PIEDMONT MUNICIPAL POWER AGENCY

Financial Statements and Supplementary Information

December 31, 2022 and 2021

(With Report of Independent Auditor Thereon)

Cherry Bekaert LLP
Your Guide Forward

PIEDMONT MUNICIPAL POWER AGENCY

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Cherry Bekaert LLP
Your Guide Forward

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, 2022 and 2021, 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, 2022 and 2021, and the changes in its financial position 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 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 one year 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.

Required 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.

Supplementary Information

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 basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 and 2 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cherry Bekaert LLP

Greenville, South Carolina
February 28, 2023

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2022 and 2021

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, 2022 and 2021. Please read this discussion and analysis in conjunction with the financial statements that follow this section.

Financial Highlights

Year Ending December 31, 2022:

- PMPA's wholesale rates to Participants remain unchanged in 2022. Sales of electricity to Participants included a $10.8 million billing credit to return excess working capital generated in prior years to the Participants.
- In 2022, net cash generated from operating activities was $123.9 million, offsetting cash used in investing and financing activities of $33.5 million and $89.8 million, respectively.
- On January 1, 2022, PMPA made a principal payment of $26.0 million, reducing its long-term debt outstanding. PMPA's next principal payment of $51.3 million is due on January 1, 2023.

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, offsetting 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.

Overview of the Financial Activities

The following is an overview of the financial activities of PMPA for the years ended December 31, 2022 and 2021.

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, 2022 and 2021

Financial Information

The following summarizes the activities of PMPA for the years ended December 31, 2022, 2021, and 2020:

	2022	2021	2020
		(In thousands)	
Revenues:			
Sales of electricity to Participants	$ 215,668	$ 190,501	$ 188,776
Sales of electricity to other utilities and other operating revenues	23,161	21,165	20,577
Total operating revenues	238,829	211,666	209,353
Interest income	2,890	2,393	5,700
Net decrease in fair value of investments and derivative instruments	(9,143)	(292)	(703)
Total Revenues	232,576	213,767	214,350
Expenses:			
Operation, maintenance, and nuclear fuel amortization	38,322	39,308	38,146
Purchased power, transmission, and power delivery	65,683	50,889	52,627
Administrative, general, and payment in lieu of property taxes	24,001	23,480	23,606
Depreciation	10,634	9,609	9,123
Interest and amortization expense	31,894	38,754	45,210
Other	13,882	14,221	12,035
Total Expenses	184,416	176,261	180,747
Revenues over expenses before deferred items	48,160	37,506	33,603
Net decrease in expenses recoverable from future Participant billings	(48,055)	(100,859)	(13,296)
Postemployment benefits	-	(82)	(82)
	(48,055)	(100,941)	(13,378)
Revenues over (under) expenses	105	(63,435)	20,225
Net position at beginning of year	116,370	179,805	159,580
Net position at end of year	$ 116,475	$ 116,370	$ 179,805

Results of Operations

Revenues

- Sales of electricity to Participants, PMPA's primary source of revenue, increased in 2022 by 13.2%, or approximately $25.2 million. The 2022 billing credit to Participants totaled $10.8 million, resulting in a $17.2 million increase in revenue from 2021. The remaining increase was driven by increased energy sold to Participants. Sales of electricity to Participants, 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.

- Surplus energy sales to other utilities increased by 9.4% in 2022 due to an increase in surplus energy rates, partially offset by a decrease in energy available to sell in the market. Surplus energy sales to other utilities increased by 2.9% in 2021 due to an increase in both surplus energy rates and energy available to sell in the market. PMPA's surplus energy was contractually sold to Santee Cooper and The Energy Authority as part of supplemental purchased power agreements and Duke Energy Carolinas, LLC.

Expenses

- Purchased power, transmission and power delivery expenses increased by 29.1%, or approximately $14.8 million, in 2022 due to an increase in purchase price coupled with an increase in supplemental energy purchased in the market during 2022. Purchased power, 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. The capacity savings was partially offset by an increase in both purchase price and energy purchased in the market during 2021.

- Nuclear fuel represents costs associated with acquiring and processing reload fuel assemblies as well as the cost of nuclear fuel in the reactor. The amortization of these costs increased by $0.5 million in 2022 and decreased by $0.8 million in 2021.

