2011 was a year of gaining headway towards our strategic goals. Before setting our course, we established the ElectriCities strategic plan through careful, thoughtful planning of our purpose and long-term objectives. This year, we moved steadily on our way, navigating through major industry announcements, legislative obstacles and severe weather events. This annual report details our commitment to headway in our strategic direction and chronicles key events throughout the year. Our members are also charting their course toward their strategic goals, and their stories are told as shining examples of value, agility and preparation.

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.
Any viable organization, when setting and achieving goals, must be pointed in the right direction and possess the agility to stay on course amid changing economic currents and unforeseen events.

At ElectriCities, we have a long-term strategic plan, adopted in late 2010, to guide our way and deliver ongoing value to our members. Your Board of Directors and staff have the combined skills to ensure progress toward our goals despite any challenges that confront us.

In 2011, our strategic plan and its implementation were tested. We have emerged more capable, more resilient and more responsive as a result. The theme of this annual report, “Headway: Value. Agility. Preparation.,” reflects our commitment to our strategic plan, advancements achieved in 2011 and the actions taken to respond to significant marketplace and industry change.

The report also highlights three NC Public Power communities and progress they are making to support economic growth, improve power delivery and expand customer service in their communities.

Three key events commanded our attention during 2011: the merger announcement of Duke Energy and Progress Energy, our two valued business partners, prompted us to investigate the potential impacts on the Power Agencies. From the outset, we were determined to protect public power communities from any merger-related costs, ensure any merger-related savings are passed on, guarantee the Power Agencies’ competitive position does not deteriorate, and maintain access to competitive wholesale markets.

When unforeseen events challenge our communities, ElectriCities is quick to act to protect the needs and interests of the areas we serve. Faced with record state budget constraints, the North Carolina General Assembly entered the 2011 session with difficult decisions to make. ElectriCities continued to serve as a resource for legislators on all issues affecting public power. During the year, we created a legislative steering committee of our governing board to shape our legislative priorities, foster closer coordination between the board and our members and clearly express our positions.

The Legislative Steering Committee worked closely with ElectriCities staff during the legislative session while the legislative subcommittee examined electric rates in eastern North Carolina. Our staff also supported the committee during legislative discussions on operations of NCEMPA participant communities, future rate projections and the history of public power in the state.

When slow-moving Hurricane Irene blasted eastern North Carolina in August, causing widespread power outages and downed trees throughout the area, our response was swift. We activated our Emergency Assistance Program (EAP) in anticipation of the storm. Crews from 34 public power communities both inside and beyond the state were rapidly mobilized to restore power among the many affected public power communities.

Earlier in the year, the EAP was called into action after a severe tornado system ravaged Chattanooga, Tenn. More than 70 line workers from NC Public Power communities immediately responded, helping in the effort to reestablish power to more than 100,000 residents.

When unforeseen events challenge our communities, ElectriCities is quick to act to protect the needs and interests of the areas we serve. As we move ahead in 2012, we are confident in our direction and well positioned to achieve our objectives. As the year advances, we look forward to sharing with you the results of our efforts and the progress of our member communities.
The strategic plan not only focuses our efforts—it advances the way we manage our business. Our charge in 2011 was to create reporting methods and measurement parameters to ensure our tactical business plans are meshed and fully integrated with the strategic plan. Our strategic plan revolutionized our business practices.

By the end of 2011, we had determined our measurements and were beginning to provide regular updates using the new measurement method.

The Value of ElectriCities
A crucial piece of our path to stakeholder acceptance is being able to define our value. We undertook an extensive project in 2011 to explain our value, both in concept and in detailed dollar figures. Our value proposition website explains the value of ElectriCities to members, starting out with a general overview and providing more detail, one step at a time. The full value statement is available at www.electricities.com.

ElectriCities Introduces New Logo
ElectriCities announced our new logo and tagline in mid-2011. The new logo and tagline describes the organization to stakeholders as, “The energy behind public power.” The refreshed logo preserves ElectriCities history while showing the forward progress of the organization. The four black and red squares first appeared formally in 1979, with each square representing the four major areas of ElectriCities’ focus at that time: federal wholesale rate cases, rulemakings and power allocation; professional management services for the Power Agencies; legislation and public policy issues; and member services. The new logo pays tribute to ElectriCities’ past through our new dynamic era.

ElectriCities introduced a strategic plan in 2010, highlighting five key areas of focus for the future: Service Excellence, Competitive Rates, Stakeholder Acceptance, Financial Stability and Corporate Integrity.
By attracting ongoing manufacturing investment, nearly $140 million underway and announced during 2011, the city of Statesville is clearly on the right tack toward sustainable economic growth.

In early January 2011, Providencia USA, a producer of lightweight nonwoven sheeting for medical, personal hygiene and other applications, opened a $70 million manufacturing facility at Statesville’s West Industrial Park. At the same time, the company announced it will commit another $65 million to construct a 90,000-square-foot plant and capital equipment expansion, doubling the size and production capacity of the current facility. Two projects represent the largest announced manufacturing investment in Statesville in 25 years.

Joining the wave of economic growth is North Carolina-based Pate Dawson Company, a food-service distributor that’s investing $9 million over three years to operate a new distribution facility in the Statesville Business Park.

All this activity has gained national attention. Site Selection magazine, which reports on economic development in the U.S., recently ranked the Statesville-Mooresville region as the top “micropolitan” region in the nation for new and expanding industry. This marks the sixth time in the past eight years the region has held the top spot.

“We continue to make great progress in attracting industry to Statesville,” says Larry Cranford, Statesville’s Director of Electric Utilities. “Several key factors are responsible, including reliable power at very competitive rates, a skilled workforce, a prime geographic location and great cooperation among our city, county and state leaders.”

Providencia’s management team has stated that Statesville’s attractive rate structure was pivotal in the company’s decision to expand. “As a public power community, we can be flexible in putting together a highly competitive rate package,” Cranford explains. “This is important because Providencia was determined to contain power costs.” Other key factors elevating Statesville in the eyes of industry include its:

- Immediate access to railways and two major highways: Interstate 40 running east to west, and Interstate 77 running north and south
- Close proximity to Charlotte Douglas International Airport
- Low county taxes (Taxes in Iredell County rank among the lowest in North Carolina)
- Adding appeal to Statesville is its downtown revitalization efforts. The city is close to completing an $8 million refurbishing plan that includes $2.5 million to renovate its historic city hall and numerous streetscape improvements. “The downtown is more eye catching and conducive for people to gather,” Cranford says. “We’ve installed new street lighting, new crosswalks and widened sidewalks for a more pedestrian-friendly environment and created more space for outdoor dining.”

Pictured at left: Larry Cranford, Director of Electric Utilities
NCMPA1 Leadership

Board of Commissioners and Alternate Commissioners as of December 31, 2011
Alternate Commissioners’ names appear in smaller type

Albemarle
Mr. Raymond I. Allen
First Alternate Vacant
Mr. Jack F. Neel

Bostic
Commissioner Vacant
First Alternate Vacant

Cherryville
Commissioner Vacant
Mr. D. Ronald Hovis

Cornelius
Mr. David Gilroy
Mr. Thurman Ross Jr.

