

**Piedmont Municipal Power Agency
Third Quarter 2009 Report**

Financial Summary

Third quarter 2009 electricity sales to Participants increased by \$1.3 million (3%) when compared to third quarter 2008 sales due to the 4.9% increase in the wholesale rate effective in May 2009.

Sales of electricity to other utilities decreased by \$967,000 (19.8%) in third quarter 2009 when compared to third quarter 2008. The major component of sales of electricity to other utilities is surplus energy sales to third parties. Energy available for sale to third parties decreased by 3,523,000 kWh's in third quarter 2009 compared to the same period in 2008. In addition, the average rate for sales to Southern Company decreased by \$25 per kWh for surplus sales in third quarter 2009 when compared to the same quarter in 2008.

Operating and maintenance costs decreased \$635,000 (7.2%) in third quarter 2009 over the same period in 2008. This decrease was due to the timing of payments for expenses related to an ongoing capital project established to restore reliability of Catawba Service Water Systems. More of the work is scheduled during refueling outages. Maintenance expenses incurred during the refueling outage from March thru April were primarily paid during second quarter 2009. Expenses for the second quarter refueling outage in 2008 were paid in the third quarter.

Purchased power expenses decreased by approximately \$4.8 million (29%) in the third quarter 2009 compared to 2008. Deficit energy costs for purchases from Southern Company decreased by \$4.6 million in third quarter 2009 compared to third quarter 2008. This was primarily due to a decrease in the average deficit rate charged, from \$85 per MWh in 2008 to \$36 per MWh in 2009. The deficit rate variance can be attributed to fuel cost decreases in 2009 compared to 2008. Additionally, the refueling outage at McGuire Unit 2 during the third quarter 2009 reduced power purchased from Duke under the McGuire Exchange, causing a \$240,000 decrease in McGuire purchased power from the same period in 2008.

Accretion expense for decommissioning increased \$480,000 (55%) in third quarter 2009 when compared to the same period in 2008. This increase is due to the revised estimate for the decommissioning liability from the Decommissioning Cost Analysis for the Catawba Nuclear Station performed in December of 2008.

Operating revenue lagged behind PMPA's budget by \$667,000 which was offset by \$5.6 million of operating costs that were under budget. Interest income and miscellaneous expenses were also under budget by \$386,000. As a result, operating results for the third quarter exceeded PMPA's budget by \$4.6 million. Capital addition costs were under budget by \$3.0 million, and variable interest costs were under budget by \$2.0 million. PMPA draws from working capital were \$6.4 million under budget for third quarter 2009.

PIEDMONT MUNICIPAL POWER AGENCY
CONDENSED INTERIM STATEMENT OF FINANCIAL CONDITION
FOR THE PERIODS ENDING SEPTEMBER 30
(UNAUDITED)

	2009	2008
	(Dollars in Thousands)	
<u>Assets</u>		
Capital assets		
Utility plant assets being depreciated	\$ 661,358	\$ 624,529
Accumulated depreciation and amortization	(344,845)	(337,246)
Total utility plant assets being depreciated, net	316,513	287,283
Utility plant assets not being depreciated	37,148	29,926
Total capital assets, net	353,661	317,209
Revenue fund assets		
Cash	14,052	11,280
Marketable debt securities	51,587	77,639
Accrued interest receivable	212	499
Participant accounts receivable	12,707	12,547
Other accounts receivable	540	500
Materials and supplies	11,083	9,238
Derivative financial instruments	0	0
Total current unrestricted assets	90,181	111,703
Restricted assets:		
Restricted for debt service	125,283	122,650
Restricted for decommissioning	65,722	61,365
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Acct.)	15,052	22,463
Total current restricted assets	207,657	208,078
Total current assets	297,838	319,781
Noncurrent assets:		
Unamortized debt issuance costs	24,716	29,405
Net costs recoverable from future Participant billings	571,354	575,063
Costs on advance refunding of debt, net	108,799	119,415
Other	14,925	12,979
Total other assets	719,794	736,862
Total assets	\$ 1,371,293	\$ 1,373,852
<u>Liabilities and Net Assets</u>		
Long-term liabilities:		
Bonds payable, net	\$ 1,071,674	\$ 1,107,818
Reserve for decommissioning	111,168	72,976
Derivative financial instruments	22,661	13,558
Reserve for opeb expenses	168	81
Total long-term liabilities	1,205,671	1,194,433
Current liabilities:		
Accounts payable and accrued liabilities	8,036	7,546
Current liabilities payable from restricted assets:		
Accrued interest payable	69,967	62,791
Current installments of bonds payable	37,177	32,746
Total current liabilities payable from restricted assets	107,144	95,537
Total current liabilities	115,180	103,083
Total liabilities	1,320,851	1,297,516
Net assets:		
Investment in capital assets, net of related debt	(755,190)	(823,355)
Restricted for debt service	18,139	27,113
Restricted for other	16,652	24,063
Unrestricted	770,841	848,515
Total net assets	50,442	76,336
Total liabilities and net assets	\$ 1,371,293	\$ 1,373,852

PIEDMONT MUNICIPAL POWER AGENCY
INTERIM STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS
FOR THE QUARTERS ENDING SEPTEMBER 30
(UNAUDITED)

	<u>2009</u>	<u>2008</u>
	(Dollars in Thousands)	
Operating Revenue:		
Sale of Electricity to Participants	\$ 43,936	\$ 42,653
Sale of Electricity to other utilities	3,912	4,879
Other	392	386
Total Operating Revenues	<u>48,240</u>	<u>47,918</u>
Operating Expense:		
Operation and maintenance	8,188	8,823
Nuclear fuel amortization	2,256	2,180
Purchased Power	11,721	16,490
Transmission	2,344	2,336
Distribution	260	258
Administrative and general	3,419	3,334
Depreciation	1,923	1,681
Decommissioning	1,359	879
Payments in lieu of property taxes	1,329	1,269
Total operating expenses	<u>32,799</u>	<u>37,250</u>
Net operating income	<u>15,441</u>	<u>10,668</u>
Other income (expenses):		
Interest income	1,721	3,134
Net increase (decrease) in fair value of investments	(319)	(19)
Net increase (decrease) in fair value of derivative instruments	(4,042)	181
Interest expense	(14,234)	(16,379)
Amortization expense	(2,841)	(2,946)
Other	(1,441)	(1,539)
Total other expenses, net	<u>(21,156)</u>	<u>(17,568)</u>
Revenue over (under) expenses before deferred items	(5,715)	(6,900)
Net expenses recoverable from future Participant billings	<u>930</u>	<u>(5,772)</u>
Revenues over (under) expenses	<u>(4,785)</u>	<u>(12,672)</u>
Net assets at beginning of period	55,227	89,008
Net assets at end of period	<u>\$ 50,442</u>	<u>\$ 76,336</u>