

## **Piedmont Municipal Power Agency Second Quarter 2019 Report**

### **Financial Summary**

Second quarter 2019 electricity sales to Participants decreased by \$4.0 million (7.50%) when compared to second quarter 2018 sales. This decrease was primarily due to credits being applied to the Participants monthly bills. In addition, energy usage was down 1.9% for the second quarter of 2019 compared to the same period in 2018. Additionally, there was no wholesale rate increase in May 2019.

Sales of electricity to other utilities decreased by \$1.4 million (25.01%) in second quarter of 2019 when compared to second 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 decreased \$406,000 due to an decrease of 5,217,000 kWh in energy available for sale during the second quarter of 2019 compared to the same period in 2018. In addition, sales of electricity to Duke for exchange energy decreased approximately \$997,000 when comparing the same periods.

Operating and maintenance costs decreased \$3.5 million (38.14%) in second quarter 2019 when compared to the same period in 2018. This decrease was due to higher operating and maintenance costs for Catawba Unit #2 repairs, which were reflected during the second quarter of 2018.

Purchase power costs decreased \$2.2 million (16.77%) in second quarter of 2019 when compared to the same period of 2018. McGuire exchange charges decreased \$1.8 million, and there was a decrease of \$470,000 in supplemental energy charges. In contrary, other power purchased costs were approximately \$125,000 higher when compared to second quarter of 2018.

Accretion expenses for decommissioning increased \$252,000 (20.54%) in second 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 \$195,000, which was offset by \$3.9 million of operating costs that were under budget. Combined with interest income and miscellaneous expenses, the overall operating results for the second quarter exceeded PMPA's budget by \$3.5 million. Debt service deposits were under budget by \$594,000, and capital addition payments coupled with other transfers were \$195,000 over budget. In addition, defeasance of refunding bonds were under budget by \$564,000. As a result, PMPA withdrew \$4.3 million less than budgeted from working capital for the second quarter of 2019.

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

	2019	2018
	(Dollars in Thousands)	
<b><u>Assets</u></b>		
Capital assets		
Utility plant assets being depreciated	\$ 749,118	\$ 731,806
Accumulated depreciation and amortization	(390,362)	(384,906)
Total utility plant assets being depreciated, net	358,756	346,900
Utility plant assets not being depreciated	17,610	17,279
Total capital assets, net	376,366	364,179
Revenue fund assets		
Cash	6,983	193
Marketable debt securities	95,247	111,325
Accrued interest receivable	2	2
Participant accounts receivable	14,067	18,470
Other accounts receivable	390	344
Materials and supplies	19,406	19,385
Total current unrestricted assets	136,095	149,719
Restricted assets:		
Restricted for debt service	95,101	100,607
Restricted for decommissioning	84,765	75,654
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Account)	14,422	21,717
Total current restricted assets	195,888	199,578
Total current assets	331,983	349,297
Noncurrent assets:		
Net costs recoverable from future Participant billings	483,547	484,702
Costs on advance refunding of debt, net	27,723	33,658
Other	12,930	15,300
Total other assets	524,200	533,660
Total assets	\$ 1,232,549	\$ 1,247,136
<b><u>Liabilities and Net Assets</u></b>		
Long-term liabilities:		
Bonds payable, net	\$ 738,640	\$ 804,345
Reserve for decommissioning	119,393	98,873
Derivative financial instruments	49,857	44,850
Reserve for opeb expenses	786	740
Total long-term liabilities	908,676	948,808
Current liabilities:		
Accounts payable and accrued liabilities	7,100	6,427
Current liabilities payable from restricted assets:		
Accrued interest payable	146,755	135,983
Current installments of bonds payable	13,825	35,750
Total current liabilities payable from restricted assets	160,580	171,733
Total current liabilities	167,680	178,160
Total liabilities	1,076,356	1,126,968
Net assets:		
Investment in capital assets, net of related debt	(376,099)	(475,916)
Restricted for debt service	(65,479)	(71,126)
Restricted for other	16,022	23,317
Unrestricted	581,749	643,893
Total net assets	156,193	120,168
Total liabilities and net assets	\$ 1,232,549	\$ 1,247,136

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

	<u>2019</u>	<u>2018</u>
	<u>(Dollars in Thousands)</u>	
Operating Revenue:		
Sale of Electricity to Participants	\$ 48,871	\$ 52,831
Sale of Electricity to other utilities	4,206	5,609
Other	398	419
Total Operating Revenues	<u>53,475</u>	<u>58,859</u>
Operating Expense:		
Operation and maintenance	5,693	9,203
Nuclear fuel amortization	3,645	3,499
Purchased Power	10,695	12,850
Transmission	1,977	1,954
Distribution	138	216
Administrative and general	4,589	5,105
Depreciation	2,261	2,084
Decommissioning	1,479	1,227
Payments in lieu of property taxes	1,983	1,872
Total operating expenses	<u>32,460</u>	<u>38,010</u>
Net operating income	<u>21,015</u>	<u>20,849</u>
Other income (expenses):		
Interest income	1,534	1,229
Net increase (decrease) in fair value of investments	1,959	(303)
Net increase (decrease) in fair value of derivative instruments	(2,144)	(199)
Interest expense	(11,500)	(12,228)
Amortization expense	(949)	(962)
Other	(1,253)	(1,415)
Total other expenses, net	<u>(12,353)</u>	<u>(13,878)</u>
Revenue over (under) expenses before deferred items	8,662	6,971
Net expenses recoverable from future Participant billings	<u>8,801</u>	<u>(1,983)</u>
Revenues over (under) expenses	<u>17,463</u>	<u>4,988</u>
Net assets at beginning of period	<b>138,730</b>	<b>115,180</b>
Net assets at end of period	<u><u>\$ 156,193</u></u>	<u><u>\$ 120,168</u></u>