Net Position

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

	2022	2021	2020
		(In thousands)	
Assets:			
Capital assets	$ 403,029	$ 399,965	$ 387,178
Current unrestricted assets	117,133	118,593	142,437
Current restricted assets	240,123	207,968	212,911
Other noncurrent assets	326,671	374,755	475,643
Total Assets	$ 1,086,956	$ 1,101,281	$ 1,218,169
Deferred outflows:	$ 16,366	$ 21,353	$ 29,222
Liabilities:			
Long-term liabilities	$ 739,068	$ 793,845	$ 803,523
Current liabilities	247,779	212,419	210,249
Total Liabilities	$ 986,847	$ 1,006,264	$ 1,013,772
Deferred inflows:	$ -	$ -	$ 53,814
Net position:			
Net investment in capital assets	$ (231,065)	$ (266,625)	$ (299,382)
Other restricted assets	1,600	1,600	1,600
Unrestricted	345,940	381,395	477,587
Total Net Position	$ 116,475	$ 116,370	$ 179,805

Current unrestricted assets fluctuate with the changes in working capital. Working capital decreased by $4.6 million and $14.6 million in 2022 and 2021, respectively.

Current restricted assets primarily include assets restricted for decommissioning and debt service. Assets restricted for decommissioning increase each year due to PMPA's regular deposits into the decommissioning fund. Assets restricted for debt service fluctuate each year depending on PMPA's debt service obligation on January 1 of the following year. As such, PMPA's assets restricted for debt service increased on December 31, 2022 when compared to December 31, 2021 and decreased on December 31, 2021 when compared to December 31, 2020.

Other noncurrent assets primarily include net costs recoverable from future participant billings, which decreased by $48.0 million and $100.8 million in 2022 and 2021, respectively. This decrease was driven by the $51.3 million and $54.0 million of principal deposits made during 2022 and 2021, respectively, which were partially offset by the deferrals of interest, depreciation, and amortization expenses. Additionally, in 2021 the termination of the floating-to-fixed rate step-coupon swap resulted in a $50.4 million decrease in net costs recoverable from future participant billings.

Long-term liabilities primarily include bonds payable, net and the reserve for decommissioning. Long-term bonds payable decreased by $61.9 million and $16.7 million in 2022 and 2021, respectively, due to bond payments and the amortization of bond premiums. The reserve for decommissioning increased by $7.0 million and $6.6 million in 2022 and 2021, respectively, due to the continued accretion to the PMPA's total decommissioning requirement.

Current liabilities primarily reflect PMPA's debt service requirement on January 1 of the following year. As such, current liabilities increased by $35.4 million and $2.2 million in 2022 and 2021, respectively.

PMPA calculates net investment in capital assets as the difference between capital assets and bonds payable, including loss on advance refunding of debt. Capital assets includes $405 million and $396 million of accumulated depreciation and amortization as of December 31, 2022 and 2021, respectively, causing the net investment in capital assets to reflect a negative balance.

Capital Assets

Capital assets include structures and improvements, reactor plant equipment, turbo-generator units, other equipment, and nuclear fuel. Such amounts are detailed as follows:

	2022	2021	2020
		(In thousands)	
Structures and improvements	$ 174,077	$ 171,977	$ 169,342
Reactor plant equipment	297,376	289,491	287,802
Turbo generator units	76,988	76,642	75,217
Other equipment	116,233	113,508	103,522
Nuclear fuel	73,348	69,578	70,640
Other	46,625	49,752	56,540
Construction work-in-progress	23,688	25,090	27,444
Total	808,335	796,038	790,507
Less accumulated depreciation	(405,306)	(396,073)	(403,329)
Total, net	$ 403,029	$ 399,965	$ 387,178

PMPA's investment in capital assets on December 31, 2022 totaled $403.0 million (net of accumulated depreciation), a $3.1 million increase from 2021. Significant capital transactions during 2022 included $12.8 million in nuclear fuel purchases and $15.0 million of capital additions, partially offset by depreciation and amortization expense of $24.0 million and a construction work-in-progress write off of $0.8 million.

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

Debt Management

PMPA's total debt decreased by $29.1 million and $13.6 million in 2022 and 2021, respectively.

