ANNUAL ENGINEERING REPORT

FISCAL YEAR ENDED DECEMBER 31, 2025

Prepared for:

PIEDMONT MUNICIPAL POWER AGENCY

May 2026

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DISCLAIMER

This report was prepared by GDS Associates expressly for the purposes set forth herein. In preparing this report, GDS Associates has relied upon certain information furnished by PMPA and derived from data reported to regulatory authorities and reports of Duke Energy and its subsidiaries, PMPA's Independent Auditor and other independent consultants to PMPA, all of which are believed to be reliable, accurate, and reasonable for purposes of this report. Given that this report contains observations, evaluations, analyses, projections, summary statements, opinions, and/or conclusions that are based on what GDS Associates believes is reliable information and reasonable assumptions and conditions, GDS Associates makes no assurances with respect thereto. Accordingly, GDS Associates in no way warrants or represents that any such observations, evaluations, analyses, projections, summary statements, opinions, and/or conclusions will not vary as a result of changes in such assumptions or conditions.

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EXECUTIVE SUMMARY

Pursuant to its duties as Consulting Engineer to Piedmont Municipal Power Agency ("PMPA"), GDS Associates, Inc. ("GDS Associates") has prepared an annual engineering report with respect to the Catawba Project (as defined in Section 1.2.1 of the attached report) for the fiscal year ended December 31, 2025. Such report includes (with respect to the Catawba Project), to the extent applicable: (i) a report on the operations of PMPA; (ii) a report on the management of the Catawba Project; (iii) a report on the sufficiency of rates and charges for services; (iv) a report on requirements of the Participants for future power supply; and (v) a report as to changes in operation and the making of repairs, renewals, replacements, extensions, betterments and improvements.

The following are summaries of the various subjects of the report:

Operations of PMPA. In January 2025, PMPA made the scheduled principal payment of approximately $66.6 million on its outstanding debt, which was accrued from operations during 2024. During 2025, PMPA accrued monies from operations to make the scheduled principal payment of approximately $27.1 million on its outstanding debt in January 2026. As of December 31, 2025, PMPA's Bond ratings of A- (Standard & Poor's), A3 (Moody's), and A- (Fitch) are unchanged from those reported as of December 31, 2024. PMPA supplied approximately 89% of its energy requirements, net of allocations from the Southeastern Power Administration, from its ownership entitlements from the Catawba Project during 2025. PMPA's total Working Capital was $81 million at year-end 2024. As a result of 2025 operations, PMPA's total Working Capital increased by $9.8 million, resulting in a year-end 2025 total Working Capital balance of $91 million.

Management of the Project. The 2025 capacity ratings for the Catawba Project units under the Project Agreements with Duke remained unchanged from the 2024 ratings. The Nuclear Regulatory Commission reported, as of the date of this Report, only baseline inspections as part of the Reactor Oversight Process are planned for Catawba Units 1 and 2, as well as McGuire Units 1 and 2. During 2025, Catawba Units 1 and 2 operated with capacity factors of 101% and 91%, respectively, with only Catawba Unit 2 conducting a refueling outage. McGuire Units 1 and 2 achieved capacity factors of 94% and 98%, respectively during 2025, with only McGuire Unit 1 conducting a refueling outage. The Catawba Nuclear Station operated with average total production costs of $16/MWh during 2023-2025 (materially the same as the previously reported 2022-2024 average); which is 3% higher than the first quartile average of non-merchant nuclear plants operating in the United States during this period.

Sufficiency of Rates and Charges. PMPA's Basic All Requirements rate remained unchanged during 2025. PMPA's All Requirements rates were reviewed, and projections updated in late 2025. These projections indicated projected costs similar to those projected in late 2024, and that PMPA could maintain the Basic All Requirements rate level in 2026, with a plan to implement annual 1.3% rate increases in 2027 and 2028 (the last year with all ten Participants still taking All Requirements service) and a rate level adjustment in 2029 to maintain working capital for the seven Participants taking All Requirements service in 2029. The rate levels described above are projected to provide revenues sufficient to pay all Catawba Project and Supplemental Power Costs and generally maintain the desired Working Capital balances through 2029.

Requirements for Future Power Supply. The energy requirements (net of allocations of energy from the Southeastern Power Administration) of PMPA's ten Participants, regardless of notices provided by the Participants to terminate Supplemental Power Sales Agreements effective January 1, 2029, and 2030 (see Section 1.2.5.2 of the Report for further information) are projected to increase on average 1.1% per year through 2034. Entitlements to capacity and energy from the Catawba Project, together with the other power supply arrangements described in this Report are projected to be sufficient to provide the Participants' All Requirements Bulk Power Supply through 2029.

Changes in Operation and Capital Improvements. Based on our review of the information provided by Duke and PMPA, and our general understanding of the scope of Catawba capital additions projects currently being undertaken by Duke, GDS Associates has concluded that the renewals, extraordinary repairs, replacements, modifications, capital additions and betterments related to the capital additions projects currently being undertaken by Duke, for which PMPA is responsible under the Operating Agreement, are necessary or desirable to achieve design capability, improve operating reliability of the Catawba Nuclear Station, comply with regulatory requirements, or for safety, public health, or environmental purposes.

1 PURPOSE AND BACKGROUND

1.1 PURPOSE AND SCOPE

Piedmont Municipal Power Agency ("PMPA"), pursuant to its Catawba Project Power Sales Agreements and its General Bond Resolution, is required to retain on a continuous basis, as Consulting Engineer, an independent consulting engineer or engineering firm to, upon request, advise PMPA and render opinions on matters relating to the electric utility industry, rates and charges, financing and budgets, among other things. In addition to the other duties of the Consulting Engineer, PMPA shall cause the Consulting Engineer to prepare an annual engineering report within 160 days following the close of each Fiscal Year (defined as the twelve-month period ending December 31st) with respect to the Catawba Project (as defined later in Section 1.2.1) for the immediately preceding Fiscal Year (the "Report"). Such Report is required to contain a copy of PMPA's annual audit report and shall include (with respect to the Catawba Project), to the extent applicable:

1. a report on the operations of PMPA;
2. a report on the management of the Catawba Project;
3. a report on the sufficiency of rates and charges for services;
4. a report on requirements of the Participants for future power supply; and
5. a report as to changes in operation and the making of repairs, renewals, replacements, extensions, betterments and improvements.

GDS Associates, Inc. ("GDS Associates") has been designated Consulting Engineer to PMPA by its Board of Directors and has prepared this Report with respect to PMPA's Fiscal Year 2025. This Report is intended to provide engineering, financial, and management information to PMPA, its Participants, and the Bond Fund Trustee. PMPA has advised GDS Associates that a copy of this Report may be used as a supplement to information that is required by the Securities and Exchange Commission to be provided to various municipal securities information repositories.

For purposes of this Report, GDS Associates has relied upon: (i) PMPA's audited financial statements, certain financial, management, and operating data provided by the staff of PMPA (including PMPA's Board of Directors meeting minutes), (ii) reports of Duke Energy Carolinas, LLC ("Duke"), a subsidiary of Duke Energy Corporation ("Duke Energy"), and (iii) certain closing documents provided in connection with the issuance of PMPA's Bonds. GDS Associates has not made any site visits for purposes of inspecting the Catawba Nuclear Station, facilities of PMPA or facilities of its Participants; as such site visits are beyond the scope of this Report.

Any capitalized term used in this Report, to the extent not defined herein, indicates that such term is defined in the particular agreement or document being discussed. Any summary descriptions of agreements or other documents in this Report: (i) are based on our understanding of such agreements; (ii) are not to be regarded as full statements, and consequently do not purport to be complete in every respect; and (iii) are qualified by reference to such agreement or document.

1.2 BACKGROUND AND OVERVIEW OF PMPA ARRANGEMENTS

1.2.1 PMPA

PMPA is a public body and body corporate and politic of the State of South Carolina that was incorporated under the Joint Municipal Electric Power and Energy Act (Section 6-23-10 through 6-23-340, Code of Laws of South Carolina 1976, as amended) on January 11, 1979. PMPA has an undivided ownership interest of 25% in Unit 2 of the Catawba Nuclear Station (the "Catawba Project"), which was constructed and is being operated by Duke. Duke, North Carolina Municipal Power Agency No. 1 ("NCMPA1") and North Carolina Electric Membership Corporation ("NCEMC") also have various undivided ownership shares in the Catawba Nuclear Station. NCMPA1 owns the remaining 75% of Catawba Unit 2, while NCEMC and Duke own approximately 61.5% and 38.5% of Catawba Unit 1, respectively. Collectively, PMPA, NCMPA1, and NCEMC are referred to as the "Buyers." The following table sets forth PMPA's entitlement share of the Catawba Project, after giving effect to the Catawba and McGuire Reliability Exchanges as discussed later in this section.

Table 1-1: Catawba Project

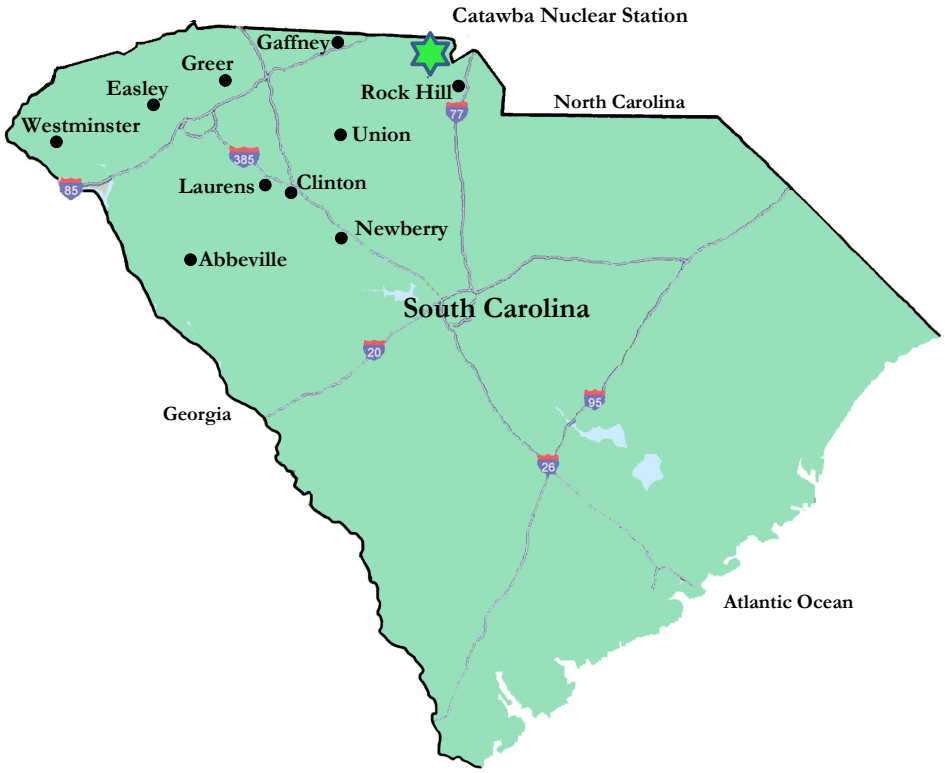
	Commercial Operation	Maximum Net Dependable Capability (MW) [1]	PMPA Entitlement [2]	
			Share	(MW)
Catawba Nuclear Station:				
Unit 1	1985	1,145	6.25%	71.6
Unit 2	1986	1,145	6.25%	71.6
Total Catawba Station				**143.1**
McGuire Nuclear Station:				
Unit 1	1981	1,105	6.06% **[3]**	67.0
Unit 2	1984	1,105	6.06% **[3]**	67.0
Total McGuire Station				**134.0**
Total Catawba Project				**277.2**

[1] Maximum Net Dependable Capability ("MNDC") is the main unit capability less auxiliaries and is intended to be a dependably attainable value. MNDC ratings pursuant to the Project Agreements, which may be different than Duke's reported maximum dependable capability.
[2] After reflecting the Catawba and McGuire Reliability Exchanges as discussed later in this section.
[3] Effective percentage after reflecting the differences in original design MNDC ratings of the Catawba and McGuire units of 1,145 MW and 1,180 MW, respectively.

On June 21, 1985, PMPA commenced supplying power and energy to ten South Carolina cities (the "Participants") located in the Piedmont region of South Carolina. The Participants own electric distribution systems and nine of these Participants receive all of their power deliveries through Duke's transmission system. The tenth Participant, the City of Union, receives power deliveries through Lockhart Power Company's transmission system.

The following figure is a map of the state of South Carolina with the locations of the Participants and the Catawba Nuclear Station identified.

Figure 1-1: Participant and Catawba Project Map



The Participants have entered into the Catawba Project Power Sales Agreements and the Supplemental Power Sales Agreements with PMPA (collectively, the "Power Sales Agreements").

The Participants' Shares of Catawba Project Output under the Catawba Project Power Sales Agreements are as follows:

Table 1-2: Participants' Catawba Project Shares

Participant	Percentage (%)
Abbeville	2.6786
Clinton	7.8438
Easley	13.2426
Gaffney	10.0467
Greer	9.3416
Laurens	6.4878
Newberry	10.4723
Rock Hill	28.0374
Union	10.0134
Westminster	1.8358
PMPA Total	**100.0000**

Pursuant to its General Bond Resolution dated August 14, 1980, as amended (the "Resolution"), PMPA has issued Electric Revenue Bonds ("Bonds") to finance and refinance the Costs of Acquisition and Construction of its ownership interest in the Catawba Project. Through December 31, 2025, PMPA has issued $6.119 billion aggregate principal amount of Bonds. Approximately $5.651 billion in aggregate principal amount of such Bonds has been refunded, retired, or paid at maturity, leaving $469 million in net Bonds outstanding as of December 31, 2025.

Pursuant to the terms of the Supplemental Power Sales Agreements, PMPA is required to sell, and each Participant is required to purchase from PMPA, such Participant's All Requirements Bulk Power Supply. All Requirements Bulk Power Supply means, with respect to a particular Participant, all electric power and energy required by such Participant, exclusive of any purchases of power and energy from the Southeastern Power Administration ("SEPA") and power and energy derived from the generating capacity of such Participant, if any. PMPA is responsible for planning, negotiating, designing, financing, acquiring or constructing, contracting for, administering, operating and maintaining all generation and transmission arrangements and facilities and power purchases necessary to affect the delivery and sale of All Requirements Bulk Power Supply to the Participants.

Subject to the arrangement between PMPA and Union described further in this section, PMPA fulfills its obligations to supply the Participants with All Requirements Bulk Power Supply by supplying Catawba Project Output, including the power and energy available through the Catawba Reliability Exchange and the McGuire Reliability Exchange, pursuant to the Project Agreements, described below, and through purchases of Supplemental Capacity and Energy pursuant to a power purchase agreement with the South Carolina Public Service Authority ("Santee Cooper").

PMPA is governed by a Board of Directors consisting of one representative for each Participant and an alternate representative who performs the duties of the Participant's Director in the absence of that Director. Each Participant appoints its representatives who serve at the pleasure of such Participant. The Board meets monthly for purposes of conducting PMPA business, including setting rates and charges for All Requirements Bulk Power Supply to the Participants.

1.2.2 PROJECT AGREEMENTS

The relationship between PMPA and Duke with respect to the Catawba Project and certain other power supply matters results from four contracts between PMPA and Duke: (i) a Purchase, Construction and Ownership Agreement (as amended, the "Sales Agreement"); (ii) an Operating and Fuel Agreement (as amended, the "Operating Agreement"); (iii) the Catawba Nuclear Station Joint Ownership Support Agreement (the "JOSA"); and (iv) the McGuire Reliability Exchange Agreement (the "MREA," and collectively with the Sales Agreement, the Operating Agreement and the JOSA, the "Project Agreements").

1.2.2.1 Purchase, Construction, and Ownership Agreement

The Sales Agreement provided for the construction of the Catawba Nuclear Station and the sale by Duke to PMPA of a 25% undivided ownership interest in Catawba Unit 2. The closing under the Sales Agreement occurred on December 20, 1984.

1.2.2.2 Operating and Fuel Agreement

The Operating Agreement establishes the terms and conditions between Duke and PMPA under which Duke operates and maintains the Catawba Nuclear Station, provides the fuel therefor, and makes capital additions thereto.

Operation, Maintenance and Fueling of the Project. Duke, as operator and independent contractor, operates and maintains PMPA's ownership interest in Catawba Unit 2 and provides Support Facilities services and furnishes all supervision, labor, equipment, tools, materials and incidentals necessary to operate and maintain the Catawba Nuclear Station. Subject to applicable regulatory requirements, Duke agrees to operate and maintain the Catawba Nuclear Station in accordance with Usual Utility Practice. Duke is responsible for making all regulatory filings relating to the Catawba Nuclear Station.

As operator, Duke determines outage schedules and shut-down and start-up times for the Catawba Nuclear Station. Duke dispatches output from the Catawba Nuclear Station and operates the Catawba Nuclear Station as part of its combined system. Duke has agreed that there will be no pattern of adverse distinction between the operation of the Catawba Nuclear Station and Duke's other generating facilities.

