

Piedmont Municipal Power Agency First Quarter 2018 Report

Financial Summary

First quarter 2018 electricity sales to Participants decreased by \$2.4 million (4.35%) when compared to first quarter 2017 sales. This decrease was due to credits being applied to the Participants monthly bills. In contrary, energy usage was up 10.5% due to 9.14% cooler temperatures for the first quarter of 2018 compared to the same period in 2017. Additionally, there was no wholesale rate increase in May, 2017.

Sales of electricity to other utilities decreased by \$473,000 (8.30%) in first quarter of 2018 when compared to first quarter 2017. The major component of sales of electricity to other utilities was surplus energy sales to third parties. Surplus Energy sold to third parties decreased \$690,000 due to a decrease of 27,663,000 kWh in energy available for sale during the first quarter of 2018 compared to the same period in 2017. Also, sales of electricity to Duke for exchange energy increased approximately \$218,000 when the same periods were compared.

Operating and maintenance costs increased \$267,000 (4.15%) in first quarter 2018 when compared to the same periods in 2017. This increase was due to higher operating and maintenance costs during first quarter of 2018. In addition, Catawba Unit #2 went down for a refueling outage from March 17, 2018 through April 14, 2018. These costs will be reflected during the second quarter.

Purchase power costs increased \$1.8 million (16.74%) in first quarter of 2018 when compared to the same period of 2017. McGuire exchange charges increased \$958,000, and there was an increase of \$534,000 in supplemental energy charges. In addition, other power purchased costs were approximately \$307,000 higher when compared to first quarter of 2017.

Power delivery costs increased \$118,000 (318.92%) in first quarter of 2018 when compared to the same period in 2017. First quarter of 2018 included a fee for early termination of a delivery point that was passed on to the Participant.

Operating revenue exceeded PMPA's budget by \$1.2 million in addition to \$716,000 of operating costs that were lower than budget. Combined with interest income and miscellaneous expenses, the overall operating results for the first quarter exceeded PMPA's budget by \$2.9 million. Variable rate interest was under budget by \$242,000 and capital addition payments coupled with other transfers were \$345,000 under budget. In addition, defeasance of refunding bonds were over budget by \$298,000 due to defeasing two entire maturities, instead of doing a partial defeasance of one maturity. As a result, PMPA withdrew \$3.2 million less than budgeted to working capital for the first quarter of 2018.

PIEDMONT MUNICIPAL POWER AGENCY
CONDENSED INTERIM STATEMENT OF FINANCIAL CONDITION
FOR THE PERIODS ENDING MARCH 31
(UNAUDITED)

	2018	2017
	(Dollars in Thousands)	
<u>Assets</u>		
Capital assets		
Utility plant assets being depreciated	\$ 740,562	\$ 721,317
Accumulated depreciation and amortization	(389,976)	(378,109)
Total utility plant assets being depreciated, net	350,586	343,208
Utility plant assets not being depreciated	13,871	13,333
Total capital assets, net	364,457	356,541
Revenue fund assets		
Cash	417	285
Marketable debt securities	104,181	87,518
Accrued interest receivable	2	3
Participant accounts receivable	15,731	17,765
Other accounts receivable	375	541
Materials and supplies	19,807	19,468
Total current unrestricted assets	140,513	125,580
Restricted assets:		
Restricted for debt service	84,526	94,398
Restricted for decommissioning	74,296	70,388
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Account)	25,022	32,749
Restricted for other (Duke Working Account)	0	14,489
Total current restricted assets	185,444	213,624
Total current assets	325,957	339,204
Noncurrent assets:		
Net costs recoverable from future Participant billings	486,685	509,703
Costs on advance refunding of debt, net	35,503	41,963
Other	15,897	18,115
Total other assets	538,085	569,781
Total assets	\$ 1,228,499	\$ 1,265,526
<u>Liabilities and Net Assets</u>		
Long-term liabilities:		
Bonds payable, net	\$ 805,520	\$ 867,833
Reserve for decommissioning	97,645	92,914
Derivative financial instruments	44,651	45,064
Reserve for opeb expenses	740	697
Total long-term liabilities	948,556	1,006,508
Current liabilities:		
Accounts payable and accrued liabilities	3,801	4,109
Current liabilities payable from restricted assets:		
Accrued interest payable	125,597	114,132
Current installments of bonds payable	35,365	53,175
Total current liabilities payable from restricted assets	160,962	167,307
Total current liabilities	164,763	171,416
Total liabilities	1,113,319	1,177,924
Net assets:		
Investment in capital assets, net of related debt	(476,428)	(564,467)
Restricted for debt service	(76,436)	(72,909)
Restricted for other	26,622	48,838
Unrestricted	641,422	676,140
Total net assets	115,180	87,602
Total liabilities and net assets	\$ 1,228,499	\$ 1,265,526

PIEDMONT MUNICIPAL POWER AGENCY
INTERIM STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS
FOR THE QUARTERS ENDING MARCH 31
(UNAUDITED)

	<u>2018</u>	<u>2017</u>
	<u>(Dollars in Thousands)</u>	
Operating Revenue:		
Sale of Electricity to Participants	\$ 53,084	\$ 55,500
Sale of Electricity to other utilities	5,225	5,698
Other	421	447
Total Operating Revenues	<u>58,730</u>	<u>61,645</u>
Operating Expense:		
Operation and maintenance	6,706	6,439
Nuclear fuel amortization	3,676	4,860
Purchased Power	12,550	10,750
Transmission	1,931	1,860
LDMSS/SCADA	155	37
Administrative and general	4,642	4,290
Depreciation	1,872	2,318
Decommissioning	1,227	1,168
Payments in lieu of property taxes	2,083	1,749
Total operating expenses	<u>34,842</u>	<u>33,471</u>
Net operating income	<u>23,888</u>	<u>28,174</u>
Other income (expenses):		
Interest income	1,044	650
Net increase (decrease) in fair value of investments	(1,017)	(10)
Net increase (decrease) in fair value of derivative instruments	4,884	1,736
Interest expense	(11,954)	(12,731)
Amortization expense	(948)	(1,255)
Other	(737)	(1,897)
Total other expenses, net	<u>(8,728)</u>	<u>(13,507)</u>
Revenue over (under) expenses before deferred items	15,160	14,667
Net expenses recoverable from future Participant billings	<u>(6,427)</u>	<u>(7,919)</u>
Revenues over (under) expenses	<u>8,733</u>	<u>6,748</u>
Net assets at beginning of period	106,447	80,854
Net assets at end of period	<u>\$ 115,180</u>	<u>\$ 87,602</u>