STANDARD & POOR'S

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Oglethorpe Power Corp.; CP; Rural Electric Coop

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Credit Profile		
US$255. mil poll control bnds ser 2008 due 01/01/2043		
Long Term Rating	A/Stable	New
Oglethorpe Pwr Corp serial fac		
Long Term Rating	A/Stable	Affirmed
Oglethorpe Pwr Corp 1st mtg (FGIC)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Oglethorpe Pwr Corp 1st mtg (FSA)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Oglethorpe Pwr Corp 4(2) CP auth amt US$450 mil		
Short Term Rating	A-1	

Rationale

Standard & Poor's Ratings Services assigned its 'A' rating to Oglethorpe Power Corp.'s $255 million series 2008 bonds due 2043, which the company expects to issue in mid-May 2008. The outlook is stable.

Oglethorpe will use the proceeds from the series 2008 bonds to refund series 1993A ($156,515,000) and series 1994A ($98,520,000) FGIC-insured bonds.

In addition, Standard & Poor's affirmed the 'A' rating on Oglethorpe's other long-term debt and the 'A-1' rating on the company's $450 million commercial paper program. Among the ratings affirmed are several series of insured pollution control revenue bonds that Oglethorpe intends to convert from auction-rate mode to term mode.

Standard & Poor's affirmed its 'A' underlying rating (SPUR) on the following bonds:

- $133.55 million series 2006 Georgia Development Authority pollution control revenue bonds (Oglethorpe Power Corp. projects) issued by Burke County and Monroe County; and
- $181.89 million series 2007 Georgia Development Authority pollution control revenue bonds (Oglethorpe Power Corp. projects) issued by Burke County, Monroe County, and Appling County.

The 'A' credit rating assigned to Oglethorpe Power Corp. reflects a satisfactory business profile score of '4' on Standard & Poor's 10-point scale, where '1' is the strongest.

Oglethorpe Power Corp., based in Tucker, Ga., is the largest generation cooperative in the U.S. Oglethorpe sells wholesale energy under take-or-pay contracts to 38 retail electric distribution cooperatives that serve portions of 150 counties throughout Georgia, including portions of the suburbs of Atlanta. Transmission service is provided to the members through Georgia Transmission Corp. (GTC; AA-/Stable/A-1+). Oglethorpe's debt, which includes debt issued in the capital markets, lease obligations, and loans from the Federal Financing Bank (FFB) and the U.S. Department of Agriculture's Rural Utilities Service (RUS), amounted to $3.4 billion as of Dec. 31, 2007.

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The rating is supported by the following strengths:

- Strong take-or-pay contracts through 2050 for the sale of power, which provide for the joint and several obligation of Oglethorpe's member distribution cooperatives and step-up provisions in the event of payment default;
- Strong provisions for recovering energy costs, which are passed through in their entirety to members on a 30-day lagged basis;
- A relatively modest reliance on volatile natural gas resources (around 6% of Oglethorpe's portfolio), including purchases (although since members source about 30% of their energy requirements, reliance on natural gas may be higher than Oglethorpe's portfolio suggests);
- The geographic and economic diversity of Oglethorpe's 38 members located throughout Georgia;
- A principally residential customer base that accounts for about 70% of the member distribution cooperatives' revenues; and
- Oglethorpe's ability to set and adjust board-approved rates without regulatory oversight, coupled with a year-end adjustment mechanism to ensure full compliance with the company's margin for interest (MFI) target of 1.10x.

These strengths are tempered by the following weaknesses:

- Increased business risks for the distribution cooperative members, given that all 38 members have chosen to procure incremental power from third-party power suppliers, which may increase the members' exposure to varying levels of market and fuel volatility; and
- Increased nuclear concentration if Oglethorpe's members commit to a maximum of a 30% ownership stake in Vogtle 3 and 4, which is in the planning stages and could be on line by 2015.

