24/7/365

2020 Annual Report

the Gas Authority

Contents

Our Mission

To provide municipalities a reliable, economical supply of natural gas and to assist them in developing and growing their gas systems to optimize the benefits of public ownership.

Environmental Responsibility

Environmental stewardship is important to us, and natural gas has an important role. We recognize that safeguarding our environment is a responsibility we all share. Natural gas enhances our quality of life through affordable and reliable energy contributing to humankind’s prosperity and a clean environment. We also believe energy diversity, choice and security are key to spurring innovation, improving economic well-being, and effective environmental stewardship.

The Gas Authority and its Members are committed to provide natural gas energy services that result in affordable, reliable and secure energy and a clean, sustainable environment, and we support energy innovation that contributes to these objectives.

Corporate Profile

The Municipal Gas Authority of Georgia (the Gas Authority) is the largest non-profit natural gas joint-action agency in the United States, serving 80 Members in Georgia, Alabama, Pennsylvania, Tennessee, and Florida that meet the gas needs of more than 250,000 customers. In addition, the agency provides services to 14 other agencies and public systems referred to as “Municipal Customers”. The Gas Authority serves as the manager of both Public Gas Partners, Inc. (PGP) and Main Street Natural Gas, Inc. (Main Street), which acquire and provide economical natural gas reserves, in the case of PGP, and long-term prepaid natural gas supplies, in the case of Main Street, to the Gas Authority and other public systems.

The Gas Authority was formed in 1987 by an Act of the Georgia General Assembly to assist municipal Members who own and operate natural gas distribution systems. Member and Municipal Customer systems are located on the pipeline facilities of seven interstate pipelines. The Gas Authority provides a broad array of gas supply, marketing and other related services, which deliver significant benefits to its Members, Municipal Customers and the communities they serve.

Services include gas supply and storage management, supply and capacity planning, regulatory representation, industrial customer assistance, budget assistance, rate design, budget forecasting, market development, communications, project financing, risk management assistance, regulatory compliance, and training.

12:00am

Natural Gas Is Always On

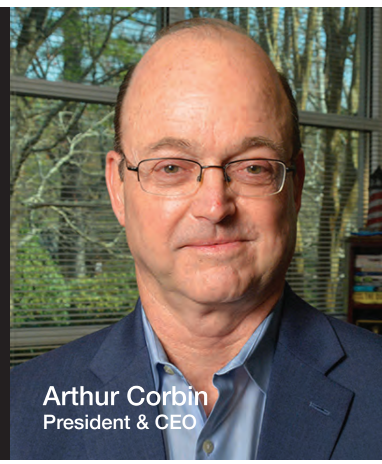
24/7/365

2020 Annual Report Letter to Members

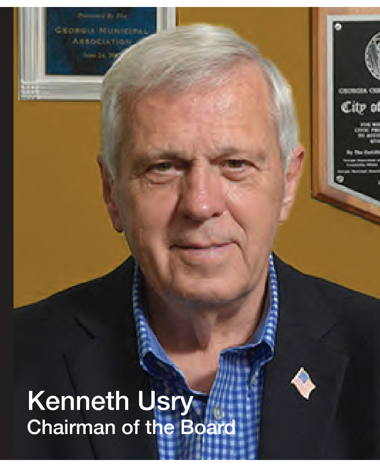
Our Members and Municipal Customers, through the broader natural gas industry, deliver America's abundant and affordable natural gas each and every day to help meet the energy needs of the people and businesses in the communities they serve. Across the country, households that use natural gas for heating, cooking and clothes drying save an average of $879 per year compared to homes using electricity to meet those same energy needs. Almost 21,000 businesses sign up to use natural gas each year. The natural gas industry contributes to more than 4.1 million jobs.

Despite the challenges associated with the world-wide pandemic, the Gas Authority delivered more supplies at significantly lower cost for consumers, expanded its membership and services, and completed several strategic initiatives. This letter highlights these and other 2020 activities and accomplishments, none of which would be possible without the outstanding leadership of our Board, engaged and proactive Members, and our team of dedicated, innovative, hardworking and service-minded employees.

It has been said that adversity best reveals the true character of an individual. Without question, 2020 was a year filled with adversity, and through it, we saw our Members, Staff and industry rise to the challenge of serving their customers and communities with excellence and compassion – 24 hours a day, 7 days a week and 365 days a year.



Arthur Corbin
President & CEO



Kenneth Usry
Chairman of the Board

Importantly, the natural gas industry, while maintaining safe, reliable and affordable service, is helping to meet the nation's environmental goals. The electric power generation sector, which accounts for one-third of U.S. carbon emissions, reached its lowest emissions in over 30 years, achieving a level equivalent to 88 percent of 1990 emissions. The increased use of natural gas is the single largest factor in achieving these emissions reductions. Also, natural gas homes, which account for only 7 percent of U.S. carbon emissions, remain at 1990 levels while the number of homes increased 38 percent over those same 30 years.

The U.S. natural gas industry is also helping the rest of the world lower emissions. For the fourth consecutive year, the U.S. has exported record amounts of natural gas, averaging almost 13 Bcf per day. These exports account for approximately 14 percent of U.S. natural gas production.

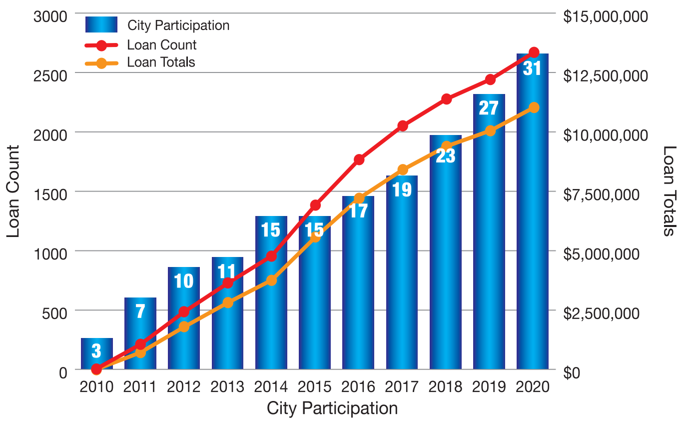
Growth in Membership, Volumes & Services

In April 2020, Alexander City, Alabama joined the Gas Authority as our 80th Member. Located in East Central Alabama, and the home of Lake Martin, Alex City serves approximately 3,000 customers and delivers over 400,000 Mcf annually. We are excited to serve Alex City and to have them be a part of the Gas Authority.

For the third consecutive year the Gas Authority delivered record volumes, totaling 112 Bcf, an increase of 13 percent from 2019. This substantial growth in throughput was driven by a 34 percent increase in deliveries to Municipal Customers, which reached 61 Bcf, up 16 Bcf, while deliveries to Members were down 5 percent to 51 Bcf.

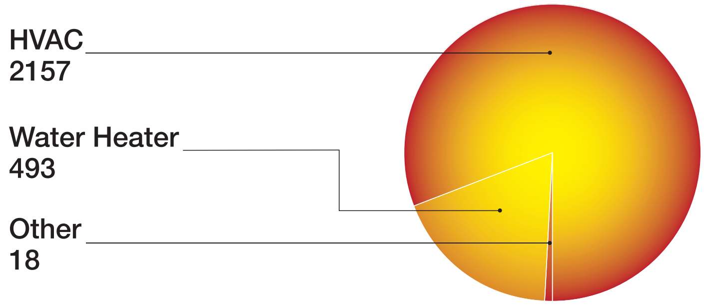
Natural Gas Connection (NGC), the new business unit designed to enhance Members' customer experience, continued to ramp up its operations in Northwest Georgia with the launch of its website in July 2020, as well as through active marketing efforts for the four participating Members, leading to approximately 100 appliance sales and installations. Near the end of 2020, NGC grew with the addition of East Central Alabama Gas District, which is constructing its new utility headquarters to include a premiere appliance showroom and office space for NGC's business coordinator for that area.

Steady Growth of Main Street On-Bill Financing Program



The Main Street On-Bill Financing Program celebrated its ten-year anniversary in 2020. Introduced to Members in 2010, the program has been instrumental in helping our Members' residential customers purchase and install natural gas appliances through interest-free financing. The program continues to grow in popularity among the Membership. Over the past five years, Member participation in the program has almost doubled, growing from 17 to 31 Members in 2020. Importantly, this program will help drive the success of Natural Gas Connection and, with the recent addition of multi-family project eligibility, provide entry points for gas appliance installations in the growing multi-family housing market.

Main Street OBF Financed Appliances (2010-2020)



Through its Emerging Technology Program, the Gas Authority assisted two additional Members in the installation of 98 tons of efficient natural gas heat pump technology to heat and cool several commercial buildings. Under this program, Members now have installed over 500 tons of high efficiency, natural gas heat pump technology in new and existing buildings in their communities.

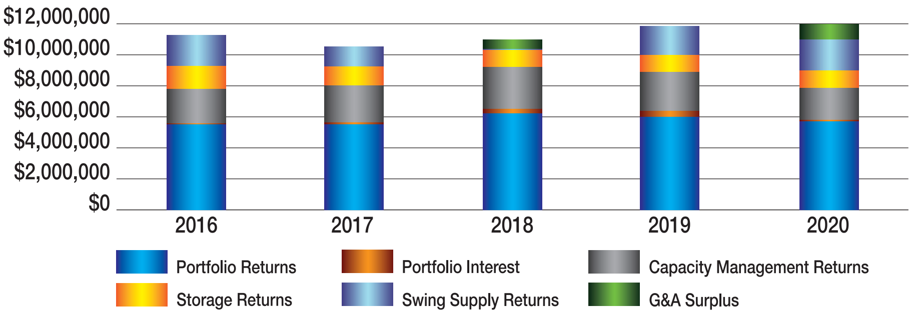
In 2020, in the face of the economic challenges associated with the COVID-19 pandemic, Members collectively added over 5,000 residential and commercial customers and have 11 industries either locating in their service areas or expanding existing operations that are expected to add a total of more than 4 Bcf annually. Members also continue to expand their service to poultry houses in their area with 49 houses added in 2020 and total service to poultry houses now exceeding 0.6 Bcf per year, up almost 5 percent from 2019.

Member/Customer Savings

For the second consecutive year, the total cost of gas supplies delivered to Members decreased more than 40 cents per MMBtu. In 2020, Members saw their costs drop between 40 and 60 cents per MMBtu, down on average 13 percent from 2019.

Member supply portfolio and operational returns totaled $12 million for 2020, up $0.1 million, or 8 percent, from 2019. Annual returns from the long-term supply portfolio accounted for 48 percent of Member returns, totaling $5.7 million, down 5 percent from 2019.

Annual Member Returns
(Contributions to Member Margins)



In 2020, the operational returns accounted for 52 percent of Member returns and included capacity management returns, net margins on storage inventory, swing supply savings and general and administrative (G&A) budget surplus. Members received $2.1 million in pipeline capacity management returns, down 17 percent from 2019. Net margins on storage inventory increased 40 percent from 2019 to $1.4 million despite market pressure on storage values. The cost of meeting Member load swings was minimized with $2 million returned to Members, or 80 percent of the $2.5 million collected through the swing supply charge. Finally, for 2020, Members also received $1 million from the G&A budget surplus.

3:30am

Restaurants, dry cleaners, and other commercial customers are spending less for their natural gas today than they were ten years ago – 36% less!

To keep up with our growing demands for products, manufacturing is an around the clock operation. More than 95% of the products we use every day are derived from or are manufactured using natural gas. From the clothes we wear, the technology at our fingertips, the creature comforts of home and more, natural gas has a role in bringing it into our lives.

5:00am

Professional chefs and home cooks alike love the control, convenience, and versatility of a gas range. When cooking with gas the heat is instant and temperature control is easy, and best of all even when the power is out a natural gas stove can keep everyone well-fed.

6:30am

When the alarm clock goes off it triggers a series of events that set the tone for the rest of the day – running out of hot water shouldn't be one of them. Natural gas water heaters provide quick, reliable, and lasting hot water, so whether you're the first or the last in your family to step into the shower to kickstart your day you will have plenty to sing about.

9:00am

The natural gas day begins. Keeping up with the demands of residential, commercial, and industrial natural gas users requires planning and accounting for fluctuations in weather, customer demand cycles and more. Every day natural gas flows to nearly 6 million businesses and 71 million homes across the country.

The Gas Authority also generated substantial savings for its Municipal Customers, who received over $15 million through a combination of monthly discounts below spot market pricing and annual returns. In addition, the market-based decision to terminate the Main Street 2010A prepayment with Royal Bank of Canada provided over $6.5 million in savings for each of the three participants.

