

## About the Agency

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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

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

## NCMPA1 Participant Cities

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



## Quarterly Update

The short session of the North Carolina General Assembly was a busy one with several pieces of legislation affecting NCMPA1 Participants. ElectriCities was actively engaged in several key pieces of legislation to ensure there were no material impacts on the participant cities or the Power Agency.

ElectriCities continued to follow developments in the Duke Energy/Progress Energy merger until it closed on July 2. Throughout the review of the merger, ElectriCities staff focused on several key items:

- 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.

ElectriCities held a summer preparedness webinar in June for members' customer service staff. 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. NCMPA1 Participants Huntersville and Monroe were recognized as Platinum Level recipients and Cornelius and Statesville were recognized as Gold Level recipients. 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.

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

In economic development news, more than \$250 million in new investment has been announced in public power communities so far this year. Communities that have had announcements include several major projects in the Gaston Technology Park and a \$97 million expansion of Ralph Lauren's operation in High Point.

## First Quarter Performance

Sales of electricity to participants increased \$4,680,000 (5.1%) relative to the second quarter of 2011. Billing demand decreased 99 MW (4.2%) and energy sales decreased 26,233 MWh (2.1%). The decrease in demand and energy usage is primarily due to milder weather conditions experienced in the second 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.

Sales of electricity to utilities decreased \$1,473,000 (10.5%) relative to the second quarter of 2011. Sales volumes increased by 61,949 MWh (14.9%) and the average sales price decreased by \$7.47/MWh (22.1%). More energy was available to sell primarily due to higher generation and lower participant requirements as compared to the same period for 2011. The price decrease is attributable to lower wholesale market prices, driven by low natural gas prices, and the delivery of the majority of the surplus energy within the Duke balancing area as compared to 2011.

Operations and maintenance costs increased \$3,998,000 (13.0%) relative to the second quarter of 2011. The increase was primarily attributable to an unscheduled outage at Catawba Unit 1 and a longer than anticipated refueling outage at Catawba Unit 2, as compared to the same period of 2011. The outage at Unit 1 was primarily due to issues experienced with the operation of a power cable tied to the motor of a reactor coolant pump. The extended outage at Unit 2 was primarily due to fuel handling issues.

Nuclear fuel costs increased \$1,397,000

(11.9%) relative to the second quarter of 2011 primarily due to additional fuel amortization adjustments recognized in the second quarter 2012 as compared to the same period in 2011; additional fuel amortization was necessary to build up fuel working capital.

Purchased power costs decreased \$4,196,000 (41.5%) relative to the second quarter of 2011. Lower energy costs decreased \$3,106,000 primarily due to the expiration of a reserve capacity and energy service contract with Duke at the end of 2011. Additionally, lower purchased energy requirements were attributable to higher generation experienced in the second quarter of 2012 as compared to the same period in 2011.

Transmission and distribution costs decreased \$624,000 (18.4%) relative to the second quarter of 2011 primarily due to the prior period adjustment of \$824,000 recognized in the second quarter of 2012. The decrease was partially offset by an increase in Duke's transmission rates effective June 2011.

Administrative and general – Duke increased \$1,290,000 (14.6%) relative to the second quarter of 2011. The increase is primarily attributable to higher pension and insurance costs recognized in the second quarter of 2012 as compared to the same period in 2011.

