

About the Agency

NCMPA1 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 Duke Energy Corporation (Duke).

In 1978, the Agency purchased 75 percent ownership in Catawba Nuclear Station Unit 2 located at Lake Wylie, South Carolina. The Agency also has an exchange agreement with Duke that provides for electric power through McGuire Nuclear Station and Catawba Unit 1.

Management services for the Power Agency are provided by ElectriCities of North Carolina, Inc.

NCMPA1 Officers

Jack F. Neel, Albemarle, Chairman
Richard L. Thomas, Lexington, Vice-Chairman
Barry C. Hayes, Granite Falls, Secretary-Treasurer

NCMPA1 Participant Cities

- Albemarle
- Bostic
- Cherryville
- Cornelius
- Drexel
- Gastonia
- Granite Falls
- High Point
- Huntersville
- Landis
- Lexington
- Lincolnton
- Maiden
- Monroe
- Morganton
- Newton
- Pineville
- Shelby
- Statesville



Q1
2011

Quarterly Update

The re-elected members of the 2011 ElectriCities Board of Directors were sworn into office on Jan. 28 by the Honorable Jack Cozart. The board members are: John Craft (La Grange), Ron Elks (Greenville Utilities Commission), Linda Story (Granite Falls), Mayor Jennie Stultz (Gastonia) and Wilson Lacy (Fayetteville PUC). During the first board meeting of the year, the board elected officers for 2011. They are: Mayor Jennie Stultz, Chair, from Gastonia; John Craft, Vice Chair, from La Grange; and Mayor John Walser, Secretary, from Lexington.

In January, Duke Energy announced plans to merge with Progress Energy to create the largest energy company in America. ElectriCities immediately began monitoring and planning for the merger, as both organizations are business partners with NCEMPA and NCMPA1. Since the announcement on Jan. 10, ElectriCities has created two teams to lead the organization through this process.

- The Merger Advisory Team will provide broad oversight and includes the leadership from the ElectriCities Board of Directors and both the NCEMPA and NCMPA1 Boards of Commissioners. This team includes Mayor Jennie Stultz (Gastonia), John Craft (La Grange), Mayor John Walser (Lexington), Mayor Vivian Jones (Wake Forest), Council Member Andre Knight (Rocky Mount), Council Member Donald Evans (Wilson), Council Member Jack Neel (Albemarle), Richard Thomas (Lexington) and Mayor Barry Hayes (Granite Falls).
- The Internal Merger Team will direct the comprehensive evaluation of the effects of the merger on ElectriCities Members and the Power Agencies. This team includes all executive staff and is led by Steve Shelton, Chief Operating Officer.

ElectriCities staff closely followed the events at Japan's Fukushima Daiichi plant after the devastating earthquake and tsunami. Staff followed the developments related to the plant's safety and briefed the Boards of Commissioners and Board of Directors on how the plant was affected and the safety programs that have

been implemented in the United States from the Nuclear Regulatory Commission oversight. The jointly owned NCEMPA and NCMPA1 nuclear assets have the highest insurance coverage available by law to protect the units in the event of a major natural disaster.

The North Carolina General Assembly convened on Jan. 26. ElectriCities Government Relations staff scheduled meetings with all newly-elected legislators and began tracking legislation that may affect public power communities. A breakfast was held for all the newly-elected legislators to acquaint them with public power issues and concern. On the federal side, several city officials attended the American Public Power Association Legislative Rally in Washington, D.C., to discuss legislative issues important to NC Public Power.

The winter of 2010/2011 was one of the coldest on record in North Carolina, most notably in December 2010. Across the state, average high temperatures were about 15 degrees colder than normal in December. Average low temperatures were about 6 degrees colder than normal. In most areas of the state, December was the coldest month on record in 90+ years.

ElectriCities staff developed a cold weather webinar to help members prepare for the cold weather and questions from customers about higher than normal bills. The webinar was very well attended with several member cities sharing best practices about extreme weather response. During the webinar, TempTracker365 was introduced. TempTracker365 is a new system, available exclusively to ElectriCities members, that gathers, tracks and stores daily high and low temperatures for each city/town. It produces a monthly calendar showing temperatures for the last three years and helps customers understand which days, weeks or months were extremely hot or cold, causing increased energy usage. TempTracker365 is linked through the ElectriCities website and temptracker365.com.