Economic Factors and Next Year's Rates

Because the retail customers of PMPA Participants are primarily residential and small commercial accounts, PMPA is much less affected by economic downturns than a utility with larger commercial and industrial retail customers. The 2023 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, 2022 and 2021

(Dollars in thousands)

Assets	2022	2021
Capital Assets (Note 5):		
Utility plant assets being depreciated	$ 784,111	$ 770,412
Accumulated depreciation and amortization	(405,306)	(396,073)
Total utility plant assets being depreciated, net	378,805	374,339
Utility plant assets not being depreciated	24,224	25,626
Total Capital Assets, net	403,029	399,965
Current Unrestricted Assets:		
Cash	1,151	552
Marketable debt securities	78,355	83,308
Accrued interest receivable	1	1
Participant accounts receivable	16,813	14,035
Other accounts receivable	1,427	1,027
Materials and supplies	19,386	19,670
Total Current Unrestricted Assets	117,133	118,593
Current Restricted Assets (Note 7):		
Restricted for debt service	126,691	97,500
Restricted for decommissioning	111,832	108,868
Restricted for other	1,600	1,600
Total Current Restricted Assets	240,123	207,968
Total Current Assets	357,256	326,561
Noncurrent Assets:		
Net costs recoverable from future Participant billings (Note 8)	326,615	374,670
Other	56	85
Total Other Assets	326,671	374,755
Total Assets	$ 1,086,956	$ 1,101,281
Deferred Outflows:		
Redemption loss	$ 5,754	$ 6,578
Losses on advance refunding of debt, net	10,149	14,199
Postemployent benefits	463	576
Total Deferred Outflows	$ 16,366	$ 21,353

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Net Position (continued)

December 31, 2022 and 2021

(Dollars in thousands)

Long-Term Liabilities (Notes 9 and 10):		
Bonds payable, net	$ 592,953	$ 654,830
Reserve for decommissioning (Note 11)	143,992	137,032
Accrued expense OPEB	2,123	1,983
Total Long-Term Liabilities	739,068	793,845
Current Liabilities:		
Accounts payable and accrued liabilities	11,877	9,277
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	184,612	177,183
Current installments of bonds payable	51,290	25,959
Total Current Liabilities Payable from Restricted Assets	235,902	203,142
Total Current Liabilities	247,779	212,419
Total Liabilities	$ 986,847	$ 1,006,264
Net position		
Net investment in capital assets	$ (231,065)	$ (266,625)
Restricted for other	1,600	1,600
Unrestricted	345,940	381,395
Total Net Position	$ 116,475	$ 116,370

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

(Dollars in thousands)

	2022	2021
Operating Revenues:		
Sales of electricity to Participants	$ 215,668	$ 190,501
Sales of electricity to other utilities	21,629	19,627
Other	1,532	1,538
Total Operating Revenues	238,829	211,666
Operating Expenses:		
Operation and maintenance	24,987	26,506
Nuclear fuel amortization	13,335	12,802
Purchased power	56,798	41,580
Transmission	8,295	8,696
Power delivery	590	613
Administrative and general	15,996	15,625
Depreciation	10,634	9,609
Decommissioning	6,960	6,623
Payments in lieu of property taxes	8,005	7,855
Total Operating Expenses	145,600	129,909
Net Operating Income	93,229	81,757
Other Income (Expense):		
Interest income	2,890	2,393
Net change in fair market value of investments and derivative instruments	(9,143)	(292)
Interest expense	(39,041)	(39,149)
Amortization expense	7,147	395
Other	(6,922)	(7,598)
Total Other Expense, Net	(45,069)	(44,251)
Revenues over expenses before change in net expenses recoverable from future Participant billings	48,160	37,506
Net decrease in net costs recoverable from future Participant billings	(48,055)	(100,859)
Postemployment benefits	-	(82)
	(48,055)	(100,941)
Revenue over (under) expenses	105	(63,435)
Net position at beginning of year	116,370	179,805
Net position at end of year	$ 116,475	$ 116,370

