SOAR

2021 Annual Report

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 81 Members in Georgia, Alabama, Pennsylvania, Tennessee, and Florida that meet the gas needs of 255,000 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 eleven 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 demand forecasting, gas supply and asset planning and management, regulatory representation, industrial customer assistance, rate design, budget forecasting, market development, communications, project financing, risk management assistance, regulatory compliance, and training.

“The ability to soar
first begins with a burning passion
to reach new heights.”

Mota

The Future

The F-35 II is the U.S. Armed Forces' latest fighter. With its aerodynamic performance and advanced integrated avionics, the F-35 will provide next generation stealth, enhanced situational awareness, and reduced vulnerability for the United States and its allied nations. In fact, nine countries have worked jointly to develop and produce this state-of-the-art fighter. The F-35 represents a new model of international cooperation, ensuring U.S. and Coalition security well into the 21st Century.

Energy independence and a diverse mix of energy resources are the key to stable, reliable, and affordable energy prices. Decisions being made today to preserve and improve infrastructure, to continue to innovate and develop technologies that more efficiently produce and deliver energy while lowering emissions and environmental concerns will be critical to provide balanced, sustainable, and affordable energy into the future.

Now, more than ever, people across the world are experiencing firsthand the importance of reliable and affordable energy for their families, their jobs, and their way of life. Government leaders are facing significant economic and national security challenges because of their countries' limited access to reliable and affordable energy.

In the U.S., we are blessed with a diverse mix of energy resources, production and delivery infrastructure that provides Americans access to reliable and affordable energy. The U.S. is the top producer of oil, natural gas and nuclear energy in the world and ranks second in renewable energy production. The U.S. has the largest energy delivery system in the world that connects these diverse energy resources to consumers across the country through a network of over 2.6 million miles of underground pipelines and an extensive electrical grid.

The municipal natural gas utilities of our Members were established over 60 years ago with the primary purpose of providing reliable and affordable energy to the people and businesses in their communities. Households in the U.S. that use natural gas for heating, cooking and clothes drying save an average of $1,041 per year compared to homes using electricity to meet those same energy needs. On average, one new residential customer signs up for natural gas service in the U.S. every minute, and about 60 businesses begin new natural gas service every day.

Natural gas utilities, while maintaining safe, reliable and affordable service, are reducing emissions from their operations and helping customers shrink their carbon footprints. Emissions from the U.S. natural gas distribution system have declined 69% since 1990. Homes using natural gas for space heating, water heating, cooking and clothes drying have carbon dioxide emissions about 22 percent lower than those attributable to all-electric homes.

In 2021, the Gas Authority again contributed significantly to its Members natural gas utility margins and helped them grow their systems while building on its strong record of operational excellence. This letter highlights these and other activities and accomplishments during the past year, 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.

Chairman of the Board – Chris Hobby
President and CEO – Arthur Corbin

Multirole

The supersonic F-35 Lightening II is one of the most potent, versatile and agile high performance fighter planes in the world, featuring stealth technology and advanced communications – designed for a wide variety of missions. It combines stealth and advanced sensor capabilities designed to gather, fuse, and distribute more information than any fighter in history, giving its pilots a decisive advantage over all adversaries and making it far and away the world's most advanced multirole fighter.

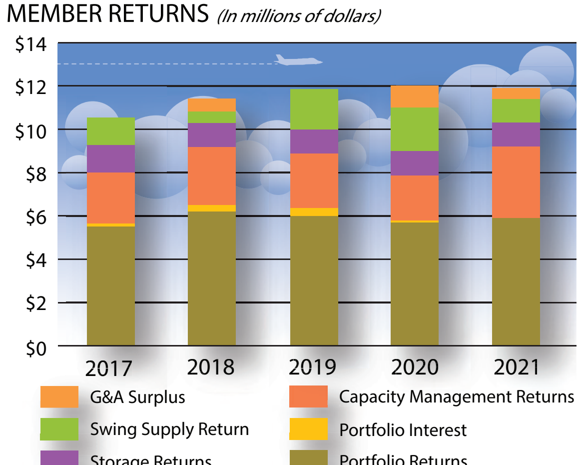
As the nation's premier natural gas joint-action agency, the Gas Authority offers a diverse mix of services and support for its Members, Municipal Customers, and other agencies. Tailoring this broad scope of services to the individual operational needs of its customers has been a hallmark of the Gas Authority's service excellence since its founding 35 years ago.

Contributing to Member Margins

The Gas Authority supply portfolio and operational returns to Members totaled $11.9 million for 2021, consistent with the level achieved over the past several years. Annual returns from the long-term supply portfolio accounted for 50% of Member returns, totaling $5.9 million, an increase of $0.2 million from last year.

In 2021, the operational returns accounted for 50% of Member returns and include capacity management returns, net margins on storage inventory, swing supply savings and general and administrative (G&A) budget surplus. Members received $3.3 million in pipeline capacity management returns, up $1.2 million from 2020, an increase of 57%. Net margins on storage inventory increased for the second year up 18% from 2020 to $1.6 million, which allowed us to reserve $0.5 million for future returns and maintain annual storage returns to Members at the stable $1.1 million level. As a result of increased price and load volatility, the Gas Authority was only able to return $1.1 million of the $2.5 million collected through the swing supply charge last year. Finally, for 2021, Members also received $0.5 million from the G&A budget surplus.

MEMBER RETURNS *(In millions of dollars)*



In 2021, the Gas Authority completed two long-term supply prepayments through Main Street Natural Gas Inc., creating total value for Members of over $20 million during the initial pricing periods of 5 to 7 years. The first Main Street transaction closed in August with Citigroup. Main Street issued $757 million in bonds to meet a portion of Member requirements and to provide additional supply service to Florida Gas Utility (FGU), Philadelphia Gas Works (PGW), National Public Gas Agency, and Cartersville, Georgia, with savings of 35 cents per MMBtu through the initial 6.5-year period of this 30-year transaction.

Agile

The F-35 with its stealth, avionics, and advanced communications and sensor package enables the fighter to quickly scan its environment with the purpose of gathering, blending, processing, and identifying any threats and reacting to them quickly and efficiently. Then thanks to tactical data links, the F-35 can securely share its intel with flight members as well as other airborne, surface, and ground-based platforms required to perform assigned missions.

Energy considerations are an important element in economic development planning. Reliable, affordable natural gas is essential to attract and retain many commercial and industrial operations, and the Gas Authority works closely with its Members and state authorities to explore ways to ensure natural gas is available to serve the needs of new businesses or expanding operations.

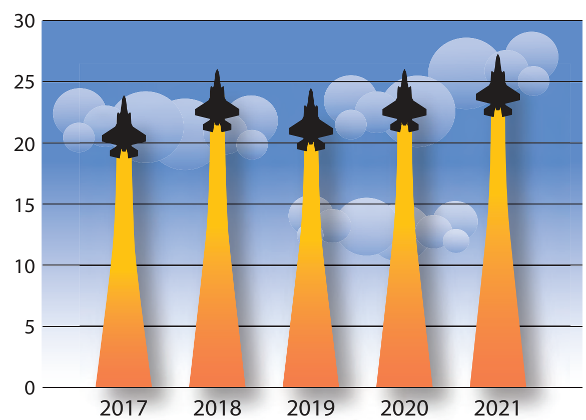
The second Main Street prepayment was completed in November with Royal Bank of Canada. Main Street issued $822 million in bonds to meet a portion of Member requirements and to provide additional gas supply service to FGU, with savings of 30 cents per MMBtu through the initial 5-year period of this 30-year transaction.

