2010 Financial Report

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY

Annual Financial Report
(With Independent Auditors’ Report Thereon)

December 31, 2010 and 2009

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North Carolina Eastern Municipal Power Agency
Annual Financial Report
Years Ended December 31, 2010 and 2009

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CHERRY BEKAERT& HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditors' Report

The Board of Directors
North Carolina Eastern Municipal Power Agency
Raleigh, North Carolina

We have audited the accompanying balance sheets of North Carolina Eastern Municipal Power Agency as of December 31, 2010 and 2009, and the related statements of revenues and expenses and changes in fund equity, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Eastern Municipal Power Agency as of December 31, 2010 and 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis section listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and, accordingly, express no opinion thereon.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information as listed in the table of contents as of and for the years ended December 31, 2010 and 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert + Holland LLP

April 7, 2011
Raleigh, North Carolina

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Management's Discussion and Analysis (MD&A)

As management of North Carolina Eastern Municipal Power Agency (Agency), we offer this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2010 and 2009. We encourage you to read this information in conjunction with the information furnished in the Agency's financial statements that follow this narrative.

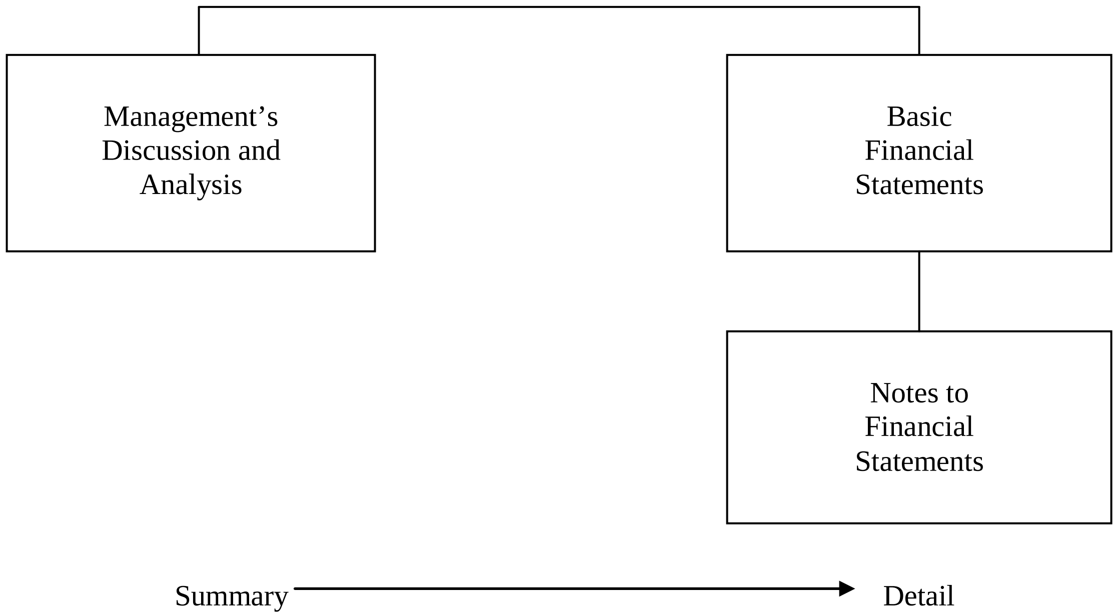
Financial Highlights

- The Agency's basic financial statements consist of a single electric enterprise fund.
- At year-end 2010 and 2009, the Agency's assets exceeded its liabilities by $65,183,000 and $54,429,000, respectively (fund equity).
- The Agency's fund equity increased by $10,754,000 and $19,681,000 for 2010 and 2009, respectively.
- Year-end 2010 and 2009 unrestricted fund equity was $571,477,000 and $647,290,000, respectively, and decreased $75,843,000 and increased $42,045,000 during 2010 and 2009, respectively.
- The Agency's total debt decreased $169,930,000 and $43,445,000 during 2010 and 2009, respectively, as follows:
  - Decreased $124,915,000 and $139,840,000 in 2010 and 2009, respectively, due to principal paid January 1, 2010 and 2009 in accordance with debt service schedules.
  - Decreased $45,015,000 and increased $96,395,000 in 2010 and 2009, respectively, due to refunding, to funding of certain capital additions and to the termination of certain swap agreements.
- In September 2010 and May, September and October 2009, the Agency refinanced some of its existing debt to take advantage of low interest rates. In addition, the Agency issued new debt to fund certain capital additions and to terminate certain swap agreements.
  - In September 2010, the Agency issued $146,145,000 of Series 2010 A Refunding Bonds to refund $191,160,000 of previously issued bonds. Net present value savings realized were $25,273,000 with debt service savings of $1,611,000 in 2011 and ranging from $495,000 to $15,920,000 per year through 2023.
  - In October 2009, the Agency issued $16,405,000 of Series 2009 D Bonds to finance the costs of terminating a $120,035,000 swap agreement for the Series 1999 D Bonds.
  - In September 2009, the Agency issued $377,170,000 of Series 2009 B and $24,445,000 of Series 2009 C Refunding Bonds to refund $388,725,000 of previously issued bonds. Net present value savings realized were $40,693,000 with debt service savings of $918,000 in 2010 and ranging from $3,140,000 to $4,390,000 per year through 2026.
  - In May 2009, the Agency issued $67,100,000 of Series 2009 A Bonds to finance certain capital additions and the costs of terminating an $115,040,000 swap agreement for the Series 1999 B Bonds.
- The bond ratings increased or remained the same as follows:
  - Standard and Poor's – Unchanged at A- (stable).
  - Moody's – Unchanged at Baa1 (stable).
  - Fitch – Increased to A- (stable) from BBB+ (positive) in August 2010.
- On February 1, 2009 all revenues previously collected through the energy adjustment rider were rolled into the base energy rates for a revenue neutral adjustment and a 4.0% rate increase was implemented through the first and second demand blocks. There was no rate increase in 2010.

Overview of the Financial Statements

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

Required Components of the Annual Financial Report
Exhibit 1



Basic Financial Statements

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

The second section of the basic financial statements is the notes that explain in more detail some of the data contained in the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are on pages 14 to 36 of this report.

After the notes, supplemental information is provided to show how the Agency's rates recovered its expenses as defined by the Bond Resolution, to show the Agency's performance against budget and to show activities in the special funds established by the Bond Resolution or the Board of Commissioners. Supplemental information can be found on pages 38 to 43 of this report.

Financial Analysis

The electric enterprise fund financial statements for the years ended December 31, 2010 and 2009 are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Fund Equity
Exhibit 2
($000s)

	December 31,		
	2010	2009	2008
Assets			
Capital assets	$ 701,865	$ 682,586	$ 682,720
Current and other assets	2,203,936	2,344,121	2,368,951
Total assets	2,905,801	3,026,707	3,051,671
Liabilities			
Long-term liabilities outstanding	2,732,557	2,861,682	2,825,169
Other liabilities	108,061	110,596	191,754
Total liabilities	2,840,618	2,972,278	3,016,923
Fund Equity			
Invested in capital assets, net of related debt (deficit)	(594,671)	(706,824)	(733,096)
Restricted for debt service	88,407	113,963	162,599
Unrestricted	571,447	647,290	605,245
Total fund equity	$ 65,183	$ 54,429	$ 34,748

The various components of fund equity may serve over time as a useful indicator of the Agency's financial condition. The assets of the Agency exceeded liabilities by $65,183,000, $54,429,000, and $34,748,000 at December 31, 2010, 2009 and 2008, respectively, representing an increase of $10,754,000 and $19,681,000 for 2010 and 2009, respectively.

The deficit portion of fund equity of $(594,671,000), $(706,824,000) and $(733,096,000) at December 31, 2010, 2009 and 2008, respectively, reflects the Agency's investments in capital assets (e.g. land, buildings, generation facilities, nuclear fuel and equipment), less any related debt outstanding that was issued to acquire or refinance those items. The deficit occurs because depreciation is expensed on a straight line basis over the life of the plant while debt repayment is structured similar to a home mortgage where early debt payments include more interest than principal and later payments include more principal than interest. This deficit was reduced during 2010 and 2009 because the payment of principal debt service on January 1, equity contributions to facilitate the refunding of debt and the payment of capital additions from current operating funds exceeded depreciation expense.

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

An additional portion of the Agency's fund equity of $88,407,000, $113,963,000, and $162,599,000 at December 31, 2010, 2009 and 2008, respectively, represents resources that are restricted for the payment of debt service.

The remaining balance of $571,447,000, $647,290,000, and $605,245,000 at December 31, 2010, 2009 and 2008, respectively, is unrestricted fund equity.