ElectriCities hosted a series of regional meeting throughout the state. The meetings are designed to bring together elected officials and city/town management from neighboring areas to discuss current issues affecting

public power communities. CEO Graham Edwards and his executive team host the meetings and encourage attendees to share best practices among the group. Meetings

First Quarter Performance

Sales of electricity to participants increased \$5,085,000 (6.5%) relative to the first quarter of 2010. Billing demand decreased 71 MW (3.6%) and energy sales decreased 30,449 MWh (2.4%). The decrease in energy usage is primarily due to milder weather conditions experienced in the first quarter 2011 as compared to the same time period of 2010. The overall increase in revenues is primarily attributable to the implementation of a 5% rate increase and the termination of the Agency's tier discount program provided to participants; both actions became effective in July 2010.

Sales of electricity to utilities decreased \$2,826,000 (15.4%) relative to the first quarter of 2010. Sales volumes decreased by 25,401 MWh (5.5%) and the average sales price decreased by \$4.16/MWh (10.5%). Less output was available for sale in the first quarter of 2011 as compared to the same period for 2010 due to an unscheduled outage experienced at McGuire Unit 1 and a scheduled refueling outage at McGuire Unit 2.

Supplemental reserve fund withdrawal decreased \$1,520,000 (100%) relative to the first quarter of 2010. The decrease is primarily attributable to the July 2010 termination of the Agency's economic development credit and tier discount program provided to participants.

Investment revenue available for operations decreased \$2,144,000 (69.5%) relative to the first quarter of 2010. The decrease is attributable to lower interest rates realized in the first quarter

Financing Status

As of March 31, 2011, NCMPA 1 had outstanding \$1,541,085,000 in bonds.

The weighted average interest cost of NCMPA1 outstanding debt at the end of the

quarter was 5.072%. To date, NCMPA1 has had \$1,315,737,000 in debt redeemed prior to or at maturity.

of 2011 as compared to the same period in 2010. Additionally, a \$913,000 arbitrage payment was made in the first quarter of 2011; no such payment was made in the first quarter of 2010.

Operations and maintenance costs increased \$3,304,000 (14.5%) relative to the first quarter of 2010. The increase was primarily due to a \$3,017,000 payment to Duke in January 2011 necessary to maintain the Duke Working Capital Fund at its required level. No such payment was made in the first quarter of 2010.

Nuclear fuel costs increased \$1,907,000 (16.7%) relative to the first quarter of 2010. The increase was primarily due to no outages experienced the first quarter of 2011 for the Catawba Units as compared to an unplanned outage of six days at Catawba Unit 1 during the same period of 2010. In addition, the overall increase was due to a fuel amortization adjustment recognized in January 2011, necessary to build up fuel working capital.

Purchased power costs increased \$1,672,000 (30.7%) relative to the first quarter of 2010. Higher purchased energy requirements were attributable to the lower generation output experienced at the nuclear stations in the first quarter of 2011 as compared to the same period for 2010.

Debt service decreased \$3,142,000 (7.0%) relative to the first quarter of 2010. The decrease is primarily due to the issuance of 2010A and 2010B bonds to refund all or a portion of 2003A, 2006A, and 2008C bonds.

NCMPA1 Balance Sheets

Per accounting principles generally accepted in the United States of America (GAAP)
(Unaudited) (\$000's)