Fueling Member Growth

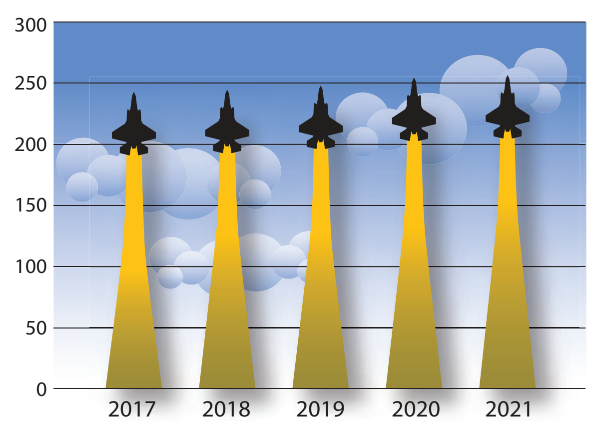
In January 2021, Mid-State Energy Commission became the Gas Authority's 81st Member. The cities of Byron, Cochran, Hawkinsville, Perry and Warner Robins in central Georgia formalized what was originally a joint pipeline partnership into a separate commission serving residential, commercial and industrial customers along 100 miles of pipeline. On September 1, 2021, the Gas Authority began delivering supplies to Mid-State Energy.

The Members continue to experience significant growth in industrial load. SK Battery in Commerce, Georgia is increasing its consumption from 1,100 MMBtu per day in 2021 to 3,500 MMBtu per day in 2022 to meet the growing demand for electric vehicle batteries. Irving Consumer Products, served by Mid-State Energy, nearly doubled its usage from

INDUSTRIAL VOLUMES (Bcf)



TOTAL CUSTOMERS SERVED BY MEMBERS *(In thousands)*



Versatile

The F-35 fighter is the most versatile military fighter of the modern era. With its processing power, open architecture, sophisticated sensors, information fusion, and flexible communication links the F-35 is an indispensable tool in future homeland defense, Joint and Coalition warfare, and major combat operations. The F-35 transformational capabilities enable it to operate in any environment, against any threat. It's much more than a fighter jet, and will enhance all airborne, surface, and ground-based military assets.

Thirty-five years ago, in response to market conditions, the Gas Authority was created to assist Member cities overcome industry challenges. Over the years the organization has remained aware and responsive to changing industry circumstances, Member needs, and their customers' needs, and resulted in a myriad of service deliverables unimagined by the organization's forefathers.

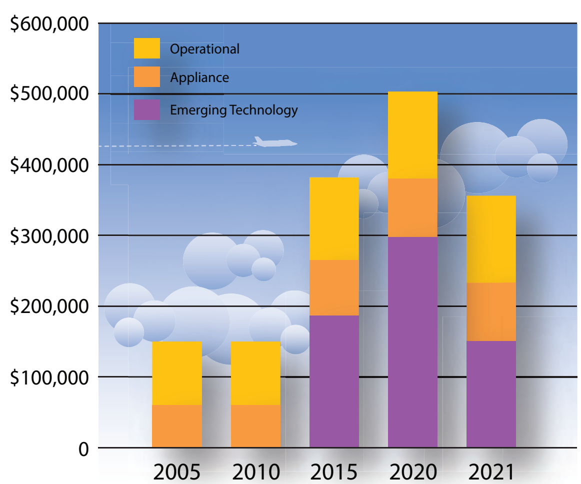
3,000 to 5,500 MMBtu per day to produce its paper towels and bath tissue. Danimer in Bainbridge, Georgia is projected to use over 2,000 MMBtu per day once operations begin next year to make its biodegradable plastic. In December, the electric vehicle manufacturer Rivian announced plans to build a plant in the Stanton Springs Industrial Park served by three Gas Authority Members (Covington, Madison and Social Circle). Early estimates indicate that this new Rivian plant could use over 10,000 MMBtu per day beginning in 2024. To continue providing reliable and economic service to this growing and important segment, the Gas Authority, working closely with the Members, installed 67 electronic devices to capture timely usage information on the larger facilities, and purchased increasing levels of winter peaking supplies and related services.

In 2021, Members added over 1,300 residential customers. The Main Street On-Bill Financing Program continues to help Members retain and add residential customers with 33 Members participating in this $7.5 million revolving loan fund.

Natural Gas Connection (NGC) continued to ramp up its operations with two new business coordinators hired in 2021, one serving East Central Alabama Gas District and the other serving 6 Members in southwest Georgia. NGC is now serving 11 Members from 3 locations with plans to add more locations and Members in 2022. In 2021, NGC assisted participating Members retain or add customers through the sale, installation and/or issuing of rebates for 145 natural gas appliances.

The Gas Authority and its Members have been actively involved in natural gas industry research and development (R&D) programs for over 30 years.

ANNUAL MEMBER INVESTMENT
IN RESEARCH AND DEVELOPMENT



High Performance

Better, faster, and more efficient for the long haul. The F-35 is essentially "self-aware" performing routine behind-the-scenes monitoring, maintenance, and prognostics to support its continued airworthiness and enhanced operations. And in order to keep the fighter's competitive edge for many years ahead, its design allows for upgrades, weapons enhancements, software uploads, and other ongoing modernizing initiatives.

Analyzing and adapting to the ever-complex energy environment, the Gas Authority and its Members are investing heavily in enhanced appliance efficiency and technology and renewable energy opportunities, as well as playing a prominent role in monitoring, advocating, and guiding policies and regulations that might constrain, limit or otherwise hamper the delivery of affordable, reliable natural gas.

The Members' direct investment in industry R&D efforts has grown to almost $0.5 million annually. The areas of focus include operational safety, efficiency, and emissions reductions and end-use appliance efficiencies (which also yield emissions reductions). The Gas Authority, through its Emerging Technology Program, is allocating a significant portion of this investment into appliance field testing and market transformation initiatives. Under this program, Members now have installed over 700 tons of high efficiency, natural gas heat pump technology in new and existing buildings in their communities.

Innovating to lower its Members' carbon footprint, the Gas Authority is working together with the cities of Eatonton and Dublin along with two project developers to bring renewable natural gas (RNG) into its supply portfolio. These RNG projects will have a very positive impact on the environment by avoiding methane emissions through the capture of methane from animal waste and turning it into usable energy. In the Eatonton project, RNG will be produced from the waste stream of two dairy farming operations, compressed, and transported through a virtual pipeline (i.e. trucked) to Dublin's distribution system where it will be injected to supplement traditional natural gas supplies. In a separate project in Dublin, the waste stream of a local poultry operation will be used to produce RNG, which will be reinjected upstream of the plant operation to supplement traditional natural gas supplies of the city's distribution system. In 2021, good progress was made on both projects.

Maintaining Operational Excellence

Our operations team continues to meet Members' and Municipal Customers' needs reliably and efficiently. In 2021, the Gas Authority delivered total volumes of 110 Bcf, down 2% from 2020, with 53 Bcf delivered to Members and 57 Bcf delivered to Municipal Customers. The average cost of gas delivered to Members increased $1.45 per MMBtu from $3.29 in 2020 to $4.74 per MMBtu in 2021, primarily due to the sharp increase in natural gas prices, up $1.76 per MMBtu, and partially offset by lower average cost for pipeline transportation/storage and Gas Authority services and from hedge adjustments (down a combined $0.31 per MMBtu).

