

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

The short session of the North Carolina General Assembly was a busy one with several pieces of legislation affecting NCEMPA Participants. Electricities was actively engaged in several key pieces of legislation to ensure there were no material impacts on the participant cities or the Power Agency.

Electricities continued to follow developments in the Duke Energy/Progress Energy merger until it closed on July 2. Throughout the review of the merger, Electricities staff focused on several key items:

- 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.

Electricities held a summer preparedness webinar in June for members' customer service staff. 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. NCEMPA Participant Rocky Mount was recognized as a Diamond Level recipient, the highest level of distinction. 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.

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

In economic development news, more than \$250 million in new investment has been announced in public power communities so far this year. Communities that have had announcements include Kinston with Smithfield Foods and Pikeville with Joseph T. Ryerson & Son.

Second Quarter Performance

Participant sales decreased \$5,242,000 (3.0%) as compared to the second quarter of 2011. Billing demand decreased 115 MW (3.4%) and energy sales decreased 77,463 MWh (4.3%). The decrease in billing demand is weather related. The decrease in energy sales is primarily attributable to the milder weather conditions experienced in the second quarter of 2012 compared to the same period for 2011.

Fund valuation increased \$20,002,000 (100%) as compared to the second quarter of 2011. The increase is attributable to a reimbursement from 2012A bond proceeds of capital improvements from June 2011 to December 2011. No such adjustment was recognized in the second quarter of 2011.

O&M increased \$10,696,000 (47.2%) as compared to the second quarter of 2011. The increase is primarily due to a scheduled refueling outage experienced at Harris Unit 1;

no such outage was experienced at Harris Unit 1 in the second quarter of 2011.

Fuel decreased \$1,655,000 (8.3%) as compared to the second quarter of 2011. The variance is primarily attributable to lower generation experienced at the fossil and nuclear plants. Specifically, all units generated 993,000 MWh in the second quarter of 2012 as compared to 1,253,000 MWh for the same period of 2011. Lower generation is primarily attributable to outages at the Brunswick 1, Mayo, Roxboro and Harris plants during the second quarter in 2012.

Purchased power costs increased \$7,799,000 (21.1%) as compared to the second quarter of 2011. Energy purchases increased 179,202 MWh (30.4%) as compared to the second quarter of 2011. The increase in energy purchases is primarily attributable to outages experienced at Brunswick 1, Mayo, Roxboro, and Harris plants.

Financing Status

As of June 30, 2012 NCEMPA had outstanding \$ 2,183,270,000 in bonds.

The weighted average interest cost of the NCEMPA outstanding debt at the end of the quarter was 5.231%.

To date, NCEMPA has had \$1,633,945,661 in debt redeemed prior to or at maturity.

In May 2012 the Power Agency issued

\$424,045,000 of Series 2012A, 2012B, 2012C, and 2012D Bonds to finance capital additions and refund certain series of previously issued bonds. Series 2012A, 2012B, 2012C were delivered in May; Series 2012D is scheduled for delivery in October. Net present value savings for all bond issuances is \$36,500,000.

