

## 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.

NCEMPA completed the sale of all of the electric generating and other assets it jointly owned with DEP to DEP on July 31, 2015. Contemporaneously with the sale of the jointly owned facilities NCEMPA entered into a full requirements power supply contract with DEP. In connection with the asset sale bonds were issued ("the 2015 Bonds") to provide funds, together with proceeds of the asset sale and other funds available to NCEMPA, to pay the cost to retire or defease all of the outstanding Power System Revenue Bonds issued under Resolution R-2-82.

Management services for the NCEMPA Agency are provided by ElectriCities of North Carolina, Inc.

## NCEMPA Officers

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Richard N. Hicks, Farmville, 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

### North Carolina Legislature

The end of the second quarter found the state budget near approval, passed by the Senate and close to passing by the House. The \$22.22-billion budget is a 2.3 percent increase over the current fiscal year budget and includes a modest raise for teachers and state employees. The budget also increases the standard deduction for personal income taxes by \$2,000 over a four-year period beginning in 2017.

### Economic Development

Several NCEMPA communities had large economic development announcements in the second quarter.

Over the next year, West Pharmaceutical Services Inc. will invest \$19 million to bring machinery and equipment into its Lenoir County facility. The expansion will enable the company to “continue delivering high-value packaging components to our pharmaceutical and biopharmaceutical customers,” said Tom Gribbin, West Pharmaceutical operations director.

Publix grocery store announced that it is opening a new location in Greenville. The 49,000-square-foot store will open in 2017 and employ between 125 and 150 people.

Publix is also building a supermarket in New Bern that is expected to open later this year.

A Smart Site debuted in Farmville, and additional sites are in process in Greenville, Kinston, Laurinburg, New Bern and Rocky Mount.

### Safety and Training

In April in Rocky Mount, 23 students attended Basic Lineman School and 22 attended Intermediate Lineman School. In June, 14 students attended Advanced Lineman School in Rocky Mount.

ElectriCities training workshops and programs provide career development and life-saving skills to utility workers throughout the year. Courses on electric meters, tree trimming, leadership and more are on tap for the third quarter.

Also in April, Brandon Butler from Greenville was named the 4th overall Apprentice at the 2016 APPA Public Power Lineworkers Rodeo in Minneapolis. The annual rodeo provides lineworkers 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.

## Second Quarter Performance

The financial statements included herein reflect the second quarter for 2016 and 2015, respectively. NCEMPA completed the sale of its interests in jointly owned nuclear and coal facilities to Duke Energy Progress, “DEP,” effective August 1, 2015, and simultaneously entered into a full requirements power supply contract with DEP. The proceeds from the asset sale, the operating and reserve funds available to the Power Agency under the then existing Resolution R-2-82 and proceeds from the new debt issued under BDR-5-15 were utilized to defease all of the outstanding debt under Resolution R-2-82. The second quarter of 2016 financial statements reflect the assets and liabilities and results of operations under the new full requirements power supply contract which became effective on August 1, 2015. The second quarter of 2015 financial statements reflect the assets and liabilities and results of operations prior to the sale of the jointly owned facilities. The significant change to NCEMPA’s operations and finances should be considered when reading these financial statements.

Sales of electricity to participants decreased \$38,184,000 (22.9%) compared to the second quarter of 2015. Lower wholesale rates contained in the new wholesale rate structure charged to the Members under the Full Requirements Rate Schedule was implemented on July 1, 2015, in anticipation of the Asset Sale which closed on July 31, 2015.

Investment income available for operations decreased \$715,000 (77.2%) compared to the second quarter of 2015 due to the reduction in operating and

reserve funds available for investing.

Operations and maintenance, as well as fuel costs for the second quarter of 2015 reflects NCEMPA’s ownership of the joint facilities and includes the costs of operating a small amount of distributed generation produced by NCEMPA-owned generators. The corresponding costs reflected in the financial statements for the second quarter of 2016 include only the costs related to the distributed generation assets that were retained by NCEMPA.

Purchased Power costs increased \$54,118,000 (132.0%) compared to the second quarter of 2015. The increase reflects the additional purchase power requirements resulting from the sale of jointly owned assets and the new full requirements power supply contract with DEP in effect during the second quarter of 2016.

