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CREDIT OPINION
10 September 2020

Update

Rate this Research

RATINGS

Oglethorpe Power Corporation

Domicile	Tucker, Georgia, United States
Long Term Rating	Baa2
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Oglethorpe Power Corporation

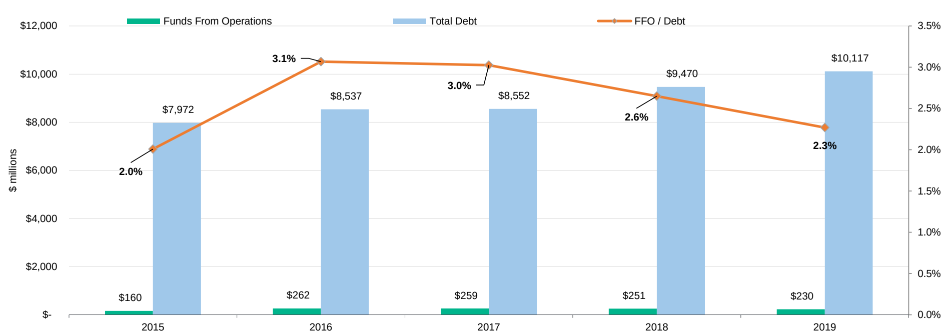
Credit Update of Key Rating Factors

Summary

Oglethorpe Power Corporation's (OPC; Baa1 senior secured stable) credit profile reflects the credit positive underpinnings of its strong bond with its members via long-term wholesale power supply contracts, rate autonomy, reasonably competitive rates and access to strong liquidity. These underpinnings partially balance out the significant challenges OPC faces because of its 30% participant share in the Vogtle nuclear facility expansion project (the project). The project's extensive construction delays have resulted in sizable cost increases for OPC and its project partners, all of whom nevertheless still support the project. Even with challenges owing to the COVID-19 pandemic and other prospects for additional construction delays and cost over-runs which often affect such complex nuclear projects, the joint owners agreement and term sheets (collectively the JOAs) have forms of cost mitigation and cost shifting to help protect OPC should costs exceed its current $7.5 billion budget, which includes a sizable contingency. OPC's investment in the Vogtle project also benefits from its access to low cost Department of Energy (DOE) loan guarantees and there are good prospects for it to monetize nuclear production tax credits (PTCs) once the project is completed. The credit quality also considers OPC's weak financial metrics compared to most cooperative peers, primarily resulting from significant debt financing of the sizable capital program and related adjustments for associated capitalized interest.

Exhibit 1

Historical FFO, Total Debt and FFO to Total Debt



Source: Moody's Financial Metrics

Credit Strengths

» Strong support for the project from OPC's members, its project partners, Georgia regulators, and other state and political leaders

» The JOAs include risk mitigation and cost shifting features should future construction costs for the project exceed the revised August 2018 budget

» Benefits from DOE loan guarantees and good prospects for monetizing nuclear PTCs

» OPC has rate setting autonomy and a strong bond with financially sound members via long term wholesale power contracts, while maintaining reasonably competitive rates and access to strong liquidity

Credit Challenges

» Several construction delays and related cost increases have put the project more than five years behind the original schedule and well in excess of the earlier cost estimates

» Keeping within the latest project budget and construction schedule while coping with the COVID-19 pandemic

» Weak financial metrics

» Potential that one of the joint owners may elect to terminate the project

» Moderate carbon transition risk within the electric generation and transmission cooperative sector based on OPC's investments in coal and gas-fired generation assets

Rating Outlook

The stable outlook reflects the strong support for the project among all the co-owners and other key constituents. Especially important for OPC are the several forms of risk mitigation and cost shifting under the JOAs which offer protection should future construction costs for the project exceed the current budget. The outlook also incorporates the benefits of strong contractual ties that OPC has with its members and the strong likelihood that management and the board will ultimately exercise rate autonomy so that OPC's weak financial metrics will return to stronger levels in support of the credit profile once the project costs are fully incorporated into the wholesale power rates charged to its members.

Factors that Could Lead to an Upgrade

» An upgrade of ratings is unlikely over the next two years as the project advances and OPC's metrics remain weak primarily because of our adjustments for capitalized interest on the project's significant debt financing

» Beyond the next two years, credit metrics that would support an upgrade include a funds from operations (FFO) to debt ratio closer to 6% and equity to capitalization exceeding 10%

Factors that Could Lead to a Downgrade

» If there are further delays or cost increases on the project that materially stretch further the cooperative's budget

» If there is a decrease in the level of co-owners', members', state, regulatory, political, or public support for the project

» If OPC incurs a sustained deterioration of OPC's liquidity or future rate increases necessary to strengthen its cash flow credit metrics and equity levels in the capital structure once the project is in commercial operation are unduly delayed

Key Indicators

Exhibit 2
Oglethorpe Power Corporation Key Indicators
Oglethorpe Power Corporation