NCEMPA Balance Sheets

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

Assets	June 30 2012	June 30 2011	Liabilities and Fund Equity	June 30 2012	June 30 2011
Non-Current Assets			Liabilities		
Capital Assets:			Non-Current Liabilities:		
Electric Utility Plant, Net:			Long-Term Debt:		
Electric plant in service	\$1,700,349	\$1,684,001	Bonds payable	\$2,049,220	\$2,105,495
Construction work in progress	31,427	8,605	Unamortized premium/(discount), net	77,132	27,756
Nuclear fuel	139,156	125,471	Total Long-Term Debt	<u>2,126,352</u>	<u>2,133,251</u>
Less accumulated depreciation and amortization	<u>(1,141,602)</u>	<u>(1,114,295)</u>	Asset Retirement Obligation	224,204	212,861
Total Electric Utility Plant, Net	729,330	703,782	Deferred Revenues	<u>94,050</u>	<u>94,050</u>
Non-Utility Property and Equipment, Net:			Total Non-Current Liabilities	<u>2,444,606</u>	<u>2,440,162</u>
Property and equipment	2,952	2,952	Current Liabilities:		
Less accumulated depreciation	<u>(1,729)</u>	<u>(1,644)</u>	Operating Liabilities:		
Total Non-Utility Property and Equipment, Net	<u>1,223</u>	<u>1,308</u>	Accounts payable	54,598	50,656
Total Capital Assets	<u>730,553</u>	<u>705,090</u>	Accrued taxes	<u>7,031</u>	<u>7,143</u>
Restricted Assets:			Total Operating Liabilities	<u>61,629</u>	<u>57,799</u>
Special Funds Invested:			Special Funds Liabilities:		
Construction fund	46,066	-	Current maturities of bonds	134,050	149,015
Bond fund	260,057	291,126	Accrued interest on bonds	<u>47,529</u>	<u>61,875</u>
Reserve and contingency fund	<u>27,093</u>	<u>13,763</u>	Total Special Funds Liabilities	<u>181,579</u>	<u>210,890</u>
Total Special Funds Invested	333,216	304,889	Total Current Liabilities	<u>243,208</u>	<u>268,689</u>
Trust for Decommissioning Costs	<u>237,033</u>	<u>213,687</u>	Total Liabilities	<u>2,687,814</u>	<u>2,708,851</u>
Total Restricted Assets	570,249	518,576			
Other Assets:					
Unamortized debt issuance costs	20,922	22,985			
VEPCO compensation payment	3,692	4,080			
Development costs	2,705	2,976			
Costs of advance refundings of debt	225,773	225,789			
Other deferred costs	<u>876,799</u>	<u>995,851</u>			
Total Other Assets	<u>1,129,891</u>	<u>1,251,681</u>			
Total Non-Current Assets	<u>2,430,693</u>	<u>2,475,347</u>			
Current Assets			Fund Equity		
Funds Invested:			Invested in capital assets, net of related debt (deficit)		
Revenue fund	42,993	45,744		(450,835)	(500,807)
Operating fund	52,121	50,249	Restricted for debt service	38,858	12,184
Supplemental fund	<u>145,645</u>	<u>92,419</u>	Unrestricted	<u>501,326</u>	<u>547,519</u>
Total Funds Invested	240,759	188,412	Total Fund Equity	<u>89,349</u>	<u>58,897</u>
Participant accounts receivable	62,827	65,597	Total Liabilities and Fund Equity	<u>\$2,777,163</u>	<u>\$2,767,748</u>
Fossil fuel inventory	366	-			
Plant Materials and Operating Inventory	38,800	35,825			
Prepaid expenses	<u>3,718</u>	<u>2,567</u>			
Total Current Assets	<u>346,470</u>	<u>292,401</u>			
Total Assets	<u>\$2,777,163</u>	<u>\$2,767,748</u>			

NCEMPA Statements of Revenues and Expenses

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

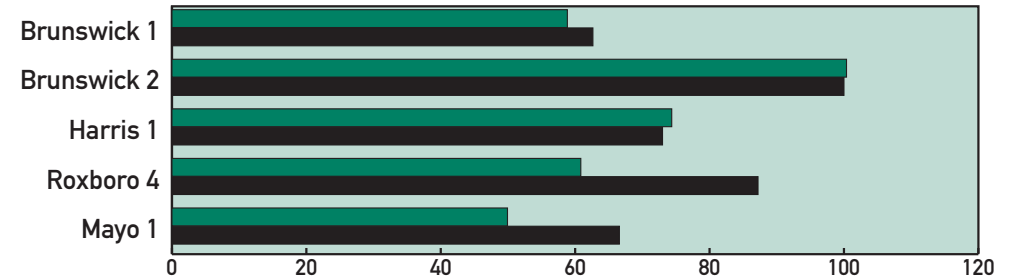
Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2012	2011	2012	2011
Sales of electricity to participants	\$170,758	\$176,000	\$336,523	\$347,507
Sales of electricity to utilities	-	96	11	127
Fund valuation	20,002	-	20,002	-
Other revenues	-	-	-	-
Investment revenue available for operations	2,062	2,152	3,889	3,711
Total Revenues	192,822	178,248	360,425	351,345

