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PIEDMONT MUNICIPAL POWER AGENCY

Financial Statements and Supplementary Information

December 31, 2024 and 2023

(With Report of Independent Auditor Thereon)

PIEDMONT MUNICIPAL POWER AGENCY

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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"), as of December 31, 2024 and 2023, and the related and the related notes to financial statements, which collectively comprise PMPA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PMPA as of December 31, 2024 and 2023, 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 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.

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 is the responsibility of management and, 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 audit 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 that collectively comprise PMPA's basic financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic 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 basic 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, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Cherry Bekaert LLP

Greenville, South Carolina
March 11, 2025

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2024 and 2023

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, 2024 and 2023. Please read this discussion and analysis in conjunction with the financial statements that follow this section.

Financial Highlights

Year Ended December 31, 2024:

- PMPA's wholesale rates to Participants remain unchanged in 2024.
- On April 30, 2024, on behalf of eight Participants, PMPA issued the \$48.3 million 2024A Electric Revenue Bond associated with the settlement of the 2019 lawsuit naming PMPA a defendant by two Participants with respect to the allocation of costs amongst all Participants. The bond is excluded from PMPA's wholesale rates and net costs recoverable from future Participant billings, and will be paid by the eight Participants during the life of the bond. Refer to Note 16 for additional settlement information.
- In 2024, net cash generated from operating and investing activities was \$123.4 million and \$9.5 million, respectively, offsetting cash used in financing activities of \$132.2 million.

Year Ended December 31, 2023:

- PMPA's wholesale rates to Participants remain unchanged in 2023.
- In 2023, net cash generated from operating activities was \$133.3 million, offsetting cash used in investing and financing activities of \$5.6 million and \$128.8 million, respectively.

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2024 and 2023

Overview of the Financial Activities

The following is an overview of the financial activities of PMPA for the years ended December 31, 2024 and 2023.

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. 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, 2024 and 2023

Financial Information

The following summarizes the activities of PMPA for the years ended December 31, 2024, 2023, and 2022:

	2024	2023	2022
		(In thousands)	
Revenues:			
Sales of electricity to Participants	\$ 223,172	\$ 220,132	\$ 215,668
Sales of electricity to other utilities and other operating revenues	18,314	18,833	23,161
Total operating revenues	241,486	238,965	238,829
Interest income	9,413	7,230	2,890
Net change in fair market value of investments	1,717	5,202	(9,143)
Total Revenues	252,616	251,397	232,576
Expenses:			
Operation, maintenance, and nuclear fuel amortization	36,741	37,539	38,322
Purchased power, transmission, and power delivery	59,394	54,443	65,683
Administrative, general, and payments in lieu of property taxes	24,370	25,554	24,001
Net decrease in net costs recoverable from future Participant billings	48,777	46,721	48,055
Depreciation	9,022	8,779	10,634
Interest and bond amortization expense	29,533	30,448	31,894
Postemployment benefits	-	132	-
Other	13,302	23,214	13,882
Total Expenses	221,139	226,830	232,471
Increase in net position	31,477	24,567	105
Net position at beginning of year	141,042	116,475	116,370
Net position at end of year	\$ 172,519	\$ 141,042	\$ 116,475

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2024 and 2023

Results of Operations

Revenues

- Sales of electricity to Participants, PMPA's primary source of revenue, increased in 2024 by 1.4%, or approximately \$3.0 million. This increase was driven by an increase in energy sold to Participants. Sales of electricity to Participants increased in 2023 by 2.1%, or approximately \$4.5 million. In 2023, sales of electricity to Participants did not include any billing credits to Participants, resulting in a \$10.8 million increase in revenue from 2022. This increase was partially offset by a decrease in energy sold to Participants.
- Sales of electricity to other utilities and other operating revenues decreased by 2.8% in 2024 due to a decrease in surplus energy rates, partially offset by an increase in energy available to sell in the market. Sales of electricity to other utilities and other operating revenues decreased by 18.7% in 2023 due to a decrease in surplus energy rates, partially offset by an increase in 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 9.1%, or approximately \$5.0 million, in 2024 due to an increase in supplemental energy purchased, partially offset by a decrease in purchase prices during 2024. Purchased power, transmission and power delivery expenses decreased by 17.1%, or approximately \$11.2 million, in 2023 due to a decrease in purchase prices coupled with a decrease in supplemental energy purchased in the market during 2023.
- In 2023, when it became probable and estimable, PMPA recorded a \$10.0 million settlement liability associated with a 2019 lawsuit naming PMPA a defendant by Greer and Rock Hill with respect to the allocation of costs amongst all Participants. In January 2024, the lawsuit was settled with Greer and Rock Hill receiving a combined cash payment of \$55 million, of which \$10 million was paid by PMPA out of working capital funds and \$45 million was paid by the remaining eight Participants through the issuance of the 2024A Electric Revenue Bond. Refer to Note 16 for additional settlement information.

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2024 and 2023

Net Position

The following summarizes the net position of PMPA for the years ended December 31, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In thousands)		
Assets:			
Current unrestricted assets	\$ 110,700	\$ 123,023	\$ 117,133
Current restricted assets	267,004	252,035	240,123
Noncurrent assets	703,807	683,784	715,605
Total Assets	<u>\$ 1,081,511</u>	<u>\$ 1,058,842</u>	<u>\$ 1,072,861</u>
Deferred outflows:	<u>\$ 45,824</u>	<u>\$ 19,299</u>	<u>\$ 30,461</u>
Liabilities:			
Current liabilities	\$ 264,339	\$ 258,012	\$ 247,779
Long-term liabilities	690,261	678,899	739,068
Total Liabilities	<u>\$ 954,600</u>	<u>\$ 936,911</u>	<u>\$ 986,847</u>
Deferred inflows:	<u>\$ 216</u>	<u>\$ 188</u>	<u>\$ -</u>
Net position:			
Net investment in capital assets	\$ (87,772)	\$ (168,303)	\$ (239,406)
Restricted for other	1,600	1,600	1,600
Unrestricted	258,691	307,745	354,281
Total Net Position	<u>\$ 172,519</u>	<u>\$ 141,042</u>	<u>\$ 116,475</u>

Current unrestricted assets fluctuate with the changes in marketable debt securities held in PMPA's revenue fund. Revenue fund fluctuations result from the timing of Participant cash receipts, payments made to third parties and deposits into restricted funds.

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, 2024 when compared to December 31, 2023 and decreased on December 31, 2023 when compared to December 31, 2022.