Drexel
Mr. Matt Settlemyer
First Alternate Vacant

Gastonia
Mr. Porter L. McAtee
Mr. Jim Gallagher
Mr. Paul Jankowski

Granite Falls
Mayor Barry C. Hayes
Mr. Jerry T. Church
Mr. Frank Mackes

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

Huntersville
Mr. Gregory H. Ferguson
Ms. Sarah McAuley

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

Lexington
Mr. John T. Walser Jr.
Mr. Richard L. Thomas
Mr. L. Wayne Alley

Lincolnton
Mr. Stephen H. Peeler
Mayor John G. Gilreath Jr.
Mr. Jeff B. Emery

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

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

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

Newton
Mr. Todd Clark
Mr. Wayne Dellinger
Mr. Douglas S. Wesson

Pineville
Mayor George Fowler
First Alternate Vacant
Mr. Michael Ross

Shelby
Mayor Stan Anthony
Mr. J. Richard Hollowell Jr.
Mr. Brad R. Cornwall

Statesville
Mayor Constantine H. Kuttah
Mr. Larry M. Cranford
Mr. Robert W. Hites Jr.
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 2011, these additional needs came from the following suppliers:

- NCMPA1 purchased 150 MW of capacity from Southern Power Company, sourced out of Rowan County, N.C.
- NCMPA1 purchased 50 MW of capacity for the summer months (June – September) from Georgia Power Company.
- NCMPA1 had a 50 MW Instantaneous Energy Services agreement with Duke Energy.
- NCMPA1 had a Backstand Capacity and Energy Agreement for up to 432 MW with Duke Energy.
- NCMPA1 has the right to schedule and receive 60 MW of power from the Southeastern Power Administration.
- NCMPA1 has contracts to ensure reliable future power supply requirements with the

Catawba Unit 1’s last refueling outage began on April 23, 2011, and ended on June 8, 2011. The next refueling outage for Unit 1 is scheduled to begin Nov. 24, 2012.
Catawba Unit 2 did not have a refueling outage in 2011, and the next refueling outage is scheduled to begin on March 10, 2012.
McGuire Unit 1 began a refueling outage on Sept. 17, 2011, and ended on Oct. 15, 2011. The next refueling outage is scheduled to begin in March 2013.
McGuire Unit 2’s last refueling outage began on Feb. 26, 2011, and ended on April 5, 2011. The next refueling outage is scheduled to begin Sept. 15, 2012.

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

These numbers are reported by Duke Energy to the Nuclear Regulatory Commission in the Unit’s December 2011 Operating Data Report.
followed by:

- NCMPA1 purchased 178 MW of capacity through the year 2031, from Southern Power Company, sourced out of Rowan County.
- NCMPA1 purchased 150 MW of capacity from Southern Power Company, sourced out of Rowan County, NC, and Jackson County, Ga., for 2012, and out of Cleveland County, NC, for the years 2013 through 2031.

NCMPA1 has a contract with The Energy Authority (TEA) to manage all intra-day energy transactions. The current three-year agreement with TEA ends on Dec. 31, 2013. NCMPA1 performs all its day-ahead, short-, 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 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 market could then be 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 6,000 transactions related to surplus sales activities in 2011. These transactions resulted in revenues in excess of $61 million and in benefits exceeding $38 million.

NCMPA1 has a Risk Management Committee consisting of executive 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

Capital expenditure risks to electric utilities from Congress enacting legislation to reduce emissions of greenhouse gases has subsided but this does not mean electric utilities are not subject to regulation that could require additional capital outlays. In place of Congressional action, electric utilities are increasingly subject to more stringent regulatory environmental compliance requirements emanating from the United States Environmental Protection Agency (EPA). The EPA has pending for publication new proposed rules to govern the regulation of greenhouse gas (GHG) emissions from electric utility fossil fuel generation units that are new or are subject to significant modification. These new proposed rules may contemplate stringent emissions standards and, depending on how they are structured, could impact the retrofitting of existing fossil fuel plants and the development of new plants by limiting the options available.

Additionally, the EPA has announced its intention to issue new, proposed rules to govern the emissions of GHGs from existing fossil fuel electric stations in the summer of 2012. Depending on how the rule for existing plants is drafted, it has the potential to impact existing fossil fuel generating stations. Finally, the EPA is expected to propose another rule to lower the emissions threshold which governs what sources are covered by GHG emissions controls thereby increasing the number of sources captured by GHG emissions reduction rules. All of these new requirements are anticipated to increase costs on electric generation portfolios that rely on fossil fuels. NCMPA1’s generation portfolio is 90% non-fossil based, limiting the exposure to the regulatory risk created in these three potential rules.

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 year as these units are retrofit to meet the new standards.

NERC Compliance

The Energy Policy Act of 2005 directed the Federal Energy Regulatory Commission (FERC) to develop mandatory electric reliability standards and a process for enforcing those standards. Subsequently, FERC Order 672 certified the North American Electric Reliability Corporation (NERC) as the Electricity Reliability Organization (ERO) to develop and enforce the standards. Order 672 also directed all owners, operators and users of the bulk power system to register with the ERO and be subject to the reliability standards. As a result, on June 18, 2007, NERC Reliability Standards became mandatory for the municipal electric systems of some cities that are members of NCMPA1. ElectriCities staff created an Internal Reliability Compliance Program (IRC P) as a means to ensure that NCMPA1 and its Participants remain in compliance with all applicable NERC and SERC Reliability Corporation reliability standards and any additional requirements.

NCMPA1 is registered with NERC as a Joint Registration Organization (JRO) on behalf of its respective Participants who are otherwise required to register with NERC individually. Based on NERC’s criteria for registration, in the functional categories of Load-Serving Entity and Distribution Provider. By acting as the JRO, NCMPA1 coordinates the implementation of the IRCP to ensure that its respective Participants meet the compliance obligations of these two
functions. For NCMPA1 to accomplish this, Participant staffs are obligated to cooperate fully with NCMPA1 to carry out tasks to comply with the Reliability Standards. In addition, NCMPA1 has registered on its own behalf in the functional categories where NCMPA1 itself performs the function collectively for its Participants. This means NCMPA1 has registered as a Resource Planner and Purchasing-Selling Entity. NCMPA1 is responsible for satisfying the compliance obligations associated with these functions.

During 2011, NCMPA1 performed two audits of NCMPA1’s compliance with NERC reliability standards. In June, NCMPA1 had an off-site audit of its compliance related to cyber security standards. In November, NCMPA1 had an on-site full audit of a majority of the remaining applicable standards. At the conclusion of each audit, there were no findings by the audit team, indicating NCMPA1 and its Participants were in full compliance with the standards.

Renewable Energy Portfolio
Under North Carolina’s Renewable Energy and Energy Efficiency Portfolio Standard (REPS), NCMPA1 member cities must obtain up to 10% of their energy through renewable energy or energy efficiency resources by 2018. NCMPA1 member cities must obtain up to 10% of their energy through renewable energy or energy efficiency resources by 2018. NCMPA1 has entered into several REC purchase agreements, including the purchase of:

- The output of a 1 MW solar photovoltaic plant in Shelby, NC.
- In-State and Out-of-State solar photovoltaic RECs
- In-state wood waste biomass RECs
- In-state and Out-of-State poultry waste biomass RECs
- Out-of-State wind RECs

Through these REC purchases, NCMPA1 has secured its supply of RECs to meet the REPS requirements through 2014. In addition to the activities listed above, NCMPA1 has been actively developing and implementing energy efficiency programs as another key component of the renewable portfolio. During 2011, NCMPA1 introduced a new Commercial Lighting Rebate program and continued several other 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

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, were installed in 2002, 2005, 2006, 2007 and 2008 and 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 88 MW. This combination of 153 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 19 MW of generation owned by utilities 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
NCMPA1 owns two gas turbine generators in Monroe that provide 24 MW of peaking and reserve capacity. These two generators that were installed in 2009 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. Just as with 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 58 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. NCMPA1 operated load management an average of 9 hours per month during 2011.

