

## 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

Devastating tornadoes struck North Carolina in April. NC Public Power Communities were largely spared substantial destruction. In the areas where customers did lose power, local public power line crews worked quickly to repair lines and service while keeping everyone safe.

As North Carolina was recovering, a massive storm system struck the southeastern U.S. More than 70 lineworkers from the NC Public Power communities of Kings Mountain, Gastonia, Greenville Utilities Commission, High Point, Kinston and Rocky Mount traveled to help restore power in Chattanooga, Tenn., after that city's electric system was destroyed and more than 100,000 people were left without power.

ElectriCities held a summer preparedness webinar in June. The webinar featured tips to aid customer service employees in helping customers understand how extreme heat impacts their electric usage. A recording of the webinar can be heard on [electricities.com](http://electricities.com).

NC Public Power Communities made up an overwhelming number of Reliable Public Power (RP3) award recipients during the American Public Power Association Annual Engineering and Operations Technical Conference. Eight NCMPA1 member cities were honored: Albemarle, Cherryville, Gastonia, Granite Falls, High Point, Lexington, Morganton and Shelby. RP3 recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, training and system improvement. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Forty-six NC Public Power Communities received safety awards for incurring no lost work days for the calendar year.

ElectriCities and the state's two municipal power agencies, North Carolina Eastern Municipal Power Agency (NCEMPA) and North Carolina Municipal Power Agency Number 1 (NCMPA1), will not oppose the pending Duke Energy and Progress Energy merger currently under review with various state and federal agencies. The Power Agencies recently negotiated agreements with Progress and Duke after a detailed analysis of the merger filings.

ElectriCities staff has been reviewing contracts and working with Duke and Progress since the merger was announced in early January. From the outset, ElectriCities staff was concerned primarily with:

- Protection for Public Power customers from increased costs related to the combination of the two companies;
- Ensuring that merger-related savings from any synergies or reductions in fuel expenses would be passed through to customers;
- Ensuring that the Power Agencies' competitive position does not deteriorate; and
- Maintaining access to competitive wholesale markets so that the Power Agencies can maintain and continue to improve wholesale prices.

The agreements are subject to the completion of the merger. The terms of the agreements have been approved by the Board of Directors and Boards of Commissioners of NCEMPA and NCMPA1.

In economic development news, Gastonia's Prime Power Park has landed two major tenants. LANXESS, a manufacturer of high-tech plastics, rubber and chemicals will bring a \$15 million investment and will create 55 jobs. REPI, a producer of liquid colors and additives, will invest \$5.8 million and create 27 jobs.

## Second Quarter Performance

Sales of electricity to participants increased \$5,177,000 (6.0%) relative to the second quarter of 2010. Billing demand increased 68 MW (3.0%) and energy sales decreased 17,740 MWh (1.4%). The decrease in energy usage is primarily due to milder weather conditions experienced in the second 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 \$2,806,000 (16.7%) relative to the second quarter of 2010. Sales volumes decreased by 46,765 MWh (10.1%) and the average sales price decreased by \$2.66/MWh (7.3%). Less energy was available to sell primarily due to a scheduled refueling outage for Catawba Unit 1 experienced in the second quarter of 2011; no such outage occurred in the second quarter of 2010.

Supplemental reserve fund withdrawal decreased \$1,521,000 (100%) relative to the second 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.

## Financing Status

As of June 30, 2011, NCMPA 1 had outstanding \$1,541,085,000 in bonds.

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

Operations and maintenance costs increased \$10,209,000 (49.7%) relative to the second quarter of 2010. The increase was primarily attributable to additional maintenance performed as a result of the scheduled refueling outage at Catawba Unit 1 in the second quarter of 2011. No such outage activity occurred for the same unit in the second quarter of 2010.

Nuclear fuel costs decreased \$2,046,000 (14.9%) relative to the second quarter of 2010. The decrease is primarily attributable to a scheduled refueling outage experienced at Catawba Unit 1 in the second quarter of 2011. No outage activity was experienced for the same unit in the second quarter of 2010.

Purchased power costs increased \$3,770,000 (59.5%) relative to the second quarter of 2010. Higher purchased energy requirements were primarily attributable to lower generation output for the nuclear stations, specifically Catawba Unit 1, as compared to the same period for 2010.

Administrative and general – Duke decreased \$1,144,000 (11.6%) relative to the second quarter of 2010. The decrease is primarily attributable to a greater amount of nuclear insurance refunds received in the second quarter of 2011 relative to the second quarter of 2010.

the quarter was 5.072%.

