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PIEDMONT MUNICIPAL POWER AGENCY

Financial Statements and Supplementary Information

December 31, 2025 and 2024

(With Report of Independent Auditor Thereon)

PIEDMONT MUNICIPAL POWER AGENCY

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Report of independent Auditor

To the Board of Directors
Piedmont Municipal Power Agency
Greer, South Carolina

Opinion

We have audited the accompanying financial statements of Piedmont Municipal Power Agency (“PMPA”), as of December 31, 2025 and 2024, 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, 2025 and 2024, and the changes in 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 9, 2026

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2025 and 2024

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, 2025 and 2024. Please read this discussion and analysis in conjunction with the financial statements that follow this section.

Financial Highlights

Year Ended December 31, 2025:

- PMPA's wholesale rates to Participants remain unchanged in 2025.
- In 2025, net cash generated from operating and investing activities was \$122.8 million and \$9.5 million, respectively, offsetting cash used in financing activities of \$132.2 million.

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 Greer and Rock Hill 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.

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2025 and 2024

Overview of the Financial Activities

The following is an overview of the financial activities of PMPA for the years ended December 31, 2025 and 2024.

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, 2025 and 2024

Financial Information

The following summarizes the activities of PMPA for the years ended December 31, 2025, 2024, and 2023:

	2025	2024	2023
	(In thousands)		
Revenues:			
Sales of electricity to Participants	\$ 224,990	\$ 223,172	\$ 220,132
Sales of electricity to other utilities and other operating revenues	22,613	18,314	18,833
Total operating revenues	247,603	241,486	238,965
Interest income	10,448	9,413	7,230
Net change in fair market value of investments	4,504	1,717	5,202
Total Revenues	262,555	252,616	251,397
Expenses:			
Operation, maintenance, and nuclear fuel amortization	40,963	36,741	37,539
Purchased power, transmission, and power delivery	61,922	59,394	54,443
Administrative, general, and payments in lieu of property taxes	25,646	24,370	25,554
Net decrease in net costs recoverable from future Participant billings	48,395	48,777	46,721
Depreciation	9,810	9,022	8,779
Interest and bond amortization expense	27,898	29,533	30,448
Postemployment benefits	146	-	132
Other	14,621	13,302	23,214
Total Expenses	229,401	221,139	226,830
Increase in net position	33,154	31,477	24,567
Net position at beginning of year	172,519	141,042	116,475
Net position at end of year	\$ 205,673	\$ 172,519	\$ 141,042

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2025 and 2024

Results of Operations

Revenues

- Sales of electricity to Participants, PMPA's primary source of revenue, increased in 2025 by 0.8%, or approximately \$1.8 million. This increase was driven by an increase in energy sold to Participants. Sales of electricity to Participants 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 other utilities and other operating revenues increased by 23.5%, or approximately \$4.3 million, in 2025 due to an increase in surplus energy rates coupled with an increase in energy available to sell in the market. Sales of electricity to other utilities and other operating revenues decreased by 2.8%, or approximately \$0.5 million, in 2024 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

- Operation, maintenance and nuclear fuel amortization expenses increased by 11.5%, or approximately \$4.2 million, in 2025 due to the timing of refueling outage costs associated with the Catawba Nuclear plant.
- Purchased power, transmission and power delivery expenses increased by 4.3%, or approximately \$2.5 million, in 2025 due to an increase in transmission costs associated with the recovery of Hurricane Helene related costs. Additionally, supplemental energy purchases as well as the associated prices increased during 2025. 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.

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2025 and 2024

Net Position

The following summarizes the net position of PMPA for the years ended December 31, 2025, 2024, and 2023:

	2025	2024	2023
	(In thousands)		
Assets:			
Current unrestricted assets	\$ 115,784	\$ 110,700	\$ 123,023
Current restricted assets	268,741	267,004	252,035
Capital assets, net	442,127	427,290	403,863
Noncurrent assets	228,122	276,517	279,921
Total Assets	\$ 1,054,774	\$ 1,081,511	\$ 1,058,842
Deferred outflows:	\$ 43,255	\$ 45,824	\$ 19,299
Liabilities:			
Current liabilities	\$ 229,410	\$ 264,339	\$ 258,012
Long-term liabilities	662,878	690,261	678,899
Total Liabilities	\$ 892,288	\$ 954,600	\$ 936,911
Deferred inflows:	\$ 68	\$ 216	\$ 188
Net position:			
Net investment in capital assets	\$ (1,363)	\$ (87,772)	\$ (168,303)
Restricted for other	1,600	1,600	1,600
Unrestricted	205,436	258,691	307,745
Total Net Position	\$ 205,673	\$ 172,519	\$ 141,042

