

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

John P. Craft, LaGrange, 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

NCEMPA Continues Negotiations with Duke Energy for Generating Asset Sale

On February 2, North Carolina Eastern Municipal Power Agency announced that it had entered into exclusive discussions with Duke Energy Progress regarding the potential sale of NCEMPA's ownership in the following Duke Energy Progress-operated plants: Brunswick Nuclear Plant Units 1 and 2 (Brunswick County), Mayo Plant Unit 1 (Person County), Roxboro Plant Unit 4 (Person County) and the Harris Nuclear Plant (Wake County), totaling approximately 700 megawatts of generating capacity. The discussions concern only NCEMPA's interest in generation plants and do not include NCEMPA members' distribution assets.

Negotiations continued in the second quarter of 2014. In addition, the NCEMPA Executive Team met with members' governing boards to discuss the potential impact of the sale and a new NCEMPA wholesale power contract.

The potential transaction is still expected to take many months to complete, with various aspects of the transaction subject to approval by, among others, the boards of Duke Energy and NCEMPA, and appropriate state and federal agencies. New information and updates will be posted to our website at www.electricities.com.

Legislation

The North Carolina General Assembly began its short session in May. The main focus of the session was setting the state's budget, yet legislators also considered legislation pertaining to coal ash, the restructuring of the state's economic development efforts, and the Energy Modernization Act dealing with hydraulic fracturing.

Last year the North Carolina General Assembly passed the Tax Reduction Act

(HB998), which eliminated the gross receipts tax NCEMPA charges its wholesale NCEMPA members effective July 1, 2014. The Tax Reduction Act also required NCEMPA members to implement a seven percent sales tax to their retail customers that went into effect July 1, 2014.

RP3 Recognition

Several NCEMPA were recognized this spring as Reliable Public Power Provider (RP₃)[®] recognition from the American Public Power Association. Rocky Mount earned Diamond Level and Benson and Tarboro received Gold Level recognition. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Safety and Training

NCEMPA members took home several awards from the NCAMES Annual Conference and Lineman's Rodeo, which was held in May. The three-day event promoted training and safety. In addition, several NCEMPA members competed in the APPA national rodeo. Line worker rodeos provide an opportunity to engage in a lively and competitive venue to showcase their skills, as well as developing valuable job skills to work safely and efficiently.

Economic Development News

Once again this year, our Economic Development team had a booth at the International Council of Shopping Centers Real Estate Convention (ICSC RECon) show. Several NCEMPA members, including Greenville, Benson, Smithfield and Rocky Mount, attended the show to promote retail development in their communities. Electricities has recently begun focusing on retail development with a variety of services available to members.

Second Quarter Performance

Sales to participants increased \$2,859,000 (1.7%) as compared to the second quarter of 2013 primarily due to an increase of 82,754 MWh (4.9%) in energy sales. The increase is primarily attributable to the warmer weather conditions experienced in the second quarter of 2014 compared to the same period for 2013.

Operation and maintenance costs decreased \$5,671,000 (18.7%) as compared to the second quarter of 2013. The decrease is primarily attributable to fewer plant outage days at the nuclear plants in the second quarter of 2014 compared to the second quarter of 2013.

Fuel costs increased \$2,198,000 (14.9%) as compared to the second quarter of 2013. The variance is primarily attributable to higher generation at the fossil plants as well as higher fossil fuel rates during the second quarter of 2014 as compared to the same period in 2013. Market conditions favored heavier usage of fossil fuel to meet the participant demand.

Purchased Power costs decreased \$4,905,000 (11.9%) as compared to the second quarter of 2013. The variance is primarily due to higher output from all joint units that resulted in lower supplemental purchased power requirements.

Debt service costs decreased \$4,106,000 (6.3%) as compared to the second quarter of 2013. The decrease was due to the scheduled reduction in principal and interest payments.

Reserve and contingency increased \$8,844,000 (71.3%) as compared to the second quarter of 2013. During the second quarter of 2014 all capital additions were paid from participant revenues as compared to the second quarter of 2013 where capital additions were paid from both the construction fund and from participant revenues.

Revenue Fund Deposits were \$5,155,000 higher compared to the second quarter of 2013. A special fund deposit was made to the Revenue Fund to provide for Project working capital requirements.

Financing Status

As of June 30, 2014, NCEMPA had outstanding \$ 1,869,455,000 in bonds.

The weighted average interest cost of the NCEMPA outstanding debt at the end of the quarter was 5.238%.

To date, NCEMPA has had

\$1,834,760,000 in debt redeemed prior to or at maturity. Additionally, NCEMPA has entered into a Revolving Credit Agreement for \$175,000,000. As of June 30, 2014, this line of credit has not been used.

