



2024 Financial Report

**NORTH CAROLINA MUNICIPAL
POWER AGENCY NUMBER 1**

Annual Financial Report
(With Report of Independent Auditor Thereon)

December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Carolina Municipal Power Agency Number 1
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Carolina Municipal Power Agency Number 1 (the Agency), the statements of net position as of December 31, 2024 and 2023 the related statement of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2024 and 2023, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the Agency's ability to continue as a going concern for twelve months beyond the financial statements 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 opinions. 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 GAAS and *Government 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 GAAS and *Government 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 the Agency'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 the Agency'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Carolina Municipal Power Agency Number 1's basic financial statements. The supplementary Schedules of Revenues and Expenses per Bond Resolution, Budgetary Comparison and Changes in Assets of Funds Invested are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplementary 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. Such 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 Schedules of Revenues and Expenses per Bond Resolution, Budgetary Comparison and Changes in Assets of Funds Invested are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2025 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Agency's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina
April 21, 2025

Management's Discussion and Analysis (MD&A)

Unaudited

As management of North Carolina Municipal Power Agency Number 1 (Agency), we offer this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2024 and 2023. We encourage you to read this information in conjunction with additional information furnished in the Agency's audited financial statements and accompanying notes that follow this narrative.

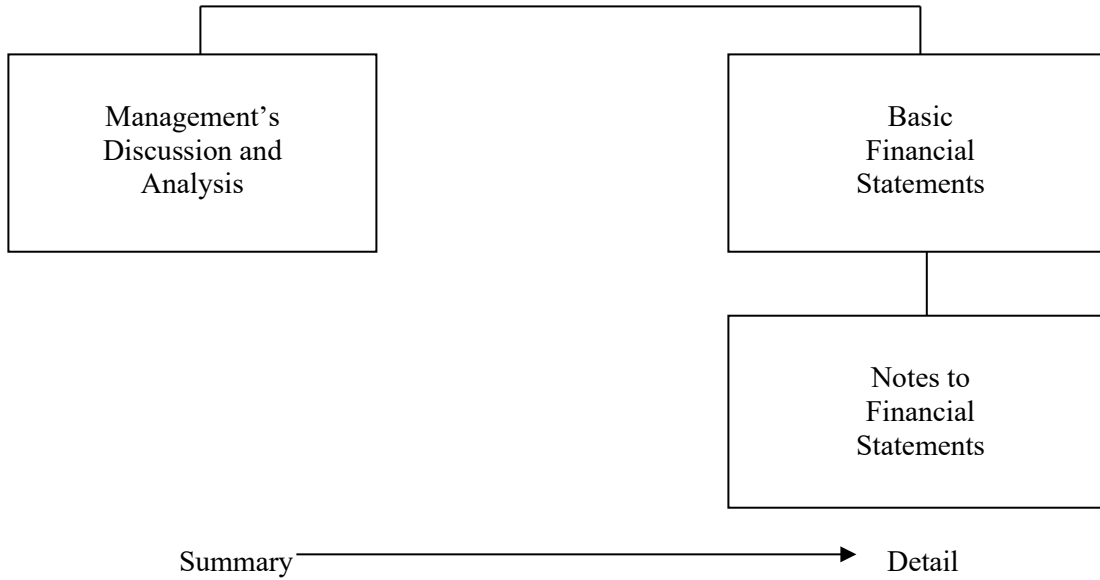
Financial Highlights

- The Agency's basic financial statements consist of a single electric enterprise fund.
- At year-end 2024 and 2023, the Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$179,699,000 and \$289,108,000 (net position), respectively.
- The Agency's net position decreased by \$109,409,000 in 2024 and increased by \$14,704,000 in 2023, respectively.
- Year-end 2024 and 2023 unrestricted net position deficit was \$771,657,000 and \$559,278,000, respectively, after increasing \$212,379,000 and \$56,096,000 in 2024 and 2023, respectively.
- The Agency's total debt decreased by \$ 58,755,000 and \$47,620,000 during 2024 and 2023, respectively, as follows:
 - Decreased \$49,485,000 and \$47,620,000 due to principal paid in 2024 and 2023, respectively, in accordance with the debt service schedules.
 - Decreased by \$9,270,000 in 2024 due to the defeasance of 2015C series.
- The Agency disbursed \$100,000,000 of Working Capital to Participants through a credit on Participants' July 2024 bill.
- There was no debt issuance in 2024.
- The bond ratings remained the same as follows:
 - Standard and Poor's – A (stable).
 - Fitch – A (stable).
 - Moody's – A2 (stable).
- There was a 10% and 5% rate decrease in 2024 and 2023, respectively.

Overview of the Financial Statements

This MD&A serves as an introduction to the Agency’s basic financial statements and notes to the financial statements (see Exhibit 1). In addition to the basic financial statements, this report contains other supplemental information designed to enhance your understanding of the financial condition of the Agency.

Required Components of the Annual Financial Report Exhibit 1



Basic Financial Statements

The Agency is a special purpose municipal corporation that accounts for its activities as a business type entity. The first section of the basic financial statements is the Agency’s single proprietary fund that focuses on the business activities of the electric enterprise. The statements are designed to provide a broad overview of the Agency’s finances, similar in format to private sector business statements, and provide short and long-term information about the Agency’s financial status, operations and cash flow. The statements report net position and how it has changed during the period. Net position is the difference between total assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Analyzing the various components of net position is one way to gauge the Agency’s financial condition.

The second section of the basic financial statements is the notes that explain in more detail some of the data contained in the fund financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes are on pages 15 to 35 of this report.

After the notes, supplementary information is provided to show how the Agency’s rates recovered its expenses as defined by the Bond Resolution, to show the Agency’s performance against budget and to show activities in the special funds established by the Bond Resolution or the Board of Commissioners. Supplementary information can be found on pages 37 to 42 of this report.

Financial Analysis

The electric enterprise fund financial statements for the years ended December 31, 2024 and 2023 are presented in accordance with the Governmental Accounting Standards Board (GASB).

**Condensed Statement of
Net Position
Exhibit 2
(\$000s)**

	December 31,		
	2024	2023	2022
Assets and Deferred Outflows of Resources			
Capital assets	\$ 1,244,181	\$ 1,196,395	\$ 1,171,679
Current and other assets	1,128,256	1,179,314	1,086,409
Deferred outflows of resources	15,244	20,288	25,464
Total assets and deferred outflows of resources	<u>2,387,681</u>	<u>2,395,997</u>	<u>2,283,552</u>
Liabilities and Deferred Inflows of Resources			
Non-current liabilities	1,017,131	1,065,035	1,184,376
Current liabilities	116,786	101,329	99,309
Deferred inflows of resources	1,074,065	940,525	725,463
Total liabilities and deferred inflows of resources	<u>2,207,982</u>	<u>2,106,889</u>	<u>2,009,148</u>
Net Position			
Net investment in capital assets	878,190	782,071	713,155
Restricted for debt service	73,166	66,315	64,431
Unrestricted deficit	<u>(771,657)</u>	<u>(559,278)</u>	<u>(503,182)</u>
Total Net Position	<u>\$ 179,699</u>	<u>\$ 289,108</u>	<u>\$ 274,404</u>

The various components of net position may serve over time as a useful indicator of the Agency's financial condition. The assets and deferred outflows of resources of the Agency exceeded liabilities and deferred inflows of resources by \$179,699,000, \$289,108,000 and \$274,404,000 at December 31, 2024, 2023 and 2022, respectively, representing a decrease of \$109,409,000 in 2024, and an increase of \$14,704,000 and \$71,227,000 in 2023 and 2022, respectively.

The first portion of net position of \$878,190,000, \$782,071,000 and \$713,155,000 at December 31, 2024, 2023 and 2022, respectively, reflects the Agency's investments in capital assets (e.g. land, buildings, generation facilities, nuclear fuel and equipment), less any related debt still outstanding that was issued to acquire those items, including related net premiums, discounts, refunding losses and debt issuance costs.

The Agency uses these capital assets to provide power to its Participants. Consequently, these assets are not available for future spending. Although the Agency's investments in capital assets are reported net of the outstanding related debt, the resources needed to repay that debt will be provided through rates and certain reserve funds since the capital assets cannot be used to liquidate the liabilities.

An additional portion of the Agency's net position of \$73,166,000, \$66,315,000 and \$64,431,000 as of December 31, 2024, 2023 and 2022, respectively, represents resources that are restricted for the payment of debt service.

The remaining deficit of (\$771,657,000), (\$559,278,000) and (\$503,182,000) as of December 31, 2024, 2023 and 2022, respectively, is the deficit of unrestricted net position.

**Condensed Statements of Revenue, Expenses, and
Changes in Net Position
Exhibit 3
(\$000s)**

	Years Ended December 31,		
	2024	2023	2022
Revenues:			
Sales of electricity and other operating revenue	\$ 486,685	\$ 442,614	\$ 506,854
Nonoperating revenues and changes in fair value	62,244	87,759	(38,533)
Total Revenues	<u>548,929</u>	<u>530,373</u>	<u>468,321</u>
Expenses:			
Operating expenses	401,004	274,740	375,615
Interest on long-term debt	27,187	29,844	32,063
Other nonoperating expenses	130,147	211,085	(10,584)
Working capital refund	100,000	-	-
Total Expenses	<u>658,338</u>	<u>515,669</u>	<u>397,094</u>
Change in Net Position	(109,409)	14,704	71,227
Net Position, Beginning of the year	<u>289,108</u>	<u>274,404</u>	<u>203,177</u>
Net Position, End of the year	<u>\$ 179,699</u>	<u>\$ 289,108</u>	<u>\$ 274,404</u>

Financial Highlights

- There was a 10% rate decrease in 2024.
- The Central Electric Power Cooperative, Inc. Purchase Power Agreement commenced on January 1, 2024, which delivers and sells 150 MW of contract capacity and energy totaling 18% of the Agency's dependable ownership of power output at the Catawba Nuclear Station.
- There was \$9.27 million of Series 2015C bonds defeased on February 8, 2024 to remediate the impact of the sale of the project share to Central Electric Power Cooperative, Inc., and maintain tax-exempt bond status.