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 investments restricted for decommissioning and debt service. Investments restricted for decommissioning increase each year due to PMPA's regular deposits into the decommissioning fund and the reinvestment of associated interest income. Investments 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 investments restricted for debt service decreased on December 31, 2025 when compared to December 31, 2024 and increased on December 31, 2024 when compared to December 31, 2023. Additionally, PMPA was able to release \$9.2 million from the reserves included within investments restricted for debt service in 2025 due to the maturity of the associated bonds on January 1, 2025.

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2025 and 2024

Noncurrent assets include net costs recoverable from future Participant billings and a Participant settlement receivable. Net costs recoverable from future Participant billings associated with interest expense on capital appreciation bonds accrued, but not yet paid, were \$149.2 million, \$175.0 million and \$160.9 million as of December 31, 2025, 2024 and 2023, respectively. The fluctuations in these balances are driven by the timing of interest payments compared to the annual interest expense accrued. The remaining net costs recoverable from future Participant billings were \$33.5 million, \$56.1 million and \$119.0 million as of December 31, 2025, 2024 and 2023, respectively. The decreases in these balances were driven by required deposits for bonds payable due January, 1 2026 and 2025 of \$27.1 million and \$66.6 million, respectively, partially offset by additional deferrals relating to debt issuance expenses, amortization of bond discounts and premiums, defeasance losses, redemption losses and depreciation. The Participant settlement receivable of \$45.4 million was established in April of 2024 resulting from the settlement of the 2019 lawsuit. 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. In 2024, deferred outflows increased \$26.5 million 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 \$33.7 million and \$26.0 million in 2025 and 2024, 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 \$5.9 million and \$37.2 million in 2025 and 2024, respectively, due to continued accretion to the total decommissioning requirement. Additionally, in 2024, changes in the underlying assumptions resulted in a \$29.6 million increase.

Current liabilities primarily reflect PMPA's debt service requirement on January 1 of the following year. As such, current liabilities decreased by \$34.9 million and increased \$6.3 million in 2025 and 2024, 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.

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2025 and 2024

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:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
		(In thousands)	
Structures and improvements	\$ 176,880	\$ 176,702	\$ 176,047
Reactor plant equipment	299,599	299,383	297,657
Turbo generator units	89,061	89,136	83,259
Other equipment	119,099	118,141	116,280
Nuclear fuel	86,598	77,547	79,063
Other	51,304	28,237	25,114
Construction work-in-progress	35,301	39,056	34,083
Total	<u>857,842</u>	<u>828,202</u>	<u>811,503</u>
Less accumulated depreciation and amortization	<u>(415,715)</u>	<u>(400,912)</u>	<u>(407,640)</u>
Total, net	<u>\$ 442,127</u>	<u>\$ 427,290</u>	<u>\$ 403,863</u>

PMPA's investment in capital assets on December 31, 2025 totaled \$442.1 million (net of accumulated depreciation and amortization), a \$14.8 million increase from 2024. Significant capital transactions during 2025 included \$14.7 million in nuclear fuel purchases and \$23.6 million of capital additions, partially offset by depreciation and amortization expense of \$23.4 million.

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.

Bonds Payable

Net bonds payable, including current installments, were \$499.1 million and \$572.3 million at December 31, 2025 and 2024, 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 \$66.6 million and \$52.1 million were made on January 1, 2025 and 2024 respectively. PMPA's next principal payment of \$27.1 million is due on January 1, 2026. 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 2026 budget does not include an increase in PMPA's wholesale rates to the Participants.

