

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



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. 18, 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.
- Legislation enacted during the session included: SB 305 NCEMPA Asset Sale, HB 117 NC Competes Act, HB 140 Lineman Appreciation Day, SB 88 Pole Attachments and HB 97 State Appropriations Act.
- The NC General Assembly will reconvene the Legislative Short Session on April 25, 2016.
- ElectriCities Annual Conference
- The ElectriCities Annual Conference was held Aug. 6-8, 2015 in Myrtle Beach, S.C.
- A total of 450 people from 51 member communities attended the conference.
- A 50th anniversary panel was moderated by ElectriCities CEO Graham Edwards that included: Barry Hayes, Rick Murphrey, Vivian Jones, Grant Goings, Charles Penny and Janice Hovis.
- APPA CEO Sue Kelly presented a session on the challenges and opportunities facing APPA as well as public power utilities across the nation.

- Lexington's John T. Walser received the Lifetime Achievement award from Board of Directors Chair Ron Hovis on Aug. 8 at the conference banquet.
- Graham Edwards announced his retirement and officially retired on Sept. 30, 2015.

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 2014 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

\$421,430,000 in bonds 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)

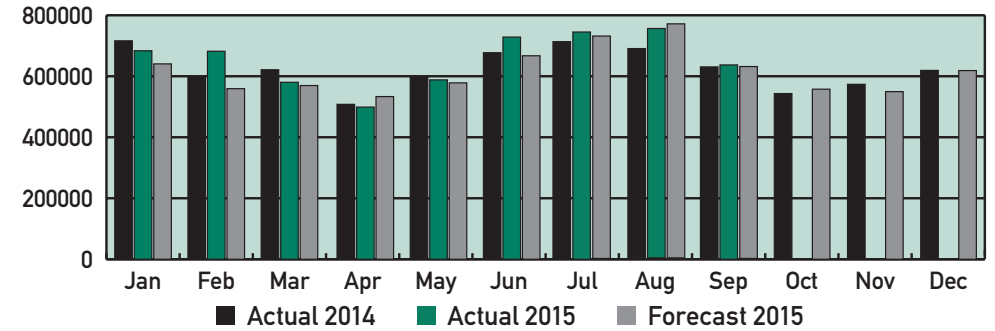
	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Assets				
Non-Current Assets				
Capital Assets:				
Electric Utility Plant, Net:				
Electric plant in service	\$14,464	\$1,777,215		
Construction work in progress	-	69,962		
Nuclear fuel	-	159,189		
Less accumulated depreciation and amortization	(734)	(1,202,688)		
Total Electric Utility Plant, Net	<u>13,730</u>	<u>803,678</u>		
Non-Utility Property and Equipment, Net:				
Property and equipment	2,961	2,952		
Less accumulated depreciation	(1,842)	(1,799)		
Total Non-Utility Property and Equipment, Net	<u>1,119</u>	<u>1,153</u>		
Total Capital Assets	<u>14,849</u>	<u>804,831</u>		
Restricted Assets:				
Special Funds Invested:				
Construction fund	-	79		
Bond fund	20,683	244,229		
Reserve and contingency fund	5,084	10,139		
Total Special Funds Invested	<u>25,767</u>	<u>254,447</u>		
Trust for Decommissioning Costs	-	251,617		
Total Restricted Assets	<u>25,767</u>	<u>506,064</u>		
Total Non-Current Assets	<u>40,616</u>	<u>1,310,895</u>		
Current Assets				
Funds Invested:				
Revenue fund	3,938	10,275		
Operating fund	-	48,411		
Supplemental fund	109,581	161,062		
Total Funds Invested	<u>113,519</u>	<u>219,748</u>		
Participant accounts receivable	49,158	60,431		
Fossil fuel inventory	-	-		
Plant materials and renewable certificate inventory	-	55,076		
Prepaid expenses	10,561	44,639		
Total Current Assets	<u>173,238</u>	<u>379,894</u>		
Total Assets	<u>\$213,854</u>	<u>\$1,690,789</u>		
Deferred Outflows of Resources				
Costs of advance refundings of debt	-	\$154,665		
Unamortized debt issuance costs	1,456	13,441		
VEPCO Compensation payment	-	2,817		
Development costs	-	2,098		
Cost to Be Recovered	397,368	703,833		
Total Deferred Outflows of Resources	<u>\$398,824</u>	<u>\$876,854</u>		
Liabilities				
Non-Current Liabilities:				
Long-Term Debt:				
Bonds payable	\$386,215	\$1,721,650		
Plus unamortized premium	-	59,906		
Total Long-Term Debt	<u>386,215</u>	<u>1,781,556</u>		
Asset Retirement Obligation	-	253,949		
Total Non-Current Liabilities	<u>386,215</u>	<u>2,035,505</u>		
Current Liabilities:				
Operating Liabilities:				
Accounts payable	55,967	8,969		
Revolving Credit Agreement	-	11,300		
Accrued taxes	47	2,412		
Total Operating Liabilities	<u>56,014</u>	<u>22,681</u>		
Special Funds Liabilities:				
Current maturities of bonds	35,215	147,805		
Accrued interest on bonds	2,123	24,232		
Total Special Funds Liabilities	<u>37,338</u>	<u>172,037</u>		
Total Current Liabilities	<u>93,352</u>	<u>194,718</u>		
Total Liabilities	<u>\$479,567</u>	<u>\$2,230,223</u>		
Deferred Inflows of Resources				
Collections to be expended	\$26,017	\$252,110		
Total Deferred Inflows of Resources	<u>\$26,017</u>	<u>\$252,110</u>		
Net Position				
Net invested in capital assets	(\$360)	\$(158,894)		
Restricted for debt service	-	-		
Unrestricted	107,454	244,204		
Total Net Position	<u>\$107,094</u>	<u>\$85,310</u>		

