Oglethorpe Power Corporation, Georgia

The downgrade to 'BBB' reflects higher anticipated leverage at Oglethorpe Power Corporation that will remain elevated longer than previously expected based on revised construction costs and the delayed schedule to complete the Vogtle nuclear Units 3 and 4. OPC revised its budget to $8.25 billion from $7.5 billion for its 30% share (660MW) of the project. Fitch expects OPC's financial profile to remain consistent with the 'BBB' rating through 2024 based on the in-service dates of June 2022 and June 2023 for Units 3 and 4, respectively. Improvement in OPC's credit quality hinges on successful completion of the Vogtle project and efficient operation of the new units.

The Outlook is revised to Stable from Negative because further downward rating movement is considered unlikely at this time, given the relatively short remaining time to expected completion and OPC's conservative revised budget assumptions, which include June 2022 and June 2023 in-service dates and a robust $424 million OPC-level contingency fund. The rating captures the asymmetric risk related to ongoing nuclear construction and start-up operations, once completed. Further schedule delays could occur, particularly as a result of a Nuclear Regulatory Commission (NRC) electrical remediation inspection at Unit 3, but should be absorbed at the current rating level.

The rating further incorporates the strong credit quality of the largest of OPC's 38 members, who collectively serve 2.0 million customer meters in Georgia, and Fitch Ratings' expectation that member rate affordability will weaken with the completion of Vogtle and the inclusion of project costs in their retail electric rates. OPC's largest members have competitive rates and exhibit high affordability, as measured by annual energy costs compared with median household income. OPC's existing average member rate advantage could narrow compared with the comparable rates of Georgia Power Company (GPC.

Key Rating Drivers

Revenue Defensibility: 'aa'; Unconditional, Wholesale Power Sales Contracts: OPC's assessment reflects the very strong contractual underpinnings supporting electric revenues collected from 38 members, the legal ability to raise wholesale electric rates and the strong credit quality of contracted members. Fitch expects OPC's rate formula will provide for timely cost recovery when Vogtle Units 3 and 4 enter commercial operation, and the full costs of those units are passed through to members in the project.

Operating Risk: 'a'; Low Operating Costs with Upward Pressure: Operating cost burden averaged just above 5.0 cents/kWh over the past five years and are considered low. Fitch expects operating costs to remain low for the existing diversified portfolio of generation assets. The existing fleet's capital requirements are moderate and supported by ongoing capex. Project-completion risk at Vogtle Units 3 and 4 represents an asymmetric rating factor consideration in the operating risk assessment given the ongoing cost and schedule uncertainty associated with the project.

Financial Profile: 'bbb'; High Leverage Persists with Recent Vogtle Construction Cost Increase: OPC's financial margins and liquidity position are stable, and management's commitment to achieving interest coverage margins of 1.14x through the final year of Vogtle construction, which is above its indenture requirement of 1.1x, should continue to produce sufficient margins during construction. However, the nuclear expansion necessitated significant debt financing and led to an elevated leverage ratio. The downgrade to 'BBB' is based on our expectation that leverage will remain elevated until 2024, at which time wholesale rate increases could bring the leverage ratio below 11.0x.

Ratings

Long-Term Issuer Default Rating[a]	BBB

Outstanding Debt

Appling County Development Authority (GA) (Oglethorpe Power Corp Hatch Project) Pollution-Control Revenue Bonds	BBB
Burke County Development Authority (GA) (Oglethorpe Power Corporation Vogtle Project) Pollution-Control Revenue Bonds	BBB
Heard County Development Authority (GA) (Oglethorpe Power Corp.) Pollution-Control Revenue Bonds	BBB
Monroe County Development Authority (GA) (Oglethorpe Power Corporation Scherer Project) Pollution-Control Revenue Bonds	BBB
Oglethorpe Power Corporation (GA) CP Notes	F2
Oglethorpe Power Corporation (GA) First Mortgage Bonds	BBB
Oglethorpe Power Corporation (GA) First Mortgage Revenue Bonds	BBB
Oglethorpe Power Corporation (GA) First Mortgage Revenue Bonds (Taxable)	BBB

[a]Downgraded from 'BBB+' on Aug. 12, 2021.

