standards Board (FASB) issued guidance on Accounting for Uncertainty in Income Taxes. GTC adopted this guidance for the year ended December 31, 2009. Management has examined GTC's tax positions and concluded GTC has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. GTC is generally not subject to income tax examinations by federal, state or local tax authorities for years before 2011.

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, GTC 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 GTC 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.

GTC has RUS-guaranteed FFB notes under which the outstanding principal amount was $1.2 billion at both December 31, 2015, and 2014, with rates ranging from 0.27% to 8.43%.

During 2015, GTC fully advanced approximately $83.8 million of an existing RUS-guaranteed FFB loan related to 2013 transmission projects. In May 2014, GTC submitted a loan application to RUS for approximately $104 million to provide long-term financing for capital expenditures related to 2014 transmission projects. This application was approved in September 2014. No advances on this loan have occurred to date. In June 2015, GTC submitted another loan application for approximately $115 million related to 2015 transmission projects. This application is still under review at RUS.

During 2012, GTC 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. GTC 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, GTC remarketed the PCBs in 2015, retaining the structure and tenor (three years) of the original bonds. The fixed term on the remarketed PCBs is 1.3%. The next mandatory tender date is May 3, 2018.

GTC currently has a $300 million shelf loan from CFC, of which approximately $229 million is available for future draws. In previous years, GTC borrowed $71 million, of which $42 million and $45 million were outstanding as of December 31, 2015, and December 31, 2014, respectively. The purpose of this shelf loan is to fund a portion of GTC's projected capital expenditures. The CFC shelf loan was amended so that equity certificate purchases (required by CFC with each loan advance) could be funded using a separate unsecured loan. Advances under both facilities have a final maturity date of December 15, 2036.

During 2015, GTC executed a three-year $125 million loan to bridge finance several transmission asset purchases from Georgia Power. The loan was syndicated among CFC, Bank of America, Bank of Tokyo-Mitsubishi, and CoBank. GTC intends to apply to RUS to fund the assets long-term and anticipates that process to take two to three years. Ultimately, funds received from RUS will be used to repay the loan. During November and December 2015, assets were purchased totaling $70 million using the loan, leaving $55 million remaining for 2016 asset purchases.

GTC has a committed $275 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 GTC's commercial paper program. Because GTC 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. At December 31, 2015, and December 31, 2014, commercial paper outstanding amounts were $177 million and $157 million, respectively. There were no outstanding amounts on the CFC-led facility at December 31, 2015, or 2014.

GTC has a $250 million CoBank-led credit agreement with a term extending to December 2018. The CoBank agreement is an active resource for liquidity, funding construction projects and general corporate purposes. The agreement may also be used as support for commercial paper. As of December 31, 2015, and December 31, 2014, GTC had advanced $200 million, using the CoBank agreement.

Maturity Schedule

(dollars in thousands)	2016	2017	2018	2019	2020	Thereafter	Total
FFB	$ 40,087	$ 39,040	$ 38,943	$ 40,661	$ 35,300	$999,192	$1,193,223
CFC	5,864	4,225	4,079	4,103	4,126	45,009	67,406
PCB	–	–	–	–	–	94,465	94,465
Private placement	4,500	6,000	6,500	10,000	14,500	238,500	280,000
CoBank credit agreement	–	–	200,000	–	–	–	200,000
Syndicated loan	–	–	70,000	–	–	–	70,000
Total	$ 50,451	$ 49,265	$319,522	$54,764	$ 53,926	$1,377,166	$1,905,094

GTC has a $20 million uncommitted short-term line of credit with CFC with no outstanding amounts at December 31, 2015, or 2014.

Maturities for long-term and short-term debt through 2020, excluding commercial paper, are as shown in the first table to the right (above).

6. ELECTRIC PLANT AND RELATED AGREEMENTS:

A summary of GTC's transmission and distribution investments and related accumulated depreciation as of December 31, 2015, and 2014, is shown in the second table to the right.

GTC 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 provide for GTC to build, operate and maintain a switching station and related interconnection facilities that allow the generation facility access to the ITS. Although GTC is reimbursed for the cost of building the interconnection facilities and all related operation and maintenance expenses, GTC retains legal ownership of the intercon-

(dollars in thousands) Plant	2015 Investment	2014 Investment
In service		
Transmission lines	$ 1,305,908	$ 1,277,911
Transmission substations	550,346	534,806
Distribution substations	831,759	726,646
General plant and other	36,041	34,111
Plant held for future use	42,911	42,906
Total utility plant in service	$ 2,766,965	$ 2,616,380
Construction work in progress		
Transmission lines	$ 20,507	$ 18,167
Transmission substations	28,885	11,358
Distribution substations	5,972	10,761
General plant and other	12,380	7,676
Plant held for future use	4,865	3,925
Total construction work in progress	$ 72,609	$ 51,887

Plant	2015 Accumulated Depreciation & Amortization	2014 Accumulated Depreciation & Amortization
In service		
Transmission lines	$ 428,088	$ 397,932
Transmission substations	145,752	133,581
Distribution substations	254,366	200,363
General plant and other	15,322	20,640
Total in service	$ 843,528	$ 752,516

nection facilities other than those incidental to the generation facilities, which the generator will own. GTC 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 GTC's Member Systems and Oglethorpe, and, as such, GTC does not collect revenues from the generation facilities for the transmission services GTC provides. GTC does earn revenues from operation and maintenance on these interconnection facilities. See Note 1(d) for further discussion.

7. EMPLOYEE BENEFIT PLANS:

The GTC Retirement Plan's 401(k) feature covers substantially all employees. An employee may contribute, subject to IRS limitations, up to 60% of his/her eligible annual compensation. GTC 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. GTC'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. GTC's contributions to the matching feature of the plan were approximately $1.3 million, $1.2 million, and $1.2 million in 2015, 2014, and 2013, respectively.