Retail Rate Assistance and Billing Services
In 2011, NCMPA1 staff completed 17 retail rate studies. Rate studies use 12 months of a Participant’s billing data to calculate, at customer detail level, projected revenue using updated load forecasts and projected retail rates. Innovative rate assistance for new retail customers was also provided to 10 Participants. As needed, rate assistance was also provided regarding tracking revenue and expenses throughout the year.

NCMPA1 continues to provide retail billing services to the cities through its Customer
Database and Billing System. This system allows the 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. Twelve Participants utilize this monthly assistance for approximately 300 accounts.

Wholesale Rates
NCMPA1 staff provided detailed wholesale power cost for budgeting to all 19 Participants. That data coincided with the retail revenue projections provided to those Participants that received retail rate studies, using the same load forecast for consistency. NCMPA1 had a 5% basic wholesale rate increase in 2011.

Security
The NRC has established a number of regulations regarding security and safeguard measures at nuclear facilities in the United States, including the Catawba Nuclear Plant. 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 was March 31, 2010.

To date, the NRC reports they have monitored Duke’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. NCMPA1 staff continues to review the additional capital requirements, as well as operation and maintenance expenditures needed at Catawba, including those measures required by the NRC. Under contractual arrangements with NCMPA1, all security issues are handled by Duke. As the operator of a nuclear plant, Duke has the responsibility to ensure the plant is operated safely and Duke’s nuclear plants have safety records among the best in the nation.
NCMPA1 Investment and Outstanding Debt Overview

Investment Portfolio Statistics

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Income</th>
<th>Rate of Return</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td>$18,615,000</td>
<td>2.74%</td>
</tr>
<tr>
<td>2010</td>
<td>21,456,000</td>
<td>3.30%</td>
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Fair Value as of 12/31

<table>
<thead>
<tr>
<th>Value</th>
<th>Maturity (yrs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$860,036,000</td>
</tr>
<tr>
<td>2010</td>
<td>813,039,000</td>
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</tbody>
</table>

Debt Outstanding as of 12/31

<table>
<thead>
<tr>
<th>Fixed Rate Bonds</th>
<th>Balance</th>
<th>Interest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,541,085,000</td>
<td>5.1%</td>
</tr>
<tr>
<td>2010</td>
<td>1,606,455,000</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Bond Reconciliation

<table>
<thead>
<tr>
<th>Bonds Outstanding 12/31/10</th>
<th>$1,606,455,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matured 1/2/11</td>
<td>65,370,000</td>
</tr>
</tbody>
</table>

| Bonds Outstanding 12/31/11 | $1,541,085,000 |

Bonds Outstanding

<table>
<thead>
<tr>
<th>Series</th>
<th>Par Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1992</td>
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</tr>
<tr>
<td>Series 1998 A</td>
<td>29,550,000</td>
</tr>
<tr>
<td>Series 2003 A</td>
<td>607,545,000</td>
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<tr>
<td>Series 2008 A</td>
<td>341,575,000</td>
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<tr>
<td>Series 2008 B</td>
<td>7,380,000</td>
</tr>
<tr>
<td>Series 2008 C</td>
<td>48,740,000</td>
</tr>
<tr>
<td>Series 2009 A</td>
<td>198,995,000</td>
</tr>
<tr>
<td>Series 2009 B</td>
<td>9,200,000</td>
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<tr>
<td>Series 2009 C</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Series 2009 D</td>
<td>68,650,000</td>
</tr>
<tr>
<td>Series 2010 A</td>
<td>74,765,000</td>
</tr>
<tr>
<td>Series 2010 B</td>
<td>68,885,000</td>
</tr>
</tbody>
</table>

NCMPA Participant OP Demand

NCMPA Participant Energy Usage

Graphs: Billing point including SEPA; forecast year 2012 is from the December 2011 Winter Load Forecast

NCMPA1: Investment and Outstanding Debt Overview
Despite being buffeted by the nationwide recession, the city of Kinston never lost its bearings. It has emerged stronger and more stable than ever, uplifted in 2011 by a rising tide of economic development.

“With more than $130 million in company expansions and new business initiatives announced during 2011, Kinston has not only weathered the economic storm, it is firmly on course toward ongoing growth and prosperity,” says Tony Sears, Kinston’s city manager.

Supported by skillful collaboration among economic development teams from Kinston, Lenoir County, and the state of North Carolina, and various public-private partnerships, the city achieved many notable economic successes during the past year. Smithfield Packing Co., the world’s largest pork processor, embarked on an $85.5 million, 210,000-square-foot expansion the world’s largest pork processor, embarked on an $85.5 million, 210,000-square-foot expansion the world’s largest pork processor, embarked on an $85.5 million, 210,000-square-foot expansion the world’s largest pork processor, embarked on an $85.5 million, 210,000-square-foot expansion during the past year. Smithfield Packing Co., during the past year. Smithfield Packing Co., during the past year. Smithfield Packing Co., during the past year. Smithfield Packing Co., during the past year. Smithfield Packing Co., achieved many notable economic successes during the past year. Smithfield Packing Co., achieved many notable economic successes during the past year. Smithfield Packing Co., achieved many notable economic successes during the past year. Smithfield Packing Co., achieved many notable economic successes during the past year. Smithfield Packing Co.,

and various public-private partnerships, the city and various public-private partnerships, the city and various public-private partnerships, the city and various public-private partnerships, the city and various public-private partnerships, the city and various public-private partnerships, the city and various public-private partnerships, the city and various public-private partnerships, the city

and more stable than ever, uplifted in 2011 by a rising tide of economic development. Additional excitement is being generated by the downtown construction of a museum to feature the remains of the CSS Neuse, a Civil War gunboat. The museum, funded through a $3 million contribution from the state, is expected to open by 2013.

Kinston-based corporation West Pharmaceutical Services announced its investment of $29 million for quality improvements and advanced cleaning technologies at its existing facility over the next five years. The Woodmen of the World Life Insurance Society will build a new $15 million community center, which will include an elevated walking track, fitness center and water park. And, agricultural research firm Pioneer Hi-Bred will construct a $2.3 million, 26,000-square-foot research station.

In addition, Sanderson Foods in early 2011 opened its new poultry processing plant in Kinston. The company, which is investing $126.5 million in Lenoir County, expects to employ 1,500 people.

Investment is also flowing into Kinston’s downtown, which is attracting new businesses, shops, and restaurants. Currently underway is a renovation of a “vacant two-story building, which is being converted to include an Asian-style bistro as well as office, retail and apartment spaces. Nearly $1.2 million has been invested in the project to date.

Additional excitement is being generated by the downtown construction of a museum to feature the remains of the CSS Neuse, a Civil War gunboat. The museum, funded through a $3 million contribution from the state, is expected to open by 2013.

Rhonda Barwick, director of Kinston Public Services, says that the city’s control of electric power plays an essential role in cultivating economic growth in the area.