Debt service costs decreased \$46,145,000 (78.4%) compared to the second quarter of 2015. The utilization of the asset sales proceeds and other funds available to NCEMPA resulted in a significant reduction in the outstanding debt of the Agency.

Special fund deposits made during the second quarter of 2015 were required under the initial project bond resolution associated with NCEMPA’s ownership of the joint facilities. Certain special fund deposits were required to provide for obligations relating to the ownership and operation of those facilities. Special fund deposits are no longer required under the full requirements bond resolution which became effective after the sale of the joint facilities to DEP on July 31, 2015, and accordingly were not made during the second quarter of 2016.

## Financing Status

As of June 30, 2016, NCEMPA had \$421,430,000 outstanding in bonds. The first principal payment on these bonds will be paid on July 1, 2016.

The weighted average interest cost of the NCEMPA outstanding debt at the end of the quarter was 3.4%.

## NCEMPA Statement of Net Position

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

(Unaudited) (\$000s)

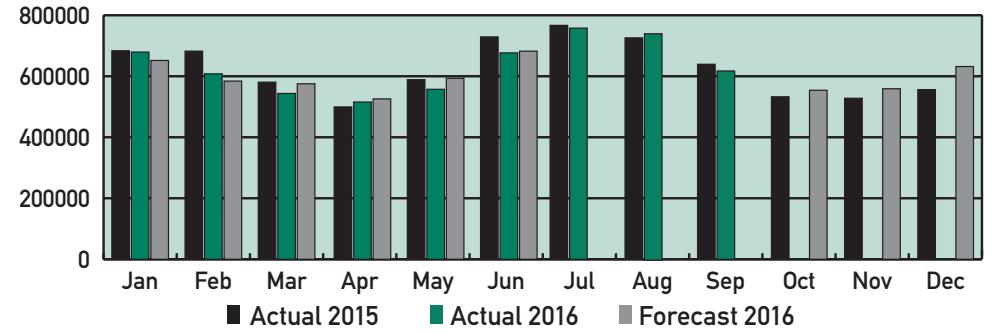
	June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015
<b>Assets</b>			<b>Deferred Outflows of Resources</b>		
<b>Non-Current Assets</b>			<b>Costs of advance refundings of debt</b>		
<b>Capital Assets:</b>			Unamortized debt issuance costs		
Electric Utility Plant, Net:				\$ -	\$136,190
Electric plant in service	\$14,664	\$1,861,029	VEPCO Compensation payment		
Construction work in progress	-	61,516	Development costs		
Nuclear fuel	-	191,480	Cost to Be Recovered		
Less accumulated depreciation and amortization	(1,165)	(1,226,972)	Total Deferred Outflows of Resources		
Total Electric Utility Plant, Net	<u>13,499</u>	<u>887,053</u>			
<b>Non-Utility Property and Equipment, Net:</b>					
Property and equipment	2,254	2,961			
Less accumulated depreciation	(1,167)	(1,831)			
Total Non-Utility Property and Equipment, Net	<u>1,087</u>	<u>1,130</u>			
Total Capital Assets	<u>14,586</u>	<u>888,183</u>			
<b>Restricted Assets:</b>			<b>Liabilities</b>		
<b>Special Funds Invested:</b>			<b>Non-Current Liabilities:</b>		
Construction fund	-	1	Long-Term Debt:		
Bond fund	54,136	226,793	Bonds payable		
Reserve and contingency fund	5,266	22,814	Plus unamortized premium		
Revenue fund	346	-	Total Long-Term Debt		
Total Special Funds Invested	<u>59,748</u>	<u>249,607</u>	Asset Retirement Obligation		
Trust for Decommissioning Costs	-	260,502	Total Non-Current Liabilities		
Total Restricted Assets	<u>59,748</u>	<u>510,109</u>			
Total Non-Current Assets	<u>74,334</u>	<u>1,398,292</u>			
<b>Current Assets</b>			<b>Current Liabilities:</b>		
<b>Funds Invested:</b>			<b>Operating Liabilities:</b>		
Revenue fund	-	48,751	Accounts payable		
Operating fund	-	33,161	Revolving Credit Agreement		
Supplemental fund	123,936	191,441	Accrued taxes		
Total Funds Invested	<u>123,936</u>	<u>273,353</u>	Total Operating Liabilities		
Participant accounts receivable	50,021	65,269	Special Funds Liabilities:		
Plant materials and renewable certificate inventory	5,497	59,985	Current maturities of bonds		
Prepaid expenses	2,500	2,924	Accrued interest on bonds		
Total Current Assets	<u>181,954</u>	<u>401,531</u>	Total Special Funds Liabilities		
Total Assets	<u>\$256,288</u>	<u>\$1,799,823</u>	Total Current Liabilities		
			Total Liabilities		
			<b>Deferred Inflows of Resources</b>		
			Collections to be expended		
			Total Deferred Inflows of Resources		
			<b>Net Position</b>		
			Net invested in capital assets		
			Restricted for debt service		
			Unrestricted		
			Total Net Position		

