

**Piedmont Municipal Power Agency
Third Quarter 2011 Report**

Financial Summary

Third quarter 2011 electricity sales to Participants increased by \$2.9 million (5.97%) when compared to third quarter 2010 sales. This was primarily due to the wholesale rate increase of 6.7% effective in May 2011.

Sales of electricity to other utilities increased by \$825,000 (24.6%) in third quarter 2011 when compared to third quarter 2010. The major component of sales of electricity to other utilities is surplus energy sales to third parties. Sales to Southern Company increased by \$149,000 due to the 5,140,000 kWh increase of energy available for sale in third quarter 2011 compared to the same period in 2010. Sales of electricity to Duke increased \$676,000 third quarter 2011 compared to the same period 2010.

Operating and maintenance costs increased \$4 million (69.7%) in third quarter 2011 over the same period in 2010. This increase was due to timing of payments related to maintenance expenses due to refueling outage from April thru June which were paid during the third quarter 2011. In contrast, there were no maintenance expenses due to refueling outage paid during the third quarter of 2010.

Purchased power expenses decreased by approximately \$922,000 (6.1%) in the third quarter 2011 compared to 2010. Charges from Southern Company were 1.3 million (20.4%) lower than expected for third quarter 2011 due to the temperatures being 0.55% cooler in third quarter 2011 when compared to the same period in 2010. In contrast, McGuire Exchange charges were \$161,000 higher when the same periods were compared.

Transmission costs increased by \$516,000 (22.3%) in third quarter 2011 above those during the same period of 2010 due to increase in Duke Energy transmission cost. Duke Transmission cost increased due to the transition to formula rates in June of 2011.

Operating revenue exceeded PMPA's budget by \$730,000 which was offset by \$430,000 of operating costs that were over-budget. Combined interest income and miscellaneous expenses added to the overall operating results for the third quarter, which lagged behind PMPA's budget by \$80,000. Capital addition costs were under budget by \$1.4 million, which 1.2 million more was paid from construction bond funds than budgeted. Also, variable interest costs were under budget by \$184,000. As a result, PMPA withdrew 2.3 million less than budgeted from working capital for the third quarter 2011.

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

	2011	2010
<u>Assets</u>	<u>(Dollars in Thousands)</u>	
Capital assets		
Utility plant assets being depreciated	\$ 682,286	\$ 666,654
Accumulated depreciation and amortization	(341,582)	(337,720)
Total utility plant assets being depreciated, net	340,704	328,934
Utility plant assets not being depreciated	32,840	33,578
Total capital assets, net	373,544	362,512
Revenue fund assets		
Cash	13,354	12,390
Marketable debt securities	58,484	69,599
Accrued interest receivable	259	293
Participant accounts receivable	14,593	14,097
Other accounts receivable	289	96
Materials and supplies	12,451	11,875
Derivative financial instruments	0	0
Total current unrestricted assets	99,430	108,350
Restricted assets:		
Restricted for debt service	112,497	# 104,193
Restricted for decommissioning	58,925	57,310
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Acct.)	15,358	26,041
Total current restricted assets	188,380	189,144
Total current assets	287,810	297,494
Noncurrent assets:		
Unamortized debt issuance costs	17,469	22,042
Net costs recoverable from future Participant billings	588,784	583,981
Costs on advance refunding of debt, net	90,101	100,323
Other	30,467	18,738
Total other assets	726,821	725,084
Total assets	\$ 1,388,175	\$ 1,385,090
<u>Liabilities and Net Assets</u>		
Long-term liabilities:		
Bonds payable, net	\$ 1,075,728	\$ 1,087,342
Reserve for decommissioning	122,744	116,813
Derivative financial instruments	35,395	30,020
Reserve for opeb expenses	313	263
Total long-term liabilities	1,234,180	# 1,234,438
Current liabilities:		
Accounts payable and accrued liabilities	8,280	8,636
Current liabilities payable from restricted assets:		
Accrued interest payable	83,895	78,936
Current installments of bonds payable	19,278	10,360
Total current liabilities payable from restricted assets	103,173	89,296
Total current liabilities	111,453	97,932
Total liabilities	1,345,633	1,332,370
Net assets:		
Investment in capital assets, net of related debt	(721,462)	(735,190)
Restricted for debt service	9,324	14,897
Restricted for other	16,958	27,641
Unrestricted	737,722	745,372
Total net assets	42,542	52,720
Total liabilities and net assets	\$ 1,388,175	\$ 1,385,090

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

	<u>2011</u>	<u>2010</u>
	<u>(Dollars in Thousands)</u>	
Operating Revenue:		
Sale of Electricity to Participants	\$ 51,126	\$ 48,247
Sale of Electricity to other utilities	4,179	3,354
Other	439	341
Total Operating Revenues	<u>55,744</u>	<u>51,942</u>
Operating Expense:		
Operation and maintenance	9,816	5,784
Nuclear fuel amortization	2,790	2,260
Purchased Power	14,184	15,106
Transmission	2,834	2,318
Distribution	275	265
Administrative and general	5,799	4,850
Depreciation	3,441	1,877
Decommissioning	0	1,428
Payments in lieu of property taxes	1,593	1,511
Total operating expenses	<u>40,732</u>	<u>35,399</u>
Net operating income	<u>15,012</u>	<u>16,543</u>
Other income (expenses):		
Interest income	1,158	1,190
Net increase (decrease) in fair value of investments	689	791
Net increase (decrease) in fair value of derivative instruments	(10,732)	(5,209)
Interest expense	(15,159)	(13,976)
Amortization expense	(2,047)	(2,241)
Other	(1,965)	(1,203)
Total other expenses, net	<u>(28,056)</u>	<u>(20,648)</u>
Revenue over (under) expenses before deferred items	(13,044)	(4,105)
Net expenses recoverable from future Participant billings	<u>6,754</u>	<u>5,233</u>
Revenues over (under) expenses	<u>(6,290)</u>	<u>1,128</u>
Net assets at beginning of period	48,832	51,592
Net assets at end of period	<u>\$ 42,542</u>	<u>\$ 52,720</u>