

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

Strib Boynton, High Point, Chairman
Wayne Dellinger, Newton, Vice Chairman
Richard Howell, Shelby, 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

RP3 Recognition

Several NCMPA1 were recognized this spring as Reliable Public Power Providers (RP₃) from the American Public Power Association. Monroe earned Platinum Level and Cornelius and Huntersville received Gold Level recognition. Criteria within each category are based on sound business practices and represent a utility-wide commitment to safe and reliable delivery of electricity.

Emergency Assistance Program

NCMPA1 members High Point and Lexington were hit with a strong ice storm in March. For High Point, the storm wiped out electric service to 32,000 of its 41,000 customers. Through the Emergency Assistance Program, NC Public Power communities across the state responded to help them rebuild the system and restore power in four days.

Legislation

The North Carolina General Assembly began its short session in May. The main focus of the session was setting the state's budget, yet legislators also considered legislation pertaining to coal ash, the restructuring of the state's economic development efforts, and the Energy Modernization Act dealing with hydraulic fracturing.

Last year the North Carolina General Assembly passed the Tax Reduction Act (HB998), which eliminated the gross re-

ceipts tax NCMPA1 charges its wholesale members effective July 1, 2014. The Tax Reduction Act also required NCMPA1 members to implement a seven percent sales tax to their retail customers that went into effect July 1, 2014.

Safety and Training

NCMPA1 members took home several awards from the NCAMES Annual Conference and Lineman's Rodeo, which was held in May. The three-day event promoted training and safety. In addition, several NCMPA1 members competed in the APPA national rodeo. Line worker rodeos provide an opportunity to engage in a lively and competitive venue to showcase their skills, as well as developing valuable job skills to work safely and efficiently.

Economic Development News

Once again this year, our Economic Development team had a booth at the International Council of Shopping Centers Real Estate Convention (ICSC RECon) show to promote retail development in member communities. Electricities has recently begun focusing on retail development with a variety of services available to members.

Several NCMPA1 communities had economic development announcements in the second quarter, including Statesville with an \$8.3 million investment from Highland Industries and Maiden with a \$114 million investment from GKN.

Second Quarter Performance

Sales to Participants increased \$7,756,000 (7.8%) relative to the second quarter of 2013. A 5.0% rate increase implemented in July 2013 accounted for approximately \$5,125,000 of the increase. Billing demand and energy sales increased 35 MW (1.8%) and 46,003 MWh (3.9%), respectively, due to warmer weather experienced in the second quarter of 2014 relative to the same period for 2013 and contributed \$2,500,000 to the overall increase.

Sales to utilities decreased \$3,945,000 (27.7%) relative to the second quarter of 2013 primarily due to lower sales volumes in the second quarter of 2014. Sales volumes decreased by 207,175 MWh (43.0%) due to lower generation resulting from the Catawba Unit 1 refueling outage. Energy rates increased by \$8.14/MWh (27.0%) thereby offsetting the overall revenue decrease.

McGuire exchange entitlement decreased \$4,387,000 (33.8%) relative to the second quarter of 2013 primarily due to a higher annual energy pricing adjustment recorded in 2013 compared to 2014.

Operations and maintenance costs increased \$15,369,000 (59.0%) relative to the second quarter of 2013. The increase is primarily attributable to the timing of

the refueling outages at the Catawba Units. Catawba Unit 1 refueled during the spring of 2014 while Catawba Unit 2 refueled during the fall of 2013.

Nuclear fuel costs decreased \$7,085,000 (43.7%) relative to the second quarter of 2013. There was no additional fuel amortization recorded in the second quarter of 2014 as compared to \$4,600,000 recorded in the same time period of 2013. The lower generation attributable to the refueling outage at Catawba Unit 1 further contributed to the decrease due to the lower fuel burned.

Purchased power costs increased \$4,415,000 (76.0%) relative to the second quarter of 2013. Higher purchased volumes due to lower generation at Catawba Unit 1 during the refueling outage contributed \$3,400,000 while higher energy rates contributed \$1,000,000.

Debt service costs increased \$3,788,000 (8.3%) relative to the second quarter of 2013 due to early redemption of \$3,125,000 par of 2009D Build America Bonds (BAB's) in the second quarter of 2014.

Special Funds deposit - Revenue Fund increased \$1,300,000 (100.0%) relative to the second quarter of 2013 due to a deposit of \$1,300,000 to provide for Project working capital requirements.