In 2021, the Gas Authority enhanced its existing cybersecurity measures by adding dual-factor authentication to protect remote access to its network. We also completed a refresh of our business continuity

Sustainable

The F-35 is truly a modern marvel of technological innovation and dynamic global partnerships. Its collaborative development ensures the world's most advanced fighter is mission ready and affordable to sustain and maintain throughout its lifecycle and well into the 21st century to serve the ever-changing mission of today's global military alliances.

The Gas Authority is proud to have served its Members, Municipal Customers, and others these last three and a half decades and is poised to continue delivering natural gas at a reasonable cost with high reliability. Its mission and S.P.I.R.I.T. values – Service, Professionalism, Innovation, Respect, Integrity, Teamwork -- are as foundational today as they were 35 years ago.

and disaster recovery plans across the entire company, focusing on system reliability, resiliency and access to data. The updated plans included the implementation of a new remote backup and recovery service that provides almost instantaneous recovery from a disaster or other business continuity event and the purchase of 48 portable power stations for critical staff to use during power outages at remote work sites.

The Gas Authority continued its investment in technology with several system development and upgrade projects completed in 2021. These projects include enhancements to the capacity planning application, evaluating new tools to improve efficiency in reporting, and upgrading MS Office Suite and Oracle tools to maintain processing speed and remain current.

As we look ahead, we see our industry contributing significantly to meet the energy needs and environmental goals of the people and businesses here in the U.S. and throughout the world. The natural gas industry will make this important contribution through continued innovation and hard work that results in safely and reliably delivering clean, affordable energy 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.

Chris Hobby
Chairman of the Board

Arthur Corbin
President & CEO

F-35 #5006 ASCENT, 2022, by Gas Authority Board Member Jon Mason of Chambersburg, Pennsylvania. Acrylic on canvas.

An interpretation of a USAF F35A Lockheed Lightning II climbing, on afterburner, at 35,000 feet. The aircraft was based at Luke AFB. The painting was a gift for Jon's son, SSgt J. A. Mason, USAF, to recognize his service and to honor the service of all United States military personnel.

Officers

Mike Frey, Chief Operating Officer
Arthur Corbin, President & CEO
Susan Reeves, Chief Financial Officer
Chris Strippelhoff, Chief Membership Officer

Board of Directors

Irving Thompson, General Manager
East Central Alabama Gas District
Chris Hobby, Chairman, City Manager
Bainbridge
David Nunn, City Manager
City of Madison
Jon Mason, Assistant Gas Superintendent
Chambersburg (PA) Municipal Gas Department
Michael Clay, Director of Utilities
Dublin
Steve Sykes, City Manager
Camilla
Charles K. Shaheen, former Council Member
Warner Robins
Daren Perkins, Gas Superintendent
Buford
Kenneth L. Usry, Mayor
Thomson

Not Pictured:
Luther L. (Buddy) Duke, III, Secretary/Treasurer
Mayor – Adel
Todd Hardigree, Vice Chairman, Gas Director
City of Lawrenceville
Howard McKinnon, Retired Town Manager
Havana

Key Operating Statistics

	2017	2018	2019	2020	2021
Number of Members/Municipal Customers					
Southern Natural	26	25	25	25	26
Southern Natural - South Georgia Facilities	29	29	29	29	29
Transco	23	23	23	24	24
Texas Eastern	2	2	2	2	2
Municipal Customers on Various Pipelines	10	11	16	14	14
Regulatory Compliance Customers	33	36	41	42	44
Total Number of Members/Municipal Customers	122	126	136	136	139
Total Throughput By Member & Municipal Customers (000 MMBtu)					
Member	50,035	56,209	53,852	51,134	53,216
Municipal Customers	25,888	28,327	45,143	61,148	57,339
Total Throuhput	75,923	84,536	98,995	112,282	110,555
By Pipeline (000 MMBtu)					
Southern Natural	21,806	23,133	23,806	27.153	26,899
Southern Natural - South Georgia Facilities	15,334	16,766	16,170	14,541	13,787
Transco	28,675	32,995	34,826	38,161	40,000
Texas Eastern	1,748	1,999	2,244	3,131	3,096
Florida Gas Transmission	4,242	4,548	13,576	19,532	17,101
Other	4,118	5,095	8,373	9,764	9,672
Total Throughput by Pipeline	75,923	84,536	98,995	112,282	110,555
Heating Degree Days - Actual					
South Georgia	1,020	1,367	1,172	1,149	1,307
Middle Georgia	1,742	2,175	1,894	1,840	1,994
North Georgia	2,068	2,630	2,236	2,186	2,211
Heating Degree Days - 10 Year Average					
South Georgia	1,376	1,423	1,,393	1,377	1,276
Middle Georgia	2,244	2,300	2,292	2,272	2,164
North Georgia	2,560	2,567	2,545	2,510	2,407
Average NYMEX Spot Price ($/MMBtu)	$3.11	$3.09	$2.63	$2.08	$3.84
Members' Customers - By Pipeline					
Southern Natural	50,155	49,977	49,700	50,004	49,826
Southern Natural - South Georgia Facilities	36,768	36,619	35,621	35,215	35,365
Transco	141,495	143,594	149,192	155,565	156,777
Texas Eastern	12,065	12,255	12,333	12,539	12,683
Total Customers	240,483	242,445	246,846	253,323	254,651

Financial Statements

As of and for the Years Ended December 31, 2021 and 2020

Report of Independent Auditors

The Board of Directors
Municipal Gas Authority of Georgia

Opinion

We have audited the financial statements of the Municipal Gas Authority of Georgia (the "Company"), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 19-27 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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, 2022

Management's Discussion and Analysis
(dollars in thousands)
(Unaudited)

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-one municipal gas utilities (the Members), serving approximately 255,000 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 (Customers) on a limited basis for the benefit of the Members. Additionally, the Gas Authority provides regulatory compliance services to 44 other entities. 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 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

Management's Discussion and Analysis (continued)
(dollars in thousands)
(Unaudited)

$1,100,000 in debt through December 31, 2020, increasing to $1,500,000 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 in debt through December 31, 2030, increasing to $1,000,000 as Portfolio III and IV principal payments are made, with maturities not exceeding 30 years from issuance, to secure long-term gas supplies.

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 in Pool 1 and $151,500 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 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/exchanger and gas commodity swap counterparty for prepayment transactions.

The Gas Authority is a party to a Participation Agreement with a 49% participation share with Public Energy Partners, Inc. (PEP), an autonomous Georgia nonprofit corporation that is a gas supplier/exchanger and gas commodity swap counterparty for prepayment transactions. PEP's initial transaction begins on April 1, 2022.

As of December 31, 2021, the Gas Authority is a party to 14 long-term supply arrangements, including 10 with Main Street Natural Gas, Inc. described below, that are expected to deliver a firm supply of discounted gas over various terms ending in 2052. 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, who in turn sells a portion of this discounted gas to Customers. 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 the Gas Authority through long-term gas supply contracts for specified volumes of gas. In some cases, the obligation of the Gas Authority 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 at

Management's Discussion and Analysis (continued)
(dollars in thousands)
(Unaudited)

a discount to spot market pricing. Additional discounts may be distributed annually at the discretion of the Main Street Board.