To date, NCMPA1 has had \$1,315,737,000 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	June 30, 2011	June 30, 2010
<b>Non-Current Assets</b>		
Capital Assets:		
Electric Utility Plant, Net:		
Electric plant in service	\$1,761,617	\$1,714,410
Construction work in progress	61,821	71,486
Nuclear fuel	203,517	149,402
Accumulated depreciation and amortization	(926,335)	(867,846)
Total Electric Utility Plant, Net	<u>1,100,620</u>	<u>1,067,452</u>
Non-Utility Property and Equipment, Net:		
Property and equipment	5,663	5,579
Less accumulated depreciation	(4,138)	(3,997)
Total Non-Utility Property and Equipment, Net	<u>1,525</u>	<u>1,582</u>
Total Capital Assets	<u>1,102,145</u>	<u>1,069,034</u>
Restricted Assets:		
Special Funds Invested:		
Construction fund	42,005	70,770
Bond fund	285,380	290,612
Reserve and contingency fund	20,956	26,086
Total Special Funds Invested	<u>348,341</u>	<u>387,468</u>
Trust for Decommissioning Costs	260,330	251,089
Total Restricted Assets	<u>608,671</u>	<u>638,557</u>
Other Assets:		
Unamortized debt issuance costs	13,342	15,312
Costs of advance refundings of debt	134,644	158,567
Other Deferred Costs	369	26,470
Total Other Assets	<u>148,355</u>	<u>200,349</u>
Total Non-Current Assets	<u>1,859,171</u>	<u>1,907,940</u>
<b>Current Assets</b>		
Funds Invested:		
Revenue fund	15,099	18,339
Operating fund	42,310	41,886
Supplemental fund	79,633	74,701
Total Funds Invested	<u>137,042</u>	<u>134,926</u>
Participant accounts receivable	37,227	36,139
Operating accounts receivable	5,365	8,015
Prepaid expenses	4,182	3,352
Plant materials and operating supplies	36,674	35,495
Working fund	39,888	36,871
Total Current Assets	<u>260,378</u>	<u>254,798</u>
Total Assets	<u>\$2,119,549</u>	<u>\$2,162,738</u>

Liabilities and Fund Equity	June 30, 2011	June 30, 2010
<b>Liabilities</b>		
Non-Current Liabilities:		
Long-Term Debt:		
Bonds payable	\$1,453,730	\$1,541,085
Unamortized premium/(discount), net	51,569	58,682
Total Long-Term Debt	<u>1,505,299</u>	<u>1,599,767</u>
Asset Retirement Obligation	292,328	276,329
Deferred Revenues	121,787	121,644
Total Non-Current Liabilities	<u>1,919,414</u>	<u>1,997,740</u>
Current Liabilities:		
Operating Liabilities:		
Accounts payable	16,142	4,440
Accrued taxes	12,438	11,653
Derivative financial instruments	-	160
Total Operating Liabilities	<u>28,580</u>	<u>16,253</u>
Special Funds Liabilities:		
Current maturities of bonds	87,355	65,370
Accrued interest on bonds	40,121	38,235
Total Special Funds Liabilities	<u>127,476</u>	<u>103,605</u>
Total Current Liabilities	<u>156,056</u>	<u>119,858</u>
Total Liabilities	<u>2,075,470</u>	<u>2,117,598</u>
<b>Fund Equity</b>		
Invested in capital assets, net of related debt (deficit)	281,139	199,842
Restricted for debt services	129,090	167,418
Unrestricted	(366,150)	(322,120)
Total Fund Equity	<u>44,079</u>	<u>45,140</u>
Total Liabilities and Fund Equity	<u>\$2,119,549</u>	<u>\$2,162,738</u>