Noncurrent assets include capital assets of \$427.3 million and \$403.9 million at December 31, 2024 and 2023, respectively, net costs recoverable from future Participant billings and a Participant settlement receivable. Net costs recoverable from future Participant billings decreased by \$48.8 million and \$46.7 million in 2024 and 2023, respectively. This decrease was driven by \$66.6 million and \$52.1 million of principal deposits made during 2024 and 2023, respectively, partially offset by the deferrals of interest, depreciation, and amortization expenses. The Participant settlement receivable of \$45.4 million was

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2024 and 2023

established in April of 2024 resulting from the 2019 lawsuit settlement. Refer to Note 16 for additional settlement information.

Deferred outflows primarily consist of the asset retirement obligation, redemption losses and losses on advance refundings of debt. Deferred outflows increased \$26.5 million in 2024 and decreased \$11.2 million in 2023 primarily related to changes in assumptions related to the asset retirement obligation, refer to Note 11 for further information on the asset retirement obligation.

Long-term liabilities primarily include bonds payable, net and an asset retirement obligation. Long-term bonds payable, net decreased by \$26.0 million and \$61.2 million in 2024 and 2023, respectively, due to bond payments and the amortization of bond premiums, partially offset in 2024 by the \$48.3 million 2024A Electric Revenue Bond issuance. The asset retirement obligation, related to the decommissioning of Catawba, increased by \$37.2 million and \$1.5 million in 2024 and 2023, respectively, due to the continued accretion to the total decommissioning requirement as well as changes in assumptions. Changes in these assumptions resulted in a \$29.6 million increase in 2024 and a \$5.8 million decrease in 2023.

Current liabilities primarily reflect PMPA's debt service requirement on January 1 of the following year. As such, current liabilities increased by \$6.3 million and \$10.2 million in 2024 and 2023, respectively.

PMPA calculates net investment in capital assets as the difference between capital assets and bonds payable, including losses on advance refunding of debt. Capital assets includes accumulated depreciation and amortization, 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:

	2024	2023	2022
		(In thousands)	
Structures and improvements	\$ 176,702	\$ 176,047	\$ 174,077
Reactor plant equipment	299,383	297,657	297,376
Turbo generator units	89,136	83,259	76,988
Other equipment	118,141	116,280	116,233
Nuclear fuel	77,547	79,063	73,348
Other	28,237	25,114	29,845
Construction work-in-progress	39,056	34,083	23,688
Total	828,202	811,503	791,555
Less accumulated depreciation and amortization	(400,912)	(407,640)	(402,621)
Total, net	\$ 427,290	\$ 403,863	\$ 388,934

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2024 and 2023

PMPA's investment in capital assets on December 31, 2024 totaled \$427.3 million (net of accumulated depreciation and amortization), a \$23.4 million increase from 2023. Significant capital transactions during 2024 included \$22.0 million in nuclear fuel purchases and \$23.3 million of capital additions, partially offset by depreciation and amortization expense of \$21.8 million.

PMPA's investment in capital assets on December 31, 2023 totaled \$403.9 million (net of accumulated depreciation and amortization), an \$14.9 million increase from 2022. Significant capital transactions during 2023 included \$15.4 million in nuclear fuel purchases and \$21.0 million of capital additions, partially offset by depreciation and amortization expense of \$21.5 million.

Bonds Payable

Net bonds payable, including current installments, were \$572.3 million and \$583.8 million at December 31, 2024 and 2023, respectively. With the exception of the 2024A Electric Revenue Bond, all principal payments are due on January 1 and are required to be deposited during the prior year. The 2024A Electric Revenue Bond principal payment is due on April 30, 2035. Principal payments of \$52.1 million and \$51.3 million were made on January 1, 2024 and 2023 respectively. PMPA's next principal payment of \$66.6 million is due on January 1, 2025. Refer to Note 9 for additional information regarding PMPA's bonds payable.

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 2025 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, 2024 and 2023 (Dollars in thousands)

	<u>Assets</u>	<u>2024</u>	<u>2023</u>
Current Unrestricted Assets:			
Cash		\$ 739	\$ 47
Marketable debt securities		71,179	84,516
Participant accounts receivable		17,640	17,488
Other accounts receivable		390	956
Materials and supplies		20,752	20,016
Total Current Unrestricted Assets		<u>110,700</u>	<u>123,023</u>
Current Restricted Assets (Note 7):			
Restricted investments for debt service		127,694	124,255
Restricted investments for decommissioning		137,710	126,180
Restricted investments for other		1,600	1,600
Total Current Restricted Assets		<u>267,004</u>	<u>252,035</u>
Total Current Assets		<u>377,704</u>	<u>375,058</u>
Noncurrent Assets:			
Capital assets, net (Note 5)		427,290	403,863
Net costs recoverable from future Participant billings (Note 8)		231,117	279,894
Participant settlement receivable (Note 16)		45,400	-
Other		-	27
Total Noncurrent Assets		<u>703,807</u>	<u>683,784</u>
Total Assets		<u><u>\$ 1,081,511</u></u>	<u><u>\$ 1,058,842</u></u>
Deferred Outflows:			
Asset retirement obligation (Note 11)		\$ 36,893	\$ 7,629
Redemption losses, net		4,225	4,928
Losses on advance refundings of debt, net		4,706	6,742
Total Deferred Outflows		<u><u>\$ 45,824</u></u>	<u><u>\$ 19,299</u></u>

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Net Position (continued)

December 31, 2024 and 2023

(Dollars in thousands)

<u>Liabilities</u>	<u>2024</u>	<u>2023</u>
Current Liabilities:		
Accounts payable and other accrued liabilities	\$ 11,841	\$ 11,889
Accrued settlement liability (Note 16)	-	10,000
Total Current Liabilities	<u>11,841</u>	<u>21,889</u>
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	185,933	184,037
Current installments of bonds payable	<u>66,565</u>	<u>52,086</u>
Total Current Liabilities Payable from Restricted Assets	<u>252,498</u>	<u>236,123</u>
Total Current Liabilities	<u>264,339</u>	<u>258,012</u>
Long-Term Liabilities:		
Bonds payable, net (Notes 9 and 10)	505,758	531,750
Asset retirement obligation (Note 11)	182,667	145,510
Participant interest payable	112	-
Total other postemployment benefits (Note 13)	<u>1,724</u>	<u>1,639</u>
Total Long-Term Liabilities	<u>690,261</u>	<u>678,899</u>
Total Liabilities	<u>\$ 954,600</u>	<u>\$ 936,911</u>
Deferred Inflows:		
Postemployment benefits	<u>\$ 216</u>	<u>\$ 188</u>
<u>Net Position</u>		
Net investment in capital assets	\$ (87,772)	\$ (168,303)
Restricted for other	1,600	1,600
Unrestricted	<u>258,691</u>	<u>307,745</u>
Total Net Position	<u>\$ 172,519</u>	<u>\$ 141,042</u>

