

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

Legislation

The North Carolina General Assembly adjourned its long session on July 26. One of our most closely-followed bills this session was the Tax Reduction and Simplification Act (HB 998.) That bill passed during the session and will be effective on July 1, 2014. The Act eliminates the gross receipts tax on electricity at the wholesale level and increases the tax at the retail level by a similar amount. ElectriCities staff is working with members on education and implementation of the changes.

ElectriCities Annual Conference

The ElectriCities Annual Conference was held Aug. 1 – 3 at Asheville's Grove Park Inn. More than 400 attendees from across the state came together to learn about issues affecting public power communities. Topics included cyber security, tourism as economic development, federal legislative and regulatory issues and an update on nuclear energy. During CEO Graham Edwards' speech, he walked attendees through the turbulent times of the 1970s and the energy challenges the nation faced. He described the climate in North Carolina at that time, and explained how the creation of the municipal Power Agencies helped bring stability and reliability to regional commerce centers outside of the metropolitan areas. Edwards touted today's excellent reliability indices for public power communities. Not only do NC Public Power communities have fewer outages than other providers, but the average outage duration is also less. The estimated value of the superior reliability is estimated at \$25 – 30 million on an annual basis. Edwards also commended member communities for achieving the lowest-ever lost work days in 2012.

Recognition and Awards

Two individuals were honored at the Annual Meeting with the Hometown Hero award for saving lives: David Shue of Concord and Mike Billings of Statesville. Winton Poole of Cornelius received the Public Power Lifetime Achievement Award for his contributions to NC Public Power and ElectriCities. More information on these great stories can be found under "News" at www.electricities.com.

Twenty-one communities received 2013 Public Power Awards of Excellence. These awards recognize the achievements of public power communities in key areas: Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement and Service Excellence.

NCEMPA Greenville Distributed Generation Project

The first five units were installed at the new distributed generation project in Greenville. Made possible by the new Supplemental Load Agreement negotiated with Duke Energy Progress, the 20 MW project is expected to save the Power Agency \$2 to \$3 million annually through reduced demand charges. The units are expected to be used for peak shaving in October.

Economic Development News

Key economic development news for the quarter included: Kinston, Pactiv expansion, \$3.25 million with 26 new jobs; Kinston, Associated Materials, Inc. expansion, \$5 million with 252 new jobs; Lumberton, Due Process Stable Trading Co., \$1.37 million with 45 new jobs; and Washington, IDX Impressions expansion, \$3 million with 159 new jobs. Interest in NCEMPA Participants remains high with several projects pending.

Third Quarter Performance

Sales of electricity to Participants decreased \$4,588,000 (2.3%) as compared to the third quarter of 2012. Billing demand decreased 90 MW (2.4%) and energy sales decreased 76,037 MWh (3.6%). The decrease in demand and energy sales is primarily attributable to the milder weather conditions experienced in the third quarter of 2013 compared to the same period for 2012.

Operation and maintenance expense increased \$4,802,000 (30.6%) as compared to the third quarter of 2012. The third quarter of 2012 included approximately \$1,700,000 of favorable prior month adjustments associated with certain Duke-Progress merger cost savings.

Fuel costs decreased \$6,811,000 (27.2%) as compared to the third quarter of 2012. The variance is primarily attributable to a decrease in the nuclear fuel amortization rate necessary to maintain an appropriate level of fuel working capital. Additionally, lower generation was experienced at the fossil plants in the third quarter of 2013 compared to the same time period in 2012; the lower generation was primarily due to a maintenance outage experienced at the Roxboro plant in September; no such outage activity occurred

at this plant in the third quarter of 2012.

Administrative and general - PEC decreased \$694,000 (11.1%) as compared to the third quarter of 2012. The decrease is primarily attributable to the recognition of increased pension costs in the third quarter of 2012 as compared to the same period in 2013.

Debt service costs increased \$3,041,000 (4.9%) as compared to the third quarter of 2012. Debt principal costs increased \$5,447,000 (16.2%) primarily due to the issuance of the 2012 Series A bonds that were issued to fund certain capital improvements.

Reserve and contingency fund deposits increased \$7,017,000 (78.6%) as compared to the third quarter of 2012. The increase is attributable to higher capital expenditures anticipated in the third quarter of 2013 compared to the same period in 2012.

Power agency generation increased \$6,566,000 (100.0%) as compared to the third quarter of 2012. The variance is attributable to expenditures for the Greenville Diesel Generator project in 2013; no such project existed in the same period of 2012.