Reserve and contingency fund deposits decreased \$641,000 (14.0%) relative to the second 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 June 30, 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	June 30, 2012	June 30, 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	46,519	61,821
Nuclear fuel	209,005	203,517
Accumulated depreciation and amortization	(929,157)	(926,335)
Total Electric Utility Plant, Net	<u>1,112,105</u>	<u>1,100,620</u>
Non-Utility Property and Equipment, Net:		
Property and equipment	5,663	5,663
Less accumulated depreciation	(4,268)	(4,138)
Total Non-Utility Property and Equipment, Net	<u>1,395</u>	<u>1,525</u>
Total Capital Assets	<u>1,113,500</u>	<u>1,102,145</u>
Special Funds Invested:		
Construction fund	16,278	42,005
Bond fund	280,429	285,380
Reserve and contingency fund	20,240	20,956
Total Special Funds Invested	<u>316,947</u>	<u>348,341</u>
Trust for Decommissioning Costs	297,870	260,330
Total Restricted Assets	<u>614,817</u>	<u>608,671</u>
Other Assets:		
Unamortized debt issuance costs	11,374	13,342
Costs of advance refundings of debt	111,536	134,644
Other Deferred Costs	-	369
Total Other Assets	<u>122,910</u>	<u>148,355</u>
Total Non-Current Assets	<u>1,851,227</u>	<u>1,859,171</u>
<b>Current Assets</b>		
Funds Invested:		
Revenue fund	11,102	15,099
Operating fund	59,398	42,310
Supplemental fund	83,830	79,633
Total Funds Invested	<u>154,330</u>	<u>137,042</u>
Participant accounts receivable	38,560	37,227
Operating accounts receivable	10,437	5,365
Prepaid expenses	4,495	4,182
Plant materials and operating supplies	39,101	36,674
Working fund	-	39,888
Total Current Assets	<u>246,923</u>	<u>260,378</u>
Total Assets	<u>\$2,098,150</u>	<u>\$2,119,549</u>

Liabilities and Fund Equity	June 30, 2012	June 30, 2011
<b>Liabilities</b>		
Non-Current Liabilities:		
Long-Term Debt:		
Bonds payable	\$1,370,305	\$1,453,730
Unamortized premium/(discount), net	43,271	51,569
Total Long-Term Debt	<u>1,413,576</u>	<u>1,505,299</u>
Asset Retirement Obligation	309,254	292,328
Deferred Revenues	180,713	121,787
Total Non-Current Liabilities	<u>1,903,543</u>	<u>1,919,414</u>
Current Liabilities:		
Operating Liabilities:		
Accounts payable	4,427	16,142
Accrued taxes	14,288	12,438
Total Operating Liabilities	<u>18,715</u>	<u>28,580</u>
Special Funds Liabilities:		
Current maturities of bonds	83,425	87,355
Accrued interest on bonds	37,899	40,121
Total Special Funds Liabilities	<u>121,324</u>	<u>127,476</u>
Total Current Liabilities	<u>140,039</u>	<u>156,056</u>
Total Liabilities	<u>2,043,582</u>	<u>2,075,470</u>
<b>Fund Equity</b>		
Invested in capital assets, net of related debt (deficit)	358,396	281,139
Restricted for debt services	99,419	129,090
Unrestricted	(403,247)	(366,150)
Total Fund Equity	<u>54,568</u>	<u>44,079</u>
Total Liabilities and Fund Equity	<u>\$2,098,150</u>	<u>\$2,119,549</u>

## NCMPA1 Statements of Revenues and Expenses

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

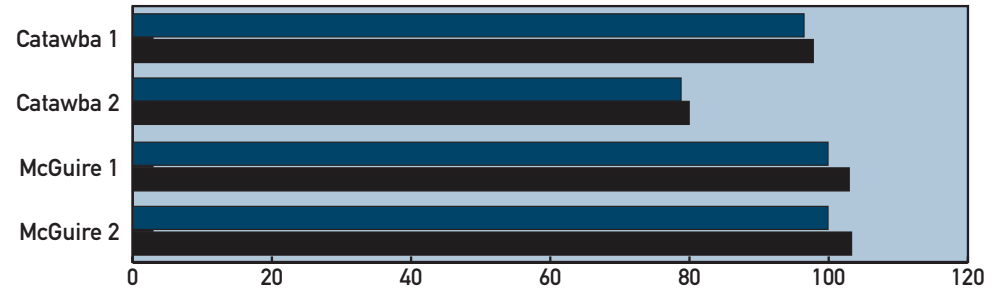
Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2012	2011	2012	2011
Sales of electricity to participants	\$96,661	\$91,981	\$183,355	\$175,045
Sales of electricity to utilities	12,538	14,011	27,276	29,490
McGuire exchange entitlement	8,294	7,770	15,026	18,298
Investment revenue available for operations	2,041	2,113	3,820	3,056
Other revenues	25	22	86	43
<b>Total Revenues</b>	<b>119,559</b>	<b>115,897</b>	<b>229,563</b>	<b>225,932</b>