Households that rely on natural gas for heating, cooking, and clothes drying save an average of $879 a year compared to their electric counterparts.

Efficiency Gains & Positioning for the Future

Although the pandemic brought with it many challenges, it also paved the way for several innovations and efficiencies across the Gas Authority. For many years, the Gas Authority has enabled secure remote access to its systems for over half of its employees. In March of last year, all employees were seamlessly converted to work from home rather than the office. This included reinforcement of existing cybersecurity measures throughout the organization and upgraded conferencing equipment and service providers.

11:00am

Natural gas utilities have invested significantly in helping residential customers improve the efficiency of their home through upgraded insulation, tighter fitting windows and doors, and the purchase of more efficient natural gas appliances. All of this has resulted in offsetting more than 13.5 million metric tons of CO_2 emissions since 2012 – that's equal to removing nearly 3 million cars off the road for a year!

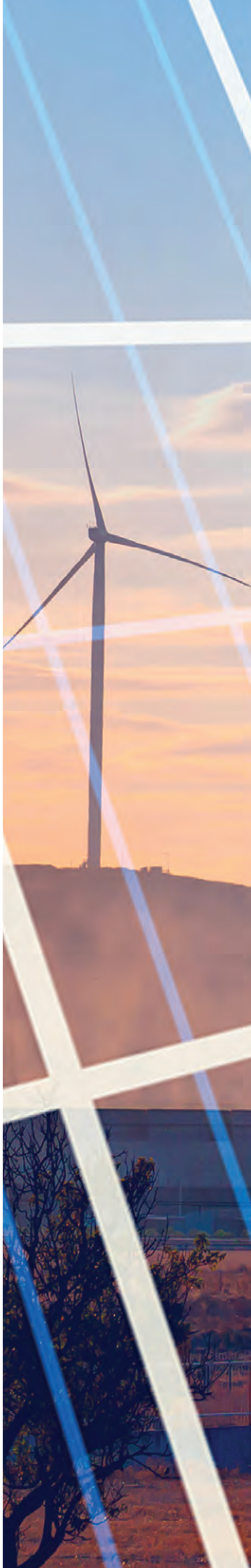
The Gas Authority's technology professionals completed several system development and upgrade projects across the organization in 2020. These projects include improvements and efficiencies in data collection, such as real-time usage data for the Members' large industrial customers, mobile data entry for PGP Operating's well operators and retail customer data for NGC. Several system enhancements were also completed during the year for Operations, Accounting and the Subscribed Regulatory Compliance Service.

In 2020, the Gas Authority issued its new five-year strategic plan titled Destination 2025. This new plan was the culmination of an organization-wide planning process that actively engaged and involved the Board, the Membership and Staff. Destination 2025 restates the Gas Authority's Mission and Values, which haven't changed, includes a new Environmental Responsibility Statement, and sets a clear course around three goals to Grow Contributions to Member Margins, Grow Customers and Grow Throughput Volumes, all in the context of Organizational Distinctives (what sets us apart) and an Industry Assessment (the business environment we expect to operate in). In addition to the Gas Authority's existing operations and services, several strategic initiatives are identified in the plan as ongoing (Realignment of Supply Portfolio and Member Strategic Planning), expanding (Natural Gas Connection, Supply Service to Municipal Customers and Consumer Communication/Education), and new (Position Members to Capture New Industrial and Commercial Customers and Training/Engineering/ Operational Services).

12:00pm

Today, industry experts say we have well over a hundred year supply of domestic natural gas. Appropriately leveraging these resources can ensure energy independence for our nation and its economy.

Take a midday walk or enjoy your lunch alfresco knowing the natural gas industry is committed to the environment and is essential to a clean energy future. In the last 20 years the industry has reduced greenhouse gas emissions from distribution by 73%. That's a breath of fresh air!



1:00pm

Conversations about growing green alternative energies – like wind and solar – need to include clean-burning, efficient natural gas. Without it our energy grid simply cannot meet the peak demand during our coldest and hottest months. Wind and solar are available to produce energy about 25% of the time, while natural gas is always ready to partner with renewables to fill the gap.

5:00pm

Time to call it a day. Thanks to the natural gas industry more than 4.1 million Americans have jobs that are directly or indirectly tied to the production, transportation, and distribution of natural gas, as well as fabrication jobs that use it as a feedstock resource. More than 80% of these jobs are local, which means they impact and support their local communities and economies.

6:00pm

While some have clocked out for the day, some are just clocking in, and natural gas is on the job thanks to its reliable, safe delivery network of more than 2.6 million miles of pipeline. This resilient energy infrastructure serves nearly every critical function and sector of the US economy – available 24/7/365 for emergency services, transportation, banking, healthcare, water supply, and other vital systems.

Two additional strategic items were completed in 2020. The new Gas Authority logo was rolled out in the second half of the year. The professional and warm look and updated colors effectively convey our SPIRIT values (Service, Professionalism, Integrity, Respect, Innovation and Teamwork), the name we go by and the natural gas service we provide. Importantly, in 2020, the successful Supply Portfolio Project was extended through completing Portfolio V contracts with all Portfolio IV participants and extending the Base Gas Supply Contracts to coincide with the maximum bond issuance term of the Portfolio V contracts.

More than 21,000 businesses sign up for natural gas service each year. Businesses who use natural gas have saved $121 billion in energy costs since 2009.

the Gas Authority

8:00pm

We all want to get the most for our money, and with the direct use of natural gas for things like cooking, home heating and water heating you get higher efficiency at a lower cost. From the well-head to your burner tip, natural gas loses only 8% of its energy along the way. In contrast converting natural gas into electricity to perform those same household functions loses 65% of the energy through transmission, generation, and distribution before it reaches your home.

As we look ahead, we see our industry contributing significantly to meet the energy needs and environmental goals of not only the U.S. but people, businesses and countries across the globe – 24 hours a day, 7 days a week and 365 days a year. The natural gas industry will make this important contribution through continued innovation and hard work that results in safely, efficiently, affordably and reliably delivering clean energy to people and businesses in the U.S, North America and abroad.

The Gas Authority remains committed to help its Members bring the full benefits of natural gas to their customers and communities. Whether it is safely and reliably delivering low-cost natural gas each and every day, or it is assisting Members to increase service to existing customers, add new customers or develop new markets, the Gas Authority has an outstanding team of professionals dedicated to serving its Members, as well as Municipal Customers, and helping them serve their communities and reach their goals.

On behalf of our Board and employees, we thank you for the opportunity to serve you, your customers and your communities and pledge to always go the extra mile to earn the confidence and trust you have placed in us.

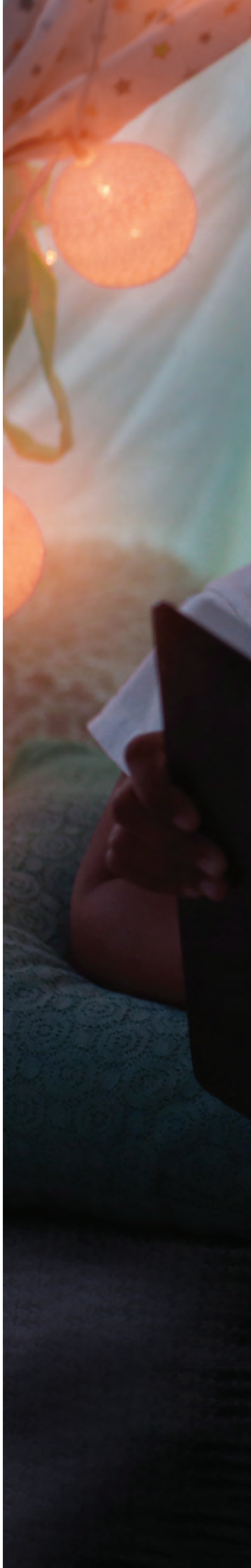
Kenneth Usry
Chairman of the Board

Arthur Corbin
President & CEO

9:00pm

We all want what is best for our families, our businesses, and our communities; and you can rest assured that natural gas is responsibly delivering comfort, value, and efficiency while caring for our planet.

Renewable natural gas (RNG) has a negative carbon footprint – that is it removes more emissions than it produces! Estimates say that RNG could reduce residential emissions by 95% in the next 20 years and could drastically reduce agricultural emissions.



11:00pm

Around the clock natural gas is an integral part of our lives. Today and well into the future we need its clean-burning, efficient energy to fuel our homes, businesses and industry and contribute to a sound economy and vibrant and growing communities. Natural gas is a wise partner for green energy alternatives – picking up the slack when solar and wind cannot keep up, powering the heavy demands of industry, and keeping us comfortable when the weather is at its worst. Natural gas is essential to our green energy future.

Officers

Top row:
Arthur Corbin, President & CEO
Middle row:
Susan Reeves, Chief Financial Officer
Peter Floyd, General Counsel
Bottom row:
Mike Frey, Chief Operating Officer
Chris Strippelhoff, Chief Membership Officer

Board of Directors

Top row:
Kenneth L. Usry, Chairman, Mayor – Thomson, **Daren Perkins**, Gas Superintendent – Buford,
Irving Thompson, General Manager – East Central Alabama Gas District,
Chris Hobby, Vice Chairman, City Manager – Bainbridge
Middle row:
Howard McKinnon, Retired Town Manager – Havana**, Steve Sykes**, City Manager – Camilla,
Charles K. Shaheen, former Council Member – Warner Robins, **David Nunn,** City Manager – City of Madison
Bottom row:
Todd Hardigree, Secretary/Treasurer, Gas Director – City of Lawrenceville, **Luther L. (Buddy) Duke**, III, Mayor – Adel,
Michael Clay, Director of Utilities – Dublin, **Jon Mason,** Assistant Gas Superintendent – Chambersburg (PA)
Municipal Gas Department

Key Operating Statistics

	2016	2017	2018	2019	2020
Number of Members/Municipal Customers					
Southern Natural	26	26	25	25	25
Southern Natural - South Georgia Facilities	28	29	29	29	29
Transco	23	23	23	23	24
Texas Eastern	2	2	2	2	2
Municipal Customers on Various Pipelines	9	10	11	16	14
Regulatory Compliance Customers	31	33	36	41	42
Total Number of Members/Municipal Customers	119	122	126	136	136
Total Throughput By Member & Municipal Customers (000 MMBtu)					
Member	51,501	50,035	56,209	53,852	51,134
Municipal Customers	26,535	25,888	28,327	45,143	61,148
Total Throuhput	78,036	75,923	84,536	98,995	112,282
Total Throughput By Pipelines (000 MMBtu)					
Southern Natural	23,708	21,806	23,133	23,806	27.153
Southern Natural - South Georgia Facilities	14,3689	15,3342	16,766	16,170	14,541
Transco	29,813	28,675	32,995	34,826	38,161
Texas Eastern/Midwestern	1,796	1,748	1,999	2,244	3,131
Florida Gas Transmission	4,256	4,242	4,548	13,576	19,532
Other	4,094	4,118	5,095	8,373	9,764
Total Throughput by Pipeline	78,036	75,923	84,536	98,995	112,282
Heating Degree Days - Actual					
South Georgia	1,128	1,020	1,367	1,172	1,149
Middle Georgia	1,964	1,742	2,175	1,894	1,840
North Georgia	2,254	2,068	2,630	2,236	2,186
Heating Degree Days - 10 Year Average					
South Georgia	1,412	1,376	1,423	1,,393	1,377
Middle Georgia	2,279	2,244	2,300	2,292	2,272
North Georgia	2,590	2,560	2,567	2,545	2,510
Average Spot Price ($/MMBtu)	$2.46	$3.11	$3.09	$2.63	$2.08
Members' Customers - By Pipeline					
Southern Natural	51,379	50,155	49,977	49,700	50,004
Southern Natural - South Georgia Facilities	37,110	36,768	36,619	35,621	35,215
Transco	138,818	141,495	143,594	149,192	155,565
Texas Eastern/Midwestern	11,988	12,065	12,255	12,333	12,239
Total Customers	239,295	240,483	242,445	246,846	253,323

Financial Statements

As of and for the Years Ended December 31, 2020 and 2019

Report of Independent Auditors

The Board of Directors
Municipal Gas Authority of Georgia

We have audited the accompanying financial statements of Municipal Gas Authority of Georgia as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Gas Authority of Georgia at December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 19-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Ernst + Young LLP

Atlanta, Georgia
April 15, 2021

Corporate Structure

Municipal Gas Authority of Georgia (the Gas Authority) is a nonprofit, joint-action agency created in 1987 by an Act of the General Assembly of the State of Georgia (the Act). The Gas Authority is a public corporation whose primary purpose is to provide municipalities reliable and economic gas supplies and to assist them in developing and growing their systems to optimize the benefits of public ownership.

