

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.

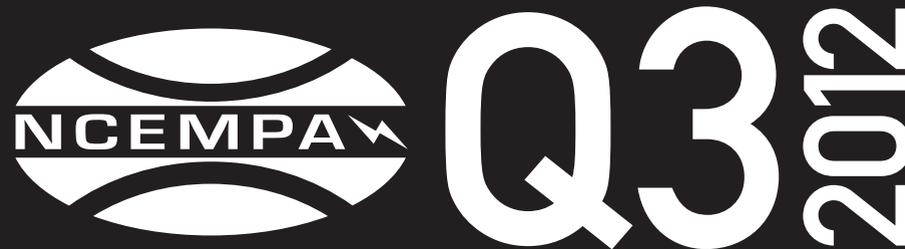
Management services for the Power Agency are provided by ElectriCities of North Carolina, Inc.

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

The Electricities Annual Conference was held Aug. 9-11 at the Marriott Grande Dunes in Myrtle Beach. More than 400 attendees from across the state came together to learn about issues affecting public power communities. Topics included media training, smart grid, plug-in vehicles and several sessions on economic development and positioning communities for future growth. During CEO Graham Edwards' speech, he commended NC Public Power communities for achieving new private investment of \$251 million with 1,250 jobs since the beginning of 2012. Edwards also commended the communities for achieving the lowest-ever lost work days in 2011 and reinforced safety as our number one priority.

Five individuals were honored with the Hometown Hero award for saving lives: Darlene Goodheart and Larry Vinson of Fayetteville Public Works Commission and Brian Marshall, Terry Johnson and Brad Short of the City of Rocky Mount. Sam Noble of Tarboro received the Public Power Lifetime Achievement Award for his many

contributions to NC Public Power and Electricities.

Nineteen communities received Public Power Awards of Excellence. These awards recognize the achievements of public power communities in key areas. Eighty-one awards were presented in five key categories: Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement and Service Excellence.

Throughout the year, Electricities has facilitated a group of members interested in new smart grid initiatives for their communities. In September, Electricities staff issued a Request for Proposals for solutions and price quotes for two-way meters, communications, utility operations, finance, retail customer billing and end-use software. Review of the proposals will continue through the remainder of 2012.

As the third quarter drew to a close, NC Public Power communities were preparing to celebrate Public Power Week during the first week in October. Members typically celebrate their municipal electric system with residential and industrial customer appreciation events.

Third Quarter Performance

Participant sales decreased \$3,244,000 (1.6%) as compared to the third quarter of 2011. Billing demand decreased 86 MW (2.2%) and energy sales decreased 42,914 MWh (2.2%). The decrease in billing demand and energy is due to milder weather conditions experienced in the third quarter of 2012 relative to the third quarter of 2011.

Fuel increased \$4,810,000 (23.8%) as compared to the third quarter of 2011. The variance is primarily due to the recognition of additional fuel amortization necessary to build up fuel working capital.

Purchased power costs decreased \$4,201,000 (8.0%) as compared to the third

quarter of 2011. Energy purchases decreased 45,180 MWh (5.4%) as compared to the third quarter of 2011. The decrease is attributable to lower Participant requirements resulting from milder weather conditions experienced in the third quarter of 2012 compared to the same period in 2011.

Debt service costs decreased \$5,068,000 (7.5%) as compared to the third quarter of 2011. Debt principal costs decreased \$4,265,000 (11.4%) and debt interest costs decreased \$1,704,000 (5.7%), respectively. The decrease in debt principal and interest costs is due to lower payments as required by debt service schedules.

Financing Status

As of September 30, 2012 NCEMPA had outstanding \$2,183,270,000 in bonds.

The weighted average interest cost of the NCEMPA outstanding debt at the end of the

quarter was 5.215%.

To date, NCEMPA has had \$1,657,445,661 in debt redeemed prior to or at maturity.

NCEMPA Balance Sheets

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

(Unaudited) (\$000's)