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Sales of electricity to Participants	\$ 223,172	\$ 220,132
Sales of electricity to other utilities	16,707	17,412
Other	1,607	1,421
Total Operating Revenues	<u>241,486</u>	<u>238,965</u>
Operating Expenses:		
Operation and maintenance	23,966	24,837
Nuclear fuel amortization	12,775	12,702
Purchased power	48,892	44,974
Transmission	9,921	8,861
Power delivery	581	608
Administrative and general	14,734	15,672
Depreciation	9,022	8,779
Asset retirement obligation accretion and amortization	7,893	7,984
Payments in lieu of property taxes	9,636	9,882
Total Operating Expenses	<u>137,420</u>	<u>134,299</u>
Net Operating Income	<u>104,066</u>	<u>104,666</u>
Other Nonoperating Revenues and (Expenses):		
Net decrease in net costs recoverable from future Participant billings	(48,777)	(46,721)
Interest income	9,413	7,230
Net change in fair market value of investments	1,717	5,202
Interest expense	(35,575)	(36,660)
Bond amortization	6,042	6,212
Postemployment benefits	-	(132)
Other	(5,409)	(15,230)
Total Other Nonoperating Revenues and Expenses, net	<u>(72,589)</u>	<u>(80,099)</u>
Increase in net position	31,477	24,567
Net position at beginning of year	<u>141,042</u>	<u>116,475</u>
Net position at end of year	<u><u>\$ 172,519</u></u>	<u><u>\$ 141,042</u></u>

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

(Dollars in thousands)

	2024	2023
Cash flows from operating activities:		
Receipts from customers	\$ 241,900	\$ 238,762
Payments for operations and maintenance	(24,702)	(25,467)
Payments for purchased power, transmission, and power delivery	(69,030)	(64,325)
Payments for administrative and general	(24,782)	(15,660)
Net cash from operating activities	<u>123,386</u>	<u>133,310</u>
Cash flows from investing activities:		
Purchase of investment securities	(470,026)	(424,189)
Proceeds from sales and maturities of investments	468,815	409,805
Interest received on investments	10,709	8,743
Net cash from (used in) investing activities	<u>9,498</u>	<u>(5,641)</u>
Cash flows from capital and related financing activities:		
Payment of bond principal	(52,086)	(51,290)
Proceeds from bond issuance	48,330	-
Participant settlement payment (Note 16)	(45,400)	-
Interest received on settlement debt	1,614	-
Interest payment on bonds	(32,656)	(35,906)
Expenditures for utility plant in service	(23,257)	(21,009)
Expenditures for nuclear fuel	(21,967)	(15,401)
Payment to Duke Energy for other charges	(6,794)	(5,339)
Other	24	172
Net cash used in capital and related financing activities	<u>(132,192)</u>	<u>(128,773)</u>
Net change in cash	692	(1,104)
Cash, beginning of year	<u>47</u>	<u>1,151</u>
Cash, end of year	<u><u>\$ 739</u></u>	<u><u>\$ 47</u></u>
Noncash investing and financing activities:		
Loss on sale of investment	<u>\$ (1,274)</u>	<u>\$ (1,796)</u>
Amortization expense on discounts and premiums	<u>\$ 7,757</u>	<u>\$ 9,117</u>
Amortization of net redemption loss	<u>\$ (2,739)</u>	<u>\$ (4,233)</u>
Net change in fair market value of investments	<u>\$ 1,717</u>	<u>\$ 5,202</u>
Change in decommissioning liability due to change in assumptions	<u><u>\$ (29,646)</u></u>	<u><u>\$ 5,795</u></u>

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows (continued)

Years Ended December 31, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Reconciliation of net operating income to net cash from operating activities:		
Net operating income	\$ 104,066	\$ 104,666
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation	9,022	8,779
Nuclear fuel amortization	12,775	12,702
Asset retirement obligation accretion and amortization	7,893	7,984
(Increase) decrease in:		
Participant accounts receivable	(152)	(675)
Other accounts receivable	566	472
Materials and supplies	(736)	(630)
(Decrease) increase in:		
Accounts payable and other accrued liabilities	(10,048)	12
Net cash from operating activities	<u>\$ 123,386</u>	<u>\$ 133,310</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(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 285 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 1,145 MW units. The current operating licenses for Catawba Unit 1 and Unit 2 expire on December 5, 2043.

Duke is seeking a 20-year license extension for both units allowing both units to operate through 2063. The United States Nuclear Regulatory Commission (“NRC”) directs the subsequent license renewal process. Although the renewal process cannot be formally completed with the NRC until the current license is closer to expiration, PMPA deems it probable the 20-year extension will be approved. This determination was based on, among other things, Catawba’s outstanding operating performance and the information available surrounding the subsequent license renewals approved by the NRC for current reactors that have completed the NRC renewal process.

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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

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, which 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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(b) *Losses on Advanced Refundings of Debt and Redemption Losses, net*

Losses on advanced refundings of debt and redemption losses, net at December 31, 2024 and 2023 of \$8,931 and \$11,670, respectively, which 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 9 years (2025 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, 2024 and 2023 of \$30 and \$81, respectively, (net of accumulated amortization of \$1,058 and \$1,007, 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, 2024 and 2023 of \$37,113 and \$44,921, respectively, (net of accumulated amortization of \$39,263 and \$31,455, 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 (“IRC”) Section 115.

(f) *Marketable Debt Securities*

As authorized by the General Bond Resolution, investment securities at December 31, 2024 and 2023 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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(g) Capital Assets, net

Utility plant assets are stated at cost and are 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 assets was 1.2% in both 2024 and 2023.

Utility plant assets are depreciated over the estimated useful life of Catawba, which is 39 years. Nuclear fuel is amortized over its estimated useful life, which is approximately 4.5 years.

