

## 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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Richard N. Hicks, Farmville, Chairman  
Matthew R. Zapp, Benson, 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



# Q1 2015

## Quarterly Update

In December 2014, Duke Energy Progress received approval from the Federal Energy Regulatory Commission (FERC) to proceed with plans to purchase the NCEMPA generating assets. The FERC ruling was based on a filing made by Duke Energy Progress (DEP) on Oct. 10, 2014 and was an important milestone of the approximately \$1.2-billion transaction with NCEMPA, announced in July 2014.

FERC's ruling emphasized the long-term benefits to all customers, including NCEMPA Members and DEP wholesale customers. Those benefits include long-term energy-related cost savings and increased fuel diversity, as well as expanded wholesale load being served by the utility through the new wholesale agreement with NCEMPA.

FERC approval of the asset purchase agreement (APA) was necessary for Duke Energy Progress to acquire the NCEMPA's ownership interest in four power generation plants, as well as associated fuel inventories and spare parts. In addition, FERC approval was required for DEP to enter into a 30-year wholesale power supply agreement with NCEMPA to continue meeting the needs of NCEMPA Members currently served by the NCEMPA's interest in the four generating power plants.

Also during the first quarter 2015, legislation was introduced and passed by the North Carolina General Assembly. Senate Bill 305 – NCEMPA Asset Sale allows the NCEMPA to issue debt not related to the initial project to complete the transaction. The legislation also allows DEP to obtain cost recovery for the full purchase price of the transaction.

Additional approvals are necessary to complete the transactions. Both parties are working diligently to close the transaction by the third quarter 2015. All NCEMPA Members must sign several new agreements including a full requirements power sales agreement and a new debt service contract.

The newly elected and re-elected members of the 2015 ElectriCities Board of Directors were sworn into office in late January. The board members are: Mayor Newell Clark, Lexington; Nick Hendricks, Kings Mountain; Dan Brown, Morganton; and John Craft, La Grange. Grant

Goings of Wilson was re-elected to a second term. All will serve a three-year term.

During the first board meeting of the year, the board elected officers for 2015: Ron Hovis, Cherryville – Chair; Grant Goings, Wilson – Vice Chair; and Latimer Alexander, High Point – Secretary.

The NCEMPA Officers were elected in late 2014 and installed on January 1. The new officers are: Richard Hicks, Farmville, Chair; Matt Zapp, Benson, Vice Chair; Donald Evans, Wilson, Secretary-Treasurer.

The 2014 ElectriCities Annual Report, featuring ElectriCities' 50 years of service to members, was published online in April. The report focuses on public power's rich tradition in North Carolina and highlights three member communities: Lexington, Wilson and Fayetteville Public Works Commission. Wilson, a NCEMPA member, is celebrated as an example of community revitalization and re-use of historic buildings, as well as a flourishing arts community. Visit [www.electricities.com](http://www.electricities.com) to view the 2014 Annual Report.

ElectriCities released the 2014 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 2014 net benefit was \$285.5 million, up from \$256 million in 2013. The complete value proposition is available at [www.electricities.com](http://www.electricities.com).

NC Public Power communities had solid economic development success again in 2014. NCEMPA Members added 2,060 new jobs in 2014 with investments totaling \$396 million. New load added to NCEMPA was 24 MW.

The 2015 NC Public Power calendar, featuring small businesses across the state, was distributed to member communities and site selection consultants. Nearly 3,000 calendars were distributed, including many to site selection consultants in 42 states and four countries, all as part of our recruitment efforts to bring new investment and jobs to NCEMPA communities.

NCEMPA was also well represented at several large industry events, including the International Council of Shopping Center's Carolinas Idea Exchange and the National Plastics Show.

## First Quarter Performance

Sales of electricity to participants decreased \$3,210,000 (1.8%) compared to the first quarter of 2014.

The elimination of the gross receipts tax, effective on July 1, 2014, resulted in a decrease in revenues in the amount of \$5,944,310 (3.2%) in the first quarter of 2015. The impact of the elimination of the gross receipts tax on sales to participant revenue is offset by a corresponding reduction in gross receipts tax liability. Billed demand and energy sales increased by 179 MW (5.4%) and 12,129 MWh (0.6%), respectively, due to colder weather during the first quarter of 2015, and partially offsets the decrease in sales to participants by \$2,215,000 and \$591,000, respectively.

