

## 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.

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

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John P. Craft, LaGrange, 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

In October, Duke Energy Progress filed for approval to purchase NCEMPA's generating assets with the Federal Energy Regulatory Commission (FERC). The FERC filing, made on Oct. 10, was an important milestone for the approximately \$1.2 billion transaction with the Power Agency, which was announced July 28.

FERC approval is required before Duke Energy Progress can acquire the Power Agency's ownership interest in the utility's plants, as well as associated fuel inventories and spare parts.

In addition, FERC approval is required for Duke Energy Progress to enter into a 30-year wholesale power supply agreement with NCEMPA to continue meeting the needs of NCEMPA customers currently served by the Power Agency's interest in Duke Energy Progress' plants.

The filing with FERC details the terms of the transaction, as well as an economic analysis of the purchase price and benefits to Duke Energy Progress wholesale customers. Those benefits include long-term energy-related cost savings and increased fuel diversity, as well as expanded wholesale load being served by the utility through the new wholesale agreement with NCEMPA. All of these benefits can help to keep Duke Energy Progress customers' bills lower over time.

In addition to the FERC review, additional filings and reviews will be required with the N.C. Utilities Commission, Public Service Commission of South Carolina and the Nuclear Regulatory Commission.

Duke Energy Progress and NCEMPA will work diligently to close the transaction as quickly as possible. Under the terms of the agreement, approvals must be received and the transaction completed by the end of 2016. Ultimately, the timing of the transaction will be determined by the approval process.

The North Carolina General Assembly adjourned its 2013-2014 legislative session on Aug. 20. The main focus of the session was setting the state's budget, yet legislators also acted on legislation pertaining to coal ash, the restructuring of the state's economic development efforts, and the Energy

Modernization Act dealing with hydraulic fracturing. The 2015-2016 General Assembly session will begin on January 14, 2015.

The Electricities Annual Conference was held Aug. 7-9 in Pinehurst. "People Power" was a common theme at the conference, as CEO Graham Edwards highlighted the common goals of NC Public Power's 1.2 million customers. More than 400 attendees representing 46 members from North Carolina, South Carolina and Virginia met in Pinehurst for three days of information sessions and idea sharing. Sessions covered the spectrum from rate making to emerging technology for utilities to economic development.

NCMPA1 Participants prepared for the annual national celebration of public power, held the first week in October. This year's theme was "Always Steady and Ever Ready," highlighting NC Public Power's excellent reliability, storm response and highly-trained line crews. Communities held customer appreciation events, key accounts meetings and other celebrations to mark the occasion.

Twenty-three communities received 2014 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.

In August, Dub Dickson of Gastonia was presented with the Public Power Lifetime Achievement Award. The award is given to those who have shown a lifetime of service to local systems and NC Public Power with leadership, innovation, creativity and longevity of service to public power. Over his long career, Dickson distinguished himself as both a public servant and a hard working leader. Dickson was a veterinarian for nearly 35 years, served in the North Carolina General Assembly and also served his country in the South Pacific during World War II.

Key economic development news for the quarter included announcements from Linamar Corporation in Wilson that it would add 125 jobs and invest \$40 million; and Natural Blend Vegetable Dehydration in Farmville, adding 50 jobs and investing \$16 million.

## Third Quarter Performance

Sales to participants decreased \$6,220,000 (3.3%) as compared to the third quarter of 2013 primarily due to the elimination of the gross receipts tax effective July 1, 2014.

Revenue from Fund Valuation increased \$21,553,000 as compared to the third quarter of 2013 due to a release from the Reserve for Future Costs Fund to working capital for long term rate planning purposes.

Operation and maintenance costs increased \$2,065,000 (10.1%) as compared to the third quarter of 2013. The increase is primarily attributable to Plant Stock expenditures during the third quarter of 2014. Higher Plant Stock purchases are being made in anticipation of early 2015 planned outages at the nuclear facilities.

Fuel costs decreased \$3,504,000 (19.2%) as compared to the third quarter of 2013. The decrease is primarily attributable to lower fossil fuel rates as well as slightly lower generation at the fossil plants in the third quarter of 2014 as compared to the

same period in 2013.

Gross Receipts Tax decreased \$6,146,000 (100%) as compared to the third quarter of 2013 due to legislative changes to eliminate the Gross Receipts Tax effective July 1, 2014.

Debt service costs decreased \$3,011,000 (4.6%) as compared to the third quarter of 2013. The decrease was due to the scheduled reduction in principal and interest payments.

