

**Piedmont Municipal Power Agency
Third Quarter 2019 Report**

Financial Summary

Third quarter 2019 electricity sales to Participants decreased by \$9.4 million (16.05%) when compared to third quarter 2018 sales. This decrease was primarily due to credits being applied to the Participants monthly bills. In contrary, energy usage was up 1.4% for third quarter 2019 compared to the same period 2018.

Sales of electricity to other utilities decreased by \$726,000 (16.81%) in third quarter 2019 when compared to third quarter 2018. The major component of sales of electricity to other utilities was surplus energy sales. Sales of electricity to Duke for exchange energy decreased approximately \$587,000 during the third quarter of 2019 compared to the same period in 2018. In addition, Surplus Energy sold to third parties decreased approximately \$139,000 due to a decrease of 778,000 kWh in energy available for sale when the same periods were compared.

Operating and maintenance costs decreased \$1.5 million (21.13%) in third quarter 2019 over the same period in 2018. This decrease was due to Duke Energy's focus on reducing operating costs.

Administrative and general expenses increased \$3.9 million (136.43%) when compared to third quarter of 2018. During the third quarter, Duke Energy bills a true up for the prior year's A&G expenses to actual. The 2018 true up recorded in 2019 was an increase to expense and the 2017 true up recorded in 2018 was a decrease in expense, causing a significant year over year increase in third quarter A&G costs.

Accretion expenses for decommissioning increased \$252,000 (20.54%) in third 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 exceeded PMPA's budget by \$1.3 million in addition to \$634,000 of operating costs that were lower than budget. Combined with interest income and miscellaneous expenses, the overall operating results for the third quarter exceeded PMPA's budget by \$705,000. Variable rate interest was under budget by \$186,000 and capital addition payments coupled with other transfers were \$45,000 over budget. As a result, PMPA withdrew \$846,000 less than budgeted from working capital during the third quarter of 2019.

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

	2019	2018
	(Dollars in Thousands)	
<u>Assets</u>		
Capital assets		
Utility plant assets being depreciated	\$ 762,651	\$ 732,420
Accumulated depreciation and amortization	(396,422)	(390,844)
Total utility plant assets being depreciated, net	366,229	341,576
Utility plant assets not being depreciated	19,538	17,267
Total capital assets, net	385,767	358,843
Revenue fund assets		
Cash	5,912	268
Marketable debt securities	95,693	128,024
Accrued interest receivable	2	2
Participant accounts receivable	14,909	18,131
Other accounts receivable	315	672
Materials and supplies	19,749	19,735
Total current unrestricted assets	136,580	166,832
Restricted assets:		
Restricted for debt service	89,112	102,100
Restricted for decommissioning	86,843	77,007
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Account)	13,185	20,971
Restricted for other (Duke Working Account)	0	0
Total current restricted assets	190,740	201,678
Total current assets	327,320	368,510
Noncurrent assets:		
Net costs recoverable from future Participant billings	482,590	481,027
Costs on advance refunding of debt, net	25,976	31,864
Other	12,427	14,703
Total other assets	520,993	527,594
Total assets	\$ 1,234,080	\$ 1,254,947
<u>Liabilities and Net Assets</u>		
Long-term liabilities:		
Bonds payable, net	\$ 737,894	\$ 803,554
Reserve for decommissioning	120,872	100,100
Derivative financial instruments	49,940	43,787
Reserve for opeb expenses	786	740
Total long-term liabilities	909,492	948,181
Current liabilities:		
Accounts payable and accrued liabilities	10,711	8,960
Current liabilities payable from restricted assets:		
Accrued interest payable	143,591	131,875
Current installments of bonds payable	13,825	35,750
Total current liabilities payable from restricted assets	157,416	167,625
Total current liabilities	168,127	176,585
Total liabilities	1,077,619	1,124,766
Net assets:		
Investment in capital assets, net of related debt	(365,952)	(480,461)
Restricted for debt service	(68,304)	(65,525)
Restricted for other	14,785	22,571
Unrestricted	575,932	653,596
Total net assets	156,461	130,181
Total liabilities and net assets	\$ 1,234,080	\$ 1,254,947

PIEDMONT MUNICIPAL POWER AGENCY
INTERIM STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSET
FOR THE QUARTERS ENDING SEPTEMBER 30, 2019
(UNAUDITED)

	<u>2019</u>	<u>2018</u>
	<u>(Dollars in Thousands)</u>	
Operating Revenue:		
Sale of Electricity to Participants	\$ 48,936	\$ 58,295
Sale of Electricity to other utilities	3,594	4,320
Other	411	395
Total Operating Revenues	<u>52,941</u>	<u>63,010</u>
Operating Expense:		
Operation and maintenance	5,573	7,066
Nuclear fuel amortization	3,808	3,827
Purchased Power	15,555	15,649
Transmission	1,492	1,715
LDMSS/SCADA	180	152
Administrative and general	6,795	2,874
Depreciation	2,261	2,118
Decommissioning	1,479	1,227
Payments in lieu of property taxes	1,981	1,871
Total operating expenses	<u>39,124</u>	<u>36,499</u>
Net operating income	<u>13,817</u>	<u>26,511</u>
Other income (expenses):		
Interest income	1,408	1,500
Net increase (decrease) in fair value of investments	406	(310)
Net increase (decrease) in fair value of derivative instruments	(83)	1,063
Interest expense	(11,016)	(12,314)
Amortization expense	(1,046)	(962)
Other	(2,262)	(1,801)
Total other expenses, net	<u>(12,593)</u>	<u>(12,824)</u>
Revenue over (under) expenses before deferred items	1,224	13,687
Net expenses recoverable from future Participant billings	<u>(956)</u>	<u>(3,674)</u>
Revenues over (under) expenses	<u>268</u>	<u>10,013</u>
Net assets at beginning of period	156,193	120,168
Net assets at end of period	<u><u>\$ 156,461</u></u>	<u><u>\$ 130,181</u></u>