PIEDMONT MUNICIPAL POWER AGENCY

Financial Statements and Schedules

December 31, 2021 and 2020

(With Report of Independent Auditor Thereon)

Cherry Bekaert LLP
CPAs & Advisors

PIEDMONT MUNICIPAL POWER AGENCY

Table of Contents

Cherry Bekaert LLP
CPAs & Advisors

Report of independent Auditor

To the Board of Directors
of Piedmont Municipal Power Agency

Opinion

We have audited the accompanying financial statements of Piedmont Municipal Power Agency ("PMPA") (a South Carolina corporation), which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PMPA as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of PMPA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PMPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PMPA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PMPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cherry Bekaert LLP

Greenville, South Carolina
March 8, 2022

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2021 and 2020

Overview of the Financial Statements

This section of Piedmont Municipal Power Agency's ("PMPA") annual financial statements presents our analysis of PMPA's financial performance during the fiscal years ended December 31, 2021 and 2020. Please read this discussion and analysis in conjunction with the financial statements that follow this section.

Financial Highlights

Year Ending December 31, 2021:

- PMPA's wholesale rates to Participants remain unchanged in 2021. Sales of electricity to Participants included a $28 million billing credit to return excess working capital generated in prior years to the Participants.
- In 2021, net cash generated from operating and investing activities was $108.6 million and $27.4 million, respectively, which was offset by cash used in financing activities of $135.6 million.
- PMPA issued the 2021A Series Electric Revenue Bonds totaling $55.4 million plus other sources of funds including premiums, totaling $3.9 million and an equity contribution of $28.0 million, to refund all remaining outstanding bonds of the 2010A-2, 2010A-3, 2010A-4 and 2010A-5 series in the amount of $91.3 million. The economic gain from this issuance was $6.0 million.
- PMPA issued the 2021BC Series Electric Revenue Bonds totaling $187.9 million plus other sources of funds including premiums, totaling $39.7 million and an equity contribution of $0.2 million, to refund all remaining outstanding bonds of the 2008C, 2008D, 2011B and 2011C series in the amount of $227.9 million. The economic gain from this issuance was $44.6 million.
- PMPA issued the 2021DE Series Electric Revenue Bonds totaling $122.6 million plus other sources of funds including premiums, totaling $18.8 million and an equity contribution of $4.4 million, to refund all remaining outstanding bonds of the 2012A, 2012B and 2008E series in the amount of $93.0 million; and terminate the floating-to-fixed rate, step-coupon swap in the amount of $50 million. The economic gain from this issuance was $18.1 million.
- PMPA's long-term debt obligations were reduced by a $34.0 million principal payment on January 1, 2021. PMPA's next principal payment of $26.0 million is payable on January 1, 2022.

Year Ending December 31, 2020:

- PMPA's wholesale rates to Participants included a 5% reduction due to continued cost reductions at Catawba and a $30 million billing credit to return excess working capital generated in prior years to the Participants.
- In 2020, net cash generated from operating activities was $107.8 million, which was offset by cash used in investing and financing activities of $5.4 million and $102.5 million, respectively.
- PMPA's long-term debt obligations were reduced by a $13.8 million principal payment on January 1, 2020 and a $29.4 million debt defeasance in May 2020. PMPA's next principal payment of $34.0 million is payable on January 1, 2021.

Overview of the Financial Activities

The following is an overview of the financial activities of PMPA for the years ended December 31, 2021 and 2020.

PMPA's financial statements, which include the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows, are presented to display information about the reporting entity as a whole in accordance with GASB Statement No. 34, as amended. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

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PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2021 and 2020

Financial Information

The following summarizes the activities of PMPA for the years ended December 31, 2021, 2020, and 2019:

	2021	2020	2019
		(In thousands)	
Revenues:			
Sales of electricity to Participants	$ 190,501	$ 188,776	$ 183,111
Sales of electricity to other utilities and other operating revenues	21,165	20,577	22,347
Total operating revenues	211,666	209,353	205,458
Interest income	2,393	5,700	5,801
Net increase/(decrease) in fair value of investments and derivative instruments	(292)	(703)	(170)
Total Revenues	213,767	214,350	211,089
Expenses:			
Operation, maintenance, and nuclear fuel amortization	39,308	38,146	42,505
Purchased power, transmission, and power delivery	50,889	52,627	56,319
Administrative, general, and payment in lieu of property taxes	23,480	23,606	27,582
Depreciation	9,609	9,123	8,946
Interest and amortization expense	38,754	45,210	49,548
Other	14,221	12,035	13,350
Total Expenses	176,261	180,747	198,250
Revenues over expenses before deferred items	37,506	33,603	12,839
Change in net expenses recoverable from future Participant billings	(100,859)	(13,296)	8,758
Postemployment benefits	(82)	(82)	522
Change in net position	(63,435)	20,225	22,119
Net position – beginning	179,805	159,580	137,461
Net position – ending	$ 116,370	$ 179,805	$ 159,580

Results of Operations

Revenues

- Sales of electricity to Participants, PMPA's primary source of revenue, increased in 2021 by 0.9% or approximately $1.7 million. The 2021 billing credit to Participants totaled $28 million, resulting in a $2 million increase in revenue from 2020. Sales of electricity to Participants, PMPA's primary source of revenue, increased in 2020 by 3.1% or approximately $5.7 million. The 2020 billing credit to Participants totaled $30 million, resulting in a $20 million increase in revenue from 2019. This increase was partially offset by a 5% reduction in PMPA's wholesale rates to Participants.

- Surplus energy sales to other utilities increased 2.9% in 2021 due to an increase in both surplus energy rates and quantity. Surplus energy sales to other utilities decreased 7.9% in 2020 due to a decrease in surplus energy rates. PMPA's surplus energy was contractually sold to Santee Cooper, as part of a supplemental purchased power agreement, and Duke Energy Carolinas, LLC.

Expenses

- Purchased power (including transmission and power delivery) expenses decreased by 3.3% (or approximately $1.7 million) in 2021 due to capacity savings achieved as a result of moving backstand services to The Energy Authority on January 1, 2021, partially offset by an increase in both quantity and price compared to 2020. Purchased power (including transmission and power delivery) expenses decreased by 6.6% (or approximately $3.7 million) in 2020 due to a decrease in both the quantity and price of energy purchased compared to 2019.

- Fuel amortization expense decreased by $0.8 million in 2021 due to the decreases in Uranium costs at Catawba. Fuel amortization expense decreased by $0.9 million in 2020 due to the decreases in Uranium costs at Catawba.

Assets, liabilities, and net position are summarized as follows:

	2021	2020	2019
		(In thousands)	
Assets:			
Capital assets	$ 399,965	$ 387,178	$ 382,546
Current unrestricted assets	118,593	142,437	152,189
Current restricted assets	207,968	212,911	191,518
Other noncurrent assets	374,755	475,643	488,968
Total Assets	$ 1,101,281	$ 1,218,169	$ 1,215,221
Deferred outflows:	$ 21,353	$ 29,222	$ 36,530
Liabilities:			
Long-term liabilities	$ 793,845	$ 803,523	$ 862,847
Current liabilities	212,419	210,249	177,922
Total Liabilities	$ 1,006,264	$ 1,013,772	$ 1,040,769
Deferred inflows:	$ -	$ 53,814	$ 51,402
Net position:			
Net investment in capital assets	$ (266,625)	$ (299,382)	$ (344,307)
Other restricted assets	1,600	1,600	12,501
Unrestricted	381,395	477,587	491,386
Total Net Position	$ 116,370	$ 179,805	$ 159,580

Changes in PMPA's current unrestricted assets during 2021 are a reflection of the $14.6 million decrease to PMPA's working capital.

Changes in PMPA's current unrestricted assets during 2020 are a reflection of the $13.0 million decrease to PMPA's working capital. The increase in current liabilities includes an increase in bond principal and interest payable on January 1, 2021.

Restricted assets decreased in 2021 as a result of decreased current debt service requirements, partially offset by continued deposits into the decommissioning funds.

Restricted assets increased in 2020 as a result of increased current debt service requirements and continued deposits into decommissioning funds, partially offset by funds being withdrawn from construction accounts for capital additions at Catawba.

The 2021 decrease in noncurrent assets was due to the $100.8 million decrease in net costs recoverable from future Participant billings. This decrease was primarily driven by the termination of the floating-to-fixed rate, step-coupon swap resulting in a $50.4 million decrease and recognition of $54.0 million of principal payments offsetting the deferral of interest, depreciation and amortization expenses.

The 2020 decrease in noncurrent assets was due, primarily, to a decrease in net costs recoverable from future Participant billings resulting from deferral of depreciation expenses and the amortization of redemption and defeasance losses.

As a result of bond maturities, defeasances and refundings during 2021, long-term repayment obligations were retired, resulting in a decrease in debt outstanding of $13.6 million. Because of bond maturities and defeasances during 2020, long-term repayment obligations were retired, resulting in a decrease in debt outstanding of $32.9 million.

Capital Assets

PMPA's capital assets include structures and improvements, reactor plant equipment, turbo generator units, other equipment, and nuclear fuel. Such amounts are detailed as follows:

	2021	2020	2019
		(In thousands)	
Structures and improvements	$ 171,977	$ 169,342	$ 164,489
Reactor plant equipment	289,491	287,802	276,682
Turbo generator units	76,642	75,217	74,009
Other equipment	113,508	103,522	97,892
Nuclear fuel	69,578	70,640	70,953
Other	49,752	56,540	60,102
Construction work-in-progress	25,090	27,444	18,935
Total	796,038	790,507	763,062
Less accumulated depreciation	(396,073)	(403,329)	(380,516)
Total, net	$ 399,965	$ 387,178	$ 382,546

PMPA's investment in capital assets at December 31, 2021 totaled $400.0 million (net of accumulated depreciation), a $12.8 million increase from 2020. Major capital transactions during 2021 included the addition of $21.2 million in nuclear fuel and $14.0 million of capital additions, partially offset by depreciation and amortization expense of $22.4 million.