Oglethorpe was formed in 1974, and was restructured into three companies in 1997. Initially a transmission and generation cooperative, Oglethorpe now owns only generation facilities. Oglethorpe's sizable base load capacity consists of undivided interests in facilities built and operated by Georgia Power Co. (GPC), a subsidiary of The Southern Company (A/Stable/A-1), and are fueled with coal and uranium, which allows Oglethorpe to provide power to the 38 member cooperatives for less than 5 cents per kilowatt hour (kWh). A pumped storage hydroelectric plant operated by Oglethorpe helps offset the cost of the gas-fired peaking units that Oglethorpe owns or manages.

Oglethorpe expects future wholesale prices to be in the range of 5.0-5.2 cents per kWh, even after significant investments in equipment at the coal-fired plants to ensure compliance with environmental regulations. The rates are set by the cooperative board annually to assure compliance with the mortgage indenture requirement that MFI be at least 1.1x. Power from the 4,744 megawatts (MW) of owned and leased capacity, along with 1,271 MWs of purchased power and 709 MW owned by Smarr electric member cooperative (EMC) but managed by Oglethorpe, provided about two-thirds of the electricity required by the cooperatives in 2007. Under the terms of the amended wholesale power contracts, members now source additional power through third-party suppliers. However, additional base load capacity will be needed in the near future, and all 38 members are reviewing with Oglethorpe the option of participating in the construction of two nuclear units that could be operating by 2015. Binding commitments to the new nuclear units will be made by July 2008.

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Financial Profile: Improving

Management is in the process of restructuring existing debt to eliminate large, near-term bullet maturities, extend maturities of existing low-cost debt, and plan for the new debt that will be needed to fund emissions equipment and additional capacity.

The first step in this process, accomplished in 2005, was the extension of the maturity of the power sales contracts to 2050 from 2025. In October 2006, Oglethorpe refinanced $331 million of pollution control bonds, extending maturities out to the 2036-2041 time frame. Oglethorpe also issued $300 million of new taxable debt, primarily to fund the installation of environmental facilities at Plant Scherer. This was the first time in more than a decade that Oglethorpe had issued debt in the taxable 144A market, which provided a needed alternative source of financing.

Traditionally, cooperatives have borrowed either directly from the RUS or from the FFB under an RUS guarantee. However, with the increasing need for additional generating capacity and requirements for emission controls, the amount of funding needed may exceed the lending capacity of the RUS, which must be approved each year by Congress. Finding alternative lenders will help ensure access to funds needed to complete the capital investment.

In 2007, Oglethorpe issued $500 million of taxable debt in the 144A market, and the proceeds were used to prepay $442 million of FFB debt. Proceeds from Oglethorpe's issuance of $182 million of pollution control bonds were used to refinance a like amount, extending those maturities out to the later years under the power sales contracts. Oglethorpe was the first cooperative to take advantage of the opportunity to extend the maturity of RUS debt without repricing the issue, although "modification costs" are paid up front to extend the debt. Oglethorpe's modification costs amounted to $4.6 million.

Oglethorpe extended $428 million of RUS debt in May 2007, which is about 20% of the RUS/FFB debt portfolio. These refinancings and the FFB debt extension will reduce annual principal payments to a level lower than annual plant depreciation. As a result, debt service coverage in 2008 and beyond is expected to be in the range of 1.3x to 1.4x. Fixed-charge coverage, which includes purchased power capacity payments and lease payments as well as debt service, is expected to be in the range of 1.2x to 1.3x. Coverage ratios in the 2005-2007 time frame were weak--at around 1x --because of the bullet debt payments made as part of the debt restructuring.

Debt needed to fund future capital spending requirements may weaken coverage ratios if member rates are not increased accordingly. Oglethorpe has five "active" RUS loan applications; these include $630 million primarily for environmental compliance at Plants Scherer and Wansley and $1.8 billion for the proposed additional units at the Vogtle nuclear plant. Of that amount, $183 million was approved in 2006 and $442 million was approved in 2007.

Oglethorpe has also received two allocations from the State Department of Community Affairs for the issuance of $110 million to $200 million of tax-exempt debt that will be used to help fund the environmental equipment costs; and it has received from the Federal Government an allocation for $24 million of clean renewable energy bonds (CREBs) to fund an upgrade project at its hydro facility.

