

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.

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
Mayor Stephen W. Tripp, Ayden, 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

North Carolina Legislature

The ElectriCities legislative affairs team spent a majority of the third quarter working on implementation of two House bills.

House Bill 310, known as Wireless Communications Infrastructure Siting became law in July 2017. As originally drafted, the bill would have severely limited a city's ability to control the location of wireless antennas and support structures, and would have limited amounts to be charged. ElectriCities' legislative team actively worked with stakeholders across the industry to ensure our concerns were addressed. HB 310 now states that wireless providers must have a pole attachment agreement with the municipality, and the wireless provider must go through permitting processes for access to city right-of-ways. The bill also provides that municipal electric providers can deny wireless providers access to city utility poles, street lights and traffic control poles.

House Bill 589, known as Competitive Energy Solutions for North Carolina, became law in July 2017. The bill amends energy policy laws by reforming the Public Utilities Regulatory Policy Act (PURPA), creating a bidding process for new renewable energy sources, and authorizing leasing of third-party owned solar developments. The bill also provides the option for municipalities to participate in third party leasing.

Economic Development

Several NCEMPA communities had significant economic development announcements in the third quarter.

The City of Wilson had two expansion announcements during the third quarter. Le Blue, the bottled water distributor, added 11 jobs, and United Tobacco invested \$5 million to add 10 jobs to their presence in the city.

FCC LLC., which is a Japan-based manufacturer of auto parts, is bringing manufacturing production from overseas to Scotland County, where they will invest \$826,500 to add 28 jobs in Laurinburg.

Lionchase Holdings is developing a 200,000 square-foot cold storage facility in Tarboro. The company invested \$22.7 million in the project, which will bring 100 jobs to the town.

Safety and Training

ElectriCities training workshops and programs provide career development and life-saving skills to utility workers throughout the year. In July, the Trenching Competent Person and Confined Space class had 21 students, and Transformer school had 25 students. Both classes were held in Rocky Mount. During the month of August, 15 students attended the National Electrical Safety Code (NESC) overview and Overhead Distribution Systems Training located in Rocky Mount, and 11 students attended Advanced Electric Meter School in High Point.

Municipal Transformer School, Troubleshooting School and a Leadership Skills Workshop are expected for the fourth quarter.

Third Quarter Performance

Sales of electricity to Members decreased \$16,594,000 (10.0%) compared to the third quarter of 2016. Billed demand and billed energy decreased 220 MW (5.7%) and 156,464 MWh (6.9%) and contributed \$4,244,000 and \$5,121,000 respectively to the decrease primarily due to lower coincident peaks and milder weather conditions. A 4.5% overall rate reduction effective April 1, 2017 further contributed \$7,140,000 to the decrease.

Purchased Power costs decreased \$8,740,000 (6.8%) compared to the third

quarter of 2016 primarily due to lower capacity and energy volumes. Capacity charges decreased \$3,576,000 primarily due to lower volumes of 216 MW (5.5%) resulting from lower coincident peaks. Energy charges decreased \$4,295,000 primarily due to lower energy volumes 156,847 MWh (6.8%) resulting from milder weather conditions.

Other Power Coordination charges increased \$37,428,000 (100%) primarily due to the accrual of deferred coal ash related costs in the third quarter of 2017. There were no such costs in 2016.

Financing Status

As of September 30, 2017, NCEMPA had outstanding \$347,540,000 in bonds.

The weighted average interest cost of the NCEMPA outstanding debt at the end of the quarter was 3.6%.

To date, NCEMPA has had \$73,890,000 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)