“Local control means we can be flexible in offering incentives and meeting specialized needs,” Barwick explains. “Local control means a power reliability score above 99.9%. Local control also means a strong local presence. We’re here to stay, committed to serving the community we live in.”
NCEMPA Leadership

Board of Commissioners and Alternate Commissioners as of December 31, 2011
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. Tipp

Belhaven
Mayor Adam W. O’Neal
Dr. Glenn Leverett

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

Clayton
Mr. Robert J. Ahlert
Mayor Jody L. McLeod

Edenton
Ms. Anne-Marie Knighton
Mr. Willis Privott
Mr. Glenn Andersen

Elizabeth City
Mr. Richard Olson
Mr. Roger A. McLean

Farmville
Mr. Richard N. Hicks
Mr. James C. Smith

Fremont
Mr. Leon V. Moore
Mr. Larry McDuffie
Mr. Harold Cuddington

Greenville
Mr. J. Freeman Paylor
Mr. J. Bryan Kinnell Jr.
Mr. Ronald D. Elks

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

Hertford
Mr. Brandon Shoaf
Mr. James Sidney Eley

Hobgood
Ms. Stella Daugherty
Mr. Timothy D. Purvis

Hookerton
Mayor Robert L. Taylor
Ms. April H. Baker
Mr. Danny Taylor

Kinston
Mr. William Barker
Mr. Tony Sears
Ms. Rhonda F. Barwick

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

Laurinburg
Mr. Edward F. Burchins
Mr. Curtis B. Leake

Louisburg
Mr. Ray Patterson
Mr. Tony L. King
Mr. Mark B. Whiten

Lumberton
Mr. Harry L. Ivey
First Alternate Vacant

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

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

Red Springs
Mayor John M. McNeill
First Alternate Vacant

Robersonville
Ms. Elizabeth W. Jenkins
Mr. John David Arkonight
Mr. John H. Pettichord Jr.

Rocky Mount
Mr. Andre D. Knight
Mr. Charles W. Penny
Mr. Richard H. “Rich” Worsinger

Scotland Neck
Mr. James E. Mills Sr.
Ms. Nancy Jackson

Selma
Mr. Richard Douglas
Mr. Donald Baker
Mr. Charles J. Baxter

Smithfield
Mr. C. Earl Botkin
Mr. Justin S. Merritt

Southport
Mr. Paul D. Fisher

Tarboro
Mr. James L. Allford
Mr. Rick Page
Mr. Alan Thornton

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

Washington
Mr. Doug Mercer
Mr. Keith Harrd
Mr. Josh Kay

Wilson
Mr. Donald I. Evans
Mr. Dathan C. Shows
Mr. Grant W. Goings
NCEMPA Participants

<table>
<thead>
<tr>
<th>City</th>
<th>Revenues (000s)</th>
<th>Customers</th>
<th>Ownership %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apex</td>
<td>$ 28,191</td>
<td>13,995</td>
<td>0.706</td>
</tr>
<tr>
<td>Ayden</td>
<td>12,270</td>
<td>4,611</td>
<td>1.134</td>
</tr>
<tr>
<td>Belhaven</td>
<td>2,868.3</td>
<td>1,164</td>
<td>0.409</td>
</tr>
<tr>
<td>Benson</td>
<td>4,852</td>
<td>1,768</td>
<td>0.577</td>
</tr>
<tr>
<td>Clayton</td>
<td>12,896</td>
<td>5,141</td>
<td>0.745</td>
</tr>
<tr>
<td>Edenton</td>
<td>13,009</td>
<td>4,185</td>
<td>1.596</td>
</tr>
<tr>
<td>Elizabeth City</td>
<td>37,595</td>
<td>12,010</td>
<td>4.251</td>
</tr>
<tr>
<td>Farmville</td>
<td>7,619</td>
<td>2,901</td>
<td>1.290</td>
</tr>
<tr>
<td>Fremont</td>
<td>1,938</td>
<td>749</td>
<td>0.306</td>
</tr>
<tr>
<td>Greenville</td>
<td>195,446</td>
<td>63,893</td>
<td>16.134</td>
</tr>
<tr>
<td>Hamilton</td>
<td>447</td>
<td>251</td>
<td>0.078</td>
</tr>
<tr>
<td>Hertford</td>
<td>3,262</td>
<td>1,185</td>
<td>0.412</td>
</tr>
<tr>
<td>Hobgood</td>
<td>679</td>
<td>297</td>
<td>0.091</td>
</tr>
<tr>
<td>Hookerton</td>
<td>768</td>
<td>432</td>
<td>0.155</td>
</tr>
<tr>
<td>Kinston</td>
<td>55,314</td>
<td>11,838</td>
<td>8.668</td>
</tr>
<tr>
<td>La Grange</td>
<td>3,821</td>
<td>1,500</td>
<td>0.501</td>
</tr>
<tr>
<td>Laurinburg</td>
<td>15,960</td>
<td>6,519</td>
<td>2.267</td>
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<td>Louisburg</td>
<td>7,878</td>
<td>1,936</td>
<td>0.858</td>
</tr>
<tr>
<td>Lumberton</td>
<td>33,503</td>
<td>12,032</td>
<td>5.157</td>
</tr>
<tr>
<td>New Bern</td>
<td>61,567</td>
<td>21,433</td>
<td>6.368</td>
</tr>
<tr>
<td>Pikeville</td>
<td>1,258</td>
<td>519</td>
<td>0.205</td>
</tr>
</tbody>
</table>

City | Revenues (000s) | Customers | Ownership %
--- |-----------------|-----------|-------------|
Red Springs | $ 4,494 | 1,705 | 0.580 |
Robersonville | 2,743 | 1,105 | 0.507 |
Rocky Mount | 94,132 | 27,390 | 16.026 |
Scotland Neck | 2,996 | 1,538 | 0.576 |
Selma | 8,155 | 2,676 | 0.810 |
Smithfield | 20,500 | 4,474 | 2.006 |
Southport | 7,061 | 2,595 | 0.714 |
Tarboro | 26,075 | 6,087 | 4.743 |
Wake Forest | 18,152 | 6,070 | 0.726 |
Washington | 38,905 | 13,435 | 5.892 |
Wilson | 148,818 | 33,549 | 15.512 |