Under the GTC Retirement Plan's employer retirement contribution feature of the 401(k) plan, GTC contributes 8%, subject to Internal Revenue Service (IRS) limitations, of each employee's eligible annual compensation. GTC's contributions to the employer retirement contribution feature of the 401(k) plan were approximately $2.5 million, $2.4 million, and $2.3 million, in 2015, 2014, and 2013, respectively.

GTC also sponsors two 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 two plans are the GTC Deferred Compensation Plan for Employees administered by the National Rural Electric Cooperative Association (NRECA) and the GTC Deferred Compensation Plan offering investment options from Fidelity Investments (Fidelity) and administered by Fidelity. The GTC 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 GTC 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 value of the NRECA and Fidelity plans is recorded as an asset and an equal offsetting liability with balances of $1.6 million as of December 31, 2015, and $1.5 million as of December 31, 2014.

8. COMMITMENTS AND CONTINGENCIES:

GTC 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, 2015, neither party had issued a cancellation notice. Purchases and uses of the services by GTC 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 or increases to GTC's ownership percentage in the ITS.

In 2013, GTC entered into new contracts with a vendor for both construction and maintenance services. The guaranteed minimum amount under the construction contract for 2014 was approximately $1.3 million, and the maintenance contract for 2014 was written as time and material with no guaranteed contract amount. For 2015, the construction contract had a guaranteed minimum payment of approximately $1.3 million, and the maintenance contract had no guaranteed contract amount. For 2016, the guaranteed minimum payment under the construction contract is $983,000 and the maintenance contract has no guaranteed contract amount.

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

GTC 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.

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

On March 13, 2014, a lawsuit was filed in the Superior Court of DeKalb County, Georgia ("Walker Case"), against GTC, Oglethorpe and three of GTC's Member Systems. The plaintiffs, four former consumer-members of four of the Member Systems, challenged the patronage capital distribution practices of Georgia's electric cooperatives and seek to certify a defendant class of all but one of GTC's 38 Member Systems. Among other claims, the plaintiffs claim that the patronage capital of former consumer-members held by defendants and the proposed defendant class should be retired immediately when the consumer-members end their membership by terminating service, or alternatively, according to a revolving schedule. The plaintiffs further seek to require the defendants to adjust rates in order to establish and maintain reasonable reserves to fund patronage capital retirements on this basis.

GTC's first mortgage indenture restricts its ability to distribute patronage capital. Although not expected, if GTC were ordered by the Court to make distributions of patronage capital, GTC's first mortgage indenture would require the company to raise rates to a level sufficient so that it could comply with the current patronage capital distribution restrictions, and the rate increases required to meet the plaintiffs' demands would be significant for a period of years.

On August 20, 2014, a second patronage capital lawsuit was filed in the Superior Court of DeKalb County ("Shapiro Case") against GTC, Oglethorpe, and two of the Member Systems. The case was filed by two alleged current consumer-members of the two Member Systems named in the lawsuit. Similar to the Walker Case, this complaint challenges the patronage capital distribution practices of Georgia's electric cooperatives; however, one notable difference is that the Walker Case seeks to bring claims on behalf of former members while the Shapiro Case seeks to bring claims on behalf of current members. The plaintiffs seek unspecified damages and equitable relief, including an order declaring that the defendants be required to retire patronage capital "according to a regular, reasonable revolving plan." Similar to the Walker Case, although not expected, if GTC was ordered by the Court to make distributions of our patronage capital, its first mortgage indenture would require GTC to raise rates to a level where it could comply with the current patronage capital distribution restrictions, and rate increases required to meet the plaintiffs' demands could be significant for a period of years.

On May 12, 2015, the judge in both the Walker and Shapiro Cases appointed a retired federal judge as the Special Master in both cases. On September 4, 2015, the Special Master issued proposed orders dismissing the two cases in their entirety. The proposed orders have been challenged by the plaintiffs and are subject to approval by the court. If approved, the court's decision to grant the motions to dismiss would be subject to appeal.

9. RELATED PARTY TRANSACTIONS:

GTC is party to certain agreements with Oglethorpe and GSOC for the recovery of certain costs incurred by them on behalf of GTC. Oglethorpe charges GTC 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 $3.8 million, $3.8 million, and $3.5 million for 2015, 2014, and 2013, respectively, and are allocated to GTC based on square footage. Amounts due to Oglethorpe were $595,000 and $518,000 as of December 31, 2015, and 2014, respectively.

GTC is also party to agreements for shared services and control center operations GSOC provides. Under these agreements, GSOC performs certain administrative, general and control center services on behalf of GTC, and GSOC bills GTC for such services at its cost plus a required margin. Amounts paid by GTC to GSOC for such services were $30.4 million, $31.9 million, and $29.1 million, for 2015, 2014, and 2013, respectively. Amounts due to GSOC were $2.0 million and $2.4 million as of December 31, 2015, and 2014, respectively.

The agreement with Oglethorpe renews each year, unless terminated by either party by giving 180 days' notice. See Note 5 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.

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.

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

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

The independent public accountants also provide an objective assessment of how well management meets its responsibility for fair financial reporting. Management believes that its policies and procedures provide reasonable assurance that GTC'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 GTC.

Jerry L. Donovan
President and Chief Executive Officer

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

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors, Georgia Transmission Corporation, Tucker, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Georgia Transmission Corporation, which are comprised of the balance sheets and statements of capitalization as of December 31, 2015 and 2014, and the related statements of revenue and expenses, patronage capital and membership fees, and cash flows for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Georgia Transmission Corporation as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Morehead City, North Carolina
March 1, 2016