

About the Agency

NCMPA1 is a state-chartered municipal corporation formed in 1976 by cities that owned and operated electric distribution systems, but did not own generating or transmission facilities. At that time, the cities were wholesale customers of Duke Energy Corporation (Duke).

In 1978, the Agency purchased 75 percent ownership in Catawba Nuclear Station Unit 2 located at Lake Wylie, South Carolina. The Agency also has an exchange agreement with Duke that provides for electric power through McGuire Nuclear Station and Catawba Unit 1.

Management services for the Power Agency are provided by ElectriCities of North Carolina, Inc.

NCMPA1 Officers

Jack F. Neel, Albemarle, Chairman
Richard L. Thomas, Lexington, Vice-Chairman
Barry C. Hayes, Granite Falls, Secretary-Treasurer

NCMPA1 Participant Cities

- Albemarle
- Bostic
- Cherryville
- Cornelius
- Drexel
- Gastonia
- Granite Falls
- High Point
- Huntersville
- Landis
- Lexington
- Lincolnton
- Maiden
- Monroe
- Morganton
- Newton
- Pineville
- Shelby
- Statesville



Quarterly Update

The summer of 2010 began with extremely hot temperatures. In July, member cities were sent updated information about the season's temperatures to help customers prepare for the extreme weather and resulting high energy use. An updated "Stay Cool This Summer" webinar was offered July 7 to share current weather and degree day data, discuss energy-efficiency tips for summer and share best practices for customer service representatives when facing high bill complaints.

Work continues on the Electricities Strategic plan to shape the organization's long-term direction. On July 22, all members of the Electricities Board of Directors participated in a day-long session to provide input on the plan. Board members discussed external factors influencing the industry, trends and emerging issues, and commented on the Strategic Plan. The plan was presented to the Board of Commissioners on September 14, and will be communicated to other stakeholders in the near future.

The 2010 Public Power Policymakers Conference – The Business of Public Power: Delivering Value, Managing Costs, was held Aug. 12-14. The conference was targeted to local elected officials and policymakers and included a variety of informational sessions on topics including economic development, issues management, the current

political climate and legislation affecting electric utilities. Several awards were presented to participants during the conference awards banquet. These awards recognize the achievements of public power employees. Twenty towns and cities were recognized for receiving Public Power Awards of Excellence in seven key categories: grassroots, economic development, communications, customer service, key accounts, energy efficiency and training. Four individuals were honored for saving lives with the Hometown Hero award: Brian Marshall and Kevin Pittman of Rocky Mount; Mike Drake of Concord; and Andy Stroud of High Point. Mayor Woodard Gurley of La Grange received the Public Power Lifetime achievement award.

NCMPA1 and the Participants have a longstanding commitment to energy-efficiency programs, demonstrated by a variety of energy-efficiency programs offered to retail customers. Several programs created in 2009 help the Power Agency and Participants comply with North Carolina's renewable energy and energy-efficiency legislation. The commercial/industrial request for proposals (RFP) program promoted the development of energy-efficiency projects at commercial and industrial customer locations. In 2010, NCMPA1 received 25 different proposals from commercial and industrial customers in 10 NCMPA1 participant communities.

Third Quarter Performance

Sales of electricity to participants increased \$13,169,000 (13.2%) relative to the third quarter of 2009. Billing demand increased 279 MW (11.7%) and energy sales increased 138,519 MWh (10.2%). The increase in billing demand and energy is due to extreme hot weather conditions experienced in the third quarter of 2010 relative to the third quarter of 2009. In addition, a 5.0% rate increase was implemented effective July 1, 2010.

Rate stabilization fund withdrawal decreased \$5,090,000 (100%) relative to the third quarter of 2009. The Agency transferred the remaining balance in the rate stabilization fund to fund equity as of December 31, 2009. For comparative purposes the increase in Fund Equity of \$22,657,000 for the quarter ended September 30, 2010 should be compared with the rate stabilization withdrawal of \$5,090,000 for the quarter ended September 30, 2009. The rate stabilization withdrawal for 2009, and the increase in fund equity for 2010, both measure the amount of funds required to balance revenues and expenses during the period.

Purchased power costs increased \$1,884,000 (27.3%) relative to the third quarter of 2009. Energy purchases increased 6,109 MWh (8%) and the average supplemental energy rate increased from \$40/MWh in the third quarter of

2009 to \$57/MWh in the third quarter of 2010. The increase in energy purchase requirements is attributable to higher Participant requirements resulting from extreme hot weather conditions experienced in the third quarter of 2010 as compared to the same period in 2009.

Administrative and general – Duke increased \$3,874,000 (61.4%) relative to the third quarter of 2009. The increase is primarily attributable to the termination of the administrative cost cap associated with the Operation and Maintenance Services Agreement between the Agency and Duke.

Administrative and general – Agency decreased \$900,000 (20.2%) relative to the third quarter of 2009 primarily due to less spending on the Solar Turbine Project in the third quarter of 2010 as compared to the same period of 2009.

Debt service decreased \$22,185,000 (43.4%) relative to the third quarter of 2009 primarily due to the issuance of 2010A&B bonds to refund all or a part of 2003A, 2006A, and 2008C bonds.

Reserve and contingency fund deposits decreased \$3,024,000 (52.0%) relative to the third quarter of 2009. The decrease is attributable to the issuance of 2009D bonds for capital additions, resulting in lower required deposits in the Reserve and Contingency fund.

Financing Status

As of September 30, 2010, NCMPA 1 had outstanding \$1,606,455,000 in bonds.

The weighted average interest cost of the NCMPA1 outstanding debt at the end

of the quarter was 5.120%.

To date, the NCMPA1 has had \$1,250,367,000 in debt redeemed prior to or at maturity.

NCMPA1 Balance Sheets

Per accounting principles generally accepted in the United States of America (GAAP)
(Unaudited) (\$000's)

Assets	September 30, 2010	September 30, 2009
Non-Current Assets		
Capital Assets:		
Electric Utility Plant, Net:		
Electric plant in service	\$1,714,410	\$1,658,283
Construction work in progress	74,754	69,174
Nuclear fuel	165,827	126,447
Accumulated depreciation and amortization	(881,848)	(830,889)
Total Electric Utility Plant, Net	<u>1,073,143</u>	<u>1,023,015</u>
Non-Utility Property and Equipment, Net:		
Property and equipment	5,579	5,396
Less accumulated depreciation	(4,033)	(3,887)
Total Non-Utility Property and Equipment, Net	<u>1,546</u>	<u>1,509</u>
Total Capital Assets	<u>1,074,689</u>	<u>1,024,524</u>
Restricted Assets:		
Special Funds Invested:		
Construction fund	64,612	104,594
Bond fund	284,747	316,768
Reserve and contingency fund	27,370	24,424
Total Special Funds Invested	<u>376,729</u>	<u>445,786</u>
Trust for Decommissioning Costs	263,588	237,161
Total Restricted Assets	<u>640,317</u>	<u>682,947</u>
Other Assets:		
Unamortized debt issuance costs	14,858	15,953
Costs of advance refundings of debt	152,497	153,052
Other Deferred Costs	16,271	94,665
Total Other Assets	<u>183,626</u>	<u>263,670</u>
Total Non-Current Assets	<u>1,898,632</u>	<u>1,971,141</u>
Current Assets		
Funds Invested:		
Revenue fund	16,798	1,965
Operating fund	49,162	17,990
Supplemental fund	95,694	118,880
Total Funds Invested	<u>161,654</u>	<u>138,835</u>
Participant accounts receivable	35,450	31,070
Operating accounts receivable	3,497	18,701
Prepaid expenses	3,551	2,923
Plant materials and operating supplies	36,118	34,278
Working fund	36,871	41,294
Derivative financial instruments	-	138
Total Current Assets	<u>277,141</u>	<u>267,239</u>
Total Assets	<u>\$2,175,773</u>	<u>\$2,238,380</u>

Liabilities and Fund Equity	September 30, 2010	September 30, 2009
Liabilities		
Non-Current Liabilities:		
Long-Term Debt:		
Bonds payable	\$1,541,085	\$1,593,860
Unamortized premium/(discount), net	57,037	42,109
Total Long-Term Debt	<u>1,598,122</u>	<u>1,635,969</u>
Asset Retirement Obligation	280,216	264,879
Deferred Revenues	124,732	171,891
Total Non-Current Liabilities	<u>2,003,070</u>	<u>2,072,739</u>
Current Liabilities:		
Operating Liabilities:		
Accounts payable	1,488	6,859
Accrued taxes	17,033	13,070
Derivative financial instruments	-	-
Total Operating Liabilities	<u>18,521</u>	<u>19,929</u>
Special Funds Liabilities:		
Current maturities of bonds	65,370	116,690
Accrued interest on bonds	21,015	21,622
Total Special Funds Liabilities	<u>86,385</u>	<u>138,312</u>
Total Current Liabilities	<u>104,906</u>	<u>158,241</u>
Total Liabilities	<u>2,107,976</u>	<u>2,230,980</u>
Fund Equity		
Invested in capital assets, net of related debt (deficit)	215,070	102,110
Restricted for debt services	159,153	228,235
Unrestricted	(306,426)	(322,945)
Total Fund Equity	<u>67,797</u>	<u>7,400</u>
Total Liabilities and Fund Equity	<u>\$2,175,773</u>	<u>\$2,238,380</u>

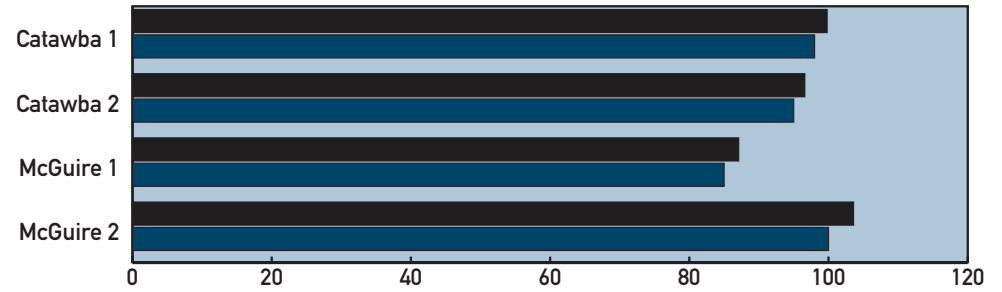
NCMPA1 Statements of Revenues and Expenses

Per bond resolution and other agreements
(Unaudited) (\$000's)

Revenues	Quarter Ended September 30		Year-to-Date September 30	
	2010	2009	2010	2009
Sales of electricity to participants	\$112,863	\$99,694	\$277,646	\$250,946
Sales of electricity to utilities	12,057	11,700	47,179	49,507
McGuire exchange entitlement	8,487	9,400	26,249	23,589
Rate stabilization fund withdrawal	-	5,090	-	45,853
Supplemental reserve fund withdrawal	-	1,520	3,041	5,358
Investment revenue available for operations	1,733	2,339	6,901	7,328
Other revenues	22	396	93	833
Total Revenues	135,162	130,139	361,109	383,414
Expenses				
Operation and maintenance	23,440	24,702	66,822	80,734
Nuclear fuel	13,505	12,892	38,670	28,178
McGuire exchange entitlement	8,623	7,391	23,384	23,090
Interconnection services:				
Purchased power	8,789	6,905	20,571	18,102
Transmission and distribution	2,974	2,708	9,287	7,967
Other	406	367	715	470
Total Interconnection Services	12,169	9,980	30,573	26,539
Administrative and general - Duke	10,179	6,305	30,035	18,223
Administrative and general - Agency	3,547	4,447	10,184	15,207
Gross receipts and excise taxes	4,215	3,860	11,067	10,368
Property tax	4,691	3,217	13,218	9,649
Debt service	28,911	51,096	113,329	152,677
Special funds deposits:				
Decommissioning fund	436	436	1,312	1,312
Reserve and contingency fund	2,789	5,813	11,796	17,437
Total Special Funds Deposits	3,225	6,249	13,108	18,749
Total Expenses	112,505	130,139	350,390	383,414
Excess of revenues over expenses	22,657	-	10,719	-
Fund Equity, beginning of quarter	45,140	7,400	57,078	7,400
Fund Equity, end of quarter	\$67,797	\$7,400	\$67,797	\$7,400

NCMPA1 Plant Status

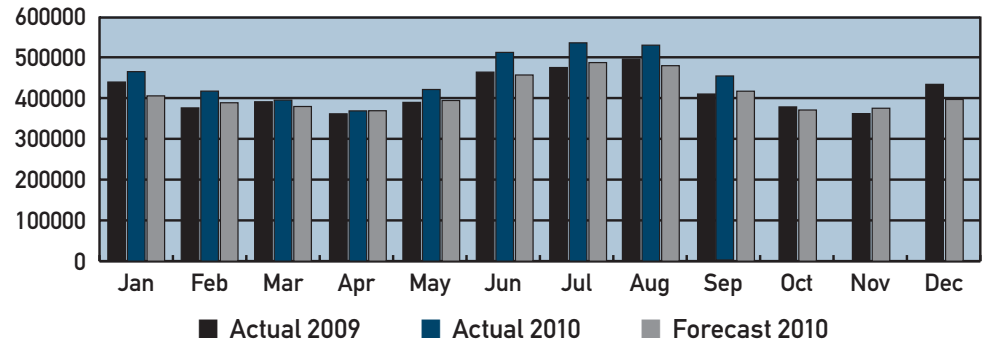
NOTE: The plant status values are year-to-date through September 30, 2010.



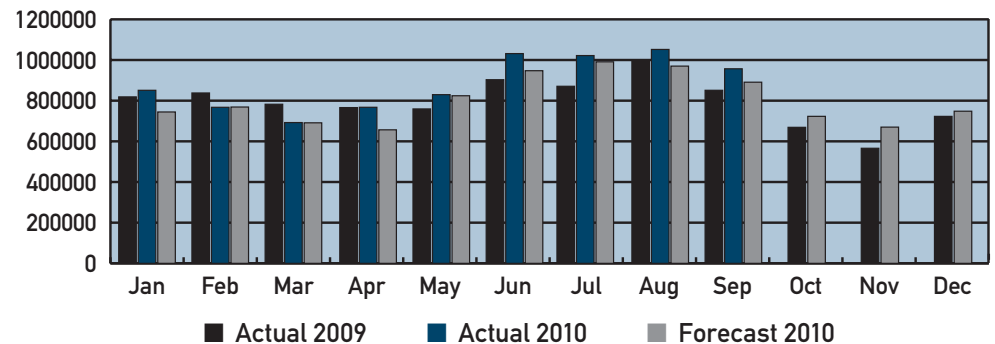
■ Capacity Factor - The ratio of actual output to maximum net dependable capability.
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Second-quarter highlights: Catawba 2 began a refueling outage on September 18 and returned to service on October 21, 2010.

NCMPA1 Participant Energy Usage (in MWh)



NCMPA1 Participant OP Demand (in kW)



NOTE: * NCMPA1 Energy and OP Demand are at the Power Agency to City Billing Point and includes the SEPA allocation. Actual data are not weather normalized.

** The Forecast Year 2010 is from the 2010 GDS Load Forecast.