Members and Customers

Eighty municipal gas utilities (the Members), serving approximately 253,000 retail customers in Georgia, Alabama, Florida, Pennsylvania, and Tennessee, have signed long-term gas supply contracts through 2060 requiring that they take their entire gas supply from the Gas Authority and requiring the Gas Authority to provide that supply. Each utility is locally owned and operated; however, municipal utilities share common interests and concerns that can best be solved by working together. For example, by contracting with the Gas Authority, the municipal utilities can diversify their source of supplies through a portfolio of supply arrangements rather than depending on the services of a single provider. Through joint action, these municipal utilities use economies of scale to reduce the overall cost of natural gas to their ultimate customers.

The Gas Authority also provides gas supplies and related services to 14 other agencies and municipal utilities (Municipal Customers) on a limited basis for the benefit of the Members. Additionally, the Gas Authority provides regulatory compliance services to 42 other entities (Regulatory Compliance Customers, and collectively with Municipal Customers, the Customers). The Gas Authority is governed by a nine-member Board of Directors, which is elected from the membership and serves in staggered three-year terms. The Board also has three nonvoting out-of-state directors.

Authority

The Act provides that the Gas Authority will establish rates and charges to produce revenues sufficient to cover its costs, including debt service. It may not operate for profit unless such profit inures to the benefit of the public. The Gas Authority is specifically authorized by the Act to undertake joint projects for its Members and to issue tax-exempt bonds and other obligations to finance the costs of such projects.

Long-Term Gas Supply

Members can elect to participate in joint projects undertaken by the Gas Authority and authorize the issuance of project debt by entering into a supplemental contract (Supplemental Contract). These Supplemental Contracts authorize the Gas Authority to issue gas revenue bonds and other debt obligations to acquire a portfolio of gas supplies and gas-related assets to fulfill, in whole or in part, its obligation to supply gas to Members.

The Portfolio III project was initiated in November 2002 with the execution of amended Gas Supply Contracts and Supplemental Contracts with all Members. Those contracts were amended in 2008 to extend the full requirements gas supply services to Members through at least the date on which all Portfolio III bonds are fully retired and authorize the issuance of up to $1,500,000,000 in debt to secure long-term gas supplies. Through these contracts, the Gas Authority was authorized to issue additional debt through December 31, 2014, with maturities not exceeding 15 years from issuance.

The Portfolio IV project was initiated in November 2014 with the execution of Supplemental Contracts. Under the Portfolio IV contracts, the Gas Authority was authorized to issue up to $1,100,000,000 in debt through December 31, 2020, increasing to $1,500,000,000 as Portfolio III principal payments are made, with maturities not exceeding 20 years from issuance, to secure long-term gas supplies. The Portfolio V project was initiated in January 2021 with the execution of Supplemental Contracts. Under the Portfolio V contracts, the Gas Authority is authorized to issue up to $831,500,000 in debt through December 31, 2030, increasing to $1,000,000,000 as Portfolio III and IV principal payments are made, with maturities not exceeding 30 years from issuance, to secure long-term gas supplies.

During 2019 and through June 2020, the Gas Authority had one project acquired under Portfolio III and IV, comprised of working and royalty interests in coalbed methane reserves in Alabama's Black Warrior Basin. In July 2020, the Gas Authority assigned to Public Gas Partners its interest in those reserves.

The Gas Authority is a party to three Natural Gas Production Sharing Agreements (PSAs) with Public Gas Partners, Inc. (PGP), an autonomous Georgia nonprofit corporation that acquires and manages pools of gas supplies and provides other services for its municipal members, and whose day-to-day activities are managed by the Gas Authority. The first two PSAs authorized PGP to acquire specified gas supplies for the benefit of the Gas Authority and other pool participants over three-year acquisition periods, which ended in 2008. PGP completed reserve acquisitions of $327,900,000 in Pool 1 and $151,500,000 in Pool 2. The Gas Authority utilized a portion of the Portfolio III and IV debt to make advance payments to PGP for its share of acquisitions and finance PGP's liquidity requirements. See further discussion in liquidity and capital resources below. The third PSA authorizes PGP to acquire specified gas supplies for the benefit of the Gas Authority and other pool participants for as long as those participants have nominations in effect with PGP. PGP has completed $190,500,000 in reserve acquisitions in Pool 3. The Gas Authority is also a party to a Participation Agreement with PGP related to PGP Pool 4, which is a gas supplier and gas commodity swap counterparty for prepayment transactions.

The Gas Authority is a party to 12 long-term supply arrangements, including 8 with Main Street Natural Gas, Inc. described below, that are expected to deliver a firm supply of discounted gas over various terms ending in 2050. Under these pay-as-you-go arrangements, the Gas Authority has committed to buy specified volumes of gas at prevailing market prices less a discount when, and if, gas is delivered.

Main Street Natural Gas, Inc.

Main Street Natural Gas, Inc. (Main Street) is a nonprofit corporation organized under Georgia law. Main Street facilitates long-term supply transactions on behalf of the Gas Authority as well as other municipal customers within and outside the state of Georgia (collectively, the Participants). Main Street is authorized to issue tax-exempt bonds on behalf of the Gas Authority. Main Street is governed by a board of directors consisting of five directors of the Gas Authority. Accordingly, Main Street is considered a blended component unit of the Gas Authority under governmental accounting standards and is included within the Gas Authority's financial statements. Main Street's audited financial statements are available from the Gas Authority. Main Street's daily activities are managed by the Gas Authority.

Main Street has acquired gas through long-term prepaid gas purchase agreements (GPAs) and delivers gas to Participants through long-term gas supply contracts for specified volumes of gas. In some cases, the obligation of each Participant to pay Main Street the contract price for its contract quantity of gas is insured pursuant to a separate financial guaranty insurance policy. Gas is priced to Participants at a discount to spot market pricing. Additional discounts may be distributed annually to each project's Participants at the discretion of the Main Street Board.

Following is a summary of Main Street's active prepayments as of December 31, 2020.

Bond Series	Supplier	Prepayment Term	Original Bond Amount	Original Volume (Mcf)
2006A	J.P. Morgan	Feb 2007 – Jan 2022	$ 528,255,000	108,600,131
2006B	Merrill Lynch	Feb 2007 – Jan 2022	527,630,000	108,600,131
2007A	Merrill Lynch	Dec 2007 – July 2028	496,710,000 [1]	118,783,750 [1]
2018A&B	Royal Bank of Canada	March 2018 – Feb 2048	1,021,675,000	405,466,619
2018C,D,&E	Royal Bank of Canada	July 2018 – June 2048	1,000,215,000	409,761,987
2019A	Macquarie Group	April 2019 – March 2049	695,595,000	351,437,400
2019B	Toronto-Dominion Bank	July 2019 – June 2049	675,430,000	265,366,938
2019C	Citigroup	Feb 2020 – Jan 2050	631,970,000	236,472,000

[1] In May 2009, Main Street redeemed $225,105,000 of bonds through a tender offer. The remaining volumes to be delivered under the related gas supply agreement were reduced by 51,508,348 Mcf.

The Series 2018A&B, 2018C,D,&E, 2019B, and 2019C bonds are required to be purchased pursuant to mandatory tenders on dates ranging from 5-6 years from issuance and remarketed or refunded. If the remarketing fails or the bonds are not refunded, bondholders are required to be repaid through a termination payment due from the supplier under the GPA and the prepayment transaction will terminate.

Price risk related to the future deliveries of gas under these prepayments has been fully hedged through the use of natural gas swaps that convert the revenues that Main Street will receive from customers for reselling future deliveries of gas from a variable price based on a spot market index to a fixed price. These fixed prices are sufficient to pay project costs, while preserving the discounts obtained in the original prepayments. Main Street's prepayments for these rights are secured by guaranties provided by large financial institutions. The Series 2006A, 2006B, 2007A, 2018A, 2018C, 2019A, 2019B, and 2019C bonds have fixed interest rates. The Series 2018B, 2018D, and 2018E bonds have variable interest rates along with interest rate swaps.

Short-Term Gas Supplies and Sales

In addition to gas supplies obtained from long-term arrangements, the Gas Authority obtains short-term supplies on a daily, monthly, and seasonal basis from a variety of suppliers. These supplies are used by the Gas Authority to fulfill and balance its Members' and Customers' daily requirements. Because of the volatile and highly seasonal nature of its Members' and Customers' gas supply requirements, the Gas Authority also occasionally remarkets excess gas supplies on a short-term basis to a variety of suppliers. The Gas Authority uses derivative instruments, including swaps and options, to hedge its commodity price risk associated with forecasted natural gas supply and sales transactions.

Proprietary Fund Accounting

The Gas Authority follows proprietary fund accounting under governmental accounting standards. Proprietary funds are used to report business-type activities, as contrasted with tax-supported governmental activities.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Gas Authority's basic financial statements. These financial statements are designed to provide readers with a broad overview of the Gas Authority's finances in a manner similar to a private-sector business.

The statements of net position present information on all the Gas Authority's assets, liabilities, and deferred inflows/outflows of resources, with the differences between these amounts reported as net position. Because billings and revenues in excess of actual costs are generally returned to Members in the form of billing credits and annual cash returns, net position is somewhat limited. The only significant exception is net position that has been designated by the Gas Authority's Board of Directors as reserve accounts and that has been funded by a reduction in Member billing credits or returns. The statements of revenues, expenses, and changes in net position present information showing how the Gas Authority's net position changed during the periods presented. All changes in net position are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (i.e., costs recoverable from future billings and deferred inflows/outflows of resources).

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis – 2020 Compared to 2019

Following are condensed statements of net position as of December 31:

	2020	**2019**
Total assets	**$ 6,904,430,804**	$ 8,085,702,185
Deferred outflows of resources	**–**	4,504,500
Current liabilities	**311,898,594**	313,216,606
Noncurrent liabilities	**4,673,768,707**	5,762,082,932
Total liabilities	**$ 4,985,667,301**	$ 6,075,299,538
Deferred inflows of resources	**$ 1,882,465,658**	$ 1,979,480,241
Net position:		
Invested in capital assets	**2,556,586**	2,685,648
Unrestricted	**33,741,259**	32,741,258
Total net position	**$ 36,297,845**	$ 35,426,906

Total Assets – The decrease in total assets of $1,181,271,000 is primarily due to a decrease of $703,982,000 in prepaid gas supplies related to the market-based termination of the Main Street 2010A transaction during 2020, along with the normal amortization of Main Street prepays, a decrease of $17,275,000 related to repayment of advances to PGP and decrease in direct financing leases, a decrease of $332,626,000 in the fair value of derivative instruments related to changes in market conditions, a decrease of $94,563,000 in cost recoverable from future billings due to timing differences between expense recognition and billings to Members, and a decrease in restricted cash and investments of $33,454,000 related to payment of bond principal and interest.

Total Liabilities – Current liabilities decreased by $1,318,000 due primarily to decreases in outstanding debt and the fair value of derivative instruments due. Noncurrent liabilities decreased by $1,088,314,000 due primarily to the termination of the Main Street 2010A prepayment as well as changes in the fair value of derivative instruments due to market conditions. See "Liquidity and Capital Resources" below.

Deferred Inflows of Resources – Deferred inflows of resources represents the net unrealized gain on hedging derivative instruments, which decreased $97,015,000 due primarily to changes in market conditions.

Following is a summary of operations for the years ended December 31:

	2020	2019
Operating revenues	**$ 438,977,502**	$ 412,119,262
Operating expenses:		
Gas operations	**137,360,278**	144,391,134
Reserve depletion and prepaid gas supply delivery	**209,072,230**	179,579,179
General and administrative	**13,951,031**	14,014,731
Total operating expenses	**360,383,539**	337,985,044
Operating income	**78,593,963**	74,134,218
Nonoperating expenses, net	**(77,723,024)**	(73,881,735)
Change in net position	**870,939**	252,483
Net position – beginning of year	**35,426,906**	35,174,423
Net position – end of year	**$ 36,297,845**	$ 35,426,906

Operating Revenues – Operating revenues, which represent gas supplies and related hedge settlements, pipeline charges, and other services provided to Members, Customers, and Participants, increased by $26,858,000, or 6.5%. The increase in revenues is primarily due to 17.4% higher throughput driven by additional Municipal Customers served, offset somewhat by lower prices and slightly lower Member demand due in part to weather that was 2% warmer than the prior year as well as a slight impact on industrial demand due to the COVID-19 pandemic. Revenue volatility is mitigated somewhat by the hedging programs discussed earlier.