Operation and maintenance costs increased \$3,330,000 (13.7%) compared to the first quarter of 2014. Higher O&M advances in 2015 contributed \$1,650,000. \$1,680,000 of the increased O&M costs is due to the timing of actual expenses related to the spring nuclear plant refueling outage.

Fuel costs decreased \$16,003,000 (75.3%) compared to the first quarter of 2014. Nuclear fuel amortization decreased by \$10,000,000 in the first quarter of 2015 compared to the same period in 2014 to offset a \$10,000,000 special funds deposit to the Revenue fund to provide operating working capital. The remaining \$6,003,000 decrease is primarily attributable to lower generation and lower fossil fuel rates at the Mayo and Roxboro 4 plants.

Purchased Power costs increased \$3,710,000 (7.7%) compared to the first quarter of 2014. Nuclear and fossil plants outages and colder weather during the first quarter of 2015 resulted in higher energy and capacity purchases.

Administrative and General – DEP increased \$1,829,000 (30.4%) compared to the first quarter

of 2014. The increase is partially attributable to incurring higher nuclear liability insurance premium payments in the amount of \$785,000. The remaining \$1,044,000 of increased Administrative and General – DEP is primarily due to a credit during the first quarter of 2014 associated with merger related issues. There were no such true-ups in the first quarter of 2015.

Gross receipts tax expense decreased \$5,817,000 (100%) compared to the first quarter of 2014 due to legislative changes to eliminate the gross receipts tax effective July 1, 2014. The decrease in gross receipts tax is offset by a corresponding decrease to participant sales revenues.

Debt service costs decreased \$2,493,000 (4.1%) compared to the first quarter of 2014. Debt service costs decreased according to the scheduled reduction in principal and interest payments.

Reserve and contingency decreased \$9,325,000 (43.9%) compared to the first quarter of 2014 primarily due to the timing of the deposits to the R&C fund in 2015 as compared to the same period during 2014. Additional funds were required to be deposited into the R&C fund during the first quarter of 2014 due to delaying the issuance of capital additions financing originally planned for the first quarter of 2014.

Decommissioning fund deposits decreased \$1,181,000 (69.4%) compared to the first quarter of 2014. Internal decommissioning cost deposits that were made to the Reserved for Future Costs fund in the first quarter of 2014 were not made during the first quarter of 2015.

Revenue Fund special deposits increased \$10,000,000 (100%) compared to the first quarter of 2014 to provide for operating working capital. The increase was offset by lower nuclear fuel amortization.

## Financing Status

As of March 31, 2015, NCEMPA had outstanding \$ 1,721,650,000 in bonds.

The weighted average interest cost of the NCEMPA outstanding debt at the end of the quarter was 5.281%.

To date, NCEMPA has had

\$1,982,565,000 in debt redeemed prior to or at maturity.

Additionally, NCEMPA has entered into a Revolving Credit Agreement for \$175M. As of March 31, 2015, \$39.6M of this line of credit has been used.

## NCEMPA Statement of Net Position

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

(Unaudited) (\$000's)