NCEMPA Statements of Revenues and Expenses

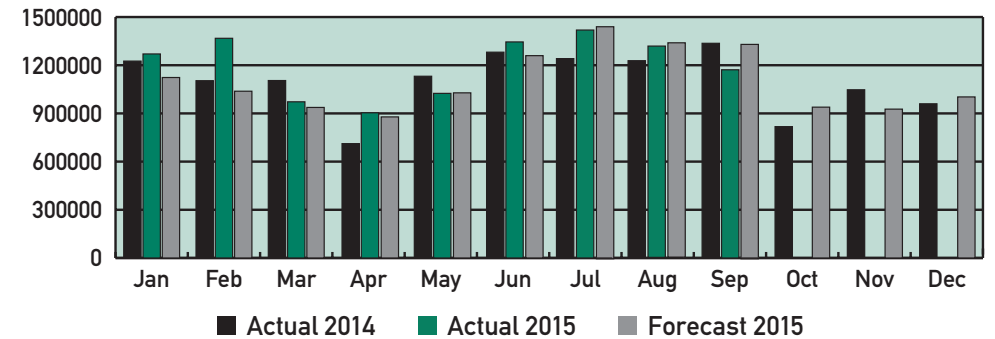
Per bond resolution and other agreements
(Unaudited) (\$000's)

Revenues	Quarter Ended September 30		Year-to-Date September 30	
	2015	2014	2015	2014
Sales of electricity to participants	\$159,380	\$185,385	\$505,633	\$538,833
Sales of electricity to utilities	-	4	22	106
Fund valuation	25,471	21,553	25,471	21,553
Other revenues	(12,312)	(8)	(12,311)	1
Investment revenue available for operations	2,970	989	4,837	3,636
Total Revenues	175,509	207,923	523,652	564,129
Expenses				
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	518	3,643	974
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	-	-	(214)	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	117,253	76,571
Net Position, end of period	\$107,094	\$85,310	\$107,094	\$85,310

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 2015 is from the NCEMPA 2014 Load Forecast.