Nuclear Fuel. PMPA makes advances to Duke for PMPA's share of the cost of nuclear fuel material (i) acquired by Duke for uranium and (ii) converted by Duke and anticipated to be used for the Catawba Project's fuel core. Such advances are credited to a "Uranium Advance Account" and a "Conversion Advance Account," respectively, established for PMPA. When nuclear fuel material is shipped by Duke to be enriched for fueling of Catawba Unit 2, Duke deducts the value of the shipped material on the basis of the average cost of all un-enriched nuclear material then held by Duke and charges the Uranium Advance Account and the Conversion Advance Account accordingly. Duke likewise makes withdrawals, as required, of nuclear fuel materials from the Uranium Advance Account and the Conversion Advance Account at the then average cost of such nuclear fuel material for fueling at other nuclear units on the Duke system. Duke provides the fuel management services of acquiring nuclear fuel material and obtaining nuclear fuel services, such as arranging for the enrichment of uranium, contracting for fuel assemblies and other fuel-related hardware, and the handling and storing of spent fuel. For providing fuel material, fuel services, and fuel management services, PMPA pays Duke an annual fee, which was approximately $126,100 in 2025.

PMPA also makes advances to Duke for its share of funds expended by Duke for exploration, mining and other ventures undertaken for purposes of attempting to obtain nuclear fuel material. Such funds are credited to a "Uranium Venture Account" established for PMPA. If any such venture undertaken by Duke results in the securing of nuclear fuel materials, funds advanced by PMPA for such venture will be credited to the Uranium Advance Account.

Duke provides PMPA with a ten-year nuclear fuel procurement plan annually. This plan describes the existing and proposed contractual arrangements (and estimated costs thereof) for providing all nuclear fuel material and nuclear fuel services required at the Catawba Nuclear Station.

Capital Additions. Pursuant to the Operating Agreement, either Duke or PMPA (or NCMPA1 or NCEMC, under their respective operating and fuel agreements with Duke) may propose any capital addition for the Catawba Nuclear Station that it believes is needed for regulatory, safety, environmental, economic or reliability reasons. If the estimated cost of such capital addition is less than $48 million ($10 million in 1977 escalated based on certain cost indices, and which is subject to further adjustment into the future), the "capital additions agreement threshold", Duke will arrange for its design and construction. If the estimated cost of such addition exceeds the capital additions agreement threshold, Duke, PMPA, NCMPA1 and NCEMC will enter into an "Additions Agreement" providing for the design and construction of such addition and for the procurement of any goods or services incident thereto. An Additions Agreement may provide for Duke to design or construct the addition, or both. Disputes concerning the need for, or cost of, a capital addition, or involving an engineer or contractor for such an addition, may be submitted to arbitration. Notwithstanding PMPA's right to challenge capital additions approved by Duke, Duke may proceed with the planning, design or construction of any proposed capital addition, and PMPA is required to pay its proportionate share of the costs of such addition, unless and until the matter is resolved in PMPA's favor by arbitration.

As noted above, PMPA makes monthly advances to Duke as required for capital additions. If PMPA demonstrates to the reasonable satisfaction of Duke that funds are not available to it to pay its share of the cost of a capital addition, PMPA and Duke will enter into an agreement to provide for the payment by Duke of PMPA's share of the cost of the capital addition and the repayment thereof within two years.

Operating Advances and Fees. PMPA's cost responsibility for fuel, operating and maintenance, and capital additions, under the Operating Agreement is 12.5% of all such costs incurred by Duke at the Catawba Nuclear Station. PMPA makes monthly advances to Duke for the costs of operating and maintaining the Catawba Nuclear Station based on an annual statement of estimated monthly costs for the ensuing calendar year. As originally structured, as actual costs become known, variances between actual and estimated costs result in reductions or credits to a "Working Capital Fund" established for PMPA and held by Duke. The Working Capital Fund was created with the deposit by PMPA of an amount equal to one-sixth of PMPA's estimated annual costs of operation and maintenance, nuclear fuel material and fuel management, capital additions and additions to operating inventory, and was replenished by PMPA annually, as necessary, at the time Duke provided PMPA with its annual estimate of monthly costs. PMPA is obligated to maintain such amount in the Working Capital Fund during the term of the Operating Agreement; provided, however, that such obligation is relieved for so long as PMPA's Bonds are rated equal to or better than two of the three following unenhanced ratings: A- by Standard & Poor's, A3 by Moody's Investors Service, Inc., or A- by Fitch IBCA, Inc. During any such period of relief from the obligation of the Working Capital Fund, certain of such variances will be paid by, or credited to, PMPA. As noted in Section 2.5 Bond Ratings later in this Report, PMPA's bond ratings satisfy the criteria specified above, and as such, as of the date of this Report, PMPA is relieved of the Duke Working Capital Fund obligation.

PMPA also pays Duke a fee equal to 12.5% of 12.5% (i.e., 1.5625%) of the direct and indirect labor expenses of operating and maintaining the Catawba Nuclear Station.

Role of PMPA. All contracts with third parties relating to the operation and maintenance of, and capital additions to, the Catawba Project and all changes or amendments to existing contracts are subject to approval by PMPA. PMPA may have a site representative with additional support personnel at the Catawba Nuclear Station to observe operation, maintenance and fueling of the Catawba Nuclear Station and the costs thereof. Duke has agreed to provide PMPA with reasonable access to its books and records concerning the costs and operation of the Catawba Nuclear Station pursuant to the Operating Agreement.

Duke, PMPA, and the other owners of the Catawba Nuclear Station have formed an Operations Review Committee to meet periodically and review operation, maintenance and fueling of, and capital additions to, the Catawba Nuclear Station and the costs thereof. Duke has agreed to consider the Operations Review Committee's recommendations and make available information reasonably requested by the committee. However, Duke retains control and responsibility for operation, maintenance and fueling of the Catawba Nuclear Station.

Spent Nuclear Fuel. PMPA assumes responsibility for, and bears all costs and will derive all benefits arising from, a portion of all spent nuclear fuel on the Duke system as of the closing in June 1985, and an ownership share of nuclear fuel consumed at the Catawba Nuclear Station after the closing.

Duke may utilize the spent fuel storage capability of the Catawba Nuclear Station for the storage of spent nuclear fuel from any of Duke's other nuclear units. Duke shall compensate PMPA for such use and will remain liable for such usage and indemnify and hold harmless PMPA and the Participants in respect thereto.

Decommissioning. Either Catawba Unit 1 or Catawba Unit 2 or the entire Catawba Nuclear Station may be decommissioned if Duke, PMPA, NCMPA1 and NCEMC so agree or if an arbitrator orders decommissioning pursuant to the terms of the Sales Agreement. Decommissioning will be carried out pursuant to a separate agreement. The owners shall bear all costs of decommissioning in proportion to their respective ownership shares.

Term of Agreement. Unless terminated earlier in connection with an Event of Default or Force Majeure, the Operating Agreement shall continue in effect until all costs associated with the decommissioning of Catawba Units 1 and 2 and all "back-end" services (i.e., spent fuel storage, waste disposal, etc.) are paid or otherwise provided for.

1.2.2.3 Joint Ownership Support Agreement

The Joint Ownership Support Agreement generally provides for (i) the interconnection of the Catawba Project and Duke's transmission system and (ii) the Catawba Reliability Exchange pursuant to which Project Output is provided in approximately equal amounts from Units 1 and 2 of the Catawba Nuclear Station. The purpose of the Catawba Reliability Exchange is to make the supply of capacity and energy to which PMPA is entitled pursuant to its ownership interest in Catawba Unit 2 more reliable, and to mitigate potential adverse economic effects on PMPA and the Participants from unscheduled outages of Catawba Unit 2. Correspondingly, PMPA bears the risks of unscheduled outages of either of the Catawba units.

Role of Duke. Duke has sole responsibility for the scheduling, commitment, and dispatch of the available capacity of the Catawba units under the JOSA.

Role of PMPA. PMPA, or its designated agent, schedules energy from Catawba, and McGuire if applicable, on an hourly basis pursuant to its transmission agreements.

Catawba Reliability Exchange. The owners of Catawba Unit 1 exchange 50% of the capability and output of Catawba Unit 1 for 50% of the capability and output of Catawba Unit 2. The owners of Catawba Unit 2 exchange 50% of the capability and output of Catawba Unit 2 for 50% of the capability and output of Catawba Unit 1. This is known as the Catawba Reliability Exchange.

Exchange Payments. PMPA and Duke effect certain exchange payments as consideration for the Catawba Reliability Exchange, the Support Facilities services to be provided by Duke, and PMPA's agreement to permit Duke to use the spent fuel storage associated with Catawba Unit 2 for purposes other than the storage of spent fuel from that unit. Such exchange payments (in the form of adjustments to payments otherwise due under the Project Agreements) are designed to make PMPA's payments for the costs of construction of, capital additions to, operation and maintenance of, and fueling of the Catawba Project equal to the average of such costs for the Catawba Nuclear Station as a whole. Exchange payments were made at the closing under the Sales Agreement and are made monthly thereafter in the amount of the sum of the difference, if any, between the "discrete costs of Catawba Unit 2" and "average unit costs" with respect to closing costs, construction costs, deposits to the Working Capital Fund, fuel costs and operation and maintenance costs and additional capital costs, with certain limited exclusions specified in the JOSA. In general, "discrete costs of Catawba Unit 2" are calculated on the basis of 25% of such costs of Catawba Unit 2, and "average unit costs" are calculated on the basis of 12.5% of such costs of Catawba Units 1 and 2 and the Support Facilities.

Default Generator Balancing Provisions. Similar to a generator balancing agreement, if at any time PMPA is not covered by a separate balancing agreement, the provisions under the JOSA will apply. A generator balancing agreement provides for replacement (or purchased) power if the actual generator output is less than the scheduled output or provides payment for actual generator output that is greater than scheduled.

Term of Agreement. The JOSA continues until the last Catawba unit, either Catawba Unit 1 or Unit 2 is retired.

1.2.2.4 McGuire Reliability Exchange Agreement

The MREA generally provides for an exchange of capability and output from Catawba Units 1 and 2 for capability and output from McGuire Units 1 and 2. The purpose of the McGuire Reliability Exchange is to make the supply of capacity and energy to PMPA in the amounts to which PMPA is entitled pursuant to its ownership interest in Catawba Unit 2 more reliable, and to mitigate potential adverse economic effects on PMPA and the Participants from unscheduled outages of Catawba Units 1 and 2. Correspondingly, PMPA bears the risks of unscheduled outages of either of the McGuire units.

Role of Duke. Duke has sole responsibility for the scheduling, commitment, and dispatch of the available capacity of the McGuire units under the MREA.

Energy Exchange. As with the Catawba Reliability Exchange, the McGuire Reliability Exchange swaps a percentage of capability and output from the McGuire Nuclear Station with

a percentage of capability and output from the Catawba Nuclear Station. Due to the McGuire units having a lower maximum net dependable capability ("MNDC") rating than the Catawba units, the exchange gives slightly more power to Duke than is received from the McGuire units.

Special Reserve Fund. PMPA has established a "Special Reserve Fund" (within the Supplemental Power Fund) to provide a source of funds to be available to Duke in the event of a default by PMPA under the MREA. PMPA, Duke and an agent bank have entered into an escrow agreement, under which PMPA deposited the sum of $1.6 million in the Special Reserve Fund held by the agent bank. If the amount on deposit in the Special Reserve Fund at the beginning of any fiscal quarter is less than $1.6 million, PMPA will deposit an amount equal to such difference within 10 days. If, as of the first business day of any year, the amount on deposit in the Special Reserve Fund is in excess of the required balance, PMPA may withdraw the excess. If PMPA should default under the MREA by failing to make a required payment to Duke, the funds, or an appropriate portion of the funds, in escrow in the Special Reserve Fund will be paid to Duke by the agent bank pursuant to the escrow agreement.

Term of Agreement. The MREA continues until the last Catawba unit or McGuire unit is retired. However, either party may terminate the MREA with a written three-year notice given to the other party.

1.2.3 CATAWBA PROJECT

PMPA's 25% ownership in Catawba Unit 2, taken together with the Catawba and McGuire Reliability Exchanges, form the basis for PMPA's output entitlements from the Catawba Project. Since PMPA's entitlement to power comes from both the Catawba and McGuire Nuclear Stations, a description of each has been included.

1.2.3.1 Catawba Nuclear Station

The Catawba Nuclear Station ("Catawba") is a two-unit, nuclear-fueled electric generating station located on the west shore of Lake Wylie in York County, South Carolina, approximately 19 miles southwest of Charlotte, North Carolina. Catawba Unit 1 began commercial operation on June 29, 1985, and Catawba Unit 2 began commercial operation on August 19, 1986. The current operating licenses for both Catawba Units 1 and 2 expire on December 5, 2043. Catawba Units 1 and 2 currently have a maximum dependable capability rating of 1,160 MW and 1,150 MW, respectively.

Each unit at Catawba utilizes a four-loop pressurized water reactor nuclear steam supply system for steam production supplied by Westinghouse Electric Corporation, with the exception of the Catawba Unit 1 replacement steam generators, which are of Babcock & Wilcox design and manufacture. The system is similar in power rating and general design to the steam supply systems employed currently in 28 other units with operating licenses in the United States, including Duke's McGuire Units 1 and 2. The major components of this system are the reactor vessel, pressurizer, four steam generators, and four reactor coolant pumps. Steam from this system drives a turbine-generator supplied by the General Electric Company. Each turbine-generator consists of one high-pressure turbine with four moisture separator reheaters, three low-pressure turbines, an exciter, and a generator with a nameplate rating of 1,205 MW.

Two reactor buildings enclose the containment structures, which in turn house the nuclear steam supply systems. The containment structures also house the ice condenser refrigeration

systems. This system is designed to reduce pressure within the containment structure during a loss-of-coolant accident. This system is similar to those employed currently in eight other nuclear-fueled generating units with operating licenses in the United States, including Duke's McGuire Units 1 and 2.

Two turbine buildings house the turbine-generators and associated equipment. The auxiliary building houses the nuclear steam supply system auxiliary equipment, electrical equipment, control room, fuel storage pools, and related piping and electrical cabling. The service building houses auxiliary equipment necessary for operation of the non-nuclear portion of both units.

Each Catawba unit has three mechanical draft cooling towers whose purpose is to cool the water which, in turn, condenses the steam after it turns the turbine blades. Lake Wylie is the source of water to replace water lost to evaporation from the cooling towers.

Catawba also has many other facilities and systems that are necessary for both the nuclear and non-nuclear operation of the units. Some of these are as follows: standby nuclear service water pond and dam, low-pressure service water system, nuclear service water system, diesel generator building, administration buildings, 230 kilovolt ("kV") switchyard, water chemistry building, monitor tank storage building, various water supply and treatment facilities, the fire protection system, and a technical training facility.

1.2.3.2 McGuire Nuclear Station

As mentioned under the Project Agreements, the McGuire Reliability Exchange provides for PMPA's entitlement to capacity and associated output from the McGuire Nuclear Station in amounts approximately equal to PMPA's entitlement to capacity and associated output from the Catawba units. Accordingly, although PMPA's Catawba Project does not include an ownership interest in the McGuire Nuclear Station, McGuire nevertheless comprises an integral part of PMPA's bulk power supply resources.

The McGuire Nuclear Station ("McGuire") is a two unit, nuclear-fueled electric generating station located near Cowans Ford Dam on Lake Norman approximately seventeen miles north of Charlotte, North Carolina. McGuire Units 1 and 2 began commercial operation on December 1, 1981, and March 1, 1984, respectively. The current operating licenses for McGuire Units 1 and 2 expire on June 12, 2041, and March 3, 2043, respectively. McGuire Units 1 and 2 each currently have a maximum dependable capability of 1,158 MW.

Both McGuire units utilize pressurized water reactor nuclear steam supply systems and turbine-generators supplied by Westinghouse, with the exception of the eight replacement Babcock & Wilcox steam generators, which were installed in 1997. McGuire and Catawba are "sister" plants, with many physical and technical similarities. The McGuire and Catawba containment vessels are alike, the nuclear steam supply systems are the same vintage (with the exception of the Catawba Unit 1, McGuire Unit 1, and McGuire Unit 2 replacement steam generators), and much of the basic plant layout is similar. The major difference between the plants is the use of mechanical draft cooling towers at Catawba, while Lake Norman is used for condenser cooling at McGuire.

1.2.3.3 Subsequent License Renewals

Catawba Units 1 and 2, as well as McGuire Units 1 and 2 have received extensions in their operating licenses from the Nuclear Regulatory Commission ("NRC") from 40 years to 60 years. The NRC defines a further 20-year extension in the operating licenses from 60 years to 80 years to be a Subsequent License Renewal ("SLR"). Duke Energy previously announced their intent to seek additional 20-year operating license renewals, or SLRs, from the NRC for all Duke Energy-owned and operated nuclear plants in the Carolinas beginning in 2021. The NRC approved Duke Energy's SLR applications for the Oconee nuclear plant in April 2025 and for the H.B. Robinson nuclear plant in April 2026. PMPA will work with Duke to ensure PMPA's interests are represented as details and the timeline evolves. Whether or not such SLR extensions for the Catawba and McGuire Units are ultimately granted by the NRC cannot be predicted at this time.

