

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

John P. Craft, LaGrange, 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



Q1
2014

Quarterly Update

On February 2, North Carolina Eastern Municipal Power Agency announced that it had entered into exclusive discussions with Duke Energy Progress regarding the potential sale of NCEMPA's ownership in the following Duke Energy Progress-operated plants: Brunswick Nuclear Plant Units 1 and 2 (Brunswick County), Mayo Plant Unit 1 (Person County), Roxboro Plant Unit 4 (Person County) and the Harris Nuclear Plant (Wake County), totaling approximately 700 megawatts of generating capacity.

Should a potential agreement be reached in this matter, Duke Energy Progress and NCEMPA would enter into a wholesale power contract to meet the needs of NCEMPA customers currently served by the Power Agency's interest in Duke Energy Progress plants.

These exclusive discussions are to acquire NCEMPA's interest in generation plants and do not include NCEMPA members' distribution assets.

Any potential transaction would take many months to complete, with various aspects of the transaction subject to approval by, among others, the boards of Duke Energy and NCEMPA, and appropriate state and federal agencies. This transaction does not require Duke Energy shareholder approval.

New information and updates will be posted to our website at www.electricities.com.

The newly elected and re-elected members of the 2014 Electricities Board of Directors were sworn into office in late January. The board members are: Mayor Barry Hayes, Granite Falls; Jim Gallagher, Gastonia; Mayor Vivian Jones, Wake Forest; Dr. Virginia Hardy, Greenville Utilities Commission; and Steven Blanchard, Fayetteville PWC. During the first

board meeting of the year, the board elected officers for 2014. The officers are: Richard Hicks, Farmville, Chair; and Ron Hovis, Cherryville, Vice Chair; Grant Goings, Wilson, Secretary.

The NCEMPA Officers were elected in late 2013 and installed on January 1. The new officers are: John Craft, La Grange, Chair; Matt Zapp, Benson, Vice Chair; Donald Evans, Wilson, Secretary-Treasurer.

Power Forward, the Electricities 2013 Annual Report, was published online in April. The report focuses on the future and NC Public Power's commitment to deliver value to the customers who depend on us. Projects from Albemarle, Benson and High Point are featured as examples of working toward a common goal: stronger public power communities that are well prepared to thrive in the years ahead. Visit www.electricities.com to view the 2013 Annual Report.

Electricities released the 2013 calculations to our 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. Our 2013 net benefit was \$256.2 million, up from nearly \$191 million in 2012.

NC Public Power communities had good economic development success again in 2013. NCEMPA members added 668 new jobs in 2013 with investments totaling more than \$42 million. New load added to NCEMPA was just over 4 MW.

NCEMPA was also well represented at several large industry events, including the WorkBoat Show in late 2013 and the International Council of Shopping Center's Carolinas Idea Exchange in February.

First Quarter Performance

Sales to participants increased \$9,502,000 (5.5%) as compared to the first quarter of 2013. Billing demand increased 192 MW (6.1%) and energy sales increased 41,484 MW (2.2%). The increase is primarily attributable to the colder weather experienced in the first quarter of 2014 compared to the same period for 2013.

Operation and maintenance costs increased \$3,453,000 (16.6%) as compared to the first quarter of 2013. The increase is primarily attributable to higher O&M Advances in the first quarter of 2014 compared to the first quarter of 2013. Additionally, the nuclear plants experienced 6 days of unscheduled outages during January and February of 2014 versus no outages experienced during the first quarter of 2013.

Fuel costs increased \$6,136,000 (40.6%) as compared to the first quarter of 2013. The variance is primarily attributable to higher generation at the fossil plants during the first quarter of 2014 as compared to the same period in 2013. Market conditions favored heavier usage of fossil fuel to meet the

increased participant demand resulting from the colder weather. Additionally, the Roxboro plant experienced no outage days during the first quarter of 2014 as compared to 23 days noted for the same period in 2013.

Purchased Power costs increased \$6,452,000 (15.4%) as compared to the first quarter of 2013. The increase in Purchased Power costs was due to higher energy and capacity requirements, and higher energy rates as a result of the colder weather.

Debt service costs decreased \$4,115,000 (6.3%) as compared to the first quarter of 2013. Debt service costs decreased according to the scheduled reduction in principal and interest payments.

Reserve and contingency increased \$10,617,000 (99.9%) as compared to the first quarter of 2013. During the first quarter of 2014 all capital additions were paid from participant revenues as compared to the first quarter of 2013 where capital additions were paid from both, the construction fund and participant revenues.

Financing Status

As of March 31, 2014, NCEMPA had outstanding \$ 1,869,455,000 in bonds.

