

our strategic financial stability

ELECTRICITIES

Table of Contents

- 4 Message from the Chairman and CEO
- 5 ElectriCities Board of Directors
- 15 NCMPA1 Leadership
- 16 NCMPA1 Electric System Participants
- 17 NCPMA1 Operational Highlights
- 25 NCMPA1 Investment and Outstanding Debt Overview
- 27 NCEMPA Leadership
- 28 NCEMPA Electric System Participants
- 29 NCEMPA Operational Highlights
- 37 NCMPA1 Investment and Outstanding Debt Overview
- 38 ElectriCities' Services
- 38 ElectriCities' Leadership Team
- 39 ElectriCities' Membership Map

Our Strategic Plan in Action: Financial Stability ElectriCities of NC, Inc. • 2010 Annual Report

The audit reports of and financial information regarding North Carolina Eastern Municipal Power Agency, North Carolina Municipal Power Agency Number 1 and ElectriCities of NC, Inc. are included in this report. Each agency is a separate and distinct legal entity, and the inclusion of such information regarding the entities should not be construed to indicate any relationship between them.

our strategic

Financial stability is essential to achieve continued success for the Power Agencies and their Participants. It's not easy – it requires a daily focus on our long-term goals. It requires a new way of approaching challenges and making decisions. We will remain focused on these goals while fostering a culture of ethical conduct throughout the organization.

T. Graham Edwards Chief Executive Officer The ElectriCities Strategic Plan to guide our organization in the years to come, was introduced in 2010. The plan provides clear direction in five areas that are critical to our success: competitive rates, financial stability, service excellence, stakeholder acceptance and corporate integrity.

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1 Competitive Rates

ElectriCities will provide fair, reasonable and stable wholesale rates that are competitive with regional power suppliers while meeting the power supply needs of the Power Agencies.

3 Service Excellence

ElectriCities will provide quality programs and services, reliable power supply and implement cost effective emerging technologies to ensure a high level of customer satisfaction while effectively managing the associated business risk.

4 Stakeholder Acceptance

ElectriCities will maintain appropriate, effective and professional relationships with members, suppliers, elected officials, regulators, competitors, the financial community, staff and other stakeholders.

5 Corporate Integrity

Doing business with integrity is the core of our operations. ElectriCities employees conduct business with the highest level of honesty, fairness, respect and trust.

Financial Stability

ElectriCities will be good financial stewards and manage the finances of the Power Agencies efficiently and cost effectively.

In the coming pages, learn more about what ElectriCities is doing to ensure Financial Stability from those individuals who are tasked daily with accomplishing this goal.

Our Purpose

ElectriCities – serving the needs of public power communities through collective strength, wisdom and action while promoting a more successful future for our citizens.

Schematic of the Five Areas Critical to ElectriCities' Success

This Annual Report includes an in-depth look at the financial stability component of our plan, providing you with our specific plan of action in three key functional areas critical to financial stability. We're introducing you to the people who are responsible for guiding the organization's efforts in financial reporting, budgeting and treasury. They hold themselves accountable for turning this plan into reality. It's our strategic plan – in action.



Message from the Chairman and CEO

The introduction of our Strategic Plan in 2010 was a key milestone for ElectriCities. After a year-long process of analyzing our current state and identifying challenges and opportunities for the future, the ElectriCities Strategic Plan was implemented. The Strategic Plan will guide our activities and our focus in key areas, including service excellence, financial stability, competitive rates and stakeholder acceptance – all with integrity at the core of our operations. For the 2010 Annual Report, we have highlighted our efforts to achieve and maintain financial stability. We believe that financial stability is a crucial foundation that supports the pursuit of our overall strategic plan.

In 2010, we continued to face challenges as our local and national economies struggled to recover. North Carolina Municipal Power Agency Number 1 (NCMPA1) continues to face rising wholesale rates due to decreased demand for electricity from Participants and lower wholesale energy prices in the market. We see this trend continuing for the next several years unless economic conditions dramatically improve. Over the last few years we have worked closely with the NCMPA1's governing boards to implement a rate plan that is based upon a disciplined planning process to provide a measure of rate predictability to the Participant cities. We collectively recognize the need to keep our focus on financial stability to preserve our ability to plan for the long term.

For North Carolina Eastern Municipal Power Agency (NCEMPA), we continued on our path to financial stability in 2010. NCEMPA's governing boards have made very tough business decisions in the past few years and we are now seeing those decisions pay off with improved working capital balances and, more importantly, rate stability for the Participants.

Credit ratings are very important for the Power Agencies' cost-effective access to capital. NCMPA1 continues to maintain "A" credit ratings from all three rating agencies. NCEMPA has recently seen the results of its progress toward financial stability with rating upgrades from FitchRatings and Standard & Poors to "A-" within the past few years, a key milestone for the Power Agency.

Throughout the year, we focused on improving communications with key stakeholders and our Participants. Through a dedicated process included in our strategic planning, we identified opportunities to better communicate in an open, honest and transparent way. We've also sought out opportunities to interact in Participant communities through programs such as energy education that have a direct positive impact on the citizens of our Participant cities. We continue to successfully compete for new industrial customers and have been successful in bringing new load and more than 1,200 jobs to Participant communities in the past year. We consider our community outreach an invaluable part of our ongoing business plan. We believe this dedication to our community is what sets public power apart.

Our strategic plan is a renewed mode of operating our business. In 2010, we established the foundation of each element, which will be built upon in the years to come. It's a plan that is reinforced in our daily work – it is a plan in action.

Mayor C. Bruce Rose Chairman of the Board (top photo)



T. Graham Edwards Chief Executive Officer (bottom photo)

ElectriCities of NC, Inc. Board of Directors



Mayor C. Bruce Rose Chair, Wilson



Mayor Jennifer T. Stultz Vice Chair, Gastonia



Mr. John P. Craft Secretary, La Grange



Mr. Strib Boynton High Point



Mr. Ronald D. Elks Greenville





Mr. James S. Greene Jr. Concord



Mr. Richard N. Hicks Farmville



Mr. Ronald Hovis Cherryville



Mr. Wilson A. Lacy Fayetteville



Mr. Adam G. Mitchell Ayden



Mr. Donald D. Mitchell Monroe



Mr. Scott A. Stevens Kinston



Ms. Linda K. Story Granite Falls



Mayor John T. Walser Jr. Lexington



Mr. Jack F. Neel Ex-Officio, Albemarle



Mr. Samuel W. Noble Jr. Ex-Officio, Tarboro

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These are extremely challenging times and we are mindful that decisions we make can have a significant impact on our Participant cities, and ultimately, their customers. We work closely with the Board of Directors and Boards of Commissioners to strike a proper balance between financial stability and rate competitiveness. A long-term focus is essential to ensure that we effectively manage the challenges and opportunities of an ever-changing landscape.

Tim Tunis

Chief Financial Officer

Tunis' Financial Stability Action Plan

- Maintain a disciplined, long-term approach for financial planning
- Manage investments and debt portfolios to preserve capital and provide rate stability for the Power Agencies
- Provide effective communications to address the needs of key stakeholders

The Finance Division is responsible for the fiscal integrity of the North Carolina Municipal Power Agencies and ElectriCities of North Carolina, Inc. Through appropriate planning, risk management and reporting activities, the Finance Division establishes an environment that fosters fiscally sound decisions and accurate and timely disclosure of the operational and financial activities of the agencies.