(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) Asset Retirement Obligation

PMPA has recorded an asset retirement obligation related to the decommissioning of Catawba. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted to reflect the passage of time and changes in estimated future cash flows underlying the obligation. Any such adjustments, will also be capitalized and amortized over the remaining life of the asset.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(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 amortization 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 for Other* – 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 for other” or “net investment in capital assets.”

(k) *Revenue Recognition*

PMPA recognizes revenue on sales when the electricity is delivered to the Participants and other utilities. See Note 8 for additional information related to revenue and future costs to be recovered.

(l) *Operating and Nonoperating Revenues and Expenses*

PMPA distinguishes operating revenues and expenses from nonoperating items. Nonoperating items include revenues and expenses related to financing, the disposal of capital assets and investment income and expenses. All other revenues and expenses not meeting this definition are reported as operating revenues and expenses. The principal operating revenues of PMPA are charges to Participants and other utilities for sales and services. Operating expenses for PMPA include the costs of sales and services, general and administrative services and depreciation of capital assets.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(m) *Recent Pronouncements*

In June 2022, 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. PMPA adopted this statement effective January 1, 2024. There was no material impact on PMPA's financial statements as a result of the adoption.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. This Statement is not expected to have a material impact on PMPA.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. This Statement is not expected to have a material impact on PMPA.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. This Statement is not expected to have a material impact on PMPA.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(n) Reclassifications

In order to more accurately reflect the financial reporting presentation, certain reclassifications have been made to the 2023 financial statement presentation to correspond to the current year's format. The following table summarizes the changes to PMPA's financial statements as a result of the reclassifications:

	Capital assets, net	Asset retirement obligation	Net investment in capital assets	Unrestricted net position
As previously presented, December 31, 2023	\$ 411,492	\$ -	\$ (165,602)	\$ 305,044
Reclassification	(7,629)	7,629	(2,701)	2,701
As presented, December 31, 2023	<u>\$ 403,863</u>	<u>\$ 7,629</u>	<u>\$ (168,303)</u>	<u>\$ 307,745</u>

	Depreciation	Asset retirement obligation accretion and amortization
As previously presented, December 31, 2023	\$ 9,450	\$ 7,313
Reclassification	(671)	671
As presented, December 31, 2023	<u>\$ 8,779</u>	<u>\$ 7,984</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(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.

Each Participant is entitled to the following percentages of PMPA’s Catawba output:

Abbeville	2.68
Clinton	7.84
Easley	13.24
Gaffney	10.05
Greer	9.34
Laurens	6.49
Newberry	10.47
Rock Hill	28.04
Union	10.01
Westminster	1.84
	<u>100.00</u>

(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. 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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(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 to meet all of its load demand beyond the amounts served by Catawba, the Participants’ share of electricity, excluding backstand services, 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

PMPA entered into a Resource Management Agreement with TEA effective January 1, 2021, renewing annually. The Resource Management Agreement generally provides for PMPA to obtain backstand services for PMPA’s entitlement to capacity and energy from the Catawba and McGuire Nuclear Stations.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(5) Capital Assets

The following is a summary of capital asset activity for the years ended December 31, 2024 and 2023:

	December 31, 2024			
	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant being depreciated:				
Structures and improvements	\$ 176,047	\$ 1,255	\$ (600)	\$ 176,702
Reactor plant equipment	297,657	2,229	(503)	299,383
Turbo generator units	83,259	7,509	(1,632)	89,136
Accessory electric equipment	67,317	985	(182)	68,120
Miscellaneous plant equipment	37,026	1,316	(3)	38,339
Station equipment	5,754	8	(263)	5,499
Transmission equipment	6,183	-	-	6,183
Other	24,578	17,001	(13,878)	27,701
Nuclear fuel	79,063	21,967	(23,483)	77,547
Total utility plant assets being depreciated	776,884	52,270	(40,544)	788,610
Accumulated depreciation and amortization:				
Utility plant asset depreciation	(367,603)	(9,022)	5,041	(371,584)
Nuclear fuel amortization	(40,037)	(12,775)	23,484	(29,328)
Total utility plant assets being depreciated, net	369,244	30,473	(12,019)	387,698
Utility plant assets not being depreciated:				
Land	536	-	-	536
Construction work-in-progress	34,083	23,257	(18,284)	39,056
Total utility plant assets not being depreciated	34,619	23,257	(18,284)	39,592
Total capital assets, net	\$ 403,863	\$ 53,730	\$ (30,303)	\$ 427,290

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(5) Capital Assets – Continued

	December 31, 2023			
	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant being depreciated:				
Structures and improvements	\$ 174,077	\$ 2,651	\$ (681)	\$ 176,047
Reactor plant equipment	297,376	1,305	(1,024)	297,657
Turbo generator units	76,988	8,219	(1,948)	83,259
Accessory electric equipment	66,526	1,028	(237)	67,317
Miscellaneous plant equipment	35,988	1,044	(6)	37,026
Station equipment	7,536	146	(1,928)	5,754
Transmission equipment	6,183	-	-	6,183
Other	29,309	9,631	(14,362)	24,578
Nuclear fuel	73,348	15,401	(9,686)	79,063
Total utility plant assets being depreciated	767,331	39,425	(29,872)	776,884
Accumulated depreciation and amortization:				
Utility plant asset depreciation	(365,600)	(8,779)	6,776	(367,603)
Nuclear fuel amortization	(37,021)	(12,702)	9,686	(40,037)
Total utility plant assets being depreciated, net	364,710	17,944	(13,410)	369,244
Utility plant assets not being depreciated:				
Land	536	-	-	536
Construction work-in-progress	23,688	21,009	(10,614)	34,083
Total utility plant assets not being depreciated	24,224	21,009	(10,614)	34,619
Total capital assets, net	<u>\$ 388,934</u>	<u>\$ 38,953</u>	<u>\$ (24,024)</u>	<u>\$ 403,863</u>

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 \$23,483 and \$9,686 were removed during 2024 and 2023, respectively.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(6) Cash and Investments

On December 31, 2024, the carrying value of deposits included in cash was \$739. Insured and collateralized bank deposits were \$805 on December 31, 2024.