Changes in Fund Equity
Exhibit 3
($000s)

	Years Ended December 31,		
	2010	2009	2008
Revenues:			
Operating revenues	$ 729,042	$ 692,723	$ 625,583
Nonoperating revenues	17,195	21,871	22,599
Total Revenues	746,237	714,594	648,182
Expenses:			
Operating expenses	445,948	406,322	370,205
Interest on long-term debt	130,146	140,953	148,390
Other nonoperating expenses	159,389	147,638	144,035
Total Expenses	735,483	694,913	662,630
Increase (decrease) in fund equity	10,754	19,681	(14,448)
Fund equity, Beginning of year	54,429	34,748	49,196
Fund equity, End of year	$ 65,183	$ 54,429	$ 34,748

Financial Highlights

- The Agency will submit a 2010 budget amendment at the April 27, 2011 regularly scheduled Board of Commissioners meeting. The budget amendment is primarily due to additional purchase power costs which were offset by an increase in sales to Participants.
- On February 1, 2009 all revenues previously collected through the energy adjustment rider were rolled into the base energy rates for a revenue neutral adjustment and a 4.0% rate increase was implemented through the first and second demand blocks. There was no rate increase in 2010.

Capital Assets and Debt Administration

Capital Assets

Investments in capital assets at December 31, 2010, 2009 and 2008 totaled $701,865,000, $682,586,000, and $682,720,000, respectively, (net of accumulated amortization and depreciation) for an increase of $19,279,000, and a decrease of $134,000 in 2010 and 2009, respectively. These assets include land, buildings, generation facilities, nuclear fuel and equipment.

Major capital asset transactions during 2010 and 2009 include the following:

- CWIP increased $43,729,000 and $25,507,000 in 2010 and 2009, respectively, due to capital additions projects at the joint units.
- Electric Plant in Service (EPIS) increased and CWIP decreased $53,241,000 and $36,683,000 in 2010 and 2009, respectively, due to the transfer of completed capital additions projects.
- Electric Utility Plant and Non-Utility Property and Equipment were depreciated $31,278,000 and $22,532,000 for 2010 and 2009, respectively.
- Nuclear Fuel was amortized $21,528,000 and $17,863,000 for 2010 and 2009, respectively.

Capital Assets
Exhibit 4
($000s)

Electric Utility Plant, Net

	December 31, 2009	Additions	Transfers	Retirements	December 31, 2010
Depreciable Utility Plant					
Electric Utility Plant					
Electric Plant in Service	$ 1,616,440	$ 1,938	$ 53,241	$ (10,265)	$ 1,661,354
Nuclear Fuel	94,202	25,559	(9,399)		110,362
Total Depreciable Utility Plant	1,710,642	27,470	43,842	(10,265)	1,771,716
Accumulated Depreciation and Amortization					
Electric Plant in Service	(1,019,415)	(30,317)		10,265	(1,039,467)
Nuclear Fuel	(39,042)	(21,528)	9,399		(51,171)
Total Accumulated Depreciation and Amortization	(1,058,457)	(51,845)	9,399	10,265	(1,090,638)
Depreciable Utility Plant, Net	652,185	(24,375)	53,241	-	681,078
Land and Other Non-Depreciable Assets					
Land	14,187				14,187
Construction Work In Progress	14,755	43,729	(53,241)		5,243
Total Electric Utility Plant, Net	$ 681,127	$ 19,354	$ -	$ -	$ 700,508

	December 31, 2008	Additions	Transfers	Retirements	December 31, 2009
Depreciable Utility Plant					
Electric Utility Plant					
Electric Plant in Service	$ 1,587,614	$ (565)	$ 36,683	$ (7,292)	$ 1,616,440
Nuclear Fuel	94,075	15,296	(15,169)		94,202
Total Depreciable Utility Plant	1,681,689	14,731	21,514	(7,292)	1,710,642
Accumulated Depreciation and Amortization					
Electric Plant in Service	(1,004,275)	(22,433)		7,293	(1,019,415)
Nuclear Fuel	(36,348)	(17,863)	15,169		(39,042)
Total Accumulated Depreciation and Amortization	(1,040,623)	(40,296)	15,169	7,293	(1,058,457)
Depreciable Utility Plant, Net	641,066	(25,565)	36,683	1	652,185
Land and Other Non-Depreciable Assets					
Land	14,188			(1)	14,187
Construction Work In Progress	25,931	25,507	(36,683)		14,755
Total Electric Utility Plant, Net	$ 681,185	$ (58)	$ -	$ -	$ 681,127

Non-Utility Plant and Equipment, Net

	December 31, 2009	Additions	Transfers	Retirements	December 31, 2010
Non-Utility Property and Equipment					
Property and Equipment	$ 2,241	$ -	$ -	$ -	$ 2,241
Accumulated Depreciation	(1,492)	(102)			(1,594)
Total Depreciable Property and Equipment, Net	749	(102)	-	-	647
Land	710				710
Total Non-Utility Property and Equipment, Net	$ 1,459	$ (102)	$ -	$ -	$ 1,357

	December 31, 2008	Additions	Transfers	Retirements	December 31, 2009
Non-Utility Property and Equipment					
Property and Equipment	$ 2,218	$ 23	$ -	$ -	$ 2,241
Accumulated Depreciation	(1,393)	(99)			(1,492)
Total Depreciable Property and Equipment, Net	825	(76)	-	-	749
Land	710				710
Total Non-Utility Property and Equipment, Net	$ 1,535	$ (76)	$ -	$ -	$ 1,459

Additional information on capital assets can be found in Note C beginning on page 21 of this report.

Outstanding Debt

Total debt outstanding at December 31, 2010, 2009 and 2008 was $2,396,330,000, $2,566,260,000, and $2,609,705,000, respectively, all of which are revenue bonds. Total debt decreased by $169,930,000 (6.6%) and $43,445,000 (1.7%) during 2010 and 2009, respectively, due to the principal debt payments and bond refundings.

In September 2010, and May, September and October 2009, the Agency refinanced some of its existing debt to take advantage of low interest rates. In addition, the Agency issued new debt to fund certain capital additions and to terminate certain swap agreements.

- In September 2010, the Agency issued $146,145,000 of Series 2010 A Refunding Bonds to refund $191,160,000 of previously issued bonds. Net present value savings realized were $25,273,000 with debt service savings of $1,611,000 in 2011 and ranging from $495,000 to $15,920,000 per year through 2023.
- In October 2009, the Agency issued $16,405,000 of Series 2009 D Bonds to finance the costs of terminating a $120,035,000 swap agreement for the Series 1999 D Bonds.
- In September 2009, the Agency issued $377,170,000 of Series 2009 B and $24,445,000 of Series 2009 C Refunding Bonds to refund $388,725,000 of previously issued bonds. Net present value savings realized were $40,693,000 with debt service savings of $918,000 in 2010 and ranging from $3,140,000 to $4,390,000 per year through 2026.
- In May 2009, the Agency issued $67,100,000 of Series 2009 A Bonds to finance capital additions and the costs of terminating $115,040,000 swap agreement for the Series 1999 B Bonds.

The bond ratings increased or remained the same as follows:

- Standard and Poor's – Unchanged at A- (stable).
- Moody's – Unchanged at Baa1 (stable).
- Fitch – Increased to A- (stable) from BBB+ (positive) in August 2010.

Additional information regarding the Agency's long-term debt can be found in Note H beginning on page 30 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

The following key economic factors played a role in the 2011 budget.

- During 2010, Power Agency's loads rebounded due to increased demand and energy driven by weather conditions and a bottoming out of economic factors driven by the recession. It is unlikely that economic growth alone will help increase 2011 levels over 2010 sales. Assuming that weather trends return to their historical levels in 2011, actual load growth between 2010 and 2011 is expected to be flat. Long-term load growth is expected to be less than 1% annually due to the anticipation of a slow economic recovery and adoption of more energy efficient appliances by consumers.
- Market prices for uranium and coal have moderated during the economic slowdown. These reduced prices are reflected in the Power Agency's projected cost of generation.
- Power Agency owns and purchases energy from a diverse portfolio of generating assets. Therefore, the strength or weakness of an economic recovery and any resultant volatility in the commodities markets for nuclear, coal and natural gas may result in fluctuations in the Power Agency's cost of power supply.

Budget Highlights for 2011

- Reflects a continued focus on reliable, cost effective power supply and Participant services.
- Assumes no wholesale rate change.
- The load forecast projects energy sales growing 1.1% during 2011 and annual coincident peak demand growing 1% per year.
- Collection through rates of $149,015,000 for debt principal due January 1, 2012.
- Anticipates capital additions at the joint units of approximately $45,100,000 for system improvements, equipment replacement/modifications and ongoing capital programs and projects. Approximately $32,700,000 of these capital additions will be funded through rates.
- Scheduled outages at Brunswick Unit 2 for refueling and Mayo plant for maintenance.