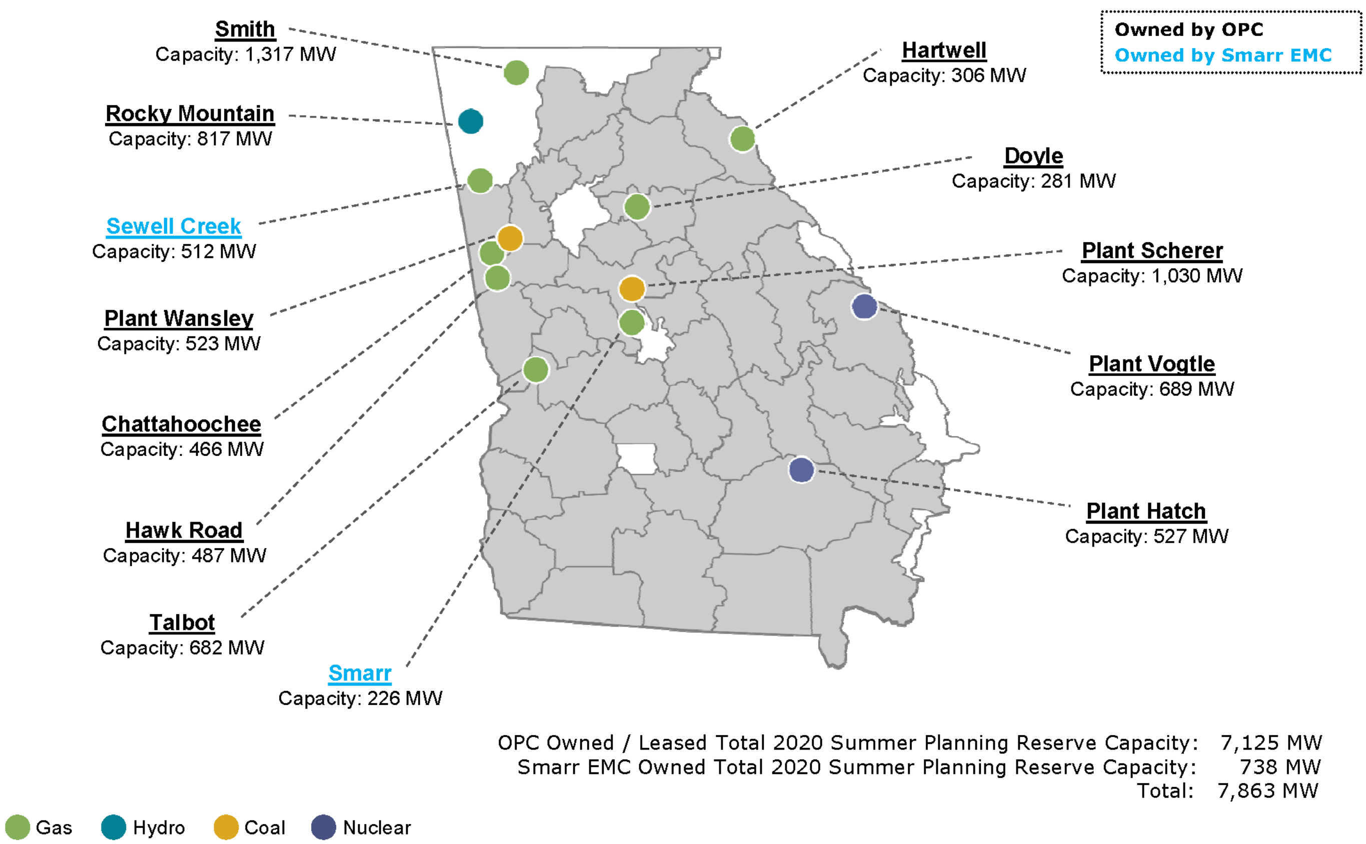
	2015	2016	2017	2018	2019
Times Interest Earned Ratio (TIER)	0.7x	0.8x	0.8x	0.7x	0.7x
DSC (Debt Service Coverage)	1.2x	1.3x	1.0x	1.1x	0.7x
FFO / Debt	2.0%	3.1%	3.0%	2.6%	2.3%
(FFO + Interest Expense) / Interest Expense	1.4x	1.7x	1.7x	1.6x	1.6x
Equity / Total Capitalization	7.4%	7.4%	7.8%	7.2%	7.0%

Source: Moody's Investors Service

Profile

OPC is a generation-only electric cooperative that provides wholesale power to its 38 member-owner distribution cooperatives located throughout Georgia. As depicted in exhibit 3 below, OPC's power is supplied by its ownership shares in two coal facilities that are co-owned and operated by Georgia Power Company (GPC, Baa1 stable), two nuclear facilities that are also co-owned by GPC and operated by Southern Nuclear Company (SNC) and one pump-storage hydroelectric facility, as well as a number of wholly-owned gas-fired units. OPC also manages and operates another six natural gas-fired units owned by Smarr EMC. Together, these resources provide OPC with more than 7,800 MWs of summer planning owned or leased reserve capacity, ranking it among the largest cooperatives in terms of generating capacity. It is also among the largest in terms of revenues, which were $1.43 billion in FY 2019.

Exhibit 3
OPC Territorial Map and Generation Capacity



Source: Oglethorpe Power presentation

Detailed Credit Considerations

As the project proceeds, the COVID-19 pandemic is an additional challenge to address along with other remaining construction challenges to keep within the latest budget

As depicted in Exhibit 4 below, the project continues to make considerable progress towards completion. GPC filed its Twenty-third Semi-annual Vogtle Construction Monitoring Report (VCM) with the Georgia Public Service Commission (GPSC) in August 2020 which cites the project's overall estimated completion at 87.4% as of July 31, 2020.