Expenses

Operation and maintenance	33,373	22,677	52,663	41,925
Fuel	18,389	20,044	37,295	39,440
Power coordination services:				
Purchased power	44,742	36,943	76,452	69,167
Transmission and distribution	5,998	4,998	11,491	10,638
Other	417	146	785	271
Total Power Coordination Services	51,157	42,087	88,728	80,076
Administrative and general - PEC	8,259	7,723	16,628	26,101
Administrative and general - Agency	2,833	2,828	5,131	4,998
Sums in lieu of taxes	750	750	1,500	1,500
Gross receipts tax	5,530	5,643	10,844	11,140
Debt service	61,804	67,319	122,559	134,801
Special funds deposits:				
Reserve and contingency fund	7,814	8,175	15,071	16,350
Decommissioning fund	976	596	1,954	1,300
Total Expenses	190,885	177,842	352,373	357,631
Fund Equity increase	1,937	406	8,052	(6,286)
Fund Equity, beginning of period	87,412	58,491	81,297	65,183
Fund Equity, end of period	\$89,349	\$58,897	\$89,349	\$58,897

NCEMPA Plant Status

NOTE: The plant status values are year-to-date through June 30, 2012.

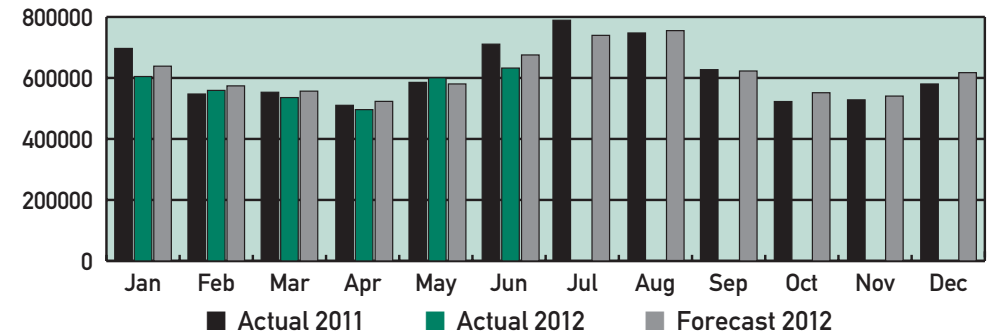


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

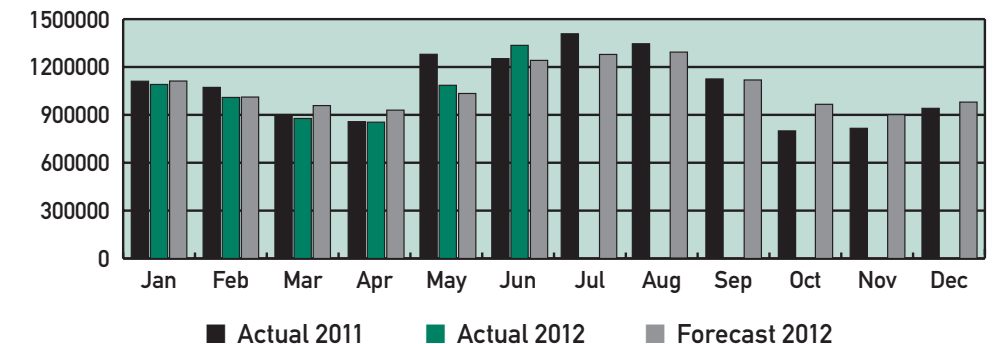
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Second-quarter highlights: Harris Unit 1 scheduled 2nd quarter refueling outage began April 21 and returned to service June 8. Brunswick Unit 1 was removed from service June 14 for generator repairs and returned to service on June 17. Brunswick Unit 2 100% power, no major issues during second quarter. Mayo Unit removed from service on March 16 to inspect and repair the LP2 Turbine blades. The unit returned to service May 10. Roxboro 4 was removed from service on May 7 for generator ground trouble shooting. The unit returned to service on May 11.

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 Revised Load Forecast.