

Piedmont Municipal Power Agency Second Quarter 2018 Report

Financial Summary

Second quarter 2018 electricity sales to Participants decreased by \$5.3 million (9.13%) when compared to second quarter 2017 sales. This decrease was due to credits being applied to the Participants monthly bills. In contrary, energy usage was up 3.0% for the second quarter of 2018 compared to the same period in 2017. Additionally, there was no wholesale rate increase in May 2018.

Sales of electricity to other utilities increased by \$1.3 million (31.17%) in second quarter of 2018 when compared to second 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 increased \$542,000 due to an increase of 18,132,000 kWh in energy available for sale during the second quarter of 2018 compared to the same period in 2017. In addition, sales of electricity to Duke for exchange energy increased approximately \$791,000 when comparing the same periods.

Operating and maintenance costs increased \$2.1 million (29.16%) in second quarter 2018 when compared to the same period in 2017. During the first quarter of 2018, Catawba Unit #2 went down for a refueling outage. Catawba Unit #2 repairs consisted of repairing the partial long shank turbine for 2A LP rotor, control rod guide card wear remediation, a distributed (reactor) control system upgrade, and a 2B emergency diesel generator governor replacement during this outage. These costs were reflected during second quarter of 2018.

Purchase power costs increased \$223,000 (1.77%) in second quarter of 2018 when compared to the same period of 2017. McGuire exchange charges increased \$991,000. In contrary, supplemental energy charges, decreased \$198,000 and Duke Backstand capacity charges decreased \$261,000. In addition, other purchased power costs were approximately \$309,000 higher when compared to second quarter of 2017.

Operating revenue exceeded PMPA's budget by \$1.9 million in addition to \$569,000 of operating costs that were lower than budget. Combined with interest income and miscellaneous expenses, the overall operating results for the second quarter exceeded PMPA's budget by \$2.5 million. Variable rate interest was under budget by \$182,000 and capital addition payments coupled with other transfers were \$1.2 million under budget. As a result, PMPA withdrew \$3.9 million less than budgeted to working capital for the second quarter of 2018.

PIEDMONT MUNICIPAL POWER AGENCY
CONDENSED INTERIM STATEMENT OF FINANCIAL CONDITION
FOR THE PERIODS ENDING JUNE 30
(UNAUDITED)

	2018	2017
	(Dollars in Thousands)	
<u>Assets</u>		
Capital assets		
Utility plant assets being depreciated	\$ 731,806	\$ 722,491
Accumulated depreciation and amortization	(384,906)	(374,899)
Total utility plant assets being depreciated, net	346,900	347,592
Utility plant assets not being depreciated	17,279	13,198
Total capital assets, net	364,179	360,790
Revenue fund assets		
Cash	193	147
Marketable debt securities	111,325	90,708
Accrued interest receivable	2	3
Participant accounts receivable	18,470	19,588
Other accounts receivable	344	340
Materials and supplies	19,385	19,375
Total current unrestricted assets	149,719	130,161
Restricted assets:		
Restricted for debt service	100,607	116,041
Restricted for decommissioning	75,654	71,552
Restricted for other (Supplemental Reserve)	1,600	1,600
Restricted for other (Construction Account)	21,717	30,943
Restricted for other (Duke Working Account)	0	14,489
Total current restricted assets	199,578	234,625
Total current assets	349,297	364,786
Noncurrent assets:		
Net costs recoverable from future Participant billings	484,702	504,273
Costs on advance refunding of debt, net	33,658	40,189
Other	15,300	17,465
Total other assets	533,660	561,927
Total assets	\$ 1,247,136	\$ 1,287,503
<u>Liabilities and Net Assets</u>		
Long-term liabilities:		
Bonds payable, net	\$ 804,345	\$ 866,639
Reserve for decommissioning	98,873	94,082
Derivative financial instruments	44,850	46,749
Reserve for opeb expenses	740	697
Total long-term liabilities	948,808	1,008,167
Current liabilities:		
Accounts payable and accrued liabilities	6,427	6,833
Current liabilities payable from restricted assets:		
Accrued interest payable	135,983	125,400
Current installments of bonds payable	35,750	53,175
Total current liabilities payable from restricted assets	171,733	178,575
Total current liabilities	178,160	185,408
Total liabilities	1,126,968	1,193,575
Net assets:		
Investment in capital assets, net of related debt	(475,916)	(559,024)
Restricted for debt service	(71,126)	(62,534)
Restricted for other	23,317	47,032
Unrestricted	643,893	668,454
Total net assets	120,168	93,928
Total liabilities and net assets	\$ 1,247,136	\$ 1,287,503

PIEDMONT MUNICIPAL POWER AGENCY
INTERIM STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS
FOR THE QUARTERS ENDING JUNE 30
(UNAUDITED)

	<u>2018</u>	<u>2017</u>
	<u>(Dollars in Thousands)</u>	
Operating Revenue:		
Sale of Electricity to Participants	\$ 52,831	\$ 58,136
Sale of Electricity to other utilities	5,609	4,276
Other	419	428
Total Operating Revenues	<u>58,859</u>	<u>62,840</u>
Operating Expense:		
Operation and maintenance	9,203	7,125
Nuclear fuel amortization	3,499	3,806
Purchased Power	12,850	12,627
Transmission	1,954	1,821
Distribution	216	216
Administrative and general	5,105	4,529
Depreciation	2,084	2,321
Decommissioning	1,227	1,168
Payments in lieu of property taxes	1,872	1,752
Total operating expenses	<u>38,010</u>	<u>35,365</u>
Net operating income	<u>20,849</u>	<u>27,475</u>
Other income (expenses):		
Interest income	1,229	745
Net increase (decrease) in fair value of investments	(303)	42
Net increase (decrease) in fair value of derivative instruments	(199)	(1,685)
Interest expense	(12,228)	(12,701)
Amortization expense	(962)	(712)
Other	(1,415)	(1,408)
Total other expenses, net	<u>(13,878)</u>	<u>(15,719)</u>
Revenue over (under) expenses before deferred items	6,971	11,756
Net expenses recoverable from future Participant billings	<u>(1,983)</u>	<u>(5,430)</u>
Revenues over (under) expenses	<u>4,988</u>	<u>6,326</u>
Net assets at beginning of period	115,180	87,602
Net assets at end of period	<u>\$ 120,168</u>	<u>\$ 93,928</u>