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

Legislation
The long session of the North Carolina General Assembly was a busy one with several pieces of legislation affecting NCEMPA and its Participants. ElectriCities Government Relations staff closely tracked more than 60 bills. The Tax Reduction Act (HB 998) eliminates the gross receipts tax on electricity and replaces the tax with a seven percent sales tax to consumers. ElectriCities closely followed the development of that bill, which was ultimately passed and will be effective on July 1, 2014. Significant attention was also placed on the state’s economic development efforts with a complete restructuring still pending. Two bills pertaining to the NCEMPA and Duke Energy merger agreement, as well as a bill to repeal the state’s renewable energy standards, were left in committee when the Legislature adjourned.

Promoting EAP
With the advent of hurricane season, ElectriCities reinforced the benefit of its Emergency Assistance Program (EAP) in its Hometown Connection newsletter. The program offers members help in restoring power in case of a storm or other catastrophic event.

Safety and Training
Rocky Mount recently earned a 2012 Safety Award of Excellence from the prestigious American Public Power Association (APPA). The award recognizes safe work practices and a very low number of work-place injuries.

NCEMPA Participants took home several awards from the NCAMES 52nd annual conference and lineman’s rodeo, which was held in May. The three-day event promoted training and safety. In addition, the rodeo gave linemen a lively and competitive venue to showcase their skills.

RP3 Recognition
There are more than 2,000 public power utilities in the country, yet this year only 90 earned Reliable Public Power Provider (RP3®) recognition from the APPA. Of those 90 award-winners, seven were NCEMPA communities.

Smithfield and Wake Forest earned Platinum Level. Gold Level winners include Elizabeth City, Greenville, Kinston, New Bern and Selma. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Summer Webinar
In June, many members attended ElectriCities’ Two Ways to Save webinar. The webinar focused on two free tools – TempTracker365 and Energy Depot – that customers can use to reduce their electric usage and, in turn, lower their power bill. All city staff and officials were invited to attend the free webinar. A recording of the webinar can be heard on electricities.com. Following the webinar, several new customer communications pieces were made available to members to prepare customers for the summer season.

Economic Development News
Edenton and Washington both have significant solar energy development—proof positive that solar shines in eastern North Carolina. Solar development was featured in our summer edition of Developments. In other news, ElectriCities Economic Development team had a booth at the International Council of Shopping Centers Real Estate Convention (ICSC RECon) show in Las Vegas. Good timing considering a revival in the commercial-mortgage-backed securities market is helping to boost retail activity. Drug stores, dollar stores and membership warehouse clubs are projected to be the fastest growing retail formats during the next five years. ElectriCities has recently begun focusing on retail development with a variety of services available to members.

NCEMPA Distributed Generation Project
NCEMPA is currently constructing a new distributed generation project in Greenville, NC. Made possible by the new Supplemental Load Agreement negotiated with Duke Energy Progress, the 20 MW project is expected to save the Power Agency $20 million through reduced demand charges. The first 10 MW is expected to be in service by October 31, 2013.

Second Quarter Performance
Participant sales decreased $2,771,000 (1.6%) as compared to the second quarter of 2012. Billing demand decreased 174 MW (5.5%) and energy sales decreased 30,721 MWh (1.8%). The decrease in energy sales is primarily attributable to the milder weather conditions experienced in the second quarter of 2013 compared to the same period for 2012.

Fuel decreased $3,609,000 (19.6%) as compared to the second quarter of 2012. The variance is primarily attributable to a decrease in the nuclear fuel amortization rate necessary to maintain a minimum fuel account level. Additionally, the decrease is attributable to lower generation experienced from the Brunswick 2 unit. This plant experienced 44 total outage days in the second quarter of 2013 due to scheduled refueling. No refueling activities occurred in the second quarter of 2012.

Purchased power costs decreased $3,684,000 (8.2%) as compared to the second quarter of 2012. Energy purchases increased 3,922 MWh (0.5%) and demand purchases decreased 189 MW (13.5%). The decrease is primarily due to lower Participant requirements resulting from milder weather conditions experienced in the second quarter of 2013 as compared to the same period in 2012.

Administrative and general – PEC decreased $1,361,000 (16.0%) as compared to the second quarter of 2012. The decrease is primarily attributable to the recognition of increased pension costs in the second quarter of 2012 as compared to the same period in 2013.

Debt service costs increased $3,497,000 (5.7%) as compared to the second quarter of 2012. Debt principal costs increased $6,302,000 (19.3%) primarily due to the issuance of the 2012A, B, C, and D bond series. Series A bonds were issued to fund certain capital improvements, and Series B, C, and D bonds were issued to refund previously issued bonds.

Reserve and contingency fund deposits increased $4,591,000 (58.7%) as compared to the second quarter of 2012. The increase is attributable to higher capital expenditures anticipated in the second quarter of 2013 compared to the same period in 2012.

Financing Status
As of June 30, 2013, NCEMPA had outstanding $2,025,720,000 in bonds. The weighted average interest cost of the NCEMPA outstanding debt at the end of the quarter was 5.227%.