Current Credit Ratings

	NCMPA1	NCEMPA
Standard & Poors	A	A-
FitchRatings	A	A-
Moody's	A	Baa1

Finance Division Leadership Team



Carol McCrary Manager, Financial Planning



Tom Collins Controller



Kevin Crowley Manager, Accounting & Financial Reporting



Susan Ingram Manager, Treasury

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Our overall goal is relatively simple – provide long-term rate predictability to the Participant cities so they can make informed decisions for their communities. To deliver, we have to ensure that we understand the risks and opportunities in our long-term forecasts and maintain a disciplined approach to our financial planning process.

Carol McCrary

Manager, Financial Planning

McCrary's Charge Toward Predictability

- Long-term analysis and reporting to support the strategic planning process
- Timely reporting of key changes to the long-term outlook to facilitate rate planning by the Participants
- * Effective and timely risk assessment process to improve rate predictability

The Financial Planning Department is responsible for maintaining shortand long-term financial forecasts and cash flow projections for the Power Agencies and ElectriCities. A key component of the long-term planning process is the reporting of working capital outlooks on a monthly basis. The department is also responsible for the annual budget processes for all three Agencies.

Financial Planning Department Team



Renee Chase Senior Financial Analyst



Olga Tiselsky Senior Financial Analyst



Paul Hay Budget Administrator

Accurate and timely reporting is essential to ensure that all of our key stakeholders have the

Accurate and timely reporting is essential to ensure that all of our key stakeholders have the information they need to make informed decisions. Our ability to access capital markets and ensure compliance with regulatory and contractual commitments depends on the reliability of our financial reporting processes.

Kevin Crowley

Manager, Accounting and Financial Reporting

Tom Collins Controller

Crowley and Collins' Dedication to Accuracy

- * Timely and accurate reporting
- Effective reporting that addresses the needs of all key stakeholders
- Maintain a system of internal control to ensure the accuracy of the financial reporting process and safeguard the assets of the organization

The Accounting and Financial Reporting Department is responsible for timely, accurate reporting of financial information, to support management decision making, while fostering fiscal responsibility, accountability, and compliance with state laws, regulations and reporting requirements.

Accounting and Financial Reporting Department Team



Adrienne Aldridge Corporate Accountant



Tony Douglas NCEMPA Accountant



Tony Huang NCMPA1 Accountant



Linette Landron ElectriCities Accountant



Melanie Davis Accounts Payable Technician

Joe Tipper General Accounting Technician (not pictured)



Market volatility that used to be considered an anomaly has

be considered an anomaly has become almost routine. In such an environment, maintaining a long-term focus is critical to preserving capital and generating acceptable returns while maintaining compliance with all applicable contractual and regulatory guidelines.

Susan Ingram

Manager, Treasury

Ingram's Eye on the Markets

- Maintain cost-effective access to capital markets by achieving targeted credit ratings
- * Effectively manage interest rate and credit risk in investment portfolios
- Maintain effective working relationships with key stakeholders including bondholders, credit rating agencies and the Local Government Commission of the State Treasurer's office

The Treasury Department is responsible for the daily management of all monies, investment securities and indebtedness of ElectriCities and the Power Agencies. The department administers all aspects of the banking and treasury operations.

Treasury Department Team



Kim Hedbawny Treasury Speci<u>alist</u>



NCMPA1 Leadership

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

Board of Commissioners and Alternate Commissioners as of December 31, 2010

Alternate Commissioners' names appear in smaller type

Albemarle Mr. Raymond I. Allen Mr. Jack F. Neel

Bostic

Commissioner Vacant First Alternate Vacant

Cherryville

Ms. Gert K. Fisher Mr. W. Davis Browne III

Cornelius Mr. David Gilroy

Mr. Thurman Ross Jr.

Drexel

Mr. Matt Settlemyer First Alternate Vacant

Gastonia

Mr. R. Dale Burkett Ms. Brenda B. Craig Granite Falls Mayor Barry C. Hayes Mr. Jerry T. Church Mr. Frank Mackie

High Point Mayor Rebecca R. Smothers Mr. Strib Boynton Mr. J. William McGuinn Jr.

Huntersville Mr. Gregory H. Ferguson Ms. Sarah McAulay

Landis Mr. W. Steve Rowland Mr. D. Reed Linn

Lexington Mayor John T. Walser Jr. Mr. Richard L. Thomas Mr. L. Wayne Alley Lincolnton Mr. Stephen H. Peeler Mayor John O. Gilleland Jr. Mr. Jeff B. Emory

Maiden Mr. Billy R. Price Mr. Marcus C. Midgett

Monroe Mr. Donald D. Mitchell Mr. H. Wayne Herron Mr. Robert J. Smith

Morganton

Newton

Mr. Dan Brown Ms. Sally W. Sandy Mr. Steve B. Settlemyer

Mr. Todd Clark Mr. Wayne Dellinger Mr. Douglas S. Wesson Pineville Mayor George Fowler Mr. Michael Rose

Shelby

Mr. Andrew L. Hopper Sr. Mr. J. Richard Howell Jr. Mr. Brad R. Cornwell

Statesville

Mayor Constantine H. Kutteh Mr. Larry M. Cranford Mr. Robert W. Hites Jr.



NCMPA1 Electric System Participants

City	Revenues	Customers	Ownership %
Albemarle	\$ 28,667	11,966	7.604
Bostic	356	198	0.087
Cherryville	4,777	2,508	1.578
Cornelius	3,998	2,636	0.362
Drexel	1,882	1,212	0.507
Gastonia	64,915	26,063	17.121
Granite Falls	5,185	2,384	0.912
High Point	100,515	39,208	18.960
Huntersville	9,427	4,118	0.623
Landis	4,959	2,816	1.130
Lexington	42,552	18,092	12.934
Lincolnton	6,167	2,653	1.608
Maiden	4,443	1,068	1.289
Monroe	40,925	10,369	10.038
Morganton	23,925	8,230	6.735
Newton	11,872	4,486	2.115
Pineville	9,920	2,791	0.536
Shelby	17,397	7,443	5.996
Statesville	36,661	12,914	9.864

Source: EIA data; reported through fiscal year June 30, 2009 (most recent data available)

NCMPA1 Operational Highlights

Unit	Capacity Factor %	Availability Factor %
Catawba 1	100.0	98.5
Catawba 2	91.8	90.8
McGuire 1	91.7	88.8
McGuire 2	103.9	100.0

These numbers are reported by Duke Energy to the Nuclear Regulatory Commission in each Unit's December 2010 Operating Data Report.

Catawba Unit 1's last refueling outage began on Nov. 6, 2009, and ended on Dec. 15, 2009. The next refueling outage for Unit 1 is scheduled to begin April 23, 2011.

Catawba Unit 2 began a refueling outage on Sept. 18, 2010, that ended on Oct. 22, 2010. The next refueling outage is scheduled to begin in spring 2012.

McGuire Unit 1 began a refueling outage on March 13, 2010, that ended on April 19, 2010. The next refueling outage is scheduled to begin Sept. 17, 2011.

McGuire Unit 2's last refueling outage began on Sept. 5, 2009, and ended on Oct. 10, 2009. The next refueling outage began Feb. 26, 2011.