Requests for Information

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

North Carolina Eastern Municipal Power Agency
Balance Sheets
($000s)

	December 31, 2010	December 31, 2009
ASSETS		
Non-Current Assets		
Capital Assets (Note C)		
Electric Utility Plant, Net		
Electric plant in service	$ 1,675,541	$ 1,630,627
Construction work in progress	5,243	14,755
Nuclear fuel	110,362	94,202
Accumulated depreciation and amortization	(1,090,638)	(1,058,457)
Total Electric Utility Plant, Net	700,508	681,127
Non-Utility Property and Equipment, Net		
Property and equipment	2,952	2,952
Accumulated depreciation	(1,595)	(1,493)
Total Non-Utility Property and Equipment, Net	1,357	1,459
Total Capital Assets	701,865	682,586
Restricted Assets		
Special Funds Invested (Note D):		
Construction fund	6,183	21,054
Bond fund	360,361	375,753
Reserve and contingency fund	15,802	18,865
Total Special Funds Invested	382,346	415,672
Trust for Decommissioning Costs (Notes D and E)	206,990	188,096
Total Restricted Assets	589,336	603,768
Other Assets		
Unamortized debt issuance costs	24,382	27,790
VEPCO compensation payment (Note F)	4,275	4,663
Development costs	3,111	3,381
Costs of advance refundings of debt	241,841	255,870
Other deferred costs (Note G)	1,066,434	1,201,587
Total Other Assets	1,340,043	1,493,291
Total Non-Current Assets	2,631,244	2,779,645
Current Assets		
Funds Invested (Note D):		
Revenue fund	40,844	47,612
Operating fund	45,685	43,270
Supplemental fund	85,120	56,472
Total Funds Invested	171,649	147,354
Participants accounts receivable	66,290	58,121
Fossil fuel stock	38	9,691
Plant material and operating inventory	34,277	29,663
Prepaid expenses	2,303	2,233
Total Current Assets	274,557	247,062
Total Assets	$ 2,905,801	$ 3,026,707

See accompanying notes to financial statements.

	December 31, 2010	December 31, 2009
LIABILITIES AND FUND EQUITY		
Liabilities		
Non-Current Liabilities		
Long-Term Debt (Note H)		
Bonds payable	$ 2,254,510	$ 2,441,345
Unamortized premium (discount)	28,704	4,524
Total Long-Term Debt	2,283,214	2,445,869
Asset Retirement Obligation (Note E)	207,704	196,848
Deferred Revenues (Note G)	99,819	94,050
Total Non-Current Liabilities	2,590,737	2,736,767
Current Liabilities		
Operating Liabilities:		
Accounts payable	38,526	42,022
Accrued taxes	5,463	5,091
Total Operating Liabilities	43,989	47,113
Special Funds Liabilities:		
Current maturities of bonds (Note H)	141,820	124,915
Accrued interest on bonds	64,072	63,483
Total Special Funds Liabilities	205,892	188,398
Total Current Liabilities	249,881	235,511
Total Liabilities	2,840,618	2,972,278
Fund Equity		
Invested in capital assets, net of related debt (deficit)	(594,671)	(706,824)
Restricted for debt service	88,407	113,963
Unrestricted	571,447	647,290
Total fund equity	65,183	54,429
Total Liabilities and Fund Equity	$ 2,905,801	$ 3,026,707

North Carolina Eastern Municipal Power Agency
Statements of Revenues and Expenses and Changes in Fund Equity
($000s)

	Years Ended December 31,	
	2010	2009
Operating Revenues:		
Sales to participants	$ 728,854	$ 691,208
Sales to utilities	86	348
Other revenues	102	1,167
Total Operating Revenues	729,042	692,723
Operating Expenses:		
Operation and maintenance	72,283	64,929
Fuel	78,832	70,070
Power coordination services:		
Purchased power	159,395	149,681
Transmission and distribution	23,281	20,040
Other	451	450
Total power coordination services	183,127	170,171
Administrative and general	43,293	43,891
Amounts in lieu of taxes	2,248	2,579
Gross receipts tax	23,373	22,162
Depreciation and amortization	31,936	24,309
Amortization of asset retirement obligation	10,856	8,211
Total Operating Expenses	445,948	406,322
Operating Income	283,094	286,401
Nonoperating (Revenues) Expenses		
Investment income	(17,195)	(21,871)
Net decrease in fair value of investments and derivative financial instruments	(13,570)	68,555
Interest expense	130,146	140,953
Amortization of debt refunding cost	32,103	30,756
Amortization of debt discount and issuance costs	(69)	(153)
Net decrease in other deferred costs (Note G)	135,156	36,654
Net increase (decrease) in deferred revenues (Note G)	5,769	11,826
Total nonoperating expenses	272,340	266,720
Increase (decrease) in Fund Equity	10,754	19,681
Fund Equity, Beginning of the year	54,429	34,748
Fund Equity, End of the year	$ 65,183	$ 54,429

See accompanying notes to financial statements.

North Carolina Eastern Municipal Power Agency
Statements of Cash Flows
($000s)

	Years Ended December 31, 2010	Years Ended December 31, 2009
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 720,874	$ 689,009
Payments of operating expenses	(374,013)	(383,958)
Net cash provided by operating activities	346,861	305,051
Cash Flows from Capital and Related Financing Activities:		
Bonds issued	146,145	485,120
Bonds refunded	(191,160)	(388,725)
Interest paid	(129,557)	(150,524)
Debt premium (discount), issuance costs, and swap termination	9,229	(38,058)
Additions to electric utility plant and non-utility property and equipment	(76,478)	(42,038)
Bonds retired or redeemed	(124,915)	(139,840)
Net cash used for capital and related financing activities	(366,736)	(274,065)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	5,470,699	6,773,242
Purchases of investment securities	(5,464,299)	(6,817,838)
Investment earnings receipts	13,473	13,674
Net cash provided by (used for) investing activities	19,873	(30,922)
Net Change in Operating Cash	(2)	64
Operating Cash, Beginning of year	84	20
Operating Cash, End of year	$ 82	$ 84

Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:

	2010	2009
Operating Income	$ 283,094	$ 286,401
Adjustments:		
Depreciation and amortization	31,936	24,309
Amortization of asset retirement obligation	10,856	8,211
Additional funding for nuclear decommissioning	1,316	-
Amortization of nuclear fuel	25,323	17,863
Changes in assets and liabilities:		
(Increase) in participant accounts receivable	(8,168)	(3,697)
Decrease (increase) in fossil fuel stock	9,653	(2,020)
Decrease (increase) in prepaid expenses	(70)	200
Increase in plant material and operating supplies	(4,614)	(5,521)
Decrease in deferred costs	659	659
Increase (decrease) in accounts payable	(3,496)	(21,440)
Increase in accrued taxes	372	86
Total Adjustments	63,767	18,650
Net Cash Provided by Operating Activities	$ 346,861	$ 305,051

See accompanying notes to financial statements

A. General Matters

North Carolina Eastern Municipal Power Agency (Agency) is a joint agency organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipal electric systems, through the organization of the Agency, to finance, build, own and operate generation and transmission projects. The Agency is comprised of 32 municipal electric systems (Participants) with interests ranging from 0.0783% to 16.1343%, which receive power from the Agency.

Initial Project

The initial project is comprised of the Agency's undivided ownership interests in three nuclear-fueled and two coal-fired generating units presently in commercial operation by Progress Energy Carolinas, Inc. (PEC) as follows:

			Maximum Net Dependable Capability (MNDC) (MW)			
	Commercial	Agency	2010		2009	
	Operation	Ownership	Unit	Agency	Unit	Agency
Nuclear-Fuel Units						
Brunswick Unit 2	1975	18.33%	920	168.6	920	168.6
Brunswick Unit 1	1977	18.33%	938	171.9	938	171.9
Harris Unit 1	1987	16.17%	900	145.5	900	145.5
Total Nuclear-Fueled Capability				486.0		486.0
Coal-Fired Units						
Roxboro Unit 4	1980	12.94%	698	90.3	698	90.3
Mayo Unit 1	1983	16.17%	727	117.6	727	117.6
Total Coal-Fired Capability				207.9		207.9
Total of All Units				693.9		693.9

In conjunction with the purchase of its ownership interest, the Agency entered into several agreements with PEC that govern the purchase, ownership, construction, operation and maintenance of the generating units in the initial project.

- The Purchase, Construction and Ownership Agreement provides, among other things, for the Agency to purchase its ownership share of the project from PEC.
- The Operation and Fuel Agreement provides for PEC to operate, maintain and fuel the units; to make renewals, replacements and capital additions as approved by the Agency; and for the ultimate decommissioning or retirement of the joint units at the end of their useful lives.
- The Power Coordination Agreement provides for the interconnection of the Project with the PEC system, for the transmission of power to the Agency’s participants and for the purchase by the Agency of its power needs in excess of its ownership share from PEC.
- The Agency also entered into an agreement with Virginia Electric and Power Company (VEPCO) for the transmission of power to the Agency's Participants formerly served by VEPCO.

