

About the Agency

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

Vivian A. Jones, Wake Forest, Chairman
Matthew R. Zapp, Benson, Vice Chairman
Donald I. Evans, Wilson, Secretary-Treasurer

NCEMPA Participant Cities

- 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 newly elected and re-elected members of the 2012 Electricities Board of Directors were sworn into office on Jan. 27 by the Honorable Paul Newby. The board members are: Grant Goings, Wilson; Richard Hicks, Farmville; Don Mitchell, Monroe; and John Walser, Lexington. During the first board meeting of the year, the board elected officers for 2012. The officers are: John Craft, La Grange, Chair; John Walser, Lexington, Vice Chair; and Richard Hicks, Farmville, Secretary.

The 2011 Annual Report entitled Headway: Value, Agility, Preparation was published online in late March. This year's report features three member communities and the value they provide their communities, high-lighting Kinston, New River Light and Power, and Statesville. Additionally, Electricities released the 2011 calculations to its Value of Electricities website. The value site helps explain the value Electricities provides to members, both as a general overview and a set of calculations. The value site is updated annually to reflect current calculations.

Electricities government relations and executive team participated in several meetings of the Municipal Power Agency Relief Subcommittee of the North Carolina General Assembly. The subcommittee held three meetings in early 2012. Electricities CEO Graham Edwards presented to the subcommittee on January 10. Edwards's message to the committee included a history of the formation of the municipal power agencies and sharing the committee's concern about electric rates in eastern North Carolina. Edwards emphasized that Electricities con-

tinues to take prudent steps to manage the cost of power for members and has taken proactive steps to reduce debt, lower our interest rates and stabilize our wholesale power rates. The subcommittee presented their findings to the Legislative Research Commission, along with two recommendations. The first recommendation would require additional study of the effects of high electric rates on the NCEMPA member cities, and the second recommendation would require limits to the amount of funds transferrable from the electric fund into the general fund for only NCEMPA member cities. The second recommendation resulted in the creation of a specific bill which is to be reviewed in the Legislative Short Session.

Electricities hosted a series of regional meetings throughout the state. The meetings were 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 among the group. Meetings have been held in Hertford, Ayden, La Grange, Benson, Lincolnton and Tarboro. All of the regional meeting presentations are available at electricities.com. Additionally, a new collaboration concept began earlier in the year when members came together at the Electricities office to share best practices and discuss solutions to local issues. Electricities staff facilitates these best practices meetings, which will continue throughout 2012 including a special session at the Electricities Annual Conference.

First Quarter Performance

Participant sales decreased \$5,740,000 (3.4%) as compared to the first quarter of 2011. Billing demand decreased 102 MW (3.4%) and energy sales decreased 97,708 MWh (5.5%). 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 2012 compared to the same period for 2011.

Fuel decreased \$490,000 (2.5%) as compared to the first quarter of 2011. The variance is primarily attributable to lower generation experienced at the fossil and nuclear plants. Specifically, all units generated 1,267,000 MWh in the first quarter of 2012 as compared to 1,400,000 MWh for the same period of 2011. Lower generation is attributable to a scheduled refueling outage at Brunswick Unit 1 and outages at Mayo and Roxboro in the first quarter of 2012; of these specific plants, only Mayo experienced outage activity in

the first quarter of 2011.

Administrative and general – PEC decreased \$10,010,000 (54.5%) as compared to the first quarter of 2011. The decrease is primarily attributable to the recognition of increased pension costs in the first quarter of 2011 as compared to the same period in 2012.

Debt service costs decreased \$6,726,000 (10%) as compared to the first quarter of 2011. Debt principal costs decreased \$4,600,000 (12.3%) and debt interest costs decreased \$2,126,000 (7%), respectively. The decrease in principal and interest costs is associated with the issuance of the 2010A and B bond series.

Reserve and Contingency fund deposits decreased \$917,000 (11.2%) as compared to the first quarter of 2011. The decrease is attributable to lower capital expenditures anticipated in the first quarter of 2012 compared to the same period in 2011.

Financing Status

As of March 31, 2012 NCEMPA had outstanding \$ 2,105,495,000 in bonds.

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

quarter was 5.435%.