Plant Licenses

Duke Energy requested License Extensions from the Nuclear Regulatory Commission (NRC) for both the McGuire and Catawba Stations in June 2001. The NRC issued new operating licenses for the McGuire and Catawba Units on Dec. 5, 2003. The operating licenses will expire as follows:

- * McGuire Unit 1 June 2041
- * McGuire Unit 2 March 2043

- * Catawba Unit 1 December 2043
- Catawba Unit 2 December 2043

Supplemental and Transmission Agreements

NCMPA1 continues to purchase power through bilateral agreements with other utilities and merchant generators for its energy and capacity requirements above its Catawba Project Entitlements. In 2010, these additional needs came from the following suppliers:

- NCMPA1 purchased 50 MW of capacity from Duke Energy from their Rockingham County, N.C., Units 1 through 4.
- NCMPA1 purchased 50 MW of capacity from Southern Power Company from their Rowan County Units.
- NCMPA1 purchased 50 MW of capacity for the summer months (June – September) from Georgia Power Company.
- NCMPA1 has a 50 MW Instantaneous Capacity and Energy Services Agreement with Duke Energy for the years 2008-2010.
- NCMPA1 has the right to schedule and receive 60 MW of power from the Southeastern Power Administration.



 NCMPA1 has a three-year Backstand Capacity and Energy Agreement for up to 432 MW with Duke Energy for the years 2008-2010.

NCMPA1 has contracts to ensure reliable future power supply requirements with the following suppliers:

- NCMPA1 purchased 50 MW of capacity for the summer months (June – September) from Georgia Power Company for the year 2011.
- NCMPA1 purchased a Backstand Capacity and Energy Agreement for up to 432 MW with Duke Energy for the year 2011.
- NCMPA1 purchased 100 MW of capacity for the years 2011-2015, and 150 MW for the years 2016-2030 from Southern Power Company, from their Rowan County Units.
- NCMPA1 purchased 178 MW of capacity from Southern Power Company sourced from a peaking plant to be built in Cleveland County, N.C., for the years 2012-2031.

NCMPA1 has a contract with The Energy Authority (TEA) to manage intraday energy transactions. The current three-year agreement with TEA ended on Dec. 31, 2010, and NCMPA1 recently executed a new agreement with TEA to provide the same services through 2013. NCMPA1 performs all its day-ahead, short-, mid- and long-term marketing through internal resources.

NCMPA1 purchases transmission for its native load requirements from Duke Energy Transmission in accordance with Duke's Open Access Transmission Tariff. In addition, NCMPA1 purchases transmission from Duke and other regional transmission providers for the delivery of surplus energy to the wholesale market. All the required agreements have been filed and approved by the Federal Energy Regulatory Commission (FERC).

Power Supply Management (Surplus Sales)

NCMPA1 performs its own power supply resource scheduling and power marketing in order to provide the cities with reliable power at the lowest cost. All day-ahead, short-, mid- and long-term transactions and resource optimization are managed internally, while intraday activities are managed through an agency agreement with TEA. NCMPA1 optimizes its supply portfolio by:

- Economically scheduling and dispatching power-supply resources to meet the needs of the Participants, including the nuclear plants, supplemental resources, distributed generation and transmission agreements.
- Balancing resources and obligations every four seconds with its load following power supply contract.
- * Selling surplus energy in the wholesale power markets at the highest price.
- Buying energy in the wholesale power markets when cheaper than its supplemental resources.
- Managing the associated risks including market price volatility, unit and transmission outages and counterparty credit.

In addition to scheduling and dispatching resources to meet the energy requirements of the Participants, NCMPA1 executed over 5,000 transactions related to surplus sales activities in 2010. These transactions resulted in revenues in excess of \$66 million and in benefits exceeding \$47 million.

NCMPA1 has a Risk Management Committee consisting of senior staff that provides oversight and direction to the power supply program. The ElectriCities Board of Directors adopted the NCMPA1 Risk Management Policy and the Risk Management Committee developed internal Risk Management Guidelines to control all transactions related to power supply activities.

Climate Change Issues

Electric utilities are increasingly subject to more stringent statutory and regulatory environmental compliance requirements, including air and water quality and renewable resource mandates. Congress has, over the past two years, held a robust debate over the best way to promote the reduction of manmade greenhouse gas emissions as a means to mitigate global climate change but has failed to find an approach sufficiently acceptable to a majority of the members of the U.S. House and U.S. Senate.

In the wake of this failure to act, the Environmental Protection Agency (EPA), after a supportive Federal Supreme Court ruling in 2007, confirmed in December 2009 that the regulation of greenhouse gases falls under its jurisdiction, which opens the door to new regulatory mandates on greenhouse gas emissions. The EPA has issued several rules, including a Tailoring Rule, to establish who will be regulated when, and guidance documents, including setting control guidelines for greenhouse gasses, to address these emissions. More recently, EPA has proposed a timeline for issuing new regulations for all existing stationary fossil fuel plants emissions of greenhouse gasses that will result in final regulations next spring. While the full and final extent of all potential climate change legislation or regulations cannot be determined at this time, they are likely to have little negative effect on the business operations and financial condition of the Power Agency or the Participants. Over 90 percent of the Power Agency's supply portfolio consists of carbon-free nuclear power, which is an enviable position compared to most other electric utilities.

EPA Hazardous Air Pollutants Regulation

The EPA recently passed rules establishing national emissions standards for hazardous air pollutants for existing compression ignition reciprocating internal combustion engines (RICE). These rules may affect up to 34 MW of NCMPA1 owned distributed generation, as well as Participant owned distributed generation. The financial impacts on NCMPA1 are expected to be up to approximately \$1 million over the next two years as these units are retrofitted to meet the new standards.

Renewable Energy Portfolio

Under North Carolina's Renewable Energy Portfolio Standard (REPS), NCMPA1 member cities must obtain up to 10 percent of their energy through renewable energy or energy efficiency resources by 2018. NCMPA1 is committed to meeting the REPS requirements in a least-cost manner, while maximizing the benefits to its Participants. Compliance with REPS can be accomplished through any combination of the following:



- Generate bundled renewable energy using renewable facilities
- Buy bundled renewable energy from renewable facilities
- * Buy Renewable Energy Certificates (RECs)
- * Reduce energy consumption via demandside management or energy efficiency
- Buy all or part of energy requirements through a wholesale contract with a supplier that complies with REPS
- Meet the cost cap by incurring incremental costs for some or all of the above

In 2010, a solar only REPS requirement began for NCMPA1. In 2012, the general REPS requirement begins, and is escalated as follows:

- * 2012 3 percent of prior year retail sales
- * 2015 6 percent of prior year retail sales
- 2018 and beyond —10 percent of prior year retail sales

NCMPA1 has entered into several agreements in order to meet its requirements under the REPS, including the purchase of:

- * The output of a 1-MW solar photovoltaic generation plant in Shelby, N.C.
- * Out-of-state solar photovoltaic RECs
- In-state wood waste and poultry waste biomass RECs
- In-state and out-of-state swine waste biomass RECs
- * Out-of-state wind RECs

In addition to the activities listed above, NCMPA1 has been actively developing energy-efficiency programs as another key component of the renewable portfolio. During 2010, NCMPA1 continued energy-efficiency programs first introduced during 2009. These energy-efficiency programs include:

- * High Efficiency Heat Pump Rebate Program
- * Energy Star[®] Home Rebate Program
- Commercial/Industrial RFP (request for proposals) for Energy-Efficiency Projects
- * Commercial Solar Thermal Rebate Program
- * Municipal Energy-Efficiency Projects
- Light Emitting Diode (LED) and Electrically Commutated Motor (ECM) Demonstration Project for Grocery Refrigeration Cases

NCMPA1 has been active at the North Carolina Utilities Commission (NCUC), helping to shape the REPS program through filings and participation in working groups.