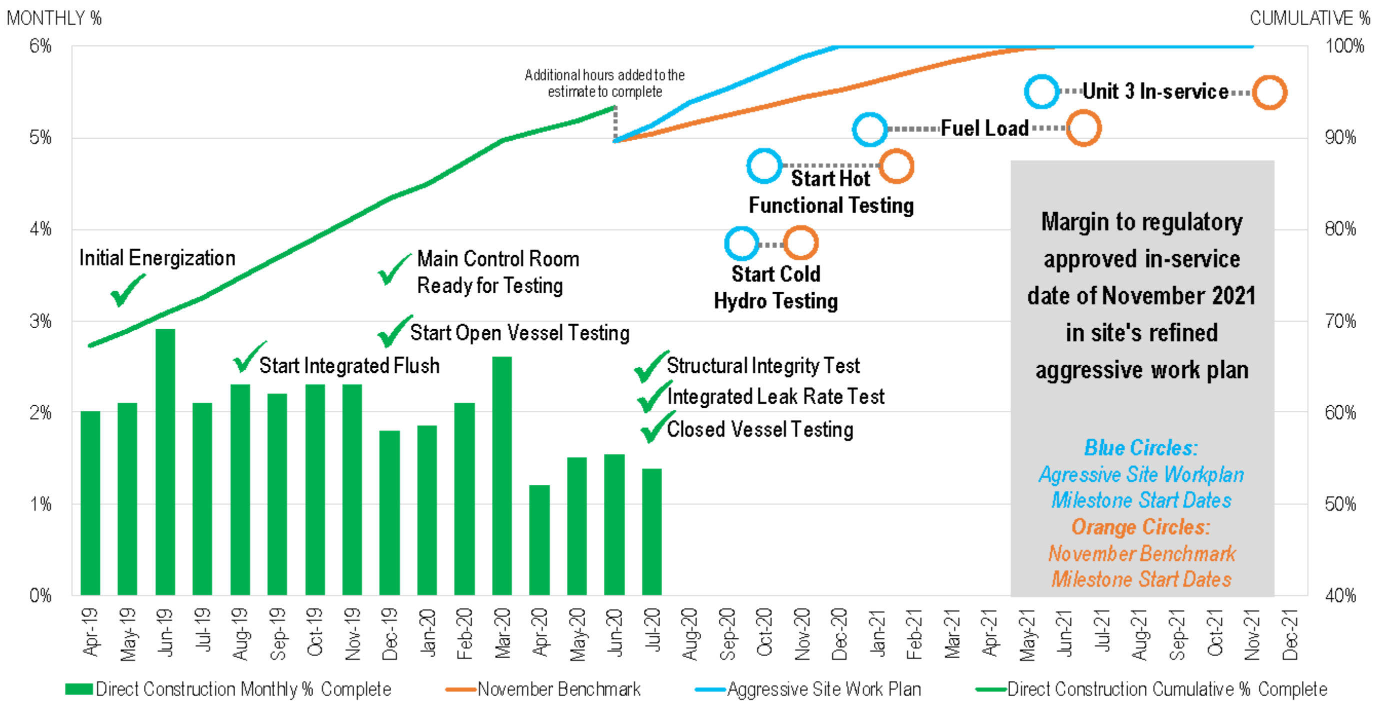
Exhibit 4
Total project is nearing completion
Status of Vogtle project phases as of July 2020

Project Phase	July 2020 % Complete
Engineering	99.9%
Procurement	99.5%
Construction	83.4%
I&C / Cyber Security	99.9%
ITP / Start-Up Testing	27.4%
Total Project	**87.4%**

Source: Georgia Power Company 23rd Vogtle Construction Monitoring report

The project has undergone some shifts in the timing of planned activities, primarily resulting from continued challenges in electrical construction productivity, a previously implemented workforce reduction in April and adjustments to work practices at the project site amid the coronavirus pandemic. As depicted in Exhibit 5 below, since Q-4 2019, a few additional project milestones were completed earlier than originally planned, including the start of Unit 3 open vessel testing, main control room testing, closed vessel testing, and integrated leak rate and structural integrity tests. However, more major milestones lie ahead, including some of the more challenging tasks such as cold hydro testing, which was previously scheduled to occur ahead of the structural integrity test and integrated leak rate testing, to be followed by hot functional testing and fuel load.

Exhibit 5
Increasingly challenging milestones still lie ahead
Vogtle Unit 3 construction progress and upcoming milestones



Milestone bars and lines represent the range of potential start dates for each milestone with the left side of each indicating expected start dates under the aggressive site work plan and the right side indicating expected start dates for November benchmark
*Data for July 2020 represents estimate.
Source: Georgia Power Company presentations

The project still has an aggressive site work plan that targets a May 2021 in-service date for Unit 3 and May 2022 in-service date for Unit 4. GPC and SNC, an affiliated entity that manages the project construction are sticking by the aggressive target dates to maintain cushion in the project schedule to meet regulator-approved in service dates of November 2021 for Unit 3 and November 2022 for Unit 4. The regulator-approved dates have not changed following the schedule adjustments that occurred earlier this year.

The latest revised JOAs provide risk mitigation and cost shifting

During November 2017 through February 18, 2019, GPC and its project co-owners entered into a series of amendments to their JOAs that among other things established the co-owners responsibility for their respective share of the latest $2.3 billion overall project cost increase at that time, including an $800 million project-specific contingency. Under the JOAs, should the project costs exceed the revised budget by $800 million to $1.6 billion, GPC, a 45.7% current owner, will be responsible for 55.7% of the increase, with the remaining 44.3% of costs paid by the other co-owners according to their original ownership interests. If the project costs rise by another $500 million to $2.1 billion from $1.6 billion, GPC is responsible for 65.7% of the increase, with the remaining owners being responsible for the remainder. Beyond this level of future potential cost increase, the co-owners have a one-time option to tender a portion of their ownership interest to GPC. Because of this arrangement, the JOAs would not require an owner vote to continue construction should costs increase above the August 2018 $2.3 billion budget cost increase. Moreover, GPC would have the sole control over the vote to cancel the project if GPC were asked to pay 100% of the excess costs for the other owners that exceed $2.1 billion. Also GPC, at the co-owners' option, has agreed to purchase the co-owners federal PTCs, a source of liquidity for OPC and the other co-owners, at varying purchase prices dependent on the actual cost to complete the project.

