

## 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



## Quarterly Update

The newly elected and re-elected members of the 2012 ElectriCities Board of Directors were sworn into office on Jan. 27 by the Honorable Paul Newby. The board members are: Grant Goings, Wilson; Richard Hicks, Farmville; Don Mitchell, Monroe; and John Walser, Lexington. During the first board meeting of the year, the board elected officers for 2012. The officers are: John Craft, La Grange, Chair; John Walser, Lexington, Vice Chair; and Richard Hicks, Farmville, Secretary.

The 2011 Annual Report entitled Headway: Value, Agility, Preparation was published online in late March. This year's report features three member communities and the value they provide their communities, highlighting Kinston, New River Light and Power, and Statesville. Additionally, ElectriCities released the 2011 calculations to its Value of ElectriCities website. The value site helps explain the value ElectriCities provides to members, both as a general overview and a set of calculations. The value site is updated annually to reflect current calculations.

ElectriCities government relations and executive team participated in several meetings of the Municipal Power Agency Relief Subcommittee of the North Carolina General Assembly. The subcommittee held three meetings in early 2012. ElectriCities CEO Graham Edwards presented to the subcommittee on January 10. Edwards's message to the committee included a history of the formation of the municipal power agencies and sharing the committee's concern about electric rates in eastern North Carolina. Edwards emphasized that ElectriCities continues to take prudent steps to manage the cost of power for members and has taken proactive steps

to reduce debt, lower our interest rates and stabilize our wholesale power rates. The subcommittee presented their findings to the Legislative Research Commission, along with two recommendations. The first recommendation would require additional study of the effects of high electric rates on the NCEMPA member cities, and the second recommendation would require limits to the amount of funds transferrable from the electric fund into the general fund for only NCEMPA member cities. The second recommendation resulted in the creation of a specific bill which is to be reviewed in the Legislative Short Session.

ElectriCities hosted a series of regional meetings throughout the state. The meetings were 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 have been held in Hertford, Ayden, La Grange, Benson, Lincolnton and Tarboro. All of the regional meeting presentations are available at [electricities.com](http://electricities.com). Additionally, a new collaboration concept began earlier in the year when members came together at the ElectriCities office to share best practices and discuss solutions to local issues. ElectriCities staff facilitates these best practices meetings, which will continue throughout 2012 including a special session at the ElectriCities Annual Conference.

The NCMPA1 Board of Commissioners and ElectriCities Board of Directors approved a five percent wholesale rate increase for NCMPA1 Participants, effective July 1, 2012.

## First Quarter Performance

Sales of electricity to participants increased \$3,630,000 (4.4%) relative to the first quarter of 2011. Billing demand decreased 9 MW (0.5%) and energy sales decreased 40,614 MWh (3.3%). The decrease in energy usage is primarily due to milder weather conditions experienced in the first quarter 2012 as compared to the same time period of 2011. The overall increase in revenues is primarily attributable to a 5.0% rate increase implemented in July 2011.

McGuire Exchange Entitlement decreased \$3,796,000 (36.1%) relative to the first quarter of 2011 primarily due to a greater negative energy pricing adjustment realized in the first quarter of 2012 as compared to the first quarter of 2011.

Investment revenue available for operations increased \$836,000 (88.7%) relative to the first quarter of 2011. A \$913,000 arbitrage payment was made in the first quarter of 2011. No such payment was made in the first quarter of 2012.

Nuclear fuel costs increased \$8,864,000 (66.4%) relative to the first quarter of 2011. The overall increase was due to additional fuel amortization adjustments recognized in the first quarter 2012 as compared to the same time period of 2011; additional fuel

amortization was necessary to build up fuel working capital.

Purchased power costs decreased \$2,926,000 (41.1%) relative to the first quarter of 2011. Lower purchased energy requirements were primarily attributable to higher generation output at the nuclear stations. The lower purchased energy requirements were additionally attributable to lower participant sales due to milder weather conditions experienced in the first quarter of 2012 as compared to the same time period of 2011.

Transmission and distribution costs increased \$489,000 (15.0%) relative to the first quarter of 2011. The increase was due to an increase in Duke's transmission rates which became effective June 1, 2011.

Debt service decreased \$2,173,000 (5.2%) relative to the first quarter of 2012 primarily due to decreased principal and interest payments required by the debt service schedules.

Reserve and contingency fund deposits decreased \$615,000 (13.4%) relative to the first quarter of 2011. The decrease is attributable to lower anticipated capital spending at the Catawba station as compared to the same period of 2011.

## Financing Status

As of March 31, 2012, NCMPA 1 had outstanding \$1,453,730,000 in bonds.

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

of the quarter was 5.015%.

To date, the NCMPA1 has had \$1,403,092,000 in debt redeemed prior to or at maturity.

