

## 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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Strib Boynton, High Point, Chairman  
Wayne Dellinger, Newton, Vice Chairman  
Richard Howell, Shelby, Secretary-Treasurer

## NCMPA1 Participant Cities

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



## Quarterly Update

### [North Carolina Legislature](#)

The end of the second quarter found the state budget near approval, passed by the Senate and close to passing by the House. The \$22.22-billion budget is a 2.3 percent increase over the current fiscal year budget and includes a modest raise for teachers and state employees. The budget also increases the standard deduction for personal income taxes by \$2,000 over a four-year period beginning in 2017.

### [Economic Development](#)

Several NCMPA1 communities had large economic development announcements in the second quarter.

Brevard-based organic grocery Food Matters Market & Café opened a new location in Morganton. This makes its third in western North Carolina, following an opening in Hickory last year.

KSM Castings in Shelby is expanding to meet the demand for high-quality and lightweight cast components for automobiles. The automotive supplier is adding a 50,000-square-foot building and, over the next six years, will invest \$80 million and hire 80 new employees.

Also in Shelby, a Smart Site is in development. The Smart Site designation guarantees that the site has met stringent requirements and is shovel-ready for new development.

### [RP3](#)

Lexington earned Platinum Level Reliable Public Power Provider (RP3®) recognition from the American Public Power Association. The designation is based on sound business practices and represents a utility-wide commitment to safe and reliable delivery of electricity.

### [Safety and Training](#)

Sixteen students attended Distribution Regulator School in High Point in June, and 197 students are currently enrolled in the Lineman Career Development Program. Electricities training workshops and programs provide career development and life-saving skills to utility workers throughout the year. Courses on troubleshooting, protective grounding, municipal substations and more are on tap for the third quarter.

## Second Quarter Performance

Sales to Participants decreased \$7,111,000 (6.3 %) compared to the second quarter of 2015 primarily due to a 6.0% rate reduction effective July 1, 2015, that contributed \$6,073,000 to the overall decrease. Milder weather experienced in the second quarter of 2016 relative to the same period in 2015 contributed \$1,038,000. Billed demand and energy sales were lower by 158 MW (7.1%) and 23,762 MWh (1.8%), respectively.

Sales to utilities decreased \$2,353,000 (14.9%) compared to the second quarter of 2015. Energy rates decreased by \$4.32/MW (15.2%) and contributed \$2,408,000 to the decrease. Energy volumes increased by 2,343 MW (0.4%) and offset the unfavorable rate variance by \$56,000.

Operation and maintenance costs decreased \$13,576,000 (33.4%) compared to the second quarter of 2015 due to expenses related to the Catawba Unit 2 refueling outage. There was no refueling outage in the second quarter of 2016.

Nuclear fuel decreased \$1,796,000 (13.8%) compared to the second quarter of 2015 primarily due to additional fuel amortization of \$1,146,000 recognized in the second quarter of 2015.

Additional fuel amortization was necessary to maintain an appropriate level of fuel working capital. There was no additional fuel amortization in the second quarter of 2016.

McGuire Exchange Entitlement decreased by \$1,791,000 (17.7%) compared to the second quarter of 2015 due to lower generation resulting from the McGuire Unit 1 refueling outage in April 2016. There was no refueling outage in the McGuire Units in the second quarter of 2015.

Debt service decreased \$13,067,000 (28.1%) compared to the second quarter of 2015 due to the 2015 debt restructuring.

Special Funds deposit into the Decommissioning Fund decreased \$1,232,000 (46.1%) compared to the second quarter of 2015 due to the discontinuation of the Special Funds Deposit to the Reserved for Future Costs Fund in March 2016 in order to provide for rate planning flexibility.

Special Funds deposit into the Reserve and Contingency Fund decreased \$1,299,000 (27.9%) compared to the second quarter of 2015 due to lower annual debt reserve requirements resulting from the 2015 debt restructuring.

## Financing Status

As of June 30, 2016, NCMPA1 had \$1,135,360,000 outstanding in bonds.

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

end of the quarter was 4.9%.