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

of the quarter was 5.238%.

To date, NCEMPA has had \$1,834,760,000 in debt redeemed prior to or at maturity.

NCEMPA Statement of Net Position

Per accounting principles generally accepted in the United States of America (GAAP)

(Unaudited) (\$000's)

	March 31, 2014	March 31, 2013		March 31, 2014	March 31, 2013
Assets			Deferred Outflows of Resources		
Non-Current Assets			Costs of advance refundings of debt		
Capital Assets:			Unamortized debt issuance costs		
Electric Utility Plant, Net:				\$169,774	\$206,913
Electric plant in service	\$1,779,780	\$1,731,444	VEPCO Compensation payment		
Construction work in progress	65,339	45,898	Development costs		
Nuclear fuel	161,022	134,059	Cost to Be Recovered		
Less accumulated depreciation and amortization	(1,181,864)	(1,174,070)	Total Deferred Outflows of Resources		
Total Electric Utility Plant, Net	<u>824,277</u>	<u>737,331</u>	<u>\$961,247</u>		
Non-Utility Property and Equipment, Net:			Liabilities		
Property and equipment	2,952	2,952	Non-Current Liabilities:		
Less accumulated depreciation	(1,777)	(1,752)	Long-Term Debt:		
Total Non-Utility Property and Equipment, Net	<u>1,175</u>	<u>1,200</u>	Bonds payable		
Total Capital Assets	<u>825,452</u>	<u>738,531</u>	Plus unamortized premium		
Restricted Assets:			Total Long-Term Debt		
Special Funds Invested:			Asset Retirement Obligation		
Construction fund	-	23,306	Total Non-Current Liabilities		
Bond fund	170,871	182,907	<u>2,036,784</u>		
Reserve and contingency fund	1,196	9,685	Current Liabilities:		
Total Special Funds Invested	<u>172,067</u>	<u>215,898</u>	Operating Liabilities:		
Trust for Decommissioning Costs	244,717	249,839	Accounts payable		
Total Restricted Assets	<u>416,784</u>	<u>465,737</u>	Accrued taxes		
Total Non-Current Assets	<u>1,242,236</u>	<u>1,204,268</u>	Total Operating Liabilities		
Current Assets			Special Funds Liabilities:		
Funds Invested:			Current maturities of bonds		
Revenue fund	10,986	24,791	Accrued interest on bonds		
Operating fund	55,297	49,305	Total Special Funds Liabilities		
Supplemental fund	170,561	200,458	Total Current Liabilities		
Total Funds Invested	<u>236,844</u>	<u>274,554</u>	Total Liabilities		
Participant accounts receivable	59,210	56,067	<u>\$2,234,556</u>		
Fossil fuel inventory	-	922	Deferred Inflows of Resources		
Plant materials and renewable certificate inventory	46,445	43,090	Collections to be expended		
Prepaid expenses	1,505	1,866	Total Deferred Inflows of Resources		
Total Current Assets	<u>344,004</u>	<u>\$376,499</u>	<u>\$252,110</u>		
Total Assets	<u>\$1,586,240</u>	<u>\$1,580,767</u>	<u>\$252,110</u>		
Net Position			Net invested in capital assets		
			Restricted for debt service		
			Unrestricted		
			Total Net Position		
			\$(143,441)		
			-		
			<u>204,262</u>		
			<u>\$60,821</u>		
			\$(339,881)		
			-		
			<u>440,372</u>		
			<u>\$100,491</u>		

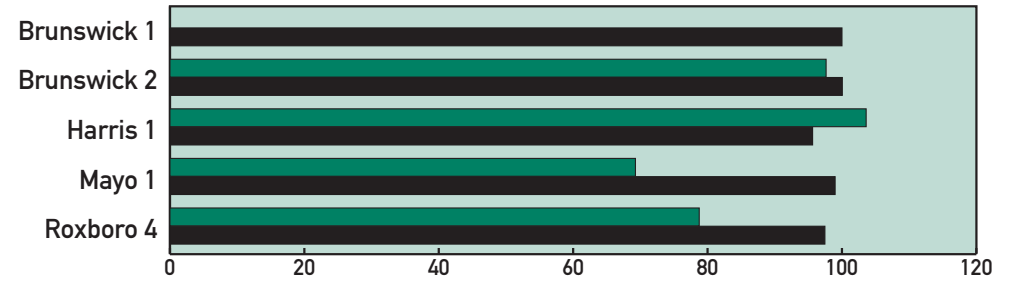
NCEMPA Statements of Revenues and Expenses

