

## 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.

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

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Richard N. Hicks, Farmville, Chairman  
Steven Tripp, Ayden, 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



Q3  
2016

## Quarterly Update

CEO Roy Jones and the Electricities Board of Directors have worked together since last year to develop five strategic priorities that will enable us to address the challenges our members are facing over the next few years. Jones revealed the following five strategic priorities at the 2016 Electricities Annual Conference.

### Wholesale Power Supply Cost

Noting that we took big steps in 2015 that resulted in cost savings for members, Jones cited ways we can continue reducing wholesale energy costs, including expanding and growing distributed generation and load management programs and finding more opportunities to use the Catawba Nuclear Station's excess energy.

### Workforce Planning and Development

With estimates that 50 percent of the national energy workforce will retire in the next 10 years, public power stands to lose a lot of knowledge and expertise. "It's not easy to find the right person with the right skill set," Jones said, and competition from investor-owned energy companies, as well as giants like Google, makes replacing our retiring workers even more difficult. Promoting public service as a career choice is key, as is having training programs that are "as relevant, convenient and affordable as possible," Jones said.

### Grid Modernization

Along with investing in people, Jones said, we need to continue investing in our infrastructure to modernize our power grid

to improve reliability and reduce losses. We must also invest in new technology like smart meters and utility billing software. And we can't overlook cybersecurity, he said, adding, "You never know where the next threat may come from."

### Continuous Improvement

"We must constantly challenge ourselves," Jones said. Meeting today's customers' expectations for services and payment options is imperative, because "the very foundation of public power is being connected to the customers we serve." Jones encouraged communities to continue working together, whether we're in disaster recovery situations or managing day-to-day operations.

### Communicating the Value of Public Power

A recent APPA survey revealed that only one in five public power customers knows that their electricity comes from a public power utility and what that means for them. That means there's great opportunity to explain the benefits of public power, both in terms of economic development and in connecting with younger customers.

In conclusion, Jones reminded us that the strength of public power has always been our people. We are part of the communities we serve, and we take pride in being responsive to our customers who live there with us, he said. "That's the value of public power, and it's why I'm proud to be part of the public power community."

## Third Quarter Performance

The financial statements included herein reflect the third quarter for 2016 and 2015, respectively. NCEMPA completed the sale of its interests in jointly owned nuclear and coal facilities to Duke Energy Progress, "DEP," effective August 1, 2015 and simultaneously entered into a full requirements power supply contract with DEP. The proceeds from the asset sale, the operating and reserve funds available to the Power Agency under the then existing Resolution R-2-82 and proceeds from the new debt issued under BDR-5-15, were utilized to defease all of the outstanding debt under Resolution R-2-82. The third quarter of 2016 financial statements reflect the assets and liabilities and results of operations under the new full requirements power supply contract which became effective on August 1, 2015. The third quarter of 2015 financial statements reflects the results of operations prior to the sale of the jointly owned facilities in July, while August and September reflect results after the sale. The significant change to NCEMPA's operations and finances should be considered when reading these financial statements.

Sales of electricity to participants increased \$5,960,000 (3.7%) compared to the third quarter of 2015. Billed demand and energy increased by 73 MW (2%) and 140,826 MWh (7%), respectively, due to warmer weather experienced in the third quarter of 2016 compared to the same quarter in 2015.

Other revenues in the third quarter of 2015 reflect the loss recognized on the asset sale in July 2015.

Investment income available for operations decreased \$2,733,000 (92.0%) compared to the third quarter of 2015, due to the gains realized on the sale of securities related to the asset sale in July 2015. Securities were sold pursuant to the

2015 Bond issuance to provide the escrow requirements for the defeasance of the old Revenue Bonds.

Operations and maintenance, as well as fuel costs for the third quarter of 2015 reflect NCEMPA's ownership of the joint facilities through July 31, and adjustments for accumulated deferred expenses for plant stock inventory on hand at closing and fuel inventory. The corresponding costs reflected in the financial statements for the third quarter of 2016 includes only the costs related to the distributed generation assets that were retained by NCEMPA.