To date, NCEMPA has had \$1,568,736,061 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 31, 2012	March 31, 2011	Liabilities and Fund Equity	March 31, 2012	March 31, 2011
Non-Current Assets			Liabilities		
Capital Assets:			Non-Current Liabilities:		
Electric Utility Plant, Net:			Long-Term Debt:		
Electric plant in service	\$1,690,844	\$1,680,928	Bonds payable	\$1,974,440	\$2,105,495
Construction work in progress	28,984	10,063	Unamortized premium/(discount), net	26,334	28,230
Nuclear fuel	135,239	120,219	Total Long-Term Debt	<u>2,000,774</u>	<u>2,133,725</u>
Less accumulated depreciation and amortization	<u>(1,132,755)</u>	<u>(1,103,378)</u>	Asset Retirement Obligation	221,713	210,466
Total Electric Utility Plant, Net	722,312	707,832	Deferred Revenues	<u>94,050</u>	<u>94,050</u>
Non-Utility Property and Equipment, Net:			Total Non-Current Liabilities	2,316,537	2,438,241
Property and equipment	2,952	2,952	Current Liabilities:		
Less accumulated depreciation	<u>(1,705)</u>	<u>(1,620)</u>	Operating Liabilities:		
Total Non-Utility Property and Equipment, Net	<u>1,247</u>	<u>1,332</u>	Accounts payable	43,334	47,154
Total Capital Assets	<u>723,559</u>	<u>709,164</u>	Accrued taxes	<u>6,064</u>	<u>6,247</u>
Restricted Assets:			Total Operating Liabilities	<u>49,398</u>	<u>53,401</u>
Special Funds Invested:			Special Funds Liabilities:		
Construction fund	-	1,293	Current maturities of bonds	131,055	149,015
Bond fund	195,891	222,037	Accrued interest on bonds	<u>29,768</u>	<u>31,826</u>
Reserve and contingency fund	<u>17,081</u>	<u>13,670</u>	Total Special Funds Liabilities	<u>160,823</u>	<u>180,841</u>
Total Special Funds Invested	212,972	237,000	Total Current Liabilities	<u>210,221</u>	<u>234,242</u>
Trust for Decommissioning Costs	<u>239,003</u>	<u>207,522</u>	Total Liabilities	<u>2,526,758</u>	<u>2,672,483</u>
Total Restricted Assets	451,975	444,522			
Other Assets:			Fund Equity		
Unamortized debt issuance costs	20,889	23,684	Invested in capital assets, net of related debt (deficit)	(372,066)	(481,779)
VEPCO compensation payment	3,789	4,178	Restricted for debt service	-	-
Development costs	2,773	3,043	Unrestricted	<u>459,478</u>	<u>540,270</u>
Costs of advance refundings of debt	204,387	233,815	Total Fund Equity	<u>87,412</u>	<u>58,491</u>
Costs to be recovered from future billings to participants	<u>883,823</u>	<u>1,031,503</u>	Total Liabilities and Fund Equity	<u>\$2,614,170</u>	<u>\$2,730,974</u>
Total Other Assets	<u>1,115,661</u>	<u>1,296,223</u>			
Total Non-Current Assets	<u>2,291,195</u>	<u>2,449,909</u>			
Current Assets					
Funds Invested:					
Revenue fund	9,828	32,657			
Operating fund	61,621	60,701			
Supplemental fund	<u>155,135</u>	<u>96,226</u>			
Total Funds Invested	226,584	189,584			
Participant accounts receivable	52,279	53,331			
Fossil fuel inventory	1,373	407			
Plant Materials and Operating Inventory	40,041	35,537			
Prepaid expenses	<u>2,698</u>	<u>2,206</u>			
Total Current Assets	<u>322,975</u>	<u>281,065</u>			
Total Assets	<u>\$2,614,170</u>	<u>\$2,730,974</u>			

NCEMPA Statements of Revenues and Expenses

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

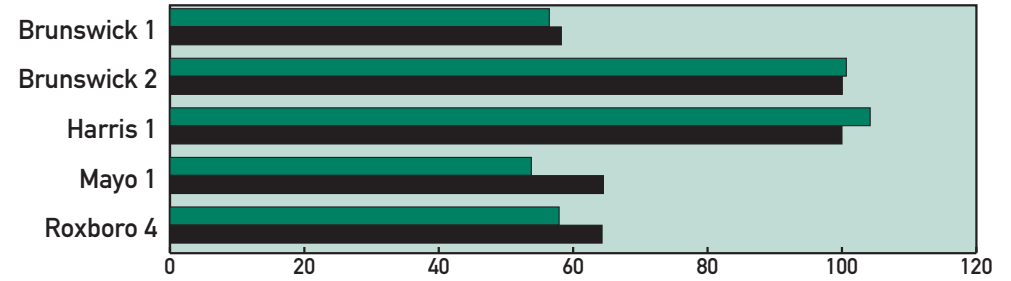
Revenues	Quarter Ended March 31		Year-to-Date March 31	
	2012	2011	2012	2011
Sales of electricity to participants	\$165,767	\$171,507	\$165,767	\$171,507
Sales of electricity to utilities	12	31	12	31
Fund valuation	-	-	-	-
Other revenues	-	-	-	-
Investment revenue available for operations	1,827	1,559	1,827	1,559
Total Revenues	167,606	173,097	167,606	173,097