Reserve and contingency fund deposits decreased \$15,948,000 (100%) as compared to the third quarter of 2013. The required deposits for 2014 were made in the first six months of the year and utilized to pay for capital additions. For the remainder of 2014 capital additions will be funded from the Revolving Credit Agreement that was entered into in the 2nd quarter of 2014.

Power Agency Generation decreased \$4,171,000 (63.5%) as compared to the third quarter of 2013. The decrease was primarily due to the completion of the majority of the Generation Project in 2013.

## Financing Status

As of September 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 September 30, 2014, \$11,300,000 of this line of credit has been used.

## NCEMPA Statement of Net Position

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

(Unaudited) (\$000's)

	September 30, 2014	September 30, 2013		September 30, 2014	September 30, 2013
<b>Assets</b>			<b>Deferred Outflows of Resources</b>		
<b>Non-Current Assets</b>			<b>Costs of advance refundings of debt</b>		
Capital Assets:			Unamortized debt issuance costs		
Electric Utility Plant, Net:			VEPCO Compensation payment		
Electric plant in service	\$1,777,215	\$1,756,820	Development costs		
Construction work in progress	69,962	52,527	Cost to Be Recovered		
Nuclear fuel	159,189	152,018	Total Deferred Outflows of Resources		
Less accumulated depreciation and amortization	<u>(1,202,688)</u>	<u>(1,186,539)</u>			
Total Electric Utility Plant, Net	803,678	774,826			
Non-Utility Property and Equipment, Net:			<b>Liabilities</b>		
Property and equipment			Non-Current Liabilities:		
Less accumulated depreciation	(1,799)	(1,800)	Long-Term Debt:		
Total Non-Utility Property and Equipment, Net	<u>1,153</u>	<u>1,152</u>	Bonds payable		
Total Capital Assets	804,831	775,978	Plus unamortized premium		
Restricted Assets:			Total Long-Term Debt		
Special Funds Invested:			Asset Retirement Obligation		
Construction fund	79	5,100	Total Non-Current Liabilities		
Bond fund	244,229	258,292	Current Liabilities:		
Reserve and contingency fund	10,139	22,620	Operating Liabilities:		
Total Special Funds Invested	<u>254,447</u>	<u>286,012</u>	Accounts payable		
Trust for Decommissioning Costs	251,617	242,337	Revolving Credit Agreement		
Total Restricted Assets	<u>506,064</u>	<u>528,349</u>	Accrued taxes		
Total Non-Current Assets	1,310,895	1,304,327	Total Operating Liabilities		
Current Assets			Special Funds Liabilities:		
Funds Invested:			Current maturities of bonds		
Revenue fund	10,275	11,632	Accrued interest on bonds		
Operating fund	48,411	73,341	Total Special Funds Liabilities		
Supplemental fund	<u>161,062</u>	<u>167,714</u>	Total Current Liabilities		
Total Funds Invested	219,748	252,687	Total Liabilities		
Participant accounts receivable	60,431	58,829			
Plant materials and renewable certificate inventory	55,076	46,478			
Prepaid expenses	44,639	1,535			
Total Current Assets	<u>379,894</u>	<u>\$359,529</u>			
Total Assets	<u>\$1,690,789</u>	<u>\$1,663,856</u>	<b>Deferred Inflows of Resources</b>		
Total Assets	<u>\$1,690,789</u>	<u>\$1,663,856</u>	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		

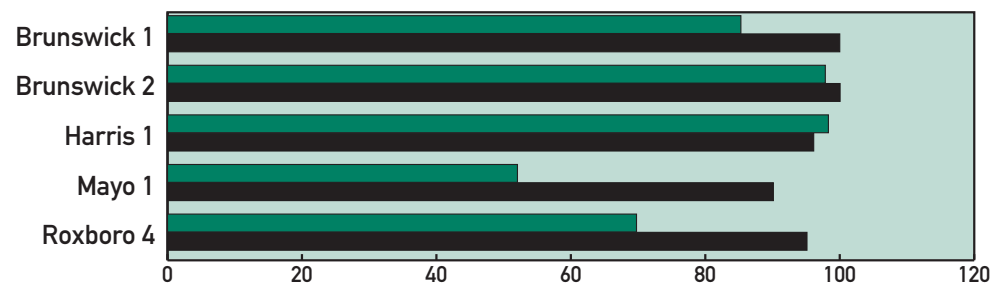
## NCEMPA Statements of Revenues and Expenses

