

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

Richard N. Hicks, Farmville, 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 Generating Asset Sale

Following a year of regulatory reviews, approvals and legislative action, NCEMPA and Duke Energy Progress completed the sale of NCEMPA's generating assets on July 31. The approximately \$1.25 billion sale will reduce NCEMPA outstanding debt by nearly 80 percent. The average wholesale rate decrease of 19 percent was implemented retroactively to July 1, 2015.

Prior to the sale, NCEMPA maintained partial ownership interest in several Duke Energy Progress plants, including Brunswick Nuclear Plant Units 1 and 2, Mayo Plant, Roxboro Plant Unit 4 and the Harris Nuclear Plant. NCEMPA's ownership interest in these plants represented approximately 700 megawatts of generating capacity.

NCEMPA members' distribution assets are not part of the agreement, and will continue to be owned and maintained by those members.

Under the terms of the agreement, Duke Energy Progress and NCEMPA have entered into a 30-year wholesale power supply agreement to continue meeting the needs of NCEMPA customers previously served by the agency's interest in Duke Energy Progress' plants. Power sales under this supply agreement commenced immediately upon closing.

Duke Energy Progress and NCEMPA first announced the agreement on July 28, 2014. Completion of the transaction required regulatory action by the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, and N.C. Utilities Commission.

On April 2, 2015, legislation was signed that provided a means for Duke Energy Progress to finance the full cost of the asset acquisition. NCEMPA received legislative approval to refinance its remaining debt obligations after the completion of this transaction. The agreement also required the approval of NCEMPA's 32 member utilities.

RP3 Recognition

Several NCEMPA members were awarded Reliable Public Power Provider (RP3®) recognition from the American Public Power

Association this spring. Elizabeth City, New Bern, Greenville Utilities and Wake Forest earned Platinum Level and Kinston, Lumberton, Clayton and Smithfield earned Gold Level recognition.

Elizabeth City, New Bern and Greenville Utilities moved up a recognition level since their prior application. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Value of Public Power

A new statewide advertising campaign was introduced in the spring. The campaign focuses on the power of NC Public Power communities working together – and that together we are 1.2 million strong. The new campaign was debuted on statewide media and is available for local use by NCEMPA members. It includes a new website, www.overonemillionstrong.com.

Safety and Training

NCEMPA members took home several awards from the NCAMES Annual Conference and Lineman's Rodeo, which was held in April. The three-day event promoted training and safety. In addition, several NCEMPA members competed in the 15th Annual APPA Public Power Lineworkers Rodeo in Sacramento, California, bringing home two first-place finishes, two second-place finishes in the Journeyman category and three Apprentice awards. Lineworker rodeos provide an opportunity to engage in a lively and competitive venue to showcase their skills, as well as develop 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, [UPDATING THIS] attended the show to promote retail development in their communities.

Several NCEMPA communities had economic development announcements in the second quarter, including Lumberton with an \$8 million investment and 25 new jobs from Asbury Carbons.

Second Quarter Performance

Sales of electricity to participants decreased \$3,985,000 (2.3%) compared to the second quarter of 2014.

The elimination of the gross receipts tax, effective on July 1, 2014, resulted in a decrease in revenues in the amount of \$5,529,913 (3.2%) in the second quarter of 2015. The impact of the elimination of the gross receipts tax on sales to participant revenue is offset by a corresponding reduction in gross receipts tax liability. Additionally, a credit to the participants in the amount of \$2,195,000 was included on the April, 2015 billing pursuant to the implementation of the Shifted Peak Policy. The decrease in sales was partially offset by an increase in billed demand and energy in the amount of \$1,992,000 and \$1,754,000, respectively. Billed demand increased by 154 MW (5.1%) and billed energy increased by 36,046 MWh (2.0%) due to warmer weather during the second quarter of 2015 as compared to the same period in 2014.

Operation and maintenance costs increased \$12,018,000 (48.7%) compared to the second quarter of 2014 primarily due to the timing of actual expenses related to the nuclear plant refueling outages in the second quarter of 2015. O&M Cost true-ups increased by \$10,402,000 and higher O&M advances in 2015 increased by \$1,616,000.

Fuel costs decreased \$4,732,000 (27.9%) compared to the second quarter of 2014. The decrease is primarily attributable to lower generation at the Roxboro plant and lower fossil fuel rates at the Mayo plant during the second quarter of 2015.

Purchased Power costs increased \$4,831,000 (13.4%) compared to the second quarter of 2014. Higher demand and energy requirements resulting from the warmer weather conditions during the second quarter of 2015 resulted in higher capacity and energy purchases of \$1,553,000, and \$12,684,000, respectively. This increase was partially offset by favorable purchased energy rates in the amount of \$8,528,000.

Other Power Coordination Services Expense increased \$1,021,000 (324.1%) compared to the same period in 2014 primarily due to higher purchases of Renewable Energy Certificates.

Gross receipts tax expense decreased \$5,731,000 (103.9%) compared to the second quarter of 2014 due to legislative changes to eliminate the gross receipts tax effective July 1, 2014. The decrease in gross receipts tax is offset by a corresponding decrease to participant sales revenues.