Rating Outlook

Stable

Applicable Criteria

U.S. Public Power Rating Criteria (April 2021)

Public Sector, Revenue-Supported Entities Rating Criteria (February 2021)

Related Research

Public Power - Fitch Analytical Comparative Tool (FACT) – 2021 (June 2021)

U.S. Public Power -- Peer Review (June 2021)

Fitch Ratings 2021 Outlook: U.S. Public Power and Electric Cooperatives (December 2020)

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Rating Sensitivities

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Completion and successful operation of Vogtle Units 3 and 4;
- Stabilized leverage below 11.0x in Fitch's base and stress cases;
- Continued stability in the credit quality of OPC members and a 'a' purchase credit quality assessment.

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Project cost increases that diminish OPC's member credit quality below the current 'a' purchaser credit quality assessment;
- Cancellation of the Vogtle project or failure of the units to successfully operate;
- The 'F2' CP rating will be downgraded if OPC's liquidity ratio falls below 1.1x or if OPC's Issuer Default Rating (IDR) is downgraded below 'BBB'.

Credit Profile

OPC provides partial wholesale electric service to 38 member cooperatives located throughout Georgia. Its members collectively serve a vast region covering approximately 38,000sq miles (65% of the state's land area) and encompassing 151 of the state's 159 counties. The member service territory exhibits considerable size, breadth and diversity.

OPC has a large and diverse generation portfolio of approximately 8,400MW of generation capacity, member-owned resources and federal hydropower allocations. The portfolio provides a balanced mix of nuclear, natural gas and coal-fired resources to meet a portion of total member load requirements that grew at an average of approximately 1% per year historically. OPC's members are responsible for procuring any remaining energy requirements not met by OPC's generation portfolio.

Vogtle Construction Update

Construction is ongoing at Vogtle Units 3 and 4, the only active construction of a new nuclear plant in the U.S. Construction is under the direction of Southern Nuclear, along with Bechtel as the construction manager. OPC is participating in the Vogtle nuclear expansion project with a 30% ownership position along with three other co-owners: GPC (45.7% share), the Municipal Electric Authority of Georgia (MEAG Power; 22.7%) and the city of Dalton utilities (1.6%).

OPC's revised budget for its 30% share is $8.25 billion, up from a budget of $7.5 billion adopted in September 2018 that included OPC-level contingency funds that absorbed project cost increases in 2019 and 2020. Units 3 and 4 will provide OPC with 660MW of additional capacity when completed that will serve a greater share of member load from OPC, replacing purchases the members contracted with third-party providers.

Construction was approximately 98% complete at Unit 3 and approximately 80% complete at Unit 4 at the end of 1Q21, but the plant continues to experience challenges related to productivity, recruiting sufficient craft labor to the site, high rates of work force absenteeism, and consistently meeting construction and testing milestones. The coronavirus pandemic in 2020 brought additional delays and expenses to the construction site. Southern Nuclear reported the work site has seen lower infection rates since the peak in January 2021 but estimates virus-related challenges resulted in a three- to four-month schedule delay at both units.

In addition to the other challenges, decisions regarding the timing and staging of certain testing protocols resulted in additional costs. As testing proceeded, a high degree of remediation work was required for project electrical installations, causing schedule delays and triggering an NRC inspection of the electrical remediation work at Unit 3. The Unit 3 fuel load will not be permitted to proceed until the NRC inspection is completed. Fuel load is tentatively scheduled to occur in 4Q21.

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
BBB	Downgraded	Stable	8/12/21
BBB+	Downgraded	Negative	10/12/18
A–	Affirmed	RWN	8/10/18
A–	Affirmed	Stable	1/19/18
A–	Downgraded	RWN	9/6/17
A	Affirmed	Negative	4/5/13
A	Affirmed	Stable	10/18/04
A	Assigned	—	3/12/97

RWN – Rating Watch Negative.
IDR – Issuer Default Rating.
Source: Fitch Ratings.