PIEDMONT MUNICIPAL POWER AGENCY

Management's Discussion and Analysis

December 31, 2025 and 2024

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, 2025 and 2024 (Dollars in thousands)

<u>Assets</u>	<u>2025</u>	<u>2024</u>
Current Unrestricted Assets:		
Cash	\$ 882	\$ 739
Marketable debt securities	74,885	71,179
Participant accounts receivable	18,119	17,640
Other accounts receivable	830	390
Materials and supplies	21,068	20,752
Total Current Unrestricted Assets	115,784	110,700
Current Restricted Assets (Note 7):		
Restricted investments for debt service	119,236	127,694
Restricted investments for decommissioning	147,905	137,710
Restricted investments for other	1,600	1,600
Total Current Restricted Assets	268,741	267,004
Total Current Assets	384,525	377,704
Noncurrent Assets:		
Depreciable capital assets, net (Note 5)	406,290	387,698
Non-depreciable capital assets (Note 5)	35,837	39,592
Net costs recoverable from future Participant billings (Note 8)	182,722	231,117
Participant settlement receivable (Note 16)	45,400	45,400
Total Noncurrent Assets	670,249	703,807
Total Assets	\$ 1,054,774	\$ 1,081,511
Deferred Outflows:		
Asset retirement obligation (Note 11)	\$ 35,947	\$ 36,893
Redemption losses, net	3,576	4,225
Losses on advance refundings of debt, net	3,732	4,706
Total Deferred Outflows	\$ 43,255	\$ 45,824

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Net Position (continued)

December 31, 2025 and 2024

(Dollars in thousands)

<u>Liabilities</u>	<u>2025</u>	<u>2024</u>
Current Liabilities:		
Accounts payable and other accrued liabilities	\$ 3,149	\$ 11,841
Total Current Liabilities	3,149	11,841
Current Liabilities Payable from Restricted Assets:		
Accrued interest payable	199,197	185,933
Current installments of bonds payable	27,064	66,565
Total Current Liabilities Payable from Restricted Assets	226,261	252,498
Total Current Liabilities	229,410	264,339
Long-Term Liabilities:		
Bonds payable, net (Notes 9 and 10)	472,064	505,758
Asset retirement obligation (Note 11)	188,604	182,667
Participant interest payable	192	112
Total other postemployment benefits (Note 13)	2,018	1,724
Total Long-Term Liabilities	662,878	690,261
Total Liabilities	\$ 892,288	\$ 954,600
Deferred Inflows:		
Postemployment benefits (Note 13)	\$ 68	\$ 216
<u>Net Position</u>		
Net investment in capital assets	\$ (1,363)	\$ (87,772)
Restricted for other	1,600	1,600
Unrestricted	205,436	258,691
Total Net Position	\$ 205,673	\$ 172,519

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025 and 2024
(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Operating Revenues:		
Sales of electricity to Participants	\$ 224,990	\$ 223,172
Sales of electricity to other utilities	20,912	16,707
Other	1,701	1,607
Total Operating Revenues	<u>247,603</u>	<u>241,486</u>
Operating Expenses:		
Operation and maintenance	27,355	23,966
Nuclear fuel amortization	13,608	12,775
Purchased power	49,889	48,892
Transmission	11,445	9,921
Power delivery	588	581
Administrative and general	16,122	14,734
Depreciation	9,810	9,022
Asset retirement obligation accretion and amortization	6,883	7,893
Payments in lieu of property taxes	9,524	9,636
Total Operating Expenses	<u>145,224</u>	<u>137,420</u>
Net Operating Income	<u>102,379</u>	<u>104,066</u>
Other Nonoperating Revenues and (Expenses):		
Net decrease in net costs recoverable from future Participant billings	(48,395)	(48,777)
Interest income	10,448	9,413
Net change in fair market value of investments	4,504	1,717
Interest expense	(33,877)	(35,575)
Bond amortization	5,979	6,042
Postemployment benefits	(146)	-
Other	(7,738)	(5,409)
Total Other Nonoperating Revenues and Expenses, net	<u>(69,225)</u>	<u>(72,589)</u>
Increase in net position	33,154	31,477
Net position at beginning of year	<u>172,519</u>	<u>141,042</u>
Net position at end of year	<u>\$ 205,673</u>	<u>\$ 172,519</u>

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

(Dollars in thousands)

