

## About the Agency

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NCEMPA is a state-chartered municipal corporation formed in 1976 by cities that owned and operated electric distribution systems but did not own generating or transmission facilities. At that time, the cities were wholesale customers of either Progress Energy Carolinas, Inc. (PEC) or Dominion North Carolina Power.

The Power Agency owns interests in five generating units built and operated by PEC. These facilities include three nuclear units – Brunswick Units 1 and 2 in Brunswick County and Shearon Harris Nuclear Power Plant in Wake County, and two coal-fired units – Mayo Plant and Roxboro Unit 4 in Person County.

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

## NCEMPA Officers

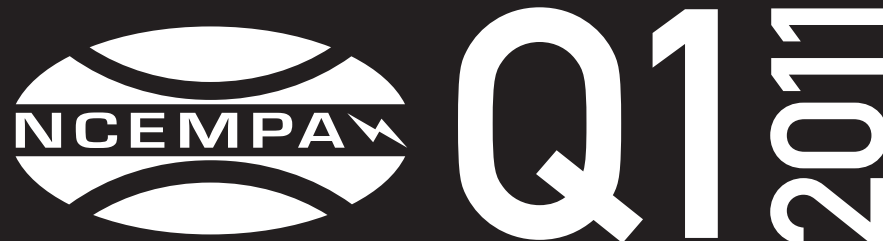
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Vivian A. Jones, Wake Forest, Chairman  
Andre D. Knight, Rocky Mount, Vice Chairman  
Donald I. Evans, Wilson, Secretary-Treasurer

## NCEMPA Participant Cities

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- Apex
- Ayden
- Belhaven
- Benson
- Clayton
- Edenton
- Elizabeth City
- Farmville
- Fremont
- Greenville
- Hamilton
- Hertford
- Hobgood
- Hookerton
- Kinston
- La Grange
- Laurinburg
- Louisburg
- Lumberton
- New Bern
- Pikeville
- Red Springs
- Robersonville
- Rocky Mount
- Scotland Neck
- Selma
- Smithfield
- Southport
- Tarboro
- Wake Forest
- Washington
- Wilson



## Quarterly Update

The re-elected members of the 2011 Electricities Board of Directors were sworn into office on Jan. 28 by the Honorable Jack Cozart. The board members are: John Craft (La Grange), Ron Elks (Greenville Utilities Commission), Linda Story (Granite Falls), Mayor Jennie Stultz (Gastonia) and Wilson Lacy (Fayetteville PUC). During the first board meeting of the year, the board elected officers for 2011. They are: Mayor Jennie Stultz, Chair, from Gastonia; John Craft, Vice Chair, from La Grange; and Mayor John Walser, Secretary, from Lexington.

In January, Duke Energy announced plans to merge with Progress Energy to create the largest energy company in America. Electricities immediately began monitoring and planning for the merger, as both organizations are business partners with NCEMPA and NCMPA1. Since the announcement on Jan. 10, Electricities has created two teams to lead the organization through this process.

- The Merger Advisory Team will provide broad oversight and includes the leadership from the Electricities Board of Directors and both the NCEMPA and NCMPA1 Boards of Commissioners. This team includes Mayor Jennie Stultz (Gastonia), John Craft (La Grange), Mayor John Walser (Lexington), Mayor Vivian Jones (Wake Forest), Council Member Andre Knight (Rocky Mount), Council Member Donald Evans (Wilson), Council Member Jack Neel (Albemarle), Richard Thomas (Lexington) and Mayor Barry Hayes (Granite Falls).
- The Internal Merger Team will direct the comprehensive evaluation of the effects of the merger on Electricities Members and the Power Agencies. This team includes all executive staff and is led by Steve Shelton, Chief Operating Officer.

Electricities staff closely followed the events at Japan's Fukushima Daiichi plant after the devastating earthquake and tsunami. Staff followed the developments related to the plant's safety and briefed the Boards of Commissioners and Board of Directors on how the plant was affected and the safety programs that have

been implemented in the United States from the Nuclear Regulatory Commission oversight. The jointly owned NCEMPA and NCMPA1 nuclear assets have the highest insurance coverage available by law to protect the units in the event of a major natural disaster.

The North Carolina General Assembly convened on Jan. 26. Electricities Government Relations staff scheduled meetings with all newly-elected legislators and began tracking legislation that may affect public power communities. A breakfast was held for all the newly-elected legislators to acquaint them with public power issues and concern. On the federal side, several city officials attended the American Public Power Association Legislative Rally in Washington, D.C., to discuss legislative issues important to NC Public Power.

