

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

Barry C. Hayes, Granite Falls, Vice Chairman

Constantine H. Kutteh, Statesville, 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

Legislation

The long session of the North Carolina General Assembly was a busy one with several pieces of legislation affecting NCMPA1 and its Participants. ElectriCities Government Relations staff closely tracked more than 60 bills. The Tax Reduction Act (HB 998) eliminates the gross receipts tax on electricity and replaces the tax with a seven percent sales tax to consumers. ElectriCities closely followed the development of that bill, which was ultimately passed and will be effective on July 1, 2014. Significant attention was also placed on the state's economic development efforts with a complete restructuring still pending. Two bills pertaining to the NCMPA1 and Duke Energy merger agreement, as well as a bill to repeal the state's renewable energy standards, were left in committee when the Legislature adjourned.

Promoting EAP

With the advent of hurricane season, ElectriCities reinforced the benefit of its Emergency Assistance Program (EAP) in its Hometown Connection newsletter. The program offers members help in restoring power in case of a storm or other catastrophic event.

Safety and Training

Three NCMPA1 Participants, High Point, Lincolnton and Monroe, earned a 2012 Safety Award of Excellence from the prestigious American Public Power Association (APPA). The award recognizes safe work practices and a very low number of workplace injuries.

Lineman and utility professionals from several NCMPA1 Participants took part in the NCAMES 52nd annual conference and lineman's rodeo, which was held in May. The three-day event promoted training and safety. In addition, the rodeo gave linemen a lively and competitive venue to showcase their skills.

RP3 Recognition

There are more than 2,000 public power utilities in the country, yet this year only

90 earned Reliable Public Power Provider (RP3®) recognition from the APPA. Of those 90 award-winners, seven were NCMPA1 communities. Albemarle, Gastonia and High Point earned Platinum Level. Gold Level winners include Granite Falls, Lexington, Morganton and Shelby. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Summer Webinar

In June, many NCMPA1 Participants attended ElectriCities' Two Ways to Save webinar. The webinar focused on two free tools – TempTracker365 and Energy Depot – that customers can use to reduce their electric usage and, in turn, lower their power bill. All city staff and officials were invited to attend the free webinar. A recording of the webinar can be heard on electricities.com. Following the webinar, several new customer communications pieces were made available to members to prepare customers for the summer season.

Economic Development News

Gastonia, along with help from ElectriCities Economic Development team, is aggressively marketing the Gastonia Technology Park (GTP). This 400-acre park uses on-site backup power generation to provide a dependable supply of electricity for complex manufacturing processes. Designated a Prime Power Park, the GTP can keep electricity flowing under practically any circumstances at no additional cost to its tenants. Similar recruiting efforts are underway for the Albemarle Prime Power Park. In other news, ElectriCities Economic Development team had a booth at the International Council of Shopping Centers Real Estate Convention (ICSC RECon) show in Las Vegas. Good timing considering a revival in the commercial-mortgage-backed securities market is helping to boost retail activity. Drug stores, dollar stores and membership warehouse clubs are projected to be the fastest growing retail formats during the next five years.

Second Quarter Performance

Sales of electricity to Participants increased \$3,160,000 (3.3%) relative to the second quarter of 2012. Billing demand decreased 157 MW (7.0%) and energy sales decreased 23,009 MWh (1.8%). The decrease in energy usage is primarily due to milder weather conditions experienced in the second quarter 2013 as compared to the same time period of 2012. The overall increase in revenues is primarily attributable to a 5.0% rate increase implemented in July 2012.

Sales of electricity to utilities increased \$1,711,000 (13.7%) relative to the second quarter of 2012. The increase is primarily due to an increase in the average sales price by \$3.46/MWh (13.2%) resulting from higher natural gas prices as compared to the same period for 2012. In addition, sales volumes increased by 2,199 MWh (0.5%). More energy was available to sell primarily due to lower Participant requirements as compared to the same period for 2012.

Operations and maintenance costs decreased \$8,680,000 (25.0%) relative to the second quarter of 2012. The decrease is primarily attributable to an unscheduled outage at Catawba Unit 1 and a longer than anticipated refueling outage at Catawba Unit 2 in the second quarter of 2012; no such outage activity was experienced in the same period of 2013. The 2012 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 2012 extended outage at Unit 2 was primarily due to fuel handling issues.

Nuclear fuel costs increased \$3,158,000

(24.2%) relative to the second quarter of 2012 primarily due to higher nuclear fuel rates. The increase was also affected by additional fuel amortization recorded in the second quarter 2013 as compared to the same time period of 2012; the additional amortization was required to maintain an appropriate level of fuel working capital.

Administrative and general – Duke decreased \$945,000 (9.4%) relative to the second quarter of 2012. The decrease is primarily attributable to lower pension and insurance costs recognized in the second quarter of 2013 as compared to the same period for 2012.