Capital Assets and Debt Administration

Capital Assets

The Agency's capital assets at December 31, 2024, 2023 and 2022 totaled \$1,244,181,000, \$1,196,395,000 and \$1,171,679,000 respectively, (net of accumulated amortization and depreciation). These assets include land, buildings, generation facilities, nuclear fuel and equipment.

Major capital asset transactions during 2024 and 2023 include the following:

- Construction work in progress increased \$71,200,000 and \$61,127,000 in 2024 and 2023, respectively, due to capital additions at the Catawba plant.
- Construction work in progress decreased and electric plant in service increased by \$75,673,000 and \$55,035,000 in 2024 and 2023, respectively, due to the transfer of completed projects.
- Electric Utility Plant and Non-Utility Property and Equipment were depreciated \$50,524,000 and \$47,822,000 for 2024 and 2023, respectively.
- Nuclear Fuel was amortized \$38,119,000 and \$37,830,000 for 2024 and 2023, respectively.
- In 2024 and 2023 there were retirements of Electric Utility Plant of \$21,808,000 and \$26,228,000, respectively.

Capital Assets
Exhibit 4
(\$000s)

Electric Utility Plant, Net

	December 31, 2023	Additions	Transfers	Retirements	December 31, 2024
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	\$ 2,103,308	\$ -	\$ 72,113	\$ (21,808)	\$ 2,153,613
Nuclear fuel	261,381	65,230	-	-	326,611
Total Depreciable Utility Plant	2,364,689	65,230	72,113	(21,808)	2,480,224
Accumulated Depreciation and Amortization					
Electric plant in service	(1,116,710)	(50,436)	3,560	21,808	(1,141,778)
Nuclear fuel	(141,905)	(38,119)	-	-	(180,024)
Total Accumulated Depreciation and Amortization	(1,258,615)	(88,555)	3,560	21,808	(1,321,802)
Depreciable Utility Plant, Net	1,106,074	(23,325)	75,673	-	1,158,422
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	69,528	71,200	(75,673)	-	65,055
Total Electric Utility Plant, Net	<u>\$ 1,195,370</u>	<u>\$ 47,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,245</u>

	December 31, 2022	Additions	Transfers	Retirements	December 31, 2023
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	\$ 2,078,335	\$ -	\$ 51,201	\$ (26,228)	\$ 2,103,308
Nuclear fuel	239,242	49,241	(27,102)	-	261,381
Depreciable Utility Plant	2,317,577	49,241	24,099	(26,228)	2,364,689
Accumulated Depreciation and Amortization					
Electric plant in service	(1,098,993)	(47,779)	3,834	26,228	(1,116,710)
Nuclear fuel	(131,177)	(37,830)	27,102	-	(141,905)
Total Accumulated Depreciation and Amortization	(1,230,170)	(85,609)	30,936	26,228	(1,258,615)
Depreciable Utility Plant, Net	1,087,407	(36,368)	55,035	-	1,106,074
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	63,436	61,127	(55,035)	-	69,528
Total Electric Utility Plant, Net	<u>\$ 1,170,611</u>	<u>\$ 24,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,370</u>

Non-Utility Plant and Equipment, Net

	December 31, 2023	Additions	Transfers	Retirements	December 31, 2024
Non-Utility Property and Equipment					
Property and equipment	\$ 3,104	\$ -	\$ 240	\$ -	\$ 3,344
Accumulated depreciation	(3,030)	(88)	-	-	(3,118)
Total Depreciable Non-Utility Property and Equipment, Net	74	(88)	240	-	226
Land	710	-	-	-	710
Construction work in progress	241	-	(240)	(1)	-
Total Non-Utility Property and Equipment, Net	<u>\$ 1,025</u>	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 936</u>

	December 31, 2022	Additions	Transfers	Retirements	December 31, 2023
Non-Utility Property and Equipment					
Property and equipment	\$ 3,104	\$ -	\$ -	\$ -	\$ 3,104
Accumulated depreciation	(2,987)	(43)	-	-	(3,030)
Total Depreciable Non-Utility Property and Equipment, Net	117	(43)	-	-	74
Land	710	-	-	-	710
Construction work in progress	241	-	-	-	241
Total Non-Utility Property and Equipment, Net	<u>\$ 1,068</u>	<u>\$ (43)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025</u>

Additional information on capital assets can be found in Note C beginning on page 23.

Outstanding Debt

The Agency's total debt outstanding at December 31, 2024, 2023 and 2022 was \$529,100,000, \$587,855,000, and \$635,475,000, respectively, all of which are revenue bonds. Total debt decreased by \$58,755,000 (9.99%) and \$47,620,000 (7.49%) during 2024 and 2023, respectively. The decreases were due to principal payments made in accordance with debt service schedules and defeasance of 2015C bond series in 2024 of \$9,270,000.

The Agency's bond ratings remained the same over the two-year period as follows:

- Standard and Poor's – A (stable).
- Fitch – A (stable).
- Moody's – A2 stable).

Additional information regarding the Agency's long-term debt can be found in Note H beginning on page 31 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

The following key economic factors played a role in the 2025 budget.

- The historical 10-year average weather-normalized load (energy) growth rate is approximately 0.26%/year. Load is expected to grow at a rate of 0.68% annually for the next 10 years for NCMPA1 based on current economic projections and anticipated improvements in end-use energy efficiency.
- Henry Hub natural gas prices are expected to remain volatile, with potential increases driven by higher demand for heating and LNG exports.
- The long-term price outlook for coal prices is expected to face some challenges due to mild demand and high inventory levels, however, an increase in natural gas prices could provide some support for coal consumption in the future.

Budget Highlights for 2025

- Forecasts no change in wholesale rates for 2025.
- Collection through rates of \$61,105,000 for debt principal due January 1, 2026.
- Anticipates scheduled refueling outages for Catawba Unit 2 and McGuire Unit 1.
- Projects a 10-year average annual load growth of 0.9% for energy and 0.9% for OP demand.
- In March 2025, the NCMPA1 Rate Committee recommended no wholesale rate adjustments in 2025 with future projected rate increases of 3% beginning in 2026.

Requests for Information

This report is designed to provide an overview of the Agency's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, North Carolina Municipal Power Agency Number 1, P.O. Box 29513, Raleigh, NC 27626-0513.

North Carolina Municipal Power Agency Number 1
Statements of Net Position
(\$000s)

	December 31,	
	2024	2023
ASSETS		
Non-Current Assets		
Capital Assets (Note C):		
Electric Utility Plant, Net		
Electric plant in service	\$ 2,173,381	\$ 2,123,076
Construction work in progress	65,055	69,528
Nuclear fuel	326,611	261,381
Accumulated depreciation and amortization	(1,321,802)	(1,258,615)
Total Electric Utility Plant, Net	1,243,245	1,195,370
Non-Utility Property and Equipment, Net		
Property and Equipment	4,054	3,814
Construction work in progress	-	241
Accumulated depreciation	(3,118)	(3,030)
Total Non-Utility Property and Equipment, Net	936	1,025
Total Capital Assets	1,244,181	1,196,395
Restricted Assets		
Special Funds Invested (Note D):		
Bond fund	157,309	150,380
Reserve and contingency fund	8,398	8,476
Total Special Funds Invested	165,707	158,856
Trust for Decommissioning Costs (Notes D and F)	517,479	475,294
Total Restricted Assets	683,186	634,150
Total Non-Current Assets	1,927,367	1,830,545
Current Assets		
Funds Invested (Notes D):		
Revenue fund	30,346	41,340
Operating fund	94,181	93,526
Supplemental fund	207,445	293,767
Total Funds Invested	331,972	428,633
Participant accounts receivable	23,890	25,448
Operating accounts receivable	16,753	17,448
Plant materials and renewable certificate inventory (Note E)	72,455	73,635
Total Current Assets	445,070	545,164
Total Assets	\$ 2,372,437	\$ 2,375,709

See accompanying Notes to Financial Statements.

North Carolina Municipal Power Agency Number 1
Statements of Net Position
(\$000s)

	December 31,	
	2024	2023
DEFERRED OUTFLOWS OF RESOURCES		
Costs of advance refundings of debt	\$ 13,938	\$ 18,640
Unamortized debt issuance costs	1,306	1,648
Total Deferred Outflows of Resources	<u>15,244</u>	<u>20,288</u>
LIABILITIES		
Non-Current Liabilities		
Long-Term Debt:		
Bonds (Note H)	470,845	538,370
Unamortized premium	25,447	34,332
Total Long-Term Debt, net	<u>496,292</u>	<u>572,702</u>
Asset Retirement Obligation (Note F)	520,839	492,333
Total Non-Current Liabilities	<u>1,017,131</u>	<u>1,065,035</u>
Current Liabilities		
Operating Liabilities:		
Accounts payable	45,124	36,999
Total Operating Liabilities	<u>45,124</u>	<u>36,999</u>
Special Funds Liabilities:		
Current maturities of bonds (Note H)	58,255	49,485
Accrued interest on bonds	13,407	14,845
Total Special Funds Liabilities	<u>71,662</u>	<u>64,330</u>
Total Current Liabilities	<u>116,786</u>	<u>101,329</u>
Total Liabilities	<u>1,133,917</u>	<u>1,166,364</u>
DEFERRED INFLOWS OF RESOURCES		
Collections to be expended (Note G)	1,074,065	940,525
Total Deferred Inflows of Resources	<u>1,074,065</u>	<u>940,525</u>
NET POSITION		
Net investment in capital assets	878,190	782,071
Restricted for debt service	73,166	66,315
Unrestricted (deficit)	<u>(771,657)</u>	<u>(559,278)</u>
Total Net Position (Note J)	<u>\$ 179,699</u>	<u>\$ 289,108</u>