The semiannual Vogtle Construction Monitoring (VCM) 24 report GPC submitted to the Georgia Public Service Commission (GPSC) in February 2021 extended the commercial operation dates of Unit 3 to December 2021 and retained the November 2022 date for Unit 4. However, Southern Nuclear announced in July 2021 a further six-month delay in the completion date for Unit 3 to 2Q22 and four-month delay in the commercial operation date of Unit 4 to 1Q23. These revised dates are expected to be incorporated into the VCM 25 report due at the end of August 2021. The Vogtle independent construction monitor forecasts in-service dates will be no sooner than June 2022 and June 2023, which are included in OPC's revised budget and factored in this rating analysis.

OPC Adopts Conservative Revised Budget

OPC revised its Vogtle budget to $8.25 billion from $7.5 billion in July 2021, following the announced schedule delays and most recent cost increases. OPC's former $7.5 billion budget was adopted in September 2018 based on Southern Nuclear's large budget revision less than a year after taking over construction at the site and codified in the VCM 19 report. At the time of the VCM 19 report, OPC and the other co-owners amended the joint ownership agreements to include cost-sharing arrangements in the event that total project construction cost exceeded the $17.1 billion budget, based on the VCM 19 report.

OPC's budget at that time prudently included its own contingency fund of $228 million in addition to the project-level contingency fund of $800 million, $240 million of which was allocable to OPC's 30% share. The project-level contingency fund is fully consumed and the recent schedule delays and cost increases will absorb OPC's own contingency fund, but the existence of these two contingency funds allowed OPC's budget estimate to remain at $7.5 billion for nearly three years during a period of continual, although at times incremental, cost increases at the project.

The $8.25 billion budget includes a robust OPC-level contingency amount of $424 million, in addition to a new $260 million project-level construction contingency (OPC's share is $78 million). The size of OPC's contingency reserves positions the cooperative to absorb some amount of additional schedule delays and cost increases at the revised budget level and supports the Outlook revision to Stable.

Potential cost savings related to the cost-sharing bands agreed to by the co-owners could total a maximum of $99 million, but have not been factored into OPC's budget.

Revenue Defensibility

Revenue source characteristics are very strong, based on substantially similar amended and restated wholesale power contracts with each member that extend through Dec. 31, 2050. The contracts are take-or-pay and require unconditional payment, regardless of project operation, including the explicit circumstance of resource construction suspension. The contracts continue in effect after 2050 unless terminated with three years' notice by either OPC or the member. There is no termination option prior to 2050.

The contracts include a fixed initial subscription amount, the percentage capacity responsibility (PCR), for each member on each generation resource. None of OPC's projects include all 38 members, but most of the projects, including Vogtle 3 and 4, have at least 30 participants. The contracts allow for a discretionary assignment process that allows members to transfer their PCRs in certain projects to other members willing to take an additional share of the project. It is only permitted when there is sufficient interest from other members, which has occurred for certain projects.

In the event of a participant payment default, a shortfall would occur in each of the projects for which the participant has a PCR for that resource. The wholesale contracts have a step-up process that allocates defaulted amounts to the remaining nondefaulting members in proportion to their PCR in each resource. In the event of a payment default by all members of a particular resource, the contracts require the nonparticipating members in that resource to be billed for the default.

The contracts are not all-requirements, but instead allocate only OPC's existing generation portfolio and Vogtle 3 and 4, which are under construction. New resources constructed at OPC must have approval of at least 75% of the board, 75% of the members and members representing 75% of patronage capital. Members are responsible for acquiring any supplemental power supply. OPC supplied between 57% and 58% of the total retail energy requirements of members in the last four years. Once Vogtle 3 and 4 enter commercial operation, this percentage is expected to increase to 64%.

Rate Flexibility

Rate flexibility is very strong, supported by OPC's rate authority, which allows the board to establish its own rates and requires them to be reviewed annually. Neither OPC's wholesale rates nor member retail rates are subject to regulation or approval of any federal or state authority, including the Federal Energy Regulatory Commission or the GPSC.