	2025	2024
Cash flows from operating activities:		
Receipts from customers	\$ 246,684	\$ 241,900
Payments for operations and maintenance	(27,671)	(24,702)
Payments for purchased power, transmission, and power delivery	(71,446)	(69,030)
Payments for administrative and general	(24,814)	(24,782)
Net cash from operating activities	122,753	123,386
Cash flows from investing activities:		
Purchase of investment securities	(478,784)	(470,026)
Proceeds from sales and maturities of investments	477,299	468,815
Interest received on investments	10,994	10,709
Net cash from investing activities	9,509	9,498
Cash flows used in capital and related financing activities:		
Payment of bond principal	(66,565)	(52,086)
Proceeds from bond issuance	-	48,330
Participant settlement payment (Note 16)	-	(45,400)
Interest received on settlement debt	2,421	1,614
Interest payment on bonds	(19,639)	(32,656)
Expenditures for utility plant in service	(23,553)	(23,257)
Expenditures for nuclear fuel	(14,702)	(21,967)
Payment to Duke Energy for other charges	(9,981)	(6,794)
Other	(100)	24
Net cash used in capital and related financing activities	(132,119)	(132,192)
Net change in cash	143	692
Cash, beginning of year	739	47
Cash, end of year	\$ 882	\$ 739
Noncash investing and financing activities:		
Loss on sale of investment	\$ (754)	\$ (1,274)
Amortization expense on discounts and premiums	\$ 6,630	\$ 7,757
Amortization of net redemption loss	\$ (1,623)	\$ (2,739)
Net change in fair market value of investments	\$ 4,504	\$ 1,717
Change in decommissioning liability due to change in assumptions	\$ -	\$ (29,646)

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Statements of Cash Flows (continued)

Years Ended December 31, 2025 and 2024

(Dollars in thousands)

	2025	2024
Reconciliation of net operating income to net cash from operating activities:		
Net operating income	\$ 102,379	\$ 104,066
Adjustments to reconcile net operating income to net cash from operating activities:		
Depreciation	9,810	9,022
Nuclear fuel amortization	13,608	12,775
Asset retirement obligation accretion and amortization	6,883	7,893
(Increase) decrease in:		
Participant accounts receivable	(479)	(152)
Other accounts receivable	(440)	566
Materials and supplies	(316)	(736)
Decrease in:		
Accounts payable and other accrued liabilities	(8,692)	(10,048)
Net cash from operating activities	\$ 122,753	\$ 123,386

See accompanying notes to financial statements.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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 Catawba 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.

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. Duke is also seeking a 20-year license extension for both McGuire units.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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, 2025 and 2024

(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, 2025 and 2024 of \$7,308 and \$8,931, respectively, have been deferred in accordance with U.S. GAAP and are being recognized over the term of the debt issued. The remaining costs on advanced refundings will be amortized over the next 8 years (2026 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, 2025 and 2024 of \$26 and \$30, respectively, (net of accumulated amortization of \$42 and \$1,058, respectively) are being amortized using the straight-line method, which approximates the effective interest method.

(d) Premiums on Bonds Payable

The premiums on bonds payable at December 31, 2025 and 2024 of \$30,479 and \$37,113, respectively, (net of accumulated amortization of \$32,822 and \$39,263, respectively) are being amortized using the straight-line method, which 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, 2025 and 2024 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, 2025 and 2024

(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 2025 and 2024.

Utility plant assets are depreciated over the estimated useful life of Catawba, which is 38 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 is adjusted to reflect the passage of time and changes in estimated future cash flows underlying the obligation. Any such adjustments are capitalized and amortized over the remaining life of the asset.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(j) *Net Position*

Net position 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, 2025 and 2024

(Dollars in thousands)

(2) Summary of Significant Accounting Policies – Continued

(m) *Recent Pronouncements*

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. PMPA adopted this statement effective January 1, 2025. There was no material impact on PMPA’s financial statements as a result of the adoption.

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. PMPA is assessing the impact of this Statement on the financial statements.

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.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. This Statement is not expected to have a material impact on PMPA.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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 between PMPA and 3 of its Participants (Greer, Rock Hill and Union) 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. In 2025, the Power Sales Agreements between PMPA and remaining seven Participants were extended and will remain in effect until the earlier of August 1, 2085 or the satisfaction of the all of following criteria: (1) the entire Catawba Nuclear Station (both Unit 1 and 2) has ceased operations and is retired from service, (2) the principal of and premium, if any, and interest on all of the Bonds have been paid in full or funds are set aside for the payment or retirement thereof in accordance with the Bond Resolution; (3) all other obligations and liabilities hereunder have been paid or provided for; and (4) all obligations and liabilities of PMPA under the Project Agreements have been performed and paid or provided for.

Under the Power Sales Agreements effective through August 1, 2035, 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>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(3) Power Sales Agreements – Continued

(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.

(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.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(4) Project and Other Agreements – Continued

(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.