North Carolina Municipal Power Agency Number 1
Statement of Revenues and Expenses and Changes in Net Position
(\$000s)

	Years Ended December 31,	
	2024	2023
Operating Revenues:		
Sales to participants	\$ 315,671	\$ 332,165
Sales to utilities	169,237	108,590
Other revenues	1,777	1,859
Total Operating Revenues	<u>486,685</u>	<u>442,614</u>
Operating Expenses:		
Operation and maintenance	102,805	89,705
Fuel	39,065	38,363
Interconnection services:		
Purchased power	81,126	67,955
Transmission and distribution	19,802	19,226
Other	2,521	3,284
Total interconnection services	<u>103,449</u>	<u>90,465</u>
Administrative and general	49,050	41,145
Gross receipts and excise taxes	2,075	2,484
Property tax	25,530	25,029
Depreciation	50,524	47,822
Amortization of asset retirement obligation	28,506	(60,273)
Total Operating Expenses	<u>401,004</u>	<u>274,740</u>
Operating Income	<u>85,681</u>	<u>167,874</u>
Nonoperating (Revenues) Expenses:		
Investment income	(18,832)	(17,114)
Working capital refund	100,000	-
Net (increase) in fair value of investments	(43,412)	(70,645)
Interest expense	27,187	29,844
Amortization of debt refunding costs	4,296	4,835
Amortization of debt discount, premium costs and issuance costs	(7,689)	(8,812)
Net decrease in costs to be recovered (Note G)	77,144	130,050
Net increase in collections to be expended (Note G)	56,396	85,012
Total Nonoperating (Revenues) Expenses	<u>195,090</u>	<u>153,170</u>
Change in Net Position	(109,409)	14,704
Net Position, Beginning of Year	289,108	274,404
Net Position, End of Year	<u>\$ 179,699</u>	<u>\$ 289,108</u>

See accompanying Notes to Financial Statements.

North Carolina Municipal Power Agency Number 1
Statements of Cash Flows
(\$000s)

	Years Ended December 31,	
	2024	2023
Cash Flows from Operating Activities:		
Receipts from sales of electricity	\$ 486,685	\$ 453,920
Receipts from other revenues	2,032	1,859
Payments of operating expenses	(274,551)	(249,322)
Net cash provided by operating activities	214,166	206,457
Cash Flows from Capital and Related Financing Activities:		
Bond Principal Payments	(49,485)	(47,620)
Interest paid	(28,625)	(30,960)
Defeasance costs paid	(228)	(9)
Additions to electric utility plant and non-utility property and equipment	(136,430)	(110,368)
Bonds Defeased - Deposited with escrow agent	(9,270)	-
Working Capital Refunded	(100,000)	-
Net cash used in capital and related financing activities	(324,038)	(188,957)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	1,450,691	1,408,306
Purchases of investment securities	(1,354,843)	(1,435,518)
Investment earnings receipts	13,955	9,730
Net cash provided by (used in) investing activities	109,803	(17,482)
Net increase/(decrease) in Operating Cash	(69)	18
Operating Cash, Beginning of year	99	81
Operating Cash, End of year (Note B)	\$ 30	\$ 99
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 85,681	\$ 167,874
Adjustments:		
Depreciation	50,524	47,822
Amortization of nuclear fuel	38,119	37,830
Amortization of gain on defeasance	(222)	(420)
Amortization of asset retirement obligation	28,506	(60,273)
Changes in assets and liabilities:		
Decrease in participant accounts receivable	1,558	2,198
Decrease in operating accounts receivable	695	11,387
Increase/(decrease) in plant materials and renewable certificate inventory	1,180	(1,232)
Increase in accounts payable	8,125	1,271
Total Adjustments	128,485	38,583
Net Cash Provided by Operating Activities	\$ 214,166	\$ 206,457

See accompanying Notes to Financial Statements.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

A. General Matters

North Carolina Municipal Power Agency Number 1 (Agency) is a joint agency organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipalities owning electric distribution systems, through the organization of the Agency, to finance, construct, own, operate and maintain electric generation and transmission facilities. The Agency is comprised of 19 municipal electric systems (Participants) with interests ranging from 0.0869% to 18.96%, which receive power from the Agency.

The Project

The project consists of the Agency's undivided ownership interest in 75% of Unit 2 of the Catawba Nuclear Station and in 37.5% of certain support facilities. Catawba Unit 2 has a maximum net dependable capability (MNDC) of 1,145 MW with the Agency's ownership share being 858.75 MW.

In conjunction with the purchase of its ownership interest, the Agency entered into several agreements with Duke Energy Corporation (Duke) which govern the purchase, ownership, construction, operation and maintenance of the project.

- The Purchase, Construction and Ownership Agreement provides, among other things, for the Agency to purchase its ownership share of the project. However, by virtue of various exchange provisions contained in the Interconnection Agreement and the Operation and Fuel Agreement, the Agency (1) bears the costs of acquisition, construction, operation and maintenance of 37.5% of both Unit 1 and Unit 2, and (2) has the same proportionate right to the output of and bears the risks associated with the lack of operation of such units.
- The Operation and Fuel Agreement provides for Duke to operate, maintain and fuel the station; to make renewals, replacements and capital additions as approved by the Agency; and for the ultimate decommissioning of the station at the end of its useful life.
- The Interconnection Agreement provides for the interconnection of the Project with the Duke system and for the exchange of power between Unit 1 and Unit 2 of Catawba and between the Catawba units and Duke's McGuire Nuclear Station (Reliability Exchanges).

Pursuant to the reliability exchanges, project output is provided in essentially equal amounts from Catawba Unit 2, Catawba Unit 1, McGuire Unit 1 and McGuire Unit 2, all in operation on the Duke system and all of similar size and capacity. The reliability exchanges are intended to make more reliable the supply of capacity and energy to the Agency in the amount to which the Agency is entitled pursuant to its ownership interest in Catawba Unit 2 and to mitigate potential adverse economic effects on the Agency and the Participants from unscheduled outages of Catawba Unit 2. Correspondingly, the Agency bears risks resulting from unscheduled outages of any Catawba or McGuire Unit.

Under the terms of the Operating and Fuel Agreement, The Agency paid Duke cash amounts of \$255,026,000 and \$230,330,000 in 2024 and 2023, respectively.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

A. General Matters (continued)

The Agency entered two power sales agreements with each of its Participants for supplying the total electric power requirements of the Participants in excess of Southeastern Power Administration (SEPA) allocations. With project power, together with supplemental purchases of power, the Agency provides the total electric power requirements of its Participants, exclusive of power allotments from SEPA. Under the Project Power Sales Agreements, the Agency sells to the Participants their respective shares of project output. The revenues received relative to the project are pledged as security for bonds issued under the Resolution, after payment of project operating expenses. Each Participant is obligated to pay its share of operating costs and debt service for the project. Under the Supplemental Power Sales Agreements, the Agency supplies each Participant the additional power it requires in excess of that provided by the project and from SEPA.

To meet its supplemental power requirements, the Agency entered several contractual arrangements to ensure a reliable and affordable source of supplemental power and energy. The contracts are as follows:

- Agreement with Southern Power Company for the purchase of 150 MW of capacity and the associated energy as scheduled by the Agency for the period 2016 through 2030.
- Agreement with Duke for the purchase of 50 MWh of energy as scheduled by the Agency, and for the sale by the Agency of up to 100 MWh per hour of energy through 2024, and a separate similar agreement for 2025.
- Agreement with Southern Power Company for the purchase of approximately 187 MW of capacity and associated energy as scheduled by the Agency for the period 2012 through 2031.
- Agreement with The Energy Authority (TEA) for TEA to provide hourly scheduling and dispatching services for the period 2023 until terminated (Evergreen).
- Agreement with Southern Power Company for a put option related to Catawba Project surplus energy, involving the sale of up to 200 MWh of energy to Southern Power Company as scheduled by the Agency, for the period January 1, 2011 through December 31, 2018. The contract automatically renews for successive one-year terms unless terminated by 60 days written notice by either party. Neither party has given notice as of December 31, 2024.
- Agreement with Central Electric Cooperative, Inc. (Central) to sell approximately 18% of the capacity and associated output of the Catawba Project.

In addition to the agreements with third parties mentioned above, the Agency has developed or assisted the Participants and/or certain of their customers in developing additional generating facilities. The Agency has 65 MW of Distributed Generation which the Agency constructed to be called upon as needed. In addition, the Agency also has under remote control operation 96 MW of city-owned and customer-owned generation and has been successful in placing an additional 18 MW of generation owned by cities and retail customers under contract for local operation under the Agency's power supply program. The Agency also has 24 MW of gas turbine generation.

Agency administers a load management program by which customers may reduce load during peak billing time periods. The operation of this program results in a total peak reduction of approximately 38 MW each month.

Agency personnel and TEA, pursuant to the agreement described above, provided all scheduling and dispatching services for the Agency's various power supply resources to coordinate the Agency's utilization of Project Output and other power supply arrangements and the Participants use of their SEPA power allotments.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

A. General Matters (continued)

The Agency's acquisition of its ownership interest is being financed by electric revenue bonds pursuant to Resolution No. R-16-78, as amended, (Resolution) of the Board of Commissioners of the Agency. The Resolution established special funds to hold proceeds from debt issuance, such proceeds to be used for costs of acquisition and construction of the project, for working capital and to establish certain reserves. The Resolution also established special funds in which project revenues are deposited and from which project operating costs, debt service and other specified payments relating to the project are made.

ElectriCities of North Carolina, Inc.

ElectriCities of North Carolina, Inc. (ElectriCities), organized as a joint municipal assistance agency under the General Statutes of North Carolina, is a public body and body corporate and politic created for the purpose of providing aid and assistance to municipalities in connection with their electric systems and to joint agencies, such as the Agency.