To date, NCEMPA has had $1,655,119,000 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)
(hyaudited) ($000's)

### Assets

<table>
<thead>
<tr>
<th>Non-Current Assets</th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
</tr>
</thead>
</table>

#### Capital Assets:

- Electric Utility Plant, Net:
  - Electric plant in service: $1,746,901 $1,700,349
  - Construction work in progress: 39,089 31,427
  - Nuclear fuel: 138,645 139,156
  - Less accumulated depreciation and amortization: (1,172,937) (1,141,602)
  - Total Electric Utility Plant, Net: 751,698 729,330

- Non-Utility Property and Equipment, Net:
  - Property and equipment: 2,952 2,952
  - Less accumulated depreciation: (1,776) (1,729)
  - Total Non-Utility Property and Equipment, Net: 1,176 1,223

- Total Capital Assets: 752,874 730,553

#### Restricted Assets:

- Construction fund: 17,610 46,066
- Bond fund: 246,394 260,057
- Reserve and contingency fund: 11,516 27,093
- Total Special Funds Invested: 275,520 333,216

- Trust for Decommissioning Costs: 241,602 237,033

- Total Restricted Assets: 517,122 570,249

#### Other Assets:

- Costs to be Recovered: 772,793 892,257

- Total Other Assets: 772,793 892,257

- Total Non-Current Assets: 2,042,789 2,193,059

#### Current Assets:

- Revenue fund: 18,525 42,993
- Operating fund: 246,394 260,057
- Supplemental fund: 246,394 260,057
- Total Funds Invested: 282,761 240,759

- Participant accounts receivable: 64,098 62,827

- Fossil fuel inventory: - 366

- Plant materials and renewable certificate inventory: 44,052 39,751

- Prepaid expenses: 2,717 2,767

- Total Current Assets: 373,628 $346,470

- Total Assets: $2,416,417 $2,539,529

### Deferred Outflows of Resources

<table>
<thead>
<tr>
<th>Non-Current Liabilities:</th>
</tr>
</thead>
</table>

#### Costs of advance refundings of debt: $198,859 $225,773

#### VEPCO Compensation payment: 3,303 3,692

#### Development costs: 2,435 2,705

#### Asset Retirement Obligation provision: 5,464 5,464

#### Total Deferred Outflows of Resources: $210,061 $237,634

### Liabilities

<table>
<thead>
<tr>
<th>Non-Current Liabilities:</th>
</tr>
</thead>
</table>

#### Bonds payable: $1,869,455 $2,049,220

#### Plus unamortized premium: 87,075 77,132

#### Total Long-Term Debt: 1,956,530 2,126,352

#### Asset Retirement Obligation: 237,563 224,204

#### Collections to be Expended: 94,050 94,050

#### Total Non-Current Liabilities: 2,288,143 2,444,606

#### Operating Liabilities:

- Accounts payable: 41,554 54,598
- Accrued taxes: 7,049 7,031

- Total Operating Liabilities: 48,603 61,629

#### Current maturities of bonds: 156,265 134,050

- Accrued interest on bonds: 52,465 47,529

- Total Special Funds Liabilities: 208,730 181,579

#### Total Current Liabilities: 257,333 243,208

#### Total Liabilities: $2,545,476 $2,687,814

### Net Position

<table>
<thead>
<tr>
<th>Non-Current Liabilities:</th>
</tr>
</thead>
</table>

#### Net invested in capital assets: $(337,580) $(450,835)

#### Net Position: $81,002 $89,349

#### Total Liabilities: $2,545,476 $2,687,814

#### Total Net Position: $81,002 $89,349
NCEMPA Statements of Revenues and Expenses
Per bond resolution and other agreements
(Unaudited) ($000's)

<table>
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<tr>
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<th>Quarter Ended June 30</th>
<th>Year-to-Date June 30</th>
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<tr>
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<td>2013</td>
<td>2012</td>
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<tr>
<td>Sales of electricity to participants</td>
<td>$167,987</td>
<td>$170,758</td>
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<tr>
<td>Sales of electricity to utilities</td>
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<td>Total Revenues</td>
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Expenses

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<th>Operation and maintenance</th>
<th>Fuel</th>
<th>Power coordination services:</th>
<th>Purchased power</th>
<th>Transmission and distribution</th>
<th>Other</th>
<th>Total Power Coordination Services</th>
<th>Administrative and general - PEC</th>
<th>Administrative and general - Agency</th>
<th>Sums in lieu of taxes</th>
<th>Gross receipts tax</th>
<th>Debt service</th>
<th>Special funds deposits:</th>
<th>Reserve and contingency fund</th>
<th>Decommissioning fund</th>
<th>Power Agency Generation</th>
<th>Total Expenses</th>
<th>Net Position increase (decrease)</th>
<th>Net Position, beginning of period</th>
<th>Net Position, end of period</th>
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<td></td>
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<td>23,036</td>
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<td>352,373</td>
<td>8,052</td>
<td>81,297</td>
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NCEMPA Plant Status
NOTE: The plant status values are year-to-date through June 30, 2013.

Second-quarter highlights: Harris Unit 1 was taken off line on May 16th to make reactor penetration repairs. The unit was synced to grid June 7th. Brunswick Unit 1 began a mid-cycle outage on May 18th to replace a reactor feed pump seal and emergency bus transformer. The unit returned to service on May 29th. Brunswick Unit 2 began a Refueling Outage down-power on March 2nd which extended to May 14th. Mayo Unit 1 was in reserve shutdown beginning March 16th and was returned to service on May 25th after installation of a new bottom ash system. Roxboro 4 did not experience any off line outages during the second 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 2013 is from the NCEMPA 2012 Load Forecast.