Oglethorpe's capital structure is highly leveraged, which is typical of generation and transmission (G&T) cooperatives. The ultimate obligors for payment of the debt issued by Oglethorpe to acquire or build generating assets are the member cooperatives, and payment of the obligation is ensured by the take-or-pay power sales contracts, which include unlimited step-ups for all members should any members default on payment. Thus, while

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the equity ratio for Oglethorpe on a stand-alone basis is a weak 12%, the consolidated system equity is 25%, which indicates that the level of patronage capital at each of the members provides a stronger cushion of reserves--and an alternative source of payment should retail revenue be insufficient to meet member payment obligations under the power sales contract.

Liquidity

Oglethorpe's liquidity position is very strong. In addition to cash on hand, which is targeted at $150 million to $200 million (or about two to three months of cash operating costs), Oglethorpe has a $450 million liquidity facility that matures in July 2012.The facility backs a $450 million commercial paper program, and allows direct borrowing and the ability to issue up to $50 million in letters of credit. In addition, Oglethorpe has two $50 million lines of credit for general working capital purposes. The lines are provided by the National Rural Utilities Cooperative Finance Corp. and CoBank, both cooperative lending institutions.

Oglethorpe's liquidity requirements are moderate. Commodity price risk is limited, because natural gas costs are passed through to members with a monthly true-up of estimated cost compared to actual cost. Standby purchase agreements provide liquidity for the pollution control bonds, which may be tendered back to Oglethorpe. Variable-rate debt accounts for about 25% of total debt, and a 1% change in interest rates would add about $8 million to total interest expense (which was $214 million in 2007).

Outlook

The stable outlook reflects stable financial metrics assured by the terms of the wholesale power sales contracts with members, as well as the effect of restructuring the debt to match the extended power sales contracts and the life of the electric generating plants. The stable outlook also reflects Oglethorpe's ability to access public debt markets to supplement RUS funding for a large capital program that includes both environmental upgrades of existing plants and the construction or acquisition of additional base load capacity needed to meet the steadily increasing demand for electricity in Georgia.

Regulatory Environment

Oglethorpe is self-regulated, and its annual rate-setting process is not subject to approval by the RUS or any other state or federal authority. Its board of directors is composed of 13 individuals (consisting of six member directors, five EMC manager directors, and two outside directors) who meet regularly and are required to set rates at least annually.

Rates charged to members are based on a capacity (fixed) and energy (variable) component, as provided under the wholesale power contracts amended in 2003. Members' fixed costs under the contracts are based on a fixed percentage of total capacity. Energy charges reflect the pass-through of actual fuel costs. As such, Oglethorpe has no need for a power supply adjuster, as members are billed each month for actual energy costs incurred in the prior month.

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Markets: Continued Strong Growth

The economic profile of Oglethorpe's members' markets is above average. The G&T's 38 members cover 70% of the land area in Georgia (or 37,000 square miles) and serve about 1.6 million customers (meters), representing a population of approximately 4 million people, or roughly one-third of the state's population. Although Oglethorpe's members continue to serve the majority of Georgia's rural electric customers, much of the service territory is becoming more urbanized, due to the rapid growth of most major cities in Georgia.

Atlanta continues to be among the fastest-growing cities in the U.S., and some of Oglethorpe's largest members have service territories that ring the city. Member average annual compound growth rates from 2004 through 2007 have been 4% for customers and 5% in energy sales. These statistics principally reflect the growth of Oglethorpe's three largest members, which in 2007 accounted for about 36% of revenues and serve suburban areas north of Atlanta. These include Cobb EMC (13.3% of revenues), Jackson EMC (12.3%), and Sawnee EMC (10%). The retail customer base is primarily residential, and accounts for about 68% of the members' revenues.

Operations: Well-Managed Portfolio; Higher Environmental Costs

Oglethorpe owns or leases undivided interests in 24 generating units at the following nine plants, providing a total of 4,744 MW of capacity:

- 1,501 MW of coal-fired capacity (30% of Wansley and 60% of Scherer);
- 1,185 MW of nuclear-fueled capacity (30% of Hatch and Vogtle);
- 632 MW of pumped storage hydroelectric capacity (75% of Rocky Mountain);
- 1,411 MW of gas-fired capacity, of which 206 MW is capable of running on oil (100% Talbot, Chattahoochee, Doyle); and
- 15 MW of oil-fired combustion turbine capacity (at the Wansley site).