The Agency has entered into a management agreement with ElectriCities. Under the current management agreement, ElectriCities is required to provide, at cost, all personnel and personnel services necessary for the Agency to conduct its business in an economic and efficient manner. This agreement continued through December 31, 2024 and was automatically renewed for successive three-year periods unless terminated by one year's notice by either party prior to the end of the contract term. Neither party has given notice as of December 31, 2024.

For the years ended December 31, 2024 and 2023, the Agency paid ElectriCities \$16,934,000 and \$16,194,000, respectively.

B. Significant Accounting Policies

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis, in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission, and are in conformity with accounting principles generally accepted in the United States (GAAP). The Agency has adopted the principles promulgated by the Governmental Accounting Standards Board (GASB) and U.S. GAAP. U.S. GAAP allows utilities to capitalize or defer certain costs and/or revenues based upon the Agency's ongoing assessment that it is probable that such items will be recovered through future revenues.

The Agency reports in accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The statement requires certain information be included in the financial statements and specifies how that information should be presented.

The financial statements are prepared using the economic resources measurement focus. Operating revenues are defined as revenues received from the sale of electricity and associated services. Revenues from capital and related financing activities and investment activities are defined as non-operating revenues.

Restricted net position represents constraints on resources that are imposed by third parties or the Resolution and may be utilized only for the purposes established by the third party or Resolution. Unrestricted net position may be utilized for any purpose approved by the Board through the budget process. When both restricted and unrestricted net position might be used to meet an obligation, the Agency first uses the restricted net position. Negative unrestricted net position will require future resources.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

B. Significant Accounting Policies (continued)

Electric Plant in Service

All expenses associated with the development and construction of the Agency's ownership interest in the Catawba station, including interest expense net of investment income on funds not yet expended and the asset retirement obligation adjustment arising from implementing U.S. GAAP (discussed under Decommissioning Costs on page 18) have been recorded at original cost and are being depreciated on a straight-line basis over the average composite life of each unit's assets. At December 31, 2024, the remaining life for Catawba Units 1 and 2 was 19 years.

The Agency has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" which requires the Agency to report the effect of capital asset impairments in the financial statements when they occur rather than in the ongoing depreciation expense for the capital asset. Any insurance recovery associated with the impairment will be netted with the impairment loss. During 2024 and 2023, no such impairment occurred.

Construction Work in Progress

All expenditures related to capital additions at Catawba and expenditures related to distributive generation units that have not been declared commercial are capitalized as construction work in progress until such time as they are completed and transferred to Electric Plant in Service. Depreciation expense is recognized on these assets after they are transferred to Electric Plant in Service.

Nuclear Fuel

All expenditures related to the purchase and construction of the Agency's undivided ownership interests in nuclear fuel cores are capitalized until the cores are placed in the reactor. Once placed in the reactor, the cores are amortized to fuel expense utilizing the units of production method. Amounts are removed from the books upon disposal of the spent nuclear fuel. Nuclear fuel expense does not include a provision for estimated spent nuclear fuel disposal.

Under provisions of the Nuclear Waste Policy Act of 1982, Duke, on behalf of all co-owners of the Catawba Station, has entered contracts with the DOE for the disposal of spent nuclear fuel. The DOE failed to begin accepting the spent nuclear fuel in 1998, the date provided by the Nuclear Waste Policy Act and Duke's contract with the DOE. As a result of a partial breach of contract claim filed against the DOE by Duke for damages arising out of the DOE's failure to begin accepting the spent nuclear fuel, Duke and the U.S. Department of Justice signed a settlement agreement which provides for an initial payment to Duke Energy for certain storage costs incurred through July 2005, with additional amounts reimbursed annually for future storage costs. The Agency's share of the settlement for 2024 and 2023 was \$636,000 and \$973,000, respectively.

While it is uncertain when the DOE will begin accepting spent fuel, Duke has plans in place to provide adequate storage capacity until such time as DOE begins receiving spent fuel.

The DOE announced that it would cease the collection of the of 0.1-cent charge from utilities customers for each nuclear-generated kilowatt-hour of electricity as of May 16th, 2017, in response to a November 2013 ruling by the US Court of Appeals. This action resulted from a lawsuit filed on behalf of utilities and regulators by the National Association of Regulatory Utility Commissioners (NARUC) and the Nuclear Energy Institute (NEI). The court instructed the US energy secretary to "change the fee to zero" pending either compliance with the existing US nuclear waste act or the enactment by Congress of an alternative waste management plan.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

B. Significant Accounting Policies (continued)

Non-Utility Property and Equipment

The Agency purchased computer equipment for its load management and telemetry programs. This equipment is being depreciated over the estimated useful life of the equipment. Also included are the land and administrative office building jointly owned with North Carolina Eastern Municipal Power Agency and used by both agencies and ElectriCities. The administrative office building is being depreciated over 37 1/2 years on a straight-line basis.

Pollution Remediation Obligations

The Agency reports in accordance with GASB Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations" (GASB No. 49) which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as nuclear power plant decommissioning.

Accounts Receivable

Accounts receivable consists of trade accounts receivable associated with the sale of electricity and are stated at cost. The Agency primarily sells to the Participants in the project and high-quality utilities and accordingly, based on past collection history, management does not believe an allowance for doubtful accounts is required.

Premiums/Discounts on Bonds

Premiums (net of discounts) on bonds, shown net of accumulated accretion/amortization of \$88,816,000 and \$81,506,000, at December 31, 2024 and 2023, respectively, are amortized over the terms of the related bonds in a manner that yields a constant rate of interest.

Decommissioning

The Agency reports in accordance with U.S. GAAP, which requires the Agency to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of assets and record a corresponding asset that will be depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any such adjustments for changes in the estimated future cash flows will also be capitalized and amortized over the remaining life of the asset.

Investments

The Agency reports according to the provisions of GASB Statement No. 72 "Fair Value Management and Application" which requires investments to be reported at fair value, GASB Statement No. 79 "Certain External

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

B. Significant Accounting Policies (continued)

Investment Pools and Pool Participants”, which allows certain whole investment pools to be reported at amortized cost, and GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” which allows certain investments to be reported at amortized cost. In addition, the Agency reports according to the provisions of GASB Statement No. 40 “Deposit and Investment Risk Disclosures” which addresses common investment risks related to credit risk, concentration of credit risk and interest rate risk.

Renewable Energy Certificate Inventory

The Renewable Energy and Energy Efficiency Portfolio Standard (REPS) in North Carolina requires electric utilities to procure a certain portion of the energy sold to retail customers from renewable energy generators or energy efficiency programs. The Agency complies with REPS through the procurement of Renewable Energy Certificates (RECs) from renewable generators, without the purchase of the physical energy from that generator. The Agency forecasts the number of RECs needed in future years and procures RECs accordingly. RECs are recorded at cost and are being retired on an annual basis in accordance with the quantities determined by the North Carolina Utilities Commission. Once a REC is retired, it can never be used or resold again.

Taxes

Income of the Agency is excludable from federal income tax under Section 115 of the Internal Revenue Code. Chapter 159B of the General Statutes of North Carolina exempts the Agency from property and franchise or other privilege taxes. In lieu of North Carolina property taxes, the Agency pays an amount that would otherwise be assessed on the non-utility property and equipment and North Carolina generation of the Agency. The Catawba plant is located in South Carolina and subject to South Carolina property tax. An electric power excise tax equal to 0.05% (5/10 mill) for each kilowatt-hour of electric power generated and sold for resale within South Carolina is also paid.

Statements of Cash Flows

For purposes of the statements of cash flows, operating cash consists of unrestricted cash of \$14,000 and \$73,000 at December 31, 2024 and 2023 and is included on the Balance Sheet in the line item "Current Assets: Funds Invested". Restricted cash of \$16,000 and \$26,000 at December 31, 2024 and 2023, respectively, is included on the Balance Sheet in the line item “Restricted Assets: Special Funds Invested” and is also included on the Statements of Cash Flows. Accounts payable include special fund liabilities of \$11,239,000 and \$9,868,000 at December 31, 2024 and 2023, respectively. The cash flows associated with the increase in accounts payable of \$8,125,000 and \$1,271,000 in 2024 and 2023, respectively, includes the impact of the special fund liabilities noted above.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows, liabilities and deferred inflows and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GASB No. 65 additionally provides discussion on the accounting treatment of debt issuance costs. This GASB established the requirement that debt issuance costs are to be expensed in the current period as compared

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

B. Significant Accounting Policies (continued)

to amortization of the costs over the life of the related debt. Per GASB No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, entities that are rate regulated are allowed to amortize these costs over time if future recovery is probable and that future recovery is based on prior costs and not similar future costs. The Agency elects to follow this pronouncement as its current rate methodology provides recovery of debt issuance costs.

Deferred Outflows/ Inflows of resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. Deferred Outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred Inflows of Resources represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. See Note G beginning on page 29 for more detailed information.

Recently Adopted GASB Standards

In March 2020, GASB issued Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022 and did not have a material impact on the Agency’s financial position, overall cash flow or balances or results of operations.

In May 2020, GASB issued Statement No. 96, “Subscription-Based Information Technology Arrangements”. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, “Leases”, as amended. This Statement is effective for reporting periods beginning after June 15, 2022 and did not have a material impact on the Agency’s financial position, overall cash flow or balances or results of operations.

In June of 2022, GASB issued Statement No. 100, “Accounting Changes and Error Corrections”. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections beginning after June 15, 2023 and did not have a material impact on the Agency’s financial position, overall cash flow or balances or results of operations.

In June of 2022, GASB issued Statement No. 101, “Compensated Absences”. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and did not have a material impact on the Agency’s financial position, overall cash flow or balances or results of operations.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

B. Significant Accounting Policies (continued)

Future Accounting Standards

The Agency has not yet evaluated the effect of implementation of the following GASB pronouncements.