	March 31, 2015	March 31, 2014		March 31, 2015	March 31, 2014
<b>Assets</b>					
<b>Non-Current Assets</b>					
Capital Assets:					
Electric Utility Plant, Net:					
Electric plant in service	\$1,823,713	\$1,779,780			
Construction work in progress	83,901	65,339			
Nuclear fuel	190,399	161,022			
Less accumulated depreciation and amortization	<u>(1,219,477)</u>	<u>(1,181,864)</u>			
Total Electric Utility Plant, Net	878,536	824,277			
Non-Utility Property and Equipment, Net:					
Property and equipment	2,961	2,952			
Less accumulated depreciation	<u>(1,820)</u>	<u>(1,777)</u>			
Total Non-Utility Property and Equipment, Net	<u>1,141</u>	<u>1,175</u>			
Total Capital Assets	879,677	825,452			
Restricted Assets:					
Special Funds Invested:					
Construction fund	-	-			
Bond fund	168,627	170,871			
Reserve and contingency fund	<u>(1,869)</u>	<u>1,196</u>			
Total Special Funds Invested	166,758	172,067			
Trust for Decommissioning Costs	<u>262,731</u>	<u>244,717</u>			
Total Restricted Assets	<u>429,489</u>	<u>416,784</u>			
Total Non-Current Assets	1,309,166	1,242,236			
<b>Current Assets</b>					
Funds Invested:					
Revenue fund	24,004	10,986			
Operating fund	54,507	55,297			
Supplemental fund	<u>187,299</u>	<u>170,561</u>			
Total Funds Invested	265,810	236,844			
Participant accounts receivable	53,804	59,210			
Fossil fuel inventory	143	-			
Plant materials and renewable certificate inventory	60,254	46,445			
Prepaid expenses	<u>2,273</u>	<u>1,505</u>			
Total Current Assets	<u>382,284</u>	<u>\$344,004</u>			
Total Assets	<u>\$1,691,450</u>	<u>\$1,586,240</u>			
<b>Deferred Outflows of Resources</b>					
Costs of advance refundings of debt	\$141,567	\$169,774			
Unamortized debt issuance costs	12,321	14,597			
VEPCO Compensation payment	2,623	3,011			
Development costs	1,963	2,233			
Cost to Be Recovered	846,160	771,632			
Total Deferred Outflows of Resources	<u>\$1,004,634</u>	<u>\$961,247</u>			
<b>Liabilities</b>					
<b>Non-Current Liabilities:</b>					
Long-Term Debt:					
Bonds payable	\$1,577,280	\$1,721,650			
Plus unamortized premium	54,286	67,497			
Total Long-Term Debt	<u>1,631,566</u>	<u>1,789,147</u>			
Asset Retirement Obligation	460,366	247,243			
Total Non-Current Liabilities	<u>2,091,932</u>	<u>2,036,390</u>			
<b>Current Liabilities:</b>					
Operating Liabilities:					
Accounts payable	30,964	17,400			
Revolving Credit Agreement	39,589	-			
Accrued taxes	<u>912</u>	<u>6,729</u>			
Total Operating Liabilities	71,465	24,129			
<b>Special Funds Liabilities:</b>					
Current maturities of bonds	144,370	147,805			
Accrued interest on bonds	22,482	26,232			
Total Special Funds Liabilities	<u>166,852</u>	<u>174,037</u>			
Total Current Liabilities	<u>238,317</u>	<u>198,166</u>			
Total Liabilities	<u>\$2,330,249</u>	<u>\$2,234,556</u>			
<b>Deferred Inflows of Resources</b>					
Collections to be expended	\$253,368	\$252,110			
Total Deferred Inflows of Resources	<u>\$253,368</u>	<u>\$252,110</u>			
<b>Net Position</b>					
Net invested in capital assets	\$12,441	\$(143,441)			
Restricted for debt service	-	-			
Unrestricted	100,026	204,262			
Total Net Position	<u>\$112,467</u>	<u>\$60,821</u>			

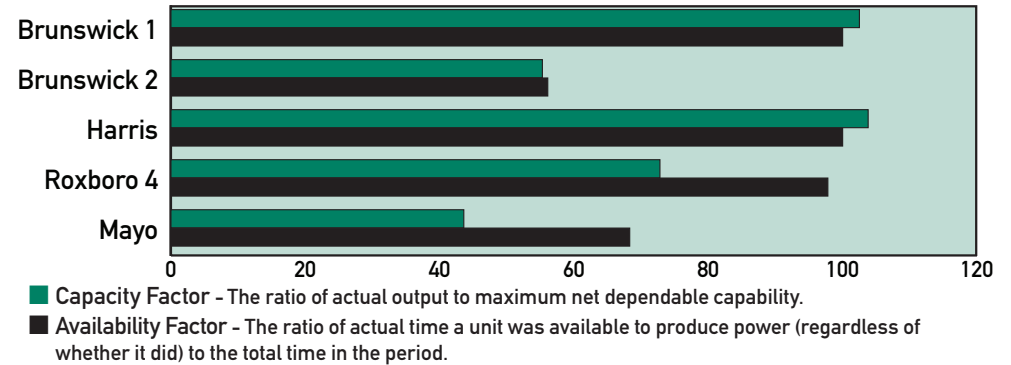
## NCEMPA Statements of Revenues and Expenses