1.2.4 SUPPLEMENTAL AND TRANSMISSION ARRANGEMENTS

1.2.4.1 Supplemental Power Contracts

Since January 1, 2014, PMPA has purchased its supplemental power requirements from Santee Cooper, pursuant to a Power Sales Agreement ("Santee Cooper PSA"). The contract requires that PMPA purchase power from Santee Cooper to meet all of its load demand beyond: (i) the amounts served by Catawba Nuclear Station (including reliability exchanges and backstand requirements); (ii) the Participants' share of electricity from SEPA hydroelectric facilities; and (iii) load requirements met by individual generating resources owned by any Participants (i.e., supplemental capacity and energy requirements). The term of the Santee Cooper PSA is from January 1, 2014 until such time as either party gives ten years' notice. As discussed further in Section 1.2.5.2, three Participants (Greer, Rock Hill, and Westminster), provided PMPA with 10 years' written notices to terminate their respective Supplemental Power Sales Agreements with PMPA effective at midnight on December 31, 2028. PMPA provided notice to Santee Cooper in January 2019 to terminate the classification of these three Participants as Included Members pursuant to Section 3.1(C) of the Santee Cooper agreement effective at midnight on December 31, 2028. Similarly, the remaining seven Participants (Abbeville, Clinton, Easley, Gaffney, Laurens, Newberry, and Union), provided PMPA with 10 years' written notices to terminate their respective Supplemental Power Sales Agreements with PMPA effective at midnight on December 31, 2029. PMPA provided notice to Santee Cooper in January 2020 to terminate the classification of six of these seven Participants as Included Members pursuant to Section 3.1(C) of the Santee Cooper agreement effective at midnight on December 31, 2029. Union is not an Included Member due to the unique and indirect nature of the wholesale electric service arrangement between Union and PMPA. PMPA also states in its January 2020 written notice to Santee Cooper that with the removal of all Included Members, the Santee Cooper PSA between PMPA and Santee Cooper will effectively terminate at midnight on December 31, 2029.

PMPA's backstand services for the Catawba Project are provided through a Resource Management Agreement with The Energy Authority, Inc. ("TEA"), which became effective January 1, 2021. Under the TEA agreement, TEA (i) purchases wholesale energy as needed to supply PMPA's load when one or more of the Catawba or McGuire units are operating at reduced output or offline due to outages, either planned or unplanned, and (ii) is responsible for arranging transmission, ancillary services, and scheduling/tagging for such transactions. If market power or transmission is not available when needed, PMPA will purchase imbalance

energy through Duke's Open Access Transmission Tariff. After the initial three-year term through 2023, the TEA agreement shall renew on an annual basis for successive one-year terms, starting in 2024, unless terminated with at least 180 days' notice.

Effective August 1, 2015, Duke and PMPA entered into a Master Power Purchase and Sale Agreement allowing PMPA to make real-time surplus energy sales to Duke. This agreement was extended in December 2023, and the current term of this agreement extends through December 31, 2026.

Effective October 1, 2022, TEA and PMPA entered into an additional agreement where TEA makes real-time sales of surplus energy for PMPA to the market. After the initial three-year term through September 2025, this TEA agreement shall renew on an annual basis for successive one-year terms, starting in October 2025, unless terminated with at least 180 days' notice.
Effective December 30, 2024, TEA and PMPA entered into an additional agreement where TEA facilitates marketing surplus energy in the Southeast Energy Exchange Market ("SEEM"). After the initial three-year term through December 29, 2027, this TEA agreement shall renew on an annual basis for successive one-year terms, starting in December 2027, unless terminated with at least 30 days' notice. PMPA sells surplus energy to Santee Cooper, Duke, TEA, and the SEEM.

1.2.4.2 Transmission Arrangements

Duke provides PMPA with network integration transmission service to transmit power and energy from its Catawba Project and supplemental network resources to its Participants' delivery points pursuant to a Network Integration Transmission Service Agreement ("NITSA"). The NITSA provides the necessary arrangements to PMPA for transmission service under Duke's Open Access Transmission Tariff ("OATT"), on file at the Federal Energy Regulatory Commission ("FERC"). PMPA's transmission costs are expected to be impacted by the proposed Duke Energy Carolinas-Duke Energy Progress merger (as discussed in Section 2.10.2 later in this Report). Such impact is not expected to be material to PMPA operations.

1.2.5 POWER SALES AGREEMENTS

PMPA sells, and the Participants purchase, the All Requirements Bulk Power Supply requirements of the Participants. Catawba Project Output is sold and purchased pursuant to the Catawba Project Power Sales Agreement, and Supplemental Bulk Power Supply is sold and purchased pursuant to the Supplemental Power Sales Agreement. PMPA is responsible for making all generation and transmission arrangements, including acquisition of facilities, and power purchases necessary to furnish All Requirements Bulk Power Supply to each Participant in accordance with its Supplemental Power Sales Agreement.

Each Participant has covenanted to fix, charge and collect rates for electric power and energy furnished through its electric system sufficient to provide revenues adequate to meet its obligations under its Catawba Project Power Sales Agreement and under its Supplemental Power Sales Agreement, and to pay, together with any other available funds or monies, all other amounts payable from or constituting a charge and lien upon such revenues, including amounts sufficient to pay the principal of, and interest on, any bonds, notes or other evidences of indebtedness that are secured by a pledge of the revenues of its electric system.

1.2.5.1 Catawba Project Power Sales Agreement

Each Participant has entered into a Catawba Project Power Sales Agreement with PMPA under which the Participant is obligated, in exchange for its Participant Share of Catawba Project Output, to pay to PMPA its Participant Share of Monthly Catawba Project Power Costs. Catawba Project Output is power and energy generated from PMPA's Catawba Project, as affected by the Catawba and McGuire Reliability Exchanges, less any Surplus Energy.

Monthly Catawba Project Power Costs are comprised of PMPA's cost of owning the Catawba Project, including, but not limited to, debt service on Bonds issued to fund PMPA's costs of acquisition and construction, the costs of fuel, operation and maintenance, and making capital additions to the Catawba Nuclear Station. Revenues received from sales of Surplus Energy and investment income on reserve funds are both used to offset Monthly Catawba Project Power Costs that are billed to the Participants.

Under the Catawba Project Power Sales Agreements, the obligation of each Participant to pay its share of Monthly Catawba Project Power Costs is an operating expense of its electric system. No Participant is required to make any payments to PMPA under its Catawba Project Power Sales Agreement except from the revenues of its electric system, and each Participant is prohibited by the Act from pledging its full faith and credit or taxing power to the payment of its obligations to PMPA.

Each Participant is to make the payments to PMPA under its Catawba Project Power Sales Agreement on a "take-or-pay" basis, that is, whether the Catawba Project is operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of Catawba Project Output, or the power and energy contracted for, in whole or in part, for any reason whatsoever. Such payments are not subject to any reduction, by offset or otherwise, and are not conditioned upon the performance by PMPA or any other Participant under the Catawba Project Power Sales Agreements or any other agreement or instrument.

Section 11 of each of the Catawba Project Power Sales Agreements provides that in the event that the Participant shall determine that all or any part of the Participant's Catawba Share of Catawba Project Output is in excess of the requirements of the Participant, the Participant shall notify PMPA of such determination and PMPA shall use its best efforts to sell and transfer for any period of time all or part of such excess. Section 11 further states that if all or any portion of such excess of the Participant's Catawba Share of Catawba Project Output is sold pursuant to this Section, the Participant's Catawba Share shall not be reduced and the Participant shall remain liable to PMPA to pay the full amount of its Participant's Catawba Share of Monthly Catawba Project Power Costs as if such sale had not been made; provided, however, that such liability shall be discharged to the extent that PMPA shall receive payment for such excess Catawba Project Output from the purchaser or purchasers thereof.

Some of the Participants have determined that, once their Supplemental Power Sales Agreements terminate (see Section 1.2.5.2 for further information on such terminations), portions of their respective Catawba Shares of Catawba Project Output are excess to their requirements. During 2024 and 2025, PMPA took steps to engage the wholesale market in connection with selling such excess baseload power. Whether or not PMPA can sell such excess baseload power at terms and conditions acceptable to the Participants cannot be determined at this time.

The term of the Catawba Project Power Sales Agreements extends until all payments on all Bonds and all obligations under the Project Agreements have been provided for, but in any event not later than August 1, 2035.

On June 19, 2025, the PMPA Board of Directors approved the form for the Catawba Project Power Sales Renewal Agreement ("CPPSRA") to renew the primary provisions of the Catawba Project Power Sales Agreement. As of the date of this Report, seven Participants (Abbeville, Clinton, Easley, Gaffney, Laurens, Newberry and Westminster) have executed a CPPSRA with PMPA. The CPPSRA, with a 50-year term from the effective date, will take effect on August 1, 2035, upon expiration of the Catawba Project Power Sales Agreement. The CPPSRA can terminate prior to the expiration date if the following conditions are met: (i) the entire Catawba Nuclear Station (both Unit 1 and Unit 2) has ceased operations and is retired from service; (ii) the principal of, premium, if any, and interest on all Bonds have been paid in full or funds set aside for the payment or retirement thereof in accordance with the Bond Resolution; (iii) all other obligations and liabilities hereunder have been paid or provided for; and (iv) all obligations and liabilities of PMPA under the Project Agreements have been performed and paid or provided for.

1.2.5.2 Supplemental Power Sales Agreement

Each Participant has entered into a Supplemental Power Sales Agreement with PMPA under which each Participant has agreed to pay, in exchange for its Supplemental Bulk Power Supply, its share of Supplemental Power Costs. Supplemental Bulk Power Supply is that portion of All Requirements Bulk Power Supply required by each Participant in excess of that supplied from Project Output of the Catawba Project. Supplemental Bulk Power Supply shall include all transmission services to deliver All Requirements Bulk Power Supply to the Participant's delivery points, provision of all reserves and other backstand services, supplemental capacity and energy, and all other types of purchases and interchange service necessary to integrate Project Output from the Catawba Project into PMPA's overall bulk power supply arrangement and deliver All Requirements Bulk Power Supply to the Participants. Supplemental Power Costs are equal to PMPA's charges for All Requirements Bulk Power Supply less PMPA's costs with respect to the Catawba Project, any Additional Project which PMPA may undertake in the future or any other future project of PMPA.

Supplemental Bulk Power Supply shall be obtained and furnished by PMPA in the manner it determines most economical, dependable and otherwise feasible. PMPA is appointed as each Participant's sole agent for the purpose of carrying out PMPA's rights and obligations under its Supplemental Power Sales Agreement. PMPA and the Participant may enter into a separate contract for the furnishing by PMPA of all or any portion of such Participant's Supplemental Bulk Power Supply requirements from facilities acquired or constructed by PMPA in addition to the Catawba Project. No Participant shall undertake any project of self-generation or enter into any new contract to supply any portion of its power and energy requirements from any source other than PMPA or SEPA without the prior written agreement of PMPA.

Rates and Charges. PMPA shall establish rates and charges for All Requirements Bulk Power Supply sufficient to pay: (i) all Monthly Catawba Project Power Costs; (ii) all monthly project power costs for any Additional Project and any project financed as a separate system; and (iii) all Supplemental Power Costs.

Amounts billed for Monthly Catawba Project Power Costs and monthly project power costs for any Additional Project and any project financed as a separate system shall be deducted from the monthly payments required under such schedule of rates and charges for All Requirements Bulk Power Supply, and the balance shall be the amount due and payable in such month for Supplemental Bulk Power Supply.

PMPA may establish different rates and charges for all requirements, supplemental power or other types of service to entities other than the Participants or for service to Participants that do not enter into project power sales agreements with PMPA for Additional Projects or projects financed as a separate system. PMPA shall review the rates and charges at least once a Contract Year and shall revise them if necessary.

The obligation of each Participant to pay for Supplemental Bulk Power Supply is an operating expense of its electric system, and a Participant shall not be required to make any payments to PMPA except from revenues of its electric system. Each Participant is prohibited by the Act from pledging its full faith and credit or taxing power to the payment of its obligations to PMPA.

Payments by the Participant. All monies received in each month for All Requirements Bulk Power Supply shall be applied pro rata to the separate charges for Monthly Catawba Project Power Costs, monthly project power costs for any Additional Project and any project financed as a separate system, and Supplemental Power Costs in the ratio each bears to the total monthly bill. The resulting amounts are to be applied solely to the obligations which were the basis for the separate charges on the monthly bill, subject to the provisions of the Bond Resolution as to the application of Revenues.

Miscellaneous. Each Participant shall be responsible for all costs of distribution delivery stations required to supply to it All Requirements Bulk Power Supply, which are not included in the rates and charges for All Requirements Bulk Power Supply.

Term. Each Supplemental Power Sales Agreement became effective on December 20, 1984, and was scheduled to terminate 50 years from that effective date (December 20, 2034). Any Participant may terminate its Supplemental Power Sales Agreement at the end of any Contract Year upon 10 years' written notice to PMPA. In December 2018, three Participants (Greer, Rock Hill, and Westminster) provided their 10 years' written notices to terminate their respective Supplemental Power Sales Agreements with PMPA effective at midnight on December 31, 2028. In December 2019, the remaining seven Participants (Abbeville, Clinton, Easley, Gaffney, Laurens, Newberry, and Union) provided their 10 years' written notices to terminate their respective Supplemental Power Sales Agreements with PMPA effective at midnight on December 31, 2029. In all cases, the terms and conditions of the Catawba Project Power Sales Agreements between PMPA and the Participants are unaffected by such terminations.

All amounts received by PMPA pursuant to the Supplemental Power Sales Agreements, including amounts owed by PMPA to Duke under the Project Agreements, are Revenues and are pledged under the Resolution. Once the Supplemental Power Sales Agreements are terminated, PMPA will continue to receive Revenues from all Participants equal to the Monthly Catawba Project Power Costs. These amounts include all of PMPA's costs that are paid or incurred by PMPA resulting from or attributable to ownership in the Catawba Project,

including but not limited to debt service on all Bonds Outstanding under the Resolution, and giving effect to the arrangements provided for under the Project Agreements, and the providing of reserves for such purposes.

1.2.6 PMPA-UNION BILLING ARRANGEMENT

The City of Union is a wholesale customer of Lockhart Power Company ("Lockhart") and is the only Participant not directly connected to the Duke transmission system. Lockhart has hydroelectric resources that provide approximately 20% of its total requirements and purchases the remaining approximately 80% of its requirements from Duke. At PMPA's inception, Union and PMPA entered into a billing arrangement that is intended to provide to Union the same proportionate risks and benefits of the PMPA arrangement, relative to alternative wholesale power purchases from Duke, as PMPA's other Participants experience through their purchases of All Requirements Bulk Power Supply service from PMPA. This arrangement has allowed Union to participate in the PMPA arrangement while retaining the benefits of the hydroelectric power generation on the Lockhart system and avoiding the additional expense associated with directly connecting to the Duke system. This arrangement generally calls for (i) Union's continued receipt of, and payment for, all requirements wholesale service from Lockhart and (ii) billing of net charges or payments of net credits by PMPA to Union under the PMPA-Union billing arrangement.

Union and Lockhart have entered into service agreements under which Lockhart continues to supply full requirements service to Union on substantially the same terms as those contained in prior service agreements. As was the case under such prior agreements, both Union and Lockhart have the right to terminate the agreements upon written notice given 30 months prior to the expiration of any one-year term.

1.2.7 BOND RESOLUTION

PMPA's Bonds are issued pursuant to the Resolution and supplemental resolutions thereto. Bonds issued under the Resolution are payable solely from and secured solely by the Revenues derived by PMPA from its ownership and operation of the Catawba Project, subject to prior payment therefrom of operating expenses, and any other monies and securities pledged under the Resolution. Under the Resolution, PMPA may issue Bonds, subject to certain conditions, only to make provision for: (i) the purpose of paying all or part of the Costs of Acquisition and Construction of the Catawba Project, or of other Projects, including studies thereof; (ii) refunding of any Bonds or notes or subordinated indebtedness; or (iii) making the deposit of proceeds required to be made into any fund or account pursuant to the Resolution.

Under and subject to the terms and provisions of the Resolution and the Supplemental Power Sales Agreements, PMPA may undertake one or more Additional Projects and finance the same through the issuance of bonds under the Resolution which would be on a parity as to security and source of payment with the Bonds issued or to be issued for the Catawba Project. In order to issue bonds for any such Additional Project, other than an Additional Project comprising renewals, replacements, modifications and additions to the Catawba Project, among other things, PMPA must first have entered into power sales agreements with the Participants covering the purchase and sale of the entire output of such Additional Project. Such power sales agreements shall be identical in all material respects affecting the security afforded thereby to the payment of the Bonds to the provisions of the Catawba Project Sales Agreements.

PMPA has periodically issued Bonds under the Resolution to finance capital projects comprising renewals, replacements and additions to the Catawba Project, which projects comprise Additional Projects. Specifically, PMPA has issued the Series 2008A-2 Bonds, Series 2009B Bonds (Federally Taxable BABs), Series 2012A Bonds, and Series 2015A Bonds to finance PMPA's 2008 Additional Project, 2009 Additional Project, 2012 Additional Project, and 2015 Additional Project of the Catawba Project, respectively (see Section 6.2 Capital Additions for further information).

Under the Resolution, PMPA may issue subordinate lien obligations and may also issue obligations not secured by Revenues of the Power System to finance facilities that constitute a separate utility system. As of December 31, 2025, PMPA did not have any outstanding subordinate debt and has not issued any separate system bonds.

1.2.7.1 Funds Established Under the Resolution

The Resolution established special funds to hold proceeds from debt issuances, such proceeds to be used for Costs of Acquisition and Construction of the Catawba Project and to establish and maintain certain reserves. The Resolution also established special funds into which Catawba Project revenues from Participants are to be deposited and from which Catawba Project operating costs, debt service and other specified payments are to be made.

The following table summarizes the funds established pursuant to the Resolution.