The winter of 2010/2011 was one of the coldest on record in North Carolina, most notably in December 2010. Across the state, average high temperatures were about 15 degrees colder than normal in December. Average low temperatures were about 6 degrees colder than normal. In most areas of the state, December was the coldest month on record in 90+ years.

Electricities staff developed a cold weather webinar to help members prepare for the cold weather and questions from customers about higher than normal bills. The webinar was very well attended with several member cities sharing best practices about extreme weather response. During the webinar, TempTracker365 was introduced. TempTracker365 is a new system, available exclusively to Electricities members, that gathers, tracks and stores daily high and low temperatures for each city/town. It produces a monthly calendar showing temperatures for the last three years and helps customers understand which days, weeks or months were extremely hot or cold, causing increased energy usage. TempTracker365 is linked through the Electricities website and temptracker365.com.

Electricities hosted a series of regional meeting throughout the state. The meetings are designed to bring together elected officials and city/town management from neighboring

areas to discuss current issues affecting public power communities. CEO Graham Edwards and his executive team host the meetings and encourage attendees to share best practices

## First Quarter Performance

Participant sales decreased \$6,262,000 (3.5%) as compared to the first quarter of 2010. Billing demand decreased 169 MW (5.3%) and energy sales decreased 77,568 MWh (4.1%). The decrease in billing demand is weather related. The decrease in energy sales is primarily attributable to the milder weather conditions experienced in the first quarter of 2011 compared to the same period for 2010.

Investment revenue available for operations decreased \$879,000 (36%) relative to the first quarter of 2010. The decrease is attributable to lower interest rates realized in the first quarter of 2011 as compared to the same period in 2010.

Operations and maintenance costs increased \$1,847,000 (10.6%) relative to the first quarter of 2010. The increase was primarily due to additional scheduled outage days experienced in the first quarter of 2011 as compared to the same period in 2010. Specifically, Brunswick Unit 2 reported 27 outage days in the first quarter of 2011, compared to six reported days in the first quarter of 2010.

Fuel decreased \$6,487,000 (25%) as compared to the first quarter of 2010. The variance is primarily attributable to decreased fossil fuel rates and a decrease in the nuclear fuel amortization rate for the first quarter of 2011 as compared to the same period in 2010. Specifically, the average fuel rate for the Mayo plant decreased from \$39.06/MWh to

among the group. Meetings have been held in La Grange, Hertford, Kinston, Hickory, Concord and Gastonia. All of the regional meeting presentations are available at [electricities.com](http://electricities.com).

\$34.17/MWh (14.3%), and the average fuel rate for the Roxboro plant decreased from \$42.03/MWh to \$38.21/MWh (10%). Additionally, the nuclear fuel amortization rate decreased from \$5.75/MWh to \$1.75/MWh.

Purchased power costs decreased \$4,475,000 (10.5%) as compared to the first quarter of 2010. Capacity decreased 180 MW (13.1%) and energy purchases decreased 73,669 MWh (11.8%), respectively, as compared to the first quarter of 2010. The decrease in capacity requirements is primarily weather related. The decrease in energy purchases is primarily attributable to lower Participant requirements resulting from milder weather conditions experienced in the first quarter of 2011 compared to the same period in 2010.

Administrative and general – PEC increased \$11,822,000 (180.3%) as compared to the first quarter of 2010. The increase is primarily attributable to the recognition of increased pension costs in the first quarter of 2011 as compared to the same period in 2010.

Reserve and Contingency fund deposits increased \$1,345,000 (19.7%) as compared to the first quarter of 2010. The increase is attributable to higher capital expenditures anticipated in the first quarter of 2011 compared to the same period in 2010.

## Financing Status

As of March 31, 2011 NCEMPA had outstanding \$ 2,254,510,000 in bonds.

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

quarter was 5.437%.

To date, NCEMPA has had \$1,419,721,000 in debt redeemed prior to or at maturity.