In December of 2023, GASB issued Statement No. 102, “Certain Risk Disclosures”. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

In April 2024, 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. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In September 2024, GASB issued Statement No. 104, “Disclosure of Certain Capital Assets”. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

C. Capital Assets

Electric Utility Plant, Net

Changes in components of electric utility plant, net during 2024 and 2023 are as follows (in thousands of dollars):

	December 31, <u>2023</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	December 31, <u>2024</u>
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	\$ 2,103,308	\$ -	\$ 72,113	\$ (21,808)	\$ 2,153,613
Nuclear fuel	<u>261,381</u>	<u>65,230</u>	<u>-</u>	<u>-</u>	<u>326,611</u>
Total Depreciable Utility Plant	2,364,689	65,230	72,113	(21,808)	2,480,224
Accumulated Depreciation and Amortization					
Amortization					
Electric plant in service	(1,116,710)	(50,436)	3,560	21,808	(1,141,778)
Nuclear fuel	<u>(141,905)</u>	<u>(38,119)</u>	<u>-</u>	<u>-</u>	<u>(180,024)</u>
Total Accumulated Depreciation and Amortization	<u>(1,258,615)</u>	<u>(88,555)</u>	<u>3,560</u>	<u>21,808</u>	<u>(1,321,802)</u>
Depreciable Utility Plant, Net	1,106,074	(23,325)	75,673	-	1,158,422
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	<u>69,528</u>	<u>71,200</u>	<u>(75,673)</u>	<u>-</u>	<u>65,055</u>
Total Electric Utility Plant, Net	<u>\$ 1,195,370</u>	<u>\$ 47,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,245</u>

Electric Utility Plant, Net

	December 31, <u>2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	December 31, <u>2023</u>
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	\$ 2,078,335	\$ -	\$ 51,201	\$ (26,228)	\$ 2,103,308
Nuclear fuel	<u>239,242</u>	<u>49,241</u>	<u>(27,102)</u>	<u>-</u>	<u>261,381</u>
Depreciable Utility Plant	2,317,577	49,241	24,099	(26,228)	2,364,689
Accumulated Depreciation and Amortization					
Amortization					
Electric plant in service	(1,098,993)	(47,779)	3,834	26,228	(1,116,710)
Nuclear fuel	<u>(131,177)</u>	<u>(37,830)</u>	<u>27,102</u>	<u>-</u>	<u>(141,905)</u>
Total Accumulated Depreciation and Amortization	<u>(1,230,170)</u>	<u>(85,609)</u>	<u>30,936</u>	<u>26,228</u>	<u>(1,258,615)</u>
Depreciable Utility Plant, Net	1,087,407	(36,368)	55,035	-	1,106,074
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	<u>63,436</u>	<u>61,127</u>	<u>(55,035)</u>	<u>-</u>	<u>69,528</u>
Total Electric Utility Plant, Net	<u>\$ 1,170,611</u>	<u>\$ 24,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195,370</u>

The Agency has commitments to Duke in connection with capital additions for the station. Current estimates indicate the Agency's portion of these costs for 2025 and 2026 will be approximately \$122,992,000.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

C. Capital Assets (continued)

Non-Utility Property and Equipment

Changes in components of non-utility property and equipment, net during 2024 and 2023 are as follows (in thousands of dollars):

	December 31, 2023	Additions	Transfers	Retirements	December 31, 2024
Non-Utility Property and Equipment					
Property and equipment	\$ 3,104	\$ -	\$ 240	\$ -	\$ 3,344
Accumulated depreciation	(3,030)	(88)	-	-	(3,118)
Total Depreciable Non-Utility Property and Equipment, Net	74	(88)	240	-	226
Land	710	-	-	-	710
Construction work in progress	241	-	(240)	(1)	-
Total Non-Utility Property and Equipment, Net	<u>\$ 1,025</u>	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 936</u>

Non-Utility Property and Equipment

	December 31, 2022	Additions	Transfers	Retirements	December 31, 2023
Non-Utility Property and Equipment					
Property and equipment	\$ 3,104	\$ -	\$ -	\$ -	\$ 3,104
Accumulated depreciation	(2,987)	(43)	-	-	(3,030)
Total Depreciable Non-Utility Property and Equipment, Net	117	(43)	-	-	74
Land	710	-	-	-	710
Construction work in progress	241	-	-	-	241
Total Non-Utility Property and Equipment, Net	<u>\$ 1,068</u>	<u>\$ (43)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025</u>

D. Investments

The Agency investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The agency categorizes investments based on the fair value hierarchy established by GASB Statement No. 72. Level 1 securities are valued using directly observable, quoted prices (unadjusted) in active markets. Level 2 securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

The Agency invests in the North Carolina Cash Management Trust (NCCMT) and North Carolina Investment Pool (NCIP). The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCIP, a commingled local government investment pool established to invest idle funds in various short-term investments in accordance with North Carolina General Statute 159-30, is measured at fair value. At December 31, 2024, the Agency invested part of the Decommissioning Trust Funds with the NC Department of State Treasurer (NCDST) Ancillary Governmental Participant Investment Program (AGPIP). The funds were invested in the State Treasurer's Short Term Investment Fund (STIF); BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund (EIF) and Bond Index Fund (BIF). STIF and Equity Index Fund are measured at fair value. Bond Index Fund is measured at amortized cost.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

D. Investments (continued)

The Agency's investments are detailed in the following schedule (in thousands of dollars):

	Method of Valuation	December 31,			
		2024		2023	
		Cost Basis	Reported Value	Cost Basis	Reported Value
U.S. Government Agencies	Fair Value Level 1	\$ 26,061	\$ 26,215	\$ 86,199	\$ 85,490
U.S. Treasury Securities	Fair Value Level 1	273,577	273,635	319,309	317,764
NCCMT* -Government Portfolio	Fair Value Level 1	20,834	20,834	8,455	8,455
North Carolina Investment Pool	Fair Value Level 1	95,512	95,512	90,842	90,842
Collateralized mortgage obligations	Fair Value Level 2	80,783	79,247	82,672	81,134
Sub-total funds invested		<u>496,767</u>	<u>495,443</u>	<u>588,556</u>	<u>584,781</u>
Decommissioning Trust securities:					
Commercial Paper	Fair Value Level 1	-	-	42,013	42,464
NC AGPIP**-Equity Index Fund	Fair Value Level 1	103,427	173,049	258,979	292,551
NC AGPIP**-Bond Index Fund	Amortized Cost	338,763	344,111	139,500	140,104
NC AGPIP**-STIF	Fair Value Level 2	174	174	124	123
North Carolina Investment Pool	Fair Value Level 1	144	144	50	50
Sub-total funds invested		<u>442,508</u>	<u>517,478</u>	<u>440,666</u>	<u>475,292</u>
Cash					
Operating cash		15	15	73	73
Restricted cash		16	16	26	26
Accrued interest		2,205	2,206	2,611	2,611
Total funds invested		<u>\$ 941,511</u>	<u>\$ 1,015,158</u>	<u>\$ 1,031,932</u>	<u>\$ 1,062,783</u>
Consisting of:					
Special funds invested			\$ 165,707		\$ 158,856
Decommissioning Trust			517,479		475,294
Operating assets			331,972		428,633
Total funds invested			<u>\$ 1,015,158</u>		<u>\$ 1,062,783</u>

* NC Capital Management Trust

**NC Ancillary Governmental Participant Investment Program (AGPIP)

Interest Rate Risk

The Bond Resolution authorizes the Agency to invest in obligations with maturity dates, or with redemption features, on or before the respective dates when the money in such accounts will be required for the purposes intended. The Agency does not have additional formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

D. Investments (continued)

The Agency's maturities of investments are detailed in the following schedule (in thousands of dollars.):

	December 31, 2024				
	Reported Value	Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More than 10
U.S. Government Agencies	\$ 26,215	\$ 26,215	\$ -	\$ -	\$ -
U.S. Treasury Securities	273,635	105,904	167,731	-	-
NCCMT	20,834	20,834	-	-	-
North Carolina Investment Pool	95,512	95,512	-	-	-
Collateralized mortgage obligations	79,247	-	56,984	10,350	11,913
Sub-total funds invested	495,443	248,465	224,715	10,350	11,913
Decommissioning Trust Securities					
NC AGPIP-Equity Index Fund	173,049	-	-	-	173,049
NC AGPIP-Bond Index Fund	344,111	-	-	344,111	-
NC AGPIP-STIF	174	174	-	-	-
North Carolina Investment Pool	144	144	-	-	-
Sub-total funds invested	517,478	318	-	344,111	173,049
Total	<u>\$ 1,012,921</u>	<u>\$ 248,783</u>	<u>\$ 224,715</u>	<u>\$ 354,461</u>	<u>\$ 184,962</u>

	December 31, 2023				
	Reported Value	Investment Maturity (In Years)			
		Less Than 1	1-5	6-10	More than 10
Commercial Paper	\$ 1,096	\$ 1,096	\$ -	\$ -	\$ -
U.S. Government Agencies	85,490	43,046	42,444	-	-
U.S. Treasury Securities	317,764	116,178	201,586	-	-
NCCMT	8,455	8,455	-	-	-
North Carolina Investment Pool	90,842	90,842	-	-	-
Collateralized mortgage obligations	81,134	1,156	49,023	13,797	17,158
Sub-total funds invested	584,781	260,773	293,053	13,797	17,158
Decommissioning Trust Securities					
Commercial Paper	42,464	42,464	-	-	-
NC AGPIP-Equity Index Fund	292,551	-	-	-	292,551
NC AGPIP-Bond Index Fund	140,104	-	-	140,104	-
NC AGPIP-STIF	123	123	-	-	-
North Carolina Investment Pool	50	50	-	-	-
Sub-total funds invested	475,292	42,637	-	140,104	292,551
Total	<u>\$ 1,060,073</u>	<u>\$ 303,410</u>	<u>\$ 293,053</u>	<u>\$ 153,901</u>	<u>\$ 309,709</u>