PMPA's investment in capital assets at December 31, 2020 totaled $387.2 million (net of accumulated depreciation), a $4.6 million increase from 2019. Major capital transactions during 2020 included the addition of $9.9 million in nuclear fuel and $17.4 million of capital additions, partially offset by depreciation and amortization expense of $22.7 million.

Debt Management

PMPA's total debt decreased $13.6 million and $32.9 million in 2021 and 2020, respectively.

Economic Factors and Next Year's Rates

Because the retail customers of PMPA Participants are mostly residential and small commercial accounts, PMPA is much less affected by economic downturns than a utility with larger commercial and industrial retail customers. The 2022 budget does not include an increase in PMPA's wholesale rates to the Participants.

Request for Information

This financial report is provided as an overview of PMPA's finances. Questions concerning any of the information in this report or requests for additional information should be directed to the Office of the Finance Director, Piedmont Municipal Power Agency, 121 Village Drive, Greer, South Carolina 29651.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Net Position

December 31, 2021 and 2020

(Dollars in thousands)

Assets	2021	2020
Capital Assets (Note 5):		
Utility plant assets being depreciated	$ 770,412	$ 762,527
Accumulated depreciation and amortization	(396,073)	(403,329)
Total utility plant assets being depreciated, net	374,339	359,198
Utility plant assets not being depreciated	25,626	27,980
Total Capital Assets, net	399,965	387,178
Current Unrestricted Assets (Note 8):		
Cash	552	138
Marketable debt securities	83,308	108,850
Accrued interest receivable	1	1
Participant accounts receivable	14,035	13,623
Other accounts receivable	1,027	557
Materials and supplies	19,670	19,268
Total Current Unrestricted Assets	118,593	142,437
Current Restricted Assets (Note 7):		
Restricted cash - debt service	97,500	110,053
Restricted cash - decommissioning	108,868	101,258
Restricted cash - other	1,600	1,600
Total Current Restricted Assets	207,968	212,911
Total Current Assets	326,561	355,348
Noncurrent assets:		
Net costs recoverable from future Participant billings (Note 9)	374,670	475,529
Other	85	114
Total Other Assets	374,755	475,643
Total Assets	$ 1,101,281	$ 1,218,169
Deferred Outflows:		
Redemption loss	$ 6,578	$ 9,865
Losses on advance refunding of debt, net	14,199	18,917
Postemployent benefits	576	440
Total Deferred Outflows	$ 21,353	$ 29,222

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Net Position (continued)

December 31, 2021 and 2020

(Dollars in thousands)

Liabilities		**2021**		**2020**
Long-term liabilities (Notes 10 and 11):				
Bonds payable, net	$	654,830	$	671,507
Reserve for decommissioning (Note 12)		137,032		130,409
Accrued expense OPEB		1,983		1,607
Total long-term liabilities		793,845		803,523
Current liabilities:				
Accounts payable and accrued liabilities		9,277		10,146
Current liabilities payable from restricted assets:				
Accrued interest payable		177,183		166,133
Current installments of bonds payable		25,959		33,970
Total current liabilities payable from restricted assets		203,142		200,103
Total current liabilities		212,419		210,249
Total liabilities	$	1,006,264	$	1,013,772
Deferred Inflows:				
Derivative financial instrument	$	-	$	53,814
Net position				
Net investment in capital assets	$	(266,625)	$	(299,382)
Restricted for other		1,600		1,600
Unrestricted		381,395		477,587
Total net position	$	116,370	$	179,805

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Revenues, Expenses and Changes in Net Position

Years ended December 31, 2021 and 2020

(Dollars in thousands)

	2021	2020
Operating Revenues:		
Sales of electricity to Participants	$ 190,501	$ 188,776
Sales of electricity to other utilities	19,627	19,191
Other	1,538	1,386
Total Operating Revenues	211,666	209,353
Operating Expenses:		
Operation and maintenance	26,506	24,530
Nuclear fuel amortization	12,802	13,616
Purchased power	41,580	44,131
Transmission	8,696	7,887
Power delivery	613	609
Administrative and general	15,625	15,962
Depreciation	9,609	9,123
Decommissioning	6,623	6,303
Payments in lieu of property taxes	7,855	7,644
Total Operating Expenses	129,909	129,805
Net operating income	81,757	79,548
Other Income (Expense):		
Interest income	2,393	5,700
Net change in fair market value of investments and derivative instruments	(292)	(703)
Interest expense	(39,149)	(42,100)
Amortization expense	395	(3,110)
Other	(7,598)	(5,732)
Total Other Expense, Net	(44,251)	(45,945)
Revenues over expenses before change in net expenses recoverable from future Participant billings	37,506	33,603
Net increase (decrease) in net costs recoverable from future Participant billings	(100,859)	(13,296)
Postemployment benefits	(82)	(82)
	(100,941)	(13,378)
Revenue over (under) expenses	(63,435)	20,225
Net position at beginning of year	179,805	159,580
Net position at end of year	$ 116,370	$ 179,805

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows

December 31, 2021 and 2020

(Dollars in thousands)

	2021	2020
Cash flows from operating activities:		
Receipts from customers	$ 210,784	$ 208,227
Payments for operations and maintenance	(26,908)	(23,750)
Payments for purchased power, transmission and power delivery	(58,744)	(60,271)
Payments for administration and general	(16,494)	(16,359)
Net cash from operating activities	108,638	107,847
Cash flows from investing activities:		
Purchase of investment securities	(400,834)	(430,526)
Proceeds from sales and maturities of investments	428,144	423,587
Interest received on investments	1,461	2,976
Interest received on Duke advances	-	68
Net interest paid on derivative instruments	(1,390)	(1,462)
Net cash from (used in) investing activities	27,381	(5,357)
Cash flows from capital and related financing activities:		
Payment of bond principal	(446,190)	(43,210)
Payment for swap termination	(50,000)	-
Proceeds from bond issuance	428,309	-
Interest payment on bonds	(25,115)	(26,221)
Expenditures for electric plant in service	(14,032)	(17,516)
Expenditures for nuclear fuel	(21,168)	(9,863)
Payment to Duke Energy for other charges	(5,358)	(6,283)
Debt issuance costs	(2,954)	-
Other	903	595
Net cash used in capital and related financing activities	(135,605)	(102,498)
Net change in cash	414	(8)
Cash, beginning of year	138	146
Cash, end of year	$ 552	$ 138
Non-cash investing and financing activities:		
Gain on sale of investment	$ 931	$ 2,656
Amortization expense on discounts and premiums	$ 5,369	$ 2,305
Amortization of net redemption loss	$ (6,595)	$ (7,166)
Net change in fair value of investments	$ (292)	$ (703)

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows (continued)

December 31, 2021 and 2020

(Dollars in thousands)

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 81,757	$ 79,548
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,609	9,123
Fuel amortization	12,802	13,616
Accretion of reserve for decommissioning	6,623	6,303
(Increase) decrease in:		
Participant accounts receivable	(412)	(903)
Other accounts receivable	(470)	(223)
Materials and supplies	(402)	780
Increase (decrease) in:		
Accounts payable and accrued liabilities	(869)	(520)
Accrued expense OPEB	-	123
Net cash from operating activities	$ 108,638	$ 107,847

See accompanying notes to financial statements.

(1) Description of the Entity, Industry Restructuring Developments, and Related Uncertainties

(a) Description of the Entity

Piedmont Municipal Power Agency ("PMPA") was incorporated in 1979 under the South Carolina Joint Municipal Electric Power and Energy Act (the "Act"). The Act, adopted April 1978, enabled the formation, by South Carolina municipalities and municipal commissions of public works, of a joint agency to plan, finance, develop, own, and operate electric generation and transmission facilities. Ten municipal utility systems ("Participants") comprise PMPA's membership. The Participants, located in northwestern South Carolina, are the cities of Abbeville, Clinton, Easley, Gaffney, Greer, Laurens, Newberry, Rock Hill, Union, and Westminster. PMPA is not a component unit of any other governmental entity.

PMPA has a 25% undivided ownership interest in Unit 2 of the Catawba Nuclear Station ("Catawba"). Pursuant to the Operating and Fuel Agreement between PMPA and Duke Energy Carolinas, LLC ("Duke"), Duke operates both Units 1 and 2 at Catawba. PMPA's power output entitlements (approximately 282 MW) come from both Catawba Units. PMPA pays 12.5% of the costs and receives 12.5% of the power output associated with each of these 1,129 MW units. The operating licenses for Catawba Unit 1 and Unit 2 expire on December 5, 2043.

Additionally, the terms of the McGuire Reliability Exchange Agreement ("MREA") allow transfers of energy between PMPA's entitlements from the Catawba Units and Duke's two nuclear units at the McGuire Nuclear Station ("McGuire"). The result spreads PMPA's entitlements across four similar nuclear units. The operating license for McGuire Unit 1 expires on June 12, 2041 and the operating license for McGuire Unit 2 expires March 3, 2043.

(b) Industry Restructuring Developments and Related Uncertainties

There is no deregulation debate underway in the South Carolina General Assembly. The well-publicized complexities with deregulation in other parts of the country have caused the legislators and regulators in South Carolina to continue a regulated retail electricity market.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* GASB Statement No. 38, *Certain Financial Statement Disclosures* and GASB Statement No. 61, *The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement No. 14 and No. 34.* Statement No. 34 requires as supplementary information Management's Discussion and Analysis, which includes an analytical overview of PMPA's financial activities.

PMPA's accounting records are maintained on the accrual basis in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and substantially in conformity with the Federal Energy Regulatory Commission's Uniform System of Accounts.

PMPA follows the accounting practices set forth in U.S. GAAP, Accounting for the Effects of Certain Types of Regulation, as amended. This standard allows PMPA to capitalize or defer certain costs or revenues based on PMPA's ongoing assessment that it is probable that such items will be recovered through future revenues based on the rate-making authority of PMPA's board of directors. The criteria require consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized cost.

