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
Todd Clark, Newton, Vice Chairman
J. Richard Howell Jr., 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 was dominated by debate over the state budget. The $23 billion budget includes a modest raise for teachers and state employees. The budget will reduce the personal income tax rate from 5.4 percent to 5.25 percent, and will raise the standard deduction to $20,000 for married couples filing jointly from $17,500. Additionally, it will lower the corporate income tax rate to 2.5 percent from 3 percent.

Economic Development
Several NCMPA1 communities had significant economic development announcements in the second quarter.

To meet growing business demand, Cambrex Corporation, a manufacturer of small molecules and active pharmaceutical ingredients (APIs) for drug companies, is investing $2.4 million to add a fourth reactor suite to its pilot plant in High Point – a move that will increase the plant’s reactor capacity by about 30 percent. Also in High Point, Total Quality Logistics LLC (TQL), the second largest freight brokerage firm in North America, will soon open a new facility, investing $308,000 and adding 70 jobs over the next five years.

Glenmark Pharmaceuticals will increase its workforce by 45 percent as it scales up operations at its Monroe manufacturing facility. The company plans to add 37 jobs over the next two quarters.

Continental Tire is expanding in Morganton, investing $40 million and creating 160 jobs at its plant that produces automotive brake systems.

Safety and Training
ElectriCities training workshops and programs provide career development and life-saving skills to utility workers throughout the year. In the second quarter, 25 students attended the Municipal Intermediate Lineman School in Statesville during the month of April, and 13 students attended Advanced Lineman School in Statesville during the month of June.

In New Bern, The North Carolina Association of Municipal Electric Systems (NCAMES) Safety and Training committee met on May 10-11, and the organization also held its annual conference there from May 16-18. Fifteen students attended the Distribution Regulator School in Rocky Mount during the month of June.

Courses on electric meters, tree trimming, leadership and more are on tap for the third quarter.

First Quarter Performance

Sales to Participants decreased $1,755,000 (1.7 %) compared to the second quarter of 2016. Milder weather experienced in the second quarter of 2017 relative to the same period in 2016 contributed $1,755,000 to the decrease.

Billed demand and energy sales were lower by 115 MW (5.0%) and 17,938 MWh (1.4%), respectively.

Sales to utilities decreased $1,138,000 (8.4%) compared to the second quarter of 2016. Energy volumes decreased by 76,678 MW (13.7%) and contributed $1,959,000 to the decrease. Energy rates increased by $1.46/MW (6.1%) and offset the unfavorable volume variance by $821,000.

Operation and maintenance costs increased $8,118,000 (29.9%) compared to the second quarter of 2016 due to expenses related to the Catawba Unit 1 refueling outage. There was no refueling outage in the second quarter of 2016.

McGuire Exchange Entitlement increased by $1,127,000 (13.5%) compared to the second quarter of 2016 primarily due to the timing of the annual energy pricing true-up. The 2015 annual energy pricing true-up credit of $1,693,000 was received in second quarter of 2016 while the 2016 annual energy pricing true-up credit of $1,831,000 was received in the first quarter of 2017.

Purchases Power increased $2,332,000 (29.4%) compared to the second quarter of 2016 due to higher rates and volumes resulting from optimization of certain supplemental power supply contracts.

Financing Status

As of June 30, 2017, NCMPA 1 had outstanding $1,055,970,000 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 $2,085,082,000 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)

### Assets

#### Non-Current Assets

**Capital Assets:**
- **Electric Utility Plant, Net:**
  - Electric plant in service: $1,906,617, $1,893,673
  - Construction work in progress: 52,568, 40,894
  - Nuclear fuel: 269,671, 217,528
  - Accumulated depreciation and amortization: (1,068,843), (985,472)
  - Total Electric Utility Plant, Net: 1,160,013, 1,166,623

- **Non-Utility Property and Equipment, Net:**
  - Property and equipment: 5,750, 5,750
  - Less accumulated depreciation: (4,692), (4,623)
  - Total Non-Utility Property and Equipment, Net: 1,058, 1,127

**Total Capital Assets:** 1,161,071, 1,167,750

#### Restricted Assets:

- **Special Funds Invested:**
  - Construction fund: 65,349, 92,049
  - Bond fund: 198,580, 199,753
  - Reserve and contingency fund: 17,068, 20,082
  - Total Special Funds Invested: 280,997, 311,884

- **Trust for Decommissioning Costs:** 335,356, 336,536

**Total Restricted Assets:** 616,353, 648,420

#### Current Assets

- **Funds Invested:**
  - Revenue fund: 73,886, 58,356
  - Operating fund: 70,998, 64,536
  - Supplemental fund: 166,270, 131,196
  - Total Funds Invested: 311,154, 254,088

- **Participant accounts receivable:** 41,670, 43,595
- **Operating accounts receivable:** 5,512, 10,145
- **Plant materials and renewable certificate inventory:** 63,796, 61,382