Distributed Generation

NCMPA1 owns 34 diesel generators located on city electric systems. These units, totaling 65 MW are operated remotely on short notice during periods of high demand and high market prices. Also under remote control operation are city-owned and customer-owned generators totaling 84 MW. This combination of 149 MW of remotely operated, fast-start units provides great operational flexibility for NCMPA1's power supply program.

NCMPA1 has been successful in placing under contract an additional 25 MW of generation owned by cities and retail customers for local operation under NCMPA1's power supply program. These operations are coordinated through NCMPA1's operations center, maintaining availability during times of peak demand and high market prices.

NCMPA1 will continue to evaluate additional distributed generation opportunities to improve power supply flexibility and reliability.

Monroe Generating Station

During 2010, NCMPA1 brought on-line two gas turbine generators in Monroe that will provide 24 MW of peaking and reserve capacity. These two generators can operate on either natural gas or fuel oil. Natural gas is obtained from the City of Monroe's gas system and the station is connected to the City's electric system.

Testing and commissioning was completed in the spring of 2010 and the units were available for the 2010 summer peak season. Like our diesel distributed generation, these gas turbine generators can be started on short notice during periods of high demand and high market prices.

Load Management

NCMPA1's load management operations provide signals to customers that allow them to reduce load during peak billing times. The operation of various demand-side management programs results in a total peak reduction of approximately 62 MW each month. The load management strategy this year continued to focus on forecasting accuracy in an effort to reduce the number of load management operation hours. However, due to some abnormally warm weather in the summer and cold weather in the latter part of the year, NCMPA1 operated load management more frequently than in 2009.

Retail Billing Services

NCMPA1 continues to provide retail billing services to the cities through its Customer Database and Billing System. This system allows cities to offer innovative retail rates that could not be accommodated by their internal billing systems. City staff members and customers utilize customer usage data, stored in the database and accessible through a secure extranet site, in making cost-saving operational recommendations and decisions.

Wholesale Rates

NCMPA1 had a 5 percent basic wholesale rate increase in 2010. NCMPA1's rate increases over the last eight years have been in line with other regional electric suppliers.

Security

Following the 2001 terrorist attacks on the World Trade Center and Pentagon, the nation's nuclear plants came under scrutiny as potential targets. As a result, nuclear power plants upgraded security measures. Under the contractual agreement with Duke, all issues of security are handled by Duke. Duke coordinates closely with federal, state and local authorities and continues to take appropriate steps to ensure safety and security at the Catawba Nuclear Station in which NCMPA1 has ownership.

Economic Development

NCMPA1 Participants continue to see success with industrial recruitment and expansions of existing industries. The Economic Development staff continues to market the region domestically and internationally to attract new business investment and new job creation for our members. They also continue to work closely with the NC Department of Commerce, the Regional



Partnerships and county developers to further the strategic load growth efforts. NCMPA1 members added 766 new jobs in 2010 with investments totaling more than \$197 million. New load added to the Power Agency was just over 9 MW.

Working in conjunction with Operations staff, economic development was enhanced through providing proposals for prospects and clients for such programs as back-up generation, energy management systems, power quality services and competitive rates. In 2010, 15 proposals were completed for member cities.

Successful negotiations resulted in several new industrial and expansion projects for the members, including the following:

- Kewaunee Scientific Statesville expansion; 100 jobs; \$13 million investment
- Bassett Furniture Industries (Newton) reopened upholstery plant to produce entrylevel upholstery line that will debut at High Point Furniture Market
- United Furniture Industries NC, LLC (Lexington) 150 jobs; \$3.3 million investment
- Greiner Bio-One North America Inc. Monroe expansion; 51 jobs;
 \$25 million investment
- * ABB (Huntersville) 100 jobs;
 \$90 million investment

The importance of strategic target marketing to enhance systematic growth of each city's electric system continues to be emphasized. The goal of the marketing plans is to provide strategies, industry targets and specific action steps necessary for each community to successfully pursue the recruitment of new business and industry. Completion of comprehensive plans help prioritize the opportunities for new load additions and focus efforts on assisting the members in expanding their business recruitment and expansion efforts.

Emphasis and assistance was placed on identifying future industrial sites, small business development, existing business retention and expansion programs, small business incubator feasibility studies and assistance with vacant retail space.

The Prime Power Parks™ in Albemarle and Gastonia continue to be a source that attracts interested prospects for NCMPA1. The 4 MW of on-site back-up generation is of great interest to those target segments that have a critical need for uninterrupted power.

Economic Development staff continues to recruit companies to communities where vital industry clusters exist. Cluster targets include biotechnology, food processing, aviation, military, automotive, marine/boating, plastics and fabricated metals. Participation in several trade shows included the International Boat Expo, Fabricated Metals, Aftermarket Automotive Expo, Plastics Expo and the International Biotechnology Expo. These efforts have resulted in 250 inquiries with numerous site visits.

Marketing and Customer Retention Program

NCMPA1 Participants continue to focus on retaining large industrial accounts, commercial accounts and other key accounts, recognizing the important roles these key accounts play in their cities and towns. The customer retention program includes innovative rate structures, customer education and energy solutions provided through ElectriCities' Energy Solutions Partner (ESP) program. For example, new on-peak rates and customer generation rate riders allow customers to reduce demand for energy during periods of high power costs. Commercial and industrial customers have access to seminars on subjects ranging from energy management and sub-metering to power restoration. The ESP program connects workshop attendees and energy audit recipients with their local energy provider and an alliance partner. Alliance partnerships in the ESP program allow cities to partner with the best and the brightest in the energy field to help meet the customers' needs.

Cities also enhanced economic development proposals by working through the ESP program to offer programs such as back-up generation, energy-efficient lighting, power quality surveys, HVAC solutions and overall energy management systems. NCMPA1 staff and city representatives continue to work closely with industrial customers to maximize the value of energy dollars and reduce power costs. ESP solutions include load-side generation, turnkey lighting services, power quality services, energy management systems and affordable training workshops. ElectriCities staff continues to work with national account customers to be their one point of contact for doing business in North Carolina. Over 40 contacts were made to the national accounts customers in 2010. ElectriCities' plug-in hybrid electric vehicle (PHEV) continued to be showcased in NC Public Power communities and at energy fairs

and festivals during 2010, demonstrating the environmental and financial benefits of this new technology.

ElectriCities received a DEED grant of \$26,000 from APPA to deploy light emitting diode (LED) lamps and electronically commutated motors (ECM) in grocery store refrigeration cases. The pilot project installation was completed at a grocery store in Lexington, N.C. Both of these technologies save energy by having lower wattage requirements than the technologies they replace and they also create less heat, which lowers energy needed for cooling the refrigeration cases. A case study of the pilot project was completed during 2010, highlighting the savings and payback for this energy efficient technology.

ElectriCities continues to offer programs and services to help cities address the needs of residential customers. Active residential programs for 2010 included Energy Depot for Homes, a set of interactive marketing and customer service applications, Residential Energy Survey Service and distribution of Energy-Efficiency Kits.

Energy Depot applications include the following: Personal Energy Profile, an online, do-it-yourself home energy audit; Energy Calculator, allowing customers to quickly calculate the electric energy use and costs for the full range of home energy systems and appliances; and Energy Library, which offers a wide selection of fact sheets that address home energy systems, appliances and products. Customers of NC Public Power communities made 17,650 visits to the Energy Depot website in 2010.



The Residential Energy Survey Service provides training and support to NCMPA1 members who want to assist their residential customers through energy surveys. Energy education and assistance workshops were also offered to the Participants' retail customers during 2010.