During Q-2 2020, $425 million of project-specific contingency, of which OPC's share was $128 million, was assigned to the project's base capital cost forecast for a myriad of cost risks including, among other things, construction productivity, including the April 2020 20% reduction in workforce designed to mitigate the impacts of the COVID-19 pandemic on the project, field support, subcontracts, engineering resources and procurement. The current anticipated impact of COVID-19 on the project is estimated to be $150-$250 million, of which OPC's share is $45-$75 million, and is included in its project budget. The Q-2 2020 assignment of contingency exceeded the then remaining balance of the $800 million contingency by approximately $75 million, of which OPC's share was $23 million. The assignments of contingency to the base capital cost forecast prior to Q-2 2020 were for similar cost risks compared to those in Q-2 2020, but also included craft labor incentives among other costs. These factors led SNC to establish additional project-specific construction contingency of $250 million, of which OPC's share is $75 million. According to indications from GPC and SNC, it is likely that the full amount of the replenished project-specific contingency will be allocated by completion of the project.

Other contractual arrangements also mitigate some of the project's risks

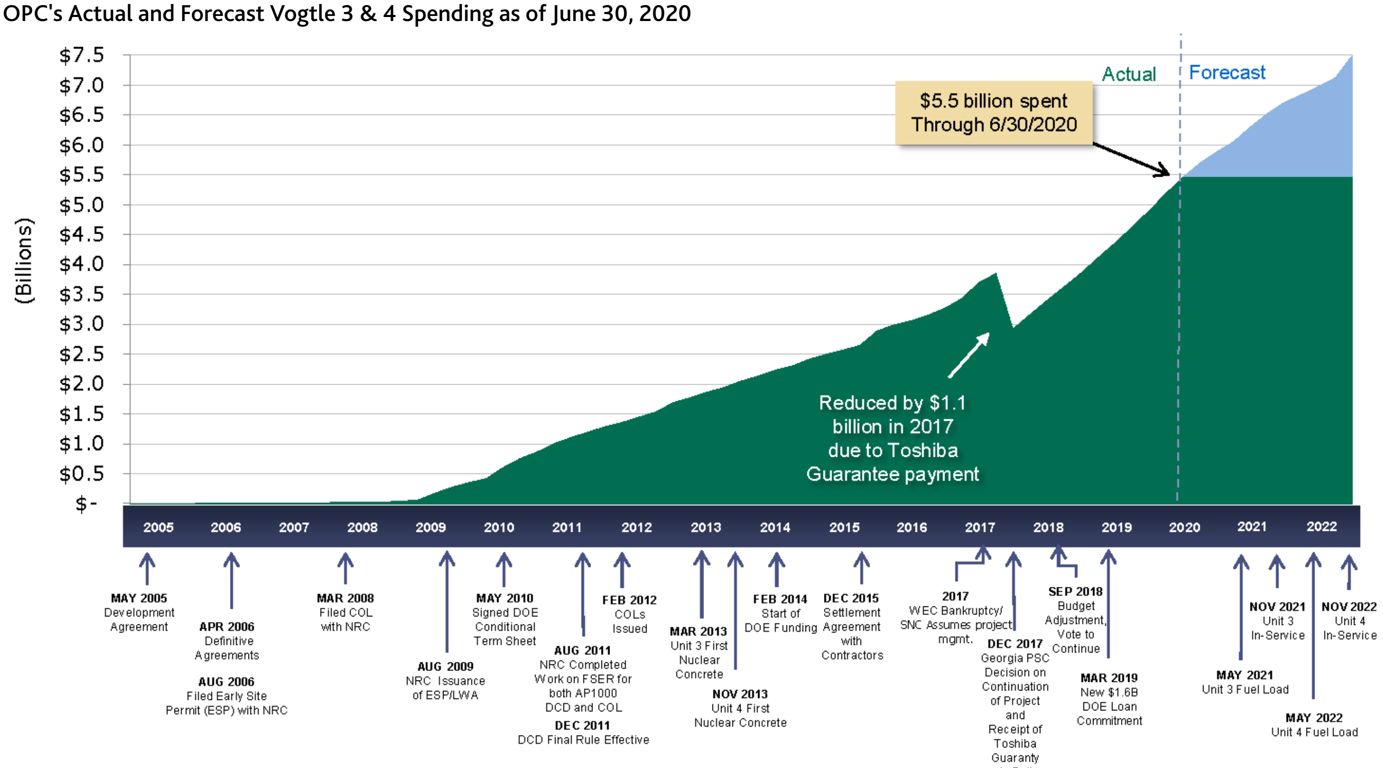
SNC has been leading construction at the project under a services agreement with Westinghouse approved in July 2017. The services agreement helps partially balance the credit negative aspects of OPC's nuclear construction risk as it proceeds with its 30% participation in the project because, among other things, the services agreement ensures access to the Westinghouse intellectual property while SNC, on behalf of GPC and its co-owners, continues to manage the project pursuant to the JOAs.

While SNC has charge over construction management at the Vogtle site, Bechtel has the role of primary construction contractor under a fee based plus incentives construction contract. This contract has been integral to the project's progress because it helped pave the way for the DOE's approval of additional loan commitments as described in more detail below. Although the contract with Bechtel does not provide the same degree of cost protections as a fixed price EPC contract, there are incentives in the contractual arrangements which provide strong motivation for Bechtel to meet or exceed certain project completion milestones established.

OPC's $7.5 billion budget for the project remains intact despite recent increases to the project's base capital cost forecast and replenishment of project-specific contingency

Exhibit 6 below depicts a timeline of OPC's actual and forecast spending for the project. OPC's $7.5 billion budget assumes a November 2021 and November 2022 in-service date is met for Unit 3 and Unit 4, respectively, and includes construction costs, financing costs, and both a project-level and OPC-level contingency. Construction costs are net of $1.1 billion received from Toshiba Corporation under the Guarantee Settlement Agreement. OPC reports it has already invested about $5.5 billion in the project as of June 30, 2020.