OPC's formulary rate schedule, as permitted under the wholesale power contracts, includes two components. The first, the capacity charge, recovers OPC's fixed costs based on each member's fixed percentage of each OPC project in which the member participates. The second, the energy charge, recovers variable costs related to actual fuel, operating and purchased energy costs. The rate formula allows for 30- to 60-day recovery on the energy cost component and bills the capacity charge on a level basis with a prior-period adjustment mechanism to ensure OPC achieves its required minimum margin for interest coverage of 1.1x, as required by the first mortgage indenture. The OPC board approved recovery of 1.14x during nuclear construction.

Rate Competitiveness

OPC's average member residential rate is historically lower than, but competitive with, GPC's residential rate. OPC's member residential rate average was 11.7 cents/kWh in 2020, compared with GPC's average residential rate of 12.5 cents/kWh. This relationship reflects the common ownership of the state's largest generating resources and the high-voltage transmission system. However, GPC's rates include financing costs of Vogtle, whereas OPC is largely capitalizing nearly all costs, with the exception of some elective rate programs that allow members to smooth in the rate impact of Vogtle by expensing some amounts prior to the in-service date.

OPC's forecast wholesale power costs are an important consideration in its future revenue flexibility. OPC's power cost projections indicate wholesale rates will rise once Vogtle Units 3 and 4 enter commercial operation from current levels in the high 6 cents/kWh range to approximately mid-7 cents/kWh, although this estimate does not incorporate certain rate-management programs in use by members designed to offset the rate impact during the initial years of Vogtle 3 and 4 operation.

Fitch historically expected OPC member rates would remain in line with the state's other utilities, which should experience similar cost increases related to Vogtle participation. However, GPC has not yet sought rate recovery of certain cost increases incurred since 2018. If GPC does not ultimately place those project costs into rates, it could disrupt the commonality of the rate trend among the co-owners. Fitch is concerned this trend may narrow the existing competitive advantage between OPC average member residential rates and those of GPC ratepayers.

Rate-Management Programs

OPC offers two optional rate-management programs to its members designed to smooth the rate impact associated with the Vogtle project during the initial years of operation (2023–2027). A total of 17 members participate to some degree in one of the rate-management programs, while other members designed their own strategies to incorporate the higher capacity charges expected by 2023. Although the funds in the rate-management programs are small in relation to overall project cost, the programs provide a prudent step for members to manage the magnitude of rate increases in the initial years, which may be unpopular.

Purchaser Credit Quality

The purchaser credit index score is considered a 2.0, reflecting strong credit quality of the largest distribution cooperative members. There is little concentration among OPC's 38 members. Cobb Electric Membership Corp. (EMC) and Jackson EMC each accounted for 13% and 15%, respectively, of OPC's total revenues in 2020, but no other member accounted for more than 10% of revenues individually.

Fitch's review of OPC's five largest members indicates strong credit quality and reflects characteristics that generally include service areas with customer growth over 1.5%, favorable service area demographics, rates competitive with the state average, and high rate affordability between 1.5% and 3.0% of median household income. Financial profiles are adequate, with sizable leverage (including a portion of OPC's debt) and limited liquidity levels, which is typical for electric cooperatives.

The territory served by OPC members is largely rural, although some members serve suburban regions surrounding the state's largest cities, including Atlanta. Member energy sales are heavily weighted toward residential consumers at around 66% of total sales, with small commercial and industrial consumers accounting for much of the remainder. There is no significant retail customer concentration given the size and diversity of the membership.

Members generally have the exclusive right to serve customers within their respective territories. However, certain large industrial and commercial customers in Georgia with loads of more than 900kW have been allowed to receive electric service from the provider of their choice since 1973. This limited form of retail competition had no meaningful impact on OPC member sales, nor is it expected to. There is no expectation of broader retail competition in Georgia.

Coronavirus Impact

While the Vogtle project experienced workforce issues related to the coronavirus, Oglethorpe's direct exposure has been modest in regards to both workforce concerns and demand reductions. Operation protocols were put into place at various generation facilities and planned outage work at certain sites continued. Sales to members experienced an overall 6.2% decline in the first six months of 2020 compared with 2019, but OPC estimates only 1%–2% of the decline is related to the coronavirus impact, with the larger impact resulting from weather. Members' sales are heavily weighted toward the residential customer class, which is likely to have mitigated the overall impact to usage from the coronavirus-related shutdowns.