Following is a summary of Main Street's active prepayments as of December 31, 2021:

Bond Series	Supplier	Gas Supply Term	Original Bond Amount	Original Volume *
2006A	J.P. Morgan	Feb 2007 – Jan 2022	$ 528,255	108,600
2006B	Merrill Lynch	Feb 2007 – Jan 2022	527,630	108,600
2007A	Merrill Lynch	Dec 2007 – Jul 2028	496,710 [1]	118,784 [1]
2018A&B	Royal Bank of Canada	Mar 2018 – Feb 2048	1,021,675	405,467
2018C,D,&E	Royal Bank of Canada	Jul 2018 – Jun 2048	1,000,215	409,762
2019A	Macquarie Group	Apr 2019 – Mar 2049	695,595	351,437
2019B	Toronto-Dominion Bank	Jul 2019 – Jun 2049	675,430	265,367
2019C	Citigroup	Feb 2020 – Jan 2050	631,970	236,472
2021A	Royal Bank of Canada	Jun 2022 - May 2052	821,620	259,175
2021C	Citigroup	Apr 2022 - Mar 2052	756,630	265,558

* Thousands of MMBtu

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

The Series 2018A&B, 2018C,D,&E, 2019B, 2019C, 2021A, and 2021C bonds are required to be purchased pursuant to mandatory tenders on dates ranging from 5-7 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 for selling 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, 2019C, 2021A, and 2021C bonds have fixed interest rates. The Series 2018B, 2018D, and 2018E bonds have variable interest rates along with interest rate swaps.

In February 2022, Main Street issued Series 2022C revenue bonds totaling $626,255 to fund a 30-year natural gas prepayment transaction for 215,983 thousands of MMBtu supplied by Citadel Energy Marketing LLC. In March 2022, Main Street issued Series 2022A revenue bonds totaling $538,310 to fund a 30-year natural gas prepayment transaction for 166,018 thousands of MMBtu supplied by Citigroup. These transactions have commodity swaps similar to other Main Street transactions discussed in Note 10 of the financial statements.

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

Management's Discussion and Analysis (continued)
(dollars in thousands)
(Unaudited)

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.

Management's Discussion and Analysis (continued)
(dollars in thousands)
(Unaudited)

Financial Analysis – 2021 Compared to 2020

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

	2021	2020
Total assets	**$ 7,210,750**	$ 6,904,431
Current liabilities	**395,901**	311,898
Noncurrent liabilities	**6,216,829**	4,673,769
Total liabilities	**$ 6,612,730**	$ 4,985,667
Deferred inflows of resources	**$ 561,476**	$ 1,882,466
Net position:		
Invested in capital assets	**3,035**	2,557
Unrestricted	**33,509**	33,741
Total net position	**$ 36,544**	$ 36,298

Total Assets – The increase in total assets of $306,319 is primarily due to the increase of $1,590,597 in prepaid gas supplies and $28,067 in investment securities related to the new Main Street 2021A and 2021C prepayment transactions, an increase of $7,143 in accounts receivable due to higher gas prices, and an increase of $54,119 in cost recoverable from future billings due to timing differences between expense recognition and billings to Members; these increases were partially offset by a decrease of $38,185 related to repayment of advances to PGP and a decrease of $1,334,400 in the fair value of derivative instruments related to changes in market conditions.

Total Liabilities – Current liabilities increased by $84,003 due primarily to an increase in the current portion of limited obligation debt of $59,142 primarily related to the Main Street 2021A and 2021C transactions, an increase of $17,870 in the current portion of long-term debt due to reclassifications from long-term debt net of debt repayments, and an increase in accounts payable and accrued expenses of $10,434 primarily related to higher gas prices, offset by a decrease of $2,400 in short-term debt. Noncurrent liabilities increased by $1,543,060 due primarily to an increase of $1,607,590 in limited obligation debt related to the Main Street 2021A and 2021C transactions, partially offset by a decrease in limited obligation debt of $50,363 due to reclasses to the current portion of limited obligation debt, and a decrease of $13,726 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 $1,320,990 due primarily to changes in market conditions.

Management's Discussion and Analysis (continued)
(dollars in thousands)
(Unaudited)

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

	2021	2020
Operating revenues	**$ 471,710**	$ 438,978
Operating expenses:		
Gas operations	**176,012**	137,360
Reserve depletion and prepaid gas supply delivery	**191,326**	209,072
General and administrative	**14,268**	13,951
Total operating expenses	**381,606**	360,383
Operating income	**90,104**	78,595
Nonoperating expenses, net	**(89,858)**	(77,724)
Change in net position	**246**	871
Net position – beginning of year	**36,298**	35,427
Net position – end of year	**$ 36,544**	$ 36,298

Operating Revenues – Operating revenues, which represent gas supplies and related hedge settlements, pipeline charges, and other services provided to Members and Customers, increased by $32,732, or 7.5%. The increase in revenues is primarily due higher average gas prices, which were $3.84 vs $2.08 in 2021 and 2020, respectively, partially offset by a throughput decline of approximately 2%. Revenue volatility is mitigated somewhat by the hedging programs discussed earlier.

Operating Expenses – Gas operations, which include transportation, storage, and commodity costs of delivering natural gas to Members and Customers, increased $38,652, or 28.1%, due primarily to higher gas prices. Reserve depletion and prepaid gas supply delivery expense decreased $17,746, or 8.5%, primarily due the termination of Main Street 2010A prepaid in September 2020.

Nonoperating Expenses, Net – Nonoperating expenses, net increased $12,134 primarily due to the net effect of the write-off of the positive fair value of the interest rate swap in the termination of Main Street 2010A prepayment in 2020 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 $223,845 at December 31, 2021, as compared to $194,732 at December 31, 2020. See the cash flow statement for details of cash activity during 2021.

Management's Discussion and Analysis (continued)
(dollars in thousands)
(Unaudited)

Following is a summary of debt activity in 2021:

	December 31, 2020	Issuances	Payments/ Amortization	December 31, 2021	Maturity
Lines of credit	$ 42,400	$ **39,600**	$ **(42,000)**	$ **40,000**	Mar 2023
Bank Notes	58,000	**-**	**(6,000)**	**52,000**	Oct 2025
Series Q	12,000	**-**	**(10,000)**	**2,000**	Oct 2022
Series S	22,000	**-**	**-**	**22,000**	Oct 2027
Series U	22,500	**-**	**(9,500)**	**13,000**	Oct 2024
Series A	31,000	**-**	**(5,000)**	**26,000**	Oct 2024
Bond premium	4,692	**-**	**(1,993)**	**2,699**	N/A
Total	$ 192,592	$ **39,600**	$ **(74,493)**	$ **157,699**	
Limited obligation debt:					
Main Street bonds	$ 4,431,010	$ **1,578,250**	$ **(115,450)**	$ **5,893,810**	2022–2049
Bond premium	230,619	**261,137**	**(53,075)**	**438,681**	N/A
Direct financing leases	21,920	**-**	**(4,130)**	**17,790**	2022–2033
Total	$ 4,683,549	$ **1,839,387**	$ **(172,655)**	$ **6,350,281**	

All bonds except three 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 $100,000 and $60,000 available to be drawn at December 31, 2021. The line of credit with $80,000 capacity matures on March 31, 2023 and the additional $20,000 capacity issued in December 21, 2021 matures on December 30, 2022. See the financial statement notes for further discussion of the Gas Authority's long-term debt.