| Assets | September 30, 2012 | September 30, 2011 |
|--|--------------------|--------------------|
| Non-Current Assets | | |
| Capital Assets: | | |
| Electric Utility Plant, Net: | | |
| Electric plant in service | \$1,722,303 | \$1,685,489 |
| Construction work in progress | 21,311 | 13,401 |
| Nuclear fuel | 141,671 | 128,021 |
| Less accumulated depreciation and amortization | <u>(1,149,689)</u> | <u>(1,126,471)</u> |
| Total Electric Utility Plant, Net | 735,596 | 700,440 |
| Non-Utility Property and Equipment, Net: | | |
| Property and equipment | 2,952 | 2,952 |
| Less accumulated depreciation | <u>(1,753)</u> | <u>(1,670)</u> |
| Total Non-Utility Property and Equipment, Net | 1,199 | 1,282 |
| Total Capital Assets | <u>736,795</u> | <u>701,722</u> |
| Restricted Assets: | | |
| Special Funds Invested: | | |
| Construction fund | 40,580 | - |
| Bond fund | 271,333 | 300,355 |
| Reserve and contingency fund | <u>10,421</u> | <u>20,016</u> |
| Total Special Funds Invested | 322,334 | 320,371 |
| Trust for Decommissioning Costs | <u>248,985</u> | <u>233,512</u> |
| Total Restricted Assets | 571,319 | 553,883 |
| Other Assets: | | |
| Unamortized debt issuance costs | 20,539 | 22,287 |
| VEPCO compensation payment | 3,595 | 3,983 |
| Development costs | 2,638 | 2,908 |
| Costs of advance refundings of debt | 217,718 | 217,764 |
| Costs to be recovered from future billings to participants | <u>834,284</u> | <u>967,147</u> |
| Total Other Assets | 1,078,774 | 1,214,089 |
| Total Non-Current Assets | <u>2,386,888</u> | <u>2,469,694</u> |
| Current Assets | | |
| Funds Invested: | | |
| Revenue fund | 27,593 | 34,309 |
| Operating fund | 59,131 | 59,042 |
| Supplemental fund | <u>170,374</u> | <u>103,405</u> |
| Total Funds Invested | 257,098 | 196,756 |
| Participant accounts receivable | 59,519 | 59,656 |
| Fossil fuel inventory | 388 | 565 |
| Plant Materials and Operating Inventory | 39,753 | 37,559 |
| Prepaid expenses | <u>3,744</u> | <u>2,269</u> |
| Total Current Assets | 360,502 | 296,805 |
| Total Assets | <u>\$2,747,390</u> | <u>\$2,766,499</u> |

| Liabilities and Fund Equity | September 30, 2012 | September 30, 2011 |
|---|--------------------|--------------------|
| Liabilities | | |
| Non-Current Liabilities: | | |
| Long-Term Debt: | | |
| Bonds payable | \$2,049,220 | \$2,105,495 |
| Less unamortized discount | 76,193 | 27,283 |
| Total Long-Term Debt | <u>2,125,413</u> | <u>2,132,778</u> |
| Asset Retirement Obligation | 228,191 | 215,310 |
| Deferred Revenues | <u>94,050</u> | <u>94,050</u> |
| Total Non-Current Liabilities | 2,447,654 | 2,442,138 |
| Current Liabilities: | | |
| Operating Liabilities: | | |
| Accounts payable | 29,621 | 62,200 |
| Accrued taxes | <u>8,546</u> | <u>8,647</u> |
| Total Operating Liabilities | 38,167 | 70,847 |
| Special Funds Liabilities: | | |
| Current maturities of bonds | 134,050 | 149,015 |
| Accrued interest on bonds | <u>24,531</u> | <u>31,826</u> |
| Total Special Funds Liabilities | 158,581 | 180,841 |
| Total Current Liabilities | <u>196,748</u> | <u>251,688</u> |
| Total Liabilities | 2,644,402 | 2,693,826 |
| Fund Equity | | |
| Invested in capital assets, net of related debt (deficit) | (432,501) | (488,696) |
| Restricted for debt service | 31,198 | 31,712 |
| Unrestricted | <u>504,291</u> | <u>529,658</u> |
| Total Fund Equity | 102,988 | 72,673 |
| Total Liabilities and Fund Equity | <u>\$2,747,390</u> | <u>\$2,766,499</u> |

NCEMPA Statements of Revenues and Expenses

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

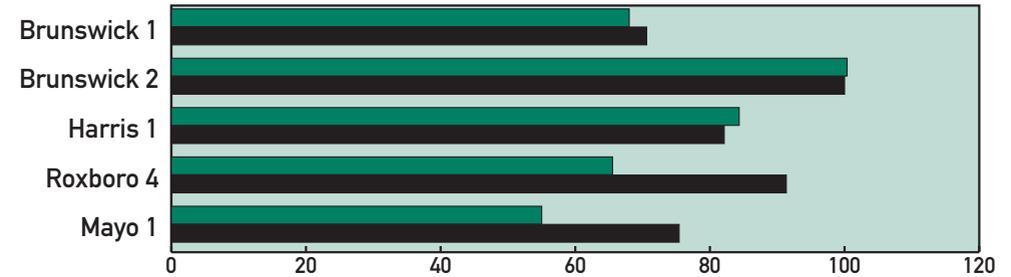
| Revenues | Quarter Ended September 30 | | Year-to-Date September 30 | |
|---|----------------------------|----------------|---------------------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| Sales of electricity to participants | \$196,193 | \$199,437 | \$532,716 | \$546,944 |
| Sales of electricity to utilities | - | - | 11 | 127 |
| Fund valuation | - | - | 20,002 | - |
| Investment revenue available for operations | 1,919 | 2,062 | 5,808 | 5,773 |
| Total Revenues | 198,112 | 201,499 | 558,537 | 552,844 |