Operating Risk

Operating cost burden for OPC's combined resource portfolio is low, ranging between 5.2 cents/kWh and 5.4 cents/kWh over the last three years. OPC's diverse mix of generation assets results in a low-cost portfolio for members, which benefited from recent low natural gas prices over time. Gas-fired generation accounted for 51% of OPC's energy sales in 2020. Nuclear generation provided 40% of energy, with coal and hydro accounting for 4% and 5%, respectively.

Fitch expects operating costs to trend notably higher with the addition of Vogtle Units 3 and 4, but costs should remain below 10 cents/kWh, in the range of Fitch's low operating cost burden assessment. While nuclear operating costs should be low, higher fixed costs will be embedded in Fitch's calculation of operating cost through the inclusion of deprecation.

Operating Cost Flexibility

OPC has direct ownership interests in 30 individual generating units that provide the cooperative with a well-diversified portfolio of 7,625MW of planning reserve capacity to supply member needs in 2021. OPC also operates two combustion-turbine facilities totaling 737MW owned by Smarr EMC, a cooperative owned by 35 of the 38 OPC members, and manages 515MW of Southeastern Power Administration hydroelectric allocations on behalf of the members.

The cooperative's natural gas-fired and dual-fueled generating units represent the largest segment of generating capacity at 3,539MW, or approximately 57% of OPC's owned resources. Gas capacity increased with OPC's acquisition of the Effingham Energy Facility in July 2021. Effingham is a 500MW combined-cycle generating plant that entered commercial operation in 2003 near Savannah, GA.

OPC's nuclear ownership consists of the Hatch Nuclear Units 1 and 2 and Vogtle Units 1 and 2, both operated by Southern Nuclear. The Hatch units are licensed until 2034 and 2038, respectively. Vogtle Units 1 and 2 have operating licenses through 2047 and 2049, respectively, following the license extension received from the NRC in 2009.

OPC's two coal-fired power plants, Scherer and Wansley, are co-owned with and operated by GPC. The Scherer units were constructed in the early 1980s and the Wansley units in the late 1970s. GPC made the decision to retire 850MW of capacity at the two Wansley units prior to the end of the units' useful life. Due to the age of the units and the existence of lower priced energy in Georgia, the units have not consistently dispatched in recent years. Retirement is expected to occur in 2022. Early retirement will not change the cost of coal ash ponds at Wansley that will be funded by the plants' co-owners: GPC, OPC, MEAG Power and the city of Dalton.

Capital Planning and Management

Capex was substantial in recent years and is reflected in a low Fitch-calculated age of plant of 13 years. Capex exceeded 300% of annual depreciation in the last five years. Future capex is estimated at $3.68 billion for fiscals 2021–2026 and will continue to be dominated by Vogtle-related spending.

Capex for projects other than Units 3 and 4 will primarily fund environmental projects at the Wansley and Scherer coal units, nuclear fuel, ongoing investment at other generation plants and financing costs. Fitch expects total capex to decline significantly in 2024, following the projected completion of Vogtle 3 and 4.

Asymmetric Rating Factor — Vogtle Nuclear Construction Risk

Ongoing projection completion risks are incorporated as an asymmetric rating factor and influence Fitch's assessment of operating risk and the final rating. The continuous project cost increases reflect the uncertainty and profound challenges associated with nuclear construction. As a minority participant, OPC has limited control over construction and the ultimate cost and construction process of the project. Although the project is nearing completion, additional cost increases and schedule extensions are possible.

Cost-Sharing Terms and Adverse Events

The Vogtle project co-owners reached a cost-sharing agreement in September 2018, amended into the joint ownership agreements, that limits OPC's additional cash investment obligations under certain scenarios. The cost-sharing terms are based on the total project construction budget of approximately $17.1 billion as established in the VCM 19 report filed in August 2018. OPC will pay 24.5% for its 30% ownership share for project costs exceeded the budget by
$800 million–$1.6 billion, and will pay 19% of the costs for its 30% ownership share for excess costs between $1.6 billion and $2.1 billion. With the $1.0 billion project cost just announced by Southern Nuclear in July, it appears likely total project costs will move into the cost-sharing bands prior to project completion.