The coal-fired and nuclear-fueled plants are operated by GPC, and have a strong performance record. Equivalent availability, which is a measure of the percentage of time a unit was available to generate if called upon (adjusted for periods when the unit is partially derated from the "maximum dependable capacity" rating), has averaged 90% or higher over the past three years.

The Rocky Mountain hydro and Talbot and Chattahoochee gas-fired units are operated by Oglethorpe and are used to serve peak load. The Doyle gas-fired unit is owned and operated by a limited liability subsidiary of the Walton EMC, but Oglethorpe dispatches the power under a tolling arrangement. In addition, Oglethorpe has a contract to purchase about 300 MW of capacity from Hartwell Energy Limited Partnership, a joint venture between Centennial Energy Holdings Inc. (BBB+/Stable/A-2)--which is a subsidiary of MDU Resources Group Inc (BBB+/Stable/A-2)--and American National Power Inc., a subsidiary of International Power PLC. (BB-/Stable/--).

These facilities and purchased power arrangements provided about two-thirds of the members' power requirements in 2007. The remaining one-third was provided by contracts with specific power sources, as well as contracts with the following energy brokers:

- The Southeastern Power Administration (SEPA)'s hydroelectric plants (562 MW) have contracts with all 38

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members.

- The Smarr Energy Facility (709 MW gas-fired) has contracts with 36 members.
- The Sewell Creek Energy Facility (492 MW gas-fired) has contracts with 31 members.
- GPC (675 MW block power) has contracts with 29 members.

To supply incremental demand, the Oglethorpe members have joined one of five power supply groups that contract with one or more suppliers under contracts ranging from five to 15 years, beginning in 2005. Four of the contracts are requirements-based, and one group schedules specifically for intermediate and peaking load. These contracts provide 13%-14% and 24-26%, respectively, of each group's peak demand.

Options for additional base load capacity are under review. Through Oglethorpe Power Corp., the members have an option to own up to 30% of two proposed nuclear units at Plant Vogtle. GPC is pursuing a license application schedule that could support a commercial operation date as early as 2015; this included the filing in 2006 of an application for an early site permit. Any commitment to finance the construction or acquisition of new plant capacity must be approved by 75% of Oglethorpe's board of directors and 75% of the members, and by members representing 75% of the patronage capital of Oglethorpe. Approval is also required by the RUS, which provides most of the electric cooperatives' funding, mostly through guaranteed loans from the FFB. A decision regarding participation in new nuclear capacity will be made by July 2008.

The members have also requested that Oglethorpe assist them with an evaluation of future (2011-2020) power supply needs. Oglethorpe is working with member representatives to identify and evaluate resources that could supply these needs.

Compliance with evolving environmental rules is another primary concern for Oglethorpe and its members. Oglethorpe has invested about $150 million to maintain compliance with various environmental regulations by installing selective catalytic reduction control (SCR) technologies at Plant Wansley to control nitrogen oxides emissions and converting Plant Scherer to permit it to burn low-sulfur Powder River Basin coal. Flue gas desulfurization systems are being installed at Plant Wansley at a cost of about $130 million, and Oglethorpe anticipates that mercury controls, SCR, and flue gas desulfurization systems will be installed at Plant Scherer by the end of 2014, at a cost of about $900 million. Oglethorpe expects environmentally related capital spending of $108 million in 2008 and $47 million in 2009.

In late 2006, Oglethorpe began the 10-year maintenance and overhaul program required for the three hydro units at Rocky Mountain. Oglethorpe will perform the required maintenance on one unit each year, with the total overhaul scheduled to be completed in 2010. New, more efficient runners will increase each unit's capacity by about 60 MW, or 20%.