Table 1-3: Funds Established Pursuant to the Resolution

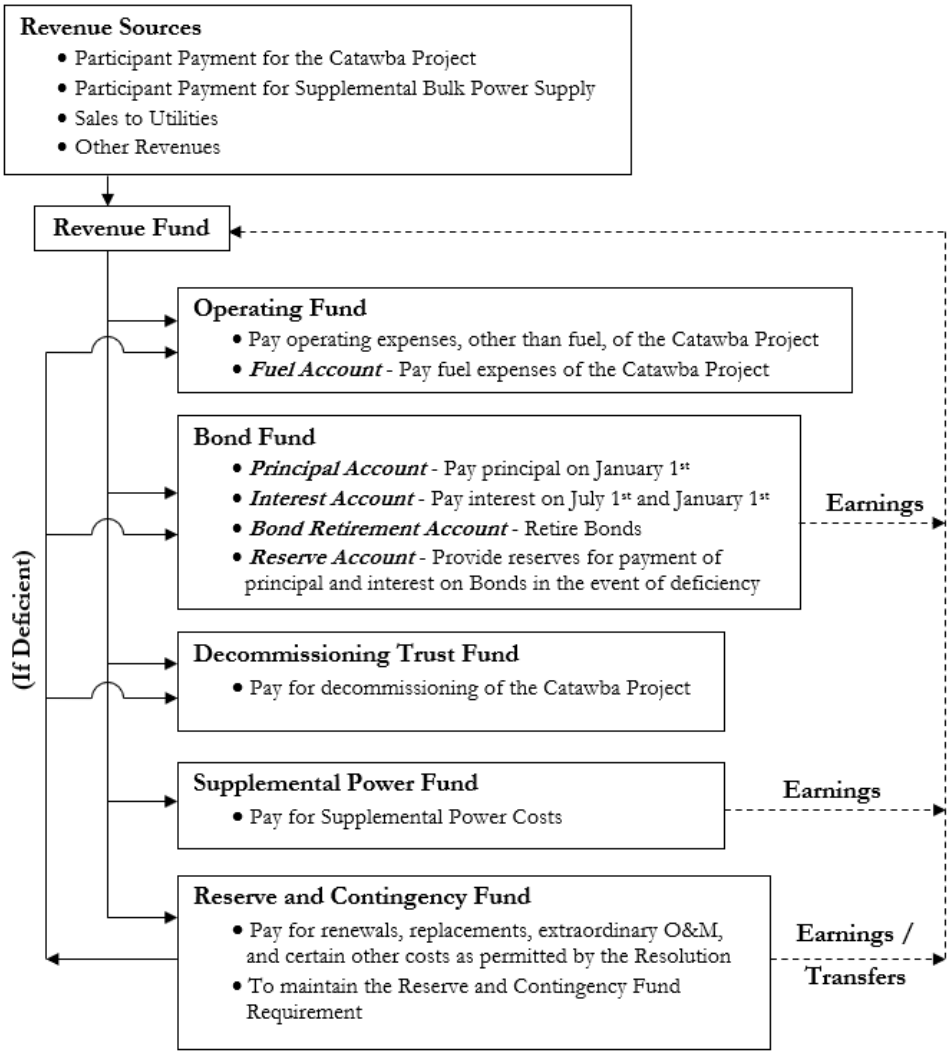
Fund	Held By
Bond Fund	Bond Fund Trustee [1]
Principal Account	
Interest Account	
Bond Retirement Account	
Reserve Account	
Construction Fund [2]	Construction Fund Trustee [1]
Decommissioning Fund	Decommissioning Fund Trustee [1]
Operating Fund	PMPA
Fuel Account	
Reserve and Contingency Fund	PMPA
Revenue Fund	PMPA
Supplemental Power Fund	PMPA

[1] U.S. Bank Trust Company, Columbia, SC.
[2] The Construction Fund was closed effective September 1, 2020.

Revenues received by PMPA, including payments from the Participants for their share of the costs of the Catawba Project and for Supplemental Bulk Power Supply, are paid into the Revenue Fund. Amounts in the Revenue Fund are used by PMPA to make deposits into the Operating Fund (to pay operating expenses of the Catawba Project), the Bond Fund (to pay debt service on Bonds), the Reserve and Contingency Fund (to pay for renewals, replacements, extraordinary operation and maintenance, and certain other costs as permitted by the Resolution), the Decommissioning Fund (for transfer in whole or part to an external decommissioning trust fund), and the Supplemental Power Fund (to pay Supplemental Power Costs). PMPA has established an external decommissioning trust fund into which it periodically deposits amounts from Revenues, together with interest earnings thereon and, to the extent needed, available amounts in certain reserve accounts to pay the estimated decommissioning costs of its ownership share of the Catawba Project. Monies from Bond proceeds have been deposited to certain of the foregoing funds as required or permitted under the Resolution for reserves and working capital purposes, as well as to the Construction Fund to pay the Costs of Acquisition and Construction of (and capital additions to) the Catawba Project, including the payment of interest on Bonds.

The following figure shows the disposition of Revenues under the Resolution.

Figure 1-2: Disposition of Revenues Under the Resolution



1.2.7.2 Reserve Account

The Reserve Account was established under the Resolution to provide a reserve for the payment of principal and interest on Bonds in the event of a deficiency in the Bond Fund. The Resolution provides that there shall be deposited in the Reserve Account at the time of issuance of each series of Bonds an amount equal to the Reserve Account Requirement for such series of Bonds, unless such amount has been previously deposited therein. The Reserve Account Requirement for a series of Bonds, determined as of the date of issuance of such series or, in the event of a refunding of a portion of such series, immediately after such refunding, is equal to 110% of the greatest amount of interest accruing in any calendar year on the Bonds of such series. If variable rate bonds are issued, PMPA may use, for the purpose of determining the Reserve Account Requirement therefor, such interest rate or rates or formula as it determines at the time of issuance to be reasonable and proper. The Aggregate Reserve Account Requirement for all the Bonds is equal to the sum of the Reserve Account Requirements for each series of Bonds.

If the monies and value of investments in the Reserve Account attributable to any Project shall be less than the Reserve Account Requirement for the Bonds issued for such Project, the deficiency shall be made up by deposits to the Reserve Account from Revenues attributable to such Project in the Revenue Fund. Transfers may also be made from the Reserve and Contingency Fund to make up any deficiency.

If, as a result of any refunding of outstanding Bonds, the amount on deposit in the Reserve Account exceeds the Reserve Account Requirement, the excess may be withdrawn to pay or provide for payment of the refunded Bonds.

According to PMPA, the Reserve Account Requirement at December 31, 2025, was $37,846,718, which decreased from the year-end 2024 requirement due to the release of funds in connection with the maturity of associated Bonds on January 1, 2025.

1.2.7.3 Reserve and Contingency Fund

The Reserve and Contingency Fund Requirement is, as of any date of calculation, an amount equal to one-tenth of the Reserve Account requirement or from time to time such greater amount which, in the opinion of the Consulting Engineer, is required to be on deposit therein for the purpose of such Fund.

Monies in the Reserve and Contingency Fund are to be used to make up any deficiency in the Bond Fund to the extent funds therefor are not available in the Revenue Fund. To the extent not required to make up any deficiencies in the Bond Fund, monies on deposit in the Reserve and Contingency Fund may be applied to the payment of: (i) costs to PMPA of renewals, replacements, modifications, capital additions, betterments and extraordinary repairs; (ii) costs to PMPA of the operating inventory pursuant to the Operating Agreement; (iii) costs to PMPA of decommissioning to the extent monies in the Decommissioning Fund are insufficient; (iv) costs to PMPA of extraordinary operation and maintenance and of preventing or correcting unusual loss or damage (including major repairs); (v) fuel costs to the extent not paid from the Fuel Account in the Operating Fund or Bond proceeds; and (vi) costs to PMPA of complying with any order or decision of any state or federal governmental agency requiring installation of facilities or modifications.

Each year, PMPA deposits into the Reserve and Contingency Fund an amount equal to the greater of (i) 10% of debt service or (ii) amounts budgeted to be paid out of such Fund. If, as of the last business day of any Fiscal Year, the uncommitted monies and value of Investment Securities in the Reserve and Contingency Fund shall exceed the Reserve and Contingency Fund Requirement, the amount of such excess shall be transferred to the Reserve Account to the extent of any deficiency therein and any balance shall be transferred to the Revenue Fund.

According to PMPA, the Reserve and Contingency Fund Requirement at December 31, 2025, was $3,783,972, which decreased from the year-end 2024 requirement due to the release of funds in connection with the maturity of associated Bonds on January 1, 2025.

1.2.8 ADDITIONAL BONDS

Under the Resolution, additional bonds may be issued, subject to certain conditions, to (i) pay the Costs of Acquisition and Construction of the Catawba Project and any Additional Projects,

including the payment of principal or interest on any obligations issued in anticipation of the issuance of bonds for such purpose and (ii) refund Bonds.

1.2.9 BONDS OUTSTANDING/SUMMARY OF ISSUANCES SINCE CLOSING

Table 1-4 shows that, as of December 31, 2025, PMPA had issued forty-eight separate series of Bonds in aggregate principal amount of $6.119 billion, of which thirty-six series were no longer outstanding as of December 31, 2024. After giving effect to approximately $5.651 billion in aggregate principal amount of Bonds that have been refunded, retired, or paid at maturity, the net amount of Bonds outstanding as of December 31, 2025, was an aggregate principal amount of $469 million.

Table 1-4: Bonds Issued and Outstanding as of December 31, 2025
Amounts Shown in ($000)

Series	Date of Issue	Principal Amount Issued [1]	Refunded / Retired / Matured [2]	Outstanding as of Dec. 31, 2025
Bonds Previously Issued and No Longer Outstanding as of December 31, 2024	--	$ 5,224,136	$ 5,224,136	$ -
1993 Refunding Series [3]	05/06/93	142,525	142,525	-
2004A Refunding Series [4][5]	08/12/04	205,970	125,640	80,330
Series 2009B [6]	12/16/09	26,490	-	26,490
Series 2015A	09/16/15	51,935	17,760	34,175
2017A Refunding Series [3]	03/07/17	15,850	15,850	-
2017B Refunding Series [3]	10/11/17	38,115	38,115	-
2021A Refunding Series [3]	06/23/21	55,370	55,370	-
2021B Refunding Series	10/27/21	97,420	-	97,420
2021C Refunding Series	10/27/21	90,520	-	90,520
2021D Refunding Series	10/27/21	91,410	-	91,410
2021E Refunding Series [3]	10/27/21	31,165	31,165	-
Series 2024A [7]	04/30/24	48,330	-	48,330
Total		**$ 6,119,236**	**$ 5,650,561**	**$ 468,675**

[1] Amounts do not reflect bond anticipation notes in aggregate principal amount of $200 million that were paid at maturity and the fixed rate conversion of the Series 2008C and the Series 2008D Bonds in the aggregate principal amount of $90 million and $30 million, respectively (issued concurrent with the Series 2011A Bonds).
[2] Includes approximately $4.589 billion that was refunded, $38.2 million that was subject to extraordinary call from surplus monies in the Construction Fund and the Bond Retirement Fund, and $956 million that was paid at maturity. Amounts do not include $27.1 million principal paid at maturity on January 1, 2026.
[3] Bonds paid at maturity in 2025.
[4] Amounts do not reflect accretion on the portion of these Bonds that were issued as Capital Appreciation Bonds.
[5] All or a portion of these Bonds were issued as federally taxable.
[6] These Bonds were issued as federally taxable Build America Bonds ("BABs"), which allows PMPA to receive up to a 35% interest subsidy payment from the United States Treasury.
[7] Issued in connection with the Participant Litigation. Payable only by Participants other than Greer and Rock Hill.

Table 1-5 provides the disposition of net proceeds of Bonds and certain subordinate lien obligations issued by PMPA through December 31, 2025, plus other available funds, used to finance the Costs of Acquisition and Construction of the Catawba Project and to refund certain Bonds.

Table 1-5: Disposition of Net Proceeds of Bonds and Certain Subordinate Lien Obligations
Amounts Shown in ($000) [1]

Line	Description	Totals at December 31, 2025
	Net Proceeds and Other Available Funds	
	Net Proceeds:	
1	Principal Amount Issued [2]	$ 6,439,236
2	Purchase Price Premium	110,311
3	Accrued Interest at Closing	20,237
	Less:	
4	Underwriters' Discount	(69,111)
5	Original Issue Discount	(140,119)
6	Insurance Premium	(63,238)
7	Bank Fees Paid at Closing	(1,970)
8	Net Proceeds	6,295,345
	Other Available Funds:	
	Transfers from:	
9	Construction Interest Account	40,265
10	Reserve Account [3]	169,539
11	Reserve and Contingency Fund [4]	16,802
12	Bond Fund	62,385
13	Equity Contributions	85,044
14	Total Other Available Funds	374,036
15	**Total Net Proceeds and Other Available Funds**	**$ 6,669,381**
	Disposition of Net Proceeds and Other Available Funds	
	Deposit to:	
16	Construction Interest Account	$ 285,988
17	Bond Fund	174,956
18	Refunding Trust Fund	5,037,909
19	Note Interest Account	50,317
20	Reserve Account [3]	240,765
21	Reserve and Contingency Fund [4]	13,038
22	Construction or Revenue Fund [5]	866,407
23	**Total Disposition of Net Proceeds and Other Available Funds**	**$ 6,669,381**

[1] Based on information provided by PMPA. Excludes Series 2024A Bonds (as defined in Section 2.4).
[2] Amounts shown include $200,000,000 in aggregate principal amount of notes that were paid at maturity and the fixed rate conversion of the Series 2008C and the Series 2008D Bonds in the aggregate principal amount of $90,000,000 and $30,000,000, respectively (issued concurrent with the Series 2011A Bonds). Amounts exclude accretion on bonds issued as Capital Appreciation Bonds.
[3] The Reserve Account requirement at December 31, 2025, was $37,846,718.
[4] Amounts shown reflect initial deposits that were made from the proceeds of Bonds. Certain transfers were made from the Revenue Fund to the Reserve and Contingency Fund to satisfy the Reserve and Contingency Fund Requirement. The Reserve and Contingency Fund requirement at December 31, 2025, was $3,783,972.
[5] Amounts shown include Yield Reduction Payments associated with the Series 2009A Refunding Bonds, as well as the settlement payment and cost of issuance associated with the Series 2024A Bonds.

Table 1-6 sets forth the total annual debt service for all outstanding Bonds issued through December 31, 2025, that are expected to be paid from revenues. Principal payments on Bonds are due January 1st of each year, except for Series 2024A Bonds (as defined in Section 2.4), which principal payment is due April 30, 2035.

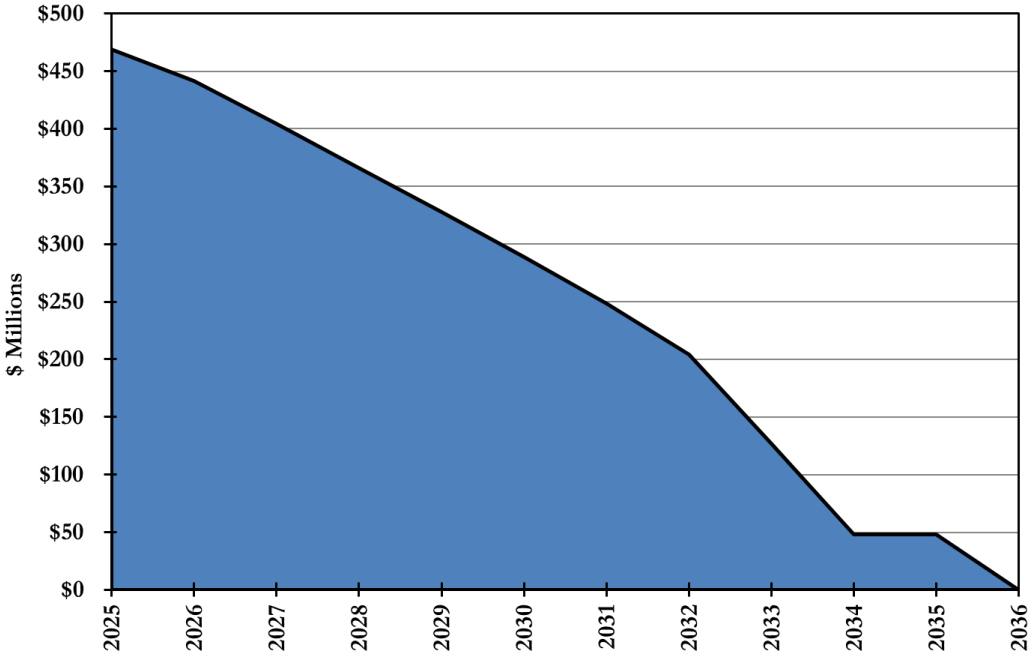
Table 1-6: Total Debt Service for Bonds Issued Through December 31, 2025
Amounts Shown in ($000)

Accrual Year [1]	Interest Payments [2]	Principal Installments	Total Debt Service
2025	$ 58,666	$ 27,064	$ 85,731
2026	48,697	37,397	86,094
2027	48,228	37,863	86,091
2028	47,590	38,507	86,096
2029	46,885	39,207	86,092
2030	46,006	40,050	86,056
2031	41,336	44,718	86,054
2032	9,075	76,975	86,050
2033	7,490	78,563	86,053
2034 **[3]**	2,421	-	2,421
Jan-Apr 2035 **[3]**	800	48,330	49,130
Total		**$ 468,675**	

[1] Reflects calendar years, except for amounts shown for January through April 2035.
[2] Amounts shown reflect interest on bonds issued as Capital Appreciation Bonds. Interest payable on the Series 2009B Build America Bonds is net of anticipated interest subsidy receipts.
[3] Amounts shown reflect only the Series 2024A Bonds.

The following figure shows the aggregate principal amount of Bonds outstanding (subsequent to the Bond principal payment on January 1st of each year) through 2036, based on debt service shown in Table 1-6.