Expenses

| | | | | |
|--|------------------|-----------------|------------------|-----------------|
| Operation and maintenance | 15,703 | 15,389 | 68,366 | 57,314 |
| Fuel | 25,019 | 20,209 | 62,314 | 59,649 |
| Power coordination services: | | | | |
| Purchased power | 48,285 | 52,486 | 124,737 | 121,653 |
| Transmission and distribution | 7,153 | 6,834 | 18,644 | 17,472 |
| Other | 215 | 157 | 1,000 | 428 |
| Total Power Coordination Services | 55,653 | 59,477 | 144,381 | 139,553 |
| Administrative and general - PEC | 6,231 | 6,702 | 22,859 | 32,803 |
| Administrative and general - Agency | 2,550 | 2,542 | 7,679 | 7,540 |
| Sums in lieu of taxes | 750 | 750 | 2,250 | 2,250 |
| Gross receipts tax | 6,296 | 6,395 | 17,140 | 17,535 |
| Debt service | 62,365 | 67,433 | 184,924 | 202,234 |
| Special funds deposits: | | | | |
| Reserve and contingency fund | 8,928 | 8,175 | 23,999 | 24,525 |
| Decommissioning fund | 978 | 651 | 2,934 | 1,951 |
| Total Expenses | 184,473 | 187,723 | 536,846 | 545,354 |
| Fund Equity increase (decrease) | 13,639 | 13,776 | 21,691 | 7,490 |
| Fund Equity, beginning of period | 89,349 | 58,897 | 81,297 | 65,183 |
| Fund Equity, end of period | \$102,988 | \$72,673 | \$102,988 | \$72,673 |

NCEMPA Plant Status

NOTE: The plant status values are year-to-date through September 30, 2012.

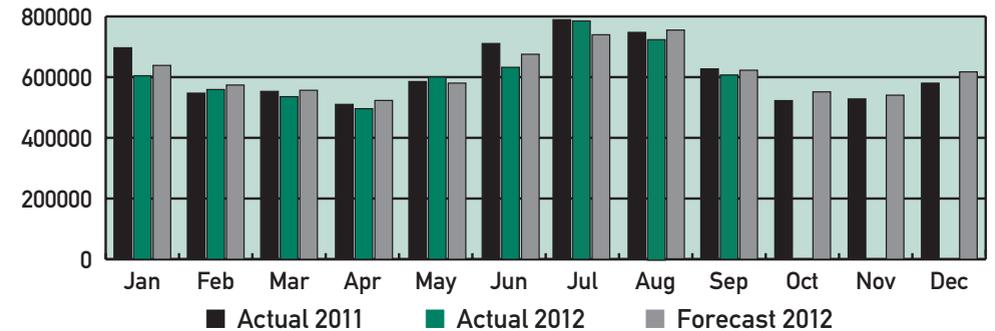


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

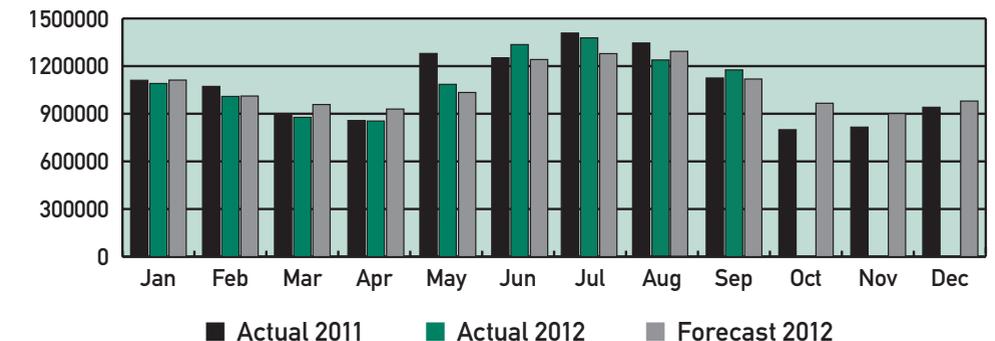
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Third-quarter highlights: Harris Unit 1 100% power, no major issues. Brunswick Unit 1 was taken offline September 16 through September 27 to repair Recirculation Pump. Brunswick Unit 1 was recognized as one of the top boiling water reactors in the world by GE Energy for superior performance in operational efficiency and long continuous runs during a fuel cycle. Brunswick Unit 2 100% power, no major issues during third quarter. Mayo Unit Plant removed from service on September 13 due to feed-water malfunction and returned to service on September 13. Roxboro 4 experienced no major issues during the 3rd 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 are not weather normalized.

** The Forecast Year 2012 is from the NCEMPA 2011 Revised Load Forecast.