## NCEMPA Balance Sheets

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

Assets	March 2011	March 2010	Liabilities and Fund Equity	March 2011	March 2010
<b>Non-Current Assets</b>			<b>Liabilities</b>		
<b>Capital Assets:</b>			<b>Non-Current Liabilities:</b>		
Electric Utility Plant, Net:			Long-Term Debt:		
Electric plant in service	\$1,680,928	\$1,631,490	Bonds payable	\$2,105,495	\$2,299,525
Construction work in progress	10,063	26,328	Unamortized premium/(discount), net	28,230	3,788
Nuclear fuel	120,219	101,342	Total Long-Term Debt	<u>2,133,725</u>	<u>2,303,313</u>
Less accumulated depreciation and amortization	<u>(1,103,378)</u>	<u>(1,067,382)</u>	Asset Retirement Obligation	210,466	199,030
Total Electric Utility Plant, Net	707,832	691,778	Deferred Revenues	<u>94,050</u>	<u>94,050</u>
Non-Utility Property and Equipment, Net:			Total Non-Current Liabilities	2,438,241	2,596,393
Property and equipment	2,952	2,952	<b>Current Liabilities:</b>		
Less accumulated depreciation	<u>(1,620)</u>	<u>(1,518)</u>	Operating Liabilities:		
Total Non-Utility Property and Equipment, Net	<u>1,332</u>	<u>1,434</u>	Accounts payable	47,154	25,610
Total Capital Assets	<u>709,164</u>	<u>693,212</u>	Accrued taxes	<u>6,247</u>	<u>6,698</u>
<b>Restricted Assets:</b>			Total Operating Liabilities	53,401	32,308
Special Funds Invested:			<b>Special Funds Liabilities:</b>		
Construction fund	1,293	19,470	Current maturities of bonds	149,015	141,820
Bond fund	222,037	257,939	Accrued interest on bonds	<u>31,826</u>	<u>32,842</u>
Reserve and contingency fund	<u>13,670</u>	<u>13,860</u>	Total Special Funds Liabilities	<u>180,841</u>	<u>174,662</u>
Total Special Funds Invested	237,000	291,269	Total Current Liabilities	<u>234,242</u>	<u>206,970</u>
Trust for Decommissioning Costs	<u>207,522</u>	<u>191,989</u>	Total Liabilities	2,672,483	2,803,363
Total Restricted Assets	444,522	483,258			
<b>Other Assets:</b>					
Unamortized debt issuance costs	23,684	27,077			
VEPCO compensation payment	4,178	4,566			
Development costs	3,043	3,313			
Costs of advance refundings of debt	233,815	247,844			
Other deferred costs	<u>1,031,503</u>	<u>1,163,677</u>			
Total Other Assets	<u>1,296,223</u>	<u>1,446,477</u>			
Total Non-Current Assets	<u>2,449,909</u>	<u>2,622,947</u>			
<b>Current Assets</b>			<b>Fund Equity</b>		
<b>Funds Invested:</b>			Invested in capital assets, net of related debt (deficit)	(481,779)	(601,619)
Revenue fund	32,657	28,232	Restricted for debt service	-	2,942
Operating fund	60,701	37,335	Unrestricted	<u>540,270</u>	<u>656,534</u>
Supplemental fund	<u>96,226</u>	<u>81,031</u>	Total Fund Equity	58,491	57,857
Total Funds Invested	189,584	146,598	Total Liabilities and Fund Equity	<u>\$2,730,974</u>	<u>\$2,861,220</u>
Participant accounts receivable	53,331	54,600			
Fossil fuel inventory	407	5,403			
Plant Materials and Operating Inventory	35,537	29,937			
Prepaid expenses	<u>2,206</u>	<u>1,735</u>			
Total Current Assets	<u>281,065</u>	<u>238,273</u>			
Total Assets	<u>\$2,730,974</u>	<u>\$2,861,220</u>			

## NCEMPA Statements of Revenues and Expenses

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

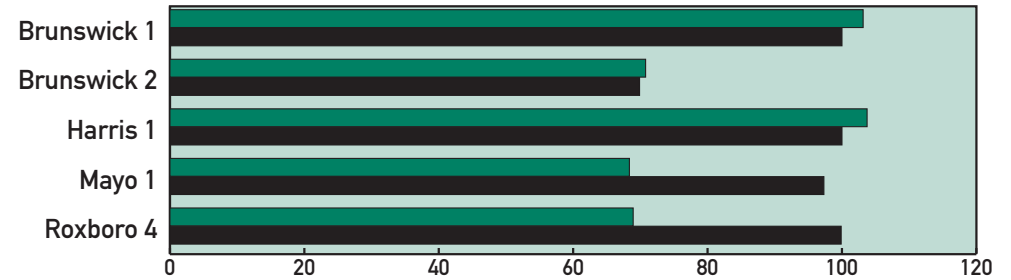
Revenues	Quarter Ended March 31		Year-to-Date March 31	
	2011	2010	2011	2010
Sales of electricity to participants	\$171,507	\$177,769	\$171,507	\$177,769
Sales of electricity to utilities	31	7	31	7
Fund valuation	-	-	-	-
Other revenues	-	-	-	-
Investment revenue available for operations	1,559	2,438	1,559	2,438
<b>Total Revenues</b>	<b>173,097</b>	<b>180,214</b>	<b>173,097</b>	<b>180,214</b>