Debt service increased \$6,148,000 (15.6%) relative to the second quarter of 2012 primarily due to increased principal and interest payments resulting from the issuance of Series A, B and C bonds in December 2012. Series A bonds were issued to refund previously issued bonds, and Series B and C bonds were issued to fund certain capital improvements.

Reserve and contingency fund deposits increased \$840,000 (21.3%) relative to the second quarter of 2012. The increase is attributable to higher anticipated capital spending at the Catawba station as compared to the same time period of 2012.

Financing Status

As of June 30, 2013, NCMPA 1 had outstanding \$1,433,090,000 in bonds.

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

of the quarter was 3.360%.

To date, the NCMPA1 has had \$1,615,412,000 in debt redeemed prior to or at maturity.

North Carolina Municipal Power Agency Number 1

Statement of Net Position (Unaudited)

(Thousands of Dollars)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>		<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets			Deferred Outflows of Resources		
Non-Current Assets			Costs of advance refundings of debt		
Capital Assets:				<u>\$87,289</u>	<u>\$111,536</u>
Electric Utility Plant, Net:			Total Deferred Outflows of Resources	<u>87,289</u>	<u>111,536</u>
Electric plant in service	\$1,828,334	\$1,785,738	Liabilities		
Construction work in progress	48,752	46,519	Non-Current Liabilities:		
Nuclear fuel	205,042	209,005	Long-Term Debt:		
Less accumulated depreciation and amortization	<u>(937,356)</u>	<u>(929,157)</u>	Bonds payable		
Total Electric Utility Plant, Net	1,144,772	1,112,105		\$1,317,580	\$1,370,305
Non-Utility Property and Equipment, Net:			Unamortized premium		
Property and equipment	5,663	5,663		102,503	43,271
Less accumulated depreciation	<u>(4,382)</u>	<u>(4,268)</u>	Total Long-Term Debt		
Total Non-Utility Property and Equipment, Net	1,281	1,395		1,420,083	1,413,576
Total Capital Assets	1,146,053	1,113,500	Asset Retirement Obligation		
Restricted Assets:				327,159	309,254
Special Funds Invested:			Collections to be Expended		
Construction fund	120,398	16,278		<u>220,394</u>	<u>168,696</u>
Bond fund	278,286	280,429	Total Non-Current Liabilities		
Reserve and contingency fund	<u>28,924</u>	<u>20,240</u>		1,967,636	1,891,526
Total Special Funds Invested	427,608	316,947	Current Liabilities:		
Trust for Decommissioning Costs	<u>291,045</u>	<u>297,870</u>	Operating Liabilities:		
Total Restricted Assets	718,653	614,817	Accounts payable		
Other Assets:				2,948	1,227
Costs to be Recovered	6,305	11,374	Accrued taxes		
Total Other Assets	<u>6,305</u>	<u>11,374</u>		14,880	14,288
Total Non-Current Assets	1,871,011	1,739,691	Total Operating Liabilities		
Current Assets				17,828	15,515
Funds Invested:			Special Funds Liabilities:		
Revenue fund	13,230	11,102	Current maturities of bonds		
Operating fund	41,443	59,398		115,510	83,425
Supplemental fund	<u>84,457</u>	<u>83,830</u>	Accrued interest on bonds		
Total Funds Invested	139,130	154,330		35,532	37,899
Participant accounts receivable	39,160	38,560	Total Special Funds Liabilities		
Operating accounts receivable	12,567	9,314		151,042	121,324
Plant materials and renewable certificate inventory	<u>46,324</u>	<u>41,519</u>	Total Current Liabilities		
Total Current Assets	237,181	\$243,723		168,870	136,839
Total Assets	<u>\$2,108,192</u>	<u>\$1,983,414</u>	Total Liabilities		
				<u>\$2,136,506</u>	<u>\$2,028,365</u>
			Deferred Inflows of Resources		
			Asset retirement provision adjustment		
				\$12,017	\$12,017
			Total Deferred Inflows of Resources		
				<u>\$12,017</u>	<u>\$12,017</u>
			Net Position		
			Net invested in capital assets		
				\$372,207	\$358,396
			Restricted for debt service		
				205,577	99,419
			Unrestricted		
				<u>(530,826)</u>	<u>(403,247)</u>
			Total Net Position		
				<u>\$46,958</u>	<u>\$54,568</u>

