

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
Andre D. Knight, Rocky Mount, 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

Devastating tornadoes struck North Carolina in April. NC Public Power Communities were largely spared substantial destruction. In the areas where customers did lose power, local public power line crews worked quickly to repair lines and service while keeping everyone safe.

As North Carolina was recovering, a massive storm system struck the southeastern U.S. More than 70 lineworkers from the NC Public Power communities of Kings Mountain, Gastonia, Greenville Utilities Commission, High Point, Kinston and Rocky Mount traveled to help restore power in Chattanooga, Tenn., after that city's electric system was destroyed and more than 100,000 people were left without power.

ElectriCities held a summer preparedness webinar in June. The webinar featured tips to aid customer service employees in helping customers understand how extreme heat impacts their electric usage. A recording of the webinar can be heard on electricities.com.

NC Public Power Communities made up an overwhelming number of Reliable Public Power (RP3) award recipients during the American Public Power Association Annual Engineering and Operations Technical Conference. Nine NCEMPA member cities were honored: Ayden, Elizabeth City, Greenville Utilities Commission, Kinston, Lumberton, New Bern, Selma, Smithfield and Wake Forest. RP3 recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, training and system improvement. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Forty-six NC Public Power Communities received safety awards for incurring no lost work days for the calendar year.

ElectriCities and the state's two municipal

power agencies, North Carolina Eastern Municipal Power Agency (NCEMPA) and North Carolina Municipal Power Agency Number 1 (NCMPA1), will not oppose the pending Duke Energy and Progress Energy merger currently under review with various state and federal agencies. The Power Agencies recently negotiated agreements with Progress and Duke after a detailed analysis of the merger filings.

ElectriCities staff has been reviewing contracts and working with Duke and Progress since the merger was announced in early January. From the outset, ElectriCities staff was concerned primarily with:

- Protection for Public Power customers from increased costs related to the combination of the two companies;
- Ensuring that merger-related savings from any synergies or reductions in fuel expenses would be passed through to customers;
- Ensuring that the Power Agencies' competitive position does not deteriorate; and
- Maintaining access to competitive wholesale markets so that the Power Agencies can maintain and continue to improve wholesale prices.

The agreements are subject to the completion of the merger. The terms of the agreements have been approved by the Board of Directors and Boards of Commissioners of NCEMPA and NCMPA1.

In economic development news, West Pharmaceutical Services announced a \$29 million investment in its Kinston facility over the next five years; QVC shopping channel plans to spend \$71 million to expand its Rocky Mount distribution center and add 200 jobs; Superior Essex, Inc. will invest more than \$58 million and create 116 in Tarboro.

Second Quarter Performance

Participant sales decreased \$912,000 (.5%) as compared to the second quarter of 2010. Billing demand increased 72 MW (2.2%) and energy sales decreased 40,383 MWh (2.2%). The increase in billing demand is primarily attributable to the reporting of higher coincident peaks. The decrease in energy sales is primarily attributable to the milder weather conditions experienced in the second quarter of 2011 compared to the same period for 2010.

Fuel decreased \$4,575,000 (18.6%) as compared to the second quarter of 2010. The variance is primarily attributable to a decrease in the nuclear fuel amortization rate required to maintain a minimum fuel account level. In addition, lower generation from the fossil units contributed to overall decrease in fuel costs.

Purchased power costs decreased \$1,806,000 (4.7%) as compared to the second quarter of 2010. Energy purchases decreased 15,980 MWh (2.6%), as compared to the second quarter of 2010. The decrease

in energy purchases is primarily attributable to lower Participant requirements resulting from milder weather conditions experienced in the second quarter of 2011 compared to the same period in 2010.

Transmission and distribution decreased \$645,000 (11.4%) relative to the second quarter of 2010. During the second quarter of 2011 the Agency received a refund for prior year transmission expenses; no such refund was received in the second quarter of 2010.

Administrative and general – PEC decreased \$329,000 (4.1%) as compared to the second quarter of 2010. The variance is primarily attributable to less property and business interruption insurance costs reported in the second 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 second quarter of 2010. The increase is attributable to higher capital expenditures anticipated in 2011 as compared to 2010.