Financing Status

As of June 30, 2014, NCMPA 1 had outstanding \$1,314,455,000 in bonds.

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

end of the quarter was 3.435%.

To date, the NCMPA1 has had \$1,688,231,000 in debt redeemed prior to or at maturity.

NCMPA1 Statement of Net Position

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

	June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013
Assets			Deferred Outflows of Resources		
Non-Current Assets			Costs of advance refundings of debt		
Capital Assets:			Unamortized Debt issuance costs		
Electric Utility Plant, Net:			Total Deferred Outflows of Resources		
Electric plant in service	\$1,867,129	\$1,828,334		\$69,996	\$87,289
Construction work in progress	34,029	48,752		5,284	6,305
Nuclear fuel	227,405	205,042		<u>\$75,280</u>	<u>\$93,594</u>
Accumulated depreciation and amortization	(973,578)	(937,356)	Liabilities		
Total Electric Utility Plant, Net	<u>1,154,985</u>	<u>1,144,772</u>	Non-Current Liabilities:		
Non-Utility Property and Equipment, Net:			Long-Term Debt:		
Property and equipment	5,663	5,663	Bonds payable		
Less accumulated depreciation	(4,473)	(4,382)	Unamortized premium/(discount), net		
Total Non-Utility Property and Equipment, Net	<u>1,190</u>	<u>1,281</u>	Total Long-Term Debt		
Total Capital Assets	<u>1,156,175</u>	<u>1,146,053</u>	Asset Retirement Obligation		
Special Funds Invested:			Total Non-Current Liabilities		
Construction fund	82,206	120,398	Current Liabilities:		
Bond fund	282,110	278,286	Operating Liabilities:		
Reserve and contingency fund	29,087	28,924	Accounts payable		
Total Special Funds Invested	<u>393,403</u>	<u>427,608</u>	Accrued taxes		
Trust for Decommissioning Costs	300,412	291,045	Total Operating Liabilities		
Total Restricted Assets	<u>693,815</u>	<u>718,653</u>	Special Funds Liabilities:		
Total Non-Current Assets	<u>1,849,990</u>	<u>1,864,706</u>	Current maturities of bonds		
			Accrued interest on bonds		
			Total Special Funds Liabilities		
			Total Current Liabilities		
			Total Liabilities		
				<u>\$1,779,699</u>	<u>\$1,916,112</u>
Current Assets			Deferred Inflows of Resources		
Funds Invested:			Collections to be expended		
Revenue fund	3,076	13,230	Total Deferred Inflows of Resources		
Operating fund	41,391	41,443		\$350,425	\$232,411
Supplemental fund	87,910	84,457		<u>\$350,425</u>	<u>\$232,411</u>
Total Funds Invested	<u>132,377</u>	<u>139,130</u>	Net Position		
Participant accounts receivable	43,420	39,160	Invested in capital assets, net of related debt		
Operating accounts receivable	1,292	12,567	Restricted for debt services		
Plant materials and renewable certificate inventory	51,110	46,324	Unrestricted		
Total Current Assets	<u>228,199</u>	<u>237,181</u>	Total Net Position		
Total Assets	<u>\$2,078,189</u>	<u>\$2,101,887</u>		\$477,318	\$372,207
				174,529	205,577
				(628,502)	(530,826)
				<u>\$23,345</u>	<u>\$46,958</u>