To date, NCMPA1 has had \$2,005,692,000 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) (\$000s)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>		<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets</b>			<b>Deferred Outflows of Resources</b>		
<b>Non-Current Assets</b>			<b>Costs of advance refundings of debt</b>		
Capital Assets:			Unamortized Debt issuance costs		
Electric Utility Plant, Net:			Total Deferred Outflows of Resources		
Electric plant in service	\$1,893,673	\$1,870,743	\$76,847	\$54,624	
Construction work in progress	40,894	64,078	5,042	4,418	
Nuclear fuel	217,528	229,535	<u>\$81,889</u>	<u>\$59,042</u>	
Accumulated depreciation and amortization	<u>(985,472)</u>	<u>(992,962)</u>			
Total Electric Utility Plant, Net	1,166,623	1,171,394	<b>Liabilities</b>		
Non-Utility Property and Equipment, Net:			Non-Current Liabilities:		
Property and equipment	5,750	5,750	Long-Term Debt:		
Less accumulated depreciation	<u>(4,623)</u>	<u>(4,550)</u>	Bonds payable		
Total Non-Utility Property and Equipment, Net	1,127	1,200	Unamortized premium/(discount), net		
Total Capital Assets	1,167,750	1,172,594	Total Long-Term Debt		
Special Funds Invested:			Asset Retirement Obligation		
Construction fund	92,049	26,868	Total Non-Current Liabilities		
Bond fund	199,753	283,686	Current Liabilities:		
Reserve and contingency fund	<u>20,082</u>	<u>28,276</u>	Operating Liabilities:		
Total Special Funds Invested	311,884	338,830	Accounts payable		
Trust for Decommissioning Costs	<u>336,536</u>	<u>312,274</u>	Accrued taxes		
Total Restricted Assets	<u>648,420</u>	<u>651,104</u>	Total Operating Liabilities		
Total Non-Current Assets	1,816,170	1,823,698	Special Funds Liabilities:		
<b>Current Assets</b>			Current maturities of bonds		
Funds Invested:			Accrued interest on bonds		
Revenue fund	58,356	50,890	Total Special Funds Liabilities		
Operating fund	64,536	57,200	Total Current Liabilities		
Supplemental fund	<u>131,196</u>	<u>49,892</u>	Total Liabilities		
Total Funds Invested	254,088	157,982	<u>\$1,648,011</u>	<u>\$1,645,723</u>	
Participant accounts receivable	43,595	46,513	<b>Deferred Inflows of Resources</b>		
Operating accounts receivable	10,145	8,163	Collections to be expended		
Plant materials and renewable certificate inventory	<u>61,382</u>	<u>54,175</u>	Total Deferred Inflows of Resources		
Total Current Assets	<u>369,210</u>	<u>266,833</u>	\$486,503	\$444,264	
Total Assets	<u>\$2,185,380</u>	<u>\$2,090,531</u>	<u>\$486,503</u>	<u>\$444,264</u>	
			<b>Net Position</b>		
			Net Invested in capital assets		
			Restricted for debt services		
			Unrestricted		
			Total Net Position		
			\$598,325	\$586,850	
			93,090	122,813	
			<u>(558,660)</u>	<u>(650,077)</u>	
			<u>\$132,755</u>	<u>\$59,586</u>	