## NCMPA1 Balance Sheets

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

Assets	March 31, 2012	March 31, 2011
<b>Non-Current Assets</b>		
Capital Assets:		
Electric Utility Plant, Net:		
Electric plant in service	\$1,785,738	\$1,761,617
Construction work in progress	36,610	51,901
Nuclear fuel	207,509	201,204
Accumulated depreciation and amortization	(914,342)	(912,694)
Total Electric Utility Plant, Net	<u>1,115,515</u>	<u>1,102,028</u>
Non-Utility Property and Equipment, Net:		
Property and equipment	5,663	5,663
Less accumulated depreciation	(4,238)	(4,104)
Total Non-Utility Property and Equipment, Net	<u>1,425</u>	<u>1,559</u>
Total Capital Assets	<u>1,116,940</u>	<u>1,103,587</u>
Special Funds Invested:		
Construction fund	24,375	48,879
Bond fund	239,978	241,124
Reserve and contingency fund	20,426	17,798
Total Special Funds Invested	<u>284,779</u>	<u>307,801</u>
Trust for Decommissioning Costs	285,646	252,984
Total Restricted Assets	<u>570,425</u>	<u>560,785</u>
Other Assets:		
Unamortized debt issuance costs	11,857	13,831
Costs of advance refundings of debt	117,199	140,536
Other Deferred Costs	-	20,631
Total Other Assets	<u>129,056</u>	<u>174,998</u>
Total Non-Current Assets	<u>1,816,421</u>	<u>1,839,370</u>
<b>Current Assets</b>		
Funds Invested:		
Revenue fund	3,477	4,243
Operating fund	35,526	38,463
Supplemental fund	114,300	91,976
Total Funds Invested	<u>153,303</u>	<u>134,682</u>
Participant accounts receivable	28,416	27,260
Operating accounts receivable	18,778	10,041
Prepaid expenses	4,460	4,163
Plant materials and operating supplies	38,770	37,274
Working fund	-	39,888
Total Current Assets	<u>243,727</u>	<u>253,308</u>
Total Assets	<u>\$2,060,148</u>	<u>\$2,092,678</u>

Liabilities and Fund Equity	March 31, 2012	March 31, 2011
<b>Liabilities</b>		
Non-Current Liabilities:		
Long-Term Debt:		
Bonds payable	\$1,370,305	\$1,453,730
Unamortized premium/(discount), net	45,471	53,480
Total Long-Term Debt	<u>1,415,776</u>	<u>1,507,210</u>
Asset Retirement Obligation	304,903	288,215
Deferred Revenues	156,304	118,868
Total Non-Current Liabilities	<u>1,876,983</u>	<u>1,914,293</u>
Current Liabilities:		
Operating Liabilities:		
Accounts payable	4,458	2,739
Accrued taxes	8,474	7,711
Total Operating Liabilities	<u>12,932</u>	<u>10,450</u>
Special Funds Liabilities:		
Current maturities of bonds	83,425	87,355
Accrued interest on bonds	18,578	19,689
Total Special Funds Liabilities	<u>102,003</u>	<u>107,044</u>
Total Current Liabilities	<u>114,935</u>	<u>117,494</u>
Total Liabilities	<u>1,991,918</u>	<u>2,031,787</u>
<b>Fund Equity</b>		
Invested in capital assets, net of related debt (deficit)	369,801	291,483
Restricted for debt services	69,991	91,318
Unrestricted	(371,562)	(321,910)
Total Fund Equity	<u>68,230</u>	<u>60,891</u>
Total Liabilities and Fund Equity	<u>\$2,060,148</u>	<u>\$2,092,678</u>

## NCMPA1 Statements of Revenues and Expenses

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

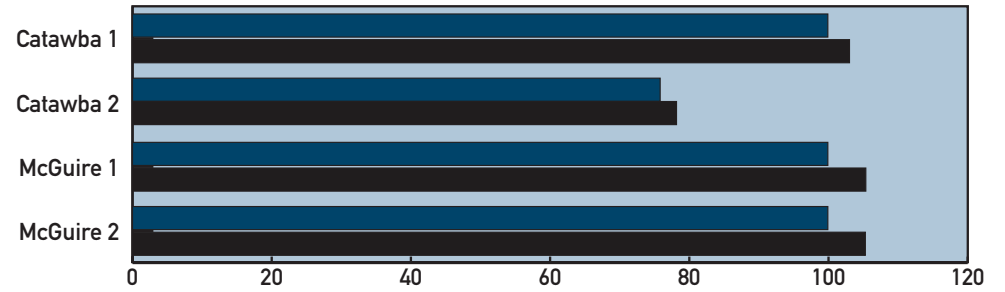
Revenues	Quarter Ended March 31		Year-to-Date March 31	
	2012	2011	2012	2011
Sales of electricity to participants	\$86,694	\$83,064	\$86,694	\$83,064
Sales of electricity to utilities	14,738	15,479	14,738	15,479
McGuire exchange entitlement	6,732	10,528	6,732	10,528
Investment revenue available for operations	1,779	943	1,779	943
Other revenues	61	21	61	21
<b>Total Revenues</b>	<b>110,004</b>	<b>110,035</b>	<b>110,004</b>	<b>110,035</b>