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, 2025 and 2024

(Dollars in thousands)

(5) Capital Assets

The following is a summary of capital asset activity for the years ended December 31, 2025 and 2024:

	December 31, 2025			
	Beginning Balance	Increase	Decrease	Ending Balance
Utility plant being depreciated:				
Structures and improvements	\$ 176,702	\$ 624	\$ (446)	\$ 176,880
Reactor plant equipment	299,383	458	(242)	299,599
Turbo generator units	89,136	82	(157)	89,061
Accessory electric equipment	68,120	850	(98)	68,872
Miscellaneous plant equipment	38,339	477	(614)	38,202
Station equipment	5,499	581	(238)	5,842
Transmission equipment	6,183	-	-	6,183
Other	27,701	25,559	(2,492)	50,768
Nuclear fuel	77,547	14,702	(5,651)	86,598
Total utility plant assets being depreciated	788,610	43,333	(9,938)	822,005
Accumulated depreciation and amortization:				
Utility plant asset depreciation	(371,584)	(9,810)	2,964	(378,430)
Nuclear fuel amortization	(29,328)	(13,608)	5,651	(37,285)
Total utility plant assets being depreciated, net	387,698	19,915	(1,323)	406,290
Utility plant assets not being depreciated:				
Land	536	-	-	536
Construction work-in-progress	39,056	23,553	(27,308)	35,301
Total utility plant assets not being depreciated	39,592	23,553	(27,308)	35,837
Total capital assets, net	\$ 427,290	\$ 43,468	\$ (28,631)	\$ 442,127

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(5) Capital Assets – Continued

	December 31, 2024			Ending Balance
	Beginning Balance	Increase	Decrease	
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

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 \$5,651 and \$23,483 were removed during 2025 and 2024, respectively.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(6) Cash and Investments

On December 31, 2025, the carrying value of deposits included in cash was \$882. Insured and collateralized bank deposits were \$904 on December 31, 2025.

As of December 31, 2025, 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	\$ 159,507	\$ -	\$ -	\$ -	\$ -	\$ 159,507
Government Treasury	7,048	59,531	42,187	42,468	31,631	182,865
Mortgage Backed Securities	-	-	-	-	183	183
Total fair value	<u>\$ 166,555</u>	<u>\$ 59,531</u>	<u>\$ 42,187</u>	<u>\$ 42,468</u>	<u>\$ 31,814</u>	<u>\$ 342,555</u>

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>

Refer to Note 14 for additional fair value disclosures.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(6) Cash and Investments – Continued

A reconciliation of investments on December 31, 2025 and 2024 shown in the Statements of Net Position is as follows:

	2025	2024
Investments	\$ 342,555	\$ 337,320
Accrued interest receivable	1,071	863
Total	\$ 343,626	\$ 338,183
Statements of Net Position:		
Marketable debt securities	\$ 74,885	\$ 71,179
Restricted investments for debt service	119,236	127,694
Restricted investments for decommissioning	147,905	137,710
Restricted investments for other	1,600	1,600
Total investments, including accrued interest receivable	\$ 343,626	\$ 338,183

The following represents the fair value of securities in an unrealized loss position and the associated unrealized loss as of December 31, 2025 and 2024:

	Less than 12 months		12 months or more		Total	
	Fair Value of Securities	Unrealized Loss	Fair Value of Securities	Unrealized Loss	Fair Value of Securities	Unrealized Loss
As of December 31, 2025	\$ 5,322	\$ (13)	\$ 26,661	\$ (219)	\$ 31,983	\$ (232)
As of December 31, 2024	\$ 12,379	\$ (188)	\$ 55,063	\$ (2,177)	\$ 67,442	\$ (2,365)

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, 2025 and 2024

(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, 2025 and 2024

(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, 2025 and 2024, management believes PMPA was in compliance with all such restrictions and held the following restricted assets:

	2025		2024	
	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Debt service - bond principal	\$ 67,897	\$ 67,897	\$ 66,732	\$ 66,732
Debt service - bond fixed rate interest	9,349	9,349	10,987	10,987
Debt service reserve	38,205	37,847	45,356	46,187
Reserve and contingency	3,785	3,785	4,619	4,619
Decommissioning	147,905	146,694	137,710	139,810
Special reserve	1,600	1,600	1,600	1,600
	\$ 268,741	\$ 267,172	\$ 267,004	\$ 269,935
Funds are comprised of:				
Marketable debt securities	\$ 267,670	\$ 266,101	\$ 266,141	\$ 269,072
Accrued interest receivable	1,071	1,071	863	863
	\$ 268,741	\$ 267,172	\$ 267,004	\$ 269,935

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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.

