

## 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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Vivian A. Jones, Wake Forest, 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



## 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.

Fund valuation decreased \$20,002,000 (100%) as compared to the second quarter of 2012. The decrease 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 2013.

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)

(Unaudited) (\$000's)

	June 30, 2013	June 30, 2012		June 30, 2013	June 30, 2012
<b>Assets</b>			<b>Deferred Outflows of Resources</b>		
<b>Non-Current Assets</b>			<b>Costs of advance refundings of debt</b>		
<b>Capital Assets:</b>			VEPCO Compensation payment		
Electric Utility Plant, Net:			Development costs		
Electric plant in service	\$1,746,901	\$1,700,349	Asset Retirement Obligation provision		
Construction work in progress	39,089	31,427	Total Deferred Outflows of Resources		
Nuclear fuel	138,645	139,156	\$198,859	\$225,773	
Less accumulated depreciation and amortization	(1,172,937)	(1,141,602)	3,303	3,692	
Total Electric Utility Plant, Net	<u>751,698</u>	<u>729,330</u>	2,435	2,705	
<b>Non-Utility Property and Equipment, Net:</b>			Total		
Property and equipment	2,952	2,952	5,464	5,464	
Less accumulated depreciation	(1,776)	(1,729)	<u>\$210,061</u>	<u>\$237,634</u>	
Total Non-Utility Property and Equipment, Net	<u>1,176</u>	<u>1,223</u>			
Total Capital Assets	<u>752,874</u>	<u>730,553</u>			
<b>Restricted Assets:</b>			<b>Liabilities</b>		
<b>Special Funds Invested:</b>			<b>Non-Current Liabilities:</b>		
Construction fund	17,610	46,066	<b>Long-Term Debt:</b>		
Bond fund	246,394	260,057	Bonds payable		
Reserve and contingency fund	11,516	27,093	Plus unamortized premium		
Total Special Funds Invested	<u>275,520</u>	<u>333,216</u>	Total Long-Term Debt		
Trust for Decommissioning Costs	241,602	237,033	Asset Retirement Obligation		
Total Restricted Assets	<u>517,122</u>	<u>570,249</u>	Collections to be Expended		
<b>Other Assets:</b>			Total Non-Current Liabilities		
Costs to be Recovered	772,793	892,257	2,288,143		
Total Other Assets	<u>772,793</u>	<u>892,257</u>	<b>Current Liabilities:</b>		
Total Non-Current Assets	<u>2,042,789</u>	<u>2,193,059</u>	<b>Operating Liabilities:</b>		
<b>Current Assets</b>			Accounts payable		
<b>Funds Invested:</b>			Accrued taxes		
Revenue fund	18,525	42,993	Total Operating Liabilities		
Operating fund	72,078	52,121	48,603		
Supplemental fund	172,158	145,645	<b>Special Funds Liabilities:</b>		
Total Funds Invested	<u>262,761</u>	<u>240,759</u>	Current maturities of bonds		
Participant accounts receivable	64,098	62,827	Accrued interest on bonds		
Fossil fuel inventory	-	366	Total Special Funds Liabilities		
Plant materials and renewable certificate inventory	44,052	39,751	208,730		
Prepaid expenses	2,717	2,767	Total Current Liabilities		
Total Current Assets	<u>373,628</u>	<u>\$346,470</u>	257,333		
Total Assets	<u>\$2,416,417</u>	<u>\$2,539,529</u>	Total Liabilities		
			<u>\$2,545,476</u>		
			<u>\$2,687,814</u>		
			<b>Net Position</b>		
			Net invested in capital assets		
			Restricted for debt service		
			Unrestricted		
			Total Net Position		
			\$(337,580)		
			-		
			418,582		
			<u>\$81,002</u>		
			\$(450,835)		
			38,858		
			501,326		
			<u>\$89,349</u>		

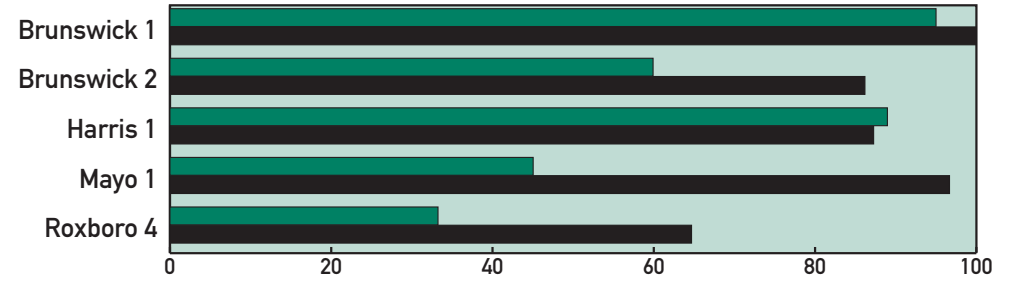
## NCEMPA Statements of Revenues and Expenses

