

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)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>		<u>June 30, 2017</u>	<u>June 30, 2016</u>
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	\$1,906,617	\$1,893,673	\$63,640	\$76,847	
Construction work in progress	52,568	40,894	4,377	5,042	
Nuclear fuel	269,671	217,528	<u>\$68,017</u>	<u>\$81,889</u>	
Accumulated depreciation and amortization	<u>(1,068,843)</u>	<u>(985,472)</u>			
Total Electric Utility Plant, Net	1,160,013	1,166,623			
Non-Utility Property and Equipment, Net:			Liabilities		
Property and equipment	5,750	5,750	Non-Current Liabilities:		
Less accumulated depreciation	<u>(4,692)</u>	<u>(4,623)</u>	Long-Term Debt:		
Total Non-Utility Property and Equipment, Net	1,058	1,127	Bonds payable		
Total Capital Assets	1,161,071	1,167,750	Unamortized premium/(discount), net		
			Total Long-Term Debt		
Restricted Assets:			Asset Retirement Obligation		
Special Funds Invested:			Total Non-Current Liabilities		
Construction fund	65,349	92,049	Current Liabilities:		
Bond fund	198,580	199,753	Operating Liabilities:		
Reserve and contingency fund	<u>17,068</u>	<u>20,082</u>	Accounts payable		
Total Special Funds Invested	280,997	311,884	Accrued taxes		
Trust for Decommissioning Costs	<u>335,356</u>	<u>336,536</u>	Total Operating Liabilities		
Total Restricted Assets	<u>616,353</u>	<u>648,420</u>	Special Funds Liabilities:		
Total Non-Current Assets	<u>1,777,424</u>	<u>1,816,170</u>	Current maturities of bonds		
			Accrued interest on bonds		
			Total Special Funds Liabilities		
			Total Current Liabilities		
			Total Liabilities		
			<u>1,588,387</u>	<u>1,648,011</u>	
Current Assets			Deferred Inflows of Resources		
Funds Invested:			Collections to be expended		
Revenue fund	73,886	58,356	Total Deferred Inflows of Resources		
Operating fund	70,998	64,536	510,935	486,503	
Supplemental fund	<u>166,270</u>	<u>131,196</u>	<u>510,935</u>	<u>486,503</u>	
Total Funds Invested	311,154	254,088			
Participant accounts receivable	41,670	43,595	Net Position		
Operating accounts receivable	5,512	10,145	Net Invested in capital assets		
Plant materials and renewable certificate inventory	<u>63,796</u>	<u>61,382</u>	Restricted for debt services		
Total Current Assets	422,132	369,210	Unrestricted		
Total Assets	<u>\$2,199,556</u>	<u>\$2,185,380</u>	Total Net Position		
			656,093	598,325	
			64,409	93,090	
			<u>(552,251)</u>	<u>(558,660)</u>	
			<u>\$168,251</u>	<u>\$132,755</u>	

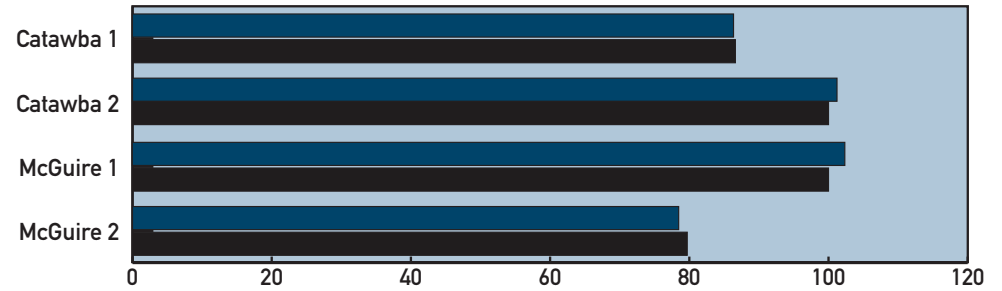
NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended June 30		Year-to-Date June 30	
	2017	2016	2017	2016
Sales of electricity to Participants	\$103,769	\$105,524	\$196,696	\$200,383
Sales of electricity to utilities	12,352	13,490	29,072	27,609
McGuire exchange entitlement	9,605	9,714	18,924	21,263
Investment revenue available for operations	2,246	1,386	3,531	2,626
Other revenues	352	353	701	699
Total Revenues	128,324	130,467	248,924	252,580
Expenses				
Operation and maintenance	35,246	27,128	61,667	56,222
Nuclear fuel	11,815	11,256	26,751	23,783
McGuire exchange entitlement	9,481	8,354	17,241	18,699
Interconnection services:				
Purchased power	10,251	7,919	17,071	14,849
Transmission and distribution	3,999	4,434	8,687	8,732
Other	565	429	866	1,253
Total Interconnection Services	14,815	12,782	26,624	24,834
Administrative and general - Duke	8,786	8,374	17,290	17,384
Administrative and general - Agency	3,275	3,177	6,504	6,539
Excise taxes	487	519	1,023	1,069
Property tax	5,301	5,198	10,603	10,396
Debt service	33,085	33,490	66,246	66,982
Special funds deposits:				
Decommissioning fund	1,450	1,443	2,900	4,343
Reserve and contingency fund	3,309	3,357	6,617	6,714
Total Special Funds Deposits	4,759	4,800	9,517	11,057
Total Expenses	127,050	115,078	243,466	236,965
Net position (decrease)	1,274	15,389	5,458	15,615
Net position, beginning of quarter	166,977	117,366	162,793	117,140
Net position, end of quarter	\$168,251	\$132,755	\$168,251	\$132,755

NCMPA1 Plant Status

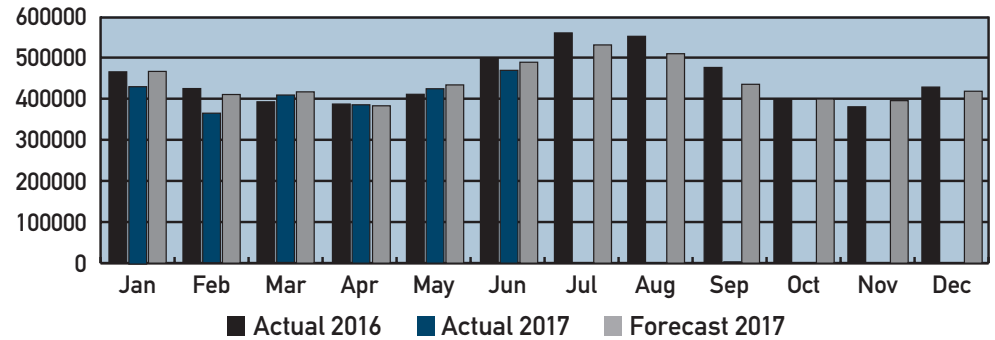
NOTE: The plant status values are year-to-date through June 2017.