PMPA will recognize the following expenses 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.

Interest expense on capital appreciation bonds accrued, but not yet paid, decreased from \$174,987 on December 31, 2024 to \$149,224 on December 31, 2025. The remaining Net Costs Recoverable from Future Participant Billings decreased from \$56,130 on December 31, 2024 to \$33,498 on December 31, 2025 as a result of required bond principal payment deposits of the \$27,064 due January 1, 2026, partially offset by additional deferrals relating to debt issuance expenses, amortization of bond discounts and premiums, defeasance losses, redemption losses and depreciation.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(9) Bonds Payable

Bonds payable, net on December 31, 2025 consist of the following:

	<u>2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025</u>	<u>Due within one year</u>
1993 Refunding Series Electric Revenue Bonds	\$ 31,310	\$ -	\$ 31,310	\$ -	\$ -
2004A Capital Appreciation Electric Revenue Bonds, payable annually from 2026 to 2032 and 2034 with interest ranging from 5.69% to 5.80%	80,330	-	-	80,330	17,529
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 2026 to 2034 with interest ranging from 3.50% to 5.00%	39,870	-	5,695	34,175	6,025
2017A Series Electric Revenue Bonds	1,810	-	1,810	-	-
2017B Series Electric Revenue Bonds	3,490	-	3,490	-	-
2021A Refunding Series Electric Revenue Bonds	17,025	-	17,025	-	-

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(9) Bonds Payable – Continued

	<u>2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025</u>	<u>Due within one year</u>
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	3,510
2021E Refunding Series Electric Revenue Bonds	7,235	-	7,235	-	-
2024A Electric Revenue Bond payable 2035 with interest at 5.01%	48,330	-	-	48,330	-
Total bonds payable	<u>535,240</u>	-	<u>66,565</u>	<u>468,675</u>	<u>27,064</u>
Less unamortized discounts	(30)	-	(4)	(26)	-
Plus unamortized premiums	<u>37,113</u>	-	<u>6,634</u>	<u>30,479</u>	-
Bonds payable, net	<u>\$ 572,323</u>	<u>\$ -</u>	<u>\$ 73,195</u>	<u>\$ 499,128</u>	<u>\$ 27,064</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(9) Bonds Payable – Continued

Bonds payable, net on December 31, 2024 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 2025 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 2025 with interest at 5.00%	9,565	-	7,755	1,810	1,810
2017B Series Electric Revenue Bonds, payable 2025 with interest at 5.00%	22,625	-	19,135	3,490	3,490

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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 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 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	<u>538,996</u>	<u>48,330</u>	<u>52,086</u>	<u>535,240</u>	<u>66,565</u>
Less unamortized discounts	(81)	-	(51)	(30)	-
Plus unamortized premiums	<u>44,921</u>	<u>-</u>	<u>7,808</u>	<u>37,113</u>	<u>-</u>
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, 2025 and 2024

(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, 2025. 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>
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	39,207	46,885	86,092
2031-2035	288,637	107,129	395,766
	<u>\$ 468,675</u>	<u>\$ 357,195</u>	<u>\$ 825,870</u>

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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. As of December 31, 2024, \$24,345 of the bonds were considered defeased in-substance. As of December 31, 2025, debt service on the defeased in-substance bonds was complete.

(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, 2025 and 2024, the fair value of PMPA's assets that are legally restricted for settling the decommissioning obligation is \$147,905 and \$137,710, 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, 2025 and 2024

(Dollars in thousands)

(11) Asset Retirement Obligation – Continued

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

	2025	2024
Period in which decommissioning liability was incurred	1985	1985
Agency’s share of decommissioning costs per study (in 2023 dollars)	\$220,740	\$220,740
Estimation of inflation	2.75%	2.75%
Credit adjusted risk-free interest rate	3.25%	3.25%
Estimated remaining life of corresponding asset	38 years	39 years

The following is a roll forward of the asset retirement obligation for the years ended December 31, 2025 and 2024.