### Expenses

Operation and maintenance	26,392	26,156	26,392	26,156
Nuclear fuel	22,217	13,353	22,217	13,353
McGuire exchange entitlement	7,401	7,352	7,401	7,352
Interconnection services:				
Purchased power	4,188	7,114	4,188	7,114
Transmission and distribution	3,743	3,254	3,743	3,254
Other	192	189	192	189
<b>Total Interconnection Services</b>	<b>8,123</b>	<b>10,557</b>	<b>8,123</b>	<b>10,557</b>
Administrative and general - Duke	9,523	9,102	9,523	9,102
Administrative and general - Agency	3,287	3,077	3,287	3,077
Gross receipts and excise taxes	3,492	3,477	3,492	3,477
Property tax	5,455	4,611	5,455	4,611
Debt service	39,434	41,607	39,434	41,607
Special funds deposits:				
Decommissioning fund	925	438	925	438
Reserve and contingency fund	3,976	4,591	3,976	4,591
<b>Total Special Funds Deposits</b>	<b>4,901</b>	<b>5,029</b>	<b>4,901</b>	<b>5,029</b>
<b>Total Expenses</b>	<b>130,225</b>	<b>124,321</b>	<b>130,225</b>	<b>124,321</b>
Excess of revenues over expenses	(20,221)	(14,286)	(20,221)	(14,286)
Fund Equity, beginning of quarter	88,451	75,177	88,451	75,177
Fund Equity, end of quarter	<u>\$68,230</u>	<u>\$60,891</u>	<u>\$68,230</u>	<u>\$60,891</u>

## NCMPA1 Plant Status

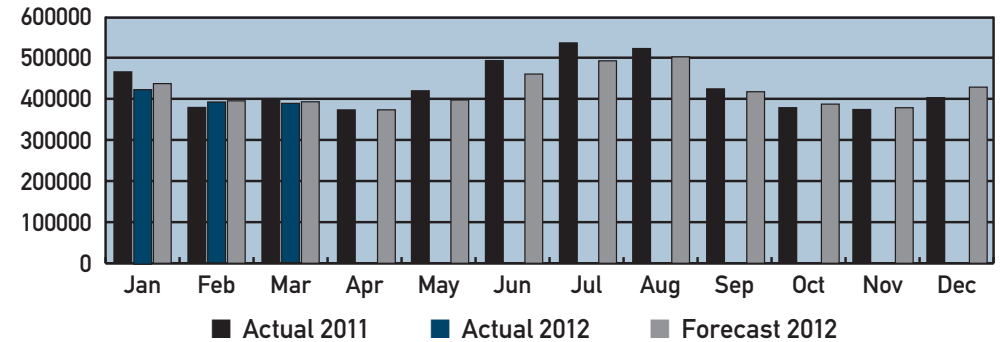
NOTE: The plant status values are year-to-date through March 2012.



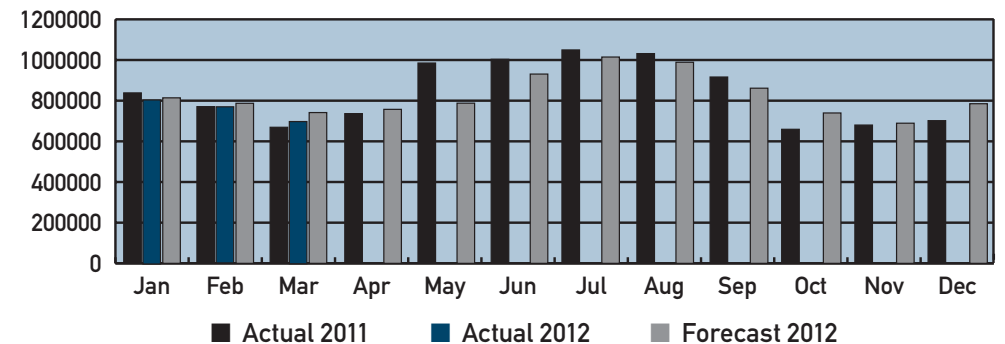
- Capacity Factor - The ratio of actual output to maximum net dependable capability.
- Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Third-quarter highlights: Catawba 1 began a refueling outage on March 10 and returned to service on April 17, 2012.

## 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 2012 is from the NCMPA1 Summer 2011 Load Forecast.