Operating Expenses – Gas operations, which include production, transportation, storage, and commodity costs of delivering natural gas to Members, Customers, and Participants, decreased $7,031,000, or 4.9%, due primarily to more gas supplies being provided by prepayments. Reserve depletion and prepaid gas supply delivery expense increased $29,493,000, or 16.4%, primarily due to more gas supplies being provided by prepayments.

Nonoperating Expenses, Net – Nonoperating expenses, net increased $3,841,000 primarily due to the net effect of the write-off of the positive fair value of the interest rate swap in the terminated Main Street 2010A prepayment and the increase in costs recoverable from future billings, which represents the timing differences between expense recognition and billings to Members and Customers.

Liquidity and Capital Resources – The Gas Authority had cash and investment securities of $194,731,882 at December 31, 2020, as compared to $227,043,112 at December 31, 2019. See the cash flow statement for details of cash activity during 2020.

Following is a summary of debt activity in 2020:

	December 31, 2019	Issuances	Payments/ Amortization	December 31, 2020	Maturity
Lines of credit	$ 35,400,000	**$ 42,000,000**	**$ (35,000,000)**	**$ 42,400,000**	Mar 2023
Bank Notes	44,000,000	**58,000,000**	**(44,000,000)**	**58,000,000**	Sep 2022
Series Q	12,000,000	**-**	**-**	**12,000,000**	Oct 2022
Series S	27,000,000	**-**	**(5,000,000)**	**22,000,000**	Oct 2027
Series T	15,000,000	**-**	**(15,000,000)**	**-**	Oct 2020
Series U	27,500,000	**-**	**(5,000,000)**	**22,500,000**	Oct 2024
Series A	43,000,000	**-**	**(12,000,000)**	**31,000,000**	Oct 2024
Bond premium	7,399,579	**-**	**(2,707,154)**	**4,692,425**	N/A
Total	$ 211,299,579	**$ 100,000,000**	**$ (118,707,154)**	**$ 192,592,425**	
Limited obligation debt:					
Main Street bonds	$ 5,272,980,000	**$ -**	**$ (841,970,000)**	**$ 4,431,010,000**	2022–2048
Bond premium	275,842,781	**-**	**(45,224,031)**	**230,618,750**	N/A
Direct financing leases	25,405,125	**-**	**(3,485,125)**	**21,920,000**	2020–2033
Total	$ 5,574,227,906	**$ -**	**$ (890,679,156)**	**$ 4,683,548,750**	

All bonds except four series of Main Street bonds are fixed rate, and all debt supports financing of gas prepayments, gas reserve acquisitions, advance payments to PGP, storage operations, and other gas supply activities.

The Gas Authority has lines of credit (LOCs) with an aggregate capacity of $80,000,000 and $37,600,000 available to be drawn at December 31, 2020. The LOCs mature on March 31, 2023. See the financial statement notes for further discussion of the Gas Authority's long-term debt.

From the proceeds of these financings, $191,945,702 has been advanced to PGP as of December 31, 2020. Under advance payment agreements, PGP is obligated to repay these funds by the final maturity of related Gas Authority debt in 2027.

The Gas Authority is exposed to credit risk in its arrangements with financial counterparties, suppliers, Members, Customers, and others. The Gas Authority has adopted policies and procedures to minimize this risk. Cash and investment securities balances consist of working capital and portfolio reserves as well as cash balances generated by the Gas Authority's long-term supply projects and provide sufficient liquidity for planned operations.

In April 2021, the Gas Authority Board of Directors approved an annual cash return to Members of $11,358,160 that is incremental to monthly returns.

Financial Analysis – 2019 Compared to 2018

Following are condensed statements of net position as of December 31:

	2019	2018
Total assets	**$ 8,085,702,185**	$ 5,086,536,337
Deferred outflows of resources	**4,504,500**	4,851,000
Current liabilities	**313,216,606**	300,250,798
Noncurrent liabilities	**5,762,082,932**	3,654,475,078
Total liabilities	**$ 6,075,299,538**	$ 3,954,725,876
Deferred inflows of resources	**$ 1,979,480,241**	$ 1,101,487,038
Net position:		
Invested in capital assets	**2,685,648**	2,825,156
Unrestricted	**32,741,258**	32,349,267
Total net position	**$ 35,426,906**	$ 35,174,423

Total Assets – The increase in total assets of $2,999,166,000 is primarily due to an increase of $1,998,217,000 in prepaid gas supplies related to the 2019 Main Street transactions; $948,679,000 in the fair value of derivative instruments related to the 2019 Main Street transactions, as well as changes in market conditions; an increase of $72,230,000 in cost recoverable from future billings due to timing differences between expense recognition and billings to Members; and an increase in restricted investments of $13,043,000 related to the 2019 Main Street transactions, offset by a decrease of $15,799,000 in accounts receivable from Members due primarily to lower gas prices in December 2019 as compared to the prior year, and a decrease of $27,630,000 in advance payments from PGP.

Total Liabilities – Current liabilities increased by $12,966,000 due primarily to bonds issued for the 2019 Main Street transactions offset somewhat by a lower current portion of amounts due on Portfolio bonds. Noncurrent liabilities increased $2,107,608,000 due primarily to bonds issued for the 2019 Main Street transactions. See "Liquidity and Capital Resources" below.

Deferred Inflows of Resources – Deferred inflows of resources represents the net unrealized gain on hedging derivative instruments, which increased $877,993,000 due primarily to changes in market conditions.

Following is a summary of operations for the years ended December 31:

	2019	2018
Operating revenues	**$ 412,119,262**	$ 363,010,776
Operating expenses:		
Gas operations	**144,391,134**	157,785,017
Reserve depletion and prepaid gas supply delivery	**179,579,179**	139,367,423
General and administrative	**14,014,731**	13,049,633
Total operating expenses	**337,985,044**	310,202,073
Operating income	**74,134,218**	52,808,703
Nonoperating expenses, net	**(73,881,735)**	(52,297,970)
Change in net position	**252,483**	510,733
Net position – beginning of year	**35,174,423**	34,663,690
Net position – end of year	**$ 35,426,906**	$ 35,174,423

Operating Revenues – Operating revenues, which represent gas supplies and related hedge settlements, pipeline charges, and other services provided to Members, Customers, and Participants, increased by $49,108,000, or 13.5%. The increase in revenues is primarily due to 22% higher throughput driven by colder weather in 2019 as well as growth in industrial volumes, offset somewhat by lower prices. Revenue volatility is mitigated somewhat by the hedging programs discussed earlier.

Operating Expenses – Gas operations, which include production, transportation, storage, and commodity costs of delivering natural gas to Members, Customers, and Participants, decreased $13,394,000, or 8.5%, due primarily to more gas supplies being provided by prepayments. Reserve depletion and prepaid gas supply delivery expense increased $40,212,000, or 28.9%, primarily due to more gas supplies being provided by prepayments. General and administrative expense increased by $965,000, or 7.4%, due primarily to higher personnel costs and technology expense.

Nonoperating Expenses, Net – Nonoperating expenses, net increased $21,584,000 primarily due to an increase in interest expense of $46,437,000 due to the 2019 Main Street bonds, offset by an increase in investment income of $5,479,000 primarily related to an increase in the fair value of the Main Street 2010A non-hedging interest rate swap due to changes in market conditions, and increase in costs recoverable from future billings of $19,374,000 representing the timing differences between expense recognition and billings to Members and Customers.

Statements of Net Position

	December 31 2020	December 31 2019
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents	**$ 51,968,831**	$ 50,825,606
Restricted cash and cash equivalents	**28,181,756**	43,869,778
Investment securities – restricted	**114,581,295**	132,347,728
Accounts receivable – Members	**24,419,517**	21,135,931
Accounts receivable – other	**32,617,891**	35,391,910
Prepaid gas supplies	**191,325,882**	216,665,741
Gas inventories and other current assets	**8,756,078**	8,209,873
Fair value of derivative instruments	**152,577,396**	196,887,823
Total current assets	**604,428,646**	705,334,390
Noncurrent assets:		
Gas properties and supplies:		
Prepaid gas supplies	**4,048,908,543**	4,727,550,384
Gas properties, net	**–**	2,082,061
Investments:		
Direct financing leases	**19,010,579**	23,050,805
Operating partnership	**2,006,659**	2,089,564
Advance payment due from Public Gas Partners	**191,945,702**	205,180,167
Fair value of derivative instruments	**1,765,304,263**	2,053,620,246
Costs recoverable from future billings	**267,670,886**	362,233,823
Other assets	**5,155,526**	4,560,745
Total noncurrent assets	**6,300,002,158**	7,380,367,795
Deferred outflows of resources	**–**	4,504,500
Total assets and deferred outflows of resources	**$ 6,904,430,804**	$ 8,090,206,685
Liabilities, deferred inflows of resources, and net position		
Current liabilities:		
Accounts payable and accrued expenses	**$ 58,886,482**	$ 53,866,113
Due to Members	**12,758,757**	13,579,705
Short-term debt	**42,400,000**	35,400,000
Current portion of long-term debt	**32,489,296**	39,704,136
Current portion of limited obligation debt	**164,789,935**	167,761,534
Other liabilities	**574,124**	725,208
Fair value of derivative instruments	**–**	2,179,910
Total current liabilities	**311,898,594**	313,216,606
Noncurrent liabilities:		
Long-term debt	**117,703,129**	136,195,443
Fair value of derivative instruments	**35,416,001**	212,136,138
Other liabilities	**1,890,762**	7,284,979
Limited obligation debt	**4,518,758,815**	5,406,466,372
Total noncurrent liabilities	**4,673,768,707**	5,762,082,932
Total liabilities	**4,985,667,301**	6,075,299,538
Deferred inflows of resources	**1,882,465,658**	1,979,480,241
Net position:		
Invested in capital assets	**2,556,586**	2,685,648
Unrestricted	**33,741,259**	32,741,258
Total net position	**36,297,845**	35,426,906
Total liabilities, deferred inflows of resources, and net position	**$ 6,904,430,804**	$ 8,090,206,685

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31	
	2020	**2019**
Operating revenues:		
Gas operations	**$ 427,875,617**	$ 401,443,219
Other	**11,101,885**	10,676,043
Total operating revenues	**438,977,502**	412,119,262
Operating expenses:		
Gas operations	**137,360,278**	144,391,134
Reserve depletion and prepaid gas supply delivery	**209,072,230**	179,579,179
General and administrative	**13,951,031**	14,014,731
Total operating expenses	**360,383,539**	337,985,044
Operating income	**78,593,963**	74,134,218
Nonoperating revenues (expenses):		
Investment (expense) income and other gains	**(29,431,669)**	16,038,798
Interest and other expense	**(160,595,608)**	(162,150,874)
Costs recoverable from future billings	**112,304,253**	72,230,341
Total nonoperating expenses, net	**(77,723,024)**	(73,881,735)
Change in net position	**870,939**	252,483
Net position:		
Beginning of period	**35,426,906**	35,174,423
End of period	**$ 36,297,845**	$ 35,426,906

See accompanying notes.