Source: 2010 EIA-861 Data

NCEMPA Operational Highlights

**Load Management and Power Operations**

North Carolina Eastern Municipal Power Agency (NCEMPA) staff and Participants once again successfully controlled loads during each month’s peak billing period in 2011. This success translated into estimated power cost savings of over $29.6 million during the maximum peak period. Load Side Generation is an integral part of this load shedding process with over 29.6 MW of load side generation during the month. NCEMPA Participants and their customers shed a monthly average of over 224.3 MW during April, with over 259.6 MW shed during the maximum peak hours. Load Side Generation is an integral part of this load shedding process with over 174 MW of load side generation noticed as of Dec. 31, 2011. NCEMPA and Participant staff continued to develop improved systems and communication alternatives for load management operations. NCEMPA owns...
transmission service for the Participants on and Supplemental Resources and secures Supply for its Participants through Initial Project NCEMPA Power Supply Overview set in August 2007 at 1,604 MW. The monthly Coincident Peak Demand was 1,500 MW (net load factor in 2010. The 2011 maximum Non- percent, equal to the average Coincident Peak load factor for 2011 was 80
in August 2007 at 1,417 MW. The average
Peak Demand for 2011 was 1,379 MW (net
2007 at 825,589 MWh. The highest Coincident load factor
consumption for 2011 occurred in July at 7,710,808 MWh. The highest monthly energy
data was set in August 2007 at 7,710,808 MWh. The highest monthly energy
consumption was in July at 786,946 MWh. The highest Coincident Peak Demand for 2011 was 1,379 MW (net of SEPA) during the month of July. The
and 50 percent of the capacity requirements for NCEMPA in 2011. NCEMPA
purchases supplemental capacity and energy from PEC, with the current agreements extending through 2017. In October 2011, NCEMPA signed a new supplemental load agreement with PEC, extending supplemental purchases through Dec. 31, 2021.
Under the new agreement, NCEMPA will purchase the additional power necessary to meet the energy needs of the 32 member cities beyond that supplied by the generation facilities currently owned by the Power Agency. These Supplemental Load Agreements provide load following power and unlimited capacity at native load priority for approximately 25.3 percent of the energy needs and 50 percent of the capacity needs. The Supplemental Load Agreements include: coincident peak pricing, formula-based rates for capacity and energy, fixed accounting and billing costs. Coincident Peak pricing allows NCEMPA Participants and their customers to benefit from over 350MW of demand-side control. The Power Agency obtains transmission service for the Initial Project output and supplemental resources and secures transmission service for the Participants on the Progress Energy Carolinas, Inc. (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 Henry Unit 1. Total ownership in both coal and nuclear resources accounted for 665.5 MW of capacity at the end of 2011. This ownership met approximately 74.7 percent of the energy requirements and 50 percent of the capacity requirements for NCEMPA in 2011. NCEMPA purchases supplemental capacity and energy from PEC, with the current agreements extending through 2017. In October 2011, NCEMPA signed a new supplemental load agreement with PEC, extending supplemental purchases through Dec. 31, 2021.
Under the new agreement, NCEMPA will purchase the additional power necessary to meet the energy needs of the 32 member cities beyond that supplied by the generation facilities currently owned by the Power Agency. These Supplemental Load Agreements provide load following power and unlimited capacity at native load priority for approximately 25.3 percent of the energy needs and 50 percent of the capacity needs. The Supplemental Load Agreements include: coincident peak pricing, formula-based rates for capacity and energy, fixed accounting and billing costs. Coincident Peak pricing allows NCEMPA Participants and their customers to benefit from over 350MW of demand-side control. The Power Agency obtains transmission service for the Initial Project output and supplemental resources and secures transmission service for the Participants on 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 a long-term power supply with the reliable availability and delivery assurance and a stable cost structure to support and enhance the Participants’ rate, energy-efficiency and demand-side management programs.
Renewable Energy Legislation enacted by the North Carolina Legislature in 2007 establishes a Renewable Energy and Energy Efficiency 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, biomass, ocean, geothermal, hydropower, and 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 implemented those plans by providing qualifying REPS programs and purchasing renewable energy certificates to achieve compliance. The Participants are required to implement a Renewable Energy Portfolio Standard (REPS) by 2012 to meet their REPS requirements. The Power Agency recently executed a 15-year Power Purchase Agreement for the electric output of a 15 MW solar photovoltaic facility located in Edenton, NC, which is a Power Agency Participant.
Plant Status
The Roxboro Power Plant, consisting of four units, began operation in 1988 and is one of the largest power plants in the United States. Mayo, a single unit Power Plant, is located near Roxboro and began commercial operation in 1898. As part of the fleet modernization plan, PEC and NCEMPA have invested more than a billion dollars in technology to reduce emissions dramatically at both plants in Person County and will continue to operate these coal-fired facilities after other units are retired.
Roxboro Unit 4 and Mayo Unit 1, our jointly owned coal-fired power plants, concluded 2011 with commendable performance statistics. Both facilities continue to benefit from the implementation of emissions technologies from 2007 through 2011. Roxboro Unit 4 achieved a Capacity Factor of 62.16 percent and Net Generation of over 3.8 million MWh during 2011. As a result of Power Agency and PEC concluding an Operating and Fuel Agreement Amendment that combines the operations of both plants in Person County, the total annual Power Agency savings for Roxboro Unit 4 and the Mayo plant is estimated to be in excess of $1.5 million; using opportunity coal and new fuel-blending capability. The Mayo Plant ended 2011 with a Net Generation of over 3.5 million MWh, with a Capacity Factor of 54.14 percent. PEC is addressing recent industry events associated with the release of coal ash by converting from wet to dry ash systems; thereby eliminating the flow to the ash ponds at the Roxboro and Mayo facilities.
The Brunswick Nuclear Plant, located just north of Southport, N.C., houses two boiling water reactors. It was the first nuclear power plant built in N.C., beginning operation in 1975, with an additional unit constructed in 1977. In 2011, the Brunswick Units had combined generation of over 14.6 million MWh. Brunswick Unit 2 concluded a refueling outage with a Capacity Factor of 78.6 percent and Brunswick Unit 1 a record net generation output during 2011 with a Capacity Factor of 100.1 percent. The 2011 Brunswick Unit 2 scheduled refueling outage, which began in March, was successfully completed in April. Significant projects performed during the refueling outage included: variable frequency drive installation, main steam isolation valve guide path modifications, chemical decontamination of steam generator, and numerous valve upgrades and inspections.

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 2011, it attained a Capacity Factor of 55.14 percent and achieved a record net generation output of 8.1 million MWh. In March 2011, a 9.0-magnitude earthquake and resulting tsunami struck Japan. An automatic shutdown of 11 reactors at four sites (including Fukushima Dai-ichi) along the northeast coast took place. Loss of life, radiation exposure and extensive damage to site facilities resulted. A Nuclear Regulatory Commission (NRC) task force was created to evaluate technical and operational information from the events to identify potential or preliminary near term/immediate operational or regulatory issues affecting domestic operating reactors. The plants have completed their preliminary review of facilities and processes to cope with such an event and meet the current NRC guidelines. The NRC is evaluating any further design modifications or future requirements.

### Plant Licenses Expiration
- 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 was 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.

### Nuclear Plant Status

<table>
<thead>
<tr>
<th>Plant</th>
<th>Capacity Factor(1)</th>
<th>Availability Factor(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunswick Unit 1</td>
<td>100.14</td>
<td>98.9</td>
</tr>
<tr>
<td>Brunswick Unit 2</td>
<td>78.6</td>
<td>79.87</td>
</tr>
<tr>
<td>Harris</td>
<td>102.89</td>
<td>100</td>
</tr>
<tr>
<td>Mayo</td>
<td>55.14</td>
<td>92.63</td>
</tr>
<tr>
<td>Roxboro Unit 4</td>
<td>62.16</td>
<td>99.31</td>
</tr>
</tbody>
</table>

### 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 will impact operations of the Joint Units, 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. In addition, the Environmental Protection Agency (EPA) issued the Clean Air Interstate Rule (CAIR), Clean Air Mercury Rule and Clean Air Visibility Rule which may require compliance measures. On July 7, 2011, the EPA issued the Cross-State Air Pollution Rule (CSAPR) to reduce NOx and SO2 emission in 27 Eastern states. The Transport Rule and associated new emissions reduction programs were to take effect on Jan. 1, 2012. On Dec. 30, 2011, the District of Columbia Circuit Court of Appeals put on hold the CSAPR rule as it hears arguments from petitioners challenging the rule’s implementation. CSAPR was intended to replace CAIR. NCEMPA’s fossil units at Roxboro and Mayo currently have NOx and SO2 emissions.
The Energy Policy Act of 2005 directed the NERC Compliance function collectively for its Participants. In addition, NERC has registered on its own behalf in the functional categories where NCEMPA itself performs obligations of these two functions. For satisfying the compliance obligations associated with this function. By acting as the JRO, NCEMPA coordinates Load-Serving Entity and Distribution Provider. NCEMPA registered as a Joint Registration Organization (JRO) on behalf of its respective Participants who would otherwise be required to register with NERC individually, based on NERC’s criteria for registration, in the functional categories of Load-Serving Entity and Distribution Provider. NCEMPA is registered with NERC as a Joint Registration Organization (JRO) on behalf of its respective Participants meet the compliance obligations of two of these functions. For NCEMPA to accomplish this, Participant staffs are obligated to cooperate fully with NCEMPA to carry out tasks to comply with the Reliability Standards. In addition, NCEMPA has registered on its own behalf in the functional categories where NCEMPA itself performs the function collectively for its Participants. This means NCEMPA has also registered as a Resource Planner. NCEMPA is responsible for satisfying the compliance obligations associated with this function.

During 2011, SERC performed two audits of NCEMPA’s compliance with NERC reliability standards. In June, NCEMPA had an off-site audit of its compliance activities related to cyber security standards. In November, NCEMPA had an on-site full audit of a majority of the remaining applicable standards. At the conclusion of each audit, there were no findings by the audit team, indicating NCEMPA and its Participants were in full compliance with the standards.