	2025	2024
Asset retirement obligation at January 1	\$ 182,667	\$ 145,510
Accretion	5,937	7,511
Change in asset retirement obligation due to updated assumptions	-	29,646
Asset retirement obligation at December 31	\$ 188,604	\$ 182,667

PMPA has a deferred outflow related to the asset retirement obligation of \$35,947 and \$36,893 as of December 31, 2025 and 2024, 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 \$164 and \$154 in 2025 and 2024, 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 2025 or 2024. 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, 2025 and 2024

(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:

	2025	2024
Retirees	5	5
Active Employees	12	12
Total	17	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, 2025 and 2024:

	2025	2024
Valuation date	December 31, 2025	December 31, 2023
Actuarial cost method	Entry age normal, level percentage of pay	Entry age normal
Discount rate	4.43% per annum	4.0% per annum
Salary increases	2.5% per annum	2.5% per annum
Mortality rates	1994 Group Annuity Mortality Static Table	1994 Group Annuity Mortality Static Table
Healthcare trend rates (Medical)	8% grading to 5.75% over 3 years and following the Getzen model thereafter to an ultimate rate of 4.04% by 2075	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	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	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, 2025 and 2024

(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, 2025 and 2024:

	2025	2024
OPEB liability at January 1	\$ 1,724	\$ 1,639
Service cost	52	50
Interest	70	66
Experience gains	231	-
Changes of assumptions	(26)	-
Benefit paid	(33)	(31)
OPEB liability at December 31	\$ 2,018	\$ 1,724

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.

	Medical Trend Rate		
	1% Decrease	Current	1% Increase
December 31, 2025	\$1,688	\$2,018	\$2,436
December 31, 2024	\$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 higher than the current rate.

	Discount Rate		
	1% Decrease	Current	1% Increase
December 31, 2025	\$2,405	\$2,018	\$1,708
December 31, 2024	\$2,066	\$1,724	\$1,451

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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 7.0 and 7.4 years for the years ended December 31, 2025 and 2024, respectively. The following table summarizes OPEB expense for the years ended December 31, 2025 and 2024:

	2025	2024
Service cost	\$ 52	\$ 50
Interest	70	66
Experience gains	33	-
Changes of assumptions	(4)	-
Amortization of deferrals	28	28
Total OPEB expense	\$ 179	\$ 144

The deferred inflows of resources related to OPEB was \$68 and \$216 on December 31, 2025 and 2024, respectively. The deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ending December 31,	
2026	\$ 5
2027	(25)
2028	(25)
2029	(52)
2030	(1)
Thereafter	30
	\$ (68)

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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 Statements 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, 2025 and 2024, PMPA's investments included money market investments of \$159,507 and \$157,270, respectively, which were valued at amortized cost approximating fair value, and marketable debt securities of \$183,048 and \$180,050, 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, 2025 and 2024

(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 amounts on December 31, 2025 and 2024 are as follows:

	2025		2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
1993 Electric Revenue Refunding Bonds	\$ -	\$ -	\$ 32,152	\$ 32,152
2004A-2 Electric Revenue Refunding Bonds	270,219	287,434	255,317	273,524
2009B Build America Bonds	27,422	30,227	27,422	29,753
2015A Electric Revenue Refunding Bonds	35,614	35,008	41,806	40,828
2017A Electric Revenue Refunding Bonds	-	-	1,855	1,855
2017B Electric Revenue Refunding Bonds	-	-	3,577	3,577
2021A Electric Revenue Refunding Bonds	-	-	17,366	17,366
2021B Electric Revenue Refunding Bonds	111,337	105,051	113,946	104,191
2021C Electric Revenue Refunding Bonds	101,763	94,724	103,722	95,968
2021D Electric Revenue Refunding Bonds	102,429	96,118	104,136	94,516
2021E Electric Revenue Refunding Bonds	-	-	7,416	7,416
2024A Electric Revenue Bond	49,541	51,373	49,541	50,278
	\$ 698,325	\$ 699,935	\$ 758,256	\$ 751,424

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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 \$16,300,000, 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 \$500,000 per station.

Excess Liability Program. This program provides \$15,800,000 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, 2025 and 2024

(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 coverage terms, conditions, 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 nuclear accidents and 60% of the remaining applicable weekly limits for non-nuclear accident property damage. 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 \$291,000 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 coverage terms, conditions, 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 \$170,000. 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 \$7,098.

PIEDMONT MUNICIPAL POWER AGENCY

Notes to Financial Statements

December 31, 2025 and 2024

(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.