PMPA's General Bond Resolution requires that its rate structure be designed to produce revenues sufficient to pay operating, debt service, and other specified costs. PMPA's board of directors, which is comprised of representatives of the Participants, is responsible for reviewing and approving the rate structure. The application of a given rate structure to a given period's electricity sales may produce revenues not intended to pay that period's costs, and conversely, that period's costs may not be intended to be recovered in period revenues. The affected revenues and/or costs are, in such cases, deferred for future recognition. The ultimate recognition of deferred items is correlated with specific future events, primarily payment of debt principal.

PMPA maintains a single enterprise fund to record its activities, which consists of self-balancing set of accounts. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

(2) Summary of Significant Accounting Policies – Continued

(b) Losses on Advanced Refundings of Debt and Redemption Losses

Losses on advanced refundings of debt at December 31, 2021 and 2020 of $20,777 and $28,782, respectively, (net of accumulated amortization of $260,930 and $277,285, respectively) have been deferred in accordance with U.S. GAAP and are being amortized over the term of the debt issued on refunding using the effective interest method. The remaining costs on advanced refundings will be amortized over the next 12 years (2022 through 2033) based on the shorter of the original debt maturity dates or the maturity dates of the new debt.

(c) Discounts on Bonds Payable

The discounts on bonds payable at December 31, 2021 and 2020 of $185 and $678, respectively, (net of accumulated amortization of $902 and $3,354, respectively) are being amortized on the bonds outstanding method, which approximates the effective interest method.

(d) Premiums on Bonds Payable

The premiums on bonds payable at December 31, 2021 and 2020 of $64,730 and $9,605, respectively, (net of accumulated amortization of $11,646 and $18,213, respectively) are being amortized on a method which approximates the effective interest method.

(e) Income Taxes

PMPA is recognized as a public utility for federal income tax purposes. As such, gross income of PMPA is excluded from federal income taxes under Internal Revenue Code Section 115.

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(f) Marketable Debt Securities

As authorized by the General Bond Resolution, investment securities at December 31, 2021 and 2020 consist only of direct obligations of the United States government and obligations of United States government agencies. These investments are uninsured and unregistered and are held by PMPA's trustee in PMPA's name.

Marketable debt securities are recorded at fair value based on market prices. Unrealized holding gains and losses on marketable debt securities are included in income. Interest income is recognized when earned.

(g) Capital Assets

Electric plant in service, including unclassified assets, is stated at cost and is depreciated on a straight-line basis at rates calculated to depreciate the composite assets over their respective estimated useful lives. Depreciation begins when assets are placed into service. PMPA's annual provision for depreciation expressed as a percentage of the average balance of depreciable utility plant was 1.3% and 1.2% in 2021 and 2020, respectively.

PMPA's capital assets are currently being depreciated according to the following table:

	Years		Years
Structures and improvements	40	Station equipment	40
Reactor plant equipment	40	Transmission equipment	40
Turbo generator units	40	Other	35-40
Accessory electric equipment	40	Unclassified	40
Miscellaneous plant equipment	40	Nuclear fuel	4-5

(h) Materials and Supplies

Materials and supplies inventories are stated at the lower of cost or market value using the average cost method.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Summary of Significant Accounting Policies – Continued

(j) Net Position

Equity is classified into net positions and is displayed in three components:

- *Net Investment in Capital Assets* – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provision or enabling legislation.
- *Unrestricted* – all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

(k) Revenue Recognition

PMPA recognizes revenue on sales when the electricity is delivered to the Participants.

(l) Operating and Non-operating Expenses

PMPA's funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in addition to producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of PMPA's funds are charges to Participants for sales and services. Operating expenses for PMPA's funds include the costs of sales and services, general and administrative services and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(m) Derivative Financial Instrument

The derivative financial instrument is recognized on the statements of net position at its fair value. PMPA has not designated its derivative financial instrument as a hedge. Changes in the fair value of the derivative financial instrument are reported in current-period revenues and expenses and in the changes to the net increase or decrease in net expenses recoverable from future Participant billings.

(2) Summary of Significant Accounting Policies – Continued

(n) Recent Pronouncements

Recently Issued Pronouncements

The GASB issued Statement No. 87, *Leases.* This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. As a result, recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for periods beginning after June 15, 2021, although early adoption is permitted. This Statement is not expected to have a material impact on PMPA.

The GASB issued Statement No. 91, *Conduit Debt Obligations.* This Statement provides state and local governments with a single financial reporting method for conduit debt obligations by users, ending the diversity in reporting. The requirements of this Statement are effective for periods beginning after December 15, 2021. This Statement is not expected to have a material impact on PMPA.

(Dollars in thousands)

(3) Power Sales Agreements

(a) Catawba Project Power Sales Agreements

PMPA and each Participant are parties to Catawba Project Power Sales Agreements ("Power Sales Agreements"). These Power Sales Agreements obligate PMPA to provide each Participant a share of the undivided 25% interest in Unit 2 of Catawba power output and, in turn, each Participant must pay its share of the Catawba costs. Participants make their payments on a "take-or-pay" basis whether or not Catawba is operable or operating. Such payments are not subject to reduction or offset and are not conditioned upon performance by PMPA or any given Participant. The Power Sales Agreements are in effect until the earlier of August 1, 2035 or the completion of payments on the bonds and satisfaction of obligations under the Project agreements.

The Participants' Shares of PMPA's Catawba Output are as follows:

City of Abbeville	2.68%
City of Clinton	7.84
City of Easley	13.24
City of Gaffney	10.05
City of Greer	9.34
City of Laurens	6.49
City of Newberry	10.47
City of Rock Hill	28.04
City of Union	10.01
City of Westminster	1.84
	100.00%

(b) Supplemental Power Sales Agreements

PMPA and each Participant are also parties to Supplemental Power Sales Agreements ("Supplemental Agreements") under which each Participant has agreed to pay, in exchange for All Requirements Bulk Power Supply, its share of All Requirements Bulk Power Supply costs. The Supplemental Agreements terminate December 20, 2034; however, a Participant may terminate its Supplemental Agreement with ten years advance notice. On December 31, 2018 the Participants Greer, Rock Hill and Westminster turned in the ten year written notice to terminate their Supplemental Power Sales Agreement with PMPA. The effective date of termination will be December 31, 2028. In December 2019, the remaining seven Participants turned in the ten year written notice to terminate their Supplemental Power Sales Agreement with PMPA. The effective date of termination will be December 31, 2029.

(4) Project and Other Agreements

Project Agreements between PMPA and Duke consist of the Purchase, Construction, and Ownership Agreement ("Sales Agreement"), the Operating and Fuel Agreement (the "Operating Agreement"), the Joint Ownership Support Agreement, (the "JOSA"), and the MREA.

(a) Sales Agreement

The Sales Agreement generally provides for (i) the purchase of Catawba by PMPA; (ii) PMPA's contract with Duke to act as engineer contractor for PMPA for completion of construction, initial fueling, and placing Catawba into commercial operation; (iii) PMPA's payment to Duke for construction completed to date of closing on Catawba and for construction thereafter; and (iv) PMPA's payment to Duke of certain profits and fees.

(b) Operating Agreement

The Operating Agreement generally provides that PMPA employs Duke, as operator of Catawba, to be responsible for the (i) operation, maintenance, and fueling of Catawba; (ii) making of renewals, replacements, and capital additions to Catawba; and (iii) ultimate decommissioning of Catawba at the end of its useful life.

(c) JOSA

The JOSA generally provides for certain joint ownership rights and obligations, including the Catawba Reliability Exchange. This agreement became effective January 1, 2006.

(d) MREA

The MREA generally provides for the continued exchange of energy from PMPA's entitlements to the Catawba units for energy from units at Duke's McGuire Nuclear Station. This agreement became effective January 1, 2006, and can be terminated by either party by giving a three-year written notice.

(4) Project and Other Agreements – Continued

Other Agreements

(a) Requirements Service Agreement

On December 13, 2010, PMPA entered into a Power Sales Agreement with the South Carolina Public Service Authority ("Santee Cooper"). This agreement became effective on January 1, 2014. The contract requires that PMPA purchase power from Santee Cooper, approximately 200 MW, to meet all of its load demand beyond the amounts served by Catawba, the Participants' share of electricity from SEPA ("Southeastern Power Administration") hydroelectric facilities, and load requirements met by individual generating resources owned by certain Participants. On January 28 2020, PMPA provided the required ten year notice of termination to Santee Cooper for the Requirements Service Agreement. This cancellation is a result of all Participants providing notice to cancel their Supplemental Agreements as discussed in Note 3.

(b) Transmission Services

PMPA entered into a service agreement with Duke to begin taking transmission service under Duke's Open Access Transmission Tariff ("OATT") on January 1, 2006.

(c) Power Purchase Agreement

On December 28, 2010, PMPA entered into a Power Purchase Agreement with Duke. This agreement generally provides for PMPA to purchase capacity and energy from Duke in order to obtain backstand services for PMPA's entitlement to capacity and energy from the Catawba and McGuire Nuclear Stations. This agreement became effective on January 1, 2014. On December 31, 2018, PMPA turned in the two years written notice to terminate their Power Purchase Agreement with Duke. The effective date of termination was December 31, 2020.