NCEMPA Statement of Net Position

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

(Unaudited) (\$000's)

	June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013
Assets			Deferred Outflows of Resources		
Non-Current Assets			Costs of advance refundings of debt		
Capital Assets:			\$162,386 \$198,589		
Electric Utility Plant, Net:			Unamortized debt issuance costs		
Electric plant in service	\$1,784,020	\$1,746,901	14,048 17,342		
Construction work in progress	70,438	39,089	VEPCO Compensation payment		
Nuclear fuel	161,022	138,645	2,914 3,303		
Less accumulated depreciation and amortization	(1,192,011)	(1,172,937)	Development costs		
Total Electric Utility Plant, Net	<u>823,469</u>	<u>751,698</u>	2,165 2,435		
Non-Utility Property and Equipment, Net:			Cost to Be Recovered		
Property and equipment	2,952	2,952	711,433 898,508		
Less accumulated depreciation	(1,789)	(1,776)	<u>\$892,946</u> <u>\$1,120,177</u>		
Total Non-Utility Property and Equipment, Net	<u>1,163</u>	<u>1,176</u>	Liabilities		
Total Capital Assets	<u>824,632</u>	<u>752,874</u>	Non-Current Liabilities:		
Restricted Assets:			Long-Term Debt:		
Special Funds Invested:			Bonds payable		
Construction fund			\$1,721,650 \$1,869,455		
Bond fund	232,375	246,394	Plus unamortized premium		
Reserve and contingency fund	13,308	11,516	62,806 87,075		
Total Special Funds Invested	<u>245,683</u>	<u>275,520</u>	Total Long-Term Debt		
Trust for Decommissioning Costs	250,116	241,602	1,784,456 1,956,530		
Total Restricted Assets	<u>495,799</u>	<u>517,122</u>	Asset Retirement Obligation		
Total Non-Current Assets	<u>1,320,431</u>	<u>1,269,996</u>	250,596 237,563		
Current Assets			Total Non-Current Liabilities		
Funds Invested:			2,035,052 2,194,093		
Revenue fund	3,000	18,525	Current Liabilities:		
Operating fund	56,054	72,078	Operating Liabilities:		
Supplemental fund	155,134	172,158	Accounts payable		
Total Funds Invested	<u>214,188</u>	<u>262,761</u>	9,659 41,554		
Participant accounts receivable	64,128	64,098	Accrued taxes		
Fossil fuel inventory	-	-	7,141 7,049		
Plant materials and renewable certificate inventory	49,717	44,052	Total Operating Liabilities		
Prepaid expenses	2,462	2,717	16,800 48,603		
Total Current Assets	<u>330,495</u>	<u>\$373,628</u>	Special Funds Liabilities:		
Total Assets	<u>\$1,650,926</u>	<u>\$1,643,624</u>	Current maturities of bonds		
			147,805 156,265		
			Accrued interest on bonds		
			48,463 52,465		
			Total Special Funds Liabilities		
			196,268 208,730		
			Total Current Liabilities		
			213,068 257,333		
			Total Liabilities		
			<u>\$2,248,120</u> <u>\$2,451,426</u>		
			Deferred Inflows of Resources		
			Collections to be expended		
			\$252,110 \$231,373		
			Total Deferred Inflows of Resources		
			<u>\$252,110</u> <u>\$231,373</u>		
			Net Position		
			Net invested in capital assets		
			\$(152,335) \$(337,580)		
			Restricted for debt service		
			- -		
			Unrestricted		
			195,977 418,582		
			Total Net Position		
			<u>\$43,642</u> <u>\$81,002</u>		

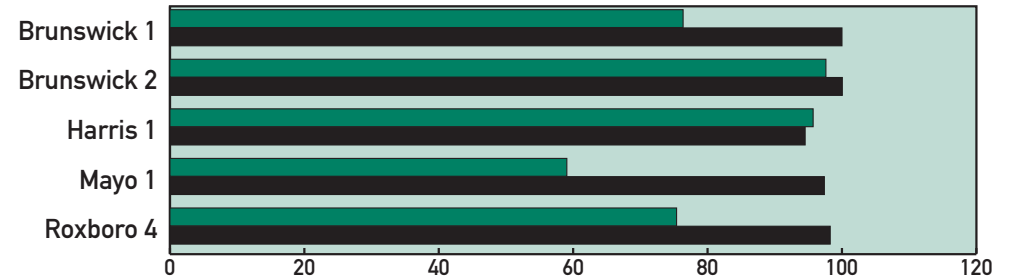
NCEMPA Statements of Revenues and Expenses