Fuel: Adequate Coal Supply, Limited Gas Price Exposure

Coal is purchased under term contracts and in spot market transactions, and the coal supply problems of 2005 and early 2006 have been resolved. Plant Wansley, which burns coal from mines in the eastern U.S., had a 76-day coal supply as of Feb 28, 2007. Plant Scherer, which burns coal from the Powder River Basin in Wyoming, had a 56-day supply. Oglethorpe separately dispatches Plant Scherer and Plant Wansley, but uses GPC as its agent for fuel procurement. Oglethorpe currently leases about 1,200 rail cars to transport coal to Plants Scherer and Wansley.

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GPC, as the operating agent of Plants Hatch and Vogtle, has the responsibility to procure nuclear fuel. Most contracts for the supply of uranium ore, conversion services, enrichment services, and fuel fabrication are short- to medium-term. On-site dry storage capacity at Plant Hatch can be expanded to accommodate spent fuel through the life of the plant. Plant Vogtle's spent fuel pool storage is expected to be sufficient until 2015. Oglethorpe expects that procurement of on-site dry storage capacity at Plant Vogtle will commence in sufficient time to maintain full-core discharge capability to the spent fuel pool.

Oglethorpe purchases the natural gas, including transportation and other related services, needed to operate Doyle, Talbot, and Chattahoochee and the combustion turbines owned by Hartwell Energy Limited Partnership. Oglethorpe purchases the natural gas in the spot market and under agreements at indexed prices.

Oglethorpe has entered into hedge agreements to manage a portion of its exposure to fluctuations in the market price of natural gas. It also manages exposure to gas price risk for members that elect to receive such services. To help manage this risk, Oglethorpe has purchased 800,000 million cubic feet (mcf) of a five billion cubic foot (bcf) storage cavern that is under construction, with an expected in-service date of June 1, 2008.

Strong Competitive Position

The combination of coal, nuclear, and hydro fuel sources allows member cooperatives to purchase electricity at fairly competitive wholesale rates. These rates were 5.04 cents per kWh in 2007, 4.90 in 2006, 4.79 in 2005, and 4.10 in 2004. The lower rate in 2004 was attributable to two very low-cost third-party power supply contracts that have since expired.

Wholesale rates over the next five years are expected to be in the range of 5.0 to 5.2 cents per kWh, which would allow Oglethorpe's members to continue charging competitive rates. Generally, retail residential rates from the members are average for the state of Georgia, although smaller cooperatives tend to have above-average rates, since they serve fewer customers per line mile.

Deregulation of retail electricity in Georgia is not under consideration. Since the Territorial Act was enacted in 1973, substantially all areas in the state have been assigned to specific retail suppliers. Limited competition is allowed for the owner of any new facility located outside municipal limits and having a connected load upon initial full operation of 900 kW or more to receive electric service from the retail supplier of its choice.

Ratings Detail (As Of April 1, 2008)		
Appling Cnty Dev Auth, Georgia		
Oglethorpe Pwr Corp, Georgia		
Appling Cnty Dev Auth (Oglethorpe Pwr Corp) poll control (MBIA)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Burke Cnty Dev Auth, Georgia		
Oglethorpe Pwr Corp, Georgia		
Burke Cnty Dev Auth (Oglethorpe Pwr Corp) poll control (MBIA)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Burke Cnty Dev Auth (Oglethorpe Pwr Corp) poll cntl		
Long Term Rating	A/Stable	Affirmed
Burke Cnty Dev Auth (Oglethorpe Pwr Corp) poll cntl (FSA)		

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Ratings Detail (As Of April 1, 2008) **(cont.)**		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Heard Cnty Dev Auth, Georgia		
Oglethorpe Pwr Corp, Georgia		
Heard Cnty Dev Auth (Oglethorpe Pwr Corp) (FSA)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Monroe Cnty Dev Auth, Georgia		
Oglethorpe Pwr Corp, Georgia		
Monroe Cnty Dev Auth (Oglethorpe Pwr Corp) poll control (MBIA)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Monroe Cnty Dev Auth (Oglethorpe Pwr Corp) poll cntl (Oglethorpe Pwr Corp Proj)		
Long Term Rating	A/Stable	Affirmed
Monroe Cnty Dev Auth (Oglethorpe Pwr Corp) poll cntl (Oglethorpe Pwr Corp.) (FSA)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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