### Expenses

Operation and maintenance	19,248	17,401	19,248	17,401
Fuel	19,396	25,883	19,396	25,883
Power coordination services:				
Purchased power	32,224	36,884	32,224	36,884
Transmission and distribution	5,640	5,477	5,640	5,477
Other	125	99	125	99
<b>Total Power Coordination Services</b>	<b>37,989</b>	<b>42,460</b>	<b>37,989</b>	<b>42,460</b>
Administrative and general - PEC	18,378	6,556	18,378	6,556
Administrative and general - Agency	2,170	2,168	2,170	2,168
Sums in lieu of taxes	750	1,000	750	1,000
Gross receipts tax	5,497	5,698	5,497	5,698
Debt service	67,482	68,471	67,482	68,471
Special funds deposits:				
Reserve and contingency fund	8,175	6,830	8,175	6,830
Decommissioning fund	704	317	704	317
<b>Total Expenses</b>	<b>179,789</b>	<b>176,784</b>	<b>179,789</b>	<b>176,784</b>
Fund Equity increase	(6,692)	3,430	(6,692)	3,430
Fund Equity, beginning of period	65,183	54,427	65,183	54,427
<b>Fund Equity, end of period</b>	<b>\$58,491</b>	<b>\$57,857</b>	<b>\$58,491</b>	<b>\$57,857</b>

## NCEMPA Plant Status

NOTE: The plant status values are year-to-date through March 31, 2011.

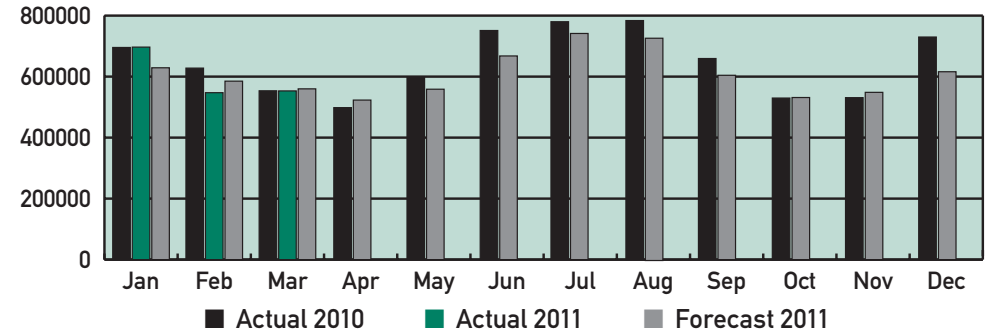


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

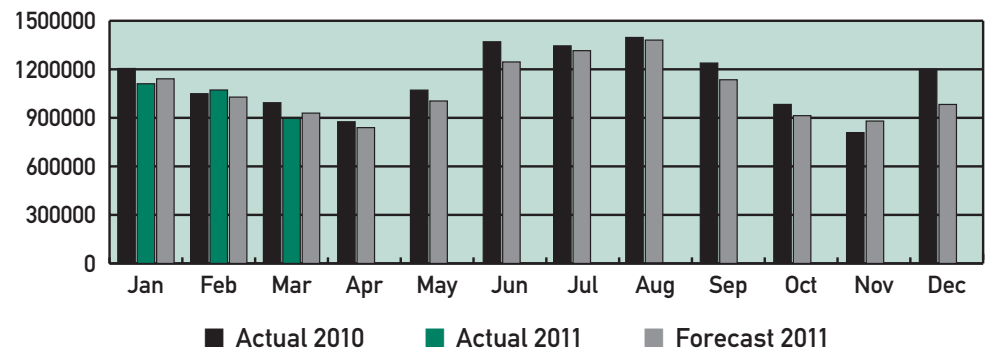
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

**First-quarter highlights:** Harris Unit 1 had no outages during the first quarter. Brunswick Unit 1 had no outages during the first quarter. Brunswick Unit 2 scheduled refueling outage began the evening of March 4th and is scheduled to be back on line April 17th. Mayo did not experience any off line outages during the first quarter. Roxboro 4 did not experience any offline outages during the first quarter.

## NCEMPA Participant Energy Usage (in MWh)



## NCEMPA Participant CP Demand (in kW)



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

\*\* The Forecast Year 2011 is from the NCEMPA 2010 Revised Load Forecast.