The co-owners have an option to freeze spending if project costs are more than $2.1 billion above the VCM 19 report's project construction budget, and GPC is required to finance the remaining construction amount in exchange for the co-owners tendering a portion of their ownership interest in the plant (proportional to the completion costs assumed by GPC). While the option to freeze spending reduces the potential scope of OPC's additional construction investment, exercising this option would result in reduced ownership.

Adverse event amendments adopted at the same time as the cost-sharing amendments allow GPC to terminate construction of the project at any time at its sole discretion. There are other events that require an affirmative vote of 90% of the co-owners — at a minimum GPC, OPC and MEAG Power — for construction to continue, including completion dates that exceed November 2022 and November 2023 for Units 3 and 4, respectively. Discontinuation of the project is considered unlikely given the project is nearly completed, but remains a risk in an extraordinary circumstance.

Financial Profile

Financial performance has been consistently healthy, with Fitch-calculated coverage of full obligations (COFO) typically over 1.5x. COFO declined to 1.0x in fiscal 2019 due to the full repayment of a $350 million bullet maturity as scheduled. Strong margins and cash flow are the result of OPC's 1.14x margins for interest target being used to set rates during Vogtle 3 and 4 construction, which is expected to continue through 2023.

Liquidity is adequate with just over 200 days' cash on hand in 2020 and 2019. Access to a robust $1.2 CP program supported by a syndicated line of credit that can be used for any corporate purpose if needed, provides a healthy liquidity cushion of over 650 days and supports OPC's large ongoing construction program.

OPC's debt increased substantially since nuclear construction began in earnest in 2012. Debt outstanding at YE 2020 was approximately $10.6 billion, up from $5.9 billion at YE 2012. The increase is primarily the result of OPC's investment in Vogtle 3 and 4, which is entirely debt financed. Debt costs are being capitalized during construction.

OPC's leverage ratio was 13.0x at YE 2020, a steady increase from 10.1x at YE 2018. Leverage is elevated for the rating, but Fitch expects the ratio to decline to levels more in line with the 'BBB' rating once commercial operation occurs and costs are billed to members, providing cash flow to begin serving the debt requirements.

Fitch Analytical Stress Test (FAST) — Base Case and Stress Case

Under Fitch's FAST base case scenario, leverage continues to increase through Vogtle construction before it is anticipated to decline to under 11.0x once full cost recovery rates are in place. With the recently announced construction cost increases and anticipated delay in commercial operation, stabilization in the leverage ratio is not expected until 2024.

Fitch's base case analysis is informed by key assumptions outlined in OPC's long-range financial forecast, including a 6.9% recovery in wholesale sales in 2021 after mild weather and coronavirus impacts lowered sales in 2020. Additional assumptions include sizable rate increases to members when the Vogtle units enter commercial operation and planned future debt issuance and capex levels that support OPC's revised $8.25 billion Vogtle budget and timing. The base case further incorporates OPC's assumption that the nuclear production tax credits will be monetized at 98% of their value following commercial operation over an eight-year period, and the depreciation of Units 3 and 4 over 60 years.

Fitch's FAST stress case imposes reductions to the cooperative's energy sales for two years, followed by a three-year recovery based on OPC's historical energy sales trends. The stress case holds other key assumptions at the base case level other than rate adjustments that would occur through OPC's rate formula to recover sufficient revenues to comply with financial policies. The stress case indicates OPC's financial profile should remain similar to base case results through the five-year period, although the resulting wholesale rates would likely generate further pressure on rate affordability at the member level.

Debt Profile

OPC's debt profile characteristics are neutral to the rating. Debt is almost entirely fixed rate with level amortization over time. Outstanding debt totaled $10.6 billion at Dec. 31, 2020, roughly 60% of which is allocable to Vogtle Units 3 and 4 construction. The largest share of $5.54 billion is financed through the Federal Financing Bank (FFB) and guaranteed by the Rural Utilities Service (RUS) or the Department of Energy (DOE). OPC also has first mortgage bonds outstanding of $3.21 billion and pollution-control bonds issued through various county development authorities totaling $981 million.