Exhibit 6
OPC's Actual and Forecast Vogtle 3 & 4 Spending as of June 30, 2020



Source: Oglethorpe Power 8-K Filing Dated August 13, 2020

As depicted in exhibit 7 below, the aforementioned project-specific contingency is separate and in addition to the OPC-specific contingency. The assignment of project-specific contingency through June 30, 2020 and OPC's $75 million share of the additional project-specific contingency reduced the amount of the OPC-specific contingency but leaves OPC's current $7.5 billion budget intact. After taking into account the increase of project-specific contingency, the remaining OPC-specific contingency is $325 million. The OPC-specific contingency, which the cooperative has carried at various levels since the beginning of the project, was designed by OPC as it planned to cover potential cost, schedule, and financing risks associated with its share of the project which may not be covered by project-specific contingencies. As the project moves forward, the OPC-specific contingency may continue to fluctuate as it represents the difference between known project-specific costs and contingencies and OPC's total budget of $7.5 billion. The revised project-specific contingency plus the OPC-specific contingency currently amounts to $400 million in total, representing about 20% of OPC's total remaining budget at June 30, 2020, absent any cost benefits that may accrue if the project is completed ahead of the regulatory approved November in service dates.

Exhibit 7
OPC Project budget (including total contingency), actual costs and remaining project budget through June 30, 2020 (in millions)

	Project Budget	Actual Costs (at June 30, 2020)	Remaining Project Budget
Construction Costs (1)	5,524	4,303	1,221
Financing Costs	1,576	1,151	425
Total Costs	7,100	5,454	1,646
Project-Level Contingency	75	0	75
Oglethorpe-Level Contingency	325	0	325
Total Contingency	400	0	400
Totals	7,500	5,454	2,046

(1) Construction costs are net of $1.1 billion received from Toshiba Corporation under a Guarantee Settlement Agreement
Source: Oglethorpe Power 10-Q Filing for second quarter ended June 30, 2020

DOE loan guarantees provide significantly lower than budgeted cost of capital alternatives

Exhibit 8 below shows a DOE loan summary for OPC as of June 30, 2020. DOE loan guarantees of about $12 billion now available from the Federal Financing Bank (FFB) to OPC and two other co-owners in the project currently is a credit positive factor because the loans offer a reliable funding source at a meaningfully lower than budgeted cost of capital and signify continued support for the project from the US Government despite substantial construction delays and cost increases. Borrowings under the program are at the applicable Treasury rate plus 0.375%. In March 2019, OPC closed on an amended and restated loan guarantee agreement with the DOE which increased its share of DOE loan capacity by $1.62 billion, bringing the cooperative's aggregate amount to $4.68 billion. OPC has typically been advancing DOE loans twice a year and as of June 30, 2020 it had about $1.176 billion of remaining availability. The remaining advances available under the original loan approved in 2014 were completed in December 2019 with an advance of $567 million. Another $444 million advanced in June 2020 was the first draw under the additional loan amount approved by the DOE in March 2019. OPC estimates $500 million of net present value (NPV) interest expense savings over the life of the guaranteed DOE loans. The benefits of the DOE loan guarantees in the way of reliable, low-cost funding remain a contributing factor to the supportive stance taken by OPC's members, the members' retail customers, the other co-owners, state politicians and regulators for new nuclear construction in Georgia.

Exhibit 8

DOE Loan Summary as of June 30, 2020

Purpose/Use of Proceeds	Approved	Advanced	Outstanding	Remaining Availability
Vogtle Units 3 & 4				
Principal - 2014 Loan	$2,721,597,857	$2,721,597,857	$2,715,145,167	$0
Capitalized Interest - 2014 Loan	$335,471,604	$291,750,525	$264,126,711	$0
Principal - 2019 Loan	$1,619,679,706	$444,000,000	$444,000,000	$1,175,679,706
Total	$4,676,749,167	$3,457,348,382	$3,423,271,879	$1,175,679,706

Source: Oglethorpe Power 8-K Filing Dated August 13, 2020

In the event that certain mandatory prepayment events occur under the DOE loan agreement, including the termination of the Vogtle 3 and 4 agreement, OPC may, at the DOE's option, be required to repay the outstanding amount over five years with level principal amortization. Should this scenario play out, OPC would rely upon its access to the capital markets to refinance the DOE loans.

Potential to monetize PTCs is another credit positive factor for Oglethorpe

Although OPC is not a taxable entity, it is currently assuming some benefits of monetizing its share of PTCs relating to the project at some future point through sale to a taxable third party. The opportunity to do so stems from federal legislation extending the eligibility for nuclear PTCs. The enactment of legislation extending the eligibility of PTCs is an integral part of the project’s future, including maintaining co-owners’ unanimous support. And, as noted earlier, OPC and the other co-owners have an option to sell the PTCs to GPC.

Wholesale power contracts create a strong bond between OPC and its members

OPC sells virtually all of its generation output to its members pursuant to wholesale power contracts, limiting its exposure to market volatility. However, unlike most of the other electric cooperatives, which are the sole electric providers to their members, OPC supplies its members with less than 100% of their aggregate energy needs. The share of the members' aggregate needs supplied by OPC averaged about 58% during 2015-19 compared to 92% in 2004. For the first half of 2020, OPC supplied its members with about 55% of their aggregate energy needs which was on par with the percentage provided in the first half of 2019.

Although each member is entitled to and pays all costs associated with a fixed level of capacity from specific OPC generating units, the members independently obtain supplemental power requirements and fulfill load growth from other sources, thereby transferring supply risk to the members. Under a strict interpretation of the definitions in our Methodology, OPC receives a “Ba” indicated score for Factor 1 as OPC's owned resources provided about 58% of its members' power requirements in FY 2019. However, we do not consider this strategy to be an incremental credit risk primarily because the incremental supply risk under these arrangements has been transferred to the distribution members. Moreover, since its members' payment obligation to pay all of the cooperative's costs is joint and several, OPC's stable supply of relatively affordable base load power remains increasingly valuable to its members as their needs grow and they are continually forced to look for additional sources of supply. An indicated score of “Baa” for this sub-factor more appropriately captures the degree of credit impact from the current relationships between OPC and its members, especially when considered together with its rate autonomy. For example, even considering construction delays and cost overruns to date, the member base to this point has been substantially supportive of OPC's investment in the project and all 38 members are jointly and severally liable to pay all of the cooperative's costs, including the project costs.