Assets	March 31, 2011	March 31, 2010
Non-Current Assets		
Capital Assets:		
Electric Utility Plant, Net:		
Electric plant in service	\$1,761,617	\$1,714,410
Construction work in progress	51,901	64,285
Nuclear fuel	201,204	151,944
Accumulated depreciation and amortization	(912,694)	(854,026)
Total Electric Utility Plant, Net	<u>1,102,028</u>	<u>1,076,613</u>
Non-Utility Property and Equipment, Net:		
Property and equipment	5,663	5,579
Less accumulated depreciation	(4,104)	(3,962)
Total Non-Utility Property and Equipment, Net	<u>1,559</u>	<u>1,617</u>
Total Capital Assets	<u>1,103,587</u>	<u>1,078,230</u>
Restricted Assets:		
Special Funds Invested:		
Construction fund	48,879	84,052
Bond fund	241,124	243,031
Reserve and contingency fund	17,798	16,440
Total Special Funds Invested	<u>307,801</u>	<u>343,523</u>
Trust for Decommissioning Costs	252,984	234,952
Total Restricted Assets	<u>560,785</u>	<u>578,475</u>
Other Assets:		
Unamortized debt issuance costs	13,831	15,133
Costs of advance refundings of debt	140,536	158,368
Other Deferred Costs	20,631	61,574
Total Other Assets	<u>174,998</u>	<u>253,075</u>
Total Non-Current Assets	<u>1,839,370</u>	<u>1,891,780</u>
Current Assets		
Funds Invested:		
Revenue fund	4,243	6,863
Operating fund	38,463	34,688
Supplemental fund	91,976	85,438
Total Funds Invested	<u>134,682</u>	<u>126,989</u>
Participant accounts receivable	27,260	25,288
Operating accounts receivable	10,041	4,380
Prepaid expenses	4,163	3,502
Plant materials and operating supplies	37,274	34,268
Working fund	39,888	36,871
Total Current Assets	<u>253,308</u>	<u>231,298</u>
Total Assets	<u>\$2,092,678</u>	<u>\$2,123,078</u>

Liabilities and Fund Equity	March 31, 2011	March 31, 2010
Liabilities		
Non-Current Liabilities:		
Long-Term Debt:		
Bonds payable	\$1,453,730	\$1,506,645
Unamortized premium/(discount), net	53,480	48,345
Total Long-Term Debt	<u>1,507,210</u>	<u>1,554,990</u>
Asset Retirement Obligation	288,215	272,441
Deferred Revenues	118,868	119,847
Total Non-Current Liabilities	<u>1,914,293</u>	<u>1,947,278</u>
Current Liabilities:		
Operating Liabilities:		
Accounts payable	2,739	5,519
Accrued taxes	7,711	6,975
Derivative financial instruments	-	245
Total Operating Liabilities	<u>10,450</u>	<u>12,739</u>
Special Funds Liabilities:		
Current maturities of bonds	87,355	96,450
Accrued interest on bonds	19,689	20,559
Total Special Funds Liabilities	<u>107,044</u>	<u>117,009</u>
Total Current Liabilities	<u>117,494</u>	<u>129,748</u>
Total Liabilities	<u>2,031,787</u>	<u>2,077,026</u>
Fund Equity		
Invested in capital assets, net of related debt (deficit)	291,483	226,240
Restricted for debt services	91,318	126,710
Unrestricted	(321,910)	(306,898)
Total Fund Equity	<u>60,891</u>	<u>46,052</u>
Total Liabilities and Fund Equity	<u>\$2,092,678</u>	<u>\$2,123,078</u>

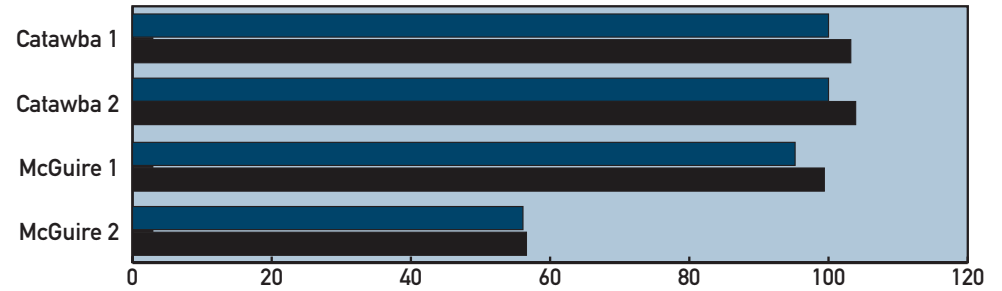
NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended March 31		Year-to-Date March 31	
	2011	2010	2011	2010
Sales of electricity to participants	\$83,064	\$77,979	\$83,064	\$77,979
Sales of electricity to utilities	15,479	18,305	15,479	18,305
McGuire exchange entitlement	10,528	8,605	10,528	8,605
Supplemental reserve fund withdrawal	-	1,520	-	1,520
Investment revenue available for operation	943	3,087	943	3,087
Other revenues	21	39	21	39
Total Revenues	110,035	109,535	110,035	109,535
Expenses				
Operation and maintenance	26,156	22,852	26,156	22,852
Nuclear fuel	13,353	11,446	13,353	11,446
McGuire exchange entitlement	7,352	7,350	7,352	7,350
Interconnection services:				
Purchased power	7,114	5,442	7,114	5,442
Transmission and distribution	3,254	3,188	3,254	3,188
Other	189	163	189	163
Total Interconnection Services	10,557	8,793	10,557	8,793
Administrative and general - Duke	9,102	9,982	9,102	9,982
Administrative and general - Agency	3,077	3,084	3,077	3,084
Gross receipts and excise taxes	3,477	3,313	3,477	3,313
Property tax	4,611	4,050	4,611	4,050
Debt service	41,607	44,749	41,607	44,749
Special funds deposits:				
Decommissioning fund	438	438	438	438
Reserve and contingency fund	4,591	4,504	4,591	4,504
Total Special Funds Deposits	5,029	4,942	5,029	4,942
Total Expenses	124,321	120,561	124,321	120,561
Excess of revenues over expenses	(14,286)	(11,026)	(14,286)	(11,026)
Fund Equity, beginning of quarter	75,177	57,078	75,177	57,078
Fund Equity, end of quarter	\$60,891	\$46,052	\$60,891	\$46,052