Of the $5.99 billion FFB debt, $3.56 billion is guaranteed by the DOE in accordance with the DOE's amended and restated loan agreement with OPC. The DOE agreed in 2014 to secure up to $3.057 billion in FFB notes in exchange for a pari-passu security interest in OPC's assets under its first mortgage indenture.

OPC's obligations on the DOE-secured notes are on parity with other obligations issued under the mortgage indenture, including FFB debt, first mortgage bonds and pollution-control bonds. OPC and the DOE amended the existing loan agreement in March 2019 to provide an additional $1.62 billion guarantee from the DOE in light of the Vogtle cost escalation for a total of
$4.6 billion. Remaining DOE authorization is expected to cover a portion of the remaining costs. The balance, anticipated at approximately $1.15 billion, is expected to be issued as taxable bonds. The final amount of completion debt could be higher or lower, depending on the final cost in comparison with the current budget.

OPC participates in the RUS Cushion of Credit program that allows it to deposit funds with the U.S. Treasury that are restricted for future RUS/FFB debt service payments. Approximately $487.6 million held in this program was reflected on the balance sheet as of Dec. 31, 2020. Federal changes in the Cushion of Credit program eliminated participants' ability to add new deposits to the program, limited balances to regular RUS debt service payments beginning in 2020 and reduced interest paid on program balances. OPC expects to draw balances in the fund down over the next three years as the economic advantages of retaining large balances in the program are reduced.

Short-Term Rating

The 'F2' Short-Term CP rating is the higher of the two available Short-Term ratings available, given OPC's IDR of 'BBB', based on its ability to maintain a minimum liquidity ratio of 1.1x and neutral assessments for liquidity profile and debt characteristics. Fitch expects the liquidity coverage ratio will remain adequate to maintain the 'F2' rating.

Internal liquidity as of June 30, 2021 consisted of approximately $645.6 million of cash and investments, and approximately $1.07 billion in available capacity under its $1.21 billion syndicated revolver to support the CP program and an additional $613 million in lines of credit from the National Rural Utilities Cooperative Finance Corporation (A/Stable) and JPMorgan Chase & Co. (AA–/Stable) The syndicated credit facility was renewed in December 2019 and consists of commitments from 13 banks, available through December 2024. OPC uses the facility to provide short-term financing and to support the CP program, but the facility can be drawn upon for any corporate purpose. Draws under the facility would subsequently reduce the amount of CP that can be issued because OPC is required to have 100% dedicated backup for amount of CP outstanding.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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Financial Summary — Oglethorpe Power Corporation, Georgia