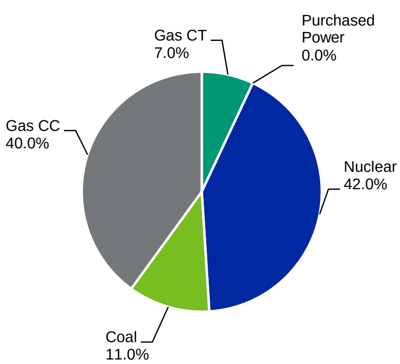
That said, there is incremental credit risk with the non-OPC power supply members where members have separate arrangements with power suppliers expiring from the mid-2020s through the 2030s. These supplemental arrangements increase the credit risk profile of the participating members and, if not renewed or replaced on satisfactory terms, could weaken the financial profile of each of the participating members involved, all of which have off-take arrangements with OPC.

OPC has moderate carbon transition risk while maintaining reasonably competitive rates

Although OPC's long-range spending remains elevated and a corresponding increase in rates appears likely, the cooperative's exposure to potential rate shock in the next two years is limited by its high degree of fuel and resource diversity. Beginning in December 2021 and even more so in December 2022, a significant increase in sales to members would coincide with commercial operation of the Vogtle Units 3 and 4, respectively, which should help mitigate the overall wholesale power rate increases to the 34 participating members as the increased costs of providing service are spread among a much larger number of megawatt hour sales.

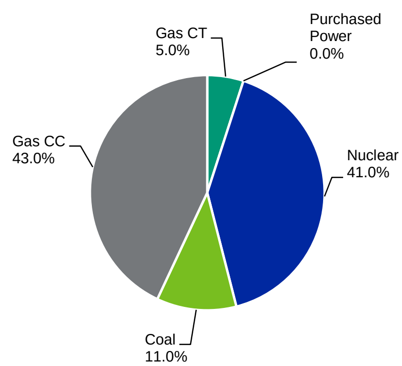
We ascribe a moderate degree of carbon transition risk for OPC as part of our environmental risk assessment. Exhibits 9-11 below depict OPC's actual generation by plant type for 2019 and projected for 2020 and 2023, respectively. Based on 2019 data, about 11% of OPC's energy was generated by coal-fired resources, while about 42% came from its non-carbon emitting nuclear ownership shares, both of which demonstrate good operating performance. Since 2011, a notably higher percentage of energy generation from natural gas-fired resources has occurred. This trend will continue given the likely trend for natural gas prices, which supports future economic dispatch of OPC's natural gas generation.

Exhibit 9
2019 Actual generation by plant type



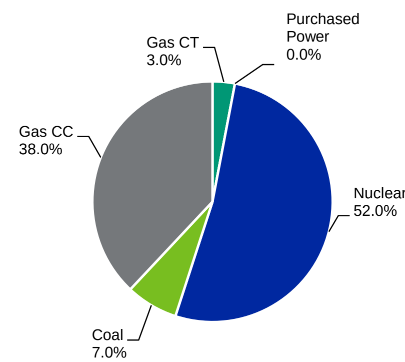
Source: Oglethorpe Power Presentation

Exhibit 10
2020 Projected generation by plant type



Source: Oglethorpe Power Presentation

Exhibit 11
2023 Projected generation by plant type



Source: Oglethorpe Power Presentation

OPC's average rates are likely to remain reasonably competitive in the short-term. OPC's wholesale rate for the first half of FY 2020 was about 6.80 cents/kWh and for FY 2019 was 6.16 cents/kWh (compared to 6.43 cents in FY 2018, 6.02 cents/KWh in FY 2017, 5.9 cents/kWh in FY 2016, 6.64 cents/kWh in FY 2015 and a range of 5.77 - 6.52 cents/kWh during 2012-2014). Further, OPC is able to adjust its rates easily and quickly, if necessary, without seeking regulatory approval and fuel and purchased power costs are passed straight through to members one month in arrears.

Members maintain a healthy consolidated financial profile

On average, OPC's members exhibit a sound consolidated credit profile. The members' substantially residential customer base, which comprised approximately 66.4% of FY 2019 MWh sales, provides a high degree of stability and should enable OPC to remain resilient against the potential negative impacts from the COVID-19 pandemic. The members' average equity to capitalization ratio of 52.2% is also a credit positive factor, as is the members' flexible rate-setting ability. Also, on a consolidated basis, OPC has the largest amount of consolidated assets, by far, of any cooperative that we rate, and its service territory offers relatively stable expected growth rates. While the members vary widely in terms of their individual size, only two of OPC's members accounted for more than 10% of total FY 2019 member revenues, the largest at approximately 14.4%. OPC's wholesale power supply contracts with its members through 2050 and the degree of support the members exhibit for the Vogtle project reinforce the members' commitment to OPC as an integral component of their power supply.

Weak financial metrics will remain the norm as the project progresses

OPC's budgeting practices and its rate structure consistently enable it to achieve its minimum target of 1.10x margin for interest (MFI), as defined in its indenture. Beginning in 2009, OPC's board approved a plan to increase rates first to a level that would enable it to achieve an MFI ratio of 1.12x in 2009 and then to 1.14x in 2010-19. OPC's Board approved a budget for 2020 and 2021 which committed to maintain MFI coverage at the 1.14x level and similar action is likely to be part of future budget planning for the remainder of the project construction period.