Statements of Cash Flows

	Year Ended December 31 2020	2019
Operating activities		
Receipts from Members and Customers	**$ 252,776,067**	$ 284,346,616
Payments to suppliers and vendors	**(133,402,362)**	(152,609,911)
Receipts from derivatives counterparties, net	**203,103,250**	138,779,058
Payments to Members and Customers	**(24,179,042)**	(20,113,513)
Payments to employees	**(10,667,658)**	(10,504,292)
Net cash provided by operating activities	**287,630,255**	239,897,958
Financing activities		
Noncapital financing activities:		
Line of credit receipts	**42,000,000**	35,000,000
Line of credit payments, net	**(35,000,000)**	(35,000,000)
Net cash provided by noncapital financing activities	**7,000,000**	–
Capital and related financing activities:		
Capital expenditures and inventory purchases/sales, net	**(117,312)**	(84,946)
Acquisition of prepaid gas supply	**–**	(2,177,088,893)
Termination of prepaid gas supply agreement	**721,875,587**	–
Member lease payments	**5,010,698**	3,999,685
Gas revenue bond payments	**(81,000,000)**	(59,610,000)
Gas revenue bond proceeds	**58,000,000**	44,000,000
Limited obligation bond proceeds	**–**	2,213,208,465
Limited obligation bond payments	**(845,455,125)**	(103,872,310)
Interest payments and bond issuance costs	**(205,509,190)**	(191,176,418)
Net cash used in capital and related financing activities	**(347,195,342)**	(270,624,417)
Net cash used in financing activities	**(340,195,342)**	(270,624,417)
Investing activities		
Investment securities purchases/sales, net	**17,766,432**	(13,043,313)
Investment hedge settlements, net	**2,288,653**	7,105,330
Interest receipts and other	**4,731,293**	6,273,069
Repayments from Public Gas Partners, net	**13,233,911**	27,629,723
Net cash provided by investing activities	**38,020,289**	27,964,809
Net decrease in cash and cash equivalents and restricted cash	**(14,544,798)**	(2,761,650)
Cash and cash equivalents and restricted cash:		
Beginning of period	**94,695,385**	97,457,034
End of period	**$ 80,150,587**	$ 94,695,384
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 78,593,963**	$ 74,134,218
Adjustments to reconcile net cash provided by operating activities:		
Depreciation, amortization, and accretion	**129,063**	139,510
Depletion and delivery of gas	**209,072,230**	179,579,179
Changes in certain assets and liabilities:		
Accounts receivable	**(509,569)**	(1,157,978)
Gas inventories and other assets	**(1,111,370)**	1,283,737
Accounts payable and accrued expenses	**2,776,887**	(6,563,801)
Due to Members	**(1,320,949)**	(7,516,907)
Net cash provided by operating activities	**$ 287,630,255**	$ 239,897,958

See accompanying notes.

1. Summary of Significant Accounting Policies

Reporting Entity

The Municipal Gas Authority of Georgia (the Gas Authority) is a public corporation created in 1987 by an Act of the General Assembly of the state of Georgia (the Act) to provide reliable and economic gas supplies to municipal gas distribution systems. The Act provides that the Gas Authority will establish rates and charges to produce revenues sufficient to cover its costs, including debt service, but it may not operate for profit, unless any such profit inures to the benefit of the public. As of December 31, 2020, 66 Georgia municipalities, 9 Alabama municipalities, 3 Florida municipalities, 1 Tennessee municipality, and 1 Pennsylvania municipality (the Members) have contracted with the Gas Authority for gas supplies for resale to their customers. The Gas Authority also provides gas supplies and related services to 14 other agencies and municipal utilities (Municipal Customers) on a limited basis for the benefit of the Members. Additionally, the Gas Authority provides regulatory compliance services to 42 other entities (Regulatory Compliance Customers, and collectively with the Municipal Customers, the Customers).

Pursuant to the provisions of the Act, the Gas Authority and all 80 Members have entered into long-term gas supply contracts (the Gas Supply Contracts) that require Members to take their entire gas supply from the Gas Authority and require the Gas Authority to provide that supply. Members can elect to participate in joint projects undertaken by the Gas Authority and authorize the issuance of project debt by entering into a supplemental contract (Supplemental Contract). These Supplemental Contracts authorize the Gas Authority to issue gas revenue bonds and other debt obligations to acquire a portfolio of gas supplies and gas-related assets to fulfill, in whole or in part, its obligation to supply gas to Members.

The Portfolio III project was initiated in November 2002 with the execution of amended Gas Supply Contracts and Supplemental Contracts with all Members. Those contracts were amended in 2008 to extend the full requirements gas supply services to Members through at least the date on which all Portfolio III bonds are fully retired and authorize the issuance of up to $1,500,000,000 in debt to secure long-term gas supplies. Through these contracts, the Gas Authority was authorized to issue additional debt through December 31, 2014, with maturities not exceeding 15 years from issuance. The Portfolio IV project was initiated in November 2014 with the execution of Supplemental Contracts. Under the Portfolio IV contracts, the Gas Authority was authorized to issue up to $1,100,000,000 in debt through December 31, 2020, increasing to $1,500,000,000 as Portfolio III principal payments are made, with maturities not exceeding 20 years from issuance, to secure long-term gas supplies. The Portfolio V project was initiated in January 2021 with the execution of Supplemental Contracts. Under the Portfolio V contracts, the Gas Authority is authorized to issue up to $831,500,000 in debt through December 31, 2030, increasing to $1,000,000,000 as Portfolio III and IV principal payments are made, with maturities not exceeding 30 years from issuance, to secure long-term gas supplies.

Pursuant to Governmental Accounting Standards Board (GASB) 14, *The Financial Reporting Entity*, the financial statements of Main Street Natural Gas, Inc. (Main Street), a nonprofit corporation organized under Georgia law, are included in these financial statements as a blended component unit. Main Street was formed to facilitate long-term prepaid supply transactions on behalf of the Gas Authority, as well as other municipal customers within and outside the state of Georgia (collectively, the Participants). Main Street is governed by a board of directors that consists of a subset of the Gas Authority's Board of Directors.

The Gas Authority manages the day-to-day activities of Public Gas Partners, Inc. (PGP), a Georgia nonprofit corporation that acquires and manages pools of long-term natural gas supplies under Production Sharing Agreements with seven municipal entities, including the Gas Authority. PGP is not a component unit as it is an autonomous company with an independent board of directors, and therefore its operations are not included in these financial statements.

Basis of Accounting

The Gas Authority follows proprietary fund accounting in accordance with GASB pronouncements. Proprietary fund accounting is used to report business-type activities, as contrasted with tax-supported governmental activities. The Gas Authority also complies with policies and practices prescribed by its Board of Directors and with practices common in the natural gas industry. As the Board of Directors has the authority to set rates, the Gas Authority follows GASB regulated accounting guidance in GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. See further discussion under Costs Recoverable From Future Billings and Deferred Outflows/Inflows of Resources.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand accounts and cash deposited in local government investment pools. Cash in excess of daily requirements is invested in a local government investment pool managed by the State of Georgia. Cash deposited with bond trustees is invested in a U.S. Treasury securities fund. Restricted cash represents funds held by trustees or by counterparties under collateralized repurchase agreements, restricted pursuant to various bond resolutions.

Prepaid Gas Supplies

Prepaid gas supplies, which are recorded at amortized cost, comprise secured prepayments of gas to be received by Main Street as further discussed in Note 5. Those prepayments expire at various dates in 2022–2050. The prepaid contracts are each secured by a guaranty provided by a financial institution that met certain criteria upon execution.

Gas Inventories and Other Current Assets

Gas inventories consist of natural gas that is purchased and stored in interstate pipelines or other facilities in the summer and withdrawn in the winter. Gas inventories are stated at weighted average cost. Other current assets consist of prepaid expenses and interest receivable.

Investments

Investment Securities – Restricted

Investment securities – restricted represent Main Street's investments, which consist of guaranteed investment contracts (GICs) with financial counterparties that meet minimum credit criteria, or other investments as permitted under the related bond indentures. The balances in such accounts are restricted for use by Main Street's bond trustee, with earnings released annually to Main Street after debt service is paid. GICs are recorded at cost, while other securities are recorded at fair value. Investment income is recorded as investment and other income (expense), net. Any other-than-temporary declines in value are recorded as impairments. No such impairments were recorded in 2020 or 2019. See Note 2 for a schedule of investments as of December 31, 2020 and 2019.

Investments in Direct Financing Leases

Certain direct financing leases executed on behalf of Members for gas distribution system improvements have been recorded based on the lease payment schedule. Leases in which the Gas Authority has assigned its lease payment rights to a bank have not been recorded in the financial statements.

Investment in Operating Partnership

The Gas Authority owns a 3% interest in a liquefied natural gas peak demand facility, recorded at cost. There are no temporary declines in value that were required to be recorded.

Gas Properties

Gas properties represented working and royalty interests in natural gas wells that were assigned to Public Gas Partners in 2020. See Note 7.

Costs Recoverable From Future Billings

Under GASB 62, regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. The Gas Supply Contracts establish a pricing mechanism outlining the methods for billing Members for various classes of gas supply services. Expenses in excess of amounts currently billable to Members under the pricing mechanism that will be recovered from future billings to Members are classified as costs recoverable from future billings. These deferred amounts are principally related to long-term supply and storage arrangements comprising costs that are recognized under generally accepted accounting principles at different times than they are billed to Members, as well as amounts billable or refundable to Main Street customers. Main Street's natural gas billings are designed to provide, over the life of each project, full recovery of all project costs as defined in the respective trust indentures and as prescribed by the Main Street Board of Directors. The Main Street costs to be recovered consist primarily of the difference between the amortization of prepaid gas supplies and debt service requirements recognized in the financial statements and amounts currently billable to Main Street customers.

Other Assets

Other asset balances primarily consist of capital assets, which consist of land, buildings, furniture, and equipment and are recorded at cost, and Member loans for growth initiatives (see Note 3). Depreciation on buildings, furniture, and equipment is recorded using the straight-line method over estimated useful lives of 3 to 40 years.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources consists of the amortized estimated cost for asset retirement obligations (ARO), which were relieved with the assignment of the Gas Authority's assignment of its interest in gas properties during 2020. See Note 7. Deferred inflows of resources represent billings in excess of expenses that will be returned in future billings or returns to Members under the rate mechanism discussed above, which consist of the net unrealized gain on hedging derivative instruments primarily related to Main Street.

Other Liabilities

Other liabilities primarily consist of ARO, which represents the estimated costs for well plugging and abandonment upon retirement of the related gas properties. In 2019, the Gas Authority adopted GASB 83, *Certain Asset Retirement Obligations*, which provides guidance on measuring and recording ARO. Adoption of this standard resulted in a remeasurement of the Gas Authority's ARO liability and reclassification of the corresponding asset to deferred outflows of resources. Under GASB 83, costs are recorded initially as deferred outflows of resources and amortized to expense over the expected life of the obligation. In 2020, the Gas Authority transferred its ARO liability to Public Gas Partners. See Note 7.

Revenues

Revenues are recognized in the period that gas supplies are delivered and other services are provided. Under the provisions of the Act, the Gas Authority is required to set rates sufficient to recover all its costs. Any excess revenues or expenses are either credited or billed to Members in accordance with policies approved by the Board of Directors.

Derivative Instruments

The Gas Authority uses derivative instruments, including swaps and options (collectively, commodity derivatives), to hedge its commodity price risk associated with forecasted natural gas supply and sales transactions, physical storage operations, and gas production sales from its long-term reserve assets. Main Street uses natural gas swaps to hedge commodity price risk associated with its gas prepayment transactions. Main Street also uses interest rate swaps to reduce the impact of changes in interest rates on its variable rate long-term debt.

Under GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, realized gains or losses on hedging derivative instruments are recognized in operating revenues in the period to which the derivative instruments relate. Realized gains or losses on derivative instruments that do not meet the criteria to be accounted for as hedging derivative instruments (investment derivative instruments), if any, are recognized in investment income in the period to which the derivative instruments relate. GASB 53 requires the Gas Authority to record the fair value of derivative instruments on the statements of net position as an asset or liability. The change in fair value of hedging derivative instruments (unrealized gains or losses) is recorded net as a deferred inflow of resources. Changes in the fair value of investment derivative instruments (unrealized gains or losses) are recognized as investment income/loss and then deferred as regulatory assets or liabilities under GASB 62. The fair values of derivative instruments with individual counterparties under master netting arrangements are offset as current and/or long-term assets or liabilities on the statements of net position.

Cash receipts and payments for commodity instruments are classified as operating activities in the statements of cash flows. Cash receipts and payments for interest rate instruments are classified as investing activities in the statements of cash flows. Cash receipts and payments for Main Street derivative instruments are classified as operating activities in the statements of cash flows.

Fair Value Measurements

The Gas Authority's financial instruments include cash and cash equivalents, restricted cash and cash equivalents, restricted investments securities, accounts receivable, accrued expenses, accounts payable, interest rate and gas supply hedging agreements, and debt. The carrying amounts of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accrued expenses, and accounts payable approximate fair value because of their short-term nature. The carrying amounts of variable-rate debt also approximate fair value because of their variable interest rates.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. A three-tier fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and the Gas Authority's assumptions (unobservable inputs). Fair value measurement is classified under the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Pricing inputs other than Level 1 which are either directly or indirectly observable.
- Level 3: Unobservable pricing inputs developed using the entity's estimates and assumptions, which reflect those that market participants would use in pricing an asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Gas Authority. The Gas Authority considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The Gas Authority evaluates its hierarchy disclosures each reporting period, and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Gas Authority expects that changes in classifications between different levels will be infrequent, and no reclassifications occurred to the December 31, 2020 or 2019, balances presented below.