Debt service costs decreased \$2,314,000 (3.8%) compared to the second quarter of 2014. Debt service costs decreased according to the scheduled reduction in principal and interest payments.

Reserve and contingency decreased \$21,249,000 (100.0%) compared to the second quarter of 2014 primarily due to the timing of the deposits to the R&C fund in 2015 as compared to the same period during 2014. Additional funds were required to be deposited into the R&C fund during the second quarter of 2014 due to delaying the issuance of capital additions financing originally planned for the second quarter of 2014.

Financing Status

As of June 30, 2015, NCEMPA had outstanding \$1,721,650,000 in bonds.

The weighted average interest cost of the NCEMPA outstanding debt at the end of the quarter was 5.281%.

To date, NCEMPA has had \$1,982,565,000 in debt redeemed prior to or at maturity.

NCEMPA has entered into a Revolving Credit Agreement for \$175M. As of June 30, 2015, \$88.8M of the credit line has been used.

NCEMPA Statement of Net Position

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

(Unaudited) (\$000's)

	June 30, 2015	June 30, 2014		June 30, 2015	June 30, 2014
Assets			Deferred Outflows of Resources		
Non-Current Assets			Costs of advance refundings of debt		
Capital Assets:			Unamortized debt issuance costs		
Electric Utility Plant, Net:				\$136,190	\$162,386
Electric plant in service	\$1,861,029	\$1,784,020	VEPCO Compensation payment		
Construction work in progress	61,516	70,438		11,779	14,048
Nuclear fuel	191,480	161,022	Development costs		
Less accumulated depreciation and amortization	<u>(1,226,972)</u>	<u>(1,192,011)</u>		2,526	2,914
Total Electric Utility Plant, Net	887,053	823,469	Cost to Be Recovered		
Non-Utility Property and Equipment, Net:				1,895	2,165
Property and equipment	2,961	2,952	Total Deferred Outflows of Resources		
Less accumulated depreciation	<u>(1,831)</u>	<u>(1,789)</u>		<u>824,514</u>	<u>711,433</u>
Total Non-Utility Property and Equipment, Net	1,130	1,163		<u>\$976,904</u>	<u>\$892,946</u>
Total Capital Assets	888,183	824,632	Liabilities		
Restricted Assets:			Non-Current Liabilities:		
Special Funds Invested:			Long-Term Debt:		
Construction fund	1	-	Bonds payable		
Bond fund	226,793	232,375		\$1,577,280	\$1,721,650
Reserve and contingency fund	<u>22,814</u>	<u>13,308</u>	Plus unamortized premium		
Total Special Funds Invested	249,608	245,683		51,567	62,806
Trust for Decommissioning Costs	<u>260,502</u>	<u>250,116</u>	Total Long-Term Debt		
Total Restricted Assets	510,110	495,799		1,628,847	1,784,456
Total Non-Current Assets	1,398,293	1,320,431	Asset Retirement Obligation		
				465,262	250,596
			Total Non-Current Liabilities		
				2,094,109	2,035,052
			Current Liabilities:		
			Operating Liabilities:		
			Accounts payable		
				35,372	9,659
			Revolving Credit Agreement		
				88,770	-
			Accrued taxes		
				1,501	7,141
			Total Operating Liabilities		
				125,643	16,800
			Special Funds Liabilities:		
			Current maturities of bonds		
				144,370	147,805
			Accrued interest on bonds		
				44,963	48,465
			Total Special Funds Liabilities		
				189,333	196,268
			Total Current Liabilities		
				314,976	213,068
			Total Liabilities		
				<u>\$2,409,085</u>	<u>\$2,248,120</u>
			Deferred Inflows of Resources		
			Collections to be expended		
				\$253,369	\$252,110
			Total Deferred Inflows of Resources		
				<u>\$253,369</u>	<u>\$252,110</u>
			Net Position		
			Net invested in capital assets		
				\$11,956	\$(152,335)
			Restricted for debt service		
				-	-
			Unrestricted		
				102,318	195,977
			Total Net Position		
				<u>\$114,274</u>	<u>\$43,642</u>
				<u>\$1,799,824</u>	<u>\$1,650,926</u>

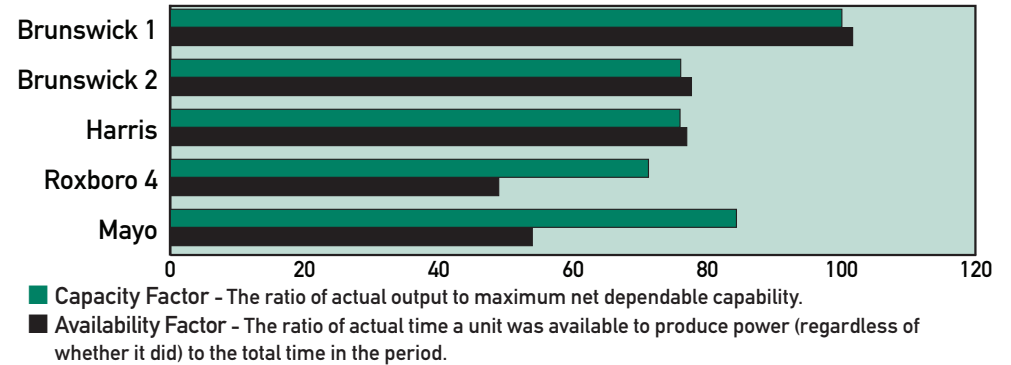
NCEMPA Statements of Revenues and Expenses