Figure 1-3: Aggregate Principal Amount of Bonds Outstanding
(After Principal Payment on January 1st of each year)



2 OPERATIONS OF PMPA

2.1 BOARD OF DIRECTORS

As discussed earlier, PMPA is governed by a Board of Directors, consisting of one representative for each Participant. Approval of any action by the Board of Directors requires an affirmative vote by a majority of the Board of Directors present, with each Director having one vote, with some exceptions. Action by the Board of Directors authorizing the issuance of indebtedness, fixing rates and charges, or amending the by-law provisions related to weighted voting requires an affirmative vote of the holders of a majority of the votes entitled to be cast by all Directors. With respect to any such action, the total number of votes which all Directors are entitled in the aggregate to cast is equal to 200. These 200 votes are allocated annually among the Participants so that each Director has ten votes in such cases plus a proportionate share of the remaining 100 votes, which share is determined by reference to the proportionate share of base billing demand (as defined later in this Report) allocated to the Participant that such Director represents.

The following table lists the Board of Directors during 2025, along with their occupations or positions.

Table 2-1: Board of Directors

Participant	Director	Occupation/Position
Abbeville	Blake Stone	City Manager
Clinton	Joey Meadors	City Manager
Easley **[1]**	J. Andrew Sevic, Chairman	General Manager – Combined Utilities
Gaffney **[1]**	Steve Bratton	General Manager – Board of Public Works
Greer **[1]**	Michael D. Richard	Former General Manager – Commission of Public Works
Laurens **[1]**	John M. Young, Vice Chairman	General Manager – Commission of Public Works
Newberry	Foster Senn	Mayor
Rock Hill	James G. Bagley Jr.	Deputy City Manager
Union	Joe F. Nichols	City Administrator
Westminster	Kevin Bronson	City Administrator

[1] Board or Commission of Public Works.

2.2 COMMITTEES

The PMPA Board of Directors has created an Executive Committee to conduct the business of the Board of Directors during intervals between board meetings. The membership of the Executive Committee consists of the Chairman and Vice Chairman of the Board of Directors, the immediate past Chairman, and two other Directors selected by the Board of Directors. If the immediate past Chairman is no longer a Director, or is the Vice Chairman, then the membership of the Executive Committee will consist of the Chairman and Vice Chairman of the Board of Directors and three other Directors.

In addition, the Board of Directors has also established additional committees to address other specific issues, including (i) the Executive Committee, (ii) the Finance Committee, (iii) the Catawba Nuclear Station Committee, (iv) the Supplemental Power Supply/Transmission Committee, and (v) the Legislative Committee.

2.3 MANAGEMENT AND STAFF

During 2025, Mr. Joel D. Ledbetter served as PMPA's General Manager and Ms. JulieAnne London served as PMPA's Finance Director. The General Manager of PMPA serves as the Secretary of the Board of Directors, while the Finance Director serves as the Treasurer of the Board of Directors.

As of December 31, 2025, the PMPA staff was comprised of 13 employees. This consisted of three people in the executive department, four in the finance department, three in engineering, and three in information technology.

2.4 FINANCING ACTIVITIES IN 2025

PMPA did not issue new Bonds during 2025.

Table 2-2 summarizes the total principal amount of Bonds issued, refunded, called, or retired during 2025, and the net outstanding principal amount of Bonds as of December 31, 2024, and December 31, 2025.

Table 2-2: Principal Amount of Bonds Issued, Refunded, Called and Retired
Amounts Shown in ($000)

Principal Amounts	As of December 31, 2024	Activity in 2025	As of December 31, 2025
Total Issued	$ 6,119,236 [1]	$ -	$ 6,119,236
Less:			
Refunded Bonds	4,589,490	-	4,589,490
Other Called Bonds	38,235	-	38,235
Retired Amounts	956,271	66,565	1,022,836
Total Defeased or Retired	5,583,996	66,565	5,650,561
Net Issuance	**$ 535,240**	**$ (66,565)**	**$ 468,675**

[1] Amounts do not reflect bond anticipation notes in aggregate principal amount of $200 million that were paid at maturity.

2.5 BOND RATINGS

PMPA has received ratings on its Bonds from three investment services groups comprised of Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") and Fitch IBCA, Inc. ("Fitch").

Table 2-3 shows the ratings that PMPA's Bonds have been assigned as of December 31, 2025, by the three investment services groups identified above.

Table 2-3: Bond Ratings

	Standard & Poor's	Moody's	Fitch
Rating	A-	A3	A-
Outlook	Stable	Stable	Stable

PMPA's Bond ratings are unchanged from those reported as of December 31, 2024. Fitch adjusted PMPA's outlook from Negative to Stable in July 2025.

The ratings by Standard & Poor's, Moody's and Fitch reflect only the views of such organizations and any desired explanations of the significance of such ratings and any outlooks should be obtained only from the respective organizations. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of PMPA's outstanding indebtedness.

2.6 POLICIES

PMPA maintains a variety of policies covering different operational aspects of the organization. Several of these policies that are most closely related to the Catawba Project are discussed in more detail in this section.

2.6.1 INVESTMENT POLICY

The Board of Directors has adopted, and PMPA maintains, an Investment Policy applicable to all transactions involving PMPA's funds (including all funds and accounts established by the Resolution). The policy provides that PMPA's Treasurer is charged with the responsibility to prudently and properly manage PMPA's funds. Investment of Bond proceeds shall be subject to the conditions and restrictions of the Resolution and United States Treasury regulations related to arbitrage restrictions on tax-exempt bonds. Although the policy states that it governs Bond proceeds investment, the provisions of the Resolution and resolutions supplemental thereto and United States Treasury regulations shall control.

No changes were made to this policy during 2025.

2.6.2 WORKING CAPITAL POLICY

The Board of Directors has adopted, and PMPA maintains, a Working Capital Policy to maintain adequate levels of working capital to meet PMPA's operating requirements, liquidity, and Duke Working Capital Fund requirements. The policy addresses the methods, procedures, and practices to be exercised to ensure sufficient working capital is maintained to support PMPA operations, manage unforeseen events, and maintain or improve PMPA's credit ratings.

The policy is intended to be applicable through the 2028/2029 period, during which PMPA will be providing All Requirements service to its Participants pursuant to the Supplemental

Power Sales Agreements ("SPSAs"). Once the existing SPSAs terminate, the Board of Directors will revise this policy to take into account the working capital needs relative to the power supply arrangements post-2028/2029.

The policy (i) establishes a target level of working capital and (ii) provides for notification to the Board of Directors and guidance on actions to be taken if working capital is projected to fall below a minimum level or exceed a maximum level.

No changes were made to this policy during 2025.

2.6.3 TRANSMISSION PROJECT POLICY

The Board of Directors has adopted a Transmission Project Policy to establish guidelines for transmission projects which PMPA will construct, own, operate, and maintain. Such policy has been amended at times since its inception. PMPA does not place limitations on projects which a Participant chooses to build. However, PMPA does place limitations on those projects for which PMPA is expected to pay.

No changes were made to this policy during 2025.

2.6.4 NET BILLING POLICY

The Board of Directors has adopted a Net Billing Policy. This policy allows Participants to interconnect with, and provide net metering/billing of, eligible customer-owned renewable generation. The policy is directed toward eligible customers of the Participants who intend to operate customer-owned renewable generation in parallel with the Participant's electric distribution system and which is primarily intended to offset all or part of the customer's electric consumption at the specific site where the customer-owned renewable generation is installed.

No changes were made to this policy during 2025.

2.6.5 SALES OF EXCESS PARTICIPANT'S CATAWBA SHARE POLICY

On April 19, 2024, the PMPA Board of Directors adopted a policy to guide PMPA and the Participants when implementing the sale of Excess Baseload Capacity and Energy and Surplus Energy. The policy is applicable upon termination of Participant's Supplemental Power Sales Agreement with PMPA dated August 1, 1980. This policy implements the provision of Section 11 of the Catawba Project Power Sales Agreement and Catawba Project Power Sales Renewal Agreement pertaining to sales of a Participant's Catawba Share of the Catawba Project in excess of the requirements of the Participant.

No changes were made to this policy during 2025.

2.7 2025 CAPACITY AND ENERGY REQUIREMENTS AND RESOURCES

PMPA's annual peak demand requirement net of SEPA allocations and Union in 2025 was 486 MW as measured at the generation level. PMPA's annual energy requirements net of SEPA allocations and Union during 2025 were 2,354 gigawatt-hours ("GWh") also as measured at the generation level.

PMPA met its demand requirements in 2025 through its ownership in the Catawba Project (277 MW after giving effect to the McGuire Reliability Exchange) and power purchases from Santee Cooper. PMPA met its energy requirements in 2025 through its ownership entitlement to output from the Catawba Project, as well as supplemental energy purchased from Santee Cooper. Specifically, during 2025 PMPA's ownership entitlement to the Catawba Project supplied 2,395 GWh, of which 303 GWh was Surplus Energy in excess of PMPA's energy requirements. The remaining energy requirements of 262 GWh was supplied by a combination of purchases from Santee Cooper, TEA, and Laurens Electric Membership Cooperative (to serve a portion of the City of Greer's load, known as the "Greer Annex"), as well as distributed generation operated by certain PMPA Participants.

The following table conveys these requirements, as well as the resources which met these requirements.

Table 2-4: 2025 Requirements and Resources
Amounts Shown at the Generation Level, Net of SEPA

	Capacity (MW)	Energy (GWh)	Capacity / Load Factor [1]
Requirements [2]			
Total PMPA (Annual)	512	2,487	55%
Less: Union	(26)	(132)	58%
Net Served by PMPA	**486**	**2,354**	**55%**
Resources			
Catawba Project			
Catawba Station			
Unit 1	72	641	102%
Unit 2	72	573	91%
Total Catawba	143	1,214	97%
McGuire Station			
Unit 1	67	577	98%
Unit 2	67	605	103%
Total McGuire	134	1,182	101%
Total Catawba Project	277	2,395	99%
Less: Surplus Energy		(303)	
Net Retained		2,092	
Total Supplemental [3]	208	262	14%
Total Resources	**486**	**2,354**	

[1] Calculated based on ratings utilized by Duke under the Project Agreements, which are different from those ratings reported by Duke as discussed later in Section 3.3 Capacity Ratings.
[2] Includes load met by distributed generation operated by certain PMPA Participants and Laurens Electric Membership Cooperative (for the Greer Annex).
[3] Includes: (i) supplemental capacity and energy purchased from Santee Cooper, (ii) backstand energy purchased from TEA, (iii) output of distributed generation operated by certain PMPA Participants, and (iv) purchases from Laurens Electric Membership Cooperative to serve the Greer Annex.

2.8 BUDGET TO ACTUAL COMPARISON FOR 2025

As compared to PMPA's 2025 Budget, actual total revenues were approximately $1 million lower than budgeted. Total expenses were lower than budgeted by approximately $10 million, primarily due to lower Catawba capital additions, purchased power, and transmission expenses. The net result was an increase in the Working Capital of $9.8 million, as compared to the budgeted increase of $5.9 million.

The following table reflects more detail on the 2025 actual operations as compared to the 2025 Budget.

Table 2-5: 2025 Actual to Budget Comparison
Amounts Shown in ($000)

	Budget	Actual	Actual Higher / (Lower) than Budget
Revenues:			
Sales to Participants	$ 222,784	$ 224,990	$ 2,206
Sales to Utilities	6,931	9,426	2,495
Interest Income [1]	5,634	5,739	105
Excess Fund Valuation	-	-	-
Other Income/Reserve Releases [2]	$10,784	$10,876	92
Total Revenues	**$ 246,133**	**$ 251,031**	**$ 4,898**
Expenses:			
Operation and Maintenance	$30,573	$27,355	$ (3,218)
Nuclear Fuel	13,913	18,708	4,795
Net McGuire Reliability Exchange	939	547	(392)
Payments in Lieu of Taxes	10,119	9,524	(595)
Administrative & General	16,523	16,122	(401)
Debt Service	85,730	85,730	-
Transfers to:			
Reserve and Contingency Fund [3]	23,281	22,579	(702)
Decommissioning	2,180	2,175	(5)
Other [4]	7,434	8,046	612
Interconnection Services:			
Purchased Power	36,841	37,856	1,015
Transmission	$12,148	$12,029	(119)
Distribution	589	588	(1)
Total Expenses	**$ 240,270**	**$ 241,259**	**$ 989**
Increase/(Decrease) in Working Captial	**$ 5,863**	**$ 9,772**	**$ 3,909**

[1] Excludes earnings on Decommissioning Fund.
[2] Other Income includes: (i) Leased Facilities (ii) Customer Charges and (iii) Supplemental Power Reserve Transfers.
[3] All capital additions funded from Revenues.
[4] Other Expenses includes: (i) Other Administrative and General, (ii) General Plant, (iii) Catawba Inventory, and (iv) Miscellaneous Expenses.

2.9 OPERATION OF PROJECT FUNDS DURING 2025

The following table sets forth PMPA's reported operation during 2025 of the Project Funds established under the Resolution.

Table 2-6: Project Fund Operations During 2025
Amounts Shown in ($000) [1]

	Balance at December 31, 2024	Net Activity In/(Out)	Balance at December 31, 2025
Bond Fund:			
Principal/Interest/Retirement	$ 77,719	$ (473)	$ 77,246
Reserve	45,356	(7,151)	38,205
Total Bond Fund	123,075	(7,624)	115,451
Decommissioning Fund	137,710	10,195	147,905
Operating Fund:			
Fuel Account	(4,006)	4,006	-
Reserve and Contingency Fund	4,619	(834)	3,785
Revenue Fund:			
Working Capital [2]	102,865	9,769	112,634
Supplemental Power Fund	1,600	-	1,600

[1] Amounts reflect amortized cost value of the funds without adjustment to reflect fair value of the investments per note (7) of the Independent Auditors' Report for December 31, 2025 and 2024.
[2] Amounts are net of liabilities.

2.10 MATTERS SPECIFIC TO 2025

2.10.1 SOUTHEAST ENERGY EXCHANGE MARKET

Over the last few years, a number of Southeast utilities have developed a new energy market across the region. The market is known as the Southeast Energy Exchange Market ("SEEM"). The SEEM includes approximately two dozen member utilities including Duke Energy Carolinas, Duke Energy Progress, Southern Company, Dominion Energy, the Tennessee Valley Authority, Santee Cooper, and NCMPA1, among others. SEEM reports it began operations in November 2022. In March 2025, FERC reaffirmed its authorization of SEEM. In April 2025, PMPA began participating in SEEM through TEA, as noted in Section 1.2.4.1 earlier in this Report.

Southeastern utilities could already buy and sell power from each other. SEEM is simply an automated matching of buyers and sellers, not a move to a full, structured market, and does not involve any new governing board or authority that could enforce sales or require transmission be set aside for sales. All sales remain voluntary and are ultimately up to each utility. SEEM may help reduce wholesale electricity costs and/or integrate renewable resources by more efficiently utilizing existing transmission capacity across the Southeast.

2.10.2 DUKE MERGER

In August 2025, Duke Energy Carolinas and Duke Energy Progress announced a proposal to combine their two utilities. Duke Energy Carolinas and Duke Energy Progress have operated as separate utilities since a 2012 corporate merger of Duke Energy and Progress Energy. Duke indicates that this operational merger will produce cost savings through more efficient planning and operations and allow them to meet growing regional energy needs with fewer resources.

This merger is subject to various approvals at both the state and federal levels, including the North Carolina Utilities Commission ("NCUC"), South Carolina Public Service Commission ("SCPSC"), and the Federal Energy Regulatory Commission. FERC approved the merger in January 2026. The SCPSC and the NCUC each approved the merger, with separate settlement agreements, in April and May 2026, respectively. The merger has now been approved by all major regulators and is moving toward implementation on January 1, 2027.

The merger is not expected to impact the costs of the Catawba Project. Impacts to PMPA of this proposed merger are through transmission costs under a merged Duke Energy Carolinas-Duke Energy Progress OATT, but such impacts are not expected to be material.

2.10.3 PARTICIPANT LITIGATION

In July 2023, PMPA was named a defendant in a lawsuit by a Participant regarding the terms of the Catawba Project Sales Agreements. PMPA reports that the lawsuit seeks a declaratory judgment regarding final accounting procedures following the end of the agreement term (July 31, 2035) as set forth within the Catawba Project Sales Agreements. In January 2025, a second Participant joined this lawsuit as an additional plaintiff. In May 2025, PMPA reports that the Executive Committee voted to give PMPA's General Manager the authority to execute the consent judgment on a declaratory judgment to resolve this litigation. According to PMPA, on May 8, 2025, a consent order of dismissal was filed, resolving this litigation.

2.10.4 SOUTH CAROLINA ENERGY LEGISLATION

In May 2025 the South Carolina General Assembly ratified, and the South Carolina Governor signed into law, the South Carolina Energy Security Act (Act No. 41) which represents a comprehensive overhaul of the state's energy regulatory framework intended to enhance long-term reliability, support rapid economic growth, and modernize utility oversight. This legislation, among other things, (i) mandates state agencies to expedite permitting for energy infrastructure (generation, transmission, natural gas pipelines, etc.) projects; (ii) requires the Office of Regulatory Staff to prepare a 10-year statewide energy assessment and action plan; (iii) expands support for new generating resources, including advanced nuclear, and energy storage systems; (iv) establishes a framework for the competitive procurement for renewable energy and utility-scale storage; (v) modernizes transmission planning; (vi) strengthens energy-efficiency and demand-side management requirements; (vii) imposes siting standards for large solar projects; and (viii) reforms electric ratemaking, including creating new economic-development rate structures.