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

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2013	2012	2013	2012
Sales of electricity to participants	\$167,987	\$170,758	\$341,087	\$336,523
Sales of electricity to utilities	(11)	-	(11)	11
Fund valuation	-	20,002	-	20,002
Investment revenue available for operations	1,238	2,062	2,969	3,889
<b>Total Revenues</b>	<b>169,214</b>	<b>192,822</b>	<b>344,045</b>	<b>360,425</b>
<b>Expenses</b>				
Operation and maintenance	30,359	33,373	51,134	52,663
Fuel	14,780	18,389	29,907	37,295
Power coordination services:				
Purchased power	41,058	44,742	83,016	76,452
Transmission and distribution	5,886	5,998	11,884	11,491
Other	877	417	1,189	785
<b>Total Power Coordination Services</b>	<b>47,821</b>	<b>51,157</b>	<b>96,089</b>	<b>88,728</b>
Administrative and general - PEC	6,898	8,259	13,848	16,628
Administrative and general - Agency	2,850	2,833	5,134	5,131
Sums in lieu of taxes	750	750	1,500	1,500
Gross receipts tax	5,387	5,530	10,936	10,844
Debt service	65,301	61,804	130,600	122,559
Special funds deposits:				
Reserve and contingency fund	12,405	7,814	23,036	15,071
Decommissioning fund	1,702	976	3,404	1,954
Power Agency Generation	450	-	503	-
<b>Total Expenses</b>	<b>188,703</b>	<b>190,885</b>	<b>366,091</b>	<b>352,373</b>
Net Position increase (decrease)	(19,489)	1,937	(22,046)	8,052
Net Position, beginning of period	100,491	87,412	103,048	81,297
<b>Net Position, end of period</b>	<b>\$81,002</b>	<b>\$89,349</b>	<b>\$81,002</b>	<b>\$89,349</b>

## NCEMPA Plant Status

NOTE: The plant status values are year-to-date through June 30, 2013.

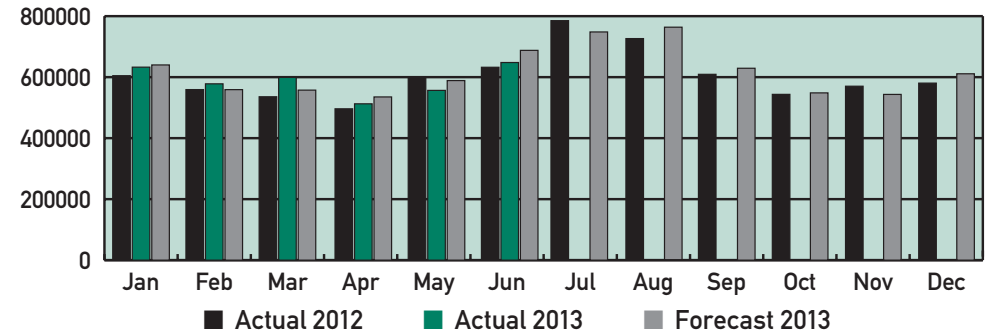


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

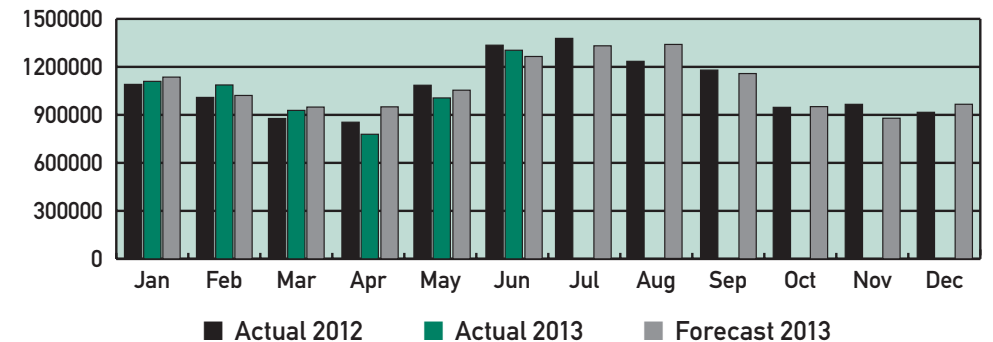
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

**Second-quarter highlights:** Harris Unit 1 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.