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 Carolina Power & Light (CP&L) and Virginia Electric and Power Company (VEPCO). In 1981, the Power Agency purchased ownership interest in five generating units built and operated by CP&L (now Duke Energy Progress, Inc. (DEP)).

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

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

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY
1427 Meadow Wood Blvd. • Raleigh, North Carolina 27604 • 919/760-6000
Quarterly Update

Duke Energy Progress and NCEMPA Agreement

- Duke Energy Progress and NCEMPA entered into a 30-year wholesale full requirements power purchase agreement to continue meeting the needs of NCEMPA members. Power sales under the full requirements power supply agreement commenced immediately upon the asset sale closing. NCEMPA members' distribution assets are not part of the asset sale, and will continue to be owned and maintained by those members. In addition, the NCEMPA and the members entered into a full requirements power sales agreements and debt service support contracts to complete the asset sale and establish the new full requirements power supply program.

Legislative Update

- Legislators unveiled the state budget compromise on Sept. 14, 2015. It represents a spending increase of approximately $652 million.
- Gov. McCrory signed the budget into law on Sept. 19, 2015.
- Highlights of the tax package include: Reenactment of the Historic Preservation Tax Credit and allowing the Renewable Energy Tax Credit to sunset.
- The NC General Assembly adjourned on Sept. 30, 2015.
- The NC General Assembly will reconvene the Legislative Short Session on April 25, 2016. ElectriCities Annual Conference will be held May 17-19 in Asheville, N.C.
- The 2016 NCAMES Linemen Rodeo and Annual Conference will be held May 17-19 in Asheville, N.C.
- ElectriCities Appoints New CEO
- The Board of Directors unanimously voted to appoint Roy L. Jones as the new Chief Executive Officer of ElectriCities of North Carolina, Inc. effective on Nov. 1, 2015.
- Jones' career spans more than 35 years in the electric power industry, and he has worked for both public power and investor-owned utilities.

2015 Public Power Week

- This year’s theme “People Power: Standing Together. Standing Strong.” was developed especially for NCEMPA members. Many eastern communities held customer appreciation, employee appreciation, and key accounts celebrations as well as events to educate electric utility customers about the value of public power.

2015 Public Power Awards of Excellence Announced

- Benson, Clayton, Farmville, Fayetteville PWC, Greenville Utilities, Kinston, New Bern, Rocky Mount, Smithfield, Tarboro and Wilson were honored for their outstanding efforts in one or more of the following Public Power Awards of Excellence categories: Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement, and Service Excellence.

Safety and Training

- The 2016 NCAMES Linemen Rodeo and Annual Conference will be held May 17-19 in Asheville, N.C.

Economic Development

- ElectriCities Economic Development Manager Brenda Daniels announced that three sites in eastern North Carolina public power communities were named Smart Sites. The three selected communities are: Tarboro, Washington and Wilson. The Smart Site designation guarantees that each site has met stringent requirements and will be actively marketed to growing businesses as shovel-ready for new development.

Third Quarter Performance

The financial statements included herein for 2015 reflect the assets and liabilities and results of operations prior to the sale of the jointly owned facilities. The financial statements for 2015 reflect the ownership of the jointly owned facilities through July 31, 2015 and then the transition to the full requirements power supply contract effective August 1, 2015. The significant change to NCEMPA’s operations and finances should be considered when reading the financial statements.

Sales of electricity to participants decreased $26,005,000 (14.0%) compared to the third quarter of 2014. 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 increased $1,981,000 (200.3%) compared to the third quarter of 2014 due to gains realized on the sale of securities. Funds held under the prior bond resolution were sold and utilized to provide for bond escrow requirements.

Operations and maintenance costs for 2015 reflects NCEMPA’s ownership of the joint facilities through July 31 and an adjustment for accumulated deferred expenses for plant stock inventory on hand at closing.

Fuel costs for 2015 reflects NCEMPA’s ownership of the joint facilities through July 31 and an adjustment for accumulated deferred fuel expenses.

Purchased Power costs increased $55,740,000 (116.6%) compared to the third quarter of 2014. The increase reflects the additional purchase power requirements as a result of the sale of jointly owned assets and the new full requirements power supply contract with DEP.