Financing Status

As of September 30, 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)

| | <u>September 30, 2013</u> | <u>September 30, 2012</u> | | <u>September 30, 2013</u> | <u>September 30, 2012</u> |
|---|---------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|
| Assets | | | Deferred Outflows of Resources | | |
| Non-Current Assets | | | | | |
| Capital Assets: | | | Costs of advance refundings of debt | \$190,804 | \$217,718 |
| Electric Utility Plant, Net: | | | VEPCO Compensation payment | 3,206 | 3,595 |
| Electric plant in service | \$1,756,820 | \$1,722,303 | Development costs | 2,368 | 2,638 |
| Construction work in progress | 52,527 | 21,311 | Asset Retirement Obligation provision | 5,464 | 5,464 |
| Nuclear fuel | 152,018 | 141,671 | Total Deferred Outflows of Resources | <u>\$201,842</u> | <u>\$229,415</u> |
| Less accumulated depreciation and amortization | <u>(1,186,539)</u> | <u>(1,149,689)</u> | | | |
| Total Electric Utility Plant, Net | 774,826 | 735,596 | Liabilities | | |
| Non-Utility Property and Equipment, Net: | | | Non-Current Liabilities: | | |
| Property and equipment | 2,952 | 2,952 | Long-Term Debt: | | |
| Less accumulated depreciation | <u>(1,800)</u> | <u>(1,753)</u> | Bonds payable | \$1,869,455 | \$2,049,220 |
| Total Non-Utility Property and Equipment, Net | 1,152 | 1,199 | Plus unamortized premium | 85,537 | 76,193 |
| Total Capital Assets | 775,978 | 736,795 | Total Long-Term Debt | 1,954,992 | 2,125,413 |
| Restricted Assets: | | | Asset Retirement Obligation | 240,742 | 228,191 |
| Special Funds Invested: | | | Collections to be Expended | 94,050 | 94,050 |
| Construction fund | 5,100 | 40,580 | Total Non-Current Liabilities | <u>2,289,784</u> | <u>2,447,654</u> |
| Bond fund | 258,292 | 271,333 | Current Liabilities: | | |
| Reserve and contingency fund | <u>22,620</u> | <u>10,421</u> | Operating Liabilities: | | |
| Total Special Funds Invested | 286,012 | 322,334 | Accounts payable | 45,261 | 29,621 |
| Trust for Decommissioning Costs | <u>242,337</u> | <u>248,985</u> | Accrued taxes | 8,557 | 8,546 |
| Total Restricted Assets | 528,349 | 571,319 | Total Operating Liabilities | 53,818 | 38,167 |
| Other Assets: | | | Special Funds Liabilities: | | |
| Costs to be Recovered | 735,076 | 849,359 | Current maturities of bonds | 156,265 | 134,050 |
| Total Other Assets | <u>735,076</u> | <u>849,359</u> | Accrued interest on bonds | 26,232 | 24,531 |
| Total Non-Current Assets | 2,039,403 | 2,157,473 | Total Special Funds Liabilities | 182,497 | 158,581 |
| Current Assets | | | Total Current Liabilities | <u>236,315</u> | <u>196,748</u> |
| Funds Invested: | | | Total Liabilities | <u>\$2,526,099</u> | <u>\$2,644,402</u> |
| Revenue fund | 11,632 | 27,593 | | | |
| Operating fund | 73,341 | 59,131 | Net Position | | |
| Supplemental fund | <u>167,714</u> | <u>170,374</u> | Net invested in capital assets | \$(300,729) | \$(432,501) |
| Total Funds Invested | 252,687 | 257,098 | Restricted for debt service | - | 31,198 |
| Participant accounts receivable | 58,829 | 59,519 | Unrestricted | 375,404 | 504,291 |
| Fossil fuel inventory | - | 388 | Total Net Position | <u>\$74,675</u> | <u>\$102,988</u> |
| Plant materials and renewable certificate inventory | 46,478 | 40,830 | | | |
| Prepaid expenses | <u>1,535</u> | <u>2,667</u> | | | |
| Total Current Assets | 359,529 | \$360,502 | | | |
| Total Assets | <u>\$2,398,932</u> | <u>\$2,517,975</u> | | | |

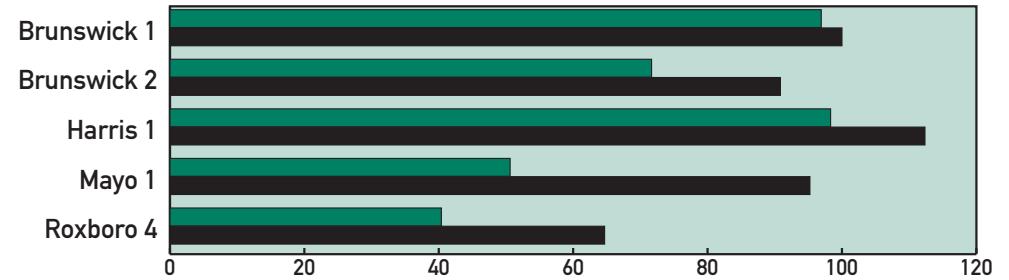
NCEMPA Statements of Revenues and Expenses