2.11 SUMMARY OF OPERATIONS

In January 2025, PMPA made the scheduled principal payment of $66.6 million on its outstanding debt, which was accrued from operations during 2024 During 2025, PMPA accrued $27.1 million to make the scheduled principal payment in January 2026. As of December 31, 2025, PMPA's Bond ratings are unchanged from those reported as of December 31, 2024. PMPA supplied approximately 89% of its energy requirements, net of allocations from the Southeastern Power Administration, from its ownership entitlements from the Catawba Project during 2025. PMPA's total Working Capital was $81 million at year-end 2024. As a result of 2025 operations, PMPA's total Working Capital increased by $9.8 million, resulting in a year-end 2025 total Working Capital balance of $91 million.

3 MANAGEMENT OF THE CATAWBA PROJECT

3.1 OVERVIEW

As discussed previously, PMPA employs Duke as operator of the Catawba Project. PMPA monitors the operations of the Catawba Project through their Catawba site representative, as well as participation in Operations Review Committee meetings and provides status reports to the Board of Directors on a monthly basis.

3.2 CAPACITY RATINGS

The design MNDC ratings of the Catawba and McGuire units were 1,145 MW and 1,180 MW, respectively. Catawba Units 1 and 2 currently have a maximum dependable capability rating of 1,160 MW and 1,150 MW, respectively and for McGuire Units 1 and 2 at 1,158 MW for each unit. Notwithstanding Duke's reported maximum dependable capability ratings, Duke recognizes 1,105 MW for each of the McGuire units and 1,145 MW for each of the Catawba units for the purposes of establishing capacity entitlements to PMPA under the Project Agreements.

3.3 NUCLEAR REGULATORY COMMISSION ASSESSMENTS

The Nuclear Regulatory Commission ("NRC") utilizes a Reactor Oversight Process ("ROP") to provide a structure for conducting review monitoring of nuclear-fueled electric generating units in the performance areas of reactor safety, radiation safety, and safeguards. Within each performance area are cornerstones that reflect the essential safety aspects of facility operation. The NRC states that satisfactory licensee performance in these cornerstones provides reasonable assurance of safe facility operation.

The NRC evaluates plant performance through the use of inspection findings resulting from NRC's inspection program and performance indicators ("PIs") which are reported by the licensee. Both inspection findings and PIs are evaluated and given a color designation (Green, White, Yellow, or Red) based on their safety significance. The NRC indicates that a Green color designation represents acceptable performance in which cornerstone objectives are fully met with very low risk significance and therefore have little or no impact on safety. Both Green inspection findings and PIs allow for licensee initiatives to correct performance issues before increased regulatory involvement is warranted. According to the NRC, White, Yellow, or Red inspection findings or PIs each, respectively, represent a greater degree of safety significance and therefore trigger increased regulatory attention.

3.3.1 CATAWBA

On March 11, 2026, the NRC released its end-of-cycle performance assessment of the Catawba Units 1 and 2 as part of the ROP. The NRC stated it reviewed performance indicators, inspection results, and enforcement actions over the period January 1, 2025 through December 31, 2025 and concluded that Catawba's overall performance preserved public health and safety. The NRC assessment letter indicated that the performance for the first quarter of calendar year 2025 at Catawba Unit 2 was within the Regulatory Response Column of the ROP Action Matrix (the second highest performance category) due to a single inspection finding (White) in the Mitigating Systems Cornerstone. The NRC reports that it conducted a supplemental inspection in March 2025. Based on the results of this supplemental inspection and the Action Matrix Assessment, the NRC reported that Catawba Unit 2 transitioned to the Licensee Response

Column as of March 13, 2025. Furthermore, the NRC reported that the performance at both Catawba Units 1 and 2 during the most recent quarter was within the Licensee Response Column of the ROP Action Matrix (the highest performance category), due to all inspection findings having very low safety significance (Green), and all PIs being within the expected range (Green). As a result, the NRC indicated that it plans to conduct ROP baseline inspections for both Catawba Units 1 and 2.

3.3.2 MCGUIRE

As part of the ROP, on March 11, 2026, the NRC released its end-of-cycle performance assessment of the McGuire Units 1 and 2. The NRC stated it reviewed performance indicators, inspection results, and enforcement actions over the period January 1, 2025 through December 31, 2025 and concluded that McGuire's overall performance preserved public health and safety. The NRC reported that the performance at McGuire Units 1 and 2 during the most recent quarter was within the Licensee Response Column of the ROP Action Matrix (the highest performance category), due to all inspection findings having very low safety significance (Green), and all PIs being within the expected range (Green). As a result, the NRC indicated that it plans to conduct ROP baseline inspections for both McGuire Units 1 and 2.

3.4 REPORT ON OUTAGES DURING 2025

Catawba Unit 1 did not have a refueling outage during 2025. Catawba Unit 2 completed a 32-day refueling outage that ended on October 5, 2025. McGuire Unit 1 completed an 18-day refueling outage that ended on April 20, 2025. McGuire Unit 2 did not have a refueling outage during 2025.

3.5 PLANT PERFORMANCE

As mentioned earlier, Catawba Unit 1 did not conduct a refueling outage during 2025, achieving a 99% availability factor. Catawba Unit 2 conducted a refueling outage during 2025, resulting in an availability factor of 91%. McGuire Unit 1 conducted a refueling outage during 2025, resulting in an availability factor of 94%. McGuire Unit 2 did not conduct a refueling outage and achieved a 98% availability factor during 2025.

During 2025, Catawba Units 1 and 2 operated at capacity factors of 101% and 91%, respectively. In addition, McGuire Units 1 and 2 operated at capacity factors of 94% and 98%, respectively. These capacity factors are based on the maximum dependable capability ratings of the Catawba and McGuire units, which are different from the ratings utilized by Duke under the Project Agreements as discussed in Section 3.3 Capacity Ratings.

The capacity, energy, capacity factors and availability factors for the Catawba and McGuire units during 2023, 2024, 2025, and the three-year 2023-2025 averages, as well as the United States ("U.S.") average nuclear unit capacity factors are summarized in the following table.

Table 3-1: Nuclear Unit Performance

Unit	2023	2024	2025	2023-25 Average
Net Capacity (MW) [1]				
Catawba Unit 1	1,160	1,160	1,160	
Catawba Unit 2	1,150	1,150	1,150	
McGuire Unit 1	1,158	1,158	1,158	
McGuire Unit 2	1,158	1,158	1,158	
Total	4,626	4,626	4,626	
Net Energy (GWh) [2]				
Catawba Unit 1	8,988	9,343	10,249	9,527
Catawba Unit 2	10,177	9,122	9,166	9,488
McGuire Unit 1	9,202	10,367	9,520	9,696
McGuire Unit 2	8,866	9,666	9,986	9,506
Total	37,234	38,499	38,920	38,218
Capacity Factor (%) [3]				
Catawba Unit 1	88%	92%	101%	94%
Catawba Unit 2	101%	90%	91%	94%
McGuire Unit 1	91%	102%	94%	95%
McGuire Unit 2	87%	95%	98%	94%
U.S. Average	91%	94%	94%	93%
Availability Factor (%) [4]				
Catawba Unit 1	89%	92%	99%	94%
Catawba Unit 2	100%	91%	91%	94%
McGuire Unit 1	89%	100%	94%	95%
McGuire Unit 2	89%	94%	98%	94%

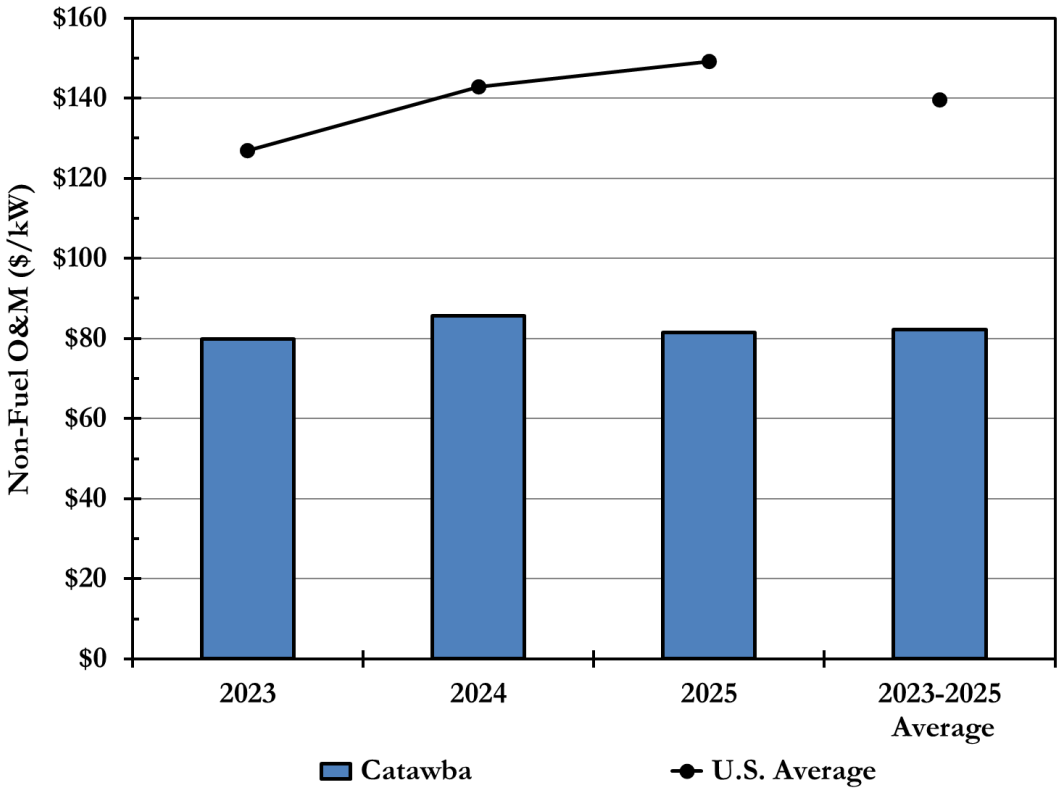
[1] Calculated based on Maximum Dependable Capacity (gross) less the normal station service loads at December 31st of each year.
[2] Calculated based on total energy generated less station service loads.
[3] Calculated based on net capacity ratings reported by Duke, which are different from the ratings utilized in the Project Agreements as discussed in Section 3.3 Capacity Ratings.
[4] Calculated based on number of hours the generator was available to be on-line.

3.6 PRODUCTION COSTS

3.6.1 OPERATIONS AND MAINTENANCE

The following figure summarizes the total non-fuel operations and maintenance ("O&M") expenses for 2023, 2024, 2025, and the 2023-2025 average for the Catawba Nuclear Station, as well as the average for non-merchant nuclear plants in the United States.

Figure 3-1: Nuclear Units Non-Fuel O&M Expenses
Amounts Shown in ($/kW) [1]



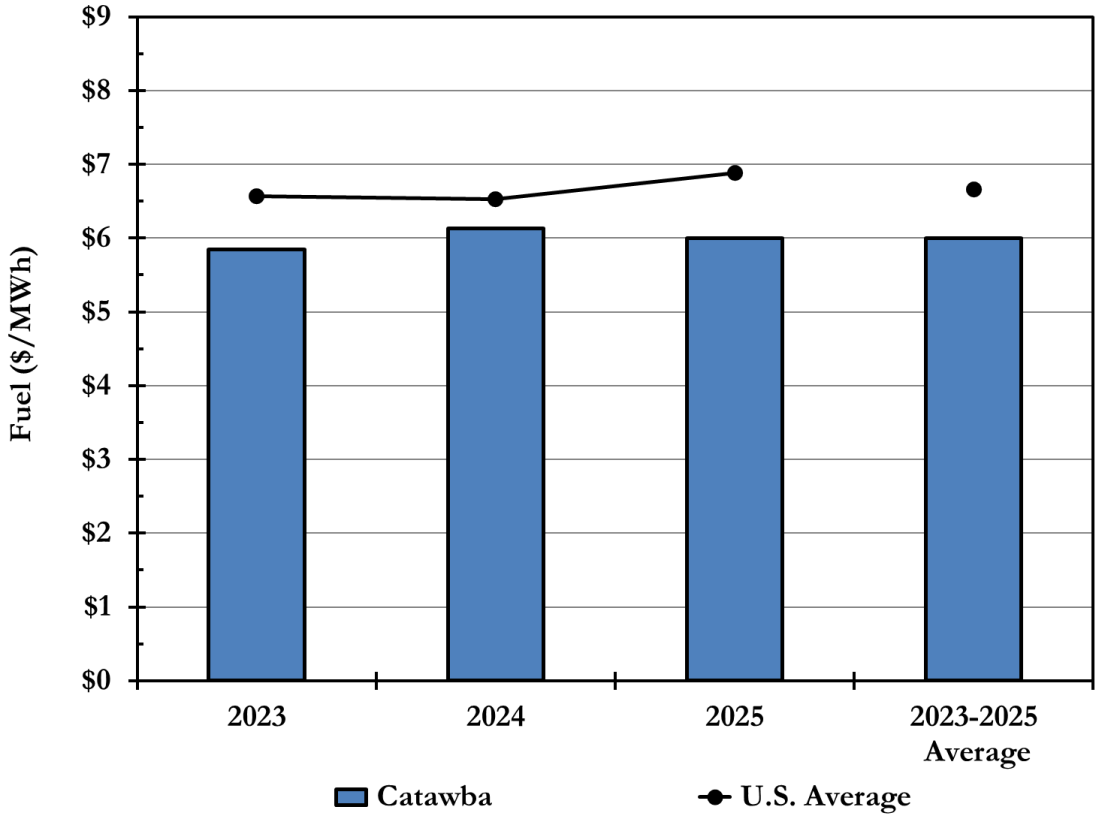
[1] Based on FERC Form 1 data.

As shown above, Catawba's non-fuel O&M expenses during 2025 were $81/kW. The three-year 2023-2025 non-fuel O&M expenses at the Catawba Nuclear Station averaged $82/kW.

3.6.2 FUEL

The following figure summarizes the total nuclear fuel expenses for 2023, 2024, 2025, and the 2023-2025 average for the Catawba Nuclear Station, as well as the average for non-merchant nuclear plants in the United States.

Figure 3-2: Nuclear Units Fuel Expenses
Amounts Shown in ($/MWh) [1]



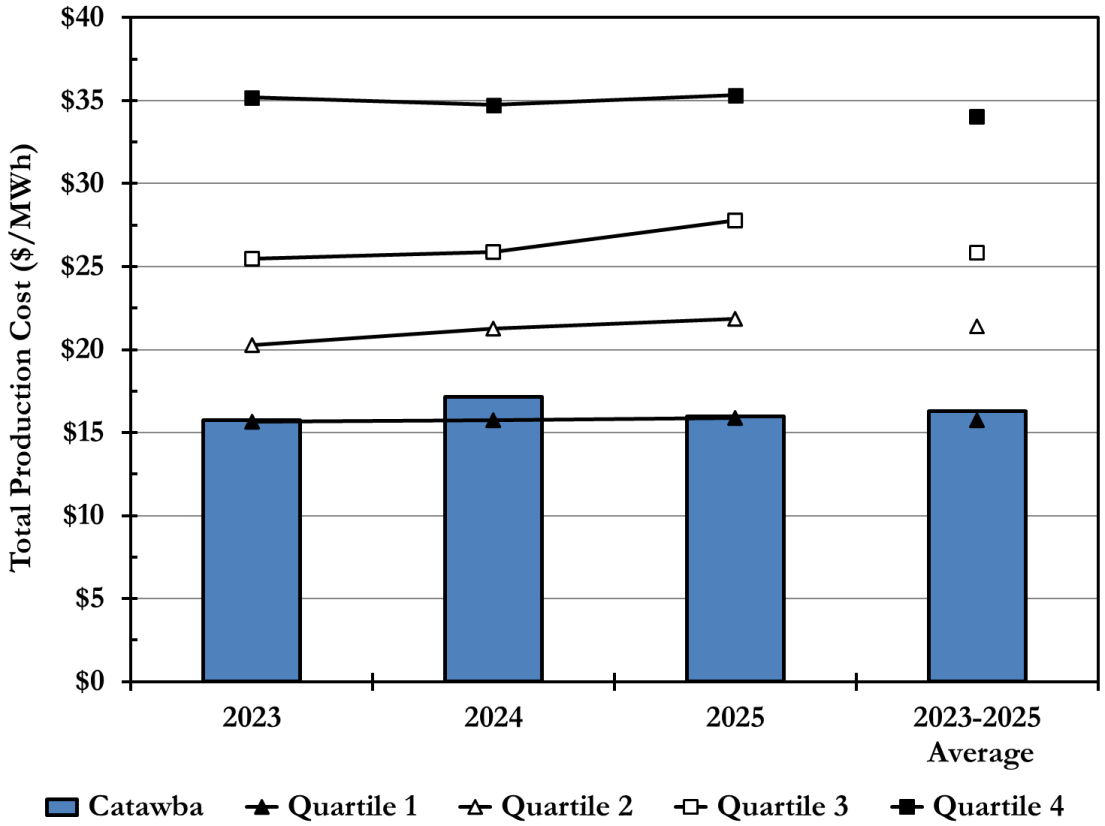
[1] Based on FERC Form 1 data.

As shown above, Catawba operated in 2025 with an average nuclear fuel amortization rate of $6.00/MWh. The three-year 2023-2025 nuclear fuel expenses at the Catawba Nuclear Station averaged $5.99/MWh.

3.6.3 TOTAL PRODUCTIONS COSTS

The following figure conveys the total O&M and fuel expenses (the "total production costs") stated on a $/MWh basis for the Catawba Nuclear Station, as well as for various national averages. For purposes of this comparison, the national averages are shown in "quartiles," as measured by the average of the total production cost of non-merchant nuclear units in the United States. For example, the 25% of nuclear units in the United States with the lowest production cost have been averaged and presented as "Quartile 1." Likewise, "Quartile 4" conveys the average of the 25% of the nuclear units with the highest production cost.