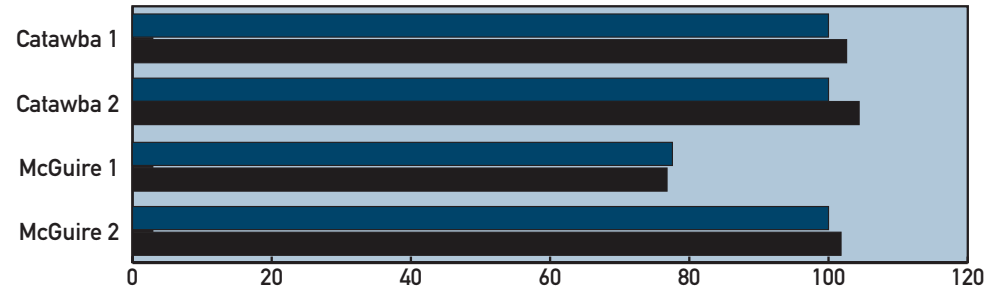
NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2013	2012	2013	2012
Sales of electricity to participants	\$99,821	\$96,661	\$192,686	\$183,355
Sales of electricity to utilities	14,250	12,538	27,457	27,276
McGuire exchange entitlement	12,991	8,294	23,672	15,026
Investment revenue available for operations	1,695	2,041	3,278	3,820
Other revenues	26	25	50	86
Total Revenues	128,783	119,559	247,143	229,563
Expenses				
Operation and maintenance	26,057	34,737	51,011	61,129
Nuclear fuel	16,228	13,070	31,143	35,287
McGuire exchange entitlement	11,085	9,474	19,758	16,875
Interconnection services:				
Purchased power	5,807	5,914	11,217	10,102
Transmission and distribution	3,614	2,763	7,001	6,506
Other	429	175	551	367
Total Interconnection Services	9,850	8,852	18,769	16,975
Administrative and general - Duke	9,076	10,020	18,259	19,543
Administrative and general - Agency	3,170	3,554	6,684	6,841
Gross receipts and excise taxes	3,982	3,716	7,702	7,208
Property tax	5,450	5,455	10,900	10,910
Debt service	45,615	39,467	91,245	78,901
Special funds deposits:				
Decommissioning fund	1,844	927	3,689	1,852
Reserve and contingency fund	4,789	3,949	9,577	7,925
Total Special Funds Deposits	6,633	4,876	13,266	9,777
Total Expenses	137,146	133,221	268,737	263,446
Excess of revenues over expenses	(8,363)	(13,662)	(21,594)	(33,883)
Net position, beginning of quarter	55,321	68,230	68,552	88,451
Net position, end of quarter	<u>\$46,958</u>	<u>\$54,568</u>	<u>\$46,958</u>	<u>\$54,568</u>

NCMPA1 Plant Status

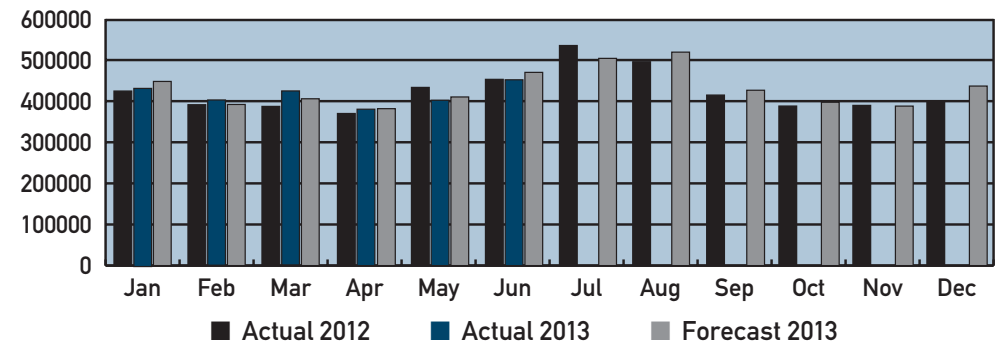
NOTE: The plant status values are year-to-date through June 2013.



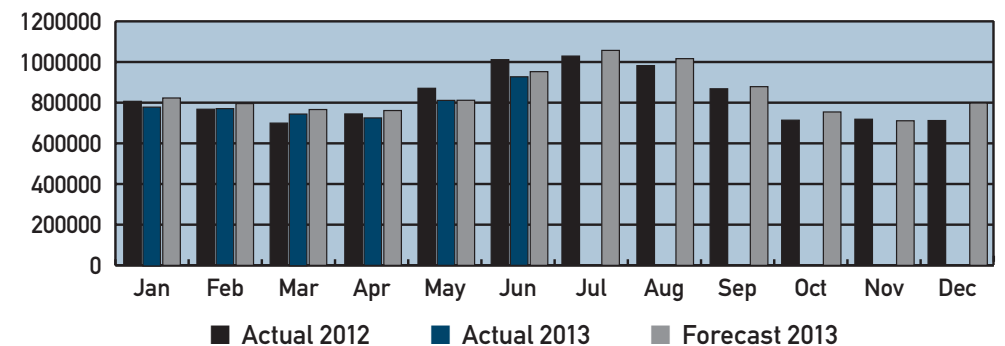
- Capacity Factor - The ratio of actual output to maximum net dependable capability.
- Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Second-quarter highlights: McGuire 1 began a refueling outage on March 16 and returned to service on April 22, 2013.

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 2013 is from the NCMPA1 Summer 2012 Load Forecast.