Fair value estimates are based on pertinent information available to management at each statement of net position date. Specifically, fair value estimates for derivative instruments represent the present value of the differences of the fixed prices in the related instruments less the New York Mercantile Exchange (NYMEX) forward price curve (projected for periods beyond when NYMEX quotes are available), adjusted for basis differentials, multiplied by the corresponding monthly gas volume using the applicable London Interbank Offered Rate (LIBOR) forward interest rate curve as a discount rate. Fair values of option contracts are estimated using option pricing models that consider similar factors and also include an estimate of expected volatility. Fair values of interest rate swaps are estimated by measuring the rates of the original interest derivatives against the corresponding index (LIBOR or Securities Industry and Financial Markets Association (SIFMA)). These estimated fair values may be significantly impacted by changes in underlying natural gas commodity prices or the general interest rate environment. Fair values of investments are based on quoted market prices. The fair values presented have not been comprehensively revalued since December 31, 2020, and current estimates of fair value may differ significantly from the amounts presented herein.

The following table summarizes the valuation of financial instruments measured at fair value:

December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Gas supply hedging agreements	**$ -**	**$ 1,366,458,155**	**$ 551,359,433**	**$ 1,917,817,588**
Interest rate swap agreements	**-**	**-**	**(35,351,930)**	**(35,351,930)**
US government and agency securities	**41,828,700**	**-**	**-**	**41,828,700**

December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Gas supply hedging agreements	$ -	$ 1,745,262,165	$ 445,825,280	$ 2,191,087,445
Interest rate swap agreements	-	-	(154,895,424)	(154,895,424)
US government and agency securities	61,621,616	-	-	61,621,616

Net Position

Net investment in capital assets represents the Gas Authority's net position in buildings, land, and equipment. Unrestricted net position represents retained operating margins or billings to Members in excess of costs to establish reserves and working capital to finance the Gas Authority's gas supply operations and for the purchase of property and other assets. Such amounts are subject to disposition in accordance with policies approved by the Board of Directors and the contracts with Members.

Income Taxes

The Gas Authority is a governmental instrumentality and performs an essential government function and, therefore, is exempt from federal and state income taxes pursuant to section 115 of the Internal Revenue Code, as amended. The Gas Authority is also exempt from federal income tax under section 501(a) of the Internal Revenue Code as an entity described in 501(c)(3). Main Street is a public corporation, and therefore is exempt from federal and state income taxes. Accordingly, no provision for such taxes is made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and (2) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Intercompany Eliminations

Transactions between the Gas Authority and Main Street have been eliminated in the financial statements.

Subsequent Events

In preparing the accompanying audited financial statements, management reviewed all events that have occurred after December 31, 2020 through April 15, 2021, the date these financial statements were available for issuance, for inclusion in the financial statements and footnotes.

2. Cash and Cash Equivalents, Investment Securities, and Related Risks

Cash and Cash Equivalents

At December 31, 2020, amounts invested in a local government investment pool totaling $12,708,177 and bank deposits totaling $39,977,986 were either covered by federal depository insurance or collateralized with securities held by a third-party bank's trust department. Total restricted cash held by trustees at December 31, 2020, was $28,181,756. Of this amount, $23,724,845 related to Main Street's limited obligation debt and $4,456,912 related to direct financing lease obligations.

At December 31, 2019, amounts invested in a local government investment pool totaling $7,927,561 and bank deposits totaling $43,000,063 were either covered by federal depository insurance or collateralized with securities held by a third-party bank's trust department. Total restricted cash held by trustees at December 31, 2019, was $43,869,778. Of this amount, $38,979,262 related to Main Street's limited obligation debt and $4,890,516 related to direct financing lease obligations.

Investment Securities – Restricted

Following is a summary of investment balances:

Investment Type	Balance	Final Maturity	Percentage of Total Investments
December 31, 2020			
Main Street guaranteed investment contracts:			
Credit Agricole - 2006A	**$ 33,919,627**	**2022**	**30 %**
Credit Agricole - 2006B	**33,923,887**	**2022**	**30**
Aegon - 2007A	**4,909,081**	**2028**	**4**
US government and agency securities:			
US Treasury notes - 2018AB	**17,942,211**	**2021**	**16**
US Treasury notes - 2018CDE	**10,594,210**	**2021**	**9**
US Treasury notes - 2019A	**7,494,412**	**2021**	**6**
US Treasury notes - 2019C	**5,797,867**	**2021**	**5**
Total	**$ 114,581,295**		
December 31, 2019			
Main Street guaranteed investment contracts:			
Credit Agricole - 2006A	$ 32,472,441	2022	25 %
Credit Agricole - 2006B	32,477,809	2022	25
Aegon - 2007A	5,775,862	2028	4
US government and agency securities:			
US Treasury notes - 2018AB	26,573,184	2020	20
US Treasury notes - 2018CDE	18,210,973	2020	14
US Treasury notes - 2019A	8,562,502	2020	6
US Treasury notes - 2019B	2,589,834	2020	2
US Treasury notes - 2019C	5,685,123	2020	4
Total	$ 132,347,728		

The guaranteed investment contracts have a maturity that is coterminous with the related gas purchase agreements. The balances accumulate monthly and are subject to withdrawal when a semiannual debt service payment is due. Such balances are classified as current restricted investments in the accompanying statements of net position when such amounts will fund current obligations.

Interest Rate Risk

The Gas Authority and Main Street do not have formal investment policies regarding interest rate risk.

Credit Risk

The Gas Authority's investment policy allows investments in obligations of the federal or any state government; obligations fully insured or guaranteed by the federal government or any of its agencies; obligations of any corporation of the federal government; prime banker's acceptances; the local government investment pool; certain repurchase agreements of the federal government; certain obligations of political subdivisions of any state, their agencies or instrumentalities that have been rated the equivalent of AA- or better by at least one of the national rating agencies; and Georgia Members of the Gas Authority pursuant to lease agreements or other intergovernmental contracts with the Gas Authority. Main Street does not have a formal investment policy regarding counterparty credit risk.

Concentration of Credit Risk

The Gas Authority and Main Street do not have a policy that limits the amount that may be invested in any one issuer. Investments representing greater than 5% of total investments are shown under Investment Securities above.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Gas Authority's deposits may not be returned to it. The Gas Authority and Main Street do not have a deposit policy for custodial credit risk. As of December 31, 2020 and 2019, $28,181,756 and $43,869,779, respectively, were exposed to custodial credit risk as such amounts were uninsured and collateral held by the pledging bank's trust department was not in the Gas Authority's name.

3. Portfolio and Working Capital Reserves

The Board of Directors has created two reserve accounts, included in unrestricted net position on the statements of net position. The Portfolio Reserve, funded from Portfolio gas supply projects, had a balance of approximately $16,000,000 at both December 31, 2020 and 2019. Investment income on such reserve is distributed annually to Members (see Note 4). No additional contributions are expected to be made to the Portfolio Reserve other than by Members that have contracted with the Gas Authority since the inception of the reserve. The Working Capital Reserve was funded from retained margins from long-term supplies, including the Portfolio III project, and had a balance of approximately $16,000,000 at December 31, 2020 and 2019. Interest income from the Working Capital Reserve is used to help fund general and administrative expenses. The Board has approved the use of up to $10,000,000 of reserves to fund growth initiatives including loans to Members and other initiatives. Loans to Members of $3,069,013 and $2,370,527 were outstanding at December 31, 2020 and 2019, respectively, related to these growth initiatives. These amounts are reflected in other assets in the statements of net position.

4. Annual Member Returns

In April 2021 and 2020, the Board of Directors approved annual cash returns to Members of $11,358,160 and $11,198,691, respectively. These Member returns, which reduced revenues, are included in due to Members in the statements of net position.

5. Main Street Natural Gas

Main Street is authorized to issue tax-exempt bonds on behalf of the Gas Authority. Main Street's daily activities are managed by the Gas Authority under services agreements with durations consistent with the related gas supply agreements. Main Street's audited financial statements are available from the Gas Authority.

Main Street has acquired gas through long-term prepaid gas purchase agreements (GPAs) and delivers gas to Participants through long-term gas supply contracts for specified volumes of gas. In some cases, the obligation of each Participant to pay Main Street the contract price for its contract quantity of gas is insured pursuant to a separate financial guaranty insurance policy. Gas is priced to Participants at a discount to spot market pricing. Additional discounts may be distributed annually to each project's Participants at the discretion of the Main Street Board. In April 2021, the Main Street Board approved an annual distribution of $2,380,419 to certain Participants. Of this amount, $1,835,144 is due to the Gas Authority and was eliminated in the Gas Authority's financial statements. The remainder is included in accounts payable as of December 31, 2020. Main Street also made annual distributions for certain other transactions during 2020 that were paid prior to December 31, 2020.

Following is a summary of Main Street's active prepayments as of December 31, 2020. See further discussion of the related debt in Note 10.

Bond Series	Supplier	Prepayment Term	Original Bond Amount	Original Volume (Mcf)
2006A	J.P. Morgan	Feb 2007 – Jan 2022	$ 528,255,000	108,600,131
2006B	Merrill Lynch	Feb 2007 – Jan 2022	527,630,000	108,600,131
2007A	Merrill Lynch	Dec 2007 – July 2028	496,710,000 [1]	118,783,750 [1]
2018A&B	Royal Bank of Canada	March 2018 – Feb 2048	1,021,675,000	405,466,619
2018C,D,&E	Royal Bank of Canada	July 2018 – June 2048	1,000,215,000	409,761,987
2019A	Macquarie Group	April 2019 – March 2049	695,595,000	351,437,400
2019B	Toronto-Dominion Bank	July 2019 – June 2049	675,430,000	265,366,938
2019C	Citigroup	Feb 2020 – Jan 2050	631,970,000	236,472,000

[1] In May 2009, Main Street redeemed $225,105,000 of bonds through a tender offer. The remaining volumes to be delivered under the related gas supply agreement were reduced by 51,508,348 Mcf.

The Series 2018A&B, 2018C,D,&E, 2019B, and 2019C bonds are required to be purchased pursuant to mandatory tenders on dates ranging from 5-6 years from issuance and remarketed or refunded. If the remarketing fails or the bonds are not refunded, bondholders are required to be repaid through a termination payment due from the supplier under the GPA and the prepayment transaction will terminate.

6. Public Gas Partners

The Gas Authority has entered into three Natural Gas Production Sharing Agreements (PSAs) (one each for Gas Supply Pools 1, 2, and 3, further described below) and one Participation Agreement (PA) (for Gas Supply Pool 4, further described below) with PGP. Each PSA and PA obligates the Gas Authority to pay as a component of gas operations expense its share of all costs incurred by the related PGP Pool until all related debt has been paid and the last volumes have been delivered. The PSAs include a step-up provision that could obligate the Gas Authority to increase its participation share in the PGP Pool by up to 25% in the event of default of another member. There were no such defaults in 2020 or 2019.

The acquisition periods for PGP Pools 1 and 2 ended in 2008. The Gas Authority has committed to take 50% of PGP's production from Pool 1 and 58% of PGP's production from Pool 2. The production may be taken physically by the Gas Authority or it may be sold in its local market on behalf of the Gas Authority. Pool 3 was formed in May 2009 and has an indefinite acquisition period. The Gas Authority has committed to take 85% of PGP's production from Pool 3. Pool 4 was formed in January 2018 to be a gas supplier and commodity swap counterparty for gas prepayment transactions. Pool 4 is a counterparty to Main Street in certain Main Street transactions. The Gas Authority provides funding to PGP under Advance Payment Agreements (APAs) that mature in the years the related debt is due. The balance under the APAs is reflected on the statements of net position as advance payment due from Public Gas Partners. Interest expense is charged based on the Gas Authority's actual interest expense incurred. PGP made cash interest payments to the Gas Authority of $2,658,457 and $1,761,648 in 2020 and 2019, respectively.

The Gas Authority manages the day-to-day activities of PGP under a services agreement and received fees of $1,773,037 and $1,760,523 from PGP for such services in 2020 and 2019, respectively.

7. Gas Properties

Effective July 1, 2020, the Gas Authority assigned to PGP its working and royalty interests in natural gas reserves in Alabama. Depletion expense for 2020 and 2019 was $767,135 and $360,922, respectively. Accumulated depletion of gas properties as of December 31, 2020 and 2019, was $0 and $183,015,347, respectively. Hedging transactions covered approximately 29% of expected future production from proved reserves for the year ended December 31, 2019.