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

	Quarter Ended September 30		Year-to-Date September 30	
	2014	2013	2014	2013
<b>Revenues</b>				
Sales of electricity to participants	\$185,385	\$191,605	\$538,833	\$532,692
Sales of electricity to utilities	4	-	106	(11)
Fund valuation	21,553	-	21,553	-
Other revenues	(8)	(2)	1	(2)
Investment revenue available for operations	989	1,118	3,636	4,087
<b>Total Revenues</b>	<b>207,923</b>	<b>192,721</b>	<b>564,129</b>	<b>536,766</b>
<b>Expenses</b>				
Operation and maintenance	22,570	20,505	71,486	71,639
Fuel	14,704	18,208	52,946	48,116
Power coordination services:				
Purchased power	47,808	48,019	132,371	131,035
Transmission and distribution	6,677	7,097	19,497	18,981
Other	518	653	974	1,841
<b>Total Power Coordination Services</b>	<b>55,003</b>	<b>55,769</b>	<b>152,842</b>	<b>151,857</b>
Administrative and general - PEC	4,423	5,537	16,567	19,384
Administrative and general - Agency	3,099	2,510	8,600	7,643
Sums in lieu of taxes	750	750	2,250	2,250
Gross receipts tax	-	6,146	11,334	17,083
Debt service	62,396	65,407	184,774	196,006
Special funds deposits:				
Reserve and contingency fund	-	15,948	42,498	38,985
Decommissioning fund	915	1,701	4,319	5,106
Revenue Fund	-	-	5,155	-
Power Agency Generation	2,395	6,566	2,619	7,069
<b>Total Expenses</b>	<b>166,255</b>	<b>199,047</b>	<b>555,390</b>	<b>565,138</b>
Net Position increase (decrease)	41,668	(6,326)	8,739	(28,372)
Net Position, beginning of period	43,642	81,002	76,571	103,048
<b>Net Position, end of period</b>	<b>\$85,310</b>	<b>\$74,676</b>	<b>\$85,310</b>	<b>\$74,676</b>

## NCEMPA Plant Status

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

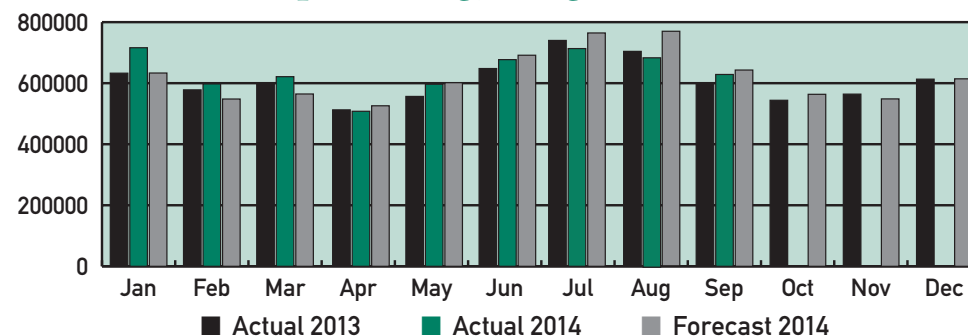


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

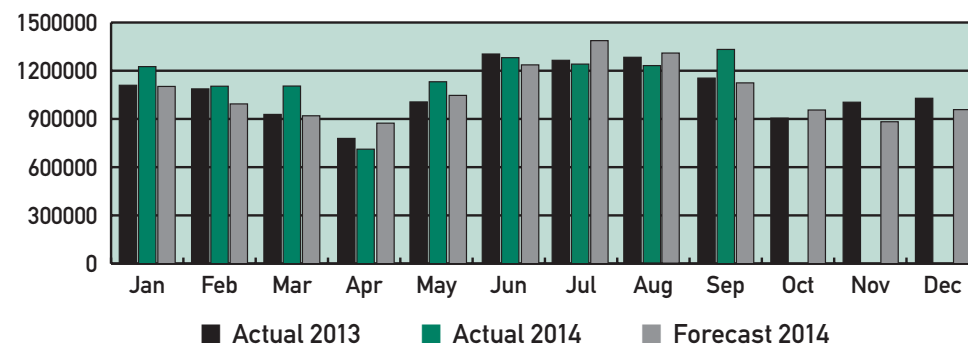
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

**Third-quarter highlights:** Harris Unit 1 and Brunswick Unit 1 and Unit 2 experienced no outages during the third quarter. Mayo Unit 1 was off line for a scheduled turbine overhaul outage from September 6, with scheduled completion date of November 3rd. Roxboro 4 was in reserve shut down from August 8th to August 12th during the third 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.