As of December 31, 2024, PMPA held the following investments (all are listed at fair value):

<u>Investment Type</u>	<u>Time Segmented Distribution</u>					<u>Total</u>
	<u>Under 1 Year</u>	<u>1-2 Years</u>	<u>2-3 Years</u>	<u>3-4 Years</u>	<u>>4 Years</u>	
Cash/Money Market	\$ 157,270	\$ -	\$ -	\$ -	\$ -	\$ 157,270
Government Treasury	4,891	57,328	45,287	36,562	35,766	179,834
Mortgage Backed Securities	-	-	-	-	216	216
Total fair value	<u>\$ 162,161</u>	<u>\$ 57,328</u>	<u>\$ 45,287</u>	<u>\$ 36,562</u>	<u>\$ 35,982</u>	<u>\$ 337,320</u>

On December 31, 2023, the carrying value of deposits included in cash was \$47. Insured and collateralized bank deposits were \$173 on December 31, 2023.

As of December 31, 2023, PMPA held the following investments (all are listed at fair value):

<u>Investment Type</u>	<u>Time Segmented Distribution</u>					<u>Total</u>
	<u>Under 1 Year</u>	<u>1-2 Years</u>	<u>2-3 Years</u>	<u>3-4 Years</u>	<u>>4 Years</u>	
Cash/Money Market	\$ 153,552	\$ -	\$ -	\$ -	\$ -	\$ 153,552
Government Agency	-	13,913	-	-	-	13,913
Government Treasury	15,701	40,721	40,454	38,001	33,071	167,948
Mortgage Backed Securities	-	-	-	-	252	252
Total fair value	<u>\$ 169,253</u>	<u>\$ 54,634</u>	<u>\$ 40,454</u>	<u>\$ 38,001</u>	<u>\$ 33,323</u>	<u>\$ 335,665</u>

Refer to Note 14 for additional fair value disclosures.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(6) Cash and Investments – Continued

A reconciliation of investments on December 31, 2024 and 2023 shown in the statements of net position is as follows:

	<u>2024</u>	<u>2023</u>
Investments	\$ 337,320	\$ 335,665
Accrued interest receivable	863	886
Total	<u>\$ 338,183</u>	<u>\$ 336,551</u>
Statements of Net Position:		
Marketable debt securities	\$ 71,179	\$ 84,516
Restricted investments for debt services	127,694	124,255
Restricted investments for decommissioning	137,710	126,180
Restricted investments for other	1,600	1,600
Total investments, including accrued interest receivable	<u>\$ 338,183</u>	<u>\$ 336,551</u>

The following represents the fair value of securities in an unrealized loss position and the associated unrealized loss as of December 31, 2024 and 2023:

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair Value of Securities</u>	<u>Unrealized Loss</u>	<u>Fair Value of Securities</u>	<u>Unrealized Loss</u>	<u>Fair Value of Securities</u>	<u>Unrealized Loss</u>
As of December 31, 2024	\$ 12,379	\$ (188)	\$ 55,063	\$ (2,177)	\$ 67,442	\$ (2,365)
As of December 31, 2023	\$ 10,544	\$ (57)	\$ 92,439	\$ (5,121)	\$ 102,983	\$ (5,178)

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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(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.

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.

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.

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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(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, 2024 and 2023, management believes PMPA was in compliance with all such restrictions and held the following restricted assets:

	2024		2023	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Debt services - bond principal	\$ 66,732	\$ 66,732	\$ 64,562	\$ 64,562
Debt services - bond fixed rate interest	10,987	10,987	10,862	10,862
Debt service reserve	45,356	46,187	44,263	45,679
Reserve and contingency	4,619	4,619	4,568	4,568
Decommissioning	137,710	139,810	126,180	129,411
Special reserve	1,600	1,600	1,600	1,600
	<u>\$ 267,004</u>	<u>\$ 269,935</u>	<u>\$ 252,035</u>	<u>\$ 256,682</u>
Funds are comprised of:				
Marketable debt securities	\$ 266,141	\$ 269,072	\$ 251,149	\$ 255,796
Accrued interest receivable	863	863	886	886
	<u>\$ 267,004</u>	<u>\$ 269,935</u>	<u>\$ 252,035</u>	<u>\$ 256,682</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
	(Cumulative totals)		
Items to be recovered in future Participant billings:			
Interest expense	\$ 523,168	\$ 509,088	\$ 14,080
Depreciation expense	415,323	411,681	3,642
Amortization of redemption and defeasance losses	368,863	366,125	2,738
Debt issuance costs and amortization of bond discounts and premiums	47,100	54,858	(7,758)
Nuclear fuel expenses	873	873	-
Letter of credit fees	5,649	5,649	-
Other	2,390	2,390	-
	<u>1,363,366</u>	<u>1,350,664</u>	<u>12,702</u>
Items reducing future Participant billings:			
Investment income	(76,528)	(76,528)	-
Reserve and contingency deposits	(117,840)	(117,840)	-
	<u>(194,368)</u>	<u>(194,368)</u>	<u>-</u>
Revenues (expenses) recognized:			
Interest, depreciation, amortization expense included in Participant billings for debt principal payments	(966,095)	(899,530)	(66,565)
Capital appreciation bond interest deposits	(37,735)	(37,735)	-
Reserve and contingency revenue applied to expenses	65,949	60,863	5,086
	<u>(937,881)</u>	<u>(876,402)</u>	<u>(61,479)</u>
Net costs recoverable from future Participant billings	<u>\$ 231,117</u>	<u>\$ 279,894</u>	<u>\$ (48,777)</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(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 can be 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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(9) Bonds Payable

Bonds payable, net on December 31, 2024 and 2023 consist of the following:

	<u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u>	<u>Due within one year</u>
1993 Refunding Series Electric Revenue Bonds, payable from 2024 to 2025 with interest at 5.38%	\$ 31,760	\$ -	\$ 450	\$ 31,310	\$ 31,310
2004A Capital Appreciation Electric Revenue Bonds, payable annually from 2024, 2026 to 2032 and 2034 with interest ranging from 5.54% to 5.80%	86,861	-	6,531	80,330	-
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	-
2015A Series Electric Revenue Bonds, payable annually from 2024 to 2034 with interest ranging from 3.50% to 5.00%	45,295	-	5,425	39,870	5,695
2017A Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	9,565	-	7,755	1,810	1,810
2017B Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	22,625	-	19,135	3,490	3,490

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(9) Bonds Payable – Continued