8. Debt

As of and for the Year Ended December 31, 2020

Three series of Portfolio III and one series of Portfolio IV bonds were outstanding at December 31, 2020, related to the financing of gas reserve acquisitions, advance payments to PGP, and other gas supply activities. Series Q, S, U, and A are fixed-rate bonds with original maturities of 2 to 15 years. Bond premium is accounted for under the effective-interest method. The Gas Authority has pledged its revenues in support of its obligations under the Portfolio bonds. The trust indenture contains provisions that allow the trustee to declare debt payments immediately due under certain limited events of default.

As of December 31, 2020 and 2019, the Gas Authority had lines of credit (LOCs) with an aggregate capacity of $80,000,000. As of December 31, 2020, $37,600,000 was available to be drawn on the LOCs. The maturity date of the LOCs is March 31, 2023.

Following is a summary of debt activity in 2020:

	Issue Date	Final Maturity	Avg % Yield	Balance December 31, 2019	Issuances	Payments/ Amortization	Balance December 31, 2020
Short-term debt:							
Lines of credit	N/A	Mar '23	N/A	$ 35,400,000	**$ 42,000,000**	**$ (35,000,000)**	**$ 42,400,000**
Long-term debt:							
Bank notes	Sep'19	Sep'22	2.04	$ 44,000,000	**$ 58,000,000**	**$ (44,000,000)**	**$ 58,000,000**
Series Q	Nov ’12	Oct ’22	2.43	12,000,000	**–**	**–**	**12,000,000**
Series S	Nov ’12	Oct ’27	3.07	27,000,000	**–**	**(5,000,000)**	**22,000,000**
Series T	Nov ’12	Oct ’20	2.84	15,000,000	**–**	**(15,000,000)**	**-**
Series U	Jul '14	Oct '24	1.70	27,500,000	**–**	**(5,000,000)**	**22,500,000**
Series A	Jul '16	Oct '24	1.22	43,000,000	**–**	**(12,000,000)**	**31,000,000**
Bond premium	N/A	N/A	N/A	7,399,579	**–**	**(2,707,154)**	**4,692,425**
Total				175,899,579	**$ 58,000,000**	**$ (83,707,154)**	**150,192,425**
Less amounts due within one year				37,000,000			**30,500,000**
Less current portion of bond premium				2,704,136			**1,989,296**
Total long-term debt				$ 136,195,443			**$ 117,703,129**

The summary of annual debt service for long-term debt, along with expected interest payments, for the years ending December 31, is as follows:

Year	Principal	Interest	Total Debt Service
2021	30,500,000	5,800,000	36,300,000
2022	49,000,000	5,050,000	54,050,000
2023	25,000,000	4,200,000	29,200,000
2024	23,000,000	3,550,000	26,550,000
2025	12,000,000	450,000	12,450,000
2026–2027	6,000,000	450,000	6,450,000
Total	$ 145,500,000	$ 19,500,000	$ 165,000,000

As of and for the Year Ended December 31, 2019

Four series of Portfolio III and one series of Portfolio IV bonds were outstanding at December 31, 2019, related to the financing of gas reserve acquisitions, advance payments to PGP, and other gas supply activities. Series Q, S, T, U, and A are fixed-rate bonds with original maturities of 2 to 15 years.

Following is a summary of debt activity in 2019:

	Issue Date	Final Maturity	Avg % Yield	Balance December 31, 2018	Issuances	Payments/ Amortization	Balance December 31, 2019
Short-term debt:							
Lines of credit	N/A	Mar '23	N/A	$ 35,400,000	**$ 35,000,000**	**$ (35,000,000)**	**$ 35,400,000**
Long-term debt:							
Bank notes	Sep'19	Sep'22	2.04	$ -	**$ 44,000,000**	**$ -**	**$ 44,000,000**
Series F	Jul ’09	Aug ’19	5.02	11,110,000	–	**(11,110,000)**	**-**
Series Q	Nov ’12	Oct ’22	2.43	12,000,000	–	–	**12,000,000**
Series S	Nov ’12	Oct ’27	3.07	27,000,000	–	–	**27,000,000**
Series T	Nov ’12	Oct ’20	2.84	15,000,000	–	–	**15,000,000**
Series U	Jul '14	Oct '24	1.70	39,000,000	–	**(11,500,000)**	**27,500,000**
Series A	Jul '16	Oct '24	1.22	80,000,000	–	**(37,000,000)**	**43,000,000**
Bond premium	N/A	N/A	N/A	11,692,353	–	**(4,292,774)**	**7,399,579**
Total				195,802,353	**$ 44,000,000**	**$ (63,902,774)**	**175,899,579**
Less amounts due within one year				59,610,000			**37,000,000**
Less current portion of bond premium				4,292,773			**2,704,136**
Total long-term debt				$ 131,899,580			**$ 136,195,443**

9. Limited Obligation Debt

Main Street Debt

As discussed in Note 5, as of December 31, 2020, Main Street has 11 series of revenue bonds outstanding under eight transactions related to the acquisition of prepaid long-term supplies of gas from various gas suppliers. These bonds were issued at a premium, which is accounted for under the effective-interest method.

Main Street’s obligation for repayment of its gas revenue bonds is limited to the assets held by the bond trustee in the trust estate for each Main Street transaction. For each Main Street transaction, a trust estate exists that principally consists of proceeds collected from sales of natural gas under the related customer supply agreements, net amounts collected from the commodity swap counterparties (see Note 10), and the right to receive termination payments due, if any, from the gas supplier. The gas revenue bonds are not general obligations of Main Street. Main Street’s debt is not an obligation of the Gas Authority or of any Participants.

Direct Financing Leases

Gas Authority-Financed

The Gas Authority and certain Members have entered into lease agreements that were funded by Gas Authority cash reserves. The loan proceeds were used to construct natural gas vehicle fueling stations or make improvements to the respective Members’ gas distribution systems. Project improvements or facilities are leased to those Members until the loan is repaid.

Bank-Financed

The Gas Authority and certain Members have entered into lease agreements that were funded by bank loans entered into by the Gas Authority. The loan proceeds were used to make improvements to the respective Members’ gas distribution systems. Project improvements are leased to those Members until the debt is retired. The Gas Authority has assigned its rights to receive rental payments to the banks that funded construction of the projects. The Gas Authority has not executed a promissory note or loaned money in connection with these lease transactions. The obligations of the cities to make the rental payments under the leases constitute general obligations of the cities to which the full faith and credit of the cities are pledged. Therefore, no leased assets or related obligations have been recorded in the Gas Authority's financial statements.

Bond-Financed

The Gas Authority and certain Members have entered into supplemental contracts for the issuance of limited obligation gas revenue bonds (Direct Financing Lease Bonds). The bond proceeds were used to make improvements to the respective Members' gas distribution systems. Project improvements are leased to those Members until the debt is retired. The bonds are limited obligations of the Gas Authority payable solely from the trust estates created by the various gas revenue bond resolutions. The respective Members are required to make lease payments to the Gas Authority for deposit with the trustees that correspond in amount to the principal, premium, and interest on each series of bonds in advance of their payment dates.

Direct financing lease bonds outstanding at December 31, 2020, are as follows:

Direct Financing Lease Bond Issue	Due Dates	Serial and Term Bond Range of Principal Payments Due	Range of Annual Interest Rates
Warner Robins 1995A&B	2021	$ 330,514	6.45%
Toccoa 2011	2021-2024	$ 1,335,000 - 1,865,000	4.00% - 5.00%
Warner Robins 2011	2021-2026	$1,625,000	5.00%
Jointly Owned Natural Gas 2018	2021-2033	$ 720,000 - 1,140,000	3.90%

The trustees held $4,456,912 of funds restricted under the various bond resolutions related to these leases at December 31, 2020. The leases of these properties to the respective Members have been recorded as investments in direct financing leases.

The components of net investment in the direct financing leases are as follows:

Total debt requirement	$ 38,865,603
Less advanced payments deposited with trustee	15,560,053
Total minimum lease payments to be received	23,305,550
Less unearned income	4,294,971
Net investment in direct financing leases	$ 19,010,579

Lease payments to be received over the remaining life of the leases are as follows:

2021	5,760,384
2022	4,078,829
2023	4,115,573
2024	3,546,318
2025	2,210,525
Thereafter	19,153,974
Total	$ 38,865,603

Following is a summary of limited obligation debt activity in 2020:

	Balance December 31, 2019	Issuances	Payments/ Amortization	Balance December 31, 2020
Main Street bonds	$ 5,272,980,000	$ -	$ (841,970,000)	**$4,431,010,000**
Bond premium	275,842,781	-	(45,224,031)	**230,618,750**
Direct financing leases	25,405,125	-	(3,485,125)	**21,920,000**
Total debt	5,574,227,906	$ -	$ (890,679,156)	**4,683,548,750**
Less amounts due within one year	123,885,000			**119,580,000**
Less current portion of bond premium	43,876,534			**45,209,935**
Total noncurrent limited obligation debt	$ 5,406,466,372			**$4,518,758,815**

The combined annual requirement of all limited obligation bond issues outstanding at December 31, 2020, is as follows:

	Principal				
Years	**Main Street Bonds**	**Direct Financing Lease Bonds**	**Total**	**Interest [a]**	**Total Debt Service**
2021	$ 115,450,000	$ 4,130,000	$ 119,580,000	$ 169,695,201	$ 289,275,201
2022	131,770,000	2,525,000	134,295,000	163,833,846	298,128,846
2023	2,059,785,000	2,645,000	2,062,430,000	151,277,148	2,213,707,148
2024	711,495,000	2,145,000	713,640,000	95,154,418	808,794,418
2025	60,590,000	840,000	61,430,000	66,054,900	127,484,900
2026-2030	813,750,000	6,340,000	820,090,000	189,599,475	1,009,689,475
2031-2035	110,955,000	3,295,000	114,250,000	123,259,200	237,509,200
2036-2040	135,830,000	-	135,830,000	88,876,025	224,706,025
2041-2045	145,985,000	-	145,985,000	55,316,625	201,301,625
2046-2050	145,400,000	-	145,400,000	14,989,500	160,389,500
Total	$ 4,431,010,000	$ 21,920,000	$ 4,452,930,000	$ 1,118,056,338	$ 5,570,986,338

[a] Variable interest amounts assume future interest rates remain constant at the rate in effect on December 31, 2020.

Following is a summary of limited obligation debt activity in 2019:

	Balance December 31, 2018	Issuances	Payments/ Amortization	Balance December 31, 2019
Main Street bonds	$ 3,370,485,000	**$ 2,002,995,000**	$ (100,500,000)	**$5,272,980,000**
Bond premium	96,074,002	**210,213,465**	(30,444,686)	**275,842,781**
Direct financing leases	28,736,820	–	(3,331,695)	**25,405,125**
Total debt	3,495,295,822	**$ 2,213,208,465**	$ (134,276,381)	**5,574,227,906**
Less amounts due within one year	104,035,000			**123,885,000**
Less current portion of bond premium	20,456,776			**43,876,534**
Total noncurrent limited obligation debt	$ 3,370,804,046			**$5,406,466,372**

Main Street Series 2006A, 2006B, 2007A, 2018A, 2018C, 2109A, 2019B, and 2019C bonds have fixed interest rates ranging from 4.0% to 5.5% at December 31, 2020, with an effective rate, including bond premium, of 2.93%. Main Street Series 2018B, 2018D, and 2018E bonds have variable interest rates based on LIBOR (2018B and 2018D) or SIFMA (2018E), and interest rate swaps that swap the variable rates to fixed rates (see Note 10). The weighted average variable interest rate was 0.84%

and 1.84% at December 31, 2020 and 2019, respectively. Giving effect to the swaps, the net rate in effect was 2.67% and 3.05% at December 31, 2020 and 2019, respectively. Direct financing lease bonds have a fixed rate that ranged from 3.90% to 6.45% at December 31, 2020, and from 3.00% to 6.45% at December 31, 2019. The average effective rate for all limited-obligation bonds was 2.90% and 3.00% at December 31, 2020 and 2019, respectively.

10. Derivative Instruments

Commodity Derivative Instruments

The Gas Authority has established rates with its Members and Customers generally based on spot market pricing unless the Member or Customer has requested an alternate pricing arrangement pursuant to the Gas Supply Contract. The Gas Authority and Main Street use commodity derivative instruments to hedge exposure related to gas supply operations, long-term gas supplies, and Main Street prepayments, as discussed below.

The commodity derivative instruments require monthly payments to be made or received based on the difference between the spot market price and the contract strike price on notional volumes. None of the Gas Authority's or Main Street's derivatives require a cash payment at inception.