Debt service costs decreased $34,090,000 (54.6%) compared to the third quarter of 2014. 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.

Revenue Fund deposits increased $159,089,000 (100%) compared to the third quarter of 2014. Revenue deposits for 2015 include funds used to pay off the revolving credit agreement with JP Morgan and equity contributions for bond defeasance purposes.

Financing Status

Effective July 31, 2015. NCEMPA defeased its previously outstanding tax-exempt bonds as part of its asset sale to Duke Energy Progress. As part of that transaction, NCEMPA issued new taxable bonds in the amount of $421,430,000. As of September 30, 2015, NCEMPA the entire facility was outstanding.

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) ($000's)

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2015</th>
<th>September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric Utility Plant, Net:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric plant in service</td>
<td>$14,464</td>
<td>$1,777,215</td>
</tr>
<tr>
<td>Construction work in progress</td>
<td>-</td>
<td>69,962</td>
</tr>
<tr>
<td>Nuclear fuel</td>
<td>-</td>
<td>159,189</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(734)</td>
<td>(1,202,688)</td>
</tr>
<tr>
<td>Total Electric Utility Plant, Net</td>
<td>13,730</td>
<td>803,678</td>
</tr>
<tr>
<td>Non-Utility Property and Equipment, Net:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>2,961</td>
<td>2,952</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,842)</td>
<td>(1,799)</td>
</tr>
<tr>
<td>Total Non-Utility Property and Equipment, Net</td>
<td>1,119</td>
<td>1,153</td>
</tr>
<tr>
<td>Restricted Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Funds Invested:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction fund</td>
<td>-</td>
<td>79</td>
</tr>
<tr>
<td>Bond fund</td>
<td>20,683</td>
<td>244,229</td>
</tr>
<tr>
<td>Reserve and contingency fund</td>
<td>5,084</td>
<td>10,139</td>
</tr>
<tr>
<td>Total Special Funds Invested</td>
<td>25,767</td>
<td>254,447</td>
</tr>
<tr>
<td>Trust for Decommissioning Costs</td>
<td>-</td>
<td>251,617</td>
</tr>
<tr>
<td>Total Restricted Assets</td>
<td>25,767</td>
<td>506,064</td>
</tr>
<tr>
<td>Total Non-Current Assets</td>
<td>40,616</td>
<td>1,310,895</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds Invested:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue fund</td>
<td>3,938</td>
<td>10,275</td>
</tr>
<tr>
<td>Operating fund</td>
<td>-</td>
<td>48,411</td>
</tr>
<tr>
<td>Supplemental fund</td>
<td>109,581</td>
<td>161,062</td>
</tr>
<tr>
<td>Total Funds Invested</td>
<td>113,519</td>
<td>219,748</td>
</tr>
<tr>
<td>Participant accounts receivable</td>
<td>49,158</td>
<td>60,431</td>
</tr>
<tr>
<td>Fossil fuel inventory</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Plant materials and renewable certificate inventory</td>
<td>-</td>
<td>55,076</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>10,561</td>
<td>50,789</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>173,238</td>
<td>379,894</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$213,854</td>
<td>$1,690,789</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Deferred Outflows of Resources</strong></th>
<th>September 30, 2015</th>
<th>September 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs of advance refundings of debt</td>
<td>-</td>
<td>$154,665</td>
</tr>
<tr>
<td>Unamortized debt issuance costs</td>
<td>1,456</td>
<td>13,441</td>
</tr>
<tr>
<td>VEPCO Compensation payment</td>
<td>-</td>
<td>2,817</td>
</tr>
<tr>
<td>Development costs</td>
<td>-</td>
<td>2,098</td>
</tr>
<tr>
<td>Cost to Be Recovered</td>
<td>397,368</td>
<td>703,833</td>
</tr>
<tr>
<td>Total Deferred Outflows of Resources</td>
<td>$398,824</td>
<td>$876,854</td>
</tr>
</tbody>
</table>