Expenses

Operation and maintenance	19,291	19,248	19,291	19,248
Fuel	18,906	19,396	18,906	19,396
Power coordination services:				
Purchased power	31,710	32,224	31,710	32,224
Transmission and distribution	5,493	5,640	5,493	5,640
Other	368	125	368	125
Total Power Coordination Services	37,571	37,989	37,571	37,989
Administrative and general - PEC	8,368	18,378	8,368	18,378
Administrative and general - Agency	2,299	2,170	2,299	2,170
Sums in lieu of taxes	750	750	750	750
Gross receipts tax	5,313	5,497	5,313	5,497
Debt service	60,756	67,482	60,756	67,482
Special funds deposits:				
Reserve and contingency fund	7,258	8,175	7,258	8,175
Decommissioning fund	979	704	979	704
Total Expenses	161,491	179,789	161,491	179,789
Fund Equity increase (decrease)	6,115	(6,692)	6,115	(6,692)
Fund Equity, beginning of period	81,297	65,183	81,297	65,183
Fund Equity, end of period	\$87,412	\$58,491	\$87,412	\$58,491

NCEMPA Plant Status

NOTE: The plant status values are year-to-date through March 31, 2012.

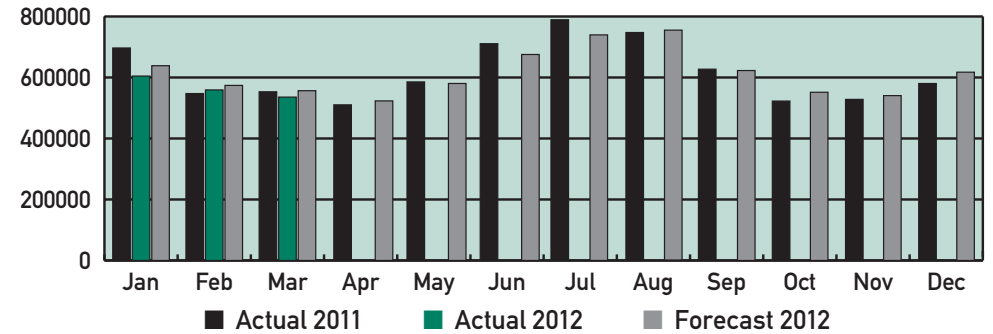


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

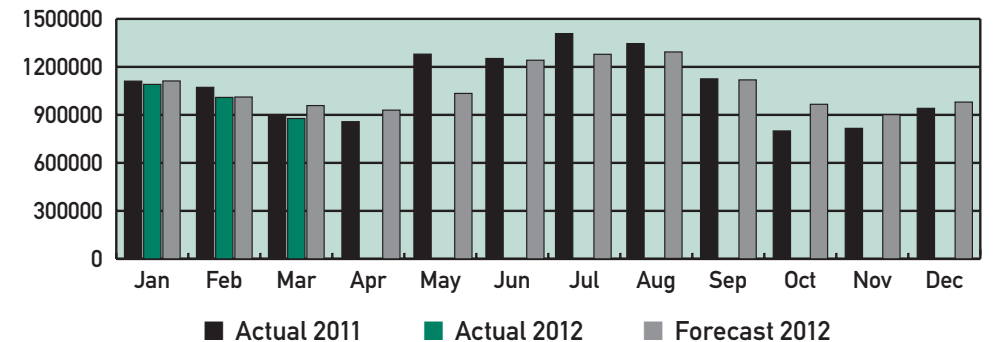
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Second-quarter highlights: Harris Unit 1 had no outages during the first quarter. Brunswick Unit 1 was removed from service February 23 due to a transformer failure, which led into the March 3rd scheduled refueling outage during March and April. Brunswick Unit 2 100% power, no major issues during first quarter. Mayo Unit 1 was removed from service on March 6 due to condenser tube leak. The unit returned to service on March 8. Mayo Unit 1 was also removed from service on March 16 to inspect and repair the LP2 Turbine blades. The unit did not return to service during March. Roxboro 4 was removed from service on March 16 for a Planned Outage and returned to service on March 31.

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 2012 is from the NCEMPA 2011 Load Forecast.