	<u>2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>2024</u>	<u>Due within one year</u>
2021A Refunding Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 4.00%	\$ 27,895	\$ -	\$ 10,870	\$ 17,025	\$ 17,025
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 2024 to 2025 with interest at 5.00%	9,155	-	1,920	7,235	7,235
2024A Electric Revenue Bond payable 2035 with interest at 5.01%	-	48,330	-	48,330	-
Total bonds payable	538,996	48,330	52,086	535,240	66,565
Less unamortized discounts	(81)	-	(51)	(30)	-
Plus unamortized premiums	44,921	-	7,808	37,113	-
Bonds payable, net	<u>\$ 583,836</u>	<u>\$ 48,330</u>	<u>\$ 59,843</u>	<u>\$ 572,323</u>	<u>\$ 66,565</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(9) Bonds Payable – Continued

Bonds payable, net on December 31, 2023 and 2022 consist of the following:

	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	<u>Due within one year</u>
1993 Refunding Series Electric Revenue Bonds, payable from 2023 to 2025 with interest at 5.38%	\$ 32,185	\$ -	\$ 425	\$ 31,760	\$ 450
2004A Capital Appreciation Electric Revenue Bonds, payable annually from 2023 to 2024, 2026 to 2032 and 2034 with interest ranging from 5.46% to 5.80%	95,091	-	8,230	86,861	6,531
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	4,485	-	4,485	-	-
2015A Series Electric Revenue Bonds, payable annually from 2023 to 2034 with interest ranging from 3.50% to 5.00%	50,460	-	5,165	45,295	5,425
2017A Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	9,565	-	-	9,565	7,755
2017B Series Electric Revenue Bonds, payable annually from 2024 to 2025 with interest at 5.00%	22,625	-	-	22,625	19,135

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(9) Bonds Payable – Continued

	<u>2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>2023</u>	<u>Due within one year</u>
2021A Refunding Series Electric Revenue Bonds, payable annually from 2023 to 2025 with interest at 4.00%	\$ 38,870	\$ -	\$ 10,975	\$ 27,895	\$ 10,870
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	-	22,010	9,155	1,920
Total bonds payable	590,286	-	51,290	538,996	52,086
Less unamortized discounts	(134)	-	(53)	(81)	-
Plus unamortized premiums	54,091	-	9,170	44,921	-
Bonds payable, net	<u>\$ 644,243</u>	<u>\$ -</u>	<u>\$ 60,407</u>	<u>\$ 583,836</u>	<u>\$ 52,086</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(9) Bonds Payable – Continued

The bonds, with the exception of the 2024A Electric Revenue Bond, 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 initial construction and continued capital additions of Catawba. The bonds are payable solely from electrical net revenues and are payable through 2034. Refer to Note 16 for additional information on the issuance of the 2024A Electric Revenue Bond.

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 bonds outstanding as of December 31, 2024. With the exception of the 2024A Electric Revenue Bond, all principal payments are due on January 1 and are required to be deposited during the year prior. The 2024A Electric Revenue Bond payment is due on April 30, 2035.

<u>Payment Due 1/1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 66,565	\$ 10,947	\$ 77,512
2026	27,064	58,666	85,730
2027	37,397	48,697	86,094
2028	37,863	48,228	86,091
2029	38,507	47,590	86,097
2030-2034	279,514	153,213	432,727
2035	48,330	800	49,130
	<u>\$ 535,240</u>	<u>\$ 368,141</u>	<u>\$ 903,381</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(10) Refunding and Defeasance of Debt

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, 2024 and 2023, \$24,345 and \$24,695 of the bonds are considered defeased in-substance, respectively.

(11) Asset Retirement Obligation

As a co-owner of Catawba, PMPA has 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, 2024 and 2023, the fair value of PMPA's assets that are legally restricted for settling the decommissioning obligation is \$137,710 and \$126,180, 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.

PMPA receives updated decommissioning studies every five years, with the most recent study completed in December 2023. The latest study included two scenarios (1) decommissioning occurs as soon as possible following the expiration of its current operating license in 2043 and (2) decommissioning occurs as soon as possible after the expiration of the operating license renewal in 2063. In 2023 dollars, the decommissioning costs are estimated to be \$1,846,942 and \$1,765,923 following the expiration of the operating license in 2043 and 2063, respectively. At December 31, 2024, PMPA determined the operating license renewal extending life to 2063 was both probable and estimable. As such, the PMPA updated its underlying asset retirement obligation to reflect the change in assumption. Refer to Note 1 for additional information on the operating license renewal.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(11) Asset Retirement Obligation – Continued

PMPA used the following assumptions in determining its asset retirement obligation:

	<u>2024</u>	<u>2023</u>
Period in which decommissioning liability was incurred	1985	1985
Agency's share of decommissioning costs per study (in 2023 dollars)	\$220,740	\$230,868
Estimation of inflation	2.75%	2.75%
Credit adjusted risk-free interest rate	3.25%	3.0%
Estimated remaining life of corresponding asset	39 years	20 years

The following is a roll forward of the asset retirement obligation for the years ended December 31, 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Asset retirement obligation at January 1	\$ 145,510	\$ 143,992
Accretion	7,511	7,313
Change in asset retirement obligation due to updated assumptions	29,646	(5,795)
Asset retirement obligation at December 31	<u>\$ 182,667</u>	<u>\$ 145,510</u>

PMPA has a deferred outflow related to the asset retirement obligation of \$36,893 and \$7,629 as of December 31, 2024 and 2023, respectively.

(12) Employee Benefit Plans

PMPA maintains a defined contribution money purchase plan in compliance with Section 401(a) of the IRC. On behalf of all full-time employees, PMPA contributes 10% of the base salary to the money purchase plan. PMPA contributions totaled \$154 and \$179 in 2024 and 2023, 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 2024 or 2023. 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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(13) Total Other Postemployment Benefits (“OPEB”)

PMPA’s, single-employer, 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 or more years of service and qualify for retiree health insurance through PMPA’s current health insurance provider. Medical benefits to qualified retirees are as follows: PMPA will maintain and pay up to 100% of premiums for group medical, dental and vision 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:

	2024	2023
Retirees	5	5
Active Employees	12	11
Total	17	16

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, 2024 and 2023:

2024 and 2023	
Valuation date	December 31, 2023
Actuarial cost method	Entry age normal
Discount rate	4.0% per annum
Salary increases	2.5% per annum
Mortality rates	1994 Group Annuity Mortality Static Table
Healthcare trend rates (Medical)	7% grading to 5.6% over 3 years and following the Getzen model thereafter to an ultimate rate of 4.04% by 2075
Healthcare trend rates (Vision)	5% per annum
Participation rates	100% of active participants are assumed to elect coverage in retirement 50% of active participants are assumed to cover a spouse in retirement

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(13) Total Other Postemployment Benefits (“OPEB”) – Continued

The following is a schedule of changes in the OPEB liability for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
OPEB liability at January 1	\$ 1,639	\$ 2,123
Service cost	50	118
Interest	66	50
Experience gains	-	(24)
Changes of assumptions	-	(599)
Benefit paid	(31)	(29)
OPEB liability at December 31	<u>\$ 1,724</u>	<u>\$ 1,639</u>

The following table represents the net OPEB liability calculated using the stated medical trend assumption, as well as what the net OPEB liability would be if it were calculated using a medical trend rate that is one percentage point lower or one percentage point higher than the assumed medical trend rate.