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

(Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Receipts from customers	$ 235,651	$ 210,784
Payments for operations and maintenance	(24,703)	(26,908)
Payments for purchased power, transmission, and power delivery	(73,688)	(58,744)
Payments for administration and general	(13,396)	(16,494)
Net cash from operating activities	123,864	108,638
Cash flows from investing activities:		
Purchase of investment securities	(438,181)	(400,834)
Proceeds from sales and maturities of investments	401,335	428,144
Interest received on investments	3,390	1,461
Net interest paid on derivative instruments	-	(1,390)
Net cash (used in) from investing activities	(33,456)	27,381
Cash flows from capital and related financing activities:		
Payment of bond principal	(25,959)	(446,190)
Payment for swap termination	-	(50,000)
Proceeds from bond issuance	-	428,309
Interest payment on bonds	(30,178)	(25,115)
Expenditures for electric plant in service	(14,963)	(14,032)
Expenditures for nuclear fuel	(12,804)	(21,168)
Payment to Duke Energy for other charges	(5,958)	(5,358)
Debt issuance costs	-	(2,954)
Other	53	903
Net cash used in capital and related financing activities	(89,809)	(135,605)
Net change in cash	599	414
Cash, beginning of year	552	138
Cash, end of year	$ 1,151	$ 552
Non-cash investing and financing activities:		
(Loss) gain on sale of investment	$ (817)	$ 931
Amortization expense on discounts and premiums	$ 10,587	$ 5,369
Amortization of net redemption loss	$ (4,874)	$ (6,595)
Net change in fair value of investments	$ (9,143)	$ (292)

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows (continued)

Years Ended December 31, 2022 and 2021

(Dollars in thousands)

	2022	2021
Reconciliation of operating income to net cash from operating activities:		
Operating income	$ 93,229	$ 81,757
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	10,634	9,609
Fuel amortization	13,335	12,802
Accretion of reserve for decommissioning	6,960	6,623
(Increase) decrease in:		
Participant accounts receivable	(2,778)	(412)
Other accounts receivable	(400)	(470)
Materials and supplies	284	(402)
Increase (decrease) in:		
Accounts payable and accrued liabilities	2,600	(869)
Net cash from operating activities	$ 123,864	$ 108,638

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

(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 in 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 on 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 of 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 an 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 a 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, 2022 and 2021 of $15,903 and $20,777, respectively, (net of accumulated amortization of $265,804 and $260,930, 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 11 years (2023 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, 2022 and 2021 of $134 and $186, respectively, (net of accumulated amortization of $954 and $902, 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, 2022 and 2021 of $54,091 and $64,730, respectively, (net of accumulated amortization of $22,285 and $11,646, respectively) are being amortized on a method that approximates the effective interest method.

(e) Income Taxes

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

(f) Marketable Debt Securities

As authorized by the General Bond Resolution, investment securities at December 31, 2022 and 2021 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.

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(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 1.4% and 1.3% in 2022 and 2021, 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 net realizable 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 distinguishes 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 are charges to Participants for sales and services. Operating expenses for PMPA 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.

(2) Summary of Significant Accounting Policies – Continued

(m) Recent 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 was adopted and had no 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 was adopted and had no material impact on PMPA.

The GASB issued Statement No. 101, *Compensated Absences*. This Statement aligns the recognition and measurement guidance for compensated absences under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. 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. 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 on 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 Agreements 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 Agreements 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 the 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 on 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 Duke's McGuire Nuclear Station units. 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) The Energy Authority Resource ("TEA") Management Agreement

Effective January 1, 2021, PMPA entered into a Resource Management Agreement with TEA. The Resource Management Agreement generally provides for PMPA to purchase capacity and energy from TEA 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, 2022 and 2021

(Dollars in thousands)

(5) Capital Assets

The following is a summary of capital asset activity for the years ended December 31, 2022 and 2021:

	December 31, 2022			
	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant being depreciated:				
Structures and improvements	$ 171,977	$ 2,439	$ (339)	$ 174,077
Reactor plant equipment	289,491	9,515	(1,630)	297,376
Turbo generator units	76,642	663	(317)	76,988
Accessory electric equipment	65,297	1,470	(241)	66,526
Miscellaneous plant equipment	33,945	2,601	(558)	35,988
Station equipment	8,083	87	(634)	7,536
Transmission equipment	6,183	-	-	6,183
Other	19,832	30	(487)	19,375
Unclassified	29,384	14,019	(16,689)	26,714
Nuclear fuel	69,578	12,804	(9,034)	73,348
Total utility plant assets being depreciated	770,412	43,628	(29,929)	784,111
Less accumulated depreciation and amortization	(396,073)	(23,969)	14,736	(405,306)
Total utility plant assets being depreciated, net	374,339	19,659	(15,193)	378,805
Utility plant assets not being depreciated:				
Land	536	-	-	536
Construction work-in-progress	25,090	14,963	(16,365)	23,688
Total utility plant assets not being depreciated	25,626	14,963	(16,365)	24,224
Total capital assets, net	$ 399,965	$ 34,622	$ (31,558)	$ 403,029