A. General Matters (continued)

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

The initial project is financed under Power System Revenue Bond Resolution No. R-2-82 (Resolution) which was adopted by the Board of Commissioners (Board) of the Agency. The Resolution established special funds to hold proceeds from debt issuance, such proceeds to be used for costs of acquisition and construction of the initial project and to establish and maintain certain reserves. The Resolution also established special funds into which initial project revenues from Participants are to be deposited and from which initial project operating costs, debt service and other specified payments are to be made.

ElectriCities of North Carolina, Inc.

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

The Agency entered into a management agreement with ElectriCities. Under the current management agreement with the Agency, ElectriCities is required to provide all personnel and personnel services necessary for the Agency to conduct its business in an economic and efficient manner. This agreement continues through December 31, 2013, and is automatically renewed for successive three-year periods unless terminated by one year’s notice by either party prior to the end of the contract term.

For the years ended December 31, 2010 and 2009, the Agency paid ElectriCities $7,584,000 and $7,065,000, respectively.

B. Significant Accounting Policies

Basis of Accounting

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

B. Significant Accounting Policies (continued)

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

The financial statements are prepared using the economic resources measurement focus. Operating revenues are defined as revenues received from the sale of electricity and associated services. Revenues from capital and related financing activities and investment activities are defined as non-operating revenues. Restricted equity represents constraints on resources that are imposed by Resolution and may be utilized only for the purposes established by the Resolution. Unrestricted equity may be utilized for any purpose approved by the Board through the budget process. When both restricted and unrestricted equity might be used to meet an obligation, the Agency first uses the restricted equity.

Financial Reporting

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the Agency has adopted the option to apply U.S. GAAP that does not conflict with or contradict GASB pronouncements.

Electric Plant in Service

All direct and indirect expenditures associated with the development and construction of the Agency's undivided ownership interests in five of PEC's generating units in commercial operation, including interest expense net of investment earnings on funds not yet expended, have been recorded at original cost (plus acquisition adjustment) and are being depreciated (or amortized) on a straight-line basis. Both Brunswick units are being depreciated over the remaining life of the plants, which at December 31, 2010, was 25 years, 8 months for Brunswick Unit 1 and 24 years for Brunswick Unit 2. The Harris plant is being depreciated over the remaining life of the plant, which at December 31, 2010, was 36 years, 10 months. The two remaining units are being depreciated over the remaining life of the debt used to fund each unit's assets. At December 31, 2010 the remaining life of the debt to fund the assets for Roxboro Unit 4 was 4 years and Mayo Unit 1 was 6 years.

The asset retirement obligation adjustment arising from implementing U.S. GAAP (discussed under Decommissioning Costs beginning on page 27) is also included. It is being depreciated over the remaining life of the plants from which the asset retirement obligation arises.

The Agency has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" which requires the Agency to report the effect of capital asset impairments in the financial statements when they occur rather than in the ongoing depreciation expense for the capital asset. Any insurance recovery associated with the impairment will be netted with the impairment loss. During 2010 and 2009 no such impairment occurred.

Construction Work in Progress

All expenditures associated with capital additions related to the Agency's undivided ownership interests in PEC's generating units are capitalized as construction work in progress until such time as they are complete, at which time they are transferred to Electric Plant in Service. No interest is capitalized on capital additions. Depreciation expense is recognized on these items after they are transferred.

B. Significant Accounting Policies (continued)

Nuclear Fuel

All expenditures related to the purchase and construction of the Agency's undivided ownership interests in nuclear fuel cores are capitalized until such time as the cores are placed in the reactor. No interest is capitalized on fuel cores. Once placed in the reactor, they are amortized to fuel expense utilizing the units of production method. Amounts are removed from the books upon disposal of the spent nuclear fuel. Nuclear fuel expense includes a provision for estimated disposal costs, which is being collected currently from Participants. Amortization of nuclear fuel costs in 2010 and 2009 included a provision of $3,878,000 and $3,863,000, respectively, for estimated disposal costs.

Under provisions of the Nuclear Waste Policy Act of 1982, PEC, on behalf of PEC and the Agency, entered into contracts with the Department of Energy (DOE) for the disposal of spent nuclear fuel. The DOE failed to begin accepting the spent nuclear fuel in 1998, the year provided by the Nuclear Waste Policy Act and PEC's contract with the DOE. To date, the DOE continues not to accept spent nuclear fuel assemblies or title to such fuel assemblies.

PEC reports that it filed a complaint in January 2004, with the United States Court of Federal Claims against the DOE claiming that the DOE breached the Standard Contract for Disposal of Spent Nuclear Fuel by failing to accept spent nuclear fuel from various PEC facilities on or before January 31, 1998. The case went to trial in November 2007. On May 21, 2008, the U.S. Court of Federal Claims issued a ruling and awarded PEC $82.8 million for costs incurred as a result of DOE's failure to accept spent fuel from PEC. According to PEC, the U.S. Department of Justice appealed this decision. PEC further reports that the case has been argued before the Federal Court of Appeals and that they are awaiting a ruling. The outcome of this matter cannot be predicted at this time. Power Agency reports that neither PEC nor Power Agency has received any portion of the awarded amount.

While it is uncertain when DOE will begin accepting spent fuel, PEC reports it will continue to maximize the usage of spent fuel storage capability within its own facilities for as long as feasible. PEC reports that with certain modifications and additional NRC approval, including the installation of onsite dry storage facilities at Robinson and Brunswick, PEC's spent nuclear fuel storage facilities will be sufficient to provide storage space for spent fuel generated on PEC's system through the expiration of the operating licenses including any license extensions for all of PEC's nuclear generating units. According to PEC, Harris Unit 1 has sufficient capacity in its spent fuel pool through the expiration of its operating license, including any license extension.

Non-Utility Property and Equipment

This includes the land and administrative office building jointly owned with NCMPA1 and used by both Agencies and ElectriCities. The administrative office building is being depreciated over 37 ½ years on a straight-line basis.

B. Significant Accounting Policies (continued)

Investments

The Agency reports according to the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires investments to be reported at fair value. In addition, the Agency reports according to the provisions of GASB Statement No. 40 "Deposit and Investment Risk Disclosures" which addresses common investment risks related to credit risk, concentration of credit risk and interest rate risk.

Deferred Costs

Deferred costs are shown net of accumulated amortization. Unamortized debt issuance costs at December 31, 2010 and 2009, shown net of accumulated amortization of $19,324,000 and $20,677,000 respectively, are being amortized using the interest method over the term of the related debt. Development costs, shown net of accumulated amortization of $7,504,000 and $7,234,000 at December 31, 2010 and 2009, respectively, are being amortized on a straight-line basis over the forty-year life of the initial project. Costs of advance refunding of debt at December 31, 2010 and 2009, shown net of accumulated amortization of $378,838,000 and $412,690,000, respectively, are deferred and amortized using the interest method over the term of the debt issued on refunding. Other deferred costs and deferred revenues are not amortized but will either be recovered from or refunded to Participants through future rates (see Note G).

Accounts Receivable

Accounts receivable consist of trade accounts receivable associated with the sale of electricity and are stated at cost. The Agency primarily sells to the Participants in the project and accordingly, management does not believe an allowance for doubtful accounts is required.

Fossil Fuel Stock

Fossil fuel stock includes fossil fuel stock and EPA Clean Air Act Allowances, each of which is stated at average cost.

Discounts/Premiums on Bonds

Discounts on bonds (net of premiums) at December 31, 2010 and 2009 shown net of accumulated accretion/amortization of $(21,920,071) and $(11,039,000), respectively, are amortized over the terms of the related bonds in a manner which yields a constant rate of interest.

Decommissioning Costs

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

B. Significant Accounting Policies (continued)

Pollution Remediation Obligations

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

Derivative Financial Instruments

U.S. GAAP requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

Net Assets Restricted by Enabling Legislation

GASB Statement No. 46 "Net Assets Restricted by Enabling Legislation - an amendment of GASB Statement 34" (GASB No. 46) requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The only enabling legislation affecting the Agency is that legislation by which it was created. There has been no enabling legislation since inception that imposes limits on the use of new capital. Therefore, the Agency believes it does not fall under the requirements of GASB No. 46.

Intangible Assets

In June 2007, GASB issued Statement No. 51, “Accounting and Financial Reporting for Intangible Assets” (GASB No. 51). The objective of this Statement is to establish accounting and reporting requirements for intangible assets that reduce accounting inconsistencies between intangible and tangible assets with respect to recognition, initial measurement and amortization period. GASB No. 51 establishes six criteria for recognition, measurement and amortization. Examples of intangible assets include easements, water rights, timber rights, patents, licenses and software. The Agency currently adheres to the criteria established in GASB No. 51.