(d) The Energy Authority Resource ("TEA") Management Agreement

On November 17, 2020, PMPA entered into a Resource Management Agreement with TEA. Effective January 1, 2021, this agreement replaced the Power Purchase Agreement with Duke. The Resource Management Agreement generally provides for PMPA to purchase capacity and energy from TEA in order to obtain backstand services for PMPA's entitlement to capacity and energy from the Catawba and McGuire Nuclear Stations. The TEA agreement has an initial term of three years and, unless terminated, shall renew on an annual basis for successive one-year terms, starting in 2024.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2021 and 2020

(Dollars in thousands)

(5) Capital Assets

The following is a summary of capital asset activity for the years ended December 31, 2021 and 2020:

	December 31, 2021			
	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant being depreciated:				
Structures and improvements	$ 169,342	$ 3,863	$ (1,228)	$ 171,977
Reactor plant equipment	287,802	4,863	(3,174)	289,491
Turbo generator units	75,217	2,273	(848)	76,642
Accessory electric equipment	59,504	6,672	(879)	65,297
Miscellaneous plant equipment	29,917	4,175	(147)	33,945
Station equipment	7,918	165	-	8,083
Transmission equipment	6,183	-	-	6,183
Other	19,839	12	(19)	19,832
Unclassified	36,165	15,121	(21,902)	29,384
Nuclear fuel	70,640	21,167	(22,229)	69,578
Total utility plant assets being depreciated	762,527	58,311	(50,426)	770,412
Less accumulated depreciation and amortization	(403,329)	(22,411)	29,667	(396,073)
Total utility plant assets being depreciated, net	359,198	35,900	(20,759)	374,339
Utility plant assets not being depreciated:				
Land	536	-	-	536
Construction work-in-progress	27,444	14,047	(16,401)	25,090
Total utility plant assets not being depreciated	27,980	14,047	(16,401)	25,626
Total capital assets, net	$ 387,178	$ 49,947	$ (37,160)	$ 399,965

(Dollars in thousands)

(5) Capital Assets – Continued

	December 31, 2020			
	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant being depreciated:				
Structures and improvements	$ 164,489	$ 4,853	$ -	$ 169,342
Reactor plant equipment	276,682	11,120	-	287,802
Turbo generator units	74,009	1,208	-	75,217
Accessory electric equipment	59,053	451	-	59,504
Miscellaneous plant equipment	24,900	5,017	-	29,917
Station equipment	7,756	241	(79)	7,918
Transmission equipment	6,183	-	-	6,183
Other	20,160	127	(448)	19,839
Unclassified	39,406	6,939	(10,180)	36,165
Nuclear fuel	70,953	9,863	(10,176)	70,640
Total utility plant assets being depreciated	743,591	39,819	(20,883)	762,527
Less accumulated depreciation and amortization	(380,516)	(35,367)	12,554	(403,329)
Total utility plant assets being depreciated, net	363,075	4,452	(8,329)	359,198
Utility plant assets not being depreciated:				
Land	536	-	-	536
Construction work-in-progress	18,935	17,516	(9,007)	27,444
Total utility plant assets not being depreciated	19,471	17,516	(9,007)	27,980
Total capital assets, net	$ 382,546	$ 21,968	$ (17,336)	$ 387,178

Unclassified assets are in service and being depreciated but are not yet classified to specific plant accounts.

(Dollars in thousands)

(5) Capital Assets – Continued

Nuclear fuel represents costs associated with acquiring and processing reload fuel assemblies as well as the cost of nuclear fuel in the reactor. Nuclear fuel is amortized based on burn rates using a unit of production basis. PMPA regularly removes fully amortized nuclear fuel costs when fuel batches are replaced during core refueling operations. Fully amortized fuel costs of $22,229 and $10,175 were removed during 2021 and 2020, respectively.

A summary of accumulated depreciation and amortization at December 31, 2021 and 2020 is as follows:

	2021	2020
Accumulated depreciation of electric plant in service	$ 363,353	$ 361,180
Accumulated amortization of nuclear fuel	32,720	42,149
	$ 396,073	$ 403,329

The depreciation charge for the year on PMPA's generation plant has been determined based on revised estimated useful lives for these assets. The remaining estimated useful lives were revised to recognize a 19-year extension of the operating license for Catawba Unit 1 and a 17-year extension of the operating license for Catawba Unit 2 through 2043 which Duke received during 2003.

(6) Cash and Investments

At December 31, 2021, the carrying value of deposits included in cash was $552. Bank deposits were covered by federal depository insurance, as described in Note 8.

As of December 31, 2021, PMPA had the following investments (all are listed at fair value):

	Time Segmented Distribution					
Investment Type	**Under 1 Year**	**1-2 Years**	**2-3 Years**	**3-4 Years**	**>4 Years**	**Total**
Cash/Money Market	$ 137,342	$ -	$ -	$ -	$ -	$ 137,342
Government Agency	2,335	29,612	3,152	14,520	-	49,619
Government Treasury	861	16,181	34,257	21,892	30,431	103,622
Mortgage Backed Securities	-	-	-	17	388	405
Total fair value	$ 140,538	$ 45,793	$ 37,409	$ 36,429	$ 30,819	$ 290,988

(Dollars in thousands)

(6) Cash and Investments – Continued

At December 31, 2020, the carrying value of deposits included in cash was $138. Bank deposits were covered by federal depository insurance, as described in Note 8.

As of December 31, 2020, PMPA had the following investments (all are listed at fair value):

	Time Segmented Distribution					
Investment Type	**Under 1 Year**	**1-2 Years**	**2-3 Years**	**3-4 Years**	**>4 Years**	**Total**
Cash/Money Market	$ 137,342	$ -	$ -	$ -	$ -	$ 137,342
Government Agency	2,335	29,612	3,152	14,520	-	49,619
Government Treasury	861	16,181	34,257	21,892	30,431	103,622
Mortgage Backed Securities	-	-	-	17	388	405
Total fair value	$ 140,538	$ 45,793	$ 37,409	$ 36,429	$ 30,819	$ 290,988

Interest Rate Risk

Interest rate risk is the risk that rising interest rates will adversely affect the fair value of PMPA's investments. As outlined in PMPA's investment policy, investment maturities shall be less than 20 years and maturities shall be staggered in a way that avoids undue concentration in a specific maturity sector and provides for stability of income and reasonable liquidity.

Credit Risk

PMPA's investment policy for managing credit risk is in accordance with the statutes of the State of South Carolina. The policy allows for the investment of money in the following investments:

a) Direct obligations of, or obligations for, which the principal and interest are unconditionally guaranteed by the United States or its Agencies.

b) Direct and general obligations, to the payment of which the full faith and credit of the issuer is pledged, of the State of South Carolina or any political subdivision thereof that at the time of investment are assigned a rating of at least "A".

c) Certificates of deposit issued by any bank, trust company, or national banking association whose principal place of business is in the State of South Carolina or that is a member of the Federal Reserve System and authorized to do business in any state of the United States.

(Dollars in thousands)

(6) Cash and Investments – Continued

d) Bills of exchange or time drafts drawn on and accepted by a domestic or foreign bank, otherwise known as Bankers' Acceptances, which are eligible for purchase by the Federal Reserve, the short-term commercial paper of which is rated in the highest category.

e) Investments in repurchase agreements and reverse repurchase agreements with any bank, savings and loan association, credit union, or trust company organized under the laws of any state of the United States or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which are collateralized by securities as set forth in (a) and (b).

PMPA's investments in U.S. Agencies and U.S. Government Sponsored Enterprises including Federal Home Loan Bank System, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation, are rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service. U.S. Treasury and Agency Mortgage-Backed Securities are unrated but are considered equivalent to an AAA rating.

The following represents securities in an unrealized loss position as of December 31, 2021:

	Continuous Unrealized Loss Position					
	Less than 12 months		12 months or more		Total	
Investment Type	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Government Agency	$ 38,575	$ (496)	$ 10,049	$ (251)	$ 48,624	$ (747)
Total	$ 38,575	$ (496)	$ 10,049	$ (251)	$ 48,624	$ (747)

The following represents securities in an unrealized loss position as of December 31, 2020:

	Continuous Unrealized Loss Position					
	Less than 12 months		12 months or more		Total	
Investment Type	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Government Agency	$ 2,500	$ (1)	$ -	$ -	$ 2,500	$ (1)
Total	$ 2,500	$ (1)	$ -	$ -	$ 2,500	$ (1)

(Dollars in thousands)

(6) Cash and Investments – Continued

Custodial Credit Risk

PMPA's policy for managing custodial risk requires all securities owned by PMPA to be held in safekeeping by a third-party custodian bank in PMPA's name under a custody agreement. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, PMPA will not be able to recover the value of its investments or collateral that is in the possession of an outside party.

Concentration of Credit Risk

The investment policy of PMPA permits a maximum portfolio percentage of 100% for U.S. Treasuries, Federal Agencies and U.S. Government sponsored enterprises and permits a maximum portfolio percentage of 50% in any one federal agency or government sponsored enterprise.

As of December 31, 2021, 17.1% of the portfolio was held in Federal Agency bonds and 0.1% was held in Agency Mortgage-Backed Securities. As of December 31, 2020, 17.3% of the portfolio was held in Federal Agency bonds and 0.2% was held in Agency Mortgage-Backed Securities.

A reconciliation of cash and investments for PMPA, at December 31, shown in the statements of net position is as follows:

	2021	2020
Fair value of investments	$ 290,988	$ 321,314
Accrued interest receivable	288	447
Total	$ 291,276	$ 321,761
Statement of Net Position:		
Marketable debt securities	$ 83,308	$ 108,850
Restricted for debt services	97,500	110,053
Restricted for decommissioning	108,868	101,258
Restricted for other	1,600	1,600
Total investments, including accrued interest receivable	$ 291,276	$ 321,761

(Dollars in thousands)

(7) Restricted Assets

The General Bond Resolution and Project agreements restrict the use of bond proceeds, PMPA revenues, and PMPA funds on hand. Certain restrictions define the order in which available funds may be used to pay costs; other restrictions require minimum balances or accumulation of balances for specific purposes. At December 31, 2021 and 2020, management believes PMPA was in compliance with all such restrictions and held the following restricted assets:

	2021		2020	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Debt services - bond principal	$ 26,126	$ 26,126	$ 34,137	$ 34,137
Debt services - bond fixed rate interest	19,064	19,064	11,401	11,401
Debt service - bond retirement principal	187	187	187	187
Debt service reserve	47,356	47,670	58,598	57,324
Reserve and contingency	4,767	4,767	5,730	5,730
Decommissioning	108,868	109,285	101,258	99,159
Special reserve	1,600	1,600	1,600	1,600
	$ 207,968	$ 208,699	$ 212,911	$ 209,538
Funds are comprised of:				
Marketable debt securities	$ 207,680	$ 208,411	$ 212,464	$ 209,091
Accrued interest receivable	288	288	447	447
	$ 207,968	$ 208,699	$ 212,911	$ 209,538

(8) Current Unrestricted Assets and Current Liabilities

Current unrestricted assets are used in PMPA's day-to-day operations. The assets are allocated at December 31, for the following purposes:

	2021		2020	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Working capital assets	$ 111,240	$ 111,220	$ 126,718	$ 126,695
Cash for fuel acquisition	7,353	7,353	15,719	15,719
	$ 118,593	$ 118,573	$ 142,437	$ 142,414

(8) Current Unrestricted Assets and Current Liabilities – Continued

Current unrestricted assets include $552 and $138 in cash at December 31, 2021 and 2020, respectively. Insured and collateralized bank balances at December 31, 2021 and 2020 were $783 and $448, respectively. Accounts payable and accrued liabilities of $9,277 and $10,146 at December 31, 2021 and 2020, respectively, will be paid from working capital assets.