As an electric generation cooperative, OPC does not seek to maximize margins, often making credit metrics such as MFI or the debt service coverage (DSC) ratio less useful measures of credit strength since they are usually designed to be at or near 1.0x coverage. Nevertheless, OPC exhibits weak metrics. Because of including a substantial amount of capitalized interest which is part of our standard adjustments for coverage metrics, OPC's times interest earned ratio (TIER) under our defined calculation, which is akin to the MFI ratio, has been below 1.0x in most years since the project began. The DSC ratio is also affected by our standard adjustments and was 1.0x and 1.1x for fiscal years 2017 and 2018, respectively, before dipping to 0.7x in 2019. OPC's DSC ratio is periodically negatively affected by some large bullet maturities which results in a DSC ratio that is less than 1.0x as was the case in 2019. OPC has addressed similar refinancings in the past and during March 2019 used cash on hand to address the scheduled $350 million bullet maturity at that time.

Even as the FFO benefits from the inclusion of depreciation from the Smith plant, the FFO to debt metric declined to 2.3% in FY 2019 from 2.6% in FY 2018 as debt continues to increase with funding for the project and the FFO to debt ratio is likely to remain in the 2%-3% “Ba” category range while the nuclear construction period continues. The FFO to interest ratio has held stead in the 1.6x-1.7x range for the past three years. OPC’s adjusted equity to capitalization ratio averaged 7.3% for the fiscal years 2017-19, positioning it at the low end of the 5%-20% “Baa” category range under the methodology.

To the extent OPC expenses rather than capitalizes interest during construction, there would likely be a lower level of external financing requirements and more stable credit metrics. Along these lines, the OPC board has approved three rate management programs since 2012. The programs were implemented to give members the option to accelerate costs that would otherwise be deferred into future periods.

The effects of the capitalized interest adjustments will continue to weigh heavily on OPC's adjusted financial metrics through the remainder of the project's construction period. Also, the prospective DSC ratio will occasionally be negatively affected by some large bullet maturities which result in a DSC ratio less than 1.0x. OPC continues to benefit from ample access to the capital markets owing to its large investor following as most recently demonstrated by its $450 million first mortgage bond offering in August. OPC's financial metrics are likely to significantly improve beginning in 2022-23, assuming the Vogtle units go into commercial operations, which will commence depreciation on the assets and should cause OPC to exercise rate autonomy to incorporate the power costs into the members' wholesale electric rates.

ESG considerations

Environmental

OPC carefully attends to its environmental risks. As noted above, we ascribe a moderate degree of carbon transition risk for OPC as part of our environmental risk assessment. Exhibits 9-11 above depict OPC's actual generation by plant type for 2019 and projected for 2020 and 2023, respectively. Based on 2019 data, about 11% of OPC's energy was generated by coal-fired resources, while about 42% came from its non-carbon emitting nuclear ownership shares, both of which demonstrate a good operating profile. A notably higher percentage of energy production from natural gas-fired generation resources that has occurred since 2011 should continue owing to the likely trend for prospective natural gas prices, which should support future economic dispatch of OPC's natural gas generation, thus moderating OPC's carbon footprint.

Social

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. In our view, the rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and financial market declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. Through the initial months of the COVID-19 pandemic, OPC experienced some modest effects that reduced commercial and industrial loads for its members; however, this trend was partially offset by increased sales to the members' predominantly residential load. That said, we currently do not see any material immediate credit risks for OPC owing to the coronavirus pandemic.

Governance

Through operations in the US electric generation & transmission cooperative sector, OPC faces relatively low governance risks. OPC's board and management benefits from rate autonomy. OPC adjusts its rates automatically through a formulary rate structure without the need for regulatory approval. Fuel and purchased power costs are passed straight through to members one month in arrears, while fixed costs are billed monthly based on a board-approved annual budget, and trued up to actuals at year-end. Also, management and the OPC board attend to compliance with existing laws and regulations relating to operating and financial reporting aspects of the cooperative's business. They also maintain close communications with the members to address their business needs. The close communications lead to a strong bond OPC enjoys with its members via long-term wholesale power supply contracts which remains a key credit positive underpinning that helps to balance other credit risks.

Liquidity Analysis

OPC has strong liquidity, especially considering the availability of the DOE guaranteed loans and a disciplined approach to maintaining good quality bank credit facilities. Liquidity will remain a significantly weighted credit risk factor owing to the scale and complexity of OPC's various projects which will be unfolding over the next several years. As these projects unfold, the cooperative's capital spending is likely to be in a range of $0.8 - $1.4 billion annually under the current plans for 2020-22.

OPC continues to fund its monthly share of the project costs primarily with commercial paper (CP) under its $1.0 billion CP program and then periodically repays the CP with proceeds from long-term debt issuance. At July 31, 2020, its outstanding CP was $709.2 million. OPC plans to follow its practice of periodically issuing long term debt in the capital markets or through the DOE guaranteed loan program and using the proceeds to repay portions of its then outstanding CP.

External short-term liquidity is primarily provided by OPC's $1.21 billion committed senior unsecured syndicated credit facility, which expires in December 2024. The facility has same-day drawing availability and no ongoing material adverse change clause. The most notable covenant requires OPC to maintain minimum patronage capital levels which it consistently achieves. OPC uses the facility to support its outstanding commercial paper in an amount up to $1.0 billion.

OPC also has additional committed credit facilities for an incremental $723 million of borrowing capacity, $473 million of which can be incurred as senior unsecured credit and $250 million of which can be incurred as senior secured credit . The $250 million secured facility is a line of credit with National Rural Utilities Cooperative Finance Corporation (CFC), which expires December 2023. Under the $250 million arrangement with CFC, OPC can make term loans with maturities no later than December 31, 2043. Under a $110 million unsecured facility with CFC which also expires in December 2023, OPC has the option to convert any amounts outstanding to a secured term loan under the $250 million facility, which would reduce the amount available under the $250 million facility. Under these terms, the maximum amount that can be drawn under the two CFC facilities combined is $250 million.