From the proceeds of these financings, $153,761 has been advanced to PGP as of December 31, 2021. 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 2022, the Gas Authority Board of Directors approved an annual cash return to Members of $10,828 that is incremental to monthly returns.

Management's Discussion and Analysis (continued)
(dollars in thousands)
(Unaudited)

Financial Analysis – 2020 Compared to 2019

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

	2020	2019
Total assets	**$ 6,904,431**	$ 8,085,702
Deferred outflows of resources	**–**	4,505
Current liabilities	**311,898**	313,217
Noncurrent liabilities	**4,673,769**	5,762,083
Total liabilities	**$ 4,985,667**	$ 6,075,300
Deferred inflows of resources	**$ 1,882,466**	$ 1,979,480
Net position:		
Invested in capital assets	**2,557**	2,686
Unrestricted	**33,741**	32,741
Total net position	**$ 36,298**	$ 35,427

Total Assets – The decrease in total assets of $1,181,271 is primarily due to a decrease of $703,982 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 related to repayment of advances to PGP and decrease in direct financing leases, a decrease of $332,626 in the fair value of derivative instruments related to changes in market conditions, a decrease of $94,563 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 related to payment of bond principal and interest.

Liabilities – Current liabilities decreased by $1,319 due primarily to decreases in outstanding debt and the fair value of derivative instruments due. Noncurrent liabilities decreased by $1,088,314 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 $97,014 due primarily to changes in market conditions.

Management's Discussion and Analysis (continued)

(dollars in thousands)

(Unaudited)

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

	2020	2019
Operating revenues	**$ 438,978**	$ 412,119
Operating expenses:		
Gas operations	**137,360**	144,391
Reserve depletion and prepaid gas supply delivery	**209,072**	179,579
General and administrative	**13,951**	14,015
Total operating expenses	**360,383**	337,985
Operating income	**78,595**	74,134
Nonoperating expenses, net	**(77,724)**	(73,882)
Change in net position	**871**	253
Net position – beginning of year	**35,427**	35,174
Net position – end of year	**$ 36,298**	$ 35,427

Operating Revenues – Operating revenues, which represent gas supplies and related hedge settlements, pipeline charges, and other services provided to Members and Customers, increased by $26,859, or 6.5%. The increase in revenues is primarily due to 17.4% higher throughput driven by additional 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 and Customers, decreased $7,031, or 4.9%, due primarily to more gas supplies being provided by prepayments. Reserve depletion and prepaid gas supply delivery expense increased $29,493, or 16.4%, primarily due to more gas supplies being provided by prepayments.

Nonoperating Expenses, Net – Nonoperating expenses, net increased $3,842 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.

Statements of Net Position

(in thousands of dollars)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 55,094**	$ 51,969
Restricted cash and cash equivalents	**26,103**	28,182
Investment securities – restricted	**142,648**	114,581
Accounts receivable – Members	**25,927**	24,419
Accounts receivable – other	**38,253**	32,618
Prepaid gas supplies	**179,418**	191,326
Gas inventories and other current assets	**8,364**	8,756
Fair value of derivative instruments	**68,046**	152,578
Total current assets	**543,853**	604,429
Noncurrent assets:		
Gas properties and supplies:		
Prepaid gas supplies	**5,651,413**	4,048,908
Investments:		
Direct financing leases	**16,443**	19,011
Operating partnership	**1,875**	2,007
Advance payment due from Public Gas Partners	**153,761**	191,946
Fair value of derivative instruments	**515,436**	1,765,304
Costs recoverable from future billings	**321,790**	267,671
Other assets	**6,179**	5,155
Total noncurrent assets	**6,666,897**	6,300,002
Total assets	**$ 7,210,750**	$ 6,904,431
Liabilities, deferred inflows of resources, and net position		
Current liabilities:		
Accounts payable and accrued expenses	**$ 69,320**	$ 58,886
Due to Members	**11,165**	12,759
Short-term debt	**40,000**	42,400
Current portion of long-term debt	**50,359**	32,489
Current portion of limited obligation debt	**223,932**	164,790
Other liabilities	**810**	574
Fair value of derivative instruments	**315**	–
Total current liabilities	**395,901**	311,898
Noncurrent liabilities:		
Long-term debt	**67,340**	117,703
Fair value of derivative instruments	**21,690**	35,416
Other liabilities	**1,450**	1,891
Limited obligation debt	**6,126,349**	4,518,759
Total noncurrent liabilities	**6,216,829**	4,673,769
Total liabilities	**6,612,730**	4,985,667
Deferred inflows of resources	**561,476**	1,882,466
Net position:		
Invested in capital assets	**3,035**	2,557
Unrestricted	**33,509**	33,741
Total net position	**36,544**	36,298
Total liabilities, deferred inflows of resources, and net position	**$ 7,210,750**	$ 6,904,431

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

(in thousands of dollars)

	Year Ended December 31, 2021	2020
Operating revenues:		
Gas operations	**$ 460,370**	$ 427,876
Other	**11,340**	11,102
Total operating revenues	**471,710**	438,978
Operating expenses:		
Gas operations	**176,012**	137,360
Reserve depletion and prepaid gas supply delivery	**191,326**	209,072
General and administrative	**14,268**	13,951
Total operating expenses	**381,606**	360,383
Operating income	**90,104**	78,595
Nonoperating revenues (expenses):		
Investment income (expense) and other gains	**4,022**	(29,432)
Interest and other expense	**(147,872)**	(160,596)
Costs recoverable from future billings	**53,992**	112,304
Total nonoperating expenses, net	**(89,858)**	(77,724)
Change in net position	**246**	871
Net position:		
Beginning of period	**36,298**	35,427
End of period	**$ 36,544**	$ 36,298

See accompanying notes.

Statements of Cash Flows

(in thousands of dollars)

	Year Ended December 31, 2021	2020
Operating activities		
Receipts from Members and Customers	**$ 383,996**	$ 252,776
Payments to suppliers and vendors	**(185,770)**	(133,402)
Receipts from derivatives counterparties, net	**103,566**	203,103
Payments to Members and Customers	**(11,629)**	(24,179)
Payments to employees	**(11,453)**	(10,668)
Net cash flow from operating activities	**278,710**	287,630
Financing activities		
Noncapital financing activities:		
Line of credit receipts	**39,600**	42,000
Line of credit payments	**(42,000)**	(35,000)
Net cash flow from noncapital financing activities	**(2,400)**	7,000
Capital and related financing activities:		
Capital expenditures and inventory purchases/sales, net	**(23)**	(117)
Acquisition of prepaid gas supply	**(1,781,923)**	–
Termination of prepaid gas supply agreement	**–**	721,876
Member lease payments	**3,359**	5,011
Gas revenue bond payments	**(30,500)**	(81,000)
Gas revenue bond proceeds	**–**	58,000
Limited obligation bond proceeds	**1,839,387**	–
Limited obligation bond payments	**(119,580)**	(845,455)
Interest payments and bond issuance costs	**(199,463)**	(205,509)
Net cash flow from capital and related financing activities	**(288,743)**	(347,194)
Net cash flow from financing activities	**(291,143)**	(340,194)
Investing activities		
Investment securities purchases/sales, net	**(28,067)**	17,766
Investment hedge settlements, net	**–**	2,289
Interest receipts and other	**3,362**	4,731
Repayments from Public Gas Partners, net	**38,184**	13,234
Net cash flow from investing activities	**13,479**	38,020
Net change in cash and cash equivalents and restricted cash	**1,046**	(14,544)
Cash and cash equivalents and restricted cash:		
Beginning of period	**80,151**	94,695
End of period	**$ 81,197**	$ 80,151
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 90,104**	$ 78,595
Adjustments to reconcile net cash provided by operating activities:		
Depreciation, amortization, and accretion	**123**	129
Depletion and delivery of gas	**191,326**	209,072
Changes in certain assets and liabilities:		
Accounts receivable	**(7,143)**	(510)
Gas inventories and other assets	**(731)**	(1,111)
Accounts payable and accrued expenses	**7,249**	2,776
Due to Members	**(2,218)**	(1,321)
Net cash flow from operating activities	**$ 278,710**	$ 287,630