(9) Net Costs Recoverable from Future Participant Billings

As described in Notes 1 and 2, rates charged to Participants are structured to systematically provide for debt requirements and operating costs of PMPA. The expenses and revenues excluded from rates are capitalized and expensed in such periods as they are intended to be included in rates.

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(Dollars in thousands)

(9) Net Costs Recoverable from Future Participant Billings – Continued

Net costs recoverable from future Participant billings at December 31 are as follows:

	2021	2020	Change
	(Cumulative totals)		
Items to be recovered in future			
Participant billings:			
Interest expense	$ 480,102	$ 514,311	$ (34,209)
Depreciation expense	404,286	400,569	3,717
Amortization of redemption and defeasance losses	351,678	350,450	1,228
Debt issuance costs and amortization of bond discounts and premiums	79,930	79,930	-
Nuclear fuel expenses	873	873	-
Letter of credit fees	5,649	5,649	-
Other	2,390	2,390	-
	1,324,908	1,354,172	(29,264)
Items reducing future Participant billings:			
Investment income	(76,528)	(76,528)	-
Increase in fair value of investments and derivative instruments	-	50,419	(50,419)
Reserve and contingency deposits	(117,840)	(117,840)	-
	(194,368)	(143,949)	(50,419)
Revenues (expenses) recognized:			
Interest, depreciation, amortization expense included in Participant billings for debt principal payments	(796,154)	(742,194)	(53,960)
Capital appreciation bond interest deposits	(11,496)	(39,720)	28,224
Reserve and contingency revenue applied to expenses	51,780	47,220	4,560
Total	(755,870)	(734,694)	(21,176)
Net costs recoverable from future Participant billings	$ 374,670	$ 475,529	$ (100,859)

(9) Net Costs Recoverable from Future Participant Billings – Continued

The following expenses will be recognized in future periods when rates charged to Participants produce revenues sufficient to retire the debt that funded those costs:

- Interest expense on PMPA's bonds and variable rate demand obligations along with associated letter of credit, banking, and remarketing fees (except interest and fees related to capital appreciation bonds) paid from bond proceeds during a defined "Construction Period," (net of income earned on the temporary investment of those bond proceeds);
- Interest expense on capital appreciation bonds accrued but not paid until maturity;
- Debt issuance expenses, amortization of bond discounts and premiums, defeasance losses, redemption losses, and organization costs paid from or included in bond proceeds;
- Depreciation on utility plant constructed with bond proceeds and amortization of nuclear fuel acquired with bond proceeds; and
- Certain other project costs paid from bond proceeds.

Additionally, PMPA's General Bond Resolution requires Participant revenues to be established at levels sufficient to provide specified deposits into a Reserve and Contingency fund. Monies in that fund are used for the construction or acquisition of utility plant assets. The recognition of such revenues is considered unearned until such time as the depreciation is recorded on the assets constructed or acquired with those monies.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2021 and 2020

(Dollars in thousands)

(10) Long-Term Liabilities

Long-term liabilities at December 31, 2021 and 2020 consist of the following:

	2020	Additions	Reductions	2021	Due within one year
1991 Refunding Series Electric Revenue Bonds	$ 27,240	$ -	$ 27,240	$ -	$ -
1993 Refunding Series Electric Revenue Bonds, payable from 2021 to 2025 with interest at 5.38%	32,975	-	385	32,590	405
2004A Capital Appreciation Electric Revenue Bonds, payable annually from 2022 to 2024, 2026 to 2032 and 2034 with interest ranging from 5.38% to 5.80%	102,670	-	-	102,670	7,579
2008E Refunding Series Electric Revenue Bonds	60,000	-	60,000	-	-
2009B Electric Revenue Bonds (Build America Bonds), payable 2031 to 2034 with interest at 7.036% (35% interest federally refunded yielding net interest at 4.57%)	26,490	-	-	26,490	-
2010A-2 Refunding Series Electric Revenue Bonds	40,660	-	40,660	-	-
2010A-3 Refunding Series Electric Revenue Bonds	18,435	-	18,435	-	-
2010A-4 Refunding Series Electric Revenue Bonds	23,385	-	23,385	-	-
2010A-5 Refunding Series Electric Revenue Bonds	15,165	-	15,165	-	-

(Dollars in thousands)

(10) Long-Term Liabilities – Continued

	2020	Additions	Reductions	2021	Due within one year
2008C Refunding Conv Series Electric Revenue Bonds	$ 90,000	$ -	$ 90,000	$ -	$ -
2008D Refunding Conv Series Electric Revenue Bonds	30,000	-	30,000	-	-
2011B Refunding Series Electric Revenue Bonds	53,950	-	53,950	-	-
2011C Refunding Series Electric Revenue Bonds	53,950	-	53,950	-	-
2012A Refunding Series Electric Revenue Bonds	13,050	-	13,050	-	-
2012B Refunding Series Electric Revenue Bonds	19,970	-	19,970	-	-
2012C Refunding Series Electric Revenue Bonds, payable 2023 with interest at 4.25%	4,485	-	-	4,485	-
2015A Series Electric Revenue Bonds, payable annually from 2022 to 2034 with interest ranging from 3.50% to 5.00%	51,935	-	-	51,935	1,475
2017A Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	9,565	-	-	9,565	-
2017B Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	22,625	-	-	22,625	-

(Dollars in thousands)

(10) Long-Term Liabilities – Continued

	2020	Additions	Reductions	2021	Due within one year
2021A Refunding Series Electric Revenue Bonds, payable annually from 2022 to 2025 with interest ranging from 3.00% to 4.00%	-	55,370	-	55,370	16,500
2021B Refunding Series Electric Revenue Bonds, payable annually from 2027 to 2034 with interest ranging from 4.00% to 5.00%	-	97,420	-	97,420	-
2021C Refunding Series Electric Revenue Bonds, payable annually from 2027 to 2034 with interest at 5.00%	-	90,520	-	90,520	-
2021D Refunding Series Electric Revenue Bonds, payable annually from 2026 to 2034 with interest at 4.00%	-	91,410	-	91,410	-
2021E Refunding Series Electric Revenue Bonds, payable annually from 2023 to 2025 with interest at 5.00%	-	31,165	-	31,165	-
Total bonds payable	696,550	365,885	446,190	616,245	25,959
Less unamortized discount	(678)	-	(492)	(186)	-
Plus unamortized premium	9,605	60,598	5,473	64,730	-
Bonds payable, net	$ 705,477	$ 426,483	$ 451,171	$ 680,789	$ 25,959

(Dollars in thousands)

(10) Long-Term Liabilities – Continued

Long-term liabilities at December 31, 2020 and 2019 consist of the following:

	2019	Additions	Reductions	2020	Due within one year
1991 Refunding Series Electric Revenue Bonds, payable from 2020 to 2021 with interest ranging from 6.25% to 6.75%	$ 41,065	$ -	$ 13,825	$ 27,240	$ 27,240
1993 Refunding Series Electric Revenue Bonds, payable in 2021 to 2025 with interest at 5.38%	32,975	-	-	32,975	385
2004A Capital Appreciation Electric Revenue Bonds, payable annually from 2022 to 2024, 2026 to 2032 and 2034 with interest ranging from 5.38% to 5.80%	102,670	-	-	102,670	-
2008E Refunding Series Electric Revenue Bonds, payable from 2033 to 2034 with variable interest rates (1.05% at December 31, 2020)	60,000	-	-	60,000	-
2009A-4 Refunding Series Electric Revenue Bonds, payable 2020 with interest ranging from 4.25% to 5.00%	24,795	-	24,795	-	-
2009B Electric Revenue Bonds (Build America Bonds), payable 2031 to 2034 with interest at 7.036% (35% interest federally refunded yielding net interest at 4.5734%)	26,490	-	-	26,490	-

(Dollars in thousands)

(10) Long-Term Liabilities – Continued

	2019	Additions	Reductions	2020	Due within one year
2010A-2 Refunding Series Electric Revenue Bonds, payable 2021 to 2022 with interest at 5.00%	$ 45,250	$ -	$ 4,590	$ 40,660	$ 4,845
2010A-3 Refunding Series Electric Revenue Bonds, payable from 2023 to 2024 with interest at 5.00%	18,435	-	-	18,435	-
2010A-4 Refunding Series Electric Revenue Bonds, payable from 2024 to 2025 with interest at 4.00% to 5.00%	23,385	-	-	23,385	-
2010A-5 Refunding Series Electric Revenue Bonds, payable from 2021 to 2023 with interest at 5.00%	15,165	-	-	15,165	1,500
2008C Refunding Conv Series Electric Revenue Bonds, payable from 2026 to 2034 with interest ranging from 4.75% to 5.75%	90,000	-	-	90,000	-
2008D Refunding Conv Series Electric Revenue Bonds, payable from 2026 to 2034 with interest ranging from 4.75% to 5.75%	30,000	-	-	30,000	-
2011B Refunding Series Electric Revenue Bonds, payable annually from 2026 to 2034 with variable interest rate 1.01% at December 31, 2020	53,950	-	-	53,950	-
2011C Refunding Series Electric Revenue Bonds, payable annually from 2026 to 2034 with variable interest rate 1.04% at December 31, 2020	53,950	-	-	53,950	-