Rates and Retail Billing Services
Rate support throughout the year included 76 retail, two wholesale and 43 innovative projects, along with technical education for improved customer service. Load growth opportunities’ support included public power proposals for seven Participants. The NCEMPA Retail Billing Program serves 24 Participants in gathering interval meter data for 315 commercial and industrial customers. NCEMPA continues to utilize and maintain Itron’s MV9xxi software ensuring the ongoing quality and level of support provided through the Retail Billing Program. In 2011, Itron’s MV9xxi system was upgraded to the latest 3.0 version. 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.
## Investment Portfolio Statistics

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Income</th>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$16,541,000</td>
<td>2.62%</td>
</tr>
<tr>
<td>2010</td>
<td>17,226,000</td>
<td>2.73%</td>
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### Fair value as of 12/31

<table>
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<th>Value</th>
<th>Maturity (yrs.)</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td>$824,118,000</td>
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<tr>
<td>2010</td>
<td>758,887,000</td>
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### Debt outstanding as of 12/31

#### Fixed rate bonds

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<thead>
<tr>
<th>Balance</th>
<th>Interest Cost</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td>$2,254,510,000</td>
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<tr>
<td>2010</td>
<td>2,396,330,000</td>
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</tbody>
</table>

### Bond reconciliation

<table>
<thead>
<tr>
<th>Bonds outstanding 12/31/10</th>
<th>$2,396,330,000</th>
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<tbody>
<tr>
<td>Matured 1/2/11</td>
<td>141,820,000</td>
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### Bonds Outstanding

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<th>Series</th>
<th>Par Amount</th>
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<tbody>
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<td>Series 1986 A</td>
<td>$4,495,000</td>
</tr>
<tr>
<td>Series 1991 A</td>
<td>28,755,000</td>
</tr>
<tr>
<td>Series 1993 B</td>
<td>502,880,000</td>
</tr>
<tr>
<td>Series 1993 C</td>
<td>18,465,000</td>
</tr>
<tr>
<td>Series 1995 A</td>
<td>14,090,000</td>
</tr>
<tr>
<td>Series 2003 A</td>
<td>79,680,000</td>
</tr>
<tr>
<td>Series 2003 B</td>
<td>9,860,000</td>
</tr>
<tr>
<td>Series 2003 C</td>
<td>99,100,000</td>
</tr>
<tr>
<td>Series 2003 D</td>
<td>185,540,000</td>
</tr>
<tr>
<td>Series 2003 E</td>
<td>17,605,000</td>
</tr>
<tr>
<td>Series 2003 F</td>
<td>86,725,000</td>
</tr>
<tr>
<td>Series 2003 G</td>
<td>6,425,000</td>
</tr>
<tr>
<td>Series 2005 A</td>
<td>124,860,000</td>
</tr>
<tr>
<td>Series 2008 A</td>
<td>364,560,000</td>
</tr>
<tr>
<td>Series 2008 B</td>
<td>55,545,000</td>
</tr>
<tr>
<td>Series 2008 C</td>
<td>36,665,000</td>
</tr>
<tr>
<td>Series 2009 A</td>
<td>62,235,000</td>
</tr>
<tr>
<td>Series 2009 B</td>
<td>375,850,000</td>
</tr>
<tr>
<td>Series 2009 C</td>
<td>19,390,000</td>
</tr>
<tr>
<td>Series 2009 D</td>
<td>15,640,000</td>
</tr>
<tr>
<td>Series 2010 A</td>
<td>146,145,000</td>
</tr>
</tbody>
</table>

| Total | $2,254,510,000 |

---

**Graphs:** Billing point including SEPA; forecast year 2012 is from the 2011 forecast.
With nearly 24 years of leadership experience in public power, Ed Miller, general manager of New River Light & Power Company in Boone, recognizes the importance of maintaining a focus while keeping a watchful eye on the horizon.

“At New River Light & Power, we know we’re pointed in the right direction, and that’s toward meeting the ongoing needs and demands of the people we serve in Watauga County,” says Miller, who oversees the delivery of electric service to nearly 7,500 residential and commercial customers. “Achieving this objective requires a commitment to operational improvements, and the ability and foresight to make capital improvements when and where needed. To help it anticipate and navigate through the turbulent currents of industry change as well as support its growing involvement in sustainable energy development and energy conservation programs, New River Light & Power became a full member of ElectriCities in 2011.

“The complexity and potential impacts of industry transformation are so great, it doesn’t make sense to face them alone,” Miller says. “We strongly believe that, as a full member, we’re better positioned for the future. We gain from a highly astute organization that has proven expertise, and is capable of meeting our specialised needs, such as helping us stimulate economic development in Watauga County, encourage our area’s mounting interest in renewable energy initiatives and customize training programs for our employees.”

“It is essential that we stay vigilant to the rapid changes occurring in the overall energy environment and marketplace,” Miller emphasizes. There are emerging pressures – regulatory requirements, rising costs, growing demand for alternative energy sources – that could alter our path. We’ve got to be able to quickly respond to any industry-wide challenges that might affect our operations and future.”

During 2011, the team at New River Light & Power, a non-profit subsidiary of Appalachian State University, achieved two key goals: initiating a long-term capital improvement plan and moving to fully implement a SCADA system. The utility has been approved for $2.7 million in financing to rebuild a substation, upgrade three additional delivery points, renovate its warehouse and operations center and construct its first enclosed truck shed.

“When completed in 2013, all of the planned capital improvements will give us greater control over service delivery, enhance power service reliability to our customers and improve our operational efficiency,” Miller reports. “Our new SCADA system will provide us with powerful automated controls and move us another step closer to AMI and Smart Grid implementation.”

Miller credits New River’s success to its strong, dedicated staff, highly committed to providing quality service to the community.
## Board of Commissioners and Alternate Commissioners as of December 31, 2011
Alternate Commissioners’ names appear in smaller type

<table>
<thead>
<tr>
<th>Location</th>
<th>Concord</th>
<th>Dallas</th>
<th>Enfield</th>
<th>Fayetteville</th>
<th>Kings Mountain</th>
<th>Winterville</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mr. Robert “Bob” Pate</td>
<td>Mr. Edward C. Munn</td>
<td>Mr. Larry Sorie</td>
<td>Mr. Michael G. Lallier</td>
<td>Ms. Marilyn H. Sellers</td>
<td>Mr. Tony P. Moore</td>
</tr>
<tr>
<td></td>
<td>Mr. Scott Chunn</td>
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</tr>
</tbody>
</table>

Fayetteville
- Mr. Michael G. Lallier
- Mr. Wilson A. Lacy

Kings Mountain
- Ms. Marilyn H. Sellers
- Mr. Nick Hendricks

Winterville
- Mr. Tony P. Moore
- Mr. Marvin Taylor

**First Alternate Vacant**
- Fountain
- Commissioner Vacant
- First Alternate Vacant
- Winterville
- First Alternate Vacant
- Mr. Allen Castelloe
ElectriCities Services

Economic Development
NC Public Power communities continue to see success with industrial recruitment and expansions of existing industries. ElectriCities Economic Development staff markets communities domestically and internationally to attract new business investment and new job creation for our members. Our team also works closely with the NC Department of Commerce, the Regional Partnerships and county developers to further the strategic load growth efforts.