See accompanying notes.

Notes to Financial Statements
(dollars in thousands)

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, 2021, 66 Georgia municipalities, 10 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 (Customers) on a limited basis for the benefit of the Members. Additionally, the Gas Authority provides regulatory compliance services to 44 other entities.

Pursuant to the provisions of the Act, the Gas Authority and all 81Members 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 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 in debt through December 31, 2020, increasing to $1,500,000 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 in debt through December 31, 2030, increasing to $1,000,000 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 facilitates long-term prepaid supply transactions on behalf of the Gas Authority, who in turn sells a portion of this discounted gas to Customers. 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 is a gas supplier/exchanger and gas commodity swap counterparty for prepayment transactions and manages pools of long-term natural gas supplies under Production Sharing Agreements with seven municipal entities, including the Gas Authority. Pool 4 is a counterparty to Main Street in certain Main Street transactions. The Gas Authority manages the day-to-day activities of Public Energy Partners, Inc. (PEP), a Georgia nonprofit corporation that is a gas supplier/exchanger and gas commodity swap counterparty for prepayment transactions. PEP is a counterparty to Main Street in certain Main Street transactions. PGP and PEP are not component units as they are autonomous companies with independent boards of directors, and therefore their 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 2022–2052. 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 2021 or 2020. See Note 2 for a schedule of investments as of December 31, 2021 and 2020.

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.

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 Inflows of Resources

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.

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 (outflow) 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.

(dollars in thousands)

- 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, 2021 or 2020, 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, 2021, 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, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Gas supply hedging agreements	**$ -**	**$ 1,001,130**	**$ (421,089)**	**$ 580,041**
Interest rate swap agreements	**-**	**-**	**(18,565)**	**(18,565)**
US government and agency securities	**68,386**	**-**	**-**	**68,386**

December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Gas supply hedging agreements	$ -	$ 1,366,458	$ 551,359	$ 1,917,817
Interest rate swap agreements	-	-	(35,352)	(35,352)
US government and agency securities	41,829	-	-	41,829

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, 2021 through April 13, 2022, 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, 2021, amounts invested in a local government investment pool totaling $4,417 and bank deposits totaling $50,684 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, 2021, was $26,103. Of this amount, $24,604 related to Main Street's limited obligation debt and $1,499 related to direct financing lease obligations.

At December 31, 2020, amounts invested in a local government investment pool totaling $12,708 and bank deposits totaling $39,978 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 $28,182. Of this amount, $23,725 related to Main Street's limited obligation debt and $4,457 related to direct financing lease obligations.

Notes to Financial Statements (continued)
(dollars in thousands)

Investment Securities – Restricted

Following is a summary of investment balances:

Investment Type	Balance	Final Maturity	Percentage of Total Investments
December 31, 2021			
Main Street guaranteed investment contracts:			
Series 2006A - Credit Agricole	**$ 34,943**	**2022**	**25 %**
Series 2006B - Credit Agricole	**34,947**	**2022**	**25**
Series 2007A - Aegon	**4,372**	**2028**	**3**
Commercial paper:			
Series 2018A&B	**11,699**	**2022**	**8**
Series 2018C,D,&E	**4,698**	**2022**	**3**
Series 2019A	**7,694**	**2022**	**5**
Series 2019C	**5,999**	**2022**	**4**
Series 2021A	**23,198**	**2022**	**16**
Series 2021C	**15,098**	**2022**	**11**
Total	**$ 142,648**		
December 31, 2020			
Main Street guaranteed investment contracts:			
Credit Agricole - 2006A	$ 33,919	2022	30 %
Credit Agricole - 2006B	33,924	2022	30
Aegon - 2007A	4,909	2028	4
US government and agency securities:			
US Treasury notes - 2018AB	17,942	2021	16
US Treasury notes - 2018CDE	10,594	2021	9
US Treasury notes - 2019A	7,495	2021	6
US Treasury notes - 2019C	5,798	2021	5
Total	$ 114,581		

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, 2021 and 2020, $26,103 and $28,182, 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 at both December 31, 2021 and 2020. 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 at December 31, 2021 and 2020. 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 of reserves to fund growth initiatives including loans to Members and other initiatives. Of this amount, $6,220 and $4,479 were utilized at December 31, 2021 and 2020, respectively. These amounts are reflected in other assets and costs recoverable from future billings in the statements of net position.

4. Annual Member Returns

In April 2022 and 2021, the Board of Directors approved annual cash returns to Members of $10,828 and $11,358, 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 the Gas Authority through long-term gas supply contracts for specified volumes of gas. In some cases, the obligation of the Gas Authority 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 at a discount to spot market pricing. Additional discounts may be distributed annually at the discretion of the Main Street Board.

(dollars in thousands)

In April 2022, the Main Street Board approved an annual distribution of $3,062. Of this amount, $2,053 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, 2021. Main Street also made annual distributions for certain other transactions during 2021 that were paid prior to December 31, 2021.

Following is a summary of Main Street's active prepayments as of December 31, 2021. See further discussion of the related debt in Note 9.

Bond Series	Supplier	Gas Supply Term	Original Bond Amount	Original Volume *
2006A	J.P. Morgan	Feb 2007 – Jan 2022	$ 528,255	108,600
2006B	Merrill Lynch	Feb 2007 – Jan 2022	527,630	108,600
2007A	Merrill Lynch	Dec 2007 – Jul 2028	496,710 [1]	118,784 [1]
2018A&B	Royal Bank of Canada	Mar 2018 – Feb 2048	1,021,675	405,467
2018C,D,&E	Royal Bank of Canada	Jul 2018 – Jun 2048	1,000,215	409,762
2019A	Macquarie Group	Apr 2019 – Mar 2049	695,595	351,437
2019B	Toronto-Dominion Bank	Jul 2019 – Jun 2049	675,430	265,367
2019C	Citigroup	Feb 2020 – Jan 2050	631,970	236,472
2021A	Royal Bank of Canada	Jun 2022 - May 2052	821,620	259,175
2021C	Citigroup	Apr 2022 - Mar 2052	756,630	265,558

* Thousands of MMBtu

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

The Series 2018A&B, 2018C,D,&E, 2019B, 2019C, 2021A, and 2021C bonds are required to be purchased pursuant to mandatory tenders on dates ranging from 5-7 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.