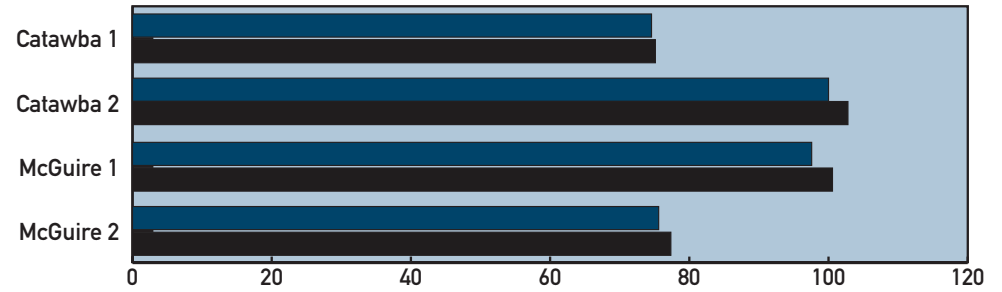
## NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2011	2010	2011	2010
Sales of electricity to participants	\$91,981	\$86,804	\$175,045	\$164,783
Sales of electricity to utilities	14,011	16,817	29,490	35,122
McGuire exchange entitlement	7,770	9,157	18,298	17,762
Supplemental reserve fund withdrawal	-	1,521	-	3,041
Investment revenue available for operation	2,113	2,081	3,056	5,168
Other revenues	22	32	43	71
<b>Total Revenues</b>	<b>115,897</b>	<b>116,412</b>	<b>225,932</b>	<b>225,947</b>
<b>Expenses</b>				
Operation and maintenance	30,739	20,530	56,895	43,382
Nuclear fuel	11,673	13,719	25,026	25,165
McGuire exchange entitlement	9,608	7,411	16,960	14,761
Interconnection services:				
Purchased power	10,110	6,340	17,224	11,782
Transmission and distribution	3,387	3,125	6,641	6,313
Other	278	146	467	309
<b>Total Interconnection Services</b>	<b>13,775</b>	<b>9,611</b>	<b>24,332</b>	<b>18,404</b>
Administrative and general - Duke	8,730	9,874	17,832	19,856
Administrative and general - Agency	3,392	3,553	6,469	6,637
Gross receipts and excise taxes	3,533	3,539	7,010	6,852
Property tax	4,611	4,477	9,222	8,527
Debt service	41,620	39,669	83,227	84,418
Special funds deposits:				
Decommissioning fund	438	438	876	876
Reserve and contingency fund	4,590	4,503	9,181	9,007
<b>Total Special Funds Deposits</b>	<b>5,028</b>	<b>4,941</b>	<b>10,057</b>	<b>9,883</b>
<b>Total Expenses</b>	<b>132,709</b>	<b>117,324</b>	<b>257,030</b>	<b>237,885</b>
Excess of revenues over expenses	(16,812)	(912)	(31,098)	(11,938)
Fund Equity, beginning of quarter	60,891	46,052	75,177	57,078
<b>Fund Equity, end of quarter</b>	<b>\$44,079</b>	<b>\$45,140</b>	<b>\$44,079</b>	<b>\$45,140</b>

## NCMPA1 Plant Status

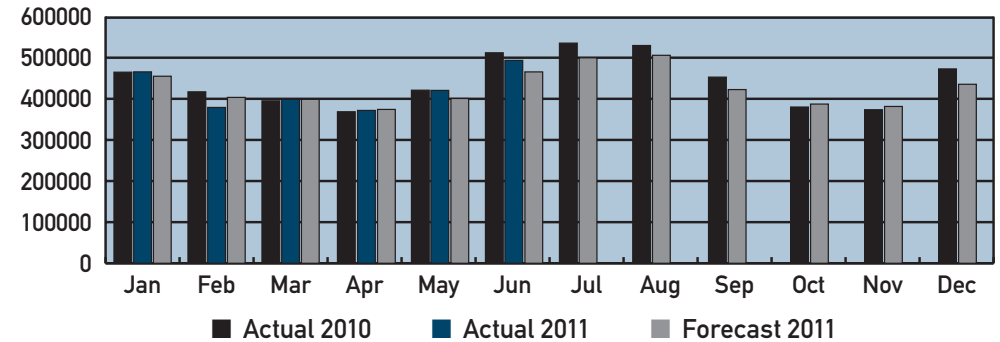
NOTE: The plant status values are year-to-date through 2011.



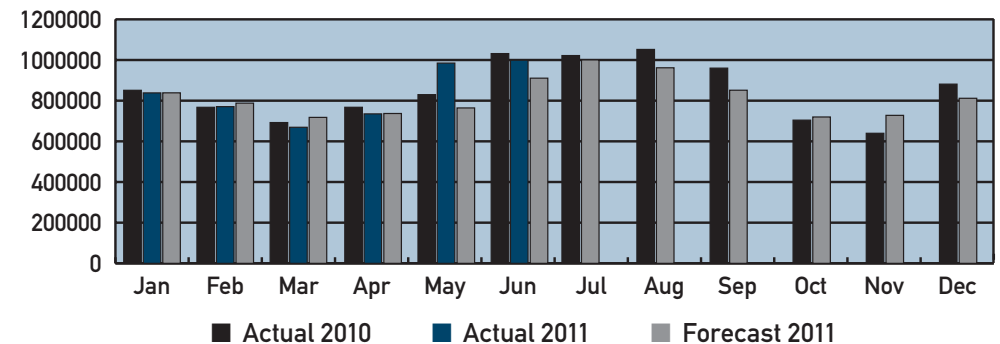
■ Capacity Factor - The ratio of actual output to maximum net dependable capability.  
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

**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.