(Dollars in thousands)

(10) Long-Term Liabilities – Continued

	2019	Additions	Reductions	2020	Due within one year
2012A Refunding Series Electric Revenue Bonds, payable annually from 2023 to 2026 with interest ranging from 3.38% to 5.00%	$ 13,050	$ -	$ -	$ 13,050	$ -
2012B Refunding Series Electric Revenue Bonds, payable 2023 with interest at 4.00%	19,970	-	-	19,970	-
2012C Refunding Series Electric Revenue Bonds, payable 2023 with interest at 4.25%	4,485	-	-	4,485	-
2015A Series Electric Revenue Bonds, payable annually from 2022 to 2034 with interest ranging from 3.50% to 5.00%	51,935	-	-	51,935	-
2017A Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	9,565	-	-	9,565	-
2017B Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	22,625	-	-	22,625	-
Total bonds payable	739,760	-	43,210	696,550	33,970
Less unamortized discount	(855)	-	(177)	(678)	-
Plus unamortized premium	12,177	-	2,572	9,605	-
Bonds payable, net	$ 751,082	$ -	$ 45,605	$ 705,477	$ 33,970

(Dollars in thousands)

(10) Long-Term Liabilities – Continued

The bonds are special obligations of PMPA and are secured by future revenue and pledged monies and securities as provided by the Bond Resolution.

PMPA has advanced refunded certain bond issues as described in Note 11. PMPA is in compliance with its covenants under the Bond Resolution.

The following is a summary of total debt service deposit requirements for bonds outstanding at December 31, 2021:

Year	Principal	Interest	Total
2022	$ 25,959	$ 22,392	$ 48,351
2023	51,290	36,857	88,147
2024	52,086	33,335	85,421
2025	66,565	18,855	85,420
2026	27,065	56,245	83,310
2027-2031	193,024	225,299	418,323
2032-2034	200,256	50,637	250,893
	$ 616,245	$ 443,620	$ 1,059,865

All principal payments are due on January 1 of the year subsequent to the deposit requirement.

PMPA has pledged future total revenues, net of Catawba operating expenses, to repay substantially all outstanding bonds issued in prior years. Proceeds from these bonds provided financing for the construction of Catawba. The bonds are payable solely from electrical net revenues and are payable through 2034. The total principal and interest remaining to be paid on the bonds is $1,059,865.

(11) Refunding and Defeasance of Debt

In June 2021, PMPA issued the 2021A Series Electric Revenue Bonds totaling $55,370 plus other sources of funds including premiums, totaling $3,899 and an equity contribution of $28,000, to refund all remaining outstanding bonds of the 2010A-2, 2010A-3, 2010A-4 and 2010A-5 series in the amount of $35,815, $18,435, $23,385 and $13,665, respectively. The issuance resulted in an economic gain of $6,037 and cash flow savings of $10,858.

In October 2021, PMPA issued the 2021BC Series Electric Revenue Bonds totaling $187,940 plus other sources of funds including premiums, totaling $39,741 and an equity contribution of $191, to refund all remaining outstanding bonds of the 2008C, 2008D, 2011B and 2011C series in the amount of $90,000, $30,000, $53,950 and $53,950, respectively. The issuance resulted in an economic gain of $44,578 and cash flow savings of $46,732.

In October 2021, PMPA issued the 2021DE Series Electric Revenue Bonds totaling $122,575 plus other sources of funds including premiums, totaling $18,784 and an equity contribution of $4,443, to refund all remaining outstanding bonds of the 2012A, 2012B and 2008E series in the amount of $13,050, $19,970 and $60,000 respectively; and terminate the floating-to-fixed rate, step-coupon swap in the amount of $50,000. The issuance resulted in an economic gain of $18,133 and cash flow savings of $20,878.

In May 2020, PMPA used excess cash in the Revenue Fund to defease $24,795 of refunding series 2009A4 Electric Revenue Bonds and $4,590 of refunding series 2010A-2 Electric Revenue Bonds by placing the cash in an irrevocable trust fund to provide for future debt service payments on the above mentioned debt through redemption date of January 1, 2021. Due to the timing of this defeasance, no gain or loss was incurred.

In prior years, PMPA defeased in-substance certain Electric Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust fund to provide for future debt service payments on the old debt. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the accompanying financial statements. On December 31, 2021 and 2020, $25,345 and $30,235 of the bonds are considered defeased in-substance, respectively.

(12) Reserve for Decommissioning

The owners of Catawba, including PMPA, have an obligation for decommissioning the station after the expiration of its operating licenses. Management believes PMPA is in compliance with Nuclear Regulatory Commission requirements for funding future decommissioning costs. Since 1985, PMPA has been making regular deposits to segregated decommissioning accounts. Deposits pertaining to contaminated portions of the Project are held by a trustee. As of December 31, 2021 and 2020, the fair value of PMPA's assets that are legally restricted for purposes of settling the decommissioning obligation is $108,868 and $101,258, respectively.

Planned deposits into the decommissioning fund, together with interest earnings, are expected to be sufficient to pay PMPA's share of the projected cost of decommissioning the entire Catawba Station.

During 2003, Duke received a 19-year extension of the operating license for Catawba Unit 1 and a 17-year extension of the operating license for Catawba Unit 2 through 2043. In connection with the license extensions, PMPA received an updated decommissioning study in 2003 and has subsequently received updated decommissioning studies in December 2008, 2013 and 2018. The latest study as of December 2018 estimates total decommissioning costs of $1,802,550 in 2018 dollars and presumes the Catawba Nuclear Station will be decommissioned as soon as possible following the expiration of its operating licenses in 2043. PMPA used the estimates from this study to determine its decommissioning liability to be recorded in accordance with U.S. GAAP accounting for asset retirement obligations.

(Dollars in thousands)

(12) Reserve for Decommissioning - Continued

PMPA used the following assumptions in determining its reserve for decommissioning:

	2021	2020
Period in which decommissioning liability was incurred	1985	1985
Agency's share of decommissioning costs per study (in 2018 dollars respectively)	$ 225,319	$ 225,319
Estimation of inflation	2.4%	2.4%
Credit adjusted risk-free interest rate	5.0%	5.0%
Estimated life of corresponding asset	25 years	25 years

The following is a roll forward of the reserve for decommissioning for the years ended December 31, 2021 and 2020:

	2021	2020
Reserve for decommissioning at January 1	$ 130,409	$ 124,106
Accretion expense (decommissioning)	6,623	6,303
Increase in decommissioning liability	-	-
Reserve for decommissioning at December 31	$ 137,032	$ 130,409

(13) Employee Benefit Plans

PMPA maintains a defined contribution money purchase plan in compliance with Section 401(a) of the Internal Revenue Code ("IRC"). On behalf of all full-time employees, PMPA contributes 10% of base salary into the money purchase plan. PMPA contributions totaled $182 and $167 in 2021 and 2020, respectively. Employee contributions may also be made to the Plan, providing combined employer and employee annual contributions do not exceed 25% of eligible employee compensation, or $30, whichever is less.

PMPA also maintains a deferred compensation plan under Section 457 of the IRC. In the past, on behalf of selected employees, PMPA has contributed to the deferred compensation plan; however, no such contribution was made in 2021 or 2020. Employee contributions may also be made to the deferred compensation plan providing combined employer and employee annual contributions do not exceed certain limitations.

Assets of the money purchase and deferred compensation plans are held by Empower Retirement, administrator and trustee for PMPA, for the exclusive benefit of the employees.

(Dollars in thousands)

(14) Other Postemployment Benefits ("OPEB")

PMPA's Postemployment Benefit Plan (the "Plan") provides for other retiree medical benefits to qualified retirees. In order to qualify, a retiree must be 59 ½ years of age, have ten years of service and be an active employee of PMPA at the time of retirement. Medical benefits to qualified retirees are as follows: PMPA will maintain and pay up to 100% of premiums for group medical and dental insurance for each qualified retiree and up to 60% of premiums for the retiree's dependent spouse and/or children of the retiree for the retiree's lifetime. After the retiree and/or dependent qualifies for Medicare, he or she will be covered under a supplemental insurance plan, which will be secondary to Medicare.

Membership in the healthcare benefit plan consisted of the following at December 31:

	2021	2020
Retirees	4	3
Active Employees	13	15
Total	17	18

Funding Policy

The required contribution is based on pay-as-you-go financing requirements.

Actuarial Assumptions and Other Inputs

The following actuarial assumptions and other inputs were used in calculating the OPEB liability for the year ended December 31, 2021:

Valuation Date	December 31, 2021
Merthods and Assumptions	
Actuarial cost method	Entry age normal
Discout rate	2.25% per annum
Salary increases	2.5% per annum
Mortality rates	1994 Group Annuity Mortality Static Table
Health care trend rates	Medical: 6% grading to 5.5% over 2 years and following the Getzen model thereafter to an ultimate rate of 4.04% by 2075
	Vision: 5.0% per annum
Participaton rates	100% of active participants are assumed to elect coverage into retirement
	50% of active participants are assumed to cover a spouse into retirement

(Dollars in thousands)

(14) Other Postemployment Benefits ("OPEB") - Continued

The following actuarial assumptions and other inputs were used in calculating the OPEB liability for the year ended December 31, 2020:

Merthods and Assumptions	
Actuarial cost method	Entry age normal
Discout rate	3.26% per annum
Salary increases	2.5% per annum
Mortality rates	1994 Group Annuity Mortality Static Table
Health care trend rates	Medical: 5.2% over 3 years and following the Getzen model thereafter to an ultimate rate of 4.04% by 2075
	Vision: 5.0% per annum
Participaton rates	100% of active participants are assumed to elect coverage into retirement
	50% of active participants are assumed to cover a spouse into retirement

The following is a schedule of changes in the OPEB liability for the years ended December 31, 2021 and 2020:

	2021	2020
OPEB liability at January 1	$ 1,607	$ 1,484
Service cost	110	90
Interest	38	51
Experience losses (gains)	(154)	-
Changes of assumptions	402	-
Benefit paids	(20)	(18)
OPEB liability at December 31	$ 1,983	$ 1,607

(Dollars in thousands)

(14) Other Postemployment Benefits ("OPEB") – Continued

The following table presents PMPA's total OPEB liability calculated using the medical trend rate of 6% to 5.5% over 2 years and following the Getzen model thereafter, as well as the total OPEB liability if it was calculated using a medical trend rate that is one percent lower or one percent higher. The table also presents PMPA's total OPEB liability calculated using the discount rate of 2.25%, as well as the total OPEB liability if it was calculated using a discount rate that is one percent lower or one percent higher.