In February 2022, Main Street issued Series 2022C revenue bonds totaling $626,255 to fund a 30-year natural gas prepayment transaction for 215,982,800 Mcf supplied by Citadel Energy Marketing LLC. In March 2022, Main Street issued Series 2022A revenue bonds totaling $538,310 to fund a 30-year natural gas prepayment transaction for 166,018,000 Mcf supplied by Citigroup. These transactions have commodity swaps similar to other Main Street transactions discussed in Note 10.

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

Notes to Financial Statements (continued)
(dollars in thousands)

share in the PGP Pool by up to 25% in the event of default of another member. No defaults occurred in 2021 or 2020.

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/exchanger and commodity swap counterparty for gas prepayment 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 $1,041 and $2,658 in 2021 and 2020, respectively.

The Gas Authority manages the day-to-day activities of PGP under a services agreement and received fees of $1,645 and $1,773 from PGP for such services in 2021 and 2020.

7. Public Energy Partners

The Gas Authority has entered into a Participation Agreement with a 49% participation share with PEP. This agreement obligates the Gas Authority to pay as a component of gas operations expense its share of all costs incurred by PEP. The Gas Authority provides funding to PEP under Advance Payment Agreements for each PEP transaction. Those agreements mature when the related transaction is completed. Through December 31, 2021, there was no funding provided under those agreements. The Gas Authority manages the day-to-day activities of PEP under a services agreement. No fees were paid to the Gas Authority through December 31, 2021.

8. Debt

The Gas Authority has issued debt related to the financing of gas reserve acquisitions, advance payments to PGP, and other gas supply activities. All bonds and bank notes have fixed rates 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, 2021 and 2020, the Gas Authority had lines of credit (LOCs) with an aggregate capacity of $100,000 and $80,000, respectively. Of these amounts $20,000 expires on December 30, 2022 and $80,000 expires on March 31, 2023. As of December 31, 2021 and 2020, $60,000 and $58,000 respectively was available to be drawn on the LOCs.

Notes to Financial Statements (continued)
(dollars in thousands)

Following is a summary of debt activity in 2021:

	Issue Date	Final Maturity	Avg % Yield	Balance December 31, 2020	Issuances	Payments/ Amortization	Balance December 31, 2021
Short-term debt:							
Lines of credit	N/A	Mar '23	N/A	$ 42,400	$ 39,600	$ (42,000)	$ 40,000
Long-term debt:							
Bank notes	Sep '20	Oct '25	1.24	$ 58,000	$ -	$ (6,000)	$ 52,000
Series Q	Nov '12	Oct '22	2.43	12,000	–	(10,000)	2,000
Series S	Nov '12	Oct '27	3.07	22,000	–	–	22,000
Series U	Jul '14	Oct '24	1.70	22,500	–	(9,500)	13,000
Series A	Jul '16	Oct '24	1.22	31,000	–	(5,000)	26,000
Bond premium	N/A	N/A	N/A	4,692	–	(1,993)	2,699
Total debt				150,192	$ -	$ (32,493)	117,699
Less amounts due within one year				30,500			49,000
Less current portion of bond premium				1,989			1,359
Total long-term debt				$ 117,703			$ 67,340

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
2022	$ 49,000	$ 3,150	$ 52,150
2023	25,000	2,050	27,050
2024	23,000	1,175	24,175
2025	12,000	450	12,450
2026	3,000	300	3,300
2027	3,000	150	3,150
Total	$ 115,000	$ 7,275	$ 122,275

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	$ 42,000	$ (35,000)	$ 42,400
Long-term debt:							
Bank notes	Sep '19	Sep'22	2.04	$ 44,000	$ -	$ (44,000)	$ -
Bank notes	Sep '20	Oct '25	1.24	-	58,000	–	58,000
Series Q	Nov '12	Oct '22	2.43	12,000	–	–	12,000
Series S	Nov '12	Oct '27	3.07	27,000	–	(5,000)	22,000
Series T	Nov '12	Oct '20	2.84	15,000	–	(15,000)	-
Series U	Jul '14	Oct '24	1.70	27,500	–	(5,000)	22,500
Series A	Jul '16	Oct '24	1.22	43,000	–	(12,000)	31,000
Bond premium	N/A	N/A	N/A	7,400	–	(2,707)	4,692
Total debt				175,900	$ 58,000	$ (83,707)	150,192
Less amounts due within one year				37,000			30,500
Less current portion of bond premium				2,704			1,989
Total long-term debt				$ 136,195			$ 117,703

9. Limited Obligation Debt

Main Street Debt

As discussed in Note 5, as of December 31, 2021, Main Street has 13 series of revenue bonds outstanding under ten 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 of 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 Customers.

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.

Notes to Financial Statements (continued)

(dollars in thousands)

Direct financing lease bonds outstanding at December 31, 2021, are as follows:

Direct Financing Lease Bond Issue	Due Dates	Serial and Term Bond Range of Principal Payments Due	Range of Annual Interest Rates
Toccoa 2011	2022-2024	$ 1,335 - 1,865	4.25% - 5.00%
Warner Robins 2011	2022-2026	$1,625	5.00%
Jointly Owned Natural Gas 2018	2022-2033	$ 750 - 1,140	3.90%

The trustees held $1,499 of funds restricted under the various bond resolutions related to these leases at December 31, 2021. 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	$ 33,105
Less advanced payments deposited with trustee	13,158
Total minimum lease payments to be received	19,947
Less unearned income	3,504
Net investment in direct financing leases	$ 16,443

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

2022	$ 4,079
2023	4,116
2024	3,546
2025	2,211
2026	3,728
Thereafter	15,425
Total	$ 33,105

Following is a summary of limited obligation debt activity in 2021:

	Balance December 31, 2020	Issuances	Payments/ Amortization	Balance December 31, 2021
Main Street bonds	$ 4,431,010	**$ 1,578,250**	**$ (115,450)**	**$ 5,893,810**
Bond premium	230,619	**261,137**	**(53,075)**	**438,681**
Direct financing leases	21,920	**-**	**(4,130)**	**17,790**
Total debt	4,683,549	**$ 1,839,387**	**$ (172,655)**	**6,350,281**
Less amounts due within one year	119,580			**139,134**
Less current portion of bond premium	45,210			**84,798**
Total noncurrent limited obligation debt	$ 4,518,759			**$ 6,126,349**

Notes to Financial Statements (continued)
(dollars in thousands)

The combined annual requirement of all limited obligation bond issues outstanding at December 31, 2021, is as follows:

	Principal				
Years	Main Street Bonds	Direct Financing Lease Bonds	Total	Interest [a]	Total Debt Service
2022	$ 136,610	$ 2,525	$ 139,135	$ 218,664	$ 357,799
2023	2,068,030	2,645	2,070,675	214,214	2,284,889
2024	720,765	2,145	722,910	157,761	880,671
2025	69,975	840	70,815	128,103	198,918
2026	659,570	2,500	662,070	124,489	786,559
2027-2031	1,720,750	4,895	1,725,645	243,861	1,969,506
2032-2036	116,675	2,240	118,915	116,385	235,300
2037-2041	136,445	-	136,445	82,366	218,811
2042-2046	153,280	-	153,280	47,835	201,115
2047-2049	111,710	-	111,710	8,562	120,272
Total	$ 5,893,810	$ 17,790	$ 5,911,600	$ 1,342,240	$ 7,253,840

[a] Variable interest amounts assume future interest rates remain constant at the rate in effect on December 31, 2021.