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

	Quarter Ended March 31		Year-to-Date March 31	
	2015	2014	2015	2014
<b>Revenues</b>				
Sales of electricity to participants	\$179,392	\$182,602	\$179,392	\$182,602
Sales of electricity to utilities	5	17	5	17
Other revenues	-	4	-	4
Investment revenue available for operations	941	1,669	941	1,669
<b>Total Revenues</b>	<b>180,338</b>	<b>184,292</b>	<b>180,338</b>	<b>184,292</b>
<b>Expenses</b>				
Operation and maintenance	27,558	24,228	27,558	24,228
Fuel	5,261	21,264	5,261	21,264
Power coordination services:				
Purchased power	52,120	48,410	52,120	48,410
Transmission and distribution	6,852	6,951	6,852	6,951
Other	957	141	957	141
<b>Total Power Coordination Services</b>	<b>59,929</b>	<b>55,502</b>	<b>59,929</b>	<b>55,502</b>
Administrative and general - DEP	7,850	6,021	7,850	6,021
Administrative and general - Agency	2,636	2,358	2,636	2,358
Sums in lieu of taxes	750	750	750	750
Gross receipts tax	-	5,817	-	5,817
Debt service	58,690	61,183	58,690	61,183
Special funds deposits:				
Reserve and contingency fund	11,924	21,249	11,924	21,249
Decommissioning fund	522	1,703	522	1,703
Revenue Fund Deposit	10,000	-	10,000	-
Power Agency Generation	4	(33)	4	(33)
<b>Total Expenses</b>	<b>185,124</b>	<b>200,042</b>	<b>185,124</b>	<b>200,042</b>
Net Position (decrease)	(4,786)	(15,750)	(4,786)	(15,750)
Net Position, beginning of period	117,253	76,571	117,253	76,571
<b>Net Position, end of period</b>	<b>\$112,467</b>	<b>\$60,821</b>	<b>\$112,467</b>	<b>\$60,821</b>

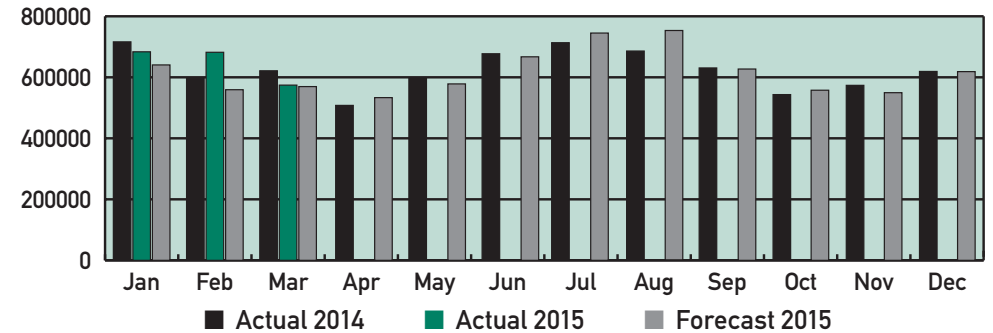
## NCEMPA Plant Status

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

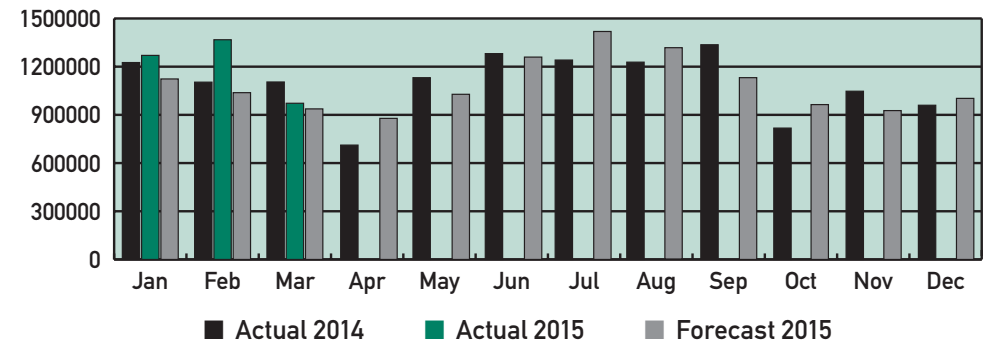


**First quarter highlights:** Brunswick Unit 1 and Harris Unit 1 experienced no outages during the first quarter. Brunswick Unit 2 was offline 43 days for a scheduled refueling outage beginning February 21st and ending April 5th. Mayo Unit 1 was offline 28 days to repair a turbine vibration issue from February 22nd to March 22nd. 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 2015 is from the NCEMPA 2014 Load Forecast.