Figure 3-3: Nuclear Units Total Production Costs
Amounts Shown in ($/MWh) [1]



[1] Based on FERC Form 1 data.

As shown above, over the three-year period 2023-2025, the Catawba Nuclear Station operated with average total production costs of $16/MWh (materially the same as the previously reported 2022-2024 average); which is 3% higher than the first quartile average of non-merchant nuclear plants operating in the United States during this period.

3.7 SUMMARY OF MANAGEMENT OF THE PROJECT

The 2025 capacity ratings for the Catawba Project units under the Project Agreements with Duke remained unchanged from the 2024 ratings. The Nuclear Regulatory Commission reported, as of the date of this Report, only baseline inspections as part of the Reactor Oversight Process are planned for Catawba Units 1 and 2, as well as McGuire Units 1 and 2. During 2025, Catawba Units 1 and 2 operated with capacity factors of 101% and 91%, respectively, with only Catawba Unit 2 conducting a refueling outage. McGuire Units 1 and 2 achieved capacity factors of 94% and 98%, respectively during 2025, with only McGuire Unit 1 conducting a refueling outage. The Catawba Nuclear Station operated with average total production costs of $16/MWh during 2023-2025 (materially the same as the previously reported 2022-2024 average); which is 3% higher than the first quartile average of non-merchant nuclear plants operating in the United States during this period.

4 SUFFICIENCY OF RATES AND CHARGES

4.1 RATE POLICIES/OBJECTIVES

The authority of PMPA to determine, fix, impose and collect rates and charges for electric power and energy sold and delivered is not subject to the regulatory jurisdiction of the South Carolina Public Service Commission or the FERC, and there is no other governmental or regulatory body with authority to limit or restrict such rates and charges except to the extent purchases of electric energy from and sales of electric energy to qualifying cogeneration and small power production facilities may be regulated under Section 210 of the Public Utility Regulatory Policies Act.

Under the Supplemental Power Sales Agreements, PMPA is responsible for setting rates and charges to the Participants for All Requirements ("AR") Bulk Power Supply sufficient to pay all Monthly Project Power Costs and all Supplemental Power Costs of PMPA. PMPA staff and consultants advise the Board of Directors with respect to the determination of rate policy and the methodology for setting PMPA's All Requirements Bulk Power Supply rates for the Participants. All rates are reviewed annually and adjusted as necessary in accordance with the Board of Directors approval process. The projections presented in this section are based on ten Participants through 2028, and seven Participants in 2029, reflective of the notices provided by Participants to terminate Supplemental Power Sales Agreements effective January 1, 2029, and January 1, 2030 (see Section 1.2.5.2 earlier in this Report for further information).

For purposes of determining PMPA's rate setting policy, the Finance Committee has established a list of rate design policies and objectives that are considered when the rates for All Requirements Bulk Power Supply are developed or adjusted. The policies and objectives in effect during calendar year 2025 were as follows:

1. Rates should be adequate to cover PMPA's cost of providing service.
2. Rates to the Participants should be fair and reasonable.
3. Rates should reflect the impact of a Participant's load additions or reductions on PMPA's cost of providing service.
4. Rates should assist Participants in the ability to attract and retain customers in order to promote Participant strength and stability in a competitive market.
5. Rates or other programs should allow PMPA and its Participants to maintain stable cash flow through matching revenues and costs.
6. Differences among Participants' average annual wholesale charges should be minimized, such that each Participant's average cost should be within (plus or minus) 10% of PMPA's average charge to all Participants.

4.2 WORKING CAPITAL

PMPA's Bond Resolution and the Catawba Project Power Sales Agreements provide that PMPA may set aside monies in the Revenue Fund to provide for the working capital requirements of the Catawba Project, and PMPA has established the Working Capital Account within the Revenue Fund for that purpose. The Working Capital Account was established to address the nature of PMPA's cost structure under the Project Agreements (including the timing of certain payments to Duke under the Project Agreements throughout the calendar year), its debt obligations under the Bond Resolution, and the seasonal variability of All

Requirements Bulk Power Supply revenues from its Participants. The Working Capital Account can also be used as contingency funds for unexpected Catawba Project plant outages.

Working Capital includes both restricted and unrestricted monies, as well as amounts associated with materials & supplies.

As discussed in Section 2.6.2 earlier in this Report, PMPA maintains a Working Capital Policy which became effective January 1, 2024. For purposes of All Requirements rate setting and planning purposes, PMPA utilizes a portion of its Working Capital, defined as total Working Capital less the balance associated with materials & supplies ($21 million at year-end 2025). During 2025, PMPA's actual month-end Working Capital balance for rate setting purposes (as defined above) ranged from a low of $80 million to a high of $91 million, which was also the year-end 2025 balance.

4.3 AR RATE STRUCTURE AND RIDERS

PMPA's current AR rate structure was established in the late-1990's and is based upon the following objectives: (i) recover the necessary fixed costs of PMPA; (ii) send accurate demand-side management price signals to its Participants; and (iii) provide its Participants the incentive to attract new load. A key consideration in establishing PMPA's AR rate structure was to allow Participants the ability to individually retain the benefits of load growth and accept the risk of load loss.

PMPA's current AR rate structure consists of: (i) a base billing demand component that recovers a "base load" portion of PMPA's fixed costs; (ii) an additional billing demand component that is based on PMPA's marginal cost of capacity; (iii) a base energy rate that is related to recovery of base load energy costs; and (iv) an additional energy rate that is intended to track PMPA's marginal energy costs. Starting in 2012, PMPA changed the basis for allocating base billing demands to reflect a blending of each Participant's current load ratio share and its Participant Share of the Catawba Project, and updates allocated base billing demands every three years. In June 2018, the Board approved fixing the allocated Base Billing Demand quantities assigned to each Participant, at the then current levels.

The AR Bulk Power Supply rates are designed to distinguish between base load usage, which rates are designed to recover Catawba Project costs, and additional demand and energy rates that are based on PMPA's marginal capacity and energy costs in order to provide appropriate marginal pricing signals to its Participants. PMPA's AR Bulk Power Supply rates include an optional Time-of-Use energy rate component available for any Participant with a retail customer with an annual average monthly peak demand of at least 100 kW.

In addition to PMPA's Basic All Requirements Rate Schedule, PMPA has three rate riders, which as of the date of this Report, are not open to new participation. The following table describes these AR rate riders.

Table 4-1: All Requirements Rate Riders

Rider Title	Rider Description
Economic Development Rider	PMPA's economic development rate is intended to assist the Participants in attracting large commercial and industrial loads. PMPA's economic development rate is designed with the intent that PMPA's Participant will be able to offer rates to prospective new customers that are competitive with Duke's comparable retail rate. PMPA elected to temporarily suspend offering the Economic Development Rider to new customers effective October 1, 2022.
Additional Credits Rider	Available for service to customers qualifying for the economic development rider, but also meeting certain other criteria related to workforce additions or capital investment in PMPA's service area. PMPA elected to temporarily suspend offering the Additional Credits Rider to new customers effective October 1, 2022.
Load-Side Generation Rider	Applicable to Participants with load-side generation operated in parallel during peak or emergency conditions. PMPA provides avoided cost credits for those generators enrolled in PMPA's Load-Side Generation Program. This rider is currently closed for new applicants.

The costs of other special obligations of the Participants that are not covered by PMPA's All Requirements rates and charges, including, but not limited to, the costs of leasing distribution delivery substation equipment and/or metering equipment from Duke are passed directly through to the applicable Participants each month.

4.4 RATE ACTIVITY DURING 2025

PMPA reviewed its power cost projections in late 2024. These projections indicated that PMPA could maintain the current Basic All Requirements rate level in 2025, with a plan for no rate level adjustment in 2025, and a plan for 1.7% annual rate level increases starting in 2026.

PMPA updated its power cost projections in late 2025. The updated projections reflected similar cost levels to those projected in late 2024. These updated projections indicated that PMPA could maintain the current Basic All Requirements rate level in 2026, with a plan for 1.3% annual rate level increases in 2027 and 2028 (the last year with all ten Participants still taking All Requirements service) and a rate level adjustment in 2029 to maintain working capital for the seven Participants taking All Requirements service in 2029. The rate levels described above are projected to provide revenues sufficient to pay all Catawba Project and Supplemental Power Costs and generally maintain the desired Working Capital balances through 2029.

4.5 OPERATING RESULTS

The following table summarizes the projected operating results for PMPA based on the cost projections from late 2025 discussed in Section 4.4.

Table 4-2: Projected Operating Results
Amounts Shown in ($ Millions)

	2026	2027	2028	2029 [1]
Revenues:				
Sales to Participants	$ 225	$ 228	$ 233	$ 134
Sales to Utilities	6	5	5	9
Investment Income [2]	6	5	5	3
Excess Funds Valuation	-	-	-	-
Reserve Releases	-	-	-	-
Total Revenues	**237**	**239**	**243**	**146**
Expenses:				
Operation and Maintenance	26	30	28	17
Nuclear Fuel	21	20	21	11
Net McGuire Reliability Exchange	(1)	0	(0)	(0)
Payments in Lieu of Taxes	11	11	11	7
Administrative & General	24	25	25	16
Debt Service	84	84	84	51
Transfers to:				
Reserve & Contingency Fund	24	24	23	14
Decommissioning Fund Deposit	2	2	2	1
Interconnection Services:				
Purchased Power	29	28	30	2
Transmission & Distribution	11	12	13	10
Other	18	14	14	17
Total Expenses	**248**	**250**	**250**	**147**
Increase/(Decrease) in Working Capital	**(11)**	**(11)**	**(7)**	**(1)**
Year-end Working Capital [3]	**$ 82**	**$ 71**	**$ 64**	**$ 63**

[1] 2029 reflects AR service to 7 Participants (excludes Greer, Rock Hill, and Westminster).
[2] Includes Other Revenues and earnings on working capital fund.
[3] Reflects only the portion of Working Capital recognized for AR rate planning purposes.

The following table reflects the development of the projected average All Requirements charges to the Participants based on the projections of Sales to Participants shown in Table 4-2.

Table 4-3: Projected Average All Requirements Charges

	2026	2027	2028	2029 [1]
Sales to Participants ($M)	$ 225	$ 228	$ 233	$ 134
Total Energy Requirements (GWh) [2]	2,453	2,487	2,525	1,184
Average Charges ($/MWh)	$ 91.8	$ 91.8	$ 92.4	$113.0

[1] 2029 reflects AR service to 7 Participants (excludes Greer, Rock Hill, and Westminster).
[2] At the delivery point.

4.6 SUMMARY OF SUFFICIENCY OF RATES AND CHARGES

PMPA's Basic All Requirements rate remained unchanged during 2025. PMPA's All Requirements rates were reviewed, and projections updated in late 2025. These projections indicated projected costs similar to those projected in late 2024, and that PMPA could maintain the Basic All Requirements rate level in 2026, with a plan to implement annual 1.3% rate increases in 2027 and 2028 (the last year with all ten Participants still taking All Requirements service) and a rate level adjustment in 2029 to maintain working capital for the seven Participants taking All Requirements service in 2029. The rate levels described above are projected to provide revenues sufficient to pay all Catawba Project and Supplemental Power Costs and generally maintain the desired Working Capital balances through 2029.

5 REQUIREMENTS FOR FUTURE POWER SUPPLY

5.1 HISTORICAL DEMAND AND ENERGY

The Participants' requirements are measured at the PMPA delivery point level (the metering points designated for billing to each Participant). The following table provides a summary of historical demand and energy requirements, gross of SEPA, at the PMPA delivery point over the period 2015 through 2025.

Table 5-1: Historical Demand and Energy Requirements
Amounts Shown at Delivery Point, Gross of SEPA [1]

Calendar Year	Annual Peak Demand		Annual Energy	
	(MW)	Change (%)	(GWh)	Change (%)
2015	545	- -	2,500	- -
2016	565	3.5	2,570	2.8
2017	545	(3.5)	2,451	(4.6)
2018	545	(0.0)	2,586	5.5
2019	551	1.1	2,551	(1.4)
2020	539	(2.2)	2,424	(5.0)
2021	545	1.1	2,464	1.6
2022	584	7.3	2,475	0.5
2023	570	(2.4)	2,426	(2.0)
2024	564	(1.0)	2,520	3.9
2025	577	2.2	2,532	0.5
Compound Average Annual Change				
2015 – 2025		0.6		0.1
2020 – 2025		1.4		0.9

[1] Amounts include the generation from the City of Abbeville hydro unit. Annual peak demands represent PMPA's peak demand.

The change in the Participants' demand and energy requirements from year to year reflects the changes in population and economic conditions experienced by the Participants, incremental and decremental load, and the actual weather conditions that vary from typical or normal weather.

5.2 PROJECTED DEMAND AND ENERGY

Projections of the Participants' delivery point demand and energy requirements were developed by GDS Associates in 2024. Table 5-2 reflects the projected demand and energy requirements of PMPA's ten Participants, regardless of notices provided by the Participants to terminate Supplemental Power Sales Agreements effective January 1, 2029, and 2030 (see Section 1.2.5.2 earlier in this Report for further information). After exclusion of SEPA allocations (69 MW of demand and 108 GWh of energy in total for the Participants), such projections are shown for selected years below reflecting the loads of all ten Participants. Actual energy delivered to the Participants from SEPA will depend upon the generation of the hydroelectric facilities from

which the Participants' allocations are obtained. The demand projections reflect the annual peak demands of the Participants coincident with the PMPA annual peak.

Table 5-2: Projected Demand and Energy Requirements
Amounts Shown at Delivery Point, Net of SEPA

Calendar Year	Annual Peak Demand (MW)	Annual Energy (GWh)	Average Annual Energy Change From Prior Period (%)
2026	497	2,453	-
2030	526	2,585	1.3
2034	546	2,682	0.9
2026-2034 Projected Compound Average Annual Energy Change			1.1

The above projections are based on econometric analysis reflecting an estimate of the historical relationships between energy requirements and economic, demographic, and weather factors expected to affect the Participants' load growth.

The foregoing projections of the Participants' demand and energy requirements from PMPA assume that the region of South Carolina supplied by PMPA will experience moderate economic growth and a relatively stable economy, that the characteristics of the Participants' systems will be comparable to those experienced in recent years, and that SEPA allocations discussed above will not change. Future load management efforts by PMPA and the Participants may reduce peak loads and improve load factors, but no specific new load management programs have been assumed, nor have their effects been included in the foregoing load forecast.

5.3 REQUIREMENTS AND RESOURCES

The following table summarizes PMPA's requirements and the resources used to meet those requirements over the historical period 2023-2025 and the projected period 2026-2029.

Table 5-3: Requirements and Resources
Amounts Shown at Generation Level, Net of SEPA

Line		Historical			Projected			
		2023	2024	2025	2026	2027	2028	2029 [1]
	Requirements							
	Capacity (MW)							
1	Annual Peak	504	499	512	509	517	524	227
2	Less: Union	(26)	(25)	(26)	(31)	(32)	(32)	(32)
3	Total PMPA - Net of Union	478	473	486	478	485	492	194
	Energy (GWh)							
4	Annual Total	2,364	2,456	2,487	2,512	2,548	2,586	1,212
5	Less: Union	(128)	(131)	(132)	(152)	(154)	(155)	(156)
6	Total PMPA - Net of Union	2,236	2,325	2,354	2,360	2,393	2,431	1,056
	Resources							
	Capacity (MW)							
	Catawba Project							
	Catawba Station							
7	Unit 1	72	72	72	72	73	73	44
8	Unit 2	72	72	72	72	72	72	44
9	Total	143	143	143	143	144	144	88
	McGuire Station							
10	Unit 1	67	67	67	67	70	70	43
11	Unit 2	67	67	67	67	70	70	43
12	Total	134	134	134	134	140	140	85
13	Total Retained Catawba Project	277	277	277	277	285	285	173
14	Supplemental from PMPA **[2]**	201	196	208	201	200	207	21
15	Total Capacity Resources	478	473	486	478	485	492	194
	Energy (GWh)							
	Catawba Project							
	Catawba Station							
16	Unit 1	563	585	641	591	590	634	356
17	Unit 2	636	571	573	634	591	589	385
18	Total	1,199	1,155	1,214	1,224	1,181	1,222	741
	McGuire Station							
19	Unit 1	556	628	577	548	572	573	336
20	Unit 2	536	586	605	548	572	573	336
21	Total	1,092	1,214	1,182	1,096	1,145	1,146	671
22	Total Entitlement	2,292	2,369	2,395	2,320	2,325	2,369	1,412
23	Less: Surplus Energy	(264)	(289)	(303)	(216)	(193)	(206)	(385)
24	Total Retained Catawba Project	2,028	2,081	2,092	2,104	2,133	2,163	1,028
25	Supplemental from PMPA **[2][3]**	208	244	262	256	261	268	29
26	Total Energy Resources	2,236	2,325	2,354	2,360	2,393	2,431	1,056

[1] 2029 reflects seven Participants (excludes Greer, Rock Hill, and Westminster, pursuant to their notices to terminate Supplemental Power Sales Agreements effective January 1, 2029).
[2] Provided by Santee Cooper. Also includes load met by distributed generation operated by certain PMPA Participants and Laurens Electric Membership Cooperative (for the Greer Annex).
[3] Includes backstand energy purchases.