Purchased Power costs increased \$22,631,000 (21.9%) compared to the third quarter of 2015. The increase is primarily due to the change in the power supply contract as a result of the sale of jointly owned assets on July 31, 2015 and partially due to higher demand and energy requirements resulting from warmer weather conditions in the third quarter of 2016.

Debt service costs decreased \$15,516,000 (54.8%) compared to the third quarter of 2015. 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.

Special fund deposits made during the third quarter of 2015 were required under the initial project bond resolution associated with NCEMPA's ownership of the joint facilities. Certain special fund deposits were required to provide for obligations relating to the ownership and operation of those facilities. Special fund deposits are no longer required under the full requirements bond resolution which became effective after the sale of the joint facilities to DEP on July 31, 2015, and accordingly were not made during the third quarter of 2016.

## Financing Status

As of September 30, 2016, NCEMPA had outstanding \$386,215,000 in bonds. The first principal payment on these bonds was paid on July 1, 2016.

The weighted average interest cost of

the NCEMPA outstanding debt at the end of the quarter was 3.6%.

To date, NCEMPA has had \$35,215,000 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) (\$000s)

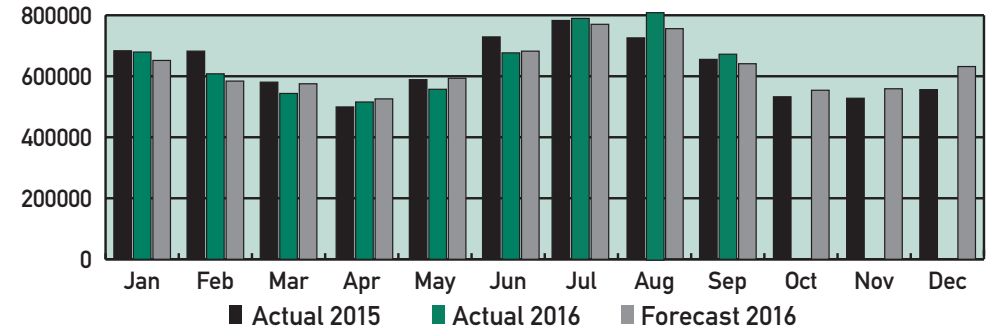
	September 30, 2016	September 30, 2015		September 30, 2016	September 30, 2015
<b>Assets</b>			<b>Deferred Outflows of Resources</b>		
<b>Non-Current Assets</b>			Costs of advance refundings of debt		
Capital Assets:			Unamortized debt issuance costs		
Electric Utility Plant, Net:			VEPCO Compensation payment		
Electric plant in service			\$ 1,490	\$ 1,456	
Construction work in progress			-	-	
Nuclear fuel			-	-	
Less accumulated depreciation and amortization			360,332	397,368	
Total Electric Utility Plant, Net			<u>\$361,822</u>	<u>\$398,824</u>	
Non-Utility Property and Equipment, Net:			<b>Liabilities</b>		
Property and equipment			Non-Current Liabilities:		
Less accumulated depreciation			Long-Term Debt:		
Total Non-Utility Property and Equipment, Net			Bonds payable		
Total Capital Assets			\$347,540	\$386,215	
Restricted Assets:			Total Long-Term Debt		
Special Funds Invested:			Asset Retirement Obligation		
Construction fund			-	-	
Bond fund			Total Non-Current Liabilities		
Reserve and contingency fund			347,540	386,215	
Revenue fund			Current Liabilities:		
Total Special Funds Invested			Operating Liabilities:		
Trust for Decommissioning Costs			Accounts payable		
Total Restricted Assets			41,245	55,967	
Total Non-Current Assets			Revolving Credit Agreement		
			-	-	
			Accrued taxes		
			75	47	
			Total Operating Liabilities		
			41,320	56,014	
			Special Funds Liabilities:		
			Current maturities of bonds		
			Accrued interest on bonds		
			38,675	35,215	
			3,037	2,123	
			Total Special Funds Liabilities		
			41,712	37,338	
			Total Current Liabilities		
			83,032	93,352	
			Total Liabilities		
			<u>\$430,572</u>	<u>\$479,567</u>	
			<b>Deferred Inflows of Resources</b>		
			Collections to be expended		
			\$26,796	\$26,017	
			Total Deferred Inflows of Resources		
			<u>\$26,796</u>	<u>\$26,017</u>	
<b>Current Assets</b>			<b>Net Position</b>		
Funds Invested:			Net invested in capital assets		
Revenue fund			\$14,433	(360)	
Operating fund			Restricted for debt service		
Supplemental fund			1,031	-	
Total Funds Invested			Unrestricted		
			132,607	107,454	
			Total Net Position		
			<u>\$148,071</u>	<u>\$107,094</u>	
Participant accounts receivable					
Plant materials and renewable certificate inventory					
Prepaid expenses					
Total Current Assets					
Total Assets					