The Energy Kit is designed to help low-income residential customers understand energy usage and its effect on energy bills. The kits contain: four compact fluorescent lamps; a low-flow 2.5 gallons/minute showerhead; spray foam sealant; stick on and refrigerator magnet thermostats; and an HVAC filter whistle. In 2010, 1,955 Energy Kits were distributed by NCMPA1 members.

Huntersville/Cornelius

The Towns of Huntersville and Cornelius contract with ElectriCities to manage the operation of their electric systems. The merger of the electric operations in 1997 continues to minimize operating costs and provide exceptional customer service and value for customers of the towns. The electric department received the highest safety award given by the NC Association of Municipal Electric Systems for working in excess of 230,000 hours without a lost-time injury.

The department has transitioned all residential meters to automated meter reading, providing a more economical way to read meters and more timely response to customer billing questions. An updated website enables customers to pay their bills online, view billing and usage information, and perform home energy audits. Residential and commercial rebate programs have been implemented to encourage energy conservation and efficient energy use. The Huntersville/Cornelius electric operations merger continues to provide economies of scale to minimize operating costs, enabling both towns to maintain competitive electric rates in the region.

Customer Information Systems (CIS) Regions Project

The CIS Regions Project provides NCMPA1 Participants with an opportunity to upgrade their CIS system with a centrally hosted solution managed by ElectriCities. Participants receive comprehensive CIS functionality with the Harris NorthStar software solution, while also receiving a financial benefit through shared costs for implementation and an initial start up period. The CIS staff provides project management and conversion assistance, followed by ongoing helpdesk support, database management, disaster recovery and other technical infrastructure management.

The City of Morganton implemented NorthStar in June 2010. Their implementation included custom modifications to offer a centralized cashiering solution and online bill payment for utilities, taxes and other city services.

With the addition of Morganton, five Participants including Albemarle, Cherryville, Cornelius and Huntersville are currently using the hosted NorthStar CIS systems. Approximately \$105 million in revenues is billed in the NorthStar system, plus management of meters, service orders, credit, collections, reporting and interfaces to accounting and other city systems.

investme	nt P	ortiolio Stati	stics
Earnings		Income	Rate of Return
2010	\$	21,456,000	3.30%
2009		31,381,000	4.40%
Fair value	as	of 12/31/10	
1		Value	Maturity(yrs.)
2010	\$	813,039,000	3.3
2009	. 3	834,958,000	3.5
Debt outs	stan	ding as of 12,	/31/10
Fixed rate	bon	ds Balance	Interest Cost
2010	\$	1,606,455,000	5.1%
1,719,785,000		5.2%	
Bond reco	onci	liation	
Bonds out	stan	ding 12/31/09	\$1,719,785,000
Issued 201	0 A8	2B	143,650,000
Matured 1/	2/10		116,690,000
Refunded 14		140,290,000	

+ Doutfolio Ctatistic

Bonds Outstanding

Total	\$1,606,455,000
Series 2010 B	68,885,000
Series 2010 A	74,765,000
Series 2009 D	68,650,000
Series 2009 C	8,000,000
Series 2009 B	9,200,000
Series 2009 A	198,995,000
Series 2008 C	48,740,000
Series 2008 B	7,380,000
Series 2008 A	341,575,000
Series 2003 A	611,965,000
Series 1998 A	29,550,000
Series 1992	\$ 138,750,000
Series	Par Amount

Bonds outstanding 12/31/10 \$1,606,455,000



NCMPA1 Participant Energy Usage

Graphs: Billing point including SEPA; forecast year 2011 is from the 2011 Winter Load Forecast





NCEMPA Leadership

Samuel W. Noble Jr. Chair Tarboro Vivian A. Jones Vice Chair Wake Forest Anne-Marie Knighton Secretary-Treasurer Edenton

Board of Commissioners and Alternate Commissioners as of December 31, 2010

Alternate Commissioners' names appear in smaller type

Apex Mr. Bruce A. Radford Mr. J. Michael Wilson Mr. R. Lee Smiley

Ayden Mr. Adam G. Mitchell Mayor Stephen W. Tripp

Belhaven Mayor Adam W. O'Neal Dr. Guinn Leverett

Benson Mr. Matthew R. Zapp Mr. Braston A. Newton

Clayton

Mr. Robert J. Ahlert Mayor Jody L. McLeod

Edenton Ms. Anne-Marie Knighton First Alternate Vacant

Elizabeth City Mr. Richard Olson Mayor Roger A. McLean

Farmville Mr. Richard N. Hicks First Alternate Vacant

Fremont

Mr. Leon V. Mooring Mr. Kerry McDuffie Mr. Harold Cuddington **Greenville** Mr. J. Freeman Paylor Mr. J. Bryant Kittrell Jr. Mr. Ronald D. Elks

Hamilton Mr. Herbert L. Everett Mayor Donald G. Matthews III

Hertford Mr. John Christensen Mayor J. Sidney Eley

Hobgood Ms. Stella Daugherty Mayor Timothy D. Purvis

Hookerton Mayor Robert E. Taylor Mr. Ryan Stocks Mr. Danny Taylor

Kinston Mr. William Barker Mr. Scott A. Stevens Ms. Rhonda F. Barwick

La Grange Mr. John P. Craft Mr. Larry Gladney Mr. Bobby Wooten

Laurinburg Mr. Edward F. Burchins Mr. Curtis B. Leak Louisburg Mr. Ray Patterson Mr. Tony L. King Mr. Mark R. Warren

Lumberton Mr. Harry L. Ivey First Alternate Vacant

New Bern Mr. Jonathan Rynne Mr. Dennis K. Bucher Mayor Lee W. Bettis Jr.

Pikeville Mr. Lyman G. Galloway Mr. W. Ward Kellum Mr. Dennis K. Lewis

Red Springs Mayor John M. McNeill First Alternate Vacant

Robersonville Ms. Elizabeth W. Jenkins Mr. John David Jenkins Mr. John H. Pritchard Jr.

Rocky Mount Mr. Andre D. Knight Mr. Stephen W. Raper Mr. Richard H. "Rich" Worsinger

Scotland Neck Mayor James E. Mills Sr. Ms. Nancy Jackson Selma Mr. Richard Douglas Mr. Donald Baker Mayor Charles E. Hester

Smithfield Mr. Eric M. Williams Mr. C. Earl Botkin

Southport Mr. M. Alan Thornton Mr. Ralph Cardwell Mr. Richard E. "Ed" Boguskie

Tarboro Mr. Samuel W. Noble Jr.