(Dollars in thousands)

(5) Capital Assets – Continued

	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	21,168	(22,230)	69,578
Total utility plant assets being depreciated	762,527	58,312	(50,427)	770,412
Less accumulated depreciation and amortization	(403,329)	(22,411)	29,667	(396,073)
Total utility plant assets being depreciated, net	359,198	35,901	(20,760)	374,339
Utility plant assets not being depreciated:				
Land	536	-	-	536
Construction work-in-progress	27,444	14,032	(16,386)	25,090
Total utility plant assets not being depreciated	27,980	14,032	(16,386)	25,626
Total capital assets, net	$ 387,178	$ 49,933	$ (37,146)	$ 399,965

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 $9,034 and $22,230 were removed during 2022 and 2021, respectively.

A summary of accumulated depreciation and amortization on December 31, 2022 and 2021 is as follows:

	2022	2021
Accumulated depreciation of electric plant in service	$ 368,285	$ 363,353
Accumulated amortization of nuclear fuel	37,021	32,720
	$ 405,306	$ 396,073

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

On December 31, 2022, the carrying value of deposits included in cash was $1,151. Insured and collateralized bank deposits were $299 on December 31, 2022.

As of December 31, 2022, 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	$ 163,184	$ -	$ -	$ -	$ -	$ 163,184
Government Agency	7,644	3,028	13,505	-	-	24,177
Government Treasury	-	45,152	26,894	30,409	27,760	130,215
Mortgage Backed Securities	-	30	101	151	18	300
Total fair value	$ 170,828	$ 48,210	$ 40,500	$ 30,560	$ 27,778	$ 317,876

(Dollars in thousands)

(6) Cash and Investments – Continued

On December 31, 2021, the carrying value of deposits included in cash was $552. Insured and collateralized bank deposits were $783 on December 31, 2021.

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

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, 2022:

	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	$ 12,547	$ (530)	$ 91,104	$ (7,779)	$ 103,651	$ (8,309)
Total	$ 12,547	$ (530)	$ 91,104	$ (7,779)	$ 103,651	$ (8,309)

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)

(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, 2022, 7.6% of the portfolio was held in Federal Agency bonds and 0.1% was held in Agency Mortgage-Backed Securities. 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.

A reconciliation of cash and investments for PMPA on December 31, 2022 and 2021 shown in the statements of net position is as follows:

	2022	2021
Fair value of investments	$ 317,876	$ 290,988
Accrued interest receivable	602	288
Total	$ 318,478	$ 291,276
Statements of Net Position:		
Marketable debt securities	$ 78,355	$ 83,308
Restricted for debt services	126,691	97,500
Restricted for decommissioning	111,832	108,868
Restricted for other	1,600	1,600
Total investments, including accrued interest receivable	$ 318,478	$ 291,276

(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. On December 31, 2022 and 2021, management believes PMPA was in compliance with all such restrictions and held the following restricted assets:

	2022		2021	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Debt services - bond principal	$ 65,388	$ 65,388	$ 26,126	$ 26,126
Debt services - bond fixed rate interest	11,812	11,812	19,064	19,064
Debt services - bond retirement principal	-	-	187	187
Debt service reserve	44,724	47,671	47,356	47,670
Reserve and contingency	4,767	4,767	4,767	4,767
Decommissioning	111,832	118,730	108,868	109,285
Special reserve	1,600	1,600	1,600	1,600
	$ 240,123	$ 249,968	$ 207,968	$ 208,699
Funds are comprised of:				
Marketable debt securities	$ 239,521	$ 249,366	$ 207,680	$ 208,411
Accrued interest receivable	602	602	288	288
	$ 240,123	$ 249,968	$ 207,968	$ 208,699

(Dollars in thousands)

(8) 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.

