

Piedmont Municipal Power Agency First Quarter 2019 Report

Financial Summary

First quarter 2019 electricity sales to Participants decreased by \$7.7 million (14.52%) when compared to first quarter 2018 sales. This decrease was primarily due to credits being applied to the Participants monthly bills. In addition, energy usage was down 9.8% due to 2.32% warmer temperatures for the first quarter of 2019 compared to the same period in 2018. Additionally, there was no wholesale rate increase in May 2018.

Sales of electricity to other utilities increased by \$1.6 million (30.91%) in first quarter of 2019 when compared to first quarter 2018. The major component of sales of electricity to other utilities was surplus energy sales to third parties. Surplus Energy sold to third parties increased \$1.5 million due to an increase of 49,527,000 kWh in energy available for sale during the first quarter of 2019 compared to the same period in 2018. In addition, sales of electricity to Duke for exchange energy increased approximately \$129,000 when the same periods were compared.

Operating and maintenance costs increased \$1.9 million (28.56%) in first quarter 2019 when compared to the same periods in 2018. This increase is due to higher operating and maintenance costs during first quarter of 2019. Catawba Unit #1 went down for a refueling outage from November 11, 2018 through December 11, 2018. In addition, McGuire Unit 2 began a refueling outage on September 15, 2018 through October 13, 2018. These costs were reflected during the first quarter of 2019.

Purchase power costs decreased \$1.8 million (14.11%) in first quarter of 2019 when compared to the same period of 2018. McGuire exchange charges decreased \$393,000, and there was a decrease of \$923,000 in supplemental energy charges. In addition, other power purchased costs were approximately \$455,000 lower when compared to first quarter of 2018.

Accretion expense for decommissioning increased \$252,000 (20.54%) in first quarter of 2019 when compared to the same period in 2018. This increase is due to the revised estimate for the decommissioning liability from the Decommissioning Cost Analysis for the Catawba Nuclear Station performed in 2018.

Operating revenue lagged behind PMPA's budget by \$675,000, which was offset by \$511,000 of operating costs that were under budget. Combined with interest income and miscellaneous expenses, the overall operating results for the first quarter lagged behind PMPA's budget by \$437,000. Debt service deposits were over budget by \$3.5 million, and capital addition payments coupled with other transfers were \$930,000 under budget. In addition, defeasance of refunding bonds were under budget by \$17.5 million. This is due to defeasing less bonds than expected. As a result, PMPA withdrew \$12.7 million less than budgeted from working capital for the first quarter of 2019.

PIEDMONT MUNICIPAL POWER AGENCY
CONDENSED INTERIM STATEMENT OF FINANCIAL CONDITION
FOR THE PERIODS ENDING MARCH 31
(UNAUDITED)

	2019	2018
	(Dollars in Thousands)	
Assets		
Capital assets		
Utility plant assets being depreciated	\$ 748,496	\$ 740,562
Accumulated depreciation and amortization	(384,487)	(389,976)
Total utility plant assets being depreciated, net	364,009	350,586
Utility plant assets not being depreciated	15,699	13,871
Total capital assets, net	379,708	364,457
Revenue fund assets		
Cash	4,756	417
Marketable debt securities	104,065	104,181
Accrued interest receivable	2	2
Participant accounts receivable	12,482	15,731
Other accounts receivable	539	375
Materials and supplies	19,430	19,807
Total current unrestricted assets	141,274	140,513
Restricted assets:		
Restricted for debt service	86,891	84,526
Restricted for decommissioning	81,849	74,296
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Account)	15,807	25,022
Restricted for other (Duke Working Account)	0	0
Total current restricted assets	186,147	185,444
Total current assets	327,421	325,957
Noncurrent assets:		
Net costs recoverable from future Participant billings	474,747	486,685
Costs on advance refunding of debt, net	29,106	35,503
Other	13,561	15,897
Total other assets	517,414	538,085
Total assets	\$ 1,224,543	\$ 1,228,499
Liabilities and Net Assets		
Long-term liabilities:		
Bonds payable, net	\$ 764,201	\$ 805,520
Reserve for decommissioning	117,914	97,645
Derivative financial instruments	47,713	44,651
Reserve for opeb expenses	786	740
Total long-term liabilities	930,614	948,556
Current liabilities:		
Accounts payable and accrued liabilities	3,681	3,801
Current liabilities payable from restricted assets:		
Accrued interest payable	137,693	125,597
Current installments of bonds payable	13,825	35,365
Total current liabilities payable from restricted as	151,518	160,962
Total current liabilities	155,199	164,763
Total liabilities	1,085,813	1,113,319
Net assets:		
Investment in capital assets, net of related debt	(398,318)	(476,428)
Restricted for debt service	(64,627)	(76,436)
Restricted for other	17,407	26,622
Unrestricted	584,268	641,422
Total net assets	138,730	115,180
Total liabilities and net assets	\$ 1,224,543	\$ 1,228,499

PIEDMONT MUNICIPAL POWER AGENCY
INTERIM STATEMENT OF REVENUES AND EXPENS
AND CHANGES IN NET ASSET
FOR THE QUARTERS ENDING MARCH 3
(UNAUDITED)

	<u>2019</u>	<u>2018</u>
	<u>(Dollars in Thousands)</u>	
Operating Revenue:		
Sale of Electricity to Participants	\$ 45,376	\$ 53,084
Sale of Electricity to other utilities	6,840	5,225
Other	358	421
Total Operating Revenues	<u>52,574</u>	<u>58,730</u>
Operating Expense:		
Operation and maintenance	8,621	6,706
Nuclear fuel amortization	3,602	3,676
Purchased Power	10,779	12,550
Transmission	2,142	1,931
LDMSS/SCADA	146	155
Administrative and general	3,753	4,642
Depreciation	2,268	1,872
Decommissioning	1,479	1,227
Payments in lieu of property taxes	1,983	2,083
Total operating expenses	<u>34,773</u>	<u>34,842</u>
Net operating income	<u>17,801</u>	<u>23,888</u>
Other income (expenses):		
Interest income	1,434	1,044
Net increase (decrease) in fair value of investments	1,213	(1,017)
Net increase (decrease) in fair value of derivative instruments	239	4,884
Interest expense	(11,575)	(11,954)
Amortization expense	(827)	(948)
Other	(1,697)	(737)
Total other expenses, net	<u>(11,213)</u>	<u>(8,728)</u>
Revenue over (under) expenses before deferred items	6,588	15,160
Net expenses recoverable from future Participant billings	<u>(5,319)</u>	<u>(6,427)</u>
Revenues over (under) expenses	<u>1,269</u>	<u>8,733</u>
Net assets at beginning of period	<u>137,461</u>	<u>106,447</u>
Net assets at end of period	<u>\$ 138,730</u>	<u>\$ 115,180</u>