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

	Quarter Ended June 30		Year-to-Date June 30	
	2015	2014	2015	2014
Revenues				
Sales of electricity to participants	\$166,861	\$170,846	\$346,253	\$353,448
Sales of electricity to utilities	17	85	22	102
Other revenues	1	5	1	9
Investment revenue available for operations	926	978	1,867	2,647
Total Revenues	167,805	171,914	348,143	356,206
Expenses				
Operation and maintenance	36,706	24,688	64,264	48,916
Fuel	12,246	16,978	17,507	38,242
Power coordination services:				
Purchased power	40,984	36,153	93,104	84,563
Transmission and distribution	5,770	5,869	12,622	12,820
Other	1,336	315	2,293	456
Total Power Coordination Services	48,090	42,337	108,019	97,839
Administrative and general - PEC	5,176	6,123	13,026	12,144
Administrative and general - Agency	3,787	3,143	6,423	5,501
Sums in lieu of taxes	750	750	1,500	1,500
Gross receipts tax	(214)	5,517	(214)	11,334
Debt service	58,881	61,195	117,571	122,378
Special funds deposits:				
Reserve and contingency fund	-	21,249	11,924	42,498
Decommissioning fund	573	1,701	1,095	3,404
Revenue Fund	-	5,155	10,000	5,155
Power Agency Generation	3	257	7	224
Total Expenses	165,998	189,093	351,122	389,135
Net Position increase (decrease)	1,807	(17,179)	(2,979)	(32,929)
Net Position, beginning of period	112,467	60,821	117,253	76,571
Net Position, end of period	\$114,274	\$43,642	\$114,274	\$43,642

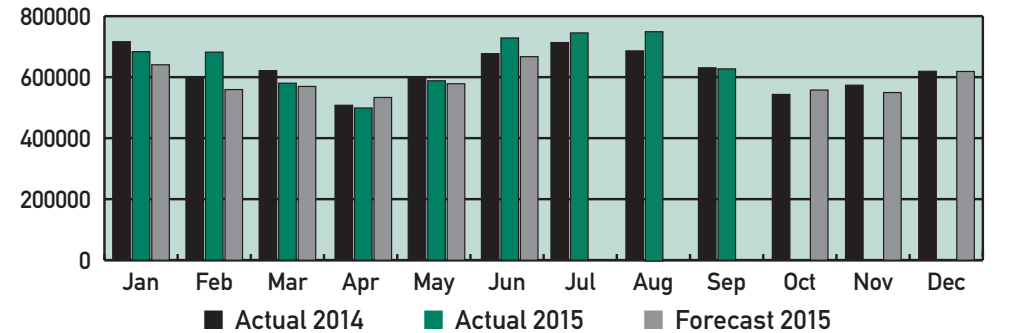
NCEMPA Plant Status

NOTE: The plant status values are year-to-date through June 30, 2015.

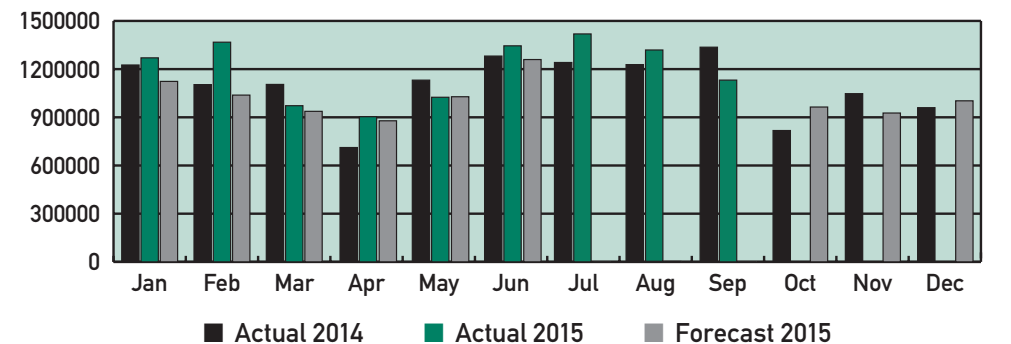


Second-quarter highlights: Brunswick Unit 1 experienced no outages during the second quarter. Brunswick Unit 2 was offline 43 days for a scheduled refueling outage beginning February 21st and ending April 5th. Harris Unit 1 was offline 43 days for a scheduled refueling outage beginning April 2nd and ending May 15th. Roxboro 4 was offline 50 days from April 4th to May 24th for a boiler outage which was extended due to emergent circulating water piping repairs.

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 2015 is from the NCEMPA 2014 Load Forecast.