		Medical Trend Rate	
	1% Decrease (5% to 4.5%) over 2 years and following Getzen model thereafer	Current (6% to 5.5%) over 2 years and following Getzen model thereafer	1% Increase (7% to 6.5%) over 2 years and following Getzen model thereafer
Changes to Net OPEB Liability December 31, 2021	$ 1,495	$ 1,983	$ 2,317

		Discount Rate	
	1% Decrease (1.25%)	Current (2.25%)	1% Increase (3.25%)
Changes to Net OPEB Liability December 31, 2021	$ 2,450	$ 1,983	$ 1,620

OPEB Expense and Deferred Outflows of Resources Related to OPEB

Experience gains or losses as well as changes in actuarial assumptions are recognized over the average working lifetime of all participants, which is 8.12 years and 7.4 years for the years ended December 31, 2021 and 2020, respectively. The following table summarizes OPEB expense for the years ended December 31, 2021 and 2020:

	2021	2020
Service cost	$ 110	$ 90
Interest	38	51
Experience losses (gains)	(19)	-
Changes of assumptions	49	-
Amortization of deferrals	82	82
Total OPEB Expense	$ 260	$ 223

(Dollars in thousands)

(14) Other Postemployment Benefits ("OPEB") – Continued

At December 31, 2021 and 2020, the deferred outflows of resources related to OPEB were $576 and $440, respectively. Amounts reported as deferred outflows related to OPEB will be recognized in pension expense as follows:

Year ending December 31,		
2022	$	112
2023		112
2024		113
2025		113
2026		61
Therefeafter		65
	$	576

(Intentionally Left Blank)

(15) Disclosures Regarding Fair Value of Financial Instruments

U.S. GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate fair value. Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. Where available, quoted market prices are used. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, prepayments, estimates of future cash flows, future expected loss experience and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may or may not be realized in an immediate sale of the instrument.

Under U.S. GAAP, fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of the assets and liabilities that are not financial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of PMPA.

The following describes the methods and assumptions used by PMPA in determining carrying value and estimated fair value of financial instruments:

(a) Cash

Carrying value equals estimated fair value.

(b) Marketable Debt Securities

Marketable debt securities are reported at fair value and categorized within the fair value hierarchy established under U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Gains or losses that result from market fluctuation are reported in the current period. As of December 31, 2021 and 2020, the Agency's investments included money market investments of $137,342 and $148,785, respectively, which were valued at amortized cost which approximates fair value and marketable debt securities of $153,646 and $172,529, respectively, which were valued using significant other observable inputs (Level 2 inputs).

(c) Participant Accounts Receivable and Other Accounts Receivable

Carrying amount approximates fair value due to the short-term nature of these instruments.

(Dollars in thousands)

(15) Disclosures Regarding Fair Value of Financial Instruments – Continued

(d) Long-Term Debt

Carrying value of long-term debt coupon securities includes par, less unaccreted discounts, plus unamortized premiums, plus accrued interest payable. Carrying value also includes capital appreciation term bonds valued at original price plus accrued interest payable.

Estimated fair value of all long-term debt securities is derived from quoted market prices and includes accrued interest.

The estimated fair values of PMPA's long-term debt with carrying values which are different from their estimated fair values at December 31, 2021 and 2020 are as follows:

	2021		2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
1991 Electric Revenue Refunding Bonds	$ -	$ -	$ 28,091	$ 28,091
1993 Electric Revenue Refunding Bonds	33,323	38,041	33,670	39,929
2004A-2 Electric Revenue Refunding Bonds	272,327	339,648	257,465	338,602
2008C Electric Revenue Refunding Bonds	-	-	92,524	93,774
2008D Electric Revenue Refunding Bonds	-	-	30,840	31,257
2008E Electric Revenue Refunding Bonds	-	-	60,035	60,035
2009B Build America Bonds	27,422	38,080	27,422	41,016
2010A-2 Electric Revenue Refunding Bonds	-	-	41,994	41,397
2010A-3 Electric Revenue Refunding Bonds	-	-	19,165	18,777
2010A-4 Electric Revenue Refunding Bonds	-	-	24,308	23,808
2010A-5 Electric Revenue Refunding Bonds	-	-	15,688	15,446
2011B Electric Revenue Refunding Bonds	-	-	53,979	53,979
2011C Electric Revenue Refunding Bonds	-	-	53,979	53,979
2012A Electric Revenue Refunding Bonds	-	-	13,938	13,800
2012B Electric Revenue Refunding Bonds	-	-	20,776	20,915
2012C Electric Revenue Refunding Bonds	4,580	4,667	4,580	4,844
2015A Electric Revenue Refunding Bonds	55,882	58,342	56,962	60,439
2017A Electric Revenue Refunding Bonds	10,302	10,690	10,640	11,096
2017B Electric Revenue Refunding Bonds	24,607	25,200	25,554	26,162
2021A Electric Revenue Refunding Bonds	59,338	59,212	-	-
2021B Electric Revenue Refunding Bonds	120,328	120,677	-	-
2021C Electric Revenue Refunding Bonds	108,141	108,262	-	-
2021D Electric Revenue Refunding Bonds	108,081	109,250	-	-
2021E Electric Revenue Refunding Bonds	33,641	33,621	-	-
	$ 857,972	$ 945,690	$ 871,610	$ 977,346

The carrying amount of the bond is shown net of all discounts, premiums, and accrued interest on capital appreciation bonds.

(16) Nuclear Insurance and Other Risk Management

Nuclear Insurance. Duke owns and operates McGuire with two nuclear reactors. In addition, Duke operates and has a partial ownership interest in Catawba with two nuclear reactors. Nuclear insurance coverage is maintained in three program areas: nuclear liability coverage; property, decontamination and premature decommissioning coverage; and business interruption and/or extra expense coverage. The other joint owners of Catawba reimburse Duke for certain expenses associated with nuclear insurance premiums per the Catawba joint owner agreements. The Price-Anderson Act requires Duke to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability. The maximum total financial protection liability, which currently is $13,800,000, is subject to change every five years for inflation and for the number of licensed reactors.

Primary Liability Insurance. Duke has purchased the maximum reasonably available private primary nuclear liability insurance as required by law, which currently is $450,000.

Excess Liability. This policy currently provides $13,300,000 of coverage through the Price-Anderson Act's mandatory industry-wide excess secondary financial protection program of risk pooling. The $13,300,000 of coverage is the sum of the current potential cumulative retrospective premium assessments of $138,000 per licensed commercial nuclear reactor. This $13,300,000 would be increased by $138,000 as each additional commercial nuclear reactor is licensed or reduced by $138,000 for nuclear reactors that are no longer operational and may be exempted from the risk pooling insurance program. Under this program, licensees could be assessed retrospective premiums to compensate for public nuclear liability damages in the event of a nuclear incident at any licensed facility in the U.S. If such an incident should occur and public nuclear liability damages exceed primary liability insurance, licensees may be assessed up to $138,000 for each of their licensed reactors, payable at a rate not to exceed $20,500 a year per licensed reactor for each incident. The $138,000 amount is subject to indexing for inflation and may be subject to state premium taxes.

Duke is a member of Nuclear Electric Insurance Limited ("NEIL"), which provides property and accidental outage insurance coverage for Duke's nuclear facilities under the following two policy programs:

(16) Nuclear Insurance and Other Risk Management – Continued

Accidental Property Insurance. This policy provides excess property, decontamination, and decommissioning liability insurance in the following amounts: $1,500,000 for Catawba and McGuire. Catawba has a dedicated $1,250,000 insurance limit above this excess. McGuire also shares an additional $1,250,000 insurance limit with another nuclear station above this excess. This shared limit is not subject to reinstatement in the event of a loss. NEIL sublimits property damage losses to $750,000 for non-nuclear accidental property damage.

Accidental Outage Insurance. This policy provides business interruption and/or extra expense coverage resulting from an accidental property damage outage of a nuclear unit. Coverage is provided on a weekly limit basis after a significant waiting period deductible. Coverage amounts per unit decline if more than one unit is involved in an accidental outage. Initial coverage begins after a 12-week deductible period for Catawba and a 26-week deductible period for McGuire and continues at 100% for 52 weeks and 80% for the next 110 weeks. The McGuire and Catawba policy limit is $490,000. Effective April 1, 2013, NEIL sublimits the accidental outage recovery to approximately $328,000 for non-nuclear accidental property damage.

Losses resulting from non-certified acts of terrorism are covered as common occurrence, such that if non-certified terrorist acts occur against one or more commercial nuclear power plants insured by NEIL within a 12-month period, they would be treated as one event and the owners of the plants, where the acts occurred, would share one full limit of liability (currently $3,200,000). Effective April 1, 2013, NEIL sublimits the total aggregate for all of their policies for non-nuclear terrorist events to approximately $1,800,000.

In the event of large industry losses, NEIL's board of directors may assess Duke retroactive premiums of amounts up to ten times its annual premiums for up to six years after a loss, NEIL has never exercised this assessment. The maximum aggregate annual retrospective premium obligations for Duke are $156,000.

Pursuant to regulations of the Nuclear Regulatory Commission, each company's property damage insurance policies provide that all proceeds from such insurance be applied, first, to place the plant in a safe and stable condition after a qualifying accident, and second, to decontaminate before any proceeds can be used for decommissioning, plant repair or restoration.