Fund Balance Reporting

In March 2009, GASB issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB No. 54). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Statement additionally imposes the requirement to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. The Agency had no impact as a result of adopting this standard.

B. Significant Accounting Policies (continued)

Other Post Employment Benefits

GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" (GASB No. 57) addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. All Agency employees are provided through a Management Services contract with ElectriCities and therefore, the Agency has no employees or OPEB plan.

Bankruptcies

In December 2009, GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies" (GASB No. 58). This Statement provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The Agency has not filed for bankruptcy and does not anticipate filing for bankruptcy.

Taxes

Income of the Agency is excludable from income subject to federal income tax under Section 115 of the Internal Revenue Code. Chapter 159B of the General Statutes of North Carolina exempts the Agency from property and franchise or other privilege taxes. In lieu of property taxes, the Agency pays an amount that would otherwise be assessed on the real and personal property of the Agency. In lieu of a franchise or privilege tax, the Agency pays an amount equal to 3.22% of the gross receipts from sales of electricity to Participants.

Statements of Cash Flows

For purposes of the statements of cash flows, operating cash consists of unrestricted cash of $82,000 and $84,000 at December 31, 2010 and 2009, respectively, included on the balance sheet in the line item "Current Assets: Funds Invested". Restricted cash of $2,000 and $14,000 at December 31, 2010 and 2009, respectively, included on the balance sheet in the line item "Restricted Assets: Special Funds Invested" is not included on the statements of cash flows.

Use of Estimates

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

Future Accounting Standards

In June 2010, GASB issued Statement No. 59, "Financial Instruments Omnibus," (GASB No. 59). This Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and investment pools. This Statement is effective for reporting periods beginning after June 15, 2010, and is not expected to have a material effect on the Agency's financial position, overall cash flow or balances, or results of operations.

B. Significant Accounting Policies (continued)

In November 2010, GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", (GASB No. 60). This Statement is to improve financial reporting over service concession agreements, which are a type of public-private or public-public partnership. This Statement is effective for periods beginning after December 31, 2011, and is not expected to have a material effect on the Agency's financial position, overall cash flow or balances, or results of operations.

In November 2010, GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34", (GASB No. 61). This Statement is to improve financial reporting for a governmental financial reporting entity. This Statement is effective for periods beginning after June 15, 2012, and is not expected to have a material impact on the Agency's financial position, overall cash flow or balances, or results of operations.

C. Capital Assets

Electric Utility Plant, Net

Changes in components of electric utility plant, net during 2010 and 2009 are as follows (in thousands of dollars):

	December 31, 2009	Additions	Transfers	Retirements	December 31, 2010
Depreciable Utility Plant					
Electric Utility Plant					
Electric Plant in Service	$ 1,616,440	$ 1,938	$ 53,241	$ (10,265)	$ 1,661,354
Nuclear Fuel	94,202	25,559	(9,399)		110,362
Total Depreciable Utility Plant	1,710,642	27,470	43,842	(10,265)	1,771,716
Accumulated Depreciation and Amortization					
Electric Plant in Service	(1,019,415)	(30,317)		10,265	(1,039,467)
Nuclear Fuel	(39,042)	(21,528)	9,399		(51,171)
Total Accumulated Depreciation and Amortization	(1,058,457)	(51,845)	9,399	10,265	(1,090,638)
Depreciable Utility Plant, Net	652,185	(24,375)	53,241	-	681,078
Land and Other Non-Depreciable Assets					
Land	14,187				14,187
Construction Work In Progress	14,755	43,729	(53,241)		5,243
Total Electric Utility Plant, Net	$ 681,127	$ 19,354	$ -	$ -	$ 700,508

C. Capital Assets (continued)

		December 31, 2008		Additions		Transfers		Retirements		December 31, 2009
Depreciable Utility Plant										
Electric Utility Plant										
Electric Plant in Service	$	1,587,614	$	(565)	$	36,683	$	(7,292)	$	1,616,440
Nuclear Fuel		94,075		15,296		(15,169)				94,202
Total Depreciable Utility Plant		1,681,689		14,731		21,514		(7,292)		1,710,642
Accumulated Depreciation and Amortization										
Electric Plant in Service		(1,004,275)		(22,433)				7,293		(1,019,415)
Nuclear Fuel		(36,348)		(17,863)		15,169				(39,042)
Total Accumulated Depreciation and Amortization		(1,040,623)		(40,296)		15,169		7,293		(1,058,457)
Depreciable Utility Plant, Net		641,066		(25,565)		36,683		1		652,185
Land and Other Non-Depreciable Assets										
Land		14,188						(1)		14,187
Construction Work In Progress		25,931		25,507		(36,683)				14,755
Total Electric Utility Plant, Net	$	681,185	$	(58)	$	-	$	-	$	681,127

The Agency has commitments to PEC in connection with capital additions for the initial project. Current estimates indicate the Agency's portion of these costs for 2011 and 2012 will be approximately $111,400,000.

Changes in components of non-utility property and equipment, net during 2010 and 2009 are as follows (in thousands of dollars):

		December 31, 2009		Additions		Transfers		Retirements		December 31, 2010
Non-Utility Property and Equipment										
Property and Equipment	$	2,241	$	-	$	-	$	-	$	2,241
Accumulated Depreciation		(1,492)		(102)						(1,594)
Total Depreciable Property and Equipment, Net		749		(102)		-		-		647
Land		710								710
Total Non-Utility Property and Equipment, Net	$	1,459	$	(102)	$	-	$	-	$	1,357

C. Capital Assets (continued)

	December 31, 2008	Additions	Transfers	Retirements	December 31, 2009
Non-Utility Property and Equipment					
Property and Equipment	$ 2,218	$ 23	$ -	$ -	$ 2,241
Accumulated Depreciation	(1,393)	(99)			(1,492)
Total Depreciable Property and Equipment, Net	825	(76)	-	-	749
Land	710				710
Total Non-Utility Property and Equipment, Net	$ 1,535	$ (76)	$ -	$ -	$ 1,459

D. Investments

The Agency's investments are categorized to give an indication of the level of risk assumed by the Agency at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent in the Agency’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Agency’s name. All investments except repurchase agreements are considered Category 1. Repurchase agreements are considered Category 3. In accordance with the provisions of the Resolution, the collateral under the repurchase agreements is segregated and held by the trustee for the Agency.

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

D. Investments (continued)

	December 31,			
	2010		2009	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Repurchase agreements	$ 288,575	$ 288,575	$ 189,129	$ 189,129
U.S. government agencies	224,497	229,664	238,602	239,831
Agency strips			1,254	2,071
Treasury Strips	1,242	2,224	1,242	1,980
Money market	6,990	6,990	100,013	100,013
Collateralized mortgage obligations	36,348	25,153	34,886	28,089
Sub-total funds invested	557,652	552,606	565,126	561,113
Decommissioning Trust securities	176,898	206,281	165,700	187,478
Cash				
Operating cash	82	82	84	84
Restricted cash	2	2	14	14
Accrued interest	2,014	2,014	2,433	2,433
Total funds invested	$ 736,648	$ 760,985	$ 733,357	$ 751,122
Consisting of:				
Special funds invested		$ 382,346		$ 415,672
Decommissioning Trust		206,990		188,096
Operating assets		171,649		147,354
Total funds invested		$ 760,985		$ 751,122

Interest Rate Risk

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

As of December 31, 2010 and 2009, the maturities of the Agency's investments are as follows (in thousands of dollars):

	December 31, 2010				
	Fair	Investment Maturity (In Years)			
	Value	Under 1	1-5	6-10	Over 10
Repurchase agreements	$ 288,575	$ 288,575	$ -	$ -	$ -
U.S. government agencies	229,664		193,496	32,981	3,187
Agency Strips	-				
Treasury Strips	2,224			2,224	
Money market	6,990			6,990	
Collateralized mortgage obligations	25,153			25,003	150
	552,606	288,575	193,496	67,198	3,337
Decommissioning Trust securities	206,281	9,018	58,642	59,376	79,245
Total	$ 758,887	$ 297,593	$ 252,138	$ 126,574	$ 82,582

D. Investments (continued)

	December 31, 2009				
	Fair	Investment Maturity (In Years)			
	Value	Under 1	1-5	6-10	Over 10
Repurchase agreements	$ 189,129	$ 189,129	$ -	$ -	$ -
U.S. government agencies	239,831		154,605	78,324	6,902
Agency Strips	2,071	2,071			
Treasury Strips	1,980			1,980	
Money market	100,013	100,013			
Collateralized mortgage obligations	28,089			25,861	2,228
	561,113	291,213	154,605	106,165	9,130
Decommissioning Trust securities	187,478	10,419	49,930	56,074	71,055
Total	$ 748,591	$ 301,632	$ 204,535	$ 162,239	$ 80,185