Financing Status

As of June 30, 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 \$1,419,721,061 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	June 30 2011	June 30 2010	Liabilities and Fund Equity	June 30 2011	June 30 2010
Non-Current Assets			Liabilities		
Capital Assets:			Non-Current Liabilities:		
Electric Utility Plant, Net:			Long-Term Debt:		
Electric plant in service	\$1,684,001	\$1,639,096	Bonds payable	\$2,105,495	\$2,299,525
Construction work in progress	8,605	27,267	Unamortized premium/(discount), net	27,756	3,054
Nuclear fuel	125,471	106,067	Total Long-Term Debt	<u>2,133,251</u>	<u>2,302,579</u>
Less accumulated depreciation and amortization	(1,114,295)	(1,079,759)	Asset Retirement Obligation	212,861	201,921
Total Electric Utility Plant, Net	<u>703,782</u>	<u>692,671</u>	Deferred Revenues	<u>94,050</u>	<u>94,050</u>
Non-Utility Property and Equipment, Net:			Total Non-Current Liabilities	<u>2,440,162</u>	<u>2,598,550</u>
Property and equipment	2,952	2,952	Current Liabilities:		
Less accumulated depreciation	(1,644)	(1,546)	Operating Liabilities:		
Total Non-Utility Property and Equipment, Net	<u>1,308</u>	<u>1,406</u>	Accounts payable	50,656	45,264
Total Capital Assets	<u>705,090</u>	<u>694,077</u>	Accrued taxes	<u>7,143</u>	<u>7,905</u>
Restricted Assets:			Total Operating Liabilities	<u>57,799</u>	<u>53,169</u>
Special Funds Invested:			Special Funds Liabilities:		
Construction fund	-	14,132	Current maturities of bonds	149,015	141,820
Bond fund	291,126	328,904	Accrued interest on bonds	<u>61,875</u>	<u>65,684</u>
Reserve and contingency fund	<u>13,763</u>	<u>18,893</u>	Total Special Funds Liabilities	<u>210,890</u>	<u>207,504</u>
Total Special Funds Invested	<u>304,889</u>	<u>361,929</u>	Total Current Liabilities	<u>268,689</u>	<u>260,673</u>
Trust for Decommissioning Costs	<u>213,687</u>	<u>206,405</u>	Total Liabilities	<u>2,708,851</u>	<u>2,859,223</u>
Total Restricted Assets	<u>518,576</u>	<u>568,334</u>			
Other Assets:					
Unamortized debt issuance costs	22,985	26,367			
VEPCO compensation payment	4,080	4,469			
Development costs	2,976	3,246			
Costs of advance refundings of debt	255,789	239,818			
Other deferred costs	<u>995,851</u>	<u>1,115,024</u>			
Total Other Assets	<u>1,251,681</u>	<u>1,388,924</u>			
Total Non-Current Assets	<u>2,475,347</u>	<u>2,651,335</u>			
Current Assets			Fund Equity		
Funds Invested:			Invested in capital assets, net of related debt (deficit)	(500,807)	(617,304)
Revenue fund	45,744	23,493	Restricted for debt service	12,184	69,627
Operating fund	50,249	49,543	Unrestricted	<u>547,519</u>	<u>599,719</u>
Supplemental fund	<u>92,419</u>	<u>82,384</u>	Total Fund Equity	<u>58,897</u>	<u>52,042</u>
Total Funds Invested	<u>188,412</u>	<u>155,420</u>	Total Liabilities and Fund Equity	<u>\$2,767,748</u>	<u>\$2,911,265</u>
Participant accounts receivable	65,597	68,858			
Fossil fuel inventory	-	38			
Plant Materials and Operating Inventory	35,825	33,280			
Prepaid expenses	<u>2,567</u>	<u>2,334</u>			
Total Current Assets	<u>292,401</u>	<u>259,930</u>			
Total Assets	<u>\$2,767,748</u>	<u>\$2,991,265</u>			

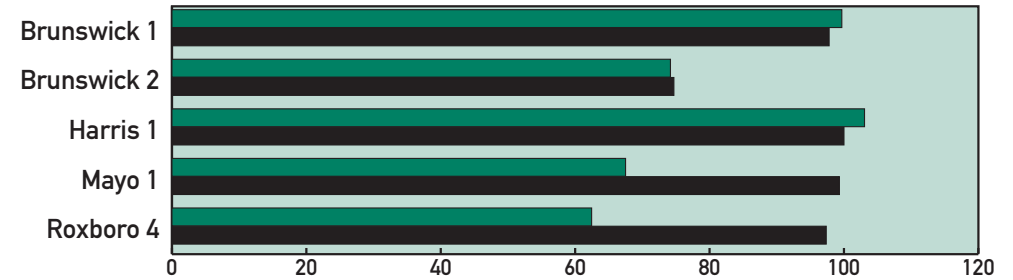
NCEMPA Statements of Revenues and Expenses