Hedging Activities Related to Gas Supply Operations

Members and Customers may elect to stabilize gas prices and/or basis differentials for a portion of their anticipated near-term gas purchases by requesting alternate pricing arrangements pursuant to the Gas Supply Contracts. The Gas Authority uses commodity derivatives to hedge its commitment to sell consistent with these alternate pricing arrangements. In addition, the Gas Authority manages Member peak day requirements by utilizing its storage assets. The Gas Authority uses commodity derivatives to reduce risk related to price changes between the injection of storage gas in the summer months and its withdrawal during the winter months.

Hedging Activities Related to Long-Term Gas Supplies

The Gas Authority has entered into long-term commodity derivatives to hedge forecasted sales of gas by converting such sales to fixed prices.

Hedging Activities Related to Main Street

Main Street has entered into long-term prepaid GPAs and uses long-term commodity derivatives with matching terms to convert fixed prepayments for future deliveries to spot market prices.

Use of Options

The Gas Authority uses option strategies, including collars, to hedge against the variability in cash flows associated with gas supply operations. The Gas Authority purchases call options to establish price caps at the option strike price and sells put options to create a collar. Selling a put obligates the Gas Authority to buy gas below the strike price and creates a floor.

Interest Rate Derivative Instruments

In 2018, in connection with the issuance of the 2018B, 2018D, and 2018E variable-rate bonds, Main Street entered into interest rate swap agreements that result in Main Street paying fixed interest rates on the bonds. In each of these agreements, accounted for as hedging derivative instruments, Main Street pays a fixed rate of 2.48%, 2.78%, and 2.82% on the 2018B, 2018D, and 2018E transactions, respectively, and receives the bond rate from the counterparty.

Investment Derivative Instruments

Until the September 2020 termination of the 2010A prepayment transaction and related commodity and interest rate hedges, which resulted in no termination amounts paid to any party in accordance with the terms of the hedge agreements, Main Street was a party to an interest rate swap agreement in which Main Street paid the bond rate and received 80% of one-month LIBOR plus a spread of 0.72% from the counterparty.

Fair Value of Derivative Instruments

See Note 1 for a discussion of fair value policies and methodologies. The fair value balances of derivative instruments outstanding as of December 31, 2020 and 2019, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the related financial statements are as follows (losses and liabilities in parentheses):

	Notional Amount at December 31, 2019*	Change in Fair Value 2019	Fair Value at December 31, 2019	Change in Fair Value 2020	Fair Value at December 31, 2020	Notional Amount at December 31, 2020*
Gas Supply Operations and Long-Term Gas Supplies						
Hedging Derivatives						
Long futures – pay fixed	300,000	$ (15,890)	$ (37,480)	$ 37,480	$ -	-
Short futures – receive fixed	300,000	(40,260)	(6,840)	(7,110)	(13,950)	540,000
Henry Hub swaps – pay fixed	9,537,140	(2,886,006)	(2,619,186)	3,474,358	855,172	14,408,378
Henry Hub swaps – receive fixed	9,697,500	3,193,157	3,100,761	(2,658,717)	442,044	11,057,000
Non-Henry Hub swaps – pay fixed	7,136,391	(2,324,696)	(2,849,120)	3,013,496	164,376	8,802,377
Non-Henry Hub swaps – receive fixed	-	-	-	-	-	-
Basis Swaps – pay fixed	-	-	-	-	-	-
Basis swaps – receive fixed	-	(1,118)	-	2,324	2,324	590,000
Henry Hub options – bought call	250,000	(197,927)	2,033	(2,033)	-	-
Henry Hub options – bought put	-	(127,212)	-	446,794	446,794	2,010,000
Henry Hub options – sold call	-	-	-	(822)	(822)	60,000
Non-Henry Hub options – bought call	-	-	-	-	-	-
Non-Henry Hub options – sold put	-	-	-	-	-	-
Main Street						
Hedging Derivatives						
Main Street – Henry Hub swap – receive fixed	118,514,000	80,457,585	80,457,585	17,934,452 -	98,392,037	114,488,000
Main Street – Non-Henry Hub swap – receive fixed	1,681,873,712	867,979,073	2,113,039,692	(295,510,079) -	1,817,529,613	1,521,633,151
Main Street interest rate swaps – pay fixed	1,398,520,000	(68,043,503)	(211,607,204)	176,255,274 -	(35,351,930)	665,000,000
Investment Derivatives				-		
Main Street interest rate swap – receive variable	733,520,000	732,303	56,711,780	(56,711,780)	-	-

* Notional amounts are in MMBtu except interest rate swaps, which are in U.S. dollars.

The following tables display key terms of the Gas Authority's derivative instruments:

As of December 31, 2020	Effective Dates	Notional Amounts*	Trade/Strike Prices
Gas Supply Operations and Long-Term Gas Supplies			
Hedging Derivatives			
Short futures – receive fixed	Feb 2021 - Mar 2022	540,000	$ 2.48 – 3.04
Henry Hub swaps – pay fixed	Jan 2021 – Feb 2025	14,408,378	2.26 – 2.88
Henry Hub swaps – receive fixed	Jan 2021 – Mar 2025	11,057,000	2.39 – 3.07
Non-Henry Hub swaps – pay fixed	Jan 2021 – Mar 2025	8,802,377	2.11 – 3.01
Henry Hub options – sold call	Feb 2021 – Feb 2021	60,000	3.50
Henry Hub options – bought put	Jan 2021 – Mar 2021	2,010,000	2.80
Basis swaps - receive fixed	Jan 2021 – Feb 2021	590,000	-0.07
Main Street			
Hedging Derivatives			
Henry Hub swaps – receive fixed	Jan 2021 – Jun 2049	114,488,000	4.18
Non-Henry Hub swaps – receive fixed	Jan 2021 – Jan 2050	1,521,633,151	4.08 – 10.36
Interest rate swaps – pay fixed	Jan 2021 – Dec 2023	665,000,000	Variable

* Notional amounts are in MMBtu except interest rate swaps, which are in U.S. dollars.

As of December 31, 2019	Effective Dates	Notional Amounts*	Trade/Strike Prices
Gas Supply Operations and Long-Term Gas Supplies			
Hedging Derivatives			
Long futures – pay fixed	Feb 2020 – Mar 2020	300,000	$ 2.16 – 2.19
Short futures – receive fixed	Oct 2020 – Feb 2021	300,000	2.35 – 2.72
Henry Hub swaps – pay fixed	Jan 2020 – Dec 2022	9,537,140	2.25 – 2.97
Henry Hub swaps – receive fixed	Jan 2020 – Mar 2023	9,697,500	2.50 – 3.14
Non-Henry Hub swaps – pay fixed	Jan 2020 – Mar 2023	7,136,391	2.22 – 3.03
Henry Hub options – bought call	Feb 2020 – Mar 2020	250,000	3.00
Main Street			
Hedging Derivatives			
Henry Hub swaps – receive fixed	Jan 2020 – Jun 2049	118,514,000	4.18
Non-Henry Hub swaps – receive fixed	Jan 2020 – Jan 2050	1,681,873,712	4.08 – 13.90
Interest rate swaps – pay fixed	Jan 2020 – Aug 2040	1,398,520,000	Variable
Investment Derivatives			
Interest rate swap – receive variable	Jan 2020 – Aug 2040	733,520,000	Variable

* Notional amounts are in MMBtu except interest rate swaps, which are in U.S. dollars.

Risks Associated With Derivative Instruments

Credit Risk

The Gas Authority and Main Street intend to hold all derivative instruments to maturity. The Gas Authority is exposed to market price risk in the event of nonperformance by any of its counterparties; however, the Gas Authority does not anticipate nonperformance. The counterparties to these contracts are major financial institutions or energy companies. Main Street commodity swaps contain tear-up provisions such that they may be terminated under certain limited circumstances, including specific credit events, with no settlement payment due or payable by either party. In addition, the Main Street prepaid gas purchase agreements allow for the substitution of swap counterparties by both Main Street and the related supplier in the event of specified credit rating downgrades or certain other limited conditions.

The Gas Authority has entered into netting arrangements whenever it has entered into more than one derivative instrument with a counterparty. Under the terms of those arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and all amounts due so that a single sum will be owed by, or owed to, the non-defaulting party. Main Street swaps cannot be netted among individual transactions or with transactions of the Gas Authority.

The aggregate fair value of hedging derivative instruments in asset positions at December 31, 2020, excluding Main Street swaps, is $1,960,831. This represents the maximum potential loss that would be recognized at the reporting date if all counterparties fail to perform as contracted. This maximum exposure is offset by $64,893 of liabilities included in netting arrangements with these counterparties.

The credit ratings of the Gas Authority's derivative counterparties, excluding Main Street derivatives, and related fair values of derivative instruments are summarized below, as of December 31, 2020:

Counterparty	Counterparty Credit Ratings S&P/Moody's	Fair Market Value of Derivative Instruments Asset (Liability)
FCStone (Clearinghouse)	Not rated	$ (14,772)
JPMorgan Chase Bank, N.A.	A+/Aa2	676,894
Macquarie Bank	A+/A2	205,808
Royal Bank of Canada	AA-/Aa2	1,050,325
Wells Fargo Bank, N.A.	A+/Aa2	(22,317)

The credit ratings of Main Street's derivative counterparties and related fair values of derivative instruments are summarized below, as of December 31, 2020:

Counterparty	Counterparty Credit Ratings S&P/Moody's	Fair Market Value of Derivative Instruments Asset (Liability)
Bank of Montreal	A+/Aa2	$ 28,511,943
JPMorgan Chase Bank, N.A.	A+/Aa2	66,183,149
PGP4 MS18A, LLC	Not rated	411,130,950
PGP4 MS18C, LLC	Not rated	402,873,564
PGP4 MS CEI, LLC	Not rated	310,471,569
Royal Bank of Canada	AA-/Aa2	661,398,546

Basis Risk

The NYMEX-based commodity hedging transactions are subject to locational basis risk. NYMEX-based derivative instruments are based on pricing at the Henry Hub delivery point. However, the Gas Authority delivers gas to Members at various delivery points. For a portion of its hedged volumes, the Gas Authority enters into commodity derivatives based on pricing at certain local delivery and sales points to mitigate basis risk. Changes in NYMEX-based natural gas prices have been, and are anticipated to be, highly correlated with gas prices at the Gas Authority's delivery and sales points.

Termination Risk

The Gas Authority and Main Street are exposed to termination risk in their commodity and interest rate derivatives only upon nonperformance by a counterparty. No collateral is required by either party under any of the derivative arrangements. Termination of Main Street hedges may occur upon a downgrade of the swap counterparties below specified levels; however, the supplier and Main Street have the option to replace such counterparties for a specified period, generally ranging from 90 to 120 days. In addition, Main Street's 2018A&B, 2018C,D,&E, 2019B, and 2019C transactions may be terminated or amended under certain limited circumstances. No amounts related to the swaps would be due by either party, other than monthly obligations related to gas already delivered by Main Street, in the event of termination of any Main Street derivatives.

11. Employee Benefit Plans

The Gas Authority has a noncontributory, defined contribution retirement plan pursuant to Section 401(a) of the Internal Revenue Code (IRC) that requires the Gas Authority to contribute a defined percentage of each participant's basic compensation. Additionally, contributions may be made as determined solely by the action of the Board of Directors.

The Gas Authority has a deferred compensation plan pursuant to Section 457 of the IRC that allows plan participants to defer and contribute to the plan, through the Gas Authority, a specified portion of each participant's compensation. The Gas Authority matches a portion of the participants' contributions up to amounts specified in the plan.

The Gas Authority has a contributory retirement plan pursuant to Section 403(b) of the IRC designed to allow employees to make additional contributions in excess of maximums allowed in the Section 457 plan. The Gas Authority does not contribute to this plan.

The Gas Authority's contributions to the above plans resulted in expense of $1,161,724 and $1,098,851 in 2020 and 2019, respectively.

12. Commitments and Contingencies

The following table summarizes the Gas Authority's commitments (excluding commitments to Main Street) to purchase gas from various suppliers through 2050 on a pay-as-you-go basis:

Year	Volumes (MMBtu)
2021	6,312,734
2022	3,001,967
2023	3,769,420
2024	3,344,893
2025	1,953,385
Thereafter	36,824,072
Total	55,206,471

In 2020 and 2019, the Gas Authority purchased 7,897,443 MMBtu and 9,457,851 MMBtu of gas, respectively, under these agreements.

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