As of December 31, 2010 and 2009 the Agency's impaired investments are detailed in the following schedule (in thousands of dollars):

	December 31, 2010					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Repurchase agreements	$ -	$ -	$ -	$ -	$ -	$ -
U.S. government securities	36,669	667			36,669	667
Agency strips					-	-
Treasury strips					-	-
Money market					-	-
Collateralized mortgage obligations					-	-
Sub-total	36,669	667	-	-	36,669	667
Decommissioning Trust securities	15,230	288			15,230	288
Total	$ 51,899	$ 955	$ -	$ -	$ 51,899	$ 955

	December 31, 2009					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Repurchase agreements	$ -	$ -	$ -	$ -	$ -	$ -
U.S. government securities	80,064	904			80,064	904
Agency strips					-	-
Treasury strips					-	-
Money market					-	-
Collateralized mortgage obligations					-	-
Sub-total	80,064	904	-	-	80,064	904
Decommissioning Trust securities	114,024	4,818			114,024	4,818
Total	$ 194,088	$ 5,722	$ -	$ -	$ 194,088	$ 5,722

D. Investments (continued)

Credit Risk

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

As of December 31, 2010 and 2009 the Agency's investments in repurchase agreements are all collateralized by US Treasury or US Government securities. The Agency's investments in US Government Agencies, US Treasury Strips and Collateralized Mortgage Obligations are rated Aaa by Moody's Investor Service and AAA by Standard and Poor's Corporation. The Agency's investments in Money Market Instruments are rated AAA by Standard and Poor's Corporation and Moody's Investor Service.

The Agency places no limit on the amount the Agency may invest with any one issuer. As of December 31, 2010 and 2009, the Agency's investments, by issuer, are detailed in the following schedule (in thousands of dollars):

	December 31, 2010		December 31, 2009	
	Fair Value	Percentage of Portfolio Portfolio	Fair Value	Percentage of Portfolio Portfolio
Federal Home Loan Mortgage Corporation	$ 36,611	5%	$ 68,101	9%
Federal National Mortgage Association	110,242	15%	91,987	12%
Federal Home Loan Bank	130,798	17%	120,612	16%
Federal Farm Credit Bank	79,583	10%	79,176	11%
Resolution Funding Corporation	13,520	2%	22,548	3%
Repurchase Agreements				
Morgan Stanley/Dean Witter	296,750	39%	189,644	26%
Money Market Fund - Goldman Sachs			100,013	13%
U.S. Treasury Department	91,383	12%	76,510	10%
Total	$ 758,887	100%	$ 748,591	100%

Bank time deposits may only be in banks with capital stock, surplus and undivided profits of $20,000,000 or $50,000,000 for North Carolina banks and out-of-state banks, respectively, and the Agency's investments deposited in such banks cannot exceed 50% and 25%, respectively, of such banks' capital stock, surplus and undivided profits.

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

D. Investments (continued)

All depositories must collateralize public deposits in excess of federal depository insurance coverage. The Agency's depositories use the pooling method, a single financial institution collateral pool. Under the pooling method, a depository establishes a single escrow account on behalf of all governmental agencies. Collateral is maintained with an eligible escrow agent in the name of the State Treasurer of North Carolina based on an approved averaging method for demand deposits and the actual current balance for time deposits less the applicable federal depository insurance for each depositor. The financial institutions using the pooling method are responsible for assuring sufficient collateralization of these excess deposits. Because of the inability to measure the exact amount of collateral pledged for the Agency under the pooling method, the potential exists for under-collateralization. However, the State Treasurer enforces strict standards for each pooling method depository, which minimizes any risk of under-collateralization. The Agency had $84,000 and $98,000 at December 31, 2010 and 2009, respectively, covered by federal depository insurance.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

E. Decommissioning Costs

NRC regulations require that each licensee of a commercial nuclear power reactor furnish to the NRC certification of its financial capability to meet the costs of nuclear decommissioning at the end of the useful life of the licensee's facility. As a co-licensee of Brunswick Units 1 and 2 and Harris Unit 1, the Agency is subject to the NRC's financial capability regulations, and therefore has furnished certification of its financial capability to fund its share of the costs of decommissioning those units.

To satisfy the NRC's financial capability regulations, the Agency established an external trust fund (Decommissioning Trust) pursuant to a trust agreement with a bank. The Agency's certification requires that the Agency make annual deposits to the Decommissioning Trust which, together with the investment earnings and amounts previously on deposit in the trust, are anticipated to result in sufficient funds being held in the Decommissioning Trust at the expiration of the current operating licenses for the units (currently 2034 for Brunswick Unit 2, 2036 for Brunswick Unit 1 and 2046 for Harris Unit 1) to meet the Agency's share of decommissioning costs.

Estimates of the future costs of decommissioning the units are based on the most recent site-specific study that was conducted on behalf of PEC in 2009. The Agency’s portion of decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, is $106,639,000 for Brunswick Unit 1, $106,612,000 for Brunswick Unit 2 and $81,922,000 for Harris, all stated in 2009 dollars.

E. Decommissioning Costs (continued)

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

Changes in components of the asset retirement obligation during 2010 and 2009 are as follows (in thousands of dollars):

	Years Ended December 31,	
	2010	2009
Balance, beginning of year	$ 196,848	$ 139,167
Liabilities incurred during the year		
Liabilities settled during the year		
Accretion expense	10,856	8,211
Revisions in estimated cash flows		49,470
Balance, end of year	$ 207,704	$ 196,848

For 2009, the revisions in estimated cash flows amount arose from the new site specific decommissioning studies done by PEC for Harris and Brunswick.

F. VEPCO Compensation Payment

The VEPCO compensation payment represents compensation to VEPCO for early termination of service for those Participants previously served by VEPCO. This payment of $15,515,000 and the related capitalized interest of $33,000 were deferred and are being amortized on a straight-line basis over 40 years, the expected life of the initial project. The balance at December 31, 2010 and 2009 is net of accumulated amortization of $11,273,000 and $10,885,000, respectively.

G. Other Deferred Costs and Deferred Revenues

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

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

G. Other Deferred Costs and Deferred Revenues (continued)

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

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

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

Other deferred costs include the following (in thousands of dollars):

	Years Ended December 31,		Inception to December 31,	
	2010	2009	2010	2009
Other Deferred Costs				
Deferred interest expense	$ -	$ -	$ 651,553	$ 651,553
Amortization of debt discount/premium and issuance costs	(69)	(153)	61,383	61,452
Net (increase) decrease in fair value of investments and Derivative financial instruments	(13,570)	68,554	84,336	97,906
Depreciation and amortization	44,108	32,520	1,296,885	1,252,777
Amortization of debt refunding costs	32,103	30,756	720,749	688,646
Participant billing offsets	(197,716)	(168,332)	(1,799,011)	(1,601,295)
Asset Retirement Obligation Adjustment	(9)		5,453	5,462
New project negotiation and Harris Plant litigation costs			45,086	45,086
Net Other Deferred Costs	$ (135,153)	$ (36,655)	$ 1,066,434	$ 1,201,587

Deferred revenues include the following (in thousands of dollars):

	Years Ended December 31,		Inception to December 31,	
	2010	2009	2010	2009
Deferred Revenues				
Net special funds withdrawals	$ 1,316	$ -	$ (146,876)	$ (148,192)
Restricted investment income	8,883	12,378	295,764	286,881
Rate stabilization funds used for other than operations			(21,839)	(21,839)
Special funds valuations	(4,430)	(552)	(27,230)	(22,800)
Net Deferred Revenues	$ 5,769	$ 11,826	$ 99,819	$ 94,050

H. Bonds

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

The following shows bond activity during 2010 and 2009 (in thousands of dollars):

	2010	2009
Bonds Outstanding - Beginning of year	$ 2,566,260	$ 2,609,705
Principal payments January 2	(124,915)	(139,840)
Bonds Issued		
Series 2009 A		67,100
Series 2009 B		377,170
Series 2009 C		24,445
Series 2009 D		16,405
Series 2010 A	146,145	
Bonds Refunded		
Series 1993 B	(191,160)	
Series 1999 A		(150,000)
Series 1999 B		(116,725)
Series 1999 D		(122,000)
Bonds Outstanding - End of year	$ 2,396,330	$ 2,566,260

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

	December 31, 2010	December 31, 2009
Series 1986 A		
5% maturing in 2017 with annual sinking fund requirements beginning in 2015	$ 4,495	$ 4,495
Series 1989 A		
7.5% maturing in 2010 with annual sinking fund requirements beginning in 2009		26,240
Series 1991 A		
6.5% maturing in 2018	28,755	28,755