	<u>Medical Trend Rate</u>		
	1% Decrease (6.0% to 4.6% over 3 years following Getzen model thereafter)	Current (7.0% to 5.6% over 3 years following Getzen model thereafter)	1% Increase (8.0% to 6.6% over 3 years following Getzen model thereafter)
OPEB Liability	\$1,421	\$1,724	\$2,113

The following table represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>Discount Rate</u>		
	1% Decrease (3.0%)	Current (4.0%)	1% Increase (5.0%)
OPEB Liability	\$2,066	\$1,724	\$1,451

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(13) Total 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 7.4 years for the years ended December 31, 2024 and 2023. The following table summarizes OPEB expense for the years ended December 31, 2024 and 2023:

	2024	2023
Service cost	\$ 50	\$ 118
Interest	66	50
Experience gains	-	(3)
Changes of assumptions	-	(82)
Amortization of deferrals	28	112
Total OPEB expense	<u>\$ 144</u>	<u>\$ 195</u>

The deferred inflows of resources related to OPEB was \$216 and \$188 on December 31, 2024 and 2023, respectively. The deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ending December 31,	
2025	\$ 28
2026	(24)
2027	(54)
2028	(54)
2029	(81)
Thereafter	(31)
	<u>\$ (216)</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(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 statement of net position, 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, 2024 and 2023, PMPA's investments included money market investments of \$157,270 and \$153,552, respectively, which were valued at amortized cost approximate fair value, and marketable debt securities of \$180,050 and \$182,113, respectively, which were valued at fair value 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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(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, 2024 and 2023 are as follows:

	2024		2023	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
1993 Electric Revenue Refunding Bonds	\$ 32,152	\$ 32,152	\$ 32,567	\$ 33,363
2004A-2 Electric Revenue Refunding Bonds	255,317	273,524	260,078	288,621
2009B Build America Bonds	27,422	29,753	27,422	30,892
2015A Electric Revenue Refunding Bonds	41,806	40,828	47,825	47,163
2017A Electric Revenue Refunding Bonds	1,855	1,855	9,843	9,841
2017B Electric Revenue Refunding Bonds	3,577	3,577	23,286	23,261
2021A Electric Revenue Refunding Bonds	17,366	17,366	29,062	28,631
2021B Electric Revenue Refunding Bonds	113,946	104,191	116,555	108,120
2021C Electric Revenue Refunding Bonds	103,722	95,968	105,681	98,689
2021D Electric Revenue Refunding Bonds	104,136	94,516	105,844	97,929
2021E Electric Revenue Refunding Bonds	7,416	7,416	9,710	9,530
2024A Electric Revenue Bond	49,541	50,278	-	-
	<u>\$ 758,256</u>	<u>\$ 751,424</u>	<u>\$ 767,873</u>	<u>\$ 776,040</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(15) Nuclear Insurance and Other Risk Management

As part of the Operating Agreement, Duke is responsible for the maintenance of insurance policies as it relates to Catawba. PMPA reimburses Duke for their ownership percentage of these costs.

Nuclear Liability Coverage. The Price-Anderson Act requires owners of nuclear reactors to provide for public nuclear liability protection per nuclear incident up to a maximum total financial protection liability. The maximum total financial protection liability, which is approximately \$16,200,000, is subject to change every five years for inflation and for the number of licensed reactors. Total nuclear liability coverage consists of a combination of private primary nuclear liability insurance coverage and a mandatory industry risk-sharing program to provide for excess nuclear liability coverage above the maximum reasonably available private primary coverage. The U.S. Congress could impose revenue-raising measures on the nuclear industry to pay claims.

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

Excess Liability Program. This program provides \$16,200,000 coverage per incident through the Price-Anderson Act's mandatory industrywide excess secondary financial protection program of risk pooling. This amount is the product of potential cumulative retrospective premium assessments of \$166,000 times the current 95 licensed commercial nuclear reactors in the U.S. Under this program, operating unit 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. Retrospective premiums may be assessed at a rate not to exceed \$24,700 per year per licensed reactor for each incident. The assessment may be subject to state premium taxes.

Nuclear Property and Accidental Outage Coverage. Duke is a member of Nuclear Electric Insurance Limited ("NEIL"), an industry mutual insurance company, which provides property damage, nuclear accident decontamination and premature decommissioning insurance for each station for losses resulting from damage to its nuclear plants, either due to accidents or acts of terrorism. Additionally, NEIL provides accidental outage coverage for losses in the event of a major accidental outage at an insured nuclear station.

Pursuant to regulations of the NRC, 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 the plant before any proceeds can be used for decommissioning, plant repair or restoration.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(15) Nuclear Insurance and Other Risk Management – Continued

Losses resulting from acts of terrorism are covered as common occurrences, such that if 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 act occurred would share one full limit of liability. The full limit of liability is currently \$3,200,000.

NEIL sublimits the total aggregate for all of their policies for non-nuclear terrorist events to approximately \$1,800,000.

Catawba has accident property damage, nuclear accident decontamination and premature decommissioning liability insurance from NEIL with limits of \$1,500,000. Catawba has a dedicated \$1,250,000 of additional nuclear accident insurance limit above its dedicated underlying limit. Catawba also has an additional \$750,000 of non-nuclear accident property damage limit. All coverages are subject to sublimits and significant deductibles.

NEIL's Accidental Outage policy provides some coverage, similar to business interruption, for losses in the event of a major accident property damage outage of a nuclear unit. Coverage is provided on a weekly limit basis after a significant waiting period deductible and at 100% of the applicable weekly limits for 52 weeks and 80% of the applicable weekly limits for up to the next 110 weeks. Coverage is provided until these applicable weekly periods are met, where the accidental outage policy limit will not exceed \$490,000 for Catawba. NEIL sublimits the accidental outage recovery up to the first 104 weeks of coverage not to exceed \$328,000 from non-nuclear accidental property damage. Coverage amounts decrease in the event more than one unit at a station is out of service due to a common accident. All coverages are subject to sublimits and significant deductibles.