## NCEMPA Statements of Revenues and Expenses

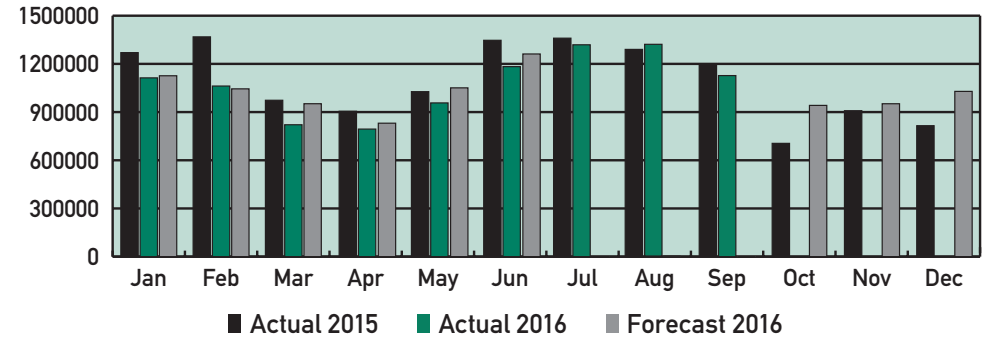
Per bond resolution and other agreements  
(Unaudited) (\$000s)

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2016	2015	2016	2015
Sales of electricity to participants	\$128,677	\$166,861	\$261,793	\$346,253
Sales of electricity to utilities	-	17	-	22
Other revenues	695	1	695	1
Investment revenue available for operations	211	926	396	1867
<b>Total Revenues</b>	<b>129,583</b>	<b>167,805</b>	<b>262,884</b>	<b>348,143</b>
<b>Expenses</b>				
Operation and maintenance	66	36,706	146	64,268
Fuel	58	12,246	86	17,507
Power coordination services:				
Purchased power	95,102	40,984	193,905	93,104
Transmission and distribution	5,208	5,770	10,661	12,622
Other	581	1,339	1,608	2,296
<b>Total Power Coordination Services</b>	<b>100,891</b>	<b>48,093</b>	<b>206,174</b>	<b>108,022</b>
Administrative and general - DEP	-	5,176	-	13,026
Administrative and general - Agency	2,994	3,787	5,695	6,423
Sums in lieu of taxes	-	750	75	1,500
Gross receipts tax	-	(214)	-	(214)
Debt service	12,736	58,881	25,478	117,571
Special funds deposits:				
Reserve and contingency fund	-	-	-	11,924
Decommissioning fund	-	573	-	1,095
Revenue Fund Deposit	-	-	-	10,000
<b>Total Expenses</b>	<b>116,745</b>	<b>165,998</b>	<b>237,654</b>	<b>351,122</b>
Net Position (decrease)	12,838	1,807	25,230	(2,979)
Net Position, beginning of period	119,408	112,467	107,016	117,253
<b>Net Position, end of period</b>	<b>\$132,246</b>	<b>\$114,274</b>	<b>\$132,246</b>	<b>\$114,274</b>

## 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 2016 is from the NCEMPA 2015 Load Forecast.