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

| | Quarter Ended September 30 | | Year-to-Date September 30 | |
|---|----------------------------|------------------|---------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | |
| Sales of electricity to participants | \$191,605 | \$196,193 | \$532,692 | \$532,716 |
| Sales of electricity to utilities | - | - | (11) | 11 |
| Fund valuation | - | - | - | 20,002 |
| Other revenues | (2) | - | (1) | - |
| Investment revenue available for operations | 1,118 | 1,919 | 4,085 | 5,808 |
| Total Revenues | 192,721 | 198,112 | 536,765 | 558,537 |
| Expenses | | | | |
| Operation and maintenance | 20,505 | 15,703 | 71,639 | 68,366 |
| Fuel | 18,208 | 25,019 | 48,114 | 62,314 |
| Power coordination services: | | | | |
| Purchased power | 48,019 | 48,285 | 131,034 | 124,737 |
| Transmission and distribution | 7,097 | 7,153 | 18,982 | 18,644 |
| Other | 654 | 215 | 1,842 | 1,000 |
| Total Power Coordination Services | 55,770 | 55,653 | 151,858 | 144,381 |
| Administrative and general - PEC | 5,537 | 6,231 | 19,385 | 22,859 |
| Administrative and general - Agency | 2,510 | 2,550 | 7,641 | 7,679 |
| Sums in lieu of taxes | 750 | 750 | 2,251 | 2,250 |
| Gross receipts tax | 6,146 | 6,296 | 17,081 | 17,140 |
| Debt service | 65,407 | 62,365 | 196,008 | 184,924 |
| Special funds deposits: | | | | |
| Reserve and contingency fund | 15,948 | 8,928 | 38,986 | 23,999 |
| Decommissioning fund | 1,701 | 978 | 5,105 | 2,934 |
| Power Agency Generation | 6,566 | - | 7,070 | - |
| Total Expenses | 199,048 | 184,473 | 565,138 | 536,846 |
| Net Position increase (decrease) | (6,327) | 13,639 | (28,373) | 21,691 |
| Net Position, beginning of period | 81,002 | 89,349 | 103,048 | 81,297 |
| Net Position, end of period | <u>\$74,675</u> | <u>\$102,988</u> | <u>\$74,675</u> | <u>\$102,988</u> |

NCEMPA Plant Status

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

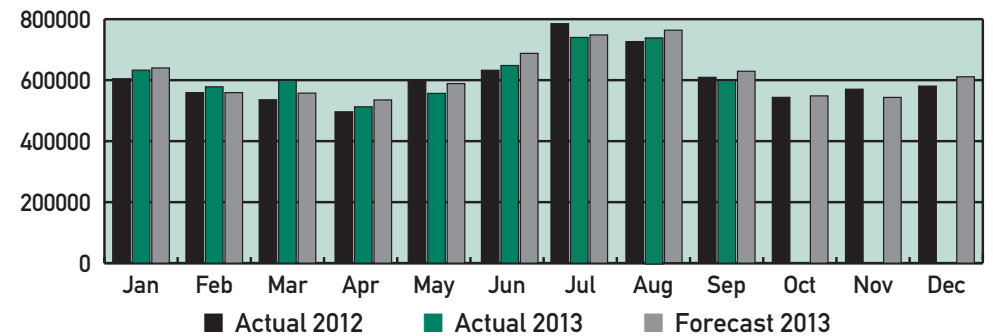


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

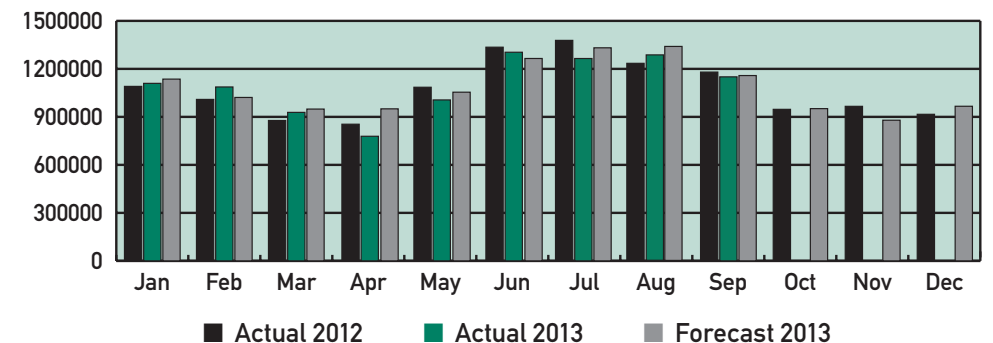
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Third-quarter highlights: Harris Unit was taken off line to install balance weights on a turbine jack shaft on August 3 and was returned to service on August 4. Brunswick Unit 1 did not report any outages during the third quarter. Brunswick Unit 2 did not report any outages during the third quarter. Mayo Unit 1 was taken offline on July 10 to replace a scrubber agitator seal. The unit returned to service July 12. Roxboro 4 was in a scheduled maintenance outage from September 25. The unit is scheduled to return to service on November 14.

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.