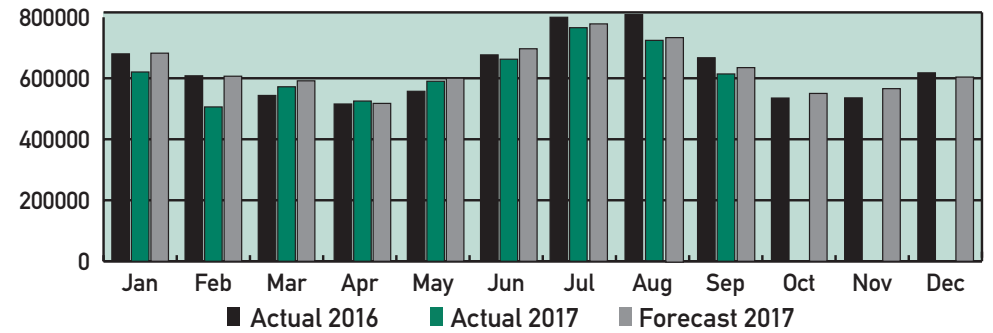
	<u>September 30, 2017</u>	<u>September 30, 2016</u>		<u>September 30, 2017</u>	<u>September 30, 2016</u>
Assets			Deferred Outflows of Resources		
Non-Current Assets			Unamortized debt issuance costs	\$1,206	\$1,490
Capital Assets:			Cost to Be Recovered	<u>318,366</u>	<u>360,332</u>
Electric Utility Plant, Net:			Total Deferred Outflows of Resources	<u><u>319,572</u></u>	<u><u>361,822</u></u>
Electric plant in service	\$14,664	\$14,664			
Less accumulated depreciation and amortization	<u>(1,873)</u>	<u>(1,307)</u>	Liabilities		
Total Electric Utility Plant, Net	12,791	13,357	Non-Current Liabilities:		
Non-Utility Property and Equipment, Net:			Long-Term Debt:		
Property and equipment	2,254	2,254	Bonds payable	\$308,260	\$347,540
Less accumulated depreciation	<u>(1,221)</u>	<u>(1,178)</u>	Total Long-Term Debt	<u>\$308,260</u>	<u>347,540</u>
Total Non-Utility Property and Equipment, Net	<u>1,033</u>	<u>1,076</u>	Total Non-Current Liabilities	308,260	347,540
Total Capital Assets	13,824	14,433	Current Liabilities:		
Restricted Assets:			Operating Liabilities:		
Special Funds Invested:			Accounts payable	72,904	41,244
Bond fund	25,159	25,351	Accrued taxes	-	75
Reserve and contingency fund	5,157	5,257	Total Operating Liabilities	<u>72,904</u>	<u>41,319</u>
Revenue fund	<u>952</u>	<u>358</u>	Special Funds Liabilities:		
Total Special Funds Invested	<u>31,268</u>	<u>30,966</u>	Current maturities of bonds	39,280	38,675
Total Restricted Assets	<u>31,268</u>	<u>30,966</u>	Accrued interest on bonds	<u>2,886</u>	<u>3,037</u>
Total Non-Current Assets	<u>45,092</u>	<u>45,399</u>	Total Special Funds Liabilities	<u>42,166</u>	<u>41,712</u>
			Total Current Liabilities	<u>115,070</u>	<u>83,031</u>
			Total Liabilities	<u><u>423,330</u></u>	<u><u>430,571</u></u>
Current Assets					
Funds Invested:			Deferred Inflows of Resources		
Supplemental fund	177,316	139,255	Collections to be expended	<u>23,537</u>	<u>26,796</u>
Total Funds Invested	177,316	139,255	Total Deferred Inflows of Resources	<u><u>25,537</u></u>	<u><u>26,796</u></u>
Participant accounts receivable	44,540	50,354			
Plant materials and renewable certificate inventory	7,891	6,309	Net Position		
Prepaid expenses	<u>2,328</u>	<u>2,300</u>	Net invested in capital assets	13,824	14,433
Total Current Assets	<u>232,075</u>	<u>198,218</u>	Restricted for debt service	1,334	1,031
Total Assets	<u><u>\$277,167</u></u>	<u><u>\$243,617</u></u>	Unrestricted	<u>134,714</u>	<u>132,608</u>
			Total Net Position	<u><u>\$149,872</u></u>	<u><u>\$148,072</u></u>

NCEMPA Statements of Revenues and Expenses

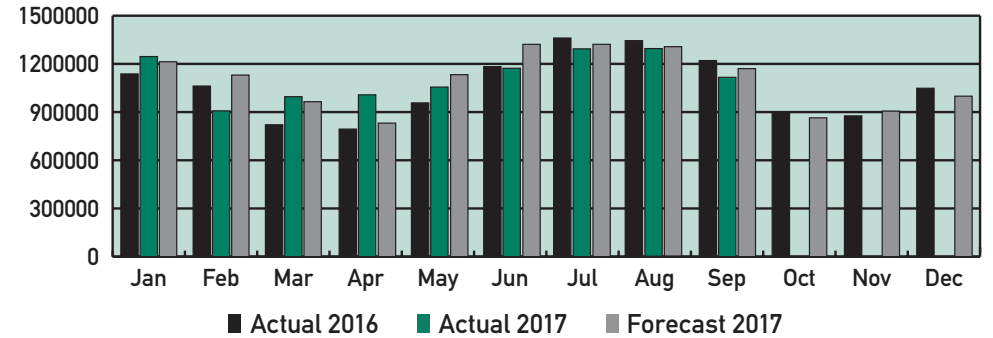
Per bond resolution and other agreements
(Unaudited) (\$000's)

Revenues	Quarter Ended September 30		Year-to-Date September 30	
	2017	2016	2017	2016
Sales of electricity to members	\$148,746	\$165,340	\$407,647	\$427,134
Sales of electricity to utilities	-	-	-	-
Fund valuation	-	-	-	-
Other revenues	5	-	5	695
Investment revenue available for operations	500	237	1,325	633
Total Revenues	149,251	165,577	408,977	428,462
Expenses				
Operation and maintenance	31	114	147	260
Fuel	147	201	350	287
Power coordination services:				
Purchased power	118,974	127,714	315,226	\$321,619
Transmission and distribution	6,735	7,048	17,817	\$17,708
Other	36,705	(723)	38,546	\$885
Total Power Coordination Services	162,414	134,039	371,589	340,212
Administrative and general - DEP	-	-	-	-
Administrative and general - Agency	2,477	2,607	7,960	8,302
Sums in lieu of taxes	-	-	-	75
Debt service	12,790	12,790	38,200	38,270
Total Expenses	177,859	149,751	418,246	387,406
Net Position (decrease)	(28,608)	15,826	(9,269)	41,056
Net Position, beginning of period	178,480	132,246	159,141	107,016
Net Position, end of period	\$149,872	\$148,072	\$149,872	\$148,072

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 2017 is from the NCEMPA 2016 Load Forecast.