

**Piedmont Municipal Power Agency
Second Quarter 2017 Report**

Financial Summary

Second quarter 2017 electricity sales to Participants decreased by \$272,000 (0.47%) when compared to second quarter 2016 sales. Energy usage was down 3.6% for second quarter 2017 compared to 2016. Additionally, there was no wholesale rate increase in May, 2017.

Sales of electricity to other utilities decreased 387,000 (8.3%) in second quarter 2017 when compared to second quarter 2016. The major component of sales of electricity to other utilities is surplus energy sales to third parties. Surplus Energy sold to third parties decreased by \$386,000 due to a decrease of 26,439,000 kWh in energy available for sale during the second quarter of 2017 compared to the same period.

Operating and maintenance costs increased by \$245,000 (3.56%) in second quarter 2017 over the same period in 2016. This increase was due to higher reactor maintenance costs during second quarter of 2017 when compared to the same period of 2016. McGuire Unit 2 was shut down on February 23, 2017 through March 9, 2017 due to high unidentified coolant system leakage. In addition, McGuire Unit 2 began a refueling outage on March 30, 2017 and returned to service on April 22, 2017.

Purchase power costs increased \$1.1 million (9.58%) in second quarter of 2017 when compared to the same period of 2016. Charges for supplemental energy were \$268,000 higher than expected, and backstand capacity charges for reserve energy from Duke Energy were \$500,000 higher when the same period were compared. This increase was due to a credit issued from Duke Energy for true-up on backstand energy during the second quarter of 2016. Also, McGuire exchange charges were \$373,000 higher when the same periods were compared.

Operating revenue exceeded PMPA's budget by \$343,000, in addition to \$1.7 million of operating costs that were lower than budget. Combined with interest income and miscellaneous expenses, the overall operating results for the second quarter exceeded PMPA's budget by \$2.1 million. Variable rate interest was under budget by \$288,000, and capital payments coupled with other transfers were \$1.1 million under budget. As a result, PMPA added \$3.5 million more than budgeted to working capital for the second quarter of 2017.

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

	2017	2016
	(Dollars in Thousands)	
<u>Assets</u>		
Capital assets		
Utility plant assets being depreciated	\$ 722,491	\$ 712,694
Accumulated depreciation and amortization	(374,899)	(374,117)
Total utility plant assets being depreciated, net	347,592	338,577
Utility plant assets not being depreciated	13,198	23,803
Total capital assets, net	360,790	362,380
Revenue fund assets		
Cash	147	120
Marketable debt securities	90,708	68,470
Accrued interest receivable	3	3
Participant accounts receivable	19,588	20,511
Other accounts receivable	340	577
Materials and supplies	19,375	18,439
Total current unrestricted assets	130,161	108,120
Restricted assets:		
Restricted for debt service	116,041	121,894
Restricted for decommissioning	71,552	68,240
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Account)	30,943	39,749
Restricted for other (Duke Working Account)	14,489	14,488
Total current restricted assets	234,625	245,971
Total current assets	364,786	354,091
Noncurrent assets:		
Net costs recoverable from future Participant billings	504,273	528,976
Costs on advance refunding of debt, net	40,189	47,545
Other	17,465	19,594
Total other assets	561,927	596,115
Total assets	\$ 1,287,503	\$ 1,312,586
<u>Liabilities and Net Assets</u>		
Long-term liabilities:		
Bonds payable, net	\$ 866,639	\$ 922,446
Reserve for decommissioning	94,082	89,322
Derivative financial instruments	46,749	49,625
Reserve for opeb expenses	697	655
Total long-term liabilities	1,008,167	1,062,048
Current liabilities:		
Accounts payable and accrued liabilities	6,833	7,572
Current liabilities payable from restricted assets:		
Accrued interest payable	125,400	117,404
Current installments of bonds payable	53,175	54,700
Total current liabilities payable from restricted assets	178,575	172,104
Total current liabilities	185,408	179,676
Total liabilities	1,193,575	1,241,724
Net assets:		
Investment in capital assets, net of related debt	(559,024)	(614,766)
Restricted for debt service	(62,534)	(50,210)
Restricted for other	47,032	55,837
Unrestricted	668,454	680,001
Total net assets	93,928	70,862
Total liabilities and net assets	\$ 1,287,503	\$ 1,312,586

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

	<u>2017</u>	<u>2016</u>
	<u>(Dollars in Thousands)</u>	
Operating Revenue:		
Sale of Electricity to Participants	\$ 58,136	\$ 58,408
Sale of Electricity to other utilities	4,276	4,663
Other	428	450
Total Operating Revenues	<u>62,840</u>	<u>63,521</u>
Operating Expense:		
Operation and maintenance	7,125	6,880
Nuclear fuel amortization	3,806	3,489
Purchased Power	12,627	11,523
Transmission	1,821	1,728
Distribution	216	186
Administrative and general	4,529	4,724
Depreciation	2,321	2,115
Decommissioning	1,168	1,212
Payments in lieu of property taxes	1,752	1,707
Total operating expenses	<u>35,365</u>	<u>33,564</u>
 Net operating income	 <u>27,475</u>	 <u>29,957</u>
Other income (expenses):		
Interest income	745	579
Net increase (decrease) in fair value of investments	42	569
Net increase (decrease) in fair value of derivative instruments	(1,685)	(1,534)
Interest expense	(12,701)	(13,264)
Amortization expense	(712)	(1,314)
Other	(1,408)	(1,093)
Total other expenses, net	<u>(15,719)</u>	<u>(16,057)</u>
 Revenue over (under) expenses before deferred items	 11,756	 13,900
 Net expenses recoverable from future Participant billings	 <u>(5,430)</u>	 <u>(6,038)</u>
 Revenues over (under) expenses	 <u>6,326</u>	 <u>7,862</u>
 Net assets at beginning of period	 87,602	 63,000
 Net assets at end of period	 <u>\$ 93,928</u>	 <u>\$ 70,862</u>