OPC also has a $363 million unsecured bilateral facility with JPMorgan Chase that expires in October 2021. This credit facility was amended in March 2020 to increase the authorized amount from $150 million to $363 million. With the increased availability in place, on April 1, 2020 OPC borrowed under the JPMorgan Chase bilateral credit facility to repurchase and hold for its own account $213 million of 2013 pollution control bonds (PCBs) which were subject to mandatory tender. On July 30, OPC repaid the $213 million borrowed from JPMorgan Chase with proceeds from commercial paper issuances. OPC subsequently remarketed the PCBs in August and the proceeds were used to pay the purchase price of the PCBs to OPC upon remarketing and converting the PCBs to a new term rate. OPC plans to keep the authorized amount of $363 million in place through December 2020, and then will consider reducing it to $150 million in January 2021.

Combined available borrowing capacity under all lines totaled $862 million at July 31, 2020 after taking into account usage to backstop $709.2 million of CP outstanding and $251.5 million for letters of credit, most of which is supporting variable rate demand bonds.
In August, the proceeds from OPC's issuance of $450 million of first mortgage bonds, series 2020A due 2050 allowed OPC to repay about $439.5 million of its commercial paper then outstanding. OPC also used the proceeds from the aforementioned remarketing of

PCBs to repay a like amount of commercial paper which had been issued to repay the amount borrowed under the JPMorgan Chase facility as described above.

Also, at July 31, 2020, OPC reported unrestricted cash and equivalents on hand of $404 million and had access to about $630.3 million of approved but undrawn RUS loan availability. At July 31, 2020 OPC also had $547 million on deposit in the RUS cushion of credit (COC) program. The 2019 Farm Bill signed in December 2018 implemented changes to the COC program that preclude future deposits after December 20, 2018 and allow program participants to prepay loans under the RUS loan program without a prepayment penalty through September 30, 2020. OPC is still evaluating how to best deploy its COC balance. The COC balance continues to earn 5% through October 1, 2020, then drops to 4% until October 1, 2021 when the COC balance will earn interest at a 1-year floating Treasury rate. COC deposits can only be used to repay obligations owed to the RUS/FFB loan program. During March 2019, OPC used available cash to repay at maturity a 6.1% $350 million taxable bullet long-term debt issue. Including the issuance of FMBs in August, OPC has more than $10 billion of long-term debt, most of which is fixed-rate amortizing, while the balance includes predominantly long-dated bullet maturities; as of June 30, 2020, OPC reported current maturities of long term debt at $238.1 million.

Other Considerations

As depicted in Exhibit 12 below, Moody's evaluates OPC's financial performance relative to the U.S. Electric Generation and Transmission Cooperatives Methodology Scorecard. OPC's scorecard-indicated outcome based on historical results is Baa2, which is one notch below its Baa1 senior secured rating. The one notch differential reflects our view that OPC's financial metrics will significantly improve in 2022-23 assuming the Vogtle units go into commercial operations, begin to depreciate and OPC exercises its rate autonomy to incorporate the power costs into the members' wholesale electric rates.

Exhibit 12

U.S. Electric Generation & Transmission Cooperative Rating Methodology Scorecard

Scorecard Factors				
Oglethorpe Power Corporation				
U.S. Electric Generation & Transmission Cooperatives Industry Scorecard [1][2]	Current FY 12/31/2019		Moody's 12-18 Month Forward View As of Published Date [3]	
Factor 1: Long-Term Wholesale Power Supply Contracts and Regulatory Status (20.0%)	**Measure**	**Score**	**Measure**	**Score**
a) % Member Load Served under Regulatory Status	Baa	Baa	Baa	Baa
Factor 2: Rate Flexibility (20.0%)				
a) Board Involvement / Variable Cost Adjustment Mechanisms	Baa	Baa	Baa	Baa
b) Purchased Power / Total MWh Sales (%)	0.4%	Aaa	0.5% - 1.5%	Aaa
c) New Build Exposure (% Net PP&E)	Ba	Ba	Ba	Ba
d) Potential for Rate Shock Exposure	Ba	Ba	Ba	Ba
Factor 3: Member / Owner Profile (10.0%)				
a) Residential Sales / Total Sales (%)	66.4%	A	65% - 70%	A
b) Members' Consolidated Equity / Capitalization (%)	52.2%	A	50% - 53%	A
Factor 4: 3-Year Average G&T Financial Metrics (40.0%)				
a) TIER (3 Year Avg)	0.7x	B	0.7x - 1x	B
b) DSC (3 Year Avg)	0.9x	B	0.9x - 1.1x	Ba
c) FFO / Debt (3 Year Avg)	2.6%	Ba	2% - 3%	Ba
d) (FFO + Interest) / Interest Expense (3 Year Avg)	1.6x	Baa	1.3x - 1.6x	Ba
e) Equity / Total Capitalization (3 Year Avg)	7.3%	Baa	6% - 7%	Baa
Factor 5: G&T Size (10.0%)				
a) Megawatt hour sales (Millions of MWhs)	23.3	Aa	22 - 25	Aa
b) Net PP&E (USD Billions)	$9.7	Aaa	$10 - $11	Aaa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa2
b) Actual Rating Assigned (Senior Secured)		Baa1		Baa1

[1] All ratios are based on 'Adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 12/31/2019; Source Moody's Financial Metrics™
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

Ratings

Exhibit 13

Category	Moody's Rating
OGLETHORPE POWER CORPORATION	
Outlook	Stable
Issuer Rating	Baa2
First Mortgage Bonds	Baa1
Senior Secured	Baa1
Commercial Paper	P-2

Source: Moody's Investors Service

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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