NCMPA1 members added 1,986 new jobs in 2011 with investments totaling more than $267 million. New load added to NCMPA1 was just over 26 MW. NCEMPA members added 645 new jobs in 2011 with investments totaling nearly $110 million. New load added to NCEMPA was 7.6 MW. Major industrial announcements for the year include:

- Providencia (Statesville) Expansion — $60 M investment; 28 jobs
- Sarstedt (Newton) Expansion — $14.2 M investment; 20 jobs
- United Furniture Industries (Lexington) Expansion — 200 jobs
- LanXess Corp (Gastonia Prime Power Park) — $15 M investment; 55 jobs
- REPI S.p.A. (Gastonia Prime Power Park) — $5.5 M investment; 30 jobs
- CTL Packaging (Gastonia Prime Power Park) — $58.5 M investment; 131 jobs
- KCST (Tarboro) Expansion — $13 M investment; 50 jobs
- West Pharmaceuticals (Kinston) Expansion — $29 M investment
- Superior Essex, Inc. (Tarboro) Expansion — $88 M investment; 116 jobs
- Sears Hometown Store (Edenton) — $35,000 investment; 4 jobs
- Smithfield Foods (Kinston) Expansion — $88.5 M investment; 330 jobs
- Specialty Textiles, Inc. (Kings Mountain) Expansion — $4.9 M investment; 62 jobs
- Celgard LLC (Concord) Expansion — $150 M investment; 250 jobs

Working in conjunction with Power Agency 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.

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 helps 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 and commercial 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.

The Perquimans Marine Industrial Park in Hertford is rapidly gaining national attention. The marine park is situated in northeastern North Carolina along the beautiful Perquimans River. The 70-acre state-owned property is part of the larger 400-acre Perquimans Commerce Center just south of the historic Town of Hertford and less than one mile from U.S. Highway 17. The most compelling feature of this business park is its 10-foot deep basin offering tenants easy access to the Albemarle Sound, the Intracoastal Waterway and the Atlantic Ocean. Economic Development Staff identified prospects for the Marine Park while attending the Work Boat Show in November.

Economic Development staff recruits 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 over 250 inquiries with numerous site visits.

**Safety and Training**

ElectriCities Safety and Training staff is responsible for providing safety training and professional support to member’s electric system personnel. ElectriCities Safety staff provides an array of services such as training schools and workshops, on-site safety audits and training, accident investigations and administration of professional development tracks. Staff also conducts on-the-job audits of new safety legislation and best practices to reduce workplace accidents and lost employee time. The team stays up to date with the latest state and federal rules and regulations to ensure public power line crews have the best possible information and techniques to keep line crews safe.

The department manages the Safety and Training Team, a member-based group charged with ensuring that ElectricCities Safety and Training align with the needs and expectations of ElectriCities members. The team met six times in 2011 to plan new, and monitor existing, activities. In 2011, the Safety team performed 24 on-site audits and 290 safety consultation services. Safety and training conducted 39 safety meeting presentations and attended 21 member safety meetings throughout the year.

ElectriCities recognizes members for safe work habits in annual safety awards presented during the North Carolina Association of Municipal Electric Systems (NCAMES) Annual Meeting. During the 2011 meeting, 47 cities and towns were recognized for achieving no lost workday accidents during 2010. ElectriCities Safety staff facilitates many training opportunities throughout the year. ElectriCities continues its partnership with Nash Community College to offer an associate degree in Electric Power Lineman Technology for member line worker employees who wish to participate. Nash Community College, located in Rocky Mount, N.C., provides classrooms with state-of-the-art audio and visual training aids and outside training grounds as a permanent training facility. Other professional development opportunities are available through career development programs that provide training for member employees to follow, earning a certificate after completing the curriculum. ElectriCities Safety and Training has four separate apprenticeship programs for members to utilize for their employees: Lineman, meter technician, substation and underground. In 2011, ElectriCities hired a new Safety and Training staff member. This person is responsible for the lineman program and also teaches the Lineman Career Development Apprenticeship Program to member electric apprentice employees upon request. The Lineman Career Development Program provides specialized training for employees who work on high voltage overhead power lines. In addition, they assist in safety training and worked with employees from several member electric companies.

In 2011, ElectriCities provided 20 schools and workshops to accomplish these goals. Schools are held on topics such as: Basic Lineman, Basic Underground, Intermediate Lineman, Advanced Lineman, Advanced Underground, Distribution Regulator, Substations, Troubleshooting and Advanced Lineman.

**Government Relations**

The ElectriCities Government Relations Division is a full-service legislative relations group dedicated to providing training and support to member public power communities. The Government Relations staff actively participates in the legislative process and strives to provide member cities with pertinent information and an outlet to voice their concerns. The group’s Lobbying and Legislation work closely with the Public Power Grassroots Network to ensure the successful future of NC Public Power communities.

In 2011, a new Legislative Steering Committee of the ElectricCities Board of Directors was created to help shape the legislative agenda. The Government Relations team is very active in the North Carolina General Assembly to promote the ElectricCities legislative agenda. The 2011 long session agenda included initiatives to support coalition work with different public power communities from any detrimental affects due to the state budget deficit, redistricting, eminent domain and annexation legislation. Additionally, the agenda promoted new on-peak rates and customer generation rate raders allow customers to reduce demand for energy during periods of high power costs. Commercial and industrial customers have access to day-long seminars on subjects ranging from energy management and sub-metering to power restoration. The ESP program connects small businesses with energy audit recipients with their local energy provider and an alliance partner. Programs offered and implemented with key account customers include back-up generation, energy-efficient lighting, power quality surveys, HVAC training seminars and overall energy management systems.
Providing facility solutions to commercial and industrial customers that help them improve their energy efficiency and lower overall energy cost has been a major focus of our Key Account Management program. During 2011, ElectriCities Key Account team performed over 100 energy assessments conducive to commercial and industrial customers. These energy assessments provide customers with a tailored report that summarizes their overall electric costs, a monthly detail of their energy usage and a list of specific recommendations. The team will assist customers with detailed project design and analysis during implementation as well as follow-up measurement and monitoring of the results.

ElectriCities staff also provides single-point-of-contact and account management for national account customers doing business in North Carolina. Over 40 contacts were made to the national accounts customers in 2011.

Residential Energy Education and Weatherization Assistance Services

ElectriCities offers programs and services to help members address the needs of residential customers. Active residential programs for 2011 included Energy Depot for Homes; a set of online, interactive marketing and customer service applications; residential energy survey service; and distribution of energy efficiency kits.

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The Energy Efficiency KIt is designed to help 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 a HVAC filter whistle. In 2011, more than 4,500 Energy Efficiency Kits were distributed by ElectriCities members.

Energy Surveys were conducted in 2011 to market the benefits of weatherization. Staff facilitated and marketed North Carolina’s Weatherization Assistance Program (WAP) throughout NC Public Power communities. The WAP is administered through the NC Energy Office, utilizing a network of local weatherization agencies serving all counties in the state. ElectriCities’ efforts included coordinating community awareness campaigns that informed consumers of available weatherization services. Staff facilitated and marketed North Carolina’s Weatherization Assistance Program (WAP) throughout NC Public Power communities. The WAP is administered through the NC Energy Office, utilizing a network of local weatherization agencies serving all counties in the state. ElectriCities’ efforts included coordinating community awareness campaigns that informed consumers of available weatherization services.

The Strategic Communications team plans a celebration campaign each year for Homes, a set of online, interactive marketing and customer service applications; residential energy survey service; and distribution of energy efficiency kits. The Energy Efficiency KIt is designed to help 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 a HVAC filter whistle. In 2011, more than 4,500 Energy Efficiency Kits were distributed by ElectriCities members.

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Utility Operations Services

A variety of utility operations services are provided by ElectriCities Programs and Services department. These programs are designed to provide support for members’ electric distribution systems and customer service programs.