NCMPA1 Plant Status

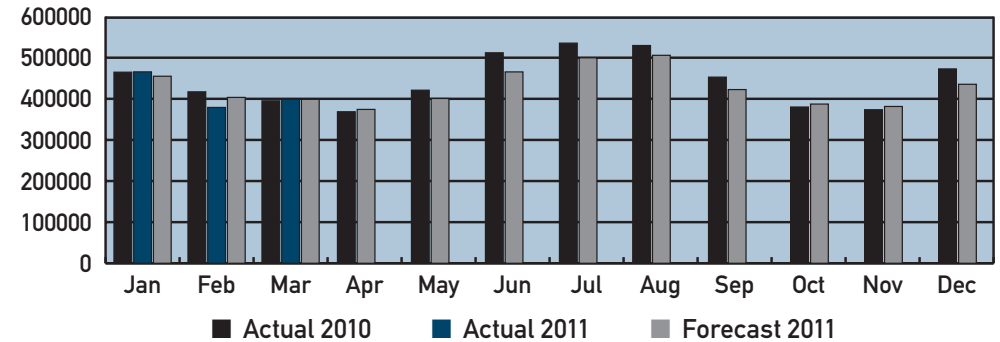
NOTE: The plant status values are year-to-date through 2011.



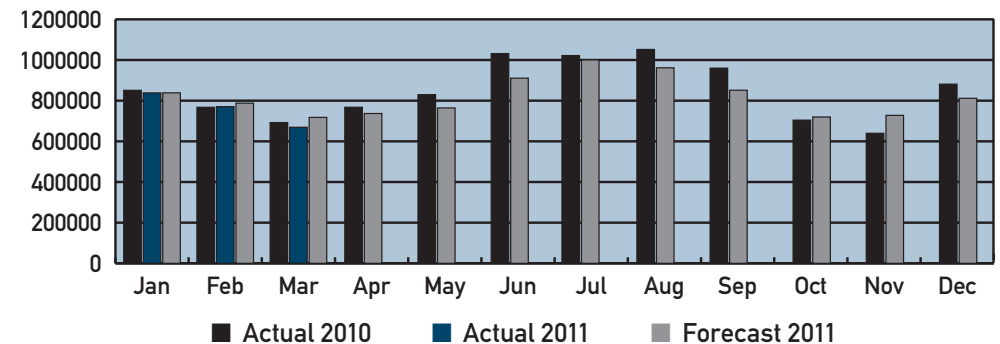
■ Capacity Factor - The ratio of actual output to maximum net dependable capability.
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Second-quarter highlights: McGuire 2 began a refueling outage on February 26 and returned to service on April 5, 2011.

NCMPA1 Participant Energy Usage (in MWh)



NCMPA1 Participant OP Demand (in kW)



NOTE: * NCMPA1 Energy and OP Demand are at the Power Agency to City Billing Point and includes the SEPA allocation. Actual data are not weather normalized.

** The Forecast Year 2011 is from the NCMPA1 Winter 2011 Load Forecast.