Net costs recoverable from future Participant billings on December 31, 2022 and 2021 are as follows:

	2022	2021	Change
	(Cumulative totals)		
Items to be recovered in future			
Participant billings:			
Interest expense	$ 494,783	$ 480,102	$ 14,681
Depreciation expense	408,061	404,286	3,775
Amortization of redemption and defeasance losses	361,891	351,678	10,213
Debt issuance costs and amortization of bond discounts and premiums	63,975	79,930	(15,955)
Nuclear fuel expenses	873	873	-
Letter of credit fees	5,649	5,649	-
Other	2,390	2,390	-
	1,337,622	1,324,908	12,714
Items reducing future Participant billings:			
Investment income	(76,528)	(76,528)	-
Reserve and contingency deposits	(117,840)	(117,840)	-
	(194,368)	(194,368)	-
Revenues (expenses) recognized:			
Interest, depreciation, amortization expense included in Participant billings for debt principal payments	(847,444)	(796,154)	(51,290)
Capital appreciation bond interest deposits	(25,426)	(11,496)	(13,930)
Reserve and contingency revenue applied to expenses	56,231	51,780	4,451
Total	(816,639)	(755,870)	(60,769)
Net costs recoverable from future Participant billings	$ 326,615	$ 374,670	$ (48,055)

(8) 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 an 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 to construct or acquire utility plant assets. The recognition of such revenues is considered unearned until the depreciation is recorded on the assets constructed or acquired with those monies.

(Dollars in thousands)

(9) Long-Term Liabilities

Long-term liabilities on December 31, 2022 and 2021 consist of the following:

	2021	Additions	Reductions	2022	Due within one year
1993 Refunding Series Electric Revenue Bonds, payable from 2022 to 2025 with interest at 5.38%	$ 32,590	$ -	$ 405	$ 32,185	$ 425
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	-	7,579	95,091	8,230
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	-
2012C Refunding Series Electric Revenue Bonds, payable 2023 with interest at 4.25%	4,485	-	-	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	-	1,475	50,460	5,165
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)

(9) Long-Term Liabilities – Continued

	2021	Additions	Reductions	2022	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	$ -	$ 16,500	$ 38,870	$ 10,975
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	22,010
Total bonds payable	616,245	-	25,959	590,286	51,290
Less unamortized discount	(186)	-	(52)	(134)	-
Plus unamortized premium	64,730	-	10,639	54,091	-
Bonds payable, net	$ 680,789	$ -	$ 36,546	$ 644,243	$ 51,290

(Dollars in thousands)

(9) Long-Term Liabilities – Continued

Long-term liabilities on 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	-	-

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Notes to Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

(9) 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)

(9) 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)

(9) 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. 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.

PMPA has advanced refunded certain bond issues as described in Note 10. 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 on December 31, 2022:

Year	Principal	Interest	Total
2023	$ 51,290	$ 36,857	$ 88,147
2024	52,086	33,334	85,420
2025	66,565	18,855	85,420
2026	27,065	56,245	83,310
2027	37,397	46,276	83,673
2028-2032	200,345	217,938	418,283
2033-2034	155,538	11,722	167,260
	$ 590,286	$ 421,227	$ 1,011,513

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

(10) 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 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, 2022 and 2021, $25,030 and $25,345 of the bonds are considered defeased in-substance, respectively.

(11) Reserve for Decommissioning

The owners of Catawba, including PMPA, have an obligation to decommission the station after its operating licenses expire. Management believes PMPA complies with the 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, 2022 and 2021, the fair value of PMPA's assets that are legally restricted for settling the decommissioning obligation is $111,832 and $108,868, 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 in accordance with U.S. GAAP accounting for asset retirement obligations.

(Dollars in thousands)

(11) Reserve for Decommissioning – Continued

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

	2022		2021	
Period in which decommissioning liability was incurred		1985		1985
Agency's share of decommissioning costs per study (in 2018 dollars)	$	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, 2022 and 2021:

	2022		2021	
Reserve for decommissioning at January 1	$	137,032	$	130,409
Accretion expense (decommissioning)		6,960		6,623
Increase in decommissioning liability		-		-
Reserve for decommissioning at December 31	$	143,992	$	137,032

(12) 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 the base salary to the money purchase plan. PMPA contributions totaled $165 and $182 in 2022 and 2021, 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 2022 or 2021. 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)

(13) Other Postemployment Benefits ("OPEB")

PMPA's Postemployment Benefit Plan (the "Plan") provides other retiree medical benefits to qualified retirees. 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 eligible retiree and up to 60% of premiums for the retiree's dependent spouse and children for the retiree's lifetime. After qualifying for Medicare, the covered individual will be covered under a supplemental insurance plan secondary to Medicare.