First Alternate Vacant Mr. James L. Alford

Wake Forest Mayor Vivian A. Jones Mr. Mark S. Williams

Washington Mr. Doug Mercer Mr. Keith Hardt Mr. James C. Smith

Wilson Mr. Donald I. Evans First Alternate Vacant Mr. Fred R. Horne



NCEMPA Electric System Participants

City	Revenues	Customers	Ownership %
Apex	\$ 26,739	13,866	0.706
Ayden	11,942	4,625	1.134
Belhaven	2,631	1,174	0.409
Benson	4,653	1,792	0.577
Clayton	11,936	5,160	0.745
Edenton	12,151	4,193	1.596
Elizabeth City	36,959	11,809	4.251
Farmville	7,040	2,886	1.290
Fremont	1,652	817	0.306
Greenville	186,820	63,240	16.134
Hamilton	441	258	0.078
Hertford	2,981	1,227	0.412
Hobgood	660	301	0.091
Hookerton	767	434	0.155
Kinston	53,128	12,068	8.668
La Grange	3,839	1,503	0.501
Laurinburg	15,758	5,634	2.267
Louisburg	7,460	1,939	0.858
Lumberton	35,512	11,982	5.157
New Bern	61,254	21,158	6.368
Pikeville	1,063	519	0.205

City	Revenues	Customers	Ownership %
Red Springs	\$ 4,576	1,698	0.580
Robersonville	2,866	1,314	0.507
Rocky Mount	90,529	27,576	16.026
Scotland Neck	3,674	1,574	0.576
Selma	8,246	2,769	0.810
Smithfield	18,753	4,653	2.006
Southport	6,415	2,588	0.714
Tarboro	26,862	6,098	4.743
Wake Forest	16,601	6,004	0.726
Washington	36,335	13,347	5.892
Wilson	143,457	33,518	15.512

Source: EIA data; reported through fiscal year June 30, 2009 (most recent data available)

NCEMPA Operational Highlights

Load Management and Power Operations

NCEMPA staff and Participants again successfully controlled loads during each month's peak billing period in 2010. This success translated into estimated power cost savings of over \$35 million throughout the year. NCEMPA recommended load management an average of nine hours per month, during approximately 4.4 days each month. NCEMPA Participants and their customers shed a monthly average of over 232 MW, with over 250 MW shed during the maximum peak hours. Load Side Generation is an integral part of this load shedding process with over 177 MW of load side generation noticed as of Dec. 31, 2010.

NCEMPA and Participant staff continued to develop improved systems and communication alternatives for load management operations. NCEMPA owns and maintains equipment at three radio stations in North Carolina to control



load management equipment across eastern North Carolina. In addition, load management communications, utilizing pagers, cell phones and electronic mail, delivered over 181,000 messages for 2010.

New substation construction, expansions and delivery facility planning were in process or completed for Apex, New Bern, Rocky Mount, Wake Forest and Wilson.

Energy and Demand

Energy consumption for 2010 was 7,710,808 MWh (net of SEPA). The previous annual energy consumption record was set in 2007 at 7,423,001 MWh. The highest monthly energy consumption for 2010 occurred in August at 781,504 MWh. The record was set in August 2007 at 825,589 MWh. The highest Coincident Peak Demand for 2010 was 1,368 MW (net of SEPA) during the month of August. The Coincident Peak demand record was set in August 2007 at 1,417 MW. The average Coincident Peak load factor for 2010 was 80 percent, an increase from the 2009 average of 79 percent. The 2010 maximum Non-Coincident Peak Demand was 1,511 MW (net of SEPA) in the month of August. The monthly record for Non-Coincident Peak Demand was set in August 2007 at 1,604 MW.

Environmental Regulations

Electric utilities are being subjected to increasing federal, state and local statutory and regulatory requirements including air and water quality and renewable resource mandates.

Bills have been introduced in Congress which would amend the Clean Air Act in order to, among other things, limit the emissions of carbon dioxide and other greenhouse gases. Carbon Dioxide (CO₂), the most common greenhouse gas, was originally not considered a pollutant under the Clean Air Act. While the full and final extent of the proposed air quality legislation cannot be determined at this time, any such regulations might affect operations of the Joint Units in Commercial Operation, particularly Roxboro Unit 4 and Mayo Unit 1. Power Agency staff cannot predict what effects these factors may have on the business operations and financial condition of the Power Agency, or the Participants.

NCEMPA's fossil units at Roxboro and Mayo currently have NO_x and SO_2 controls, making the Power Agency one of the few utilities in the nation with 100 percent clean air compliant units.

In addition, the EPA issued the Clean Air Interstate Rule (CAIR), Clean Air Mercury Rule (CAMR) and Clean Air Visibility Rule (CAVR) which may require compliance measures. Air quality controls already installed, as well as those currently being implemented for compliance with the NC Clean Smokestacks legislation, will reduce some costs required to meet these additional requirements.

Progress Energy Carolinas, Inc. (PEC) is also addressing recent industry events related to the release of coal ash, with a plan to convert from wet to dry ash systems and eliminate the flow to the ash ponds at the Roxboro and Mayo Plants. Additionally, the FGD (flue gas desulfurization) wastewater treatment process will be modified to add a ZLD (zero liquid discharge) system to the settling ponds. The ZLD equipment will distill the wastewater into water for possible re-use in the plant. In May 2010, EPA announced proposed regulations for regulating coal combustion residuals under the Federal Resource Conservation and Recovery Act. The financial and operational impacts to the Power Agency cannot be determined at this time. With regard to spent nuclear fuel, Power Agency has responsibility for back-end costs or liabilities associated with its ownership interest in nuclear fuel burned at the Brunswick Plant after April 7, 1983, and at the Harris Plant. The Power Agency has provided an allowance for the estimated costs of the final disposal of such spent nuclear fuel.

The Power Agency staff works closely with PEC to comply with all local, state and federal environmental laws and regulations to address the ultimate implications of these regulatory requirements and ensure an equitable application of costs to the joint units.

Legislation enacted by the North Carolina Legislature in 2007 establishes a Renewable Energy Portfolio Standard (REPS) for electric power suppliers in the state of North Carolina to supply specified amounts of the electric power provided to their customers in the state from renewable resources. As defined in the REPS Legislation, renewable energy resources include solar electric, solar thermal, wind, hydropower, geothermal, ocean current or wave resources, biomass, including agricultural waste, energy crops or landfill methane. In addition, energy efficiency programs or renewable energy certificates can be used to achieve compliance.

The Power Agency and the Participants have filed compliance plans and have begun implementing those plans by developing qualifying REPS programs and purchasing renewable energy certificates to ensure current and future year compliance by the Participants with REPS Legislation. For 2010, the first year of mandatory compliance, the Power Agency and Participants acquired sufficient solar renewable energy certificates to satisfy the 2010 REPS requirement.

Economic Development

NCEMPA Participants continue to see success with industrial recruitment and expansions of existing industries. The Economic Development staff continues to market the region domestically and internationally to attract new business investment and new job creation for our members. They continues to work closely with the North Carolina Department of Commerce, the Regional Partnerships and county developers to further the strategic load growth efforts. NCEMPA members added 469 new jobs in 2010, with investments totaling more than \$123 million. New load added to the Power Agency was approximately 15.82 MW.

Working in conjunction with Power Agency Operations, economic development was enhanced through providing proposals for prospects and clients for such programs as back-up generation, energy management systems, power quality services and competitive rates. In 2010, 15 proposals were completed for member cities.

Successful negotiations resulted in several new industrial and expansion projects for the members, including the following:

 Master Brand Cabinets – Kinston expansion, 334 new jobs; \$3.5 million investment



- Metal Craft Rocky Mount expansion, 40 new jobs; \$770,000 investment
- Jade Apparel Tarboro (new industry) 250 jobs; \$2 million investment
- AMARK Elizabeth City (new industry) 43 jobs; \$1.9 million investment
- Hatteras Yachts New Bern expansion , 350 new jobs; \$4.7 million investment
- FedEx Ground Hertford, 35 jobs;
 \$3.9 million investment

The importance of strategic target marketing to enhance systematic growth of each city's electric system continues to be emphasized. The goal of marketing is to provide strategies, industry targets and specific action steps necessary for each community to successfully pursue the recruitment of new business and industry. Completion of comprehensive plans helps to prioritize opportunities for new load additions and focus efforts on assisting the members with expanding their business recruitment and expansion efforts.