H. Bonds (continued)

	December 31, 2010	December 31, 2009
Series 1993 B		
5.5% maturing in 2017 with annual sinking fund requirements beginning in 2015	$ 43,715	$ 146,625
6% maturing in 2018	97,790	97,790
5.5% maturing in 2021 with annual sinking fund requirements beginning in 2019	125,620	194,510
6% maturing in 2022	157,740	157,740
6.25% maturing in 2023	45,030	64,390
6% maturing annually from 2025 to 2026	32,985	32,985
Total Series 1993 B	502,880	694,040
Series 1993 C		
7% maturing in 2013 with annual sinking fund requirements beginning in 2010	18,465	20,965
Series 1995 A		
5.125% maturing in 2012	14,090	14,090
Series 1999 A		
5.2% maturing in 2010		5,000
Series 1999 D		
6.45% maturing in 2014 with annual sinking fund requirements beginning in 2010		1,500
Series 2003 A		
5.5% maturing annually from 2010 to 2012	157,385	171,760
Series 2003 B (Federally Taxable)		
6.48% maturing in 2012	9,860	9,860
Series 2003 C		
5.125% to 5.375% maturing annually from 2010 to 2017	101,865	104,495
Series 2003 D		
4.125% to 5.375% maturing annually from 2010 to 2015	163,090	228,370
5.125% maturing in 2023 with annual sinking fund requirements beginning in 2016	42,890	42,890
5.125% maturing in 2026 with annual sinking fund requirements beginning in 2025	21,660	21,660
Total Series 2003 D	227,640	292,920

H. Bonds (continued)

	December 31, 2010	December 31, 2009
Series 2003 E (Federally Taxable)		
5.23% maturing in 2011	$ 6,740	$ 6,740
5.5% maturing in 2014	13,410	13,410
6.58% maturing in 2026	4,195	4,195
Total Series 2003 E	24,345	24,345
Series 2003 F		
4% to 5.5% maturing annually from 2010 to 2017	87,030	87,365
Series 2003 G (Federally Taxable)		
5.55% maturing annually from 2013 to 2014	6,425	6,425
Series 2005 A		
3.65% to 5.00% maturing annually from 2010 to 2016	23,855	23,995
4.25% to 5.00% maturing annually from 2020 to 2021	101,145	101,145
Total Series 2005 A	125,000	125,140
Series 2008 A		
3.25% to 5.25% maturing annually from 2013 to 2020	302,830	302,830
5.00% to 5.25% maturing annually from 2022 to 2024	61,730	61,730
Total Series 2008 A	364,560	364,560
Series 2008 B (Federally Taxable)		
4.84% to 5.60% maturing annually from 2010 to 2013	12,045	14,365
6.217% maturing in 2017 with annual sinking fund requirements beginning in 2014	36,420	36,420
6.55% maturing in 2024 with annual sinking fund requirements beginning in 2020	8,105	8,105
Total Series 2008 B	56,570	58,890
Series 2008 C		
4.25% to 5.00% maturing annually from 2010 to 2013	5,900	7,650
6.00% maturing in 2019 with annual sinking fund requirements beginning in 2014	15,090	15,090
6.75% maturing in 2024 with annual sinking fund requirements beginning in 2020	17,555	17,555
Total Series 2008 C	38,545	40,295
Series 2009 A		
3.00% to 4.625% maturing annually from 2010 to 2019	10,030	11,855
5.00% maturing annually from 2012 to 2019	22,485	22,485
5.5% maturing in 2026 with annual sinking fund requirements beginning in 2020	32,760	32,760
Total Series 2009 A	65,275	67,100

H. Bonds (continued)

	December 31, 2010	December 31, 2009
Series 2009 B		
3.00% to 4.2% maturing annually from 2011 to 2022	$ 47,345	$ 47,345
5.00% maturing annually from 2015 to 2021	62,800	62,800
4.7% maturing in 2026 with annual sinking fund requirements beginning in 2023	7,065	7,065
5% maturing in 2026 with annual sinking fund requirements beginning in 2023	259,960	259,960
Total Series 2009 B	377,170	377,170
Series 2009 C (Federally Taxable)		
3.00% to 4.68% maturing annually from 2010 to 2015	20,565	21,585
6% maturing in 2026 with annual sinking fund requirements beginning in 2023	2,860	2,860
Total Series 2009 C	23,425	24,445
Series 2009 D		
3.00% to 5.00% maturing annually from 2011 to 2022	11,165	11,165
5% maturing in 2026 with annual sinking fund requirements beginning in 2023	5,240	5,240
Total Series 2009 D	16,405	16,405
Series 2010A		
3.00% maturing annually from 2015 to 2016	15,125	
5.00% maturing annually from 2015 to 2016	62,180	
4% maturing in 2021	1,500	
5% maturing in 2021	53,035	
5% maturing in 2023	14,305	
Total Series 2010A	146,145	
Total Bonds Outstanding	2,396,330	2,566,260
Current maturities of bonds	(141,820)	(124,915)
Long-Term Debt, Bonds Payable	$ 2,254,510	$ 2,441,345

The fair market value of the Agency's long-term debt was estimated using the Dobbins Scale. The individual maturities were priced and summed to arrive at an estimated fair market value of $2,475,422,000 and $2,672,588,000 at December 31, 2010 and 2009, respectively.

H. Bonds (continued)

Certain proceeds of the Series 1986 A, 1989 A, 1991 A, 1993 B, 1993 C, 1995 A, 1999 A, 1999 B, 2003 A, 2003 B, 2003 C, 2003 D, 2003 E, 200 F, 2003 G, 2005 A, 2008 A, 2008 B, 2009 B, 2009 C and 2010 A bonds, were used to establish trusts for refunding $5,214,820,000 and $5,023,660,000 of previously issued bonds at December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, $4,800,700,000 and $4,192,555,000, respectively, of these bonds has been redeemed leaving $414,120,000 and $831,105,000, respectively, still outstanding. Under these Refunding Trust Agreements, obligations of, or guaranteed by the United States have been placed in irrevocable Refunding Trust Funds maintained by the Bond Fund Trustee. The government obligations in the Refunding Trust Funds, along with the interest earnings thereon, are pledged solely for the benefit of the holders of the refunded bonds and will be sufficient to pay all interest when due and to redeem at par all refunded bonds unredeemed at December 31, 2010 at various dates prior to or on their original maturities. Since the establishment of each Refunding Trust Fund, the refunded bonds are no longer considered outstanding obligations of the Agency.

The following table reflects principal debt service included in the designated year's rates. In accordance with the Resolution, these moneys are collected through rates the year prior to the January 1 maturity and deposited into the Bond Fund as collected for payment when due. Current maturities of $141,820,000 at December 31, 2010 were collected through rates during 2010 and were deposited monthly into the Bond Fund to make the January 1, 2011 principal payment. Debt service deposit requirements from the designated year's rates for long-term debt outstanding at December 31, 2010 are as follows (in thousands of dollars):

	Principal	Interest	Total
2011	$ 149,015	$ 120,197	$ 269,212
2012	131,055	111,967	243,022
2013	153,395	105,208	258,603
2014	146,365	97,176	243,541
2015	143,175	89,929	233,104
2016 to 2020	830,915	327,076	1,157,991
2021 to 2025	700,590	95,669	796,259
Total	$ 2,254,510	$ 947,222	$ 3,201,732

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

The Resolution requires the Agency to deposit into special funds all proceeds of bonds issued and all revenues (as defined by the Resolution) generated as a result of the Initial Project Power Sales Agreements and the 1981 PCA. The purpose of the individual funds is specifically defined in the Resolution.

In September 2010, the Agency issued $146,145,000 of Series 2010 A Refunding Bonds to refund $191,160,000 of previously issued bonds. Net present value savings realized were $25,273,000 with debt service savings of $1,611,000 in 2011 and ranging from $495,000 to $15,920,000 per year through 2023.

In October 2009, the Agency issued $16,405,000 of Series 2009 D Bonds to finance the costs of terminating a $120,035,000 swap agreement for the Series 1999 D Bonds.

H. Bonds (continued)

In September 2009, the Agency issued $377,170,000 of Series 2009 B and $24,445,000 of Series 2009 C Refunding Bonds to refund $388,725,000 of previously issued bonds. Net present value savings realized were $40,693,000 with debt service savings of $918,000 in 2010 and ranging from $3,140,000 to $4,390,000 per year through 2026.

In May 2009, the Agency issued $67,100,000 of Series 2009 A Bonds to finance capital additions and the costs of terminating a $115,040,000 swap agreement for the Series 1999 B Bonds.