| **Liabilities**                   |                    |                    |
| Non-Current Liabilities:          |                    |                    |
| Long-Term Debt:                   |                    |                    |
| Bonds payable                     | $386,215            | $1,721,650         |
| Plus unamortized premium          | -                  | 59,906             |
| Total Long-Term Debt              | 386,215             | 1,781,556          |
| Asset Retirement Obligation       | -                  | 253,949            |
| Total Non-Current Liabilities     | 386,215             | 2,035,505          |
| Current Liabilities:              |                    |                    |
| Operating Liabilities:            |                    |                    |
| Accounts payable                  | 55,967              | 8,969              |
| Revolving Credit Agreement        | -                  | 11,300             |
| Accrued taxes                     | 47                 | 2,412              |
| Total Operating Liabilities       | 56,014              | 22,681             |
| Special Funds Liabilities:        |                    |                    |
| Current maturities of bonds       | 35,215              | 147,805            |
| Accrued interest on bonds         | 2,123              | 69,991             |
| Total Special Funds Liabilities   | 37,338              | 217,037            |
| Total Current Liabilities         | 73,552              | 196,716            |
| Total Liabilities                 | $479,567            | $2,230,223         |

| **Deferred Inflows of Resources** |                    |                    |
| Collections to be expended        | $26,017             | $252,110           |
| Total Deferred Inflows of Resources | $26,017        | $252,110           |

| **Net Position**                  |                    |                    |
| Net invested in capital assets    | ($360)             | ($158,894)         |
| Restricted for debt service       | -                  | -                  |
| Unrestricted                      | 107,454            | 244,204            |
| Total Net Position                | $107,094            | $85,310            |
NCEMPA Statements of Revenues and Expenses
Per bond resolution and other agreements
(Unaudited) ($000’s)

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Quarter Ended September 30</th>
<th>Year-to-Date September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Sales of electricity to participants</td>
<td>$159,380</td>
<td>$185,385</td>
</tr>
<tr>
<td>Sales of electricity to utilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fund valuation</td>
<td>25,471</td>
<td>21,553</td>
</tr>
<tr>
<td>Other revenues</td>
<td>(12,312)</td>
<td>(8)</td>
</tr>
<tr>
<td>Investment revenue available for operations</td>
<td>2,970</td>
<td>989</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>175,509</td>
<td>207,923</td>
</tr>
</tbody>
</table>

| Expenses | | | | |
|----------|-----------------------------|---------------------------|
|          | 2015 | 2014 | 2015 | 2014 |
| Operation and maintenance | (48,268) | 22,570 | 15,996 | 71,486 |
| Fuel | (73,300) | 14,704 | (55,793) | 52,946 |
| Power coordination services: Purchased power | 103,548 | 47,808 | 196,652 | 132,371 |
| Transmission and distribution | 6,670 | 6,677 | 19,292 | 19,497 |
| Other | 1,350 | 989 | 3,643 | 2,970 |
| Total Power Coordination Services | 111,568 | 55,003 | 219,587 | 152,842 |
| Administrative and general - DEP | 1,329 | 4,423 | 14,355 | 16,567 |
| Administrative and general - Agency | 3,333 | 3,099 | 9,756 | 8,600 |
| Sums in lieu of taxes | 447 | 750 | 1,947 | 2,250 |
| Gross receipts tax | - | - | (216) | 11,334 |
| Debt service | 28,306 | 62,396 | 145,877 | 184,774 |
| Special funds deposits: Reserve and contingency fund | - | - | 11,924 | 42,498 |
| Decommissioning fund | 183 | 915 | 1,278 | 4,319 |
| Revenue Fund | 159,089 | - | 169,089 | 5,155 |
| Power Agency Generation | 2 | 2,395 | 9 | 2,619 |
| Total Expenses | 182,689 | 166,255 | 533,811 | 555,390 |
| Net Position increase (decrease) | (7,180) | 41,668 | (10,159) | 8,739 |
| Net Position, beginning of period | 114,274 | 43,642 | 112,253 | 76,571 |
| Net Position, end of period | $107,094 | $85,310 | $107,094 | $85,310 |

NCEMPA Participant Energy Usage (in MWh)

<table>
<thead>
<tr>
<th>NCEMPA Participant CP Demand (in kW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual 2014</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

NCEMPA Participant 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.