Credit Risk

The Resolution authorizes the Agency to invest in 1) direct obligations of, or obligations of which the principal and interest are unconditionally guaranteed by the United States (U.S.), 2) obligations of any Agency of the U.S. or corporation wholly owned by the U.S., 3) direct and general obligations of the State of North Carolina or any political subdivision thereof whose securities are rated "A" or better, 4) repurchase agreements with a member of the Federal Reserve System which are collateralized by previously described obligations and 5) bank time deposits evidenced by certificates of deposit and bankers' acceptances. The Agency has no formal investment policy that would further limit its investment choices.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

D. Investments (continued)

Credit Risk

As of December 31, 2024, and 2023, the Agency's investments in U.S. Government Agencies and U.S. Treasury Securities are rated Aaa by Moody's Investor Service, AA+ by Standard and Poor's Corporation and AA+ by Fitch Ratings. The Agency's investments in Money Market Instruments and the North Carolina Capital Management Trusts' Government Portfolio are rated AAAM by Standard and Poor's Corporation. The investments in the North Carolina Investment Pool Liquid Portfolio is rated AAAM by Standard & Poor's and AAAMmf by Fitch Ratings. The NCAGPIP's Short Term Investment Fund and Bond Index Fund are unrated.

The Board of Directors of the Agency approved an Investment Risk Management Policy in 2012 and established the Decommissioning Trust Investment policy on July 23, 2021. The policy sets the overall investment objectives and established sector and issuer guidelines. It is reviewed annually to ensure it is compliant with the current law and the Local Government Commission. The Agency's investments by issuer are detailed in the following schedule (in thousands of dollars):

Issuer	December 31, 2024		December 31, 2023	
	Reported Value	Percentage	Reported Value	Percentage
Federal Home Loan Mortgage Corporation	\$ 70,355	6.9%	\$ 75,648	7.1%
Federal National Mortgage Association	20,712	2.0%	41,368	3.9%
Federal Home Loan Bank	11,859	1.2%	46,676	4.4%
Government National Mortgage Association	2,536	0.3%	2,932	0.3%
Commercial Paper				
MacQuarie Bank	-	-	9,819	0.9%
Mizuho Bank	-	-	22,824	2.2%
MUFG Bank	-	-	10,917	1.0%
NC AGPIP				
Equity Index Fund	173,049	17.1%	292,551	27.6%
Bond Index Fund	344,111	34.0%	140,104	13.2%
Short Term Investment Fund	174	-	123	-
Money Market Fund - NC Capital Management Trust	20,834	2.1%	8,455	0.8%
North Carolina Investment Pool	95,656	9.4%	90,892	8.6%
US Treasury Department	273,635	27.0%	317,764	30.0%
Total	<u>\$ 1,012,921</u>	<u>100%</u>	<u>\$ 1,060,073</u>	<u>100%</u>

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

D. Investments (continued)

The Resolution permits the Agency to establish official depositories with any bank or trust company qualified under the laws of North Carolina to receive deposits of public moneys and having capital stock, surplus and undivided profits aggregating in excess of \$20,000,000.

All depositories must collateralize public deposits in excess of federal depository insurance coverage. The Agency's depositories use the pooling method, a single financial institution collateral pool. Under the pooling method, a depository establishes a single escrow account on behalf of all governmental agencies. Collateral is maintained with an eligible escrow agent in the name of the State Treasurer of North Carolina based on an approved averaging method for demand deposits and the actual current balance for time deposits less the applicable federal depository insurance for each depositor. The financial institutions using the pooling method are responsible for assuring sufficient collateralization of these excess deposits. Because of the inability to measure the exact amount of collateral pledged for the Agency under the pooling method, the potential exists for under-collateralization. However, the State Treasurer enforces strict standards for each pooling method depository, which minimizes any risk of under-collateralization. At December 31, 2024 and 2023, the Agency had \$14,000 and \$73,000 in operating funds, respectively, and \$16,000 and \$26,000 in restricted funds, respectively, covered by federal depository insurance.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency does not have a formal policy for custodial credit risk. All deposits are currently held in the name of North Carolina Municipal Power Agency Number 1.

E. Renewable Energy Certificate Inventory

The following shows RECs activity during 2024 and 2023 (in thousands of dollars):

Summary of Changes in RECs				
	Balance 12/31/2023	Additions	Retirements	Balance 12/31/2024
RECs	\$ 12,658	\$ 2,081	\$ (2,112)	\$ 12,627
	Balance 12/31/2022	Additions	Retirements	Balance 12/31/2023
RECs	\$ 13,343	\$ 2,090	\$ (2,775)	\$ 12,658

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

F. Decommissioning Costs

As a co-licensee of Catawba Unit 2 and in accordance with the terms of the Catawba reliability exchange, the Agency has furnished certification of its financial capability to fund its share of the costs of nuclear decommissioning of the Catawba Station to the U.S. Nuclear Regulatory Commission (NRC) as required by its regulations. To satisfy the NRC's financial capability regulations, the Agency established an external trust fund (Decommissioning Trust) pursuant to a trust agreement with a bank. The Agency's certification requires that the Agency make annual deposits to the Decommissioning Trust which, together with the investment earnings, amounts previously on deposit in the trust and certain reserve assets, are anticipated to result in sufficient funds being held in the Decommissioning Trust at the expiration of the current operating licenses for the Catawba Units (2043) to meet the Agency's share of decommissioning.

The Decommissioning Trust is irrevocable and funds may be withdrawn from the trust solely for the purpose of paying the Agency's share of the costs of nuclear decommissioning. In accordance with the NRC regulations, the Decommissioning Trust is segregated from Agency assets and outside the Agency's administrative control. The Agency is deemed to have incurred and paid decommissioning costs as deposits are made to the Decommissioning Trust. In addition to the Decommissioning Trust, certain reserve assets are anticipated to be available for transfer to the Decommissioning Trust to satisfy the Agency's total decommissioning liability.

Estimates of the future costs of decommissioning the units are based on the 2023 site-specific study that was conducted on behalf of Duke utilizing the unit factor method, which follows the approach as outlined in the DOE Decommissioning handbook. The Agency's portion of decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, is \$692,603,000, stated in 2023 dollars.

The Agency has identified certain asset retirement obligations, which are primarily associated with the decommissioning of NCMPA1's ownership interest in Catawba Unit 2. Changes in components of the asset retirement obligation during 2024 and 2023 are as follows (in thousands of dollars):

	Years Ended December 31,	
	2024	2023
Balance, beginning of year	\$ 492,333	\$ 552,605
Accretion expense	28,506	31,996
Revisions in estimated cash flows	-	(92,268)
Balance, end of year	\$ 520,839	\$ 492,333

G. Costs To Be Recovered and Collections To Be Expended

Rates for power billings to Participants are designed to cover the Agency's operating expenses, debt requirements and reserves as specified by the Resolution and power sales agreements. Straight-line depreciation and amortization are not considered in the cost of service calculation used to design rates. In addition, certain earnings on funds established in accordance with the Resolution are restricted to those funds and are not available for current operations.

The differences between debt principal maturities (adjusted for the effects of premiums, discounts and amortization of deferred gains and losses) and straight-line depreciation and in interest income recognition are recognized as other recoverable/collectible costs. When total recoverable/collectible items exceed principal debt service, costs to be recovered increase. When principal debt service exceeds total recoverable/collectible items, costs to be recovered decrease.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

G. Costs To Be Recovered and Collections To Be Expended (continued)

Funds collected through rates for reserve accounts and restricted investment income are recognized as collections to be expended, thus increasing total collections to be expended. When these funds are used to meet current expenses, total collections to be expended decrease.

The Agency's present charges to the Participants are sufficient to recover all of the Agency's current annual costs of the Participants' bulk power needs. Each Participant is required under the power sales agreements to set its rates for its customers at levels sufficient to pay all its costs of its electric utility system, including the Agency's charges for bulk power supply. All Participants have done so.

All rates must be approved by the Board of Commissioners. Rates are designed on an annual basis. If they are determined to be inadequate to cover the Agency's current annual costs, rates may be revised.

Other costs and collections to be recovered include the following (in thousands of dollars):

	Years Ended		Inception to	
	December 31,		December 31,	
	2024	2023	2024	2023
Costs to be recovered				
Net deferred interest	\$ -	\$ -	\$ 155,316	\$ 155,316
Amortization of debt discount, premium & issuance costs	(7,689)	(8,812)	(49,139)	(41,450)
Depreciation and amortization	79,031	(12,451)	1,857,876	1,778,845
Amortization of debt refunding costs	4,296	4,835	643,843	639,547
Deferred Fuel	(15,476)	-	(33,282)	(17,806)
Participant billing offsets	(137,306)	(113,622)	(3,153,792)	(3,016,486)
Other unrecovered costs	-	-	23,749	23,749
Total Costs To Be Recovered *	<u>\$ (77,144)</u>	<u>\$ (130,050)</u>	<u>\$ (555,429)</u>	<u>\$ (478,285)</u>
	Years Ended		Inception to	
	December 31,		December 31,	
	2024	2023	2024	2023
Collections to be expended				
Net special funds deposits	\$ 12,600	\$ 12,600	\$ 104,554	\$ 91,954
Restricted investment income	2,994	2,600	383,812	380,818
Rate stabilization funds used for other than operations	-	-	(53,393)	(53,393)
Special Funds Valuations	(1,430)	(2,065)	(51,482)	(50,052)
Net increase/(decrease) in fair value of investments	43,412	70,645	69,812	26,400
Asset Retirement Obligation Provision	-	-	10,242	10,242
Other collections to be expended	(1,180)	1,232	55,091	56,271
Total Collections To Be Expended	<u>\$ 56,396</u>	<u>\$ 85,012</u>	<u>\$ 518,636</u>	<u>\$ 462,240</u>

*Due to the high Participant billing collections, the total cost to be recovered has a credit balance. For presentation purposes on the Statement of Net Position, the credit balance was combined with collections to be expended.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

H. Bonds

The Agency has been authorized to issue Catawba Electric Revenue Bonds (bonds) in accordance with the terms, conditions, and limitations of the Resolution. The total to be issued is to be sufficient to pay the costs of acquisition and construction of the project, as defined, and/or for other purposes set forth in the Resolution. Future refunding of bonds may result in the issuance of additional bonds.