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	$ -	$ (841,970)	$ 4,431,010
Bond premium	275,843	-	(45,224)	230,619
Direct financing leases	25,405	-	(3,485)	21,920
Total debt	5,574,228	$ -	$ (890,679)	4,683,549
Less amounts due within one year	123,885			119,580
Less current portion of bond premium	43,877			45,210
Total noncurrent limited obligation debt	$ 5,406,466			$ 4,518,759

Main Street Series 2006A, 2006B, 2007A, 2018A, 2018C, 2019A, 2019B, 2019C, 2021A, and 2021C bonds have fixed interest rates ranging from 4.0% to 5.5% at December 31, 2021, with an effective rate, including bond premium, of 2.41%. 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 Note10). The weighted average variable interest rate was 0.81% and 0.84% at December 31, 2021 and 2020, respectively. Giving effect to the swaps, the net rate in effect was 2.45% and 2.67% at December 31, 2021 and 2020, respectively. Direct financing lease bonds have a fixed rate that ranged from 3.90% to 5.00% at December 31, 2021, and from 3.90% to 6.45% at December 31, 2020. The average effective rate for all limited-obligation bonds was 2.42% and 2.90% at December 31, 2021 and 2020, 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.

Notes to Financial Statements (continued)
(dollars in thousands)

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, 2021 and 2020, 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, 2020*	Change in Fair Value 2020	Fair Value at December 31, 2020	Change in Fair Value 2021	Fair Value at December 31, 2021	Notional Amount at December 31, 2021*
Gas Supply Operations and Long-Term Gas Supplies						
Hedging Derivatives						
Long futures – pay fixed	-	$ 37	$ -	$ (210)	$ (210)	740
Short futures – receive fixed	540	(7)	(14)	(38)	(52)	650
Commodity swaps – pay fixed	14,408	3,474	855	9,530	10,385	12,839
Commodity swaps – receive fixed	11,057	(2,659)	442	(6,985)	(6,543)	9,214
Commodity swaps – pay fixed	8,802	3,013	165	9,598	9,763	17,297
Basis swaps – receive fixed	590	2	2	(12)	(10)	295
Commodity options – bought call	-	(2)	-	-	-	-
Commodity options – bought put	2,010	447	447	(447)	-	-
Commodity options – sold call	60	(1)	(1)	1	-	-
Main Street						
Hedging Derivatives						
Commodity swap – received fixed	114,488	17,934	98,392	(78,231)	20,161	110,473
Commodity swap – received fixed	1,521,633	(295,510)	1,817,530	(1,270,983)	546,547	1,990,838
Interest rate swaps – pay fixed	665,000	176,255	(35,352)	16,787	(18,565)	665,000
Investment Derivatives						
Main Street interest rate swap – receive variable	-	(56,712)	-	-	-	-

* Notional amounts are in thousands of 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, 2021	Effective Dates	Notional Amounts*	Trade/Strike Prices
Gas Supply Operations and Long-Term Gas Supplies			
Hedging Derivatives			
Long futures – pay fixed	**Mar 2022 – Mar 2023**	**740**	**$ 3.58 – 5.48**
Short futures – receive fixed	**Feb 2022 – Feb 2023**	**650**	**2.83 – 4.10**
Commodity swaps – pay fixed	**Jan 2022 – Oct 2025**	**12,839**	**2.33 – 5.15**
Commodity swaps – receive fixed	**Jan 2022 – Mar 2026**	**9,214**	**2.60 – 4.08**
Commodity swaps – pay fixed	**Jan 2022 – Mar 2027**	**17,297**	**2.27 – 5.75**
Basis swaps - receive fixed	**Jan 2022 – Feb 2022**	**295**	**-0.06**
Main Street			
Hedging Derivatives			
Commodity swaps – receive fixed	**Jan 2022 – May 2052**	**2,101,311**	**4.08 – 10.36**
Interest rate swaps – pay fixed	**Jan 2022 – Dec 2023**	**665,000**	**Variable**

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

Notes to Financial Statements (continued)
(dollars in thousands)

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**	**$ 2.48 – 3.04**
Commodity swaps – pay fixed	**Jan 2021 – Feb 2025**	**14,408**	**2.26 – 2.88**
Commodity swaps – receive fixed	**Jan 2021 – Mar 2025**	**11,057**	**2.39 – 3.07**
Commodity swaps – pay fixed	**Jan 2021 – Mar 2025**	**8,802**	**2.11 – 3.01**
Commodity options – sold call	**Feb 2021 – Feb 2021**	**60**	**3.50**
Commodity options – bought put	**Jan 2021 – Mar 2021**	**2,010**	**2.80**
Basis swaps - receive fixed	**Jan 2021 – Feb 2021**	**590**	**-0.07**
Main Street			
Hedging Derivatives			
Commodity swaps – receive fixed	**Jan 2021 – Jan 2050**	**1,636,121**	**4.08 – 10.36**
Interest rate swaps – pay fixed	**Jan 2021 – Dec 2023**	**665,000**	**Variable**

* Notional amounts are in thousands of 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, 2021, excluding Main Street swaps, is $13,985. This represents the maximum potential loss that would be recognized at the reporting date if all counterparties fail to perform as contracted.

Notes to Financial Statements (continued)
(dollars in thousands)

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, 2021:

Gas Authority Counterparty	Counterparty Credit Ratings S&P/Moody's	Fair Market Value of Derivative Instruments Asset (Liability)
FCStone (Clearinghouse)	Not rated	$ (262)
JPMorgan Chase Bank, N.A.	A+/Aa2	(390)
Macquarie Bank	A+/A2	1,312
Royal Bank of Canada	AA-/Aa2	11,801
Wells Fargo Bank, N.A.	A+/Aa2	872

The credit ratings of Main Street's derivative counterparties and related fair values of derivative instruments are summarized below, as of December 31, 2021:

Main Street Counterparty	Counterparty Credit Ratings S&P/Moody's	Fair Market Value of Derivative Instruments Asset (Liability)
Bank of Montreal	A+/Aa2	$ 2,866
JPMorgan Chase Bank, N.A.	A+/Aa2	6,285
PGP4 MS18A, LLC	Not rated	24,252
PGP4 MS18C, LLC	Not rated	750
PGP4 MS CEI, LLC	Not rated	55,324
PGP4 MS21A, LLC	Not rated	123,739
PEP MS21C, LLC	Not rated	93,771
Royal Bank of Canada	AA-/Aa2	241,156

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, 2019C, 2021A, and 2021C transactions may be terminated or amended under certain limited circumstances. No amounts

Notes to Financial Statements (continued)
(dollars in thousands)

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 $1,201 and $1,162 in 2021 and 2020, 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 2048 on a pay-as-you-go basis:

Year	Volumes *
2022	7,381
2023	5,673
2024	5,252
2025	3,856
2026	4,371
Thereafter	87,060
Total	113,594

* Thousands of MMBtu

In 2021 and 2020, the Gas Authority purchased 6,312 and 7,897 thousands of MMBtu of gas, respectively, under these agreements.

NATURAL GAS GENIUS.

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