Potential Retroactive Premium Assessments. In the event of NEIL losses, NEIL's board of directors may assess member companies' retroactive premiums of amounts up to 10 times their 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 Energy Carolinas are \$147,000. Duke Energy Carolinas' maximum assessment amount includes 100% of potential obligations to NEIL for jointly owned reactors. Duke Energy Carolinas would seek reimbursement from the joint owners for their portion of these assessment amounts.

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 \$7,053.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(16) Commitments and Contingencies

PMPA 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 PMPA's business, financial condition, or results of operation.

In 2019, PMPA was named a defendant in a lawsuit by Greer and Rock Hill with respect to the allocation of costs amongst all Participants. In January 2024, the lawsuit was settled with Greer and Rock Hill receiving a combined cash payment of \$55 million, of which \$10 million was paid by PMPA out of working capital funds and \$45 million was paid by the remaining eight Participants. In April of 2024, PMPA issued the 2024A Electric Revenue Bond on behalf of the remaining eight Participants with principal due April 30, 2035 and interest payable twice a year. The eight Participants reimburse PMPA for the current interest costs each month as part of their monthly power invoices. The Statements of Net Position includes a long-term Participant settlement receivable representing the principal amount due to PMPA by the eight Participant's at the bond's maturity. The financing associated with the \$45 million cash payment is excluded from PMPA's wholesale rates and net costs recoverable from future Participant billings as it will be paid by the remaining eight Participants during the life of the bond.

In July 2023, PMPA was named a defendant in a lawsuit by a Participant regarding the terms of the Project Sales Agreements. The lawsuit seeks a declaratory judgment regarding final accounting procedures set forth within the Project Sales Agreements. In January 2025, a second Participant joined this lawsuit as an additional plaintiff. 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.

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, 2024

(Dollars in thousands)

	Actual Revenues and Expenses	Budgeted Revenues and Expenses	Actual Over (Under) Budget
Revenues:			
Sales of electricity to Participants	\$ 223,172	\$ 224,479	\$ (1,307)
Sales of electricity to Duke	10,665	11,807	(1,142)
Sales of electricity to Others	6,042	6,200	(158)
Interest income	9,413	9,393	20
Other	1,607	1,424	183
Total Revenues	<u>\$ 250,899</u>	<u>\$ 253,303</u>	<u>\$ (2,404)</u>
Expenses:			
Catawba operating expenses:			
Operation and maintenance	\$ 23,966	\$ 25,443	\$ (1,477)
Nuclear fuel amortization	12,775	13,047	(272)
Purchased power-Duke	12,300	12,752	(452)
Payments in lieu of taxes	9,636	10,376	(740)
Purchased power:			
Supplemental Suppliers	18,123	20,281	(2,158)
Participants	15,505	16,394	(889)
Other	2,964	2,482	482
Transmission services	9,921	10,124	(203)
Power delivery	581	587	(6)
Administrative and general:			
Agency	5,782	6,156	(374)
Duke	8,952	9,737	(785)
Other	5,156	5,997	(841)
Special fund deposits(withdrawals):			
Bond fund:			
Deposits from revenues	87,038	85,420	1,618
Decommissioning fund:			
Deposits from revenue	7,159	7,159	-
Interest income(1)	3,240	3,113	127
Revenue fund:			
Working capital	6,914	(1,269)	8,183
Net change in fair market value	1	-	1
Fuel	(21,967)	(18,679)	(3,288)
Debt service reserve release	(2,371)	(2,371)	-
Debt issuance:			
Bond issue proceeds	48,330	47,271	1,059
Participant settlement receivable	(45,400)	(44,405)	(995)
Excess Funds	(2,930)	(2,866)	(64)
Plant additions:			
Generation	22,788	25,464	(2,676)
General	403	565	(162)
Transmission equipment	66	1,846	(1,780)
Fuel acquisitions	21,967	18,679	3,288
Total Expenses	<u>\$ 250,899</u>	<u>\$ 253,303</u>	<u>\$ (2,404)</u>

(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, 2024

(Dollars in thousands)

	FUNDS						
	Revenue	Operating	Bond		Reserve	Decommission	Supplemental
			Principal		Contingency		Power
	Working Capital	Fuel Account	Interest Retirement	Reserve			
Balances at beginning of year:							
Assets	\$ 117,839	\$ 5,186	\$ 75,424	\$ 44,263	\$ 4,568	\$ 126,180	\$ 1,600
Liabilities	(21,889)	-	-	-	-	-	-
Net	95,950	5,186	75,424	44,263	4,568	126,180	1,600
Project revenues:							
Participants-Electric	(1) 223,172						
-Facilities rent	(1) 339						
-Other	(1) 1,268						
Duke Power-Electric	(1) 10,665						
Other Surplus-Electric	(1) 6,042						
Interest income	(1) 6,173					3,240	
Project costs:							
Operations and maintenance	(2) (23,966)						
Nuclear fuel amortization	(3) (12,775)	12,775					
Purchased power-Duke	(2) (12,300)						
Asset retirement obligation	(3) (7,159)					7,159	
Administrative and general	(2) (13,520)						
Payments in lieu of taxes	(2) (9,538)						
Other	(2) (6,912)						
Debt service	(3) (83,050)		86,035	(2,155)	(215)		
Supplemental power costs:							
Purchased power:							
-Supplemental Suppliers	(2) (18,123)						
-Participants	(2) (15,505)						
-Other	(2) (2,964)						
Transmission services	(2) (9,921)						
Power delivery	(2) (581)						
Administrative and general	(2) (1,214)						
Payments in lieu of taxes	(2) (98)						
Other	(2) 1,647						
Debt service	(3) (1,621)		1,621				
Other fund changes:							
Net change in fair market value		1		585		1,131	
Debt issuance:							
Bond issue proceeds	(2) 48,330						
Participant settlement receivable	(2) (45,400)						
Excess funds	(2) (2,930)			2,663	266		
Payments:							
Debt service	(2) 112		(85,361)				
Capital additions	(2) (23,257)	(21,967)					
Balances at December 31, 2024	\$ 102,865	\$ (4,006)	\$ 77,719	\$ 45,356	\$ 4,619	\$ 137,710	\$ 1,600
Assets	114,706						
Liabilities	(11,841)						
	\$ 102,865						

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