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

	Quarter Ended June 30		Year-to-Date June 30	
	2014	2013	2014	2013
Revenues				
Sales of electricity to participants	\$170,846	\$167,987	\$353,448	\$341,087
Sales of electricity to utilities	85	(11)	102	(11)
Fund valuation	-	-	-	-
Other revenues	5	-	9	-
Investment revenue available for operations	978	1,238	2,647	2,969
Total Revenues	171,914	169,214	356,206	344,045
Expenses				
Operation and maintenance	24,688	30,359	48,916	51,134
Fuel	16,978	14,780	38,242	29,908
Power coordination services:				
Purchased power	36,153	41,058	84,563	83,016
Transmission and distribution	5,869	5,886	12,820	11,884
Other	315	877	456	1,188
Total Power Coordination Services	42,337	47,821	97,839	96,088
Administrative and general - PEC	6,123	6,898	12,144	13,847
Administrative and general - Agency	3,143	2,850	5,501	5,133
Sums in lieu of taxes	750	750	1,500	1,500
Gross receipts tax	5,517	5,387	11,334	10,937
Debt service	61,195	65,301	122,378	130,599
Special funds deposits:				
Reserve and contingency fund	21,249	12,405	42,498	23,037
Decommissioning fund	1,701	1,702	3,404	3,405
Revenue Fund	5,155	-	5,155	-
Power Agency Generation	257	450	224	503
Total Expenses	189,093	188,703	389,135	366,091
Net Position increase (decrease)	(17,179)	(19,489)	(32,929)	(22,046)
Net Position, beginning of period	60,821	100,491	76,571	103,048
Net Position, end of period	\$43,642	\$81,002	\$43,642	\$81,002

NCEMPA Plant Status

NOTE: The plant status values are year-to-date through June 30, 2014.

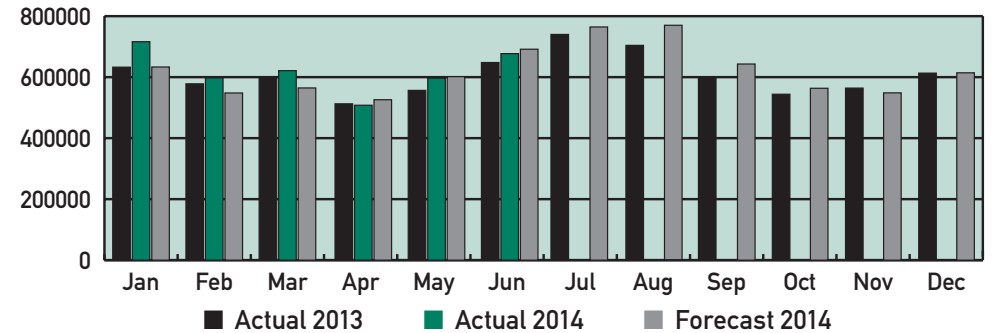


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

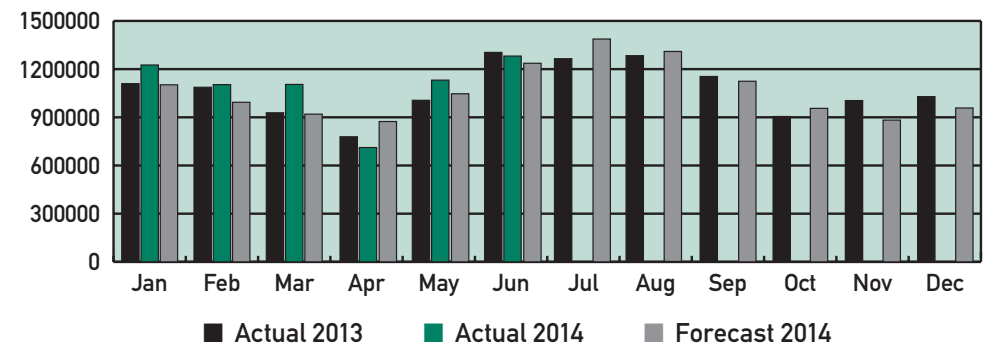
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Second-quarter highlights: Harris Unit 1 was offline for seven days from May 16th to May 23rd to replace main generator hydrogen coolers and replace of a turbine control pump. Brunswick Unit 1 completed an end of cycle outage which began during the 1st quarter. The scheduled refueling outage began March 1st and ended April 11th. Brunswick Unit 2 experienced no outages during the second quarter. Mayo Unit 1 operated per Duke dispatch requirements. Unit 1 was not in demand and was off line for miscellaneous boiler work and Fan VFD repair from April 14th to 18th during the second quarter. Roxboro 4 operated per Duke dispatch requirements and experienced no major issues 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 2014 is from the NCEMPA 2013 Load Forecast.