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

Revenues	Quarter Ended March 31		Year-to-Date March 31	
	2014	2013	2014	2013
Sales of electricity to participants	\$182,602	\$173,100	\$182,602	\$173,100
Sales of electricity to utilities	17	-	17	-
Fund valuation	-	-	-	-
Other revenues	4	-	4	-
Investment revenue available for operations	1,669	1,731	1,669	1,731
Total Revenues	184,292	174,831	184,292	174,831
Expenses				
Operation and maintenance	24,228	20,775	24,228	20,775
Fuel	21,264	15,128	21,264	15,128
Power coordination services:				
Purchased power	48,410	41,958	48,410	41,958
Transmission and distribution	6,951	5,998	6,951	5,998
Other	141	311	141	311
Total Power Coordination Services	55,502	48,267	55,502	48,267
Administrative and general - PEC	6,021	6,949	6,021	6,949
Administrative and general - Agency	2,358	2,283	2,358	2,283
Sums in lieu of taxes	750	750	750	750
Gross receipts tax	5,817	5,550	5,817	5,550
Debt service	61,183	65,298	61,183	65,298
Special funds deposits:				
Reserve and contingency fund	21,249	10,632	21,249	10,632
Decommissioning fund	1,703	1,703	1,703	1,703
Power Agency Generation	(33)	53	(33)	53
Total Expenses	200,042	177,388	200,042	177,388
Net Position increase (decrease)	(15,750)	(2,557)	(15,750)	(2,557)
Net Position, beginning of period	76,571	103,048	76,571	103,048
Net Position, end of period	\$60,821	\$100,491	\$60,821	\$100,491

NCEMPA Plant Status

NOTE: The plant status values are year-to-date through March 31, 2014.

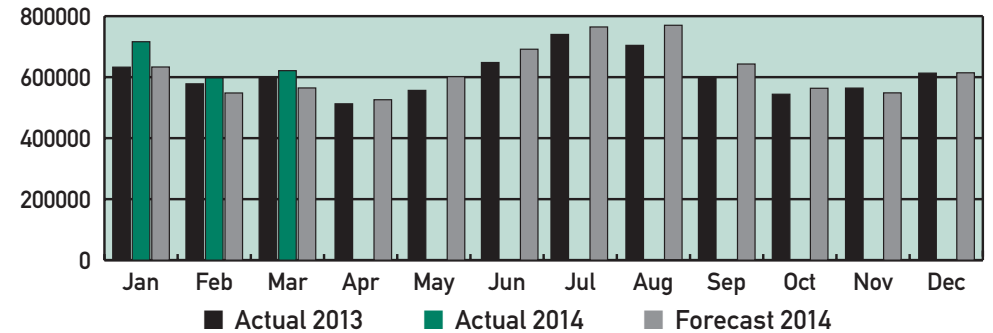


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

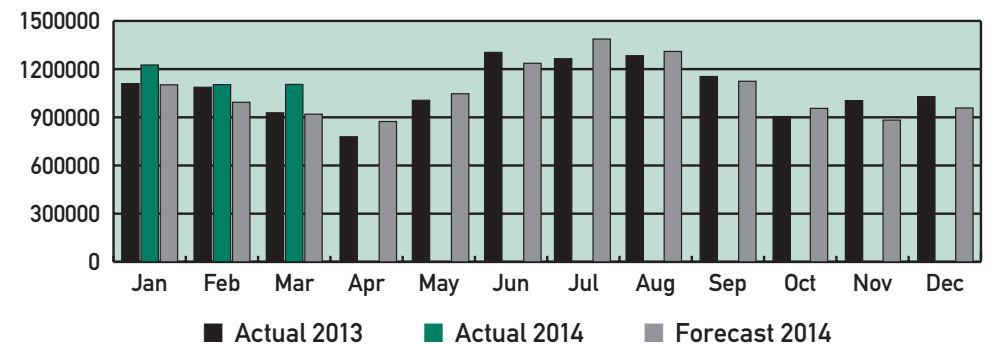
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

First-quarter highlights: Harris Unit 1 experienced a transformer failure and a 4 day outage during January 2014. Brunswick Unit 1 was off line during the 1st quarter for a scheduled refueling outage beginning March 1st and ending April 11th. Brunswick Unit 2 was off line for two days during the 1st quarter for extraction steam repair on March 2nd. Mayo Unit 1 operated per Duke dispatch requirements; experienced no major issues during the first quarter. Roxboro 4 operated per Duke dispatch requirements; experienced no major issues 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 is not weather normalized.

** The Forecast Year 2014 is from the NCEMPA 2013 Load Forecast.