## NCEMPA Statements of Revenues and Expenses

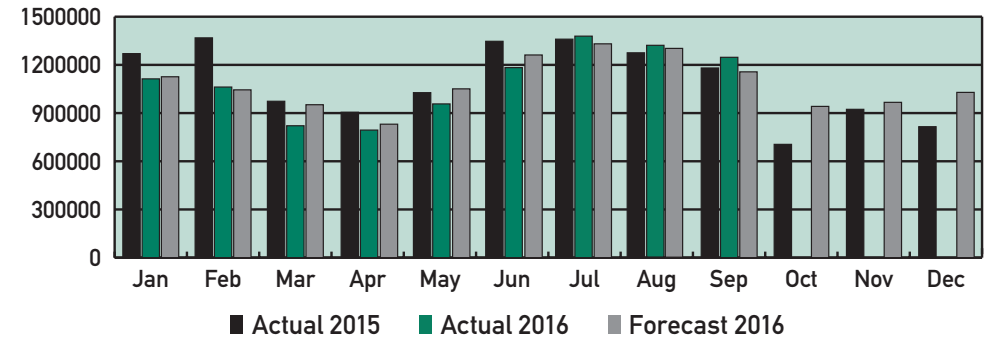
Per bond resolution and other agreements  
(Unaudited) (\$000s)

Revenues	Quarter Ended September 30		Year-to-Date September 30	
	2016	2015	2016	2015
Sales of electricity to participants	\$165,340	\$159,380	\$427,134	\$505,633
Sales of electricity to utilities Fund	-	-	-	22
Fund valuation	-	25,471	-	25,471
Other revenues	-	(12,312)	695	(12,312)
Investment revenue available for operations	237	2,970	633	4,837
<b>Total Revenues</b>	<b>165,577</b>	<b>175,509</b>	<b>428,462</b>	<b>523,651</b>
<b>Expenses</b>				
Operation and maintenance	114	(48,268)	260	16,000
Fuel	201	(73,300)	287	(55,793)
Power coordination services:				
Purchased power	126,179	103,548	320,084	196,652
Transmission and distribution	7,048	6,670	17,708	19,292
Other	812	1,352	2,420	3,648
<b>Total Power Coordination Services</b>	<b>134,039</b>	<b>111,570</b>	<b>340,212</b>	<b>219,592</b>
Administrative and general - DEP	-	1,329	-	14,355
Administrative and general - Agency	2,607	3,334	8,302	9,757
Sums in lieu of taxes	-	447	75	1,947
Gross receipts tax	-	-	-	(214)
Debt service	12,790	28,306	38,270	145,877
Special funds deposits:				
Reserve and contingency fund	-	-	-	11,924
Decommissioning fund	-	182	-	1,277
Revenue Fund Deposit	-	159,089	-	169,089
<b>Total Expenses</b>	<b>149,751</b>	<b>182,689</b>	<b>387,406</b>	<b>533,811</b>
Net Position (decrease)	15,826	(7,180)	41,056	(10,160)
Net Position, beginning of period	132,246	114,274	132,246	114,274
<b>Net Position, end of period</b>	<b>\$148,072</b>	<b>\$107,094</b>	<b>\$173,302</b>	<b>\$104,114</b>

## 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 2016 is from the NCEMPA 2015 Load Forecast.