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

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.

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)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Non-Current Assets</td>
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<tr>
<td>Capital Assets:</td>
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<tr>
<td>Electric Utility Plant, Net:</td>
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<tr>
<td>Electric plant in service</td>
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<td>$1,870,743</td>
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<td>Construction work in progress</td>
<td>40,894</td>
<td>64,078</td>
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<td>Nuclear fuel</td>
<td>217,528</td>
<td>229,535</td>
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<td>Accumulated depreciation and amortization</td>
<td>(985,472)</td>
<td>(992,962)</td>
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<td>Total Electric Utility Plant, Net</td>
<td>1,166,623</td>
<td>1,171,394</td>
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<td>Non-Utility Property and Equipment, Net:</td>
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<tr>
<td>Property and equipment</td>
<td>5,750</td>
<td>5,750</td>
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<tr>
<td>Less accumulated depreciation</td>
<td>(4,623)</td>
<td>(4,550)</td>
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<td>Total Non-Utility Property and Equipment, Net</td>
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<td>Total Capital Assets</td>
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<td>1,172,594</td>
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<td>Non-Current Assets Liabilities:</td>
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<tr>
<td>Long-Term Debt:</td>
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<tr>
<td>Bonds payable</td>
<td>$1,055,970</td>
<td>$1,068,585</td>
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<td>Unamortized premium/(discount), net</td>
<td>109,329</td>
<td>63,704</td>
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<td>Total Long-Term Debt</td>
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<td>1,132,289</td>
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<td>Asset Retirement Obligation</td>
<td>365,149</td>
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<td>Total Non-Current Liabilities</td>
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<td>1,497,453</td>
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<td>Current Liabilities:</td>
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<tr>
<td>Operating Liabilities:</td>
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<td>Accounts payable</td>
<td>359</td>
<td>80</td>
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<td>Accrued taxes</td>
<td>10,564</td>
<td>11,000</td>
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<td>Total Operating Liabilities</td>
<td>10,923</td>
<td>11,080</td>
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<td>Special Funds Liabilities:</td>
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<td>Current maturities of bonds</td>
<td>79,390</td>
<td>128,150</td>
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<td>Accrued interest on bonds</td>
<td>27,250</td>
<td>29,040</td>
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<td>Total Special Funds Liabilities</td>
<td>106,640</td>
<td>157,190</td>
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<tr>
<td>Total Current Liabilities</td>
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<td>168,270</td>
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<td>Total Liabilities</td>
<td>$1,648,011</td>
<td>$1,645,723</td>
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</tbody>
</table>

Deferred Outflows of Resources
- Costs of advance refundings of debt: $76,847, $54,624
- Unamortized Debt issuance costs: 5,042, 4,418

Deferred Inflows of Resources
- Collections to be expended: $486,503, $444,264

Net Position
- Net Invested in capital assets: $598,325, $586,850
- Restricted for debt services: 93,090, 122,813
- Unrestricted: (558,660), (650,077)

Total Net Position: $132,755, $59,586
## NCMPA1 Statements of Revenues and Expenses

Per bond resolution and other agreements

(Unaudited) ($000s)

<table>
<thead>
<tr>
<th></th>
<th>Quarter Ended June 30</th>
<th>Year-to-Date June 30</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
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<tr>
<td>Sales of electricity to Participants</td>
<td>$105,524</td>
<td>$112,635</td>
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<td>Sales of electricity to utilities</td>
<td>13,690</td>
<td>15,843</td>
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<td>McGuire exchange entitlement</td>
<td>9,714</td>
<td>9,921</td>
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<tr>
<td>Investment revenue available for operations</td>
<td>1,386</td>
<td>1,373</td>
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<td>Other revenues</td>
<td>353</td>
<td>365</td>
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<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>130,467</strong></td>
<td><strong>140,137</strong></td>
</tr>
</tbody>
</table>

### Expenses

- **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

- **Total Interconnection Services**: 12,782, 11,932, 24,834, 23,869

- **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**: -7,731, -7,731, -7,731, -7,731
- **Decommissioning fund**: 1,443, 2,675, 4,343, 5,350
- **Reserve and contingency fund**: 3,357, 4,656, 6,714, 9,312

- **Total Special Funds Deposits**: 4,800, 7,331, 11,057, 34,662
- **Total Expenses**: 115,078, 147,887, 236,965, 306,909
- **Net position (decrease)**: 15,389, (7,750), 15,615, (18,938)
- **Net position, beginning of quarter**: 117,366, 67,336, 117,140, 78,524
- **Net position, end of quarter**: $132,755, $59,586, $132,755, $59,586

## NCMPA1 Plant Status

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

- **Catawba 1**
- **Catawba 2**
- **McGuire 1**
- **McGuire 2**

### 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)

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.**