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

	2022	2021
Retirees	4	4
Active Employees	14	13
Total	18	17

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 years ended December 31, 2022 and 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)

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

The following is a schedule of changes in the OPEB liability for the years ended December 31, 2022 and 2021:

	2022	2021
OPEB liability at January 1	$ 1,983	$ 1,607
Service cost	115	110
Interest	46	38
Experience losses (gains)	-	(154)
Changes of assumptions	-	402
Benefit paids	(21)	(20)
OPEB liability at December 31	$ 2,123	$ 1,983

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, 2022	$ 1,695	$ 2,123	$ 2,690

		Discount Rate	
	1% Decrease (1.25%)	Current (2.25%)	1% Increase (3.25%)
Changes to Net OPEB Liability December 31, 2022	$ 2,615	$ 2,123	$ 1,740

(Dollars in thousands)

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

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 8.1 years for both the years ended December 31, 2022 and 2021. The following table summarizes OPEB expense for the years ended December 31, 2022 and 2021:

	2022	2021
Service cost	$ 115	$ 110
Interest	47	38
Experience losses (gains)	-	(19)
Changes of assumptions	-	49
Amortization of deferrals	112	82
Total OPEB expense	$ 274	$ 260

On December 31, 2022 and 2021, the deferred outflows of resources related to OPEB were $463 and $576, respectively. The deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

Year ending December 31,	
2023	$ 112
2024	112
2025	112
2026	61
2027	31
Therefeafter	35
	$ 463

(14) 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, 2022 and 2021, the Agency's investments included money market investments of $163,184 and $137,342, respectively, which were valued at amortized cost which approximates fair value and marketable debt securities of $154,692 and $153,646, 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)

(14) 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 the original price plus accrued interest payable.

The estimated fair value of 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 amount on December 31, 2022 and 2021 are as follows:

	2022		2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
1993 Electric Revenue Refunding Bonds	$ 32,955	$ 34,549	$ 33,323	$ 38,041
2004A-2 Electric Revenue Refunding Bonds	267,932	297,027	272,327	339,648
2009B Build America Bonds	27,422	31,159	27,422	38,080
2012C Electric Revenue Refunding Bonds	4,580	4,580	4,580	4,667
2015A Electric Revenue Refunding Bonds	53,687	53,307	55,882	58,342
2017A Electric Revenue Refunding Bonds	10,073	10,030	10,302	10,690
2017B Electric Revenue Refunding Bonds	23,946	23,709	24,607	25,200
2021A Electric Revenue Refunding Bonds	41,219	40,059	59,338	59,212
2021B Electric Revenue Refunding Bonds	119,163	107,241	120,328	120,677
2021C Electric Revenue Refunding Bonds	107,640	99,771	108,141	108,262
2021D Electric Revenue Refunding Bonds	107,552	97,074	108,081	109,250
2021E Electric Revenue Refunding Bonds	32,686	32,274	33,641	33,621
	$ 828,855	$ 830,780	$ 857,972	$ 945,690

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

(15) 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 $13,500,000, 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 $13,100,000 of coverage through the Price-Anderson Act's mandatory industry-wide excess secondary financial protection program of risk pooling. The $13,100,000 of coverage is the sum of the current potential cumulative retrospective premium assessments of $138,000 per licensed commercial nuclear reactor. This $13,100,000 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:

(15) 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 sub-limits 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 sub-limits 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 a 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 sub-limits 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's 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 $140,000.

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.

(Dollars in thousands)

(15) 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 limit for the building and personal property insurance is $6,581.

(16) 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. In order to terminate the swap, PMPA paid a swap termination fee of $50,000 in October 2021.

The swap was originally designed to produce level debt service by deferring payments until later years. PMPA realized the following net benefits (expenses) 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)

(17) Commitments and Contingencies

The Agency is subject to lawsuits, claims, investigations and proceedings, which arise in the ordinary course of business. If management believes that a loss arising from these matters is probable and can be reasonably estimated, a loss is recorded. As additional information becomes available, these matters are assessed and the estimates are revised, if necessary. Based on the currently available information, management believes the ultimate outcome of these matters, individually and in the aggregate, will not have a material, adverse effect on the Agency's business, financial condition, or results of operation.