5.4 SUMMARY OF REQUIREMENTS FOR FUTURE POWER SUPPLY

The energy requirements (net of allocations of energy from the Southeastern Power Administration) of PMPA's ten Participants, regardless of notices provided by Participants to terminate Supplemental Power Sales Agreements effective January 1, 2029, and 2030 (see Section 1.2.5.2 earlier in this Report for further information) are projected to increase on average 1.1% per year through 2034. Entitlements to capacity and energy from the Catawba Project, together with the other power supply arrangements described in this Report, are projected to be sufficient to provide the Participants' All Requirements Bulk Power Supply through 2029.

6 CHANGES IN OPERATION AND CAPITAL IMPROVEMENTS

6.1 OPERATIONAL STATUS OF THE CATAWBA PROJECT

Prior to the 2012 merger between Duke Energy and Progress Energy, each of the Catawba and McGuire units were dispatched by Duke to serve the combined loads of PMPA and Duke. Since July 2012, in connection with the Joint Dispatch Agreement between Duke and Progress Energy Carolinas (now known as Duke Energy Progress or "DEP"), the Catawba and McGuire units have been dispatched to serve the combined loads of both Duke's and DEP's combined system. Since the dispatch of nuclear units on both systems takes the form of "must run" base-loaded generation, the Joint Dispatch Agreement has not had, and is not expected to have, any material effect on the operation of the Catawba or McGuire nuclear units. Historically, each of the Catawba and McGuire units have operated on an 18-month refueling cycle. Duke has indicated its plan to change from an 18-month refueling cycle to a 24-month refueling cycle for the Catawba and McGuire units. The joint owners of the Catawba units approved this change in November 2024. As of the date of this Report, Duke projects implementing the new 24-month refueling cycle for Catawba Unit 1 in the Spring of 2029, Catawba Unit 2 in the Spring of 2030, McGuire Unit 1 in the Fall of 2029, and McGuire Unit 2 in the Fall of 2030. The status of refueling outages at each of the units is as follows:

Table 6-1: Refueling Outage Summary

Unit	Most Recent Refueling Outage		Next Refueling to Begin In
	Completed In	Duration (days)	
Catawba Unit 1	May 2026	26	Oct. 2027
Catawba Unit 2	Oct. 2025	33	Mar. 2027
McGuire Unit 1	Apr. 2025	18	Sep. 2026
McGuire Unit 2	Apr. 2026	28	Sep. 2027

Duke, pursuant to the Operating Agreement, has agreed that there shall be no pattern of adverse distinction and no pattern of undue discrimination in carrying out its obligations relating to Catawba, including the determination of outage schedules, as compared to its other generating units. Effective in July 2012, upon the closing of the merger between Duke Energy and Progress Energy, and pursuant to an amendment to the Operating Agreement, Duke's obligation was extended to apply to Duke's scheduling of outages for all nuclear generating facilities operated by Duke Energy or its affiliates.

Other than the capital improvements discussed in the next section, which are expected to improve the operational reliability of Catawba, GDS Associates is not aware of any operational changes at Catawba.

6.2 CAPITAL ADDITIONS

In December 2003, the owners of Catawba were granted a 20-year operating license extension by the Nuclear Regulatory Commission, and Catawba is now licensed to operate through the year 2043. In connection therewith, Duke, the operator and contractor for Catawba has identified and undertaken numerous capital projects at Catawba that are related to plant

upgrades to maintain system and equipment reliability, provide for a power uprate, address certain control systems obsolescence, and support extension of the plant's operating life.

The following are some of the more significant capital and maintenance projects at Catawba which Duke completed during 2025:

1. Catawba Unit 2 steam generator life extension [reconstitution];
2. Replacement of the conventional waste system's pond liners;
3. Replacement of Catawba Unit 2 high-pressure turbine diaphragms;
4. Dry Cask Storage Phase IV;
5. Spare Reactor Coolant Pump Motor;
6. Catawba Unit 2 Main Power Relay upgrades and replacements; and
7. Catawba Unit 2 digital rod position indication control room components.

Duke, the operator and contractor for Catawba, is currently undertaking upgrades at Catawba required to: (i) maintain system and equipment reliability; (ii) lengthen service life for obsolescence and plant life extension; and (iii) meet new regulatory requirements. The most significant areas of focus currently are:

1. Replacement of Catawba Unit 1 main step-up transformer (1A in 2026);
2. Replacement of generator circuit breakers (2027/2029);
3. Upgrade of turbine controls (2028/2029);
4. Replacement of Catawba Unit 1 moisture separator reheater (2029);
5. Auxiliary Transformer replacements (2026/2027/2028);
6. Nuclear Instrumentation upgrades (2026/2027); and
7. Cooling Tower Vibration Monitor System upgrades and replacements (2026/2027).

In August 2025, the joint owners of the Catawba units approved an extended power uprate project for Catawba Unit 1. In addition, Duke is also implementing similar power uprate projects at McGuire Units 1 and 2. Due to limitations associated with Catawba Unit 2's steam generators, an extended power uprate project for Catawba Unit 2 is not planned. Duke is planning for these three projects (75 MW per unit) to be implemented in Fall 2029 for McGuire Unit 1, Fall 2030 for McGuire Unit 2, and Spring 2031 for Catawba Unit 1. These uprates are expected to result in approximately 13.8 MWs of additional capacity entitlement from the Catawba Project for PMPA.

In addition to the major projects discussed above, PMPA has financed numerous other capital projects that Duke is currently planning to implement at the Catawba Nuclear Station, which could be characterized as renewals and replacements of equipment or components that have reached the end of their useful operating life.

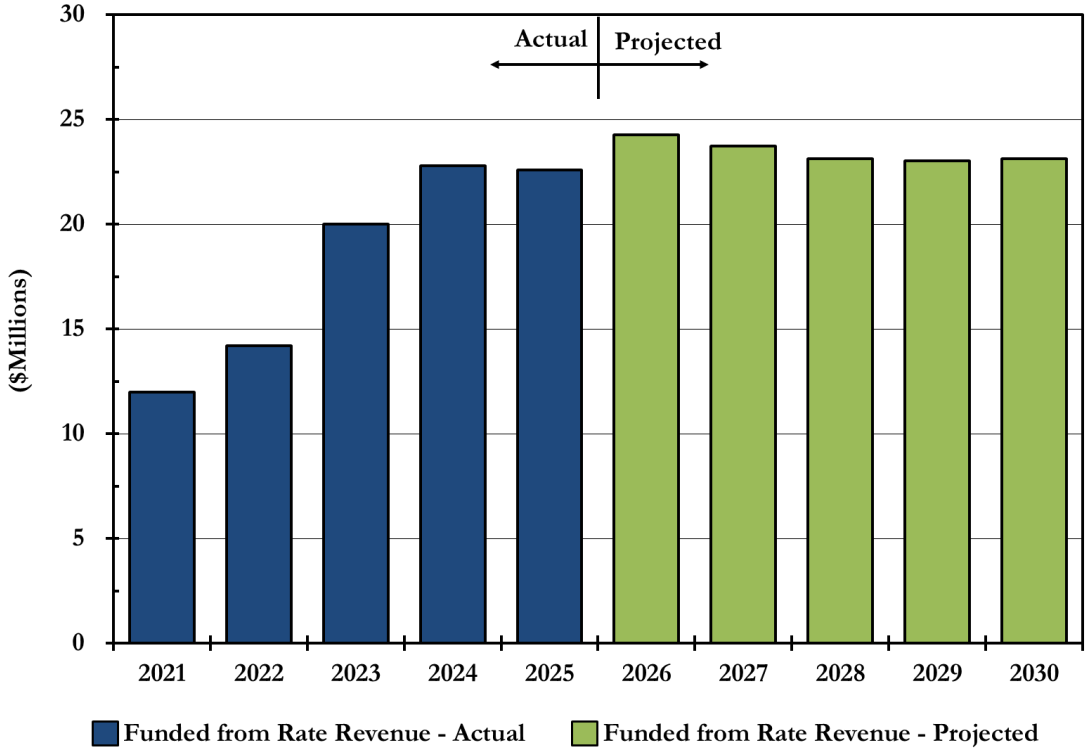
Following the earthquake and tsunami at the Fukushima Dai-ichi nuclear powerplant in Japan in March 2011, the NRC formed a senior-level task force to review the NRC regulations and processes to determine if the NRC should make safety improvements taking into consideration the Fukushima event. The task force prepared a report and recommended areas of enhancement. The NRC then prioritized certain suggestions of the task force.

In March 2012, the NRC issued three orders requiring actions of the operators of nuclear reactors. The NRC states that it has conducted audits and inspections to verify implementation of these orders. The NRC reports that both Catawba and McGuire are in compliance with the applicable orders (Catawba and McGuire, as pressurized water reactors, are not subject to one of the orders).

The NRC also directed nuclear reactors to re-evaluate their seismic and flooding hazards. The NRC reports that both Catawba and McGuire have submitted reports related to the seismic and flooding directives. The NRC indicates that both Catawba and McGuire are in compliance with the seismic and flooding hazards requirements.

The following figure shows the historical level of capital additions costs that PMPA has incurred in connection with Duke's plant upgrades over the last five years, as well as PMPA's 5-year projection of its ownership share of capital additions that will be billed under the Operating Agreement, based on information provided by Duke. Figure 6-1 also shows the portion of capital additions that PMPA has funded with debt.

Figure 6-1: PMPA's Share of Catawba Project Capital Additions



6.2.1 OTHER POTENTIAL CAPITAL IMPROVEMENTS

In addition to the capital projects currently planned, Duke has continued to monitor potential issues at the Catawba Nuclear Station which may involve repair or replacement of critical systems at the plant.

Catawba Steam Generators. The original Westinghouse steam generators in Catawba Unit 1 experienced significant stress corrosion cracking ("SCC") in their tubes; an industry-wide problem in steam generators of certain designs, including the original steam generator designs at McGuire and Catawba Unit 1. The original Westinghouse steam generators in Catawba Unit 1 and both McGuire units were replaced with Babcock & Wilcox steam generators in 1996 and 1997. The steam generators in Catawba Unit 2 are Westinghouse design, but have certain design differences from the original steam generators installed in Catawba Unit 1 and the McGuire units. In addition, notwithstanding that Catawba Unit 2 steam generator tubes have not shown the degree of stress corrosion cracking found in Catawba Unit 1, Duke has undertaken certain measures designed to prolong the life of the Catawba Unit 2 steam generator tubes. Duke reports that continued testing of the steam generator tubes in Catawba Unit 2 will be conducted. However, such testing may not be conducted at each refueling outage, due to a license amendment approved by the NRC which allows less frequent inspections if significant SCC was not detected during previous inspections.

Duke reports that it completed eddy current testing and inspections (to identify defects) of all the tubes associated with Catawba Unit 2's steam generator during the refueling outage completed in May 2021. According to Duke, no significant tube defects, tube pitting, or cracking was identified at that time. As of the date of this Report, Duke indicates that the inspection results from May 2021 allowed it to skip performing the eddy current testing and inspections at Catawba Unit 2 during the refueling outages completed in October 2022 and April 2024. Duke reports that it conducted eddy current testing and inspections of all tubes associated with Catawba Unit 2's steam generator during the refueling outage completed in October 2025. Although Duke cannot predict the extent to which Catawba Unit 2's steam generators will be affected by the tube cracking in the future, potential consequences of the cracking include extensive tube "plugging" and "sleeving," which could lead to longer refueling outages and forced outages. The economic impacts of such potential consequences would dictate an evaluation of the costs and benefits of replacing the steam generators at Catawba Unit 2. Based on current inspections, Duke does not report any plans to replace Catawba Unit 2's steam generators.

6.3 RESERVE AND CONTINGENCY FUND

PMPA has used the Reserve and Contingency Fund over the years to pay for certain Catawba capital additions billed under the Operating Agreement. To the extent PMPA has issued debt to fund its share of ongoing Catawba capital projects, the Reserve and Contingency Fund has been available to PMPA for other purposes.

The operation of the Reserve and Contingency Fund during 2025 is summarized below.

Table 6-2: Reserve and Contingency Fund

Reserve and Contingency Fund		($000)
Balance at December 31, 2024	$	4,619
Transfers In		22,719
Transfers (Out)		(23,553)
Balance at December 31, 2025	**$**	**3,785**

6.4 DECOMMISSIONING

The Operating Agreement provides that PMPA and the other owners of Catawba will bear their ownership share of decommissioning costs for Catawba. Consequently, PMPA's share of decommissioning costs will equal 12.5% of the costs to decommission Catawba.

Duke reports that the estimated site-specific decommissioning costs of Catawba, including the cost of decommissioning plant components not subject to radioactive contamination, total $1.847 billion (based on current operating license expiration in 2043) or $1.767 billion (based on an assumed extension of the operating license to 2063), both stated in 2023 dollars, and based upon a decommissioning study completed in 2023. Such estimate is subject to revision caused by, among other things, technological and regulatory factors.

The Resolution provides for deposits from Revenues into the Decommissioning Fund in order to pay decommissioning costs, and PMPA has been making deposits since 1985. PMPA deposits annually an amount sufficient, taking into account investment earnings over time, to pay the escalated cost to decommission Catawba (based on Duke's site-specific estimates). At December 31, 2024, PMPA determined the operating license renewal extending the operating life of Catawba to 2063 was both probable and estimable. As such, PMPA indicates it has updated its underlying asset retirement obligation to reflect this change in assumption.

In connection with its certification to the NRC regarding financial assurance for decommissioning its share of Catawba, PMPA has established an external decommissioning trust fund that will be maintained solely to pay decommissioning costs. Deposits into such external decommissioning trust fund are made by transfers from the Decommissioning Fund under the Resolution. In March 2025, PMPA made a required biennial filing with the NRC verifying that funding amounts in its decommissioning trust fund, together with interest earnings, will meet the level of the NRC minimum financial assurance amount as projected to the decommissioning date. As reported in PMPA's audited financial statements, the balance in the Decommissioning Fund at December 31, 2025, was approximately $147 million.

6.5 SUMMARY OF CHANGES IN OPERATION AND CAPITAL IMPROVEMENTS

Based on our review of the information provided by Duke and PMPA, and our general understanding of the scope of Catawba capital additions projects currently being undertaken by Duke, GDS Associates has concluded that the renewals, extraordinary repairs, replacements, modifications, capital additions and betterments related to the capital additions projects currently being undertaken by Duke, for which PMPA is responsible under the Operating Agreement, are necessary or desirable to achieve design capability, improve operating reliability of the Catawba Nuclear Station, comply with regulatory requirements, or for safety, public health, or environmental purposes.

APPENDIX A: INDEPENDENT AUDITOR'S REPORT FOR 2025

PIEDMONT MUNICIPAL POWER AGENCY

Financial Statements and Schedules

December 31, 2025 and 2024

(With Report of Independent Auditor Thereon)

PIEDMONT MUNICIPAL POWER AGENCY

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Cherry Bekaert LLP
Your Guide Forward

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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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

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.

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.

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.

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:

	2025	2024	2023
		(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	857,842	828,202	811,503
Less accumulated depreciation and amortization	(415,715)	(400,912)	(407,640)
Total, net	$ 442,127	$ 427,290	$ 403,863

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.

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)

Assets	2025	2024
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)

Liabilities	**2025**	**2024**
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
Net Position		
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)

	2025	2024
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	247,603	241,486
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	145,224	137,420
Net Operating Income	102,379	104,066
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	(69,225)	(72,589)
Increase in net position	33,154	31,477
Net position at beginning of year	172,519	141,042
Net position at end of year	$ 205,673	$ 172,519

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 liabilty 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.

(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.

(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.

(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.

(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.

(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.

(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.

(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
	100.00

(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.

(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.

(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

(Dollars in thousands)

(5) Capital Assets – Continued

	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

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.

(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):

	Time Segmented Distribution					
Investment Type	Under 1 Year	1-2 Years	2-3 Years	3-4 Years	>4 Years	Total
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	$ 166,555	$ 59,531	$ 42,187	$ 42,468	$ 31,814	$ 342,555

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):

	Time Segmented Distribution					
Investment Type	Under 1 Year	1-2 Years	2-3 Years	3-4 Years	>4 Years	Total
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	$ 162,161	$ 57,328	$ 45,287	$ 36,562	$ 35,982	$ 337,320

Refer to Note 14 for additional fair value disclosures.

(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.

(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.

(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

(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.

(Dollars in thousands)

(9) Bonds Payable

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

	2024	Additions	Reductions	2025	Due within one year
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	-	-

(Dollars in thousands)

(9) Bonds Payable – Continued

	2024	Additions	Reductions	2025	Due within one year
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	535,240	-	66,565	468,675	27,064
Less unamortized discounts	(30)	-	(4)	(26)	-
Plus unamortized premiums	37,113	-	6,634	30,479	-
Bonds payable, net	$ 572,323	$ -	$ 73,195	$ 499,128	$ 27,064

(Dollars in thousands)

(9) Bonds Payable – Continued

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

	2023	Additions	Reductions	2024	Due within one year
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

(Dollars in thousands)

(9) Bonds Payable – Continued

	2023	Additions	Reductions	2024	Due within one year
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	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	$ 583,836	$ 48,330	$ 59,843	$ 572,323	$ 66,565

(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.

Payment Due 1/1	Principal	Interest	Total
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
	$ 468,675	$ 357,195	$ 825,870

(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.

(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.

(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

(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 paids	(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

(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)

(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.

(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

(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.

(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.

(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 Contingency	Decommission	Supplemental Power
		Working Capital	Fuel Account	Principal Interest 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		102,865	(4,006)	77,719	45,356	4,619	137,710	1,600
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		$ 112,634	$ -	$ 77,246	$ 38,205	$ 3,785	$ 147,905	$ 1,600
Assets		115,783						
Liabilities		(3,149)						
		$ 112,634						

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