($000, Audited Fiscal Years Ended Dec. 31)	2016	2017	2018	2019	2020
Net Adjusted Debt to Adjusted FADS (x)	**10.74**	**10.09**	**10.14**	**13.08**	**12.95**
Net Adjusted Debt Calculation					
Total Short-Term Debt	102,168	190,626	—	282,370	383,498
Total Current Maturities of Long-Term Debt	316,861	216,694	522,289	217,440	208,649
Total Long-Term Debt	8,003,697	8,034,805	8,830,306	9,504,692	10,394,122
- Restricted Funds – Cushion of Credit	468,128	882,909	653,158	533,590	487,587
Total Debt	**7,954,598**	**7,559,216**	**8,699,437**	**9,470,912**	**10,498,682**
+ Capitalized Fixed Charge – Purchased Power and Gas	129,859	143,990	152,323	164,534	164,362
- Total Unrestricted Cash	366,290	397,695	752,618	448,612	405,511
Net Adjusted Debt	**7,718,167**	**7,305,511**	**8,099,142**	**9,186,834**	**10,257,533**
Adjusted FADS for Leverage Calculation					
Total Operating Revenue	1,507,231	1,434,196	1,480,113	1,430,292	1,377,618
Total Operating Expenses	1,251,567	1,195,326	1,255,137	1,213,083	1,159,909
Operating Income	**255,664**	**238,870**	**224,976**	**217,209**	**217,709**
+ Adjustment for Deferred and Subsidy Revenue[a]	—	—	85,499	(23,017)	79,636
+ D&A	362,716	374,411	371,234	377,853	376,639
+ Interest Income	51,656	56,122	60,055	59,182	43,294
+ Other Noncash Charges	32,361	36,674	38,090	50,473	54,475
FADS	**702,397**	**706,077**	**779,854**	**681,700**	**771,753**
+ Adjustment for Purchased Power	16,232	17,999	19,040	20,567	20,545
Adjusted FADS for Leverage	**718,629**	**724,076**	**798,894**	**702,267**	**792,298**
Coverage of Full Obligations (x)	1.88	1.56	1.73	0.93	1.84
FADS	702,397	706,077	779,854	681,700	771,753
+ Adjustment for Purchased Power	16,232	17,999	19,040	20,567	20,545
Adjusted FADS for Coverage	**718,629**	**724,076**	**798,894**	**702,267**	**792,298**
Full Obligations Calculation					
Cash Interest Paid	212,574	251,186	245,085	208,892	193,063
Prior-Year Current Maturities	152,488	194,241	198,017	522,289	217,440
Total Annual Debt Service	**365,062**	**445,427**	**443,102**	**731,181**	**410,503**
+ Adjustment for Purchased Power	16,232	17,999	19,040	20,567	20,545
Total Fixed Obligations	**381,294**	**463,426**	**462,142**	**751,748**	**431,048**
Liquidity Cushion (Days)	739	780	771	658	799
Unrestricted Cash (Days)	156	185	325	209	203
Liquidity Calculation					
+ Total Unrestricted Cash	366,290	397,695	752,618	448,612	405,511
+ Total Borrowing Capacity	1,720,000	1,720,000	1,720,000	1,610,000	1,823,000
- Amounts Unavailable	351,400	442,000	685,700	644,400	633,000
Total Liquidity	**1,734,890**	**1,675,695**	**1,786,918**	**1,414,212**	**1,595,511**
Cash Operating Expense Calculation					
Total Operating Expense	1,251,567	1,195,326	1,255,137	1,213,083	1,159,909
- D&A	362,716	374,411	371,234	377,853	376,639
- Other Noncash Charges	32,361	36,674	38,090	50,473	54,475
Cash Operating Expenses	888,851	820,915	883,903	835,230	783,270

[a]Amounts associated with Member Rate Management and Optional Prepayment programs. FADS – Funds available for debt service. D&A – Depreciation and amortization.
Source: Fitch Ratings, Fitch Solutions, Lumesis, EIA, Oglethorpe Power Corporation, Georgia.

Key Definitions

Terms	Definition	Significance
Issuer Default Rating (IDR)	An expression of overall enterprise risk and relative vulnerability to default.	Provides an opinion of the relative ability of an entity to meet financial commitments, expressed as an ordinal measure of credit risk.
Standalone Credit Profile (SCP)	An expression of overall enterprise risk.	Provides an opinion of the credit quality of an entity on a standalone basis, irrespective of its relationship with, or the credit quality of, its related municipality.
Net Adjusted Debt	Adjusted debt – unrestricted cash – funds restricted for debt service	Provides an inclusive evaluation of long-term liabilities offset by funds available for debt service.
Adjusted FADS	EBITDA + interest income + 30% of purchase power expense + operating lease expense – transfers/distributions + pension expense	Provides an indication of cash flow available for the payment of debt service, adjusting for purchased power, operating lease and pension obligations.
Net Adjusted Debt to FADS	Net adjusted debt/adjusted FADS	Provides an indication of net total leverage position against available operating cash flow.
Full Obligations	Cash interest paid + scheduled long-term principal payments + 30% of purchase power expense	Provides an indication of inclusive fixed and debt service obligations.
Coverage of Full Obligations	(EBITDA + interest income + 30% of purchase power expense + operating lease expense – transfers/distributions)/full obligations	Provides an indication of the relative cushion of operating cash flow to fixed charges.
Base Case	The expected forward-looking case in the current macroeconomic environment.	Provides the analytical starting point in the forward-looking analysis, and also informs the stress case.
Stress Case	The potential performance under a common set of assumptions.	Illustrates how cycles affect individual issuers differently, and informs the level of rating stability and credit resiliency.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.