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

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2011	2010	2011	2010
Sales of electricity to participants	\$176,000	\$176,912	\$347,507	\$354,681
Sales of electricity to utilities	96	53	127	61
Fund valuation	-	-	-	-
Other revenues	-	4	-	4
Investment revenue available for operations	2,152	2,258	3,711	4,695
Total Revenues	178,248	179,227	351,345	359,441
Expenses				
Operation and maintenance	22,677	22,987	41,925	40,387
Fuel	20,044	24,619	39,440	50,503
Power coordination services:				
Purchased power	36,943	38,749	69,167	75,634
Transmission and distribution	4,998	5,643	10,638	11,121
Other	146	98	271	197
Total Power Coordination Services	42,087	44,490	80,076	86,952
Administrative and general - PEC	7,723	8,052	26,101	14,608
Administrative and general - Agency	2,828	2,755	4,998	4,919
Sums in lieu of taxes	750	1,000	1,500	2,000
Gross receipts tax	5,643	5,677	11,140	11,376
Debt service	67,319	68,316	134,801	136,789
Special funds deposits:				
Reserve and contingency fund	8,175	6,830	16,350	13,659
Decommissioning fund	596	316	1,300	633
Total Expenses	177,842	185,042	357,631	361,826
Fund Equity increase	406	(5,815)	(6,286)	(2,385)
Fund Equity, beginning of period	58,491	57,857	58,491	54,427
Fund Equity, end of period	\$58,897	\$52,042	\$52,205	\$52,042

NCEMPA Plant Status

NOTE: The plant status values are year-to-date through June 30, 2011.

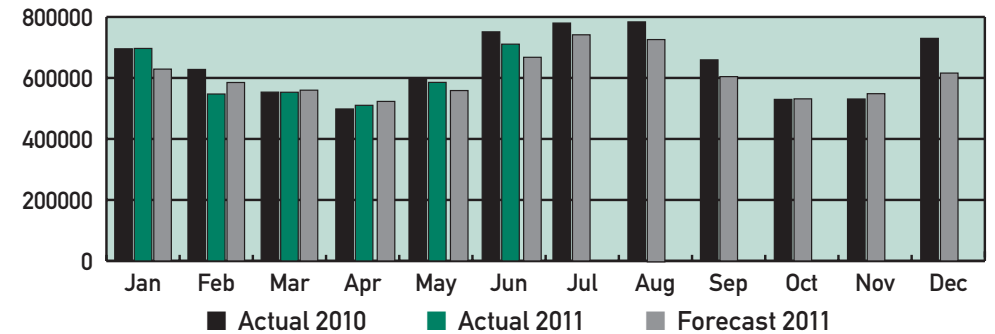


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

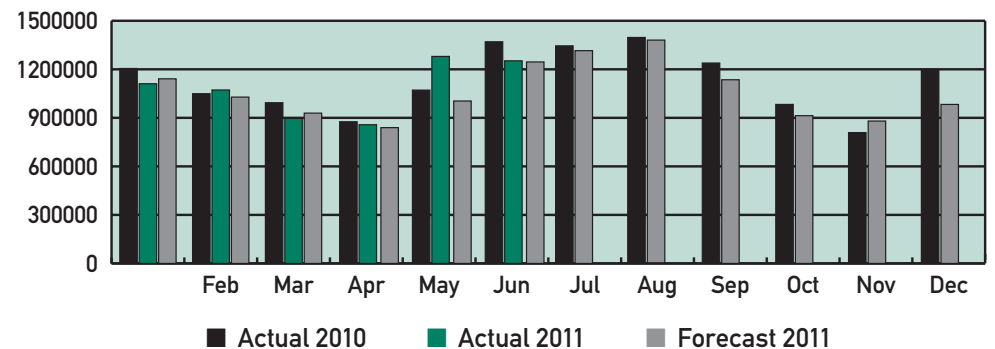
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Second-quarter highlights: Harris Unit 1 had no outages during the second quarter. Brunswick Unit 1 planned maintenance outage began 5/4. The four day outage ended 5/8. Brunswick Unit 2 began power ascension on 4/16, after a 42 day scheduled refueling outage, which began the evening of March 4th.

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.