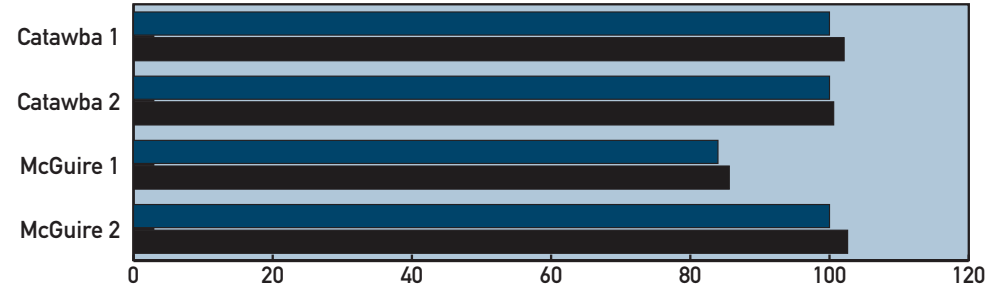
## NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2016	2015	2016	2015
Sales of electricity to Participants	\$105,524	\$112,635	\$200,383	\$215,277
Sales of electricity to utilities	13,490	15,843	27,609	29,521
McGuire exchange entitlement	9,714	9,921	21,263	19,660
Investment revenue available for operations	1,386	1,373	2,626	2,774
Other revenues	353	365	699	20,739
<b>Total Revenues</b>	<b>130,467</b>	<b>140,137</b>	<b>252,580</b>	<b>287,971</b>
<b>Expenses</b>				
Operation and maintenance	27,128	40,704	56,222	73,380
Nuclear fuel	11,256	13,052	23,783	24,400
McGuire exchange entitlement	8,354	10,145	18,699	21,434
Interconnection services:				
Purchased power	7,919	7,211	14,849	14,866
Transmission and distribution	4,434	4,287	8,732	8,123
Other	429	434	1,253	880
<b>Total Interconnection Services</b>	<b>12,782</b>	<b>11,932</b>	<b>24,834</b>	<b>23,869</b>
Administrative and general - Duke	8,374	9,090	17,384	18,009
Administrative and general - Agency	3,177	3,137	6,539	6,188
Gross receipts and excise taxes	519	527	1,069	1,072
Property tax	5,198	5,412	10,396	10,744
Debt service	33,490	46,557	66,982	93,151
Special funds deposits:				
Revenue Fund	-	-	-	20,000
Decommissioning fund	1,443	2,675	4,343	5,350
Reserve and contingency fund	3,357	4,656	6,714	9,312
<b>Total Special Funds Deposits</b>	<b>4,800</b>	<b>7,331</b>	<b>11,057</b>	<b>34,662</b>
<b>Total Expenses</b>	<b>115,078</b>	<b>147,887</b>	<b>236,965</b>	<b>306,909</b>
Net position (decrease)	15,389	(7,750)	15,615	(18,938)
Net position, beginning of quarter	117,366	67,336	117,140	78,524
<b>Net position, end of quarter</b>	<b>\$132,755</b>	<b>\$59,586</b>	<b>\$132,755</b>	<b>\$59,586</b>

## NCMPA1 Plant Status

NOTE: The plant status values are year-to-date through June 2016.

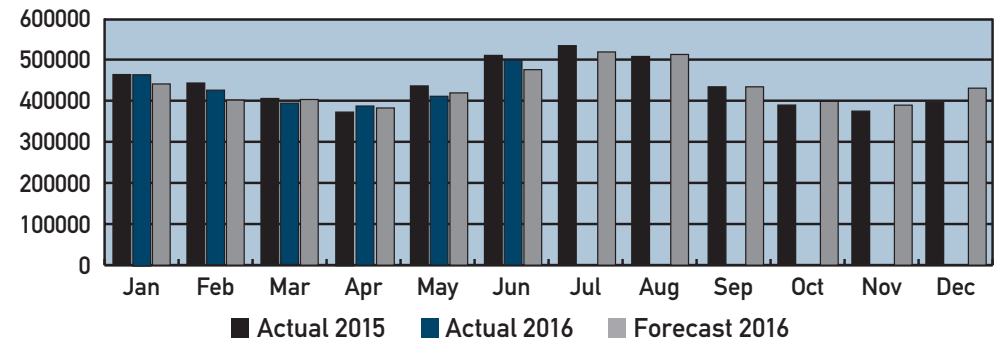


■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

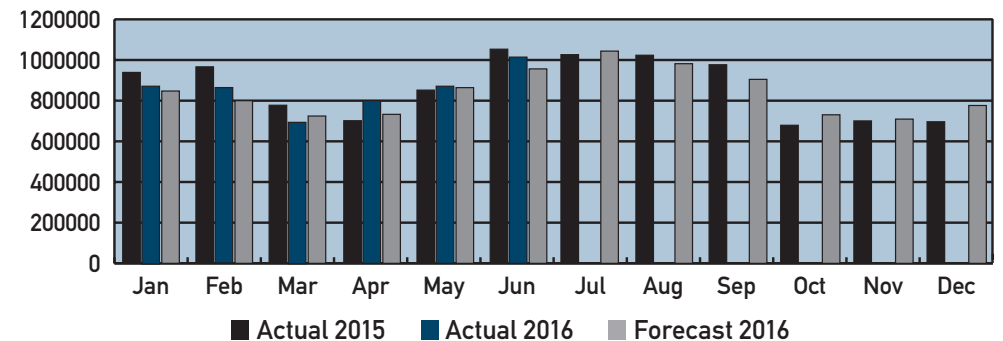
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

McGuire Unit 1 began a refueling outage on March 19 and returned to service on April 17, 2016.

## 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 2016 is from the NCMPA1 Winter 2015 Load Forecast.