Assistance and emphasis was placed on identifying future industrial sites, small business development, existing business retention and expansion programs, small business incubator feasibility studies and assistance with vacant retail box space.

Economic Development staff continues to recruit companies to communities where vital industry clusters exist. Cluster targets include: biotechnology, food processing, aviation, military, automotive, marine/boating, plastics and fabricated metals. Participation in several trade shows included: the International Boat Expo, Fabricated Metals, Aftermarket Automotive Expo, Plastics Expo and the International Biotechnology Expo. These efforts resulted in over 250 inquiries with numerous site visits.

Marketing

NCEMPA staff and city representatives continue to work closely with commercial and industrial customers to maximize the value of their energy dollars and reduce power costs. Power Agency Participants recognize the important roles these key accounts play in their cities and towns. Marketing programs include: innovative rates, educational workshops and energy related services provided through the Energy Solutions Partner (ESP) program. Workshops are used to educate industrial and commercial customers about the benefits of energy efficiency and to train attendees in specific areas of energy conservation. Energy audits are available to help customers identify money saving projects at their facilities. The ESP program connects workshop attendees and energy audit recipients with their local energy provider and an alliance partner. Together they are capable of providing valuable turnkey energy savings projects. Alliance partnerships in the ESP program allow cities to partner with energy experts to help meet the customers' needs. Cities also enhanced their economic development proposals by working through the ESP program to offer programs such as back-up generation, energyefficient lighting, power quality surveys, HVAC solutions and overall energy management systems. ESP solutions include load side generation, turnkey lighting services, power quality services, energy management systems and affordable training workshops.

ElectriCities staff continues to work with national account customers to be their one point of contact for doing business in North Carolina. More than 40 contacts were made with the national accounts customers in 2010.

ElectriCities' plug-in hybrid electric vehicle (PHEV) continued to be showcased in NC Public Power communities and at energy fairs and festivals during 2010, demonstrating the environmental and financial benefits of this new technology.

ElectriCities received a DEED grant of \$26,000 from APPA to deploy light emitting diode (LED) lamps and electronically commutated motors (ECM) in grocery store refrigeration cases. The pilot project installation was completed at a grocery store in Lexington, N.C. Both technologies save energy by having lower wattage requirements than the technologies they replace and they also create less heat, which lowers energy needed for cooling the refrigeration cases. A case study of the pilot project was completed, highlighting the savings and payback for this energy efficient technology.

ElectriCities continues to offer programs and services to help cities address the needs of their residential customers. Active residential programs for 2010 included: Energy Depot for Homes, a set of interactive marketing and customer service applications; Residential Energy Survey Service, initially funded by a grant from the North Carolina State Energy Office but now funded by the Power Agency; and distribution of Energy Efficiency Kits.

Energy Depot applications include the following: Personal Energy Profile, an on-line, do-it-yourself home energy audit; Energy Calculator, allowing customers to quickly calculate the electric energy use and costs for a full range of home energy systems and appliances; and Energy Library, which offers a wide selection of fact sheets addressing home energy systems, appliances and products. Customers of NC Public Power communities made over 17.650 visits to the Energy Depot website in 2010. The Residential Energy Survey Service provides free in-home energy surveys for NCEMPA residential customers. Over 935 surveys were conducted in 2010 for residential customers in more than 23 cities and towns. Seven energy education and assistance workshops were provided to the Participants' retail customers during 2010.

The Energy-Efficiency Kit is designed to help low-income residential customers understand their energy usage and the effect it has on their energy bills. The kits contain: four compact fluorescent lamps; a lowflow 2.5 gallons/minute showerhead; spray foam sealant; a refrigerator thermostat; and HVAC filter whistle. More than 3,200 Energy Kits were distributed by NCEMPA members in 2010.

Field Services and Programs

During 2010, NCEMPA staff provided 98 commercial and industrial audits to assist Participants' retail customers in reducing power costs while increasing energy efficiency. NCEMPA staff assisted commercial and industrial customers in the areas of power quality, lighting, HVAC, compressed air, infrared scans, demand-side management, and building maintenance. Energy savings recommendations totaled 1,045,492 kWh in 2010.



Rates and Retail Billing Services

Rate support throughout the year included 134 retail, 20 wholesale and 94 innovative projects, along with technical education for improved customer service. Load growth opportunities support included public power proposals for 12 Participants.

The NCEMPA Retail Billing Program serves 24 Participants in gathering interval meter data for 309 commercial and industrial customers. NCEMPA staff remotely reads each meter, processes meter data and provides power billing information to the Participants. Custom reports and graphs are provided electronically within days of month-end. Retail customers are provided an array of detailed data, helping to develop and maximize their energy savings and load management programs. A project completed in 2010 provides Retail Billing Program customer usage data access to Participant staff through a secure extranet site. This site provides for direct access data analysis as well as manipulation cost savings recommendations.

NCEMPA Power Supply Overview

NCEMPA provides All-Requirements Power Supply for its Participants through Initial Project and Supplemental Resources and secures transmission service for the Participants on the PEC and Dominion transmission systems.

The initial project includes undivided ownership interests acquired from PEC of: 18.33 percent in each of the nuclear-fueled Brunswick Units 1 and 2; 12.94 percent in the coal-fired Roxboro Unit 4; 16.17 percent in the coal-fired Mayo Unit No. 1; and 16.17 percent in the nuclear-fueled Harris Unit 1. Total ownership in both coal and nuclear resources accounted for 694 MW of capacity at the end of 2010. This ownership met approximately 70 percent of the energy requirements and 50 percent of the capacity requirements for NCEMPA in 2010.

NCEMPA purchases supplemental capacity and energy from PEC, with the current agreements extending through 2017. These Supplemental Load Agreements provide for load following and unlimited capacity at native load priority for the remaining 30 percent of the energy needs and 50 percent of the capacity needs. The Supplemental Load Agreements include: coincident peak pricing, levelized Operations & Maintenance and supplemental energy rate payments, fixed reserve capacity margins, stabilized deficiency energy rates, fixed administrative, general and accounting costs, and backstand arrangements. Coincident Peak pricing allows NCEMPA Participants and their customers to benefit from over 350MW of demand-side control.

The Power Agency maintains transmission service for the Initial Project output and supplemental capacity and energy under transmission and delivery contracts with PEC and Dominion. The Participants are assured of facilities and delivery under these network service agreements.

The combination of plant ownership, supplemental load agreements and transmission service provides NCEMPA with the highest available reliability and delivery, assurance of a long-term power supply, and a stable cost structure to support and enhance the Participants' rate, energy-efficiency and demandside management programs.

Nuclear Plant Status

Plant	Capacity Factor ⁽¹⁾	Availability Factor ⁽²⁾
Brunswick Unit 1	82.9	82.4
Brunswick Unit 2	99.3	98.6
Harris	89.8	88.4
Plant Status	Capacity Factor ⁽¹⁾	Equivalent Availability ⁽³⁾
Мауо	76.6	94.8
Roxboro Unit 4	72.2	93.2

Plant Status

Roxboro Unit 4 and Mayo Unit 1, our jointly owned coal-fired power plants, concluded 2010 with commendable performance statistics. Both facilities continue to benefit from the implementation of emissions technologies in 2007 and 2009.

Roxboro Unit 4 achieved a Capacity Factor of 72.2 percent and Net Generation of over 4.5 million MWh during 2010. As a result of Power Agency and PEC concluding an Operating and Fuel Agreement Amendment combining coal piles, total annual savings for Roxboro Unit 4 and Mayo plant is estimated to be in excess of \$1.5 million; using opportunity coal and new fuel blending capability.