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, 2025

(Dollars in thousands)

	Actual Revenues and Expenses	Budgeted Revenues and Expenses	Actual Over (Under) Budget
Revenues:			
Sales of electricity to Participants	\$ 224,990	\$ 222,784	\$ 2,206
Sales of electricity to Duke	11,486	11,286	200
Sales of electricity to Others	9,426	6,931	2,495
Interest income	10,448	10,329	119
Other	1,701	1,609	92
Total Revenues	\$ 258,051	\$ 252,939	\$ 5,112
Expenses:			
Catawba operating expenses:			
Operation and maintenance	\$ 27,355	\$ 30,573	\$ (3,218)
Nuclear fuel deposits	18,708	13,913	4,795
Purchased power-Duke	12,033	12,225	(192)
Payments in lieu of taxes	9,524	10,119	(595)
Purchased power:			
Supplemental Suppliers	22,294	20,800	1,494
Participants	12,020	13,074	(1,054)
Other	3,542	2,967	575
Transmission services	11,445	9,623	1,822
Power delivery	588	589	(1)
Administrative and general:			
Agency	5,629	6,158	(529)
Duke	10,493	10,365	128
Other	7,656	7,013	643
Special fund deposits (withdrawals):			
Bond fund:			
Deposits from revenues	85,730	85,730	-
Decommissioning fund:			
Deposits from revenue	2,175	2,180	(5)
Interest income(1)	4,709	4,695	14
Revenue fund:			
Working capital	9,769	5,863	3,906
Net change in fair market value	3	-	3
Fuel	(14,702)	(23,611)	8,909
Debt service reserve release	(9,175)	(9,175)	-
Plant additions:			
Generation	22,579	23,281	(702)
General	390	421	(31)
Transmission equipment	584	2,525	(1,941)
Fuel acquisitions	14,702	23,611	(8,909)
Total Expenses	\$ 258,051	\$ 252,939	\$ 5,112

(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, 2025

(Dollars in thousands)

	FUNDS						
	Revenue	Operating	Bond		Reserve	Decommission	Supplemental
	Working	Fuel	Principal	Interest	Contingency		Power
	Capital	Account	Retirement	Reserve			
Balances at beginning of year:							
Assets	\$ 114,706	\$ -	\$ 77,719	\$ 45,356	\$ 4,619	\$ 137,710	\$ 1,600
Liabilities	(11,841)	(4,006)	-	-	-	-	-
Net	<u>102,865</u>	<u>(4,006)</u>	<u>77,719</u>	<u>45,356</u>	<u>4,619</u>	<u>137,710</u>	<u>1,600</u>
Project revenues:							
Participants-Electric	(1) 224,990						
-Facilities rent	(1) 316						
-Other	(1) 1,385						
Duke-Electric	(1) 11,486						
Other Surplus-Electric	(1) 9,426						
Interest income	(1) 5,739					4,709	
Project costs:							
Operations and maintenance	(2) (27,355)						
Nuclear fuel deposits	(3) (18,708)	18,708					
Purchased power-Duke	(2) (12,033)						
Asset retirement obligation	(3) (2,175)					2,175	
Administrative and general	(2) (14,884)						
Payments in lieu of taxes	(2) (9,429)						
Other	(2) (10,178)						
Debt service	(3) (74,134)		83,925	(8,341)	(834)		
Supplemental power costs:							
Purchased power:							
-Supplemental Suppliers	(2) (22,294)						
-Participants	(2) (12,020)						
-Other	(2) (3,542)						
Transmission services	(2) (11,445)						
Power delivery	(2) (588)						
Administrative and general	(2) (1,238)						
Payments in lieu of taxes	(2) (95)						
Other	(2) 2,440						
Debt service	(3) (2,421)		2,421				
Other fund changes:							
Net change in fair market value	3			1,190		3,311	
Payments:							
Debt service	(2) 76		(86,819)				
Capital additions	(2) (23,553)	(14,702)					
Balances at December 31, 2025	<u>\$ 112,634</u>	<u>\$ -</u>	<u>\$ 77,246</u>	<u>\$ 38,205</u>	<u>\$ 3,785</u>	<u>\$ 147,905</u>	<u>\$ 1,600</u>
Assets	115,783						
Liabilities	(3,149)						
	<u>\$ 112,634</u>						

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