Interest on the bonds is payable semi-annually. Certain of the bonds are subject to redemption prior to maturity at the option of the Agency, on or after the following dates, at a maximum of 100% of the respective principal amounts:

Series 1986 A	January 1, 1996
Series 1993 B	January 1, 2003
Series 1995 A	January 1, 2008
Series 2003 C, D, and F	January 1, 2013
Series 2005 A	January 1, 2016
Series 2008 A	January 1, 2018
Series 2008 C	January 1, 2019
Series 2009 A, B and D	January 1, 2019
Series 2010 A	January 1, 2021

The Series 2008 B Bonds are subject to redemption at any time prior to maturity at the option of the Agency. The redemptions price is 100% plus an applicable premium based upon the present value of the principal plus interest due to the stated maturity discounted at the treasury rate plus 25 basis points.

I. Commitments and Contingencies

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

Liability Coverage

In accordance with the Price-Anderson Act, PEC, on behalf of all co-owners, insures against public liability claims from a nuclear incident to the full limit of liability of approximately $12.6 billion, $375 million of which is by private insurance with a like amount to cover certain worker tort claims. The $12.6 billion amount will increase by $117.5 million as each new nuclear reactor is licensed and decrease by $117.5 million for each insured nuclear reactor that in no longer operational and has been exempted from the program. The Agency is liable for its proportionate share of these premiums associated with the Harris and Brunswick units.

The terms of this coverage require the owners of all licensed facilities to provide retrospective premiums of up to $117.5 million per year per unit owned (adjusted annually for inflation) in the event of any nuclear incident involving any licensed facility in the nation, with an annual maximum assessment of $17.5 million per unit owned. If any such payments are required, the Agency would be liable for its proportionate share of those payments applicable to the Harris and Brunswick units.

I. Commitments and Contingencies (continued)

The Price Anderson Act expires in 2025.

Property, Decontamination and Decommissioning Coverage

Primary property damage insurance coverage purchased for the Harris and Brunswick plants is $500 million. If the insurer's losses ever exceed its reserves, PEC will be liable, on a pro rata basis, for additional assessments of up to $28 million which represents ten times the annual premium for the Harris and Brunswick plants. Excess property damage, decontamination and decommissioning liability insurance of $1.75 billion have also been purchased. If losses ever exceed the accumulated funds available to the insurer for the excess property, decontamination and decommissioning liability program, PEC will be liable, on a pro rate basis, for additional assessments of up to $41 million which represents ten times the annual premium.

Extended Accidental Outage Coverage

PEC also purchases on behalf of all co-owners, increased cost of generation and/or purchased power insurance resulting from an accidental outage of a nuclear unit. Each unit at Harris and Brunswick is insured for up to approximately $3.5 million per week, after a 12-week deductible period, with declining amounts per unit where more than one unit is involved in the accidental outage. The coverage continues at 100% for 52 weeks and 80% for the next 110 weeks. If the insurer's losses exceed its reserves for this program, PEC will be liable, on a pro rata basis, for additional assessments of up to $25 million which represents ten times the annual premium for the station.

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

Note J. Subsequent Events

The Agency has evaluated subsequent events through April 7, 2011, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

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

	Year Ended December 31, 2010		
	Initial Project	Supple-mental	Total
Revenues:			
Sales to participants	$ 533,055	$ 195,799	$ 728,854
Sales to utilities	86		86
Investment income	7,438	865	8,303
Excess Funds valuation	5,942		5,942
Other revenues	102		102
Total Revenues	546,623	196,664	743,287
Expenses:			
Operation and maintenance	77,380	5	77,385
Fuel	101,048		101,048
Power coordination services:			
Purchased power	11,553	147,843	159,396
Transmission and distribution		20,858	20,858
Other		3,062	3,062
Total power coordination services:	11,553	171,763	183,316
Administrative and general – PEC	32,680		32,680
Power Agency services	4,166	6,447	10,613
Taxes			
Amounts in lieu of taxes	2,078	170	2,248
Gross receipts tax	17,165	6,209	23,374
Total taxes	19,243	6,379	25,622
Debt service:			
Debt administrative costs	390		390
Debt service	271,576		271,576
Total debt service	271,966	-	271,966
Special funds deposits:			
Reserve and contingency fund	27,319		27,319
Decommissioning fund	1,268	1,316	2,584
Total special funds deposits	28,587	1,316	29,903
Total Expenses	546,623	185,910	732,533
Revenues Over (Under) Expenses	$ -	$ 10,754	$ 10,754

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2010 and 2009, respectively.

See accompanying Independent Auditors' Report.

Year Ended December 31, 2009		
Initial Project	Supple- mental	Total
$ 504,206	$ 187,002	$ 691,208
348		348
8,601	893	9,494
19,117		19,117
1,167		1,167
533,439	187,895	721,334
71,770	5	71,775
93,150		93,150
14,882	134,799	149,681
	20,040	20,040
	450	450
14,882	155,289	170,171
34,420		34,420
3,649	5,846	9,495
1,432	1,147	2,579
16,235	5,927	22,162
17,667	7,074	24,741
435		435
265,433		265,433
265,868	-	265,868
30,794		30,794
1,239		1,239
32,033	-	32,033
533,439	168,214	701,653
$ -	$ 19,681	$ 19,681

North Carolina Eastern Municipal Power Agency
Budgetary Comparison Schedule
Year Ended December 31, 2010
($000's)

	2010 Budget Original	2010 Budget Final	Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
Revenues:				
Sales to participants	$ 692,981	$ 692,981	$ 728,854	$ 35,873
Sales to utilities	1,482	1,482	86	(1,396)
Investment income	9,808	9,808	8,303	(1,505)
Excess Funds valuation	5,519	5,519	5,942	423
Appropriated Fund Withdrawal/ (Deposit)	(4,581)	(4,581)		4,581
Other revenues			102	102
Total Revenues	705,209	705,209	743,287	38,078
Expenses:				
Operation and maintenance	71,591	71,591	77,385	(5,794)
Fuel	104,536	104,536	101,048	3,488
Power coordination expenses:				
Purchased power	133,194	133,194	159,396	(26,202)
Transmission and distribution	24,656	24,656	20,858	3,798
Other	300	300	3,062	(2,762)
Total power coordination expenses	158,150	158,150	183,316	(25,166)
Administrative and general – PEC	31,302	31,302	32,680	(1,378)
Power Agency services	11,044	11,044	10,613	431
Taxes	26,182	26,182	25,622	560
Debt service	273,817	273,817	271,966	1,851
Special funds deposits	28,587	28,587	29,903	(1,316)
Total Expenses	705,209	705,209	732,533	(27,324)
Revenues Over (Under) Expenses	$ -	$ -	$ 10,754	$ 10,754

* The Agency will submit a 2010 budget amendment at the April 27, 2011 regularly scheduled Board of Commissioners meeting. The budget amendment is primarily due to additional purchased power costs which were offset with an increase to sales to participants.

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2010.

See accompanying Independent Auditors' Report.

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

	Funds Invested January 1, 2009	Debt Proceeds	Power Billing Receipts	Invest-ment Income	Disburse-ments
Bond Fund:					
Construction Fund	$ -	$ 42,354	$ -	$ 212	$ (21,602)
Interest account	72,340	-	-	39	(147,957)
Reserve account	167,604	16,313		7,318	
Principal account	139,866			180	(139,840)
Total Bond Fund	379,810	16,313	-	7,537	(287,797)
Reserve and Contingency Fund	19,154	502		347	(27,954)
Revenue Fund	49,127		502,355	594	(38,495)
Operating Fund:					
Working Capital account	17,565			146	(101,496)
Fuel account	10,453				(77,112)
Total Operating Fund	28,018	-	-	146	(178,608)
Supplemental Fund	42,597		185,627	893	(206,977)
Reserved for Decommissioing Costs					
Total Supplemental		-	185,627	893	(206,977)
	$ 518,706	$ 59,169	$ 687,982	$ 9,729	$ (739,831)

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2010 and 2009, respectively.

See accompanying Independent Auditors' Report.

Transfers	Funds Invested December 31, 2009	Debt Proceeds	Power Billing Receipts	Invest-ment Income	Disburse-ments	Transfers	Funds Invested December 31, 2010
$ -	20,964			$ 215	$ (2,426)	$ (12,610)	$ 6,143
139,073	63,495			45	(65,260)	64,027	62,307
(6,450)	184,785			6,398		(42,070)	149,113
124,807	125,013			179	(124,915)	141,705	141,982
257,430	373,293	-	-	6,622	(190,175)	163,662	353,402
26,594	18,643			314	(40,846)	37,379	15,490
(466,445)	47,136		519,227	348	(2,331)	(524,249)	40,131
106,252	22,467			182	(108,779)	94,205	8,075
87,435	20,776				(97,194)	114,030	37,612
193,687	43,243	-	-	182	(205,973)	208,235	45,687
34,209	56,349		201,837	867	(206,460)	31,211	83,804
						1,316	1,316
34,209	56,349	-	201,837	867	(206,460)	32,527	85,120
$ 45,475	$ 559,628	$ -	$ 721,064	$ 8,548	$ (648,211)	$ (95,056)	$ 545,973