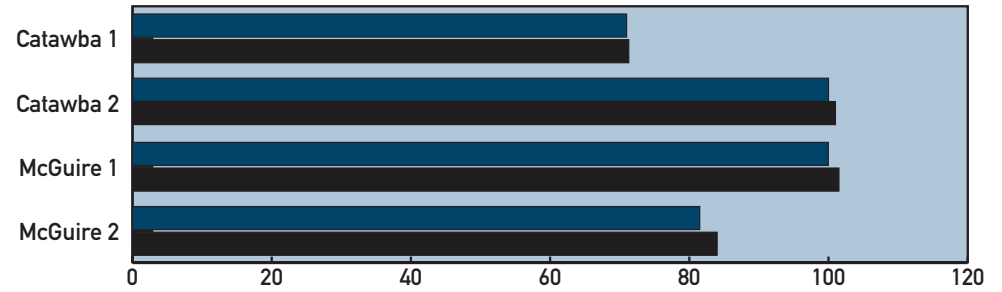
NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2014	2013	2014	2013
Sales of electricity to Participants	\$107,577	\$99,821	\$207,392	\$192,686
Sales of electricity to utilities	10,304	14,249	26,826	27,457
McGuire exchange entitlement	8,604	12,991	20,093	23,672
Investment revenue available for operations	1,479	1,695	3,314	3,278
Other revenues	598	26	967	50
Total Revenues	128,562	128,782	258,592	247,143
Expenses				
Operation and maintenance	41,426	26,057	68,830	51,010
Nuclear fuel	9,143	16,228	21,456	31,144
McGuire exchange entitlement	9,983	11,085	20,398	19,758
Interconnection services:				
Purchased power	10,222	5,807	17,102	11,216
Transmission and distribution	3,384	3,614	7,146	7,001
Other	377	429	718	551
Total Interconnection Services	13,983	9,850	24,966	18,768
Administrative and general - Duke	9,239	9,075	17,551	18,259
Administrative and general - Agency	2,459	3,170	5,326	6,684
Gross receipts and excise taxes	3,962	3,982	8,228	7,702
Property tax	5,419	5,450	10,838	10,899
Debt service	49,403	45,615	94,910	91,245
Special funds deposits:				
Revenue Fund	1,300	0	1,300	0
Decommissioning fund	1,844	1,844	3,688	3,689
Reserve and contingency fund	4,516	4,789	9,032	9,577
Total Special Funds Deposits	7,660	6,633	14,020	13,266
Total Expenses	152,677	137,145	286,523	268,735
Excess of revenues over expenses	(24,115)	(8,363)	(27,931)	(21,592)
Fund Equity, beginning of quarter	47,460	55,321	51,276	68,550
Fund Equity, end of quarter	\$23,345	\$46,958	\$23,345	\$46,958

NCMPA1 Plant Status

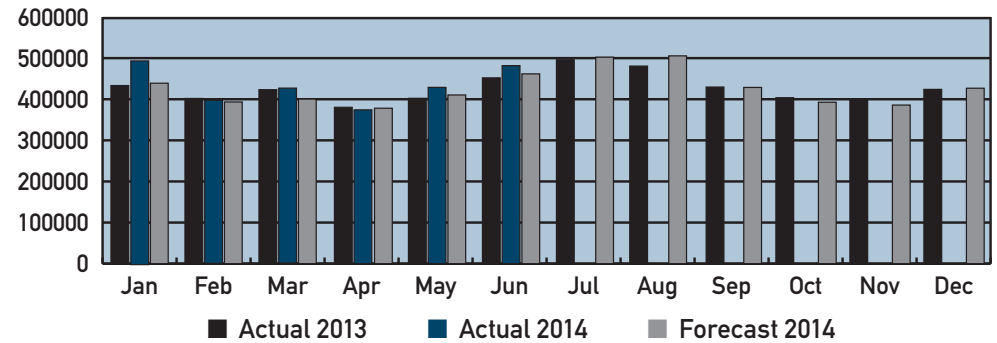
NOTE: The plant status values are year-to-date through March 2014.



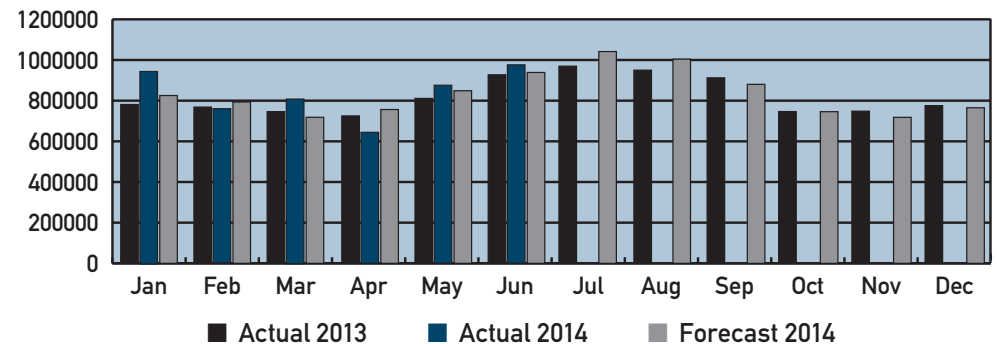
■ Capacity Factor - The ratio of actual output to maximum net dependable capability.
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

McGuire 1 began a refueling outage on March 22 and returned to service on April 22, 2014. Catawba Unit 1 began a refueling outage on May 6 and returned to service on June 27, 2014.

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 2014 is from the NCMPA1 Summer 2013 Load Forecast.