### Expenses

Operation and maintenance	34,737	30,739	61,129	56,895
Nuclear fuel	13,070	11,673	35,287	25,026
McGuire exchange entitlement	9,474	9,608	16,875	16,960
Interconnection services:				
Purchased power	5,914	10,110	10,102	17,224
Transmission and distribution	2,763	3,387	6,506	6,641
Other	175	278	367	467
<b>Total Interconnection Services</b>	<b>8,852</b>	<b>13,775</b>	<b>16,975</b>	<b>24,332</b>
Administrative and general - Duke	10,020	8,730	19,543	17,832
Administrative and general - Agency	3,554	3,392	6,841	6,469
Gross receipts and excise taxes	3,716	3,533	7,208	7,010
Property tax	5,455	4,611	10,910	9,222
Debt service	39,467	41,620	78,901	83,227
Special funds deposits:				
Decommissioning fund	927	438	1,852	876
Reserve and contingency fund	3,949	4,590	7,925	9,181
<b>Total Special Funds Deposits</b>	<b>4,876</b>	<b>5,028</b>	<b>9,777</b>	<b>10,057</b>
<b>Total Expenses</b>	<b>133,221</b>	<b>132,709</b>	<b>263,446</b>	<b>257,030</b>
Excess of revenues over expenses	(13,662)	(16,812)	(33,883)	(31,098)
Fund Equity, beginning of quarter	68,230	60,891	88,451	75,177
<b>Fund Equity, end of quarter</b>	<b>\$54,568</b>	<b>\$44,079</b>	<b>\$54,568</b>	<b>\$44,079</b>

## NCMPA1 Plant Status

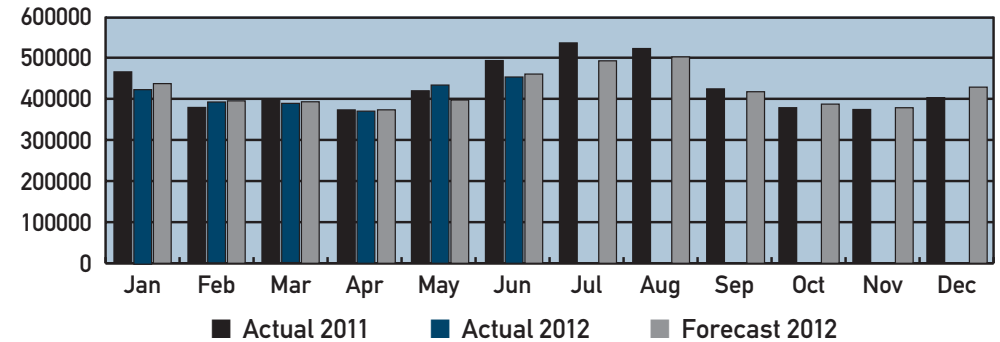
NOTE: The plant status values are year-to-date through June 30, 2012



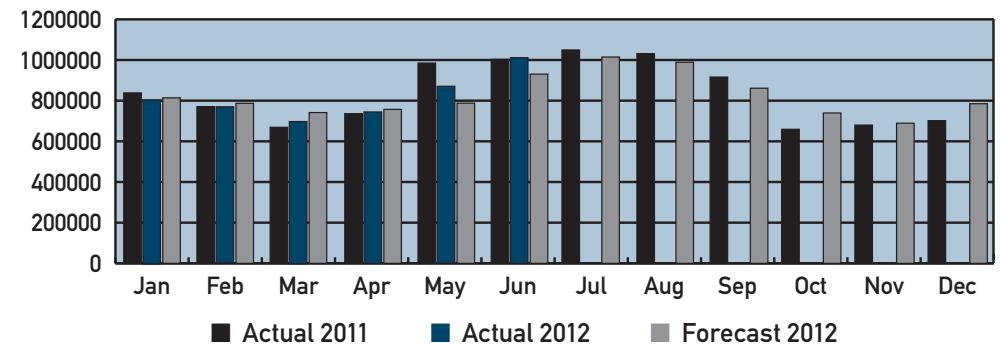
- Capacity Factor - The ratio of actual output to maximum net dependable capability.
- Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

**Third-quarter highlights:** Catawba 1 experienced a 13 day forced outage in April due to a power supply cable failure on one of the four reactor coolant water pumps. Catawba 2 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.