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, on the PMPA financial statements is currently unknown and no provision for this litigation has been made in the accompanying financial statements.

(18) Subsequent Events

The Agency has evaluated subsequent events through February 28, 2023 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 Ended December 31, 2022

(Dollars in thousands)

	Actual Revenues and Expenses	Budgeted Revenues and Expenses	Actual Over (Under) Budget
Revenue:			
Sales of electricity to Participants	$ 215,668	$ 230,048	$ (14,380)
Sales of electricity to Duke	10,975	11,498	(523)
Sales of electricity to Others	10,654	2,792	7,862
Interest income	2,890	1,561	1,329
Other	1,532	1,412	120
Total Revenue	$ 241,719	$ 247,311	$ (5,592)
Expenses:			
Catawba operating expenses:			
Operation and maintenance	$ 24,987	$ 23,782	$ 1,205
Nuclear fuel amortization	13,335	13,717	(382)
Purchased power-Duke	11,763	12,027	(264)
Payments in lieu of taxes	8,005	8,247	(242)
Purchased power:			
Supplemental Suppliers	30,566	24,133	6,433
Participants	11,948	12,727	(779)
Other	2,521	2,134	387
Transmission Services	8,295	9,428	(1,133)
Distribution services	590	593	(3)
Administrative and general:			
Agency	5,694	6,491	(797)
Duke	10,302	11,076	(774)
Other	6,641	6,186	455
Special fund deposits(withdrawals):			
Bond fund:			
Deposits from revenues	87,962	88,762	(800)
Decommissioning fund:			
Deposits from revenue	8,652	9,505	(853)
Interest income(1)	793	78	715
Revenue fund:			
Working capital	(4,563)	613	(5,176)
Fuel	(12,804)	(13,626)	822
Plant additions:			
Generation Plant	14,822	15,778	(956)
General plant	30	51	(21)
Transmission plant	35	1,750	(1,715)
LDMSS/SCADA	(659)	233	(892)
Fuel acquisitions	12,804	13,626	(822)
Total Expenses	$ 241,719	$ 247,311	$ (5,592)

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

PIEDMONT MUNICIPAL POWER AGENCY

Schedule of Revenues and Expenses

Per the Bond Resolution and Other Agreements

Year Ended December 31, 2022

(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		$ 111,219	$ 7,354	$ 45,377	$ 47,671	$ 4,767	$ 109,285	$ 1,600
Liabilities		(9,277)	-	-	-	-	-	-
Net		101,942	7,354	45,377	47,671	4,767	109,285	1,600
Project revenues:								
Participants-Electric	(1)	215,668						
-Facilities rent	(1)	339						
-Other	(1)	1,193						
Duke Power-Electric	(1)	10,975						
Other-Surplus Electric	(1)	10,654						
Interest income	(1)	2,097					793	
Project costs (see note):								
Operations and maintenance	(2)	(24,987)						
Fuel	(3)	(13,335)	13,335					
Purchased power-Duke	(2)	(11,763)						
Decommissioning	(3)	(8,652)					8,652	
Administrative and general	(2)	(14,562)						
Payments in lieu of taxes	(2)	(7,893)						
Other	(2)	(6,641)						
Debt service	(3)	(87,962)		88,576				
Supplemental power costs:								
Purchased power:								
-Supplemental Suppliers	(2)	(30,566)						
-Participant	(2)	(11,948)						
-Other	(2)	(2,521)						
Transmission services	(2)	(8,295)						
Distribution services	(2)	(590)						
Administrative and general	(2)	(1,434)						
Payments in lieu of taxes	(2)	(112)						
Other fund changes:								
Net change in fair market value		(8)			(2,947)		(6,898)	
Payments:								
Capital additions	(2)	(14,228)	(12,804)	(56,753)				
Balances at December 31, 2022		$ 97,371	$ 7,885	$ 77,200	$ 44,724	$ 4,767	$ 111,832	$ 1,600
Assets		109,248						
Liabilities		(11,877)						
		$ 97,371						

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