Distribution Systems support programs include: the Operations Standards Team, statewide service contracts, the Emergency Assistance Program, assistance with American Public Power Association (APPA) Reliable Power Provider (RPP) program and hosting an online forum for Utility Directors to share best practices.

The Operations Standards Team is a member-based team that is comprised of Utility Directors with the mission of developing safe, efficient work practices. The team produces the “Guidelines for Municipal Electric System Construction”, which includes overhead construction drawings, underground construction drawings and procedures and metering guidelines and procedures.

Member Services staff administers the Statewide Service Contracts programs to help public power communities collectively take advantage of volume pricing discounts. In 2011, staff solicited input from members to identify additional opportunities for developing safe, efficient work practices. The team produces the “Guidelines for Municipal Electric System Construction”, which includes overhead construction drawings, underground construction drawings and procedures and metering guidelines and procedures.

The Member Services team also provides technical and business process support to members during emergency restoration efforts. All the members participate in this program and willingly provide support to each other during restoration efforts. Member Services staff keeps updated mutual aid agreements and contract information to allow quick response and dispatch after storms. The Emergency Assistance Program was tested multiple times in 2011 by the April tornadoes across the southern United States and Hurricane Irene in late August. Member Services staff participates in state and regional planning teams to assist with the state’s Southeast Power Disaster Response Group, to ensure the Emergency Assistance Program uses the latest practices in planning and recovering from outages.

The RPP program, APPA’s initiative to promote and recognize excellent public power utilities, is supported by the Member Services department. Staff assists members by promoting the program, providing information necessary to complete application, answering questions and reviewing applications. The program has been very effective and has resulted in North Carolina having the most RPPs designees of any state in the country.

The Member Services team also provides an array of services that promote customer service and business operation excellence. Examples include webinars on customer service practices and emerging issues, hosting forums for Customer Service Managers, facilitating online forums for discussions among peers, offering customer service training workshops and providing business operations and regulatory assistance. Guidelines for customer service policies and procedures are available to all members as a reference manual. Customized customer service training is available to members as needed.

Member Services staff also coordinates the Regional Meetings, a CEO-sponsored initiative to meet with local elected officials and provide key updates on Power Agency operations and public power emerging issues.

ElectriCities Annual Conference

The ElectriCities Annual Conference was held Aug 25-27 at the Grove Park Inn in Asheville. Members from throughout the state’s Appalachian Power Agency (APA) Reliable Power Provider (RPP) program and hosting an online forum for Utility Directors to share best practices.

The operations and regulatory assistance. The 2012 Annual Conference will be held Aug 25-27 at the Grove Park Inn in Asheville. Members from throughout the state’s Appalachian Power Agency (APA) Reliable Power Provider (RPP) program and hosting an online forum for Utility Directors to share best practices.

Customer Information Systems (CIS) Program

ElectriCities offers its Members a state-of-the-art hosted Customer Information System (CIS), NorthStar, to aid the local utility customer service, billing and accounting operations. ElectriCities CIS (CIS) is a comprehensive solution that integrates the hardware and software and offer database management, disaster recovery and other technical infrastructure management. Users are provided with technical and business process assistance through our Help Desk, training and an ElectriCities User Group.

Five members are currently hosted: Albemarle, Cherryville, Cornelius, Huntersville and Morganton. In 2011 these members managed accounts for 39,000 customers, billing approximately $100 million in revenues. NorthStar was used for meter inventory, service orders, credit, collections, call management, executive reporting and web bill presentation and payment. The NorthStar system is able to bill electric, water, sewer, refuse/garbage, gas and other miscellaneous city services. It is also being used by utilities throughout North America in AMI and deregulated environments.

Shelby, Laurinburg and Concord also use NorthStar CIS and are part of the ElectriCities User Group. This group met in October 2011 for training to learn about system upgrades, enhancements and partner products, and to share best practices.

Any city interested in the hosted CIS Regions Program can learn more through onsite demonstrations facilitated by ElectriCities IT Department. In addition to the comprehensive functionality available in NorthStar, there are financial benefits through shared costs with other members, reliability and redundancy available through the shared infrastructure, and staff assistance for project management, technical support and ongoing support, making the hosted approach a comprehensive value-added service for 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 250,000 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.
On Monday, Aug. 22, Hurricane Irene was a Category 1 storm churning over Puerto Rico. It was too early to predict when, or even if, it would continue to build strength and make it to North Carolina, but the ElectriCities storm team began to prepare by contacting Emergency Assistance Program (EAP) coordinators, tracking the storm via NOAA reports at regular intervals and engaging social media.

After weakening briefly, the hurricane gained strength over the warm waters of the Bahamas and became a Category 3 storm. On Wednesday, Aug. 24, all eyes were on Hurricane Irene as it gained strength. Mandatory evacuations began in the Outer Banks and Progress Energy personnel, following Nuclear Regulatory Commission guidelines, prepared the Brunswick Nuclear Plant.

The following day, the State Emergency Response Team declared a Level 1 event. It was no longer a question of when the storm would hit, but how bad its toll would be. The ElectriCities EAP went into effect as cities in the east began their own emergency plans, setting up staging areas and putting their crews on alert. Crews from Western public power communities and out of state began making plans to travel east.

At 7:30 a.m. Saturday, Irene made landfall at Cape Lookout with winds of 85 miles per hour. The storm stalled for more than five hours, pummeling cities with wind and rain, ripping trees from the ground and destroying homes, businesses, cars and infrastructure.

Meanwhile, at the ElectriCities Annual Conference in Asheville, the responders huddled in a meeting room, gathering information and anticipating what help would be needed.

“We were able to initiate the Emergency Assistance Program and gather the responders to coordinate the response as a group,” said Ken Raber, senior vice president of Member Services. “It gave a rare and unique opportunity to meet face to face to plan the response.”

Don Mitchell, NCMPA1 EAP coordinator, who had spent most of the days leading up to then polling cities to line up available crews and equipment for the response, said, “It was fortunate that we were all together at the conference and able to coordinate.”

Utility trucks with crews from 19 NC Public Power communities were rolling east in a matter of hours. Destruction throughout the entire region was massive and accessibility presented a major hurdle. The large number of downed trees and flooding in some areas inhibited the crews’ ability to reach facilities that needed to be repaired. At the peak, more than 65,000 customers were without power in public power communities.

“When we got to Kinston, it was devastated,” said Nick Hendricks, Kings Mountain’s director of utilities. “We had to work 17-18 hours on Sunday just to get the mainline circuits replaced before any lights could come on.”

“New Bern was pretty bad off,” said Jon Beasley, director of Safety and Training for Electric Cities of Georgia. Beasley and his team of 32 linemen from eight public power communities in Georgia spent eight 16-hour days restoring power in Scotland Neck, Tarboro, Pinetops, Hertford, Robersonville, Kinston and New Bern. Work continued across the area for a solid week until all customers were restored.

Thanks to the professionalism and training of the crews, all work was performed safely and no injuries were reported.

The following public power communities responded: North Carolina Albemarle Apex Clayton Concord Clayton/Dallas Claytonville PWC Gastonia High Point Huntersville/Cornelius Kings Mountain Lexington Lumberton Monroe Newton Newton New Bern Selma Shelby Statesville Wake Forest South Carolina Union Gaffney Laurens Rock Hill ElectriCities of Georgia LaGrange Neenah Griffin Ellaville Moultrie Thomasville Calhoun Cartersville Huntsville Alabama

Thanks to the crews who answered the call

Crews from 34 public power communities who were unaffected by the storm provided valuable support to their neighbors. Before Irene even left the state, utilities from across the southeastern United States were sending line workers and bucket trucks our way.