**Total Current Assets:** 422,132, 369,210

**Total Assets:** $2,199,556, $2,185,380

### Liabilities

- **Non-Current Liabilities:**
  - **Long-Term Debt:**
    - Bonds payable: 974,125, 1,055,970
    - Unamortized premium/(discount), net: 93,919, 109,329
    - Total Long-Term Debt: 1,068,044, 1,165,299
  - **Asset Retirement Obligation:** 386,291, 365,149

**Total Non-Current Liabilities:** 1,454,335, 1,530,448

- **Current Liabilities:**
  - Accounts payable: 16,171, 359
  - Accrued taxes: 10,788, 10,564

**Total Current Liabilities:** 26,959, 10,923

**Total Liabilities:** 1,588,387, 1,648,011

### Deferred Outflows of Resources

- **Costs of advance refundings of debt:** $63,640, $76,847
- **Unamortized Debt issuance costs:** 4,377, 5,042

**Total Deferred Outflows of Resources:** $68,017, $81,889

### Deferred Inflows of Resources

- **Collections to be expended:** 510,935, 486,503

**Total Deferred Inflows of Resources:** 510,935, 486,503

### Net Position

- **Net Invested in capital assets:** 656,093, 598,325
- **Restricted for debt services:** 64,409, 93,090
- **Unrestricted:** (552,251), (558,660)

**Total Net Position:** $168,251, $132,755

### Fund Equity

- **Revenue fund:** 73,886, 58,356
- **Operating fund:** 70,998, 64,536
- **Supplemental fund:** 166,270, 131,196

**Total Fund Equity:** 72,377, 92,301

**Total Liabilities and Fund Equity:** $2,120,558, $2,145,245
### NCMPA1 Statements of Revenues and Expenses

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

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Quarter Ended June 30</th>
<th>Year-to-Date June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of electricity to Participants</td>
<td>$103,769</td>
<td>$105,524</td>
</tr>
<tr>
<td>Sales of electricity to utilities</td>
<td>12,352</td>
<td>13,490</td>
</tr>
<tr>
<td>McGuire exchange entitlement</td>
<td>9,605</td>
<td>9,714</td>
</tr>
<tr>
<td>Investment revenue available for operations</td>
<td>2,246</td>
<td>1,386</td>
</tr>
<tr>
<td>Other revenues</td>
<td>352</td>
<td>353</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>128,324</td>
<td>130,467</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Quarter Ended June 30</th>
<th>Year-to-Date June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation and maintenance</td>
<td>35,246</td>
<td>27,128</td>
</tr>
<tr>
<td>Nuclear fuel</td>
<td>11,815</td>
<td>11,256</td>
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<tr>
<td>McGuire exchange entitlement</td>
<td>9,481</td>
<td>8,354</td>
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<tr>
<td>Interconnection services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased power</td>
<td>10,251</td>
<td>7,919</td>
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<tr>
<td>Transmission and distribution</td>
<td>3,999</td>
<td>4,434</td>
</tr>
<tr>
<td>Other</td>
<td>565</td>
<td>429</td>
</tr>
<tr>
<td>Total Interconnection Services</td>
<td>14,815</td>
<td>12,782</td>
</tr>
<tr>
<td>Administrative and general - Duke</td>
<td>8,786</td>
<td>8,374</td>
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<tr>
<td>Administrative and general - Agency</td>
<td>3,275</td>
<td>3,177</td>
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<tr>
<td>Excise taxes</td>
<td>487</td>
<td>519</td>
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<tr>
<td>Property tax</td>
<td>5,301</td>
<td>5,198</td>
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<tr>
<td>Debt service</td>
<td>33,085</td>
<td>33,490</td>
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<td>Special funds deposits:</td>
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<td></td>
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<tr>
<td>Decommissioning fund</td>
<td>1,450</td>
<td>1,443</td>
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<tr>
<td>Reserve and contingency fund</td>
<td>3,309</td>
<td>3,357</td>
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<tr>
<td>Total Special Funds Deposits</td>
<td>4,759</td>
<td>4,800</td>
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<tr>
<td>Total Expenses</td>
<td>127,050</td>
<td>115,078</td>
</tr>
</tbody>
</table>

### NCMPA1 Plant Status

**NOTE:** The plant status values are year-to-date through June 2017.

<table>
<thead>
<tr>
<th>Plant</th>
<th>Available Factor</th>
<th>Capacity Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catawba 1</td>
<td>80%</td>
<td>100%</td>
</tr>
<tr>
<td>Catawba 2</td>
<td>85%</td>
<td>100%</td>
</tr>
<tr>
<td>McGuire 1</td>
<td>82%</td>
<td>100%</td>
</tr>
<tr>
<td>McGuire 2</td>
<td>84%</td>
<td>100%</td>
</tr>
</tbody>
</table>

McGuire Unit 2 began a refueling outage on March 30, 2017 and was returned to service on April 22, 2017.
Catawba Unit 1 began a refueling outage on April 29, 2017 and was returned to service on May 23, 2017.

### 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 2017 is from the NCMPA1 Winter 2016 Load Forecast.

### 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.