In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material adverse effect on Duke's results of operations, cash flows or financial position.

(16) Nuclear Insurance and Other Risk Management – Continued

The maximum assessment amounts include 100% of Duke's potential obligation to NEIL for Catawba. However, the other joint owners of Catawba are obligated to assume their pro rata share of liability for retrospective premiums and other premium assessments resulting from the Price-Anderson Act's excess secondary financial protection program of risk pooling or the NEIL policies.

PMPA also carries building and personal property insurance for the administrative offices, health insurance for all active employees, and workers' compensation insurance in accordance with statutory requirements. The policy limits for the building and personal property insurance is $6,581.

(17) Derivative Financial Instrument

As part of the October 2021 debt restructuring, PMPA terminated the floating-to-fixed rate, step-coupon swap ("swap") originally entered into as part of the 2004 debt restructuring that helped to produce level debt service without issuing more capital appreciation debt and increased the benefits of the restructuring through January 1, 2025. In order to terminate the swap, PMPA paid a swap termination fee of $50,000 in October 2021. At December 31, 2020, the fair value of the swap was a credit of $53,814, estimated using a proprietary pricing service.

Original Terms. In connection with the issuance of its Electric Revenue Bonds, Series 2004B (the "Series 2004B Bonds"), PMPA entered into an interest rate swap agreement with the Interest Rate Swap Counterparty. On December 10, 2008, PMPA refunded the Series 2004B Bonds with its Series 2008E Bonds. The Series 2008E Bonds are now associated with the interest rate swap. Pursuant to the Interest Rate Swap Agreement, PMPA makes periodic payments computed on the basis of a 4.5% fixed interest rate on a notional amount of $40,000 until January 1, 2025, a notional amount of $213,333 from January 1, 2025 until January 1, 2033 and a notional amount of $53,333 from January 1, 2033 until January 1, 2034. The Interest Rate Swap Counterparty makes periodic interest payments to PMPA at a variable rate equal to the Securities Industry and Financial Markets Association Municipal Swap Index on a notional amount of $60,000 until January 1, 2033 and a notional amount of $15,000, thereafter. The result of this swap is that PMPA will pay a fixed rate of 3% for the first 20 years of the swap and a fixed rate of 16% for the last 10 years of the swap. Should PMPA choose to terminate the swap prior to its termination on January 1, 2034, a cash settlement equal to mark-to-market of the interest rate swap, but no more than $50,000 shall be payable to the Interest Rate Counterparty.

(Dollars in thousands)

(17) Derivative Financial Instrument – Continued

Net Effect from Swap. The swap was designed to produce level debt service by deferring payments until later years. Through December 31, 2021 and 2020, PMPA has realized a net loss from the swap of $19,926 and $18,536, respectively, with the counterparty having paid or obligated to pay aggregate variable rate payments under the swap of $10,978 and $10,959 respectively, to PMPA, and PMPA having paid or obligated to pay aggregate fixed payments under the swap of $30,904 and $29,495, respectively, to the counterparty.

Swap Payments. PMPA realized the following net benefits from the swap prior to the October 2021 settlement:

Period Ended	Variable Rate Payments Received	Fixed Rate Payments Made	Net Benefit (Expense) From Interest Rate Swap
December 31, 2004	$ 361	$ 695	$ (334)
December 31, 2005	1,468	1,800	(332)
December 31, 2006	2,067	1,800	267
December 31, 2007	2,175	1,800	375
December 31, 2008	1,348	1,800	(452)
December 31, 2009	248	1,800	(1,552)
December 31, 2010	158	1,800	(1,642)
December 31, 2011	119	1,800	(1,681)
December 31, 2012	98	1,800	(1,702)
December 31, 2013	55	1,800	(1,745)
December 31, 2014	31	1,800	(1,769)
December 31, 2015	20	1,800	(1,780)
December 31, 2016	246	1,800	(1,554)
December 31, 2017	503	1,800	(1,297)
December 31, 2018	848	1,800	(952)
December 31, 2019	876	1,800	(924)
December 31, 2020	338	1,800	(1,462)
December 31, 2021	19	1,409	(1,390)
Total realized	10,978	30,904	(19,926)

(18) Commitments and Contingencies

PMPA has been named as a defendant in a lawsuit by certain PMPA Participants with respect to billing practices and the allocation of charges to the PMPA Participants. The lawsuit seeks among other things, a declaratory judgment to affirm past and future billing and rate calculation practices. The impact of this lawsuit, if any, to the PMPA financial statements is currently unknown and no provision for this litigation has been made in the accompanying financial statements.

(19) Subsequent Events

The Agency has evaluated subsequent events through March 8, 2022 and has determined there are no events that have occurred that would require adjustments to our disclosures.

SUPPLEMENTARY INFORMATION

PIEDMONT MUNICIPAL POWER AGENCY

Schedule of Revenues and Expenses Actual and Budget

Per the Bond Resolution and Other Agreements

Year Ending December 31, 2021

(Dollars in thousands)

	Actual Revenues and Expenses	Budgeted Revenues and Expenses	Actual Over (Under) Budget
Revenue:			
Sales of electricity to participants	$ 190,501	$ 191,854	$ (1,353)
Sales of electricity to Duke	10,784	11,542	(758)
Sales of electricity to Others	8,843	4,856	3,987
Interest income	2,393	1,780	613
Other	1,538	1,256	282
Total Revenue	$ 214,059	$ 211,288	$ 2,771
Expenses:			
Catawba operating expenses:			
Operation & maintenance	$ 26,506	$ 27,213	$ (707)
Nuclear fuel	12,802	12,950	(148)
Purchased power-Duke	11,994	12,549	(555)
Payments in lieu of taxes	7,855	8,026	(171)
Interconnection services:			
Purchased power:			
Duke	15,300	19,253	(3,953)
Participants	12,108	12,372	(264)
Other	2,178	1,849	329
Transmission Services	8,696	7,817	879
Distribution services	613	608	5
Administrative and general:			
Agency	5,933	6,995	(1,062)
Duke	9,692	11,758	(2,066)
Other	4,454	5,823	(1,369)
Special fund deposits(withdrawals):			
Bond fund:			
Deposits from revenues	60,127	57,662	2,465
Reserve and Contingency fund:			
Deposits from revenue	9,340	5,678	3,662
Capital additions	-	-	-
Transfer excess funds	(9,340)	(5,678)	(3,662)
Decommissioning fund:			
Deposits from revenue	8,747	8,720	27
Interest income(1)	1,378	1,084	294
Revenue fund:			
Working capital	(14,604)	(20,222)	5,618
Fuel	(21,168)	(22,312)	1,144
Debt service reserve release	(5,517)	(5,493)	(24)
Supplemental power reserve:			
Interest income(1)	-	-	-
Transfer excess funds	-	-	-
Other capital transactions:			
Bond Refunding:			
Bond proceeds	(428,309)	-	(428,309)
Bond payments	434,220	28,026	406,194
Defeasance	28,000		
Debt issuance costs	2,954	-	2,954
Excess Funds	(5,099)	-	(5,099)
Plant additions:			
Generation Plant	13,972	11,942	2,030
General plant	10	50	(40)
Transmission plant	1	2,000	(1,999)
LDMSS/SCADA	48	306	(258)
Fuel acquisitions	21,168	22,312	(1,144)
Total Expenses	$ 214,059	$ 211,288	$ (25,229)

(1) Included in "Revenue: Interest Income."

PIEDMONT MUNICIPAL POWER AGENCY

Schedule of Revenues and Expenses

Per the Bond Resolution and Other Agreements

Year Ending December 31, 2021

(Dollars in thousands)

		FUNDS						
		Revenue	Operating	Bond		Reserve Contingency	Decommission	Supplemental Power
		Working Capital	Fuel Account	Principal Interest Retirement	Reserve			
Balances at beginning of year:								
Assets		$ 126,695	$ 15,720	$ 45,725	$ 57,323	$ 5,730	$ 99,160	$ 1,600
Liabilities		(10,146)	-	-	-	-	-	-
Net		116,549	15,720	45,725	57,323	5,730	99,160	1,600
Project revenues:								
Participants-Electric	(1)	190,501						
-Facilities rent	(1)	339						
-Other	(1)	1,199						
Duke Power-Electric	(1)	10,784						
Other-Surplus Electric	(1)	8,843						
Interest income	(1)	1,015					1,378	
Project costs (see note):								
Operations and maintenance	(2)	(26,506)						
Fuel	(3)	(12,802)	12,802					
Purchased power-Duke	(2)	(11,994)						
Decommissioning	(3)	(8,747)					8,747	
Administrative and general	(2)	(14,169)						
Payments in lieu of taxes	(2)	(7,747)						
Other	(2)	(4,454)						
Debt service	(3)	(60,129)		59,872				
Bond retirement	(3)							
Supplemental power costs:								
Purchased power-Duke/SoCo	(2)	(15,300)						
-Participant	(2)	(12,108)						
-Other	(2)	(2,178)						
Transmission services	(2)	(8,696)						
Distribution services	(2)	(613)						
Administrative and general	(2)	(1,456)						
Payments in lieu of taxes	(2)	(108)						
Other fund changes:								
Payments:		23			(23)			
Debt retire/interest	(2)	5,493		(60,220)	(4,994)	(499)		
Capital additions	(2)	(14,031)	(21,168)					
Debt Refunding:								
New issue proceeds	(2)	428,309						
Excess funds	(2)	5,099			(4,635)	(464)		
Bond refunding payment	(2)	(434,220)						
Defeasance	(2)	(28,000)						
Cost to issue	(2)	(2,954)						
Balances at December 31, 2021		$ 101,942	$ 7,354	$ 45,377	$ 47,671	$ 4,767	$ 109,285	$ 1,600
Assets		111,219						
Liabilities		(9,277)						
		$ 101,942						

(1) Deposited in appropriate fund
(2) Paid to third parties
(3) Transfers between funds