Mayo Plant ended 2010 with a Net Generation of over 4.9 million MWh, with a Capacity Factor of 76.6 percent. Progress Energy is addressing recent industry events associated with the release of coal ash, with a plan to convert from wet to dry ash systems and eliminate the flow to the ash ponds at the Roxboro and Mayo facilities. In 2010, the Brunswick Units had combined generation of over 14.8 million MWh. Brunswick Unit 2 concluded the year with a Capacity Factor of 99.3 percent and Brunswick Unit 1's Capacity Factor was 82.9 percent.

The 2010 Brunswick Unit 1 scheduled refueling outage, completed in April, included several plant modifications, upgrades, and replacements. Significant projects at the Brunswick facility included the Dry Spent Fuel Storage Facility, the Variable Frequency Drive project (VFD), and the Stabilization Pond project.

The Harris Nuclear Plant began commercial operation in 1987 and is currently in the process of implementing a multi-phased Power Up-Rate Project; consisting of a thermal power up-rate and various efficiency improvements to be completed by 2015. During 2010 it attained a Capacity Factor of 89.8 percent; generating 7.1 million MWh. The Harris Plant successfully completed its scheduled refueling outage in November 2010 which included power up-rate projects, fire protection and security (1) The ratio of the average operating output of a power generating unit to the capacity rating during a specified period of time. Capacity factors include both planned and unplanned outages.

(2) The time a power generating unit is capable of producing energy, regardless of its capacity level. Availability factors include both planned and unplanned outages.

(3) The ratio of net maximum generation that could be provided after all types of outages and deratings are taken into account. It measures the percent of maximum generation available over time.



system modifications. On Feb. 10, 2010, the Nuclear Regulatory Commission (NRC) staff completed its mid-cycle performance review of the Brunswick Plant and the Harris Nuclear plant. The NRC reported that overall, both facilities operated in a manner that preserved public health and safety and fully met all cornerstone objectives.

Plant Licenses

- Brunswick Unit 1 2036
- Brunswick Unit 2 2034
- Harris Unit 1 2046

Security

The NRC has established a number of regulations regarding security and safeguard measures at nuclear facilities in the United States, including the Brunswick and Harris Nuclear Plants. These security orders have required the nuclear power plant licensees to implement additional measures addressing a wide range of security issues, such as: site access authorization, site security plans, nuclear facility security force personnel, and the transport and control of radioactive material.

On March 27, 2009, the NRC issued the "final rule" concerning Power Reactor Security Requirements. The "final rule" addresses safety and security interface requirements, MOX fuel requirements (Mixed-Oxide Fuel made from plutonium mixed with uranium), cyber security requirements, mitigative strategies and response procedures for potential or actual aircraft enhancements and physical security enhancements. The effective date of the final rule was May 26, 2009, while the compliance date for existing licensees is March 31, 2010. To date, the NRC reports they have monitored PEC's actions through a series of audits and will continue to evaluate the compliance of all nuclear power plants.

Under federal law, specific measures being taken to protect our power generation facilities cannot be discussed. NCEMPA staff continues to review the additional capital requirements, as well as operation and maintenance expenditures needed at the Joint Units, including those measures required by the NRC. Under contractual arrangements with NCEMPA, all security issues are handled by PEC. As the operator of a nuclear plant, PEC has the responsibility to ensure the plant is operated safely and Progress Energy's nuclear plants have safety records among the best in the nation.

Earnings		Income	Rate of Return
2010	\$	17,226,000	2.73%
2009	2	21,893,000	3.75%
Fairvalue	20.05	12/71/10	
Fair value	as or	12/31/10	
1 E T 24	-	Value	Maturity(yrs.)
2010	\$ 7	58,887,000	2.9
2009	7	48,592,000	3.0
Debt outs	tandiı	ng as of 12,	/31/10
Fixed rate	bonds	Balance	Interest Cost
2010	\$ 2,3	96,330,000	5.4%
2009 2,566,260,000 5.6%			
Bond reco	oncilia	tion	201
Bonds outs	tanding	g 12/31/09	\$2,566,260,000
Issued Seri	es 201	0 A	146,145,000
Matured 1/	2/10		124,915,000
Refunded 191,160,000			
Bonds outs	tandin	g 12/31/10	\$2,396,330,000
1600 1400 1200 1000	NCEM	PA Participant	CP Demand

400

200

0

2 3 4 5 6 7 8 9 10 11 12

months

1

Bonds Outstanding Series Par Amount Series 1986 A \$ 4,495,000 Series 1991 A 28,755,000 Series 1993 B 502,880,000 Series 1993 C 18,465,000 Series 1995 A 14,090,000 Series 2003 A 157,385,000 Series 2003 B 9,860,000 Series 2003 C 101,865,000

Series 2003 D 227,640,000 Series 2003 E 24,345,000 Series 2003 F 87,030,000 Series 2003 G 6,425,000 Series 2005 A 125,000,000 Series 2008 A 364,560,000 Series 2008 B 56,570,000 Series 2008 C 38,545,000 Series 2009 A 65,275,000 Series 2009 B 377.170.000 Series 2009 C 23,425,000 Series 2009 D 16,405,000 Series 2010 A 146,145,000 Total \$2,396,330,000



Graphs: Billing point including SEPA; forecast year 2011 is from the 2011 Winter Load Forecast



Investment Portfolio Statistics

ElectriCities' Services

ElectriCities provides comprehensive services, including customer service and safety training, emergency and technical assistance, communications, government affairs and legal services, to help its members operate their local electric systems. Through consolidation of these services, members save their customers the expense of administering these functions locally.

Safety and Training

The Safety and Training Department offers quality opportunities for municipal electric employees to obtain career development and proficiency training for utility technicians of all types. The department also provides safety review and recognizes public power communities that maintain exemplary safety records. After a thorough review and update to the Career Development Programs in 2009, ElectriCities Safety and Training Department now provides even more job-focused training for the changing demands of the electric utility industry.

Strategic Communications

ElectriCities offers communications consulting to public power communities, including customer communications, local advertising and education, and customized projects. The department maintains educational materials on a variety of topics for members' local use with municipal electric customers.

Member Services

ElectriCities Member Services offers programs that provide "best practice" assistance to members and facilitates opportunities for member training and networking. These programs include service contracts for distribution system work, cooperative purchasing of poles and coordination of all ElectriCities workshops. Customer Service and Construction Guidelines are produced for members.

Government Relations

The Government Relations Division is responsible for developing political strength for ElectriCities and the two Power Agencies. The Division organizes member cities by creating grassroots opportunities to engage them in the political process and advocates for NC Public Power in federal and state legislative matters.

ElectriCities Leadership Team

T. Graham Edwards Chief Executive Officer

Steve Shelton Chief Operating Officer Mark Griffith Chief Legal & Ethics Officer

Tim Tunis Chief Financial Officer Estherine Davis SVP, Government Relations

Roy Jones SVP, Operations Ken Raber SVP, Member Services

Economic Development

The ElectriCities Economic Development team provides a wide range of services designed to facilitate new and expanding industry growth. Marketing support, power and rate consultants, economic data, location information and skilled staff are resources available to retain and attract industry to NC Public Power communities.

Marketing

The Marketing Department provides and implements programs that address members' needs for competitive residential, commercial and industrial services. The department capitalizes on local delivery and response of members' utilities to foster increased customer awareness and energy education.



39



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