The following shows bond activity during 2024 and 2023 (in thousands of dollars):

Summary of Changes in Long Term Liability

	December 31, 2023	Additions	Reductions	December 31, 2024	Amounts Due within One Year
Bonds payable	\$ 587,855	\$ -	\$ (58,755)	\$ 529,100	\$ 58,255
Unamortized premium	34,332	-	(8,885)	25,447	
Total Long-Term Debt, net	<u>\$ 622,187</u>	<u>\$ -</u>	<u>\$ (67,640)</u>	<u>\$ 554,547</u>	<u>\$ 58,255</u>
	December 31, 2022	Additions	Reductions	December 31, 2023	Amounts Due within One Year
Bonds payable	\$ 635,475	\$ -	\$ (47,620)	\$ 587,855	\$ 49,485
Unamortized premium	43,916	(11)	(9,573)	34,332	
Total Long-Term Debt, net	<u>\$ 679,391</u>	<u>\$ (11)</u>	<u>\$ (57,193)</u>	<u>\$ 622,187</u>	<u>\$ 49,485</u>

The various issues comprising the outstanding debt are as follows (in thousands of dollars):

	December 31,	
	2024	2023
Series 2009D (Federally Taxable Build America Bonds) 6.184% maturing in 2032 with annual sinking fund requirements beginning in 2030	<u>\$ 65,525</u>	<u>\$ 65,525</u>
Series 2012C (Federally Taxable) 2.447% to 3.922% maturing annually from 2021 to 2032	<u>29,170</u>	<u>32,295</u>
Series 2015A 5.0% to 5.25% maturing annually from 2023 to 2032	<u>229,070</u>	<u>265,895</u>
Series 2015B 3.0% to 5.0% maturing annually from 2022 to 2024	<u>-</u>	<u>6,985</u>

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

H. Bonds (continued)

	December 31,	
	2024	2023
Series 2015C		
3.5% to 5.0% maturing annually from 2029 to 2031	\$ 77,960	\$ 87,230
Series 2016A		
4.0% to 5.0% maturing 2024 and 2025	1,045	3,595
5.0% maturing annually 2027 to 2030	63,030	63,030
	64,075	66,625
Series 2019A		
5% maturing annually 2025-2032	63,300	63,300
Total Bonds Outstanding	529,100	587,855
Current maturities of bonds	(58,255)	(49,485)
Total Long-Term Debt, Bonds	\$ 470,845	\$ 538,370

The following table reflects principal debt service included in the designated year's rates. In accordance with the Resolution, these moneys are collected through rates the year prior to the January 1 maturity and deposited into the Bond Fund for payment when due. Current maturities of \$58,255,000 at December 31, 2024 were collected monthly through rates during 2024 and were deposited into the Bond Fund to make the January 1, 2025 principal payment. Debt service deposit requirements from the designated year's rates for long-term debt outstanding at December 31, 2024 are as follows (in thousands of dollars):

Year	Principal	Interest	Total
2025	\$ 61,105	\$ 23,969	\$ 85,074
2026	64,100	20,967	85,067
2027	67,255	17,813	85,068
2028	70,575	14,498	85,073
2029 to 2031	207,810	22,435	230,245
Total	\$ 470,845	\$ 99,682	\$ 570,527

The fair value of the Agency's long-term debt was estimated using a yield curve derived from December 31, 2024 and 2023 market prices for similar securities. Using these yield curves, market prices were estimated for each individual maturity and the individual maturities were summed to arrive at an estimated fair value of \$519,509,510 and \$613,658,205 at December 31, 2024 and 2023, respectively.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

H. Bonds (continued)

Interest on the bonds is payable semi-annually.

On September 11, 2019, the Agency applied \$75,515,000 of available funds to defease \$68,900,000 of certain outstanding Series 2012B, 2012C and 2015C bonds. The funds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. All of the defeased bonds are still outstanding as of December 31, 2024.

On February 8, 2024, the Agency defeased \$9,270,000 of Series 2015C bonds with available funds to remediate the impact of the delivery and sale of 150 MW of contract capacity and energy to Central Electric Power Cooperative, Inc., and also maintain tax-exempt status. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. All of the defeased bonds are still outstanding as of December 31, 2024.

Certain of the following bonds are subject to redemption prior to maturity at the option of the Agency, on or after the following dates at a maximum of 100% of the respective principal amounts:

Series 2015A and C	January 1, 2026
Series 2016A	July 1, 2026
Series 2019A	January 1, 2030

The Series 2012C Bonds are subject to redemption on any business day at the Make Whole Redemption Price which is the greater of (i) 100% of principal amount to be redeemed or (ii) the sum of the present value of the remaining scheduled principal and interest to be redeemed. The Series 2009D and 2012C are also subject to redemption on any business day at the Extraordinary Optional Redemption Price which is the greater of (i) 100% of principal amount to be redeemed or (ii) the sum of the present value of the remaining scheduled principal and interest to be redeemed. An Extraordinary Event will have occurred if the Agency determines that a material adverse change has occurred which is not the Agency's fault, which results in a reduction or elimination of the Federal subsidy payment.

The bonds are special obligations of the Agency, payable solely from and secured solely by (1) project revenues (as defined by the Resolution) after payment of project operating expenses (as defined by the Resolution) and (2) other monies and securities pledged for payment thereof by the Resolution.

The Resolution requires the Agency to deposit into special funds all proceeds of bonds issued and all project revenues (as defined by the Resolution) generated as a result of the Project Power Sales Agreements and Interconnection Agreement. The purpose of the individual funds is specifically defined in the Resolution.

The Resolution requires that the Agency maintains a reserve investment balance in an amount to sufficiently cover the highest annual debt service payment over the life of the bonds, which was \$83,647,000 and \$84,128,000 for 2024 and 2023, respectively. As of December 31, 2024, and 2023, the balances of the reserve were \$85,578,000 and \$86,758,000, respectively. The Resolution also requires a bond contingency fund to be established to maintain 10% of the required reserves for the year totaling \$8,365,000 and \$8,413,000 for 2024 and 2023, respectively. As of December 31, 2024, and 2023, the balances of the contingency fund were \$8,398,000 and \$8,476,000, respectively.

As of December 31, 2024 and 2023 the Agency had no unspent bond funds in restricted cash and investments.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

I. Commitments and Contingencies

Duke maintains, on behalf of all co-owners of the Catawba station, nuclear insurance coverage in the following areas: liability coverage, property, decontamination and decommissioning coverage, and extended accidental outage coverage to cover increased generating costs and/or replacement power purchases.

Liability Coverage

In accordance with the Price-Anderson Act, Duke, on behalf of all co-owners, insures against public liability claims from a nuclear incident to the full limit of liability of approximately \$16.2 billion, \$500 million of which is by private insurance with a like amount to cover certain worker tort claims. The remaining amount of approximately \$15.8 billion has been provided through a mandatory industry-wide excess secondary insurance program of risk pooling. The \$15.8 billion amount will increase by \$166 million as each new nuclear reactor is licensed and decrease by \$166 million for each insured nuclear reactor that is no longer operational and has been exempted from the program. The Agency is liable for 37.5% of these premiums.

The terms of this coverage require the owners of all licensed facilities to provide retrospective premiums of up to \$166 million per year per unit owned (adjusted annually for inflation) in the event of any nuclear incident involving any licensed facility in the nation, with an annual maximum assessment of \$24.7 million per unit owned. If any such payments are required, the Agency would be liable for 37.5% of those payment amounts.

The Price Anderson Act was renewed by Congress in 2024, and now expires on December 31, 2065.

Property, Decontamination and Decommissioning Coverage

Primary property damage insurance coverage purchased for the station is \$1.5 billion. If the insurer's losses ever exceed its reserves, Duke will be liable, on a pro rata basis, for additional assessments of up to \$31.095 million. This amount represents ten times of Catawba's annual premium. Excess property damage, decontamination and decommissioning liability insurance of \$1.25 billion has also been purchased. If industry losses ever exceed the accumulated funds available to the insurer for the excess property, decontamination and decommissioning liability program, Catawba will be liable, on a pro rata basis, for additional assessments of up to \$7.314 million which represents ten times the annual premium.

Extended Accidental Outage Coverage

Duke also purchases on behalf of all co-owners, increased cost of generation and/or purchased power insurance resulting from an accidental outage of a nuclear unit. Each unit at Catawba is insured for up to approximately \$4.5 million per week, after a 12-week deductible period, with declining amounts per unit where more than one unit is involved in the accidental outage. The coverage continues at 100% for 52 weeks and 80% for the next 71.1 weeks. The accident outage policy limit is \$490 million per unit. If the insurer's losses exceed its reserves for this program, Catawba will be liable, on a pro rata basis, for additional assessments of up to \$16.585 million which represents ten times Catawba's annual premium.

The Agency assumes their pro rata shares of any liability for retrospective premium assessments resulting from the Nuclear Electric Insurance Limited policies applicable to the joint ownership agreements.

North Carolina Municipal Power Agency Number 1
Notes to Financial Statements
Years Ended December 31, 2024 and 2023

I. Commitments and Contingencies (continued)

Central Electric Power Cooperative, Inc. Purchase Power Agreement

The Central Electric Power Cooperative, Inc. Purchase Power Agreement commenced on January 1, 2024, and will continue in effect through December 5, 2043, the currently scheduled expiration date of the Catawba Nuclear Station's NRC operating license. Under the agreement the Agency will deliver and sell 150 MW of contract capacity and energy totaling 18% of the Agency's dependable ownership of power output at the Catawba Nuclear Station. For 2024 the Agency earned \$108,813,000 in revenue, and had an outstanding receivable balance of \$8,814,000.

J. Subsequent Events

The Agency has evaluated subsequent events through April 21, 2025, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

North Carolina Municipal Power Agency Number 1
Schedules of Revenues and Expenses Per Bond Resolution and Other Agreements
(\$000s)

	Year Ended December 31, 2024		
	Project	Supple- mental	Total
Revenues:			
Sales to participants	\$ 238,247	\$ 77,424	\$ 315,671
Sales to utilities	169,237	-	169,237
Investment income	9,417	6,421	15,838
Excess Funds valuation	4,061	-	4,061
Other revenue	1,697	80	1,777
Total Revenues	<u>422,659</u>	<u>83,925</u>	<u>506,584</u>
Expenses:			
Operation and maintenance	100,120	1,536	101,656
Nuclear fuel	53,819	721	54,540
Interconnection services:			
Purchased power	35,027	46,099	81,126
Transmission and distribution	-	19,802	19,802
Other	-	2,490	2,490
Total interconnection services	<u>35,027</u>	<u>68,391</u>	<u>103,418</u>
Administrative and general – Duke	31,977	-	31,977
Administrative and general – Agency	7,060	7,831	14,891
Miscellaneous Agency expenses	-	2,182	2,182
Gross receipts and excise taxes	2,075	-	2,075
Property tax	25,457	73	25,530
Working capital refund	-	100,000	100,000
Debt service	94,712	-	94,712
Special funds deposits:			
Decommissioning fund	-	-	-
Reserve for future costs	-	12,600	12,600
Reserve and contingency fund	72,412	-	72,412
Total special funds deposits	<u>72,412</u>	<u>12,600</u>	<u>85,012</u>
Total Expenses	<u>422,659</u>	<u>193,334</u>	<u>615,993</u>
Revenues Under Expenses	<u>\$ -</u>	<u>\$ (109,409)</u>	<u>\$ (109,409)</u>

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2024 and 2023.

See accompanying Report of Independent Auditor.

Year Ended December 31, 2023		
Project	Supple- mental	Total
\$ 284,580	\$ 47,585	\$ 332,165
108,590	-	108,590
8,311	6,203	14,514
217	-	217
1,792	42,085	43,877
<u>403,490</u>	<u>95,873</u>	<u>499,363</u>
90,464	1,157	91,621
37,930	433	38,363
32,357	35,598	67,955
-	19,226	19,226
-	2,600	2,600
<u>32,357</u>	<u>57,424</u>	<u>89,781</u>
24,971	-	24,971
6,714	7,271	13,985
-	2,189	2,189
2,484	-	2,484
24,934	95	25,029
-	-	-
79,329	-	79,329
42,018	-	42,018
-	12,600	12,600
62,289	-	62,289
<u>104,307</u>	<u>12,600</u>	<u>116,907</u>
<u>403,490</u>	<u>81,169</u>	<u>484,659</u>
<u>\$ -</u>	<u>\$ 14,704</u>	<u>\$ 14,704</u>

North Carolina Municipal Power Agency Number 1
Budgetary Comparison Schedule
Years Ended December 31, 2024 and 2023
(\$000's)

	2024 Budget		Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
	Original	Final		
Revenues:				
Sales to participants	\$ 342,933	\$ 318,654	\$ 315,671	\$ (2,983)
Sales to utilities	163,734	168,911	169,237	326
Investment income	18,241	17,169	15,838	(1,331)
Excess Funds valuation	-	-	4,061	4,061
Other revenues	1,421	1,430	1,777	347
Total Revenues	<u>526,329</u>	<u>506,164</u>	<u>506,584</u>	<u>420</u>
Expenses:				
Operations and maintenance	110,786	115,247	101,656	13,591
Nuclear fuel	54,742	58,676	54,540	4,136
Interconnection services:				
Purchased power	81,504	80,147	81,126	(979)
Transmission and distribution	22,950	23,485	19,802	3,683
Other interconnection expenses	3,621	3,638	2,490	1,148
Total interconnection services	<u>108,075</u>	<u>107,270</u>	<u>103,418</u>	<u>3,852</u>
Administrative and general – Duke	29,017	29,489	31,977	(2,488)
Power Agency services	17,529	17,529	17,073	456
Taxes	28,742	28,547	27,605	942
Working capital refund	-	100,000	100,000	-
Debt service	94,174	94,656	94,712	(56)
Special funds deposits	70,745	82,512	85,012	(2,500)
Total Expenses	<u>513,810</u>	<u>633,926</u>	<u>615,993</u>	<u>17,933</u>
Appropriated balances	12,519	(127,762)	(109,409)	18,353
Revenue Over (Under) Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2024 and 2023.

See accompanying Report of Independent Auditor.

	2023 Budget		Actuals (Budgetary Basis)	Positive (Negative) Variance With
	Original	Final		Final Budget
Revenues:				
Sales to participants	\$ 353,279	\$ 337,584	\$ 332,165	\$ (5,419)
Sales to utilities	115,778	94,596	108,590	13,994
Investment income	11,300	12,909	14,514	1,605
Excess Funds valuation	-	-	217	217
Other revenues	1,412	43,471	43,877	406
Total Revenues	481,769	488,560	499,363	10,803
Expenses:				
Operations and maintenance	105,394	105,394	91,621	13,773
Nuclear fuel	41,847	41,847	38,363	3,484
Interconnection services:				
Purchased power	71,480	62,553	67,955	(5,402)
Transmission and distribution	21,816	20,376	19,226	1,150
Other interconnection expenses	3,419	3,419	2,600	819
Total interconnection services	96,715	86,348	89,781	(3,433)
Administrative and general – Duke	29,434	29,434	24,971	4,463
Power Agency services	16,246	16,247	16,174	73
Taxes	27,603	27,500	27,513	(13)
Debt service	79,377	79,377	79,329	48
Special funds deposits	70,185	116,939	116,907	32
Total Expenses	466,801	503,086	484,659	18,427
Appropriated balances	14,968	(14,526)	14,704	29,230
Revenue Over (Under) Expenses	\$ -	\$ -	\$ -	\$ -

North Carolina Municipal Power Agency Number 1
Schedule of Changes in Assets of Funds Invested
(\$000's)

	Funds Invested January 1, 2023	Power Billing Receipts	Investment Income	Receipts (Disburse- ments)	Transfers
Bond Fund:					
Interest account	\$ 16,078	\$ -	\$ 353	\$ (30,802)	\$ 29,403
Reserve account	88,273	-	2,128	-	(3,639)
Principal account	48,007	-	1,216	(47,620)	49,077
Total Bond Fund	<u>152,358</u>	<u>-</u>	<u>3,697</u>	<u>(78,422)</u>	<u>74,841</u>
Reserve and Contingency Fund	8,481	-	275	(64,011)	63,731
Revenue Fund	34,701	285,497	1,848	75,702	(356,425)
Operating Fund:					
Working Capital account	48,184	-	2,543	(151,904)	146,689
Fuel account	52,471	-	-	(46,305)	41,847
Total Operating Fund	<u>100,655</u>	<u>-</u>	<u>2,543</u>	<u>(198,209)</u>	<u>188,536</u>
Supplemental Fund:					
Supplemental account	252,894	50,477	6,205	(53,589)	16,713
Reserve for future costs	53,554	-	2,641	(42,018)	12,604
Total Supplemental Fund	<u>306,448</u>	<u>50,477</u>	<u>8,846</u>	<u>(95,607)</u>	<u>29,317</u>
Total Funds Invested	<u>\$ 602,643</u>	<u>\$ 335,974</u>	<u>\$ 17,209</u>	<u>\$ (360,547)</u>	<u>\$ -</u>

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2024 and 2023.

See accompanying Report of Independent Auditor.

Funds Invested December 31, 2023	Power Billing Receipts	Investment Income	Receipts (Disburse- ments)	Transfers	Funds Invested December 31, 2024
\$ 15,032	\$ -	\$ 312	\$ (28,252)	\$ 26,511	\$ 13,603
86,762	-	2,655	-	(3,833)	85,584
50,680	-	1,417	(49,485)	56,812	59,424
<u>152,474</u>	<u>-</u>	<u>4,384</u>	<u>(77,737)</u>	<u>79,490</u>	<u>158,611</u>
8,476	-	171	(69,827)	69,578	8,398
41,323	234,023	2,356	108,900	(356,251)	30,350
45,512	-	2,843	(150,202)	151,979	50,132
48,013	-	-	(69,543)	65,548	44,018
<u>93,525</u>	<u>-</u>	<u>2,843</u>	<u>(219,745)</u>	<u>217,527</u>	<u>94,150</u>
272,700	85,116	6,420	(170,933)	(22,944)	170,363
26,781	-	1,588	-	12,600	40,965
<u>299,481</u>	<u>85,116</u>	<u>8,008</u>	<u>(170,933)</u>	<u>(10,344)</u>	<u>211,328</u>
<u>\$ 595,279</u>	<u>\$ 319,139</u>	<u>\$ 17,762</u>	<u>\$ (429,342)</u>	<u>\$ -</u>	<u>\$ 502,837</u>



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Carolina Municipal Power Agency Number 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North Carolina Municipal Power Agency Number 1 (the Agency), which are comprised of the statement of net position as of December 31, 2024, the related statements of revenue and expenses and changes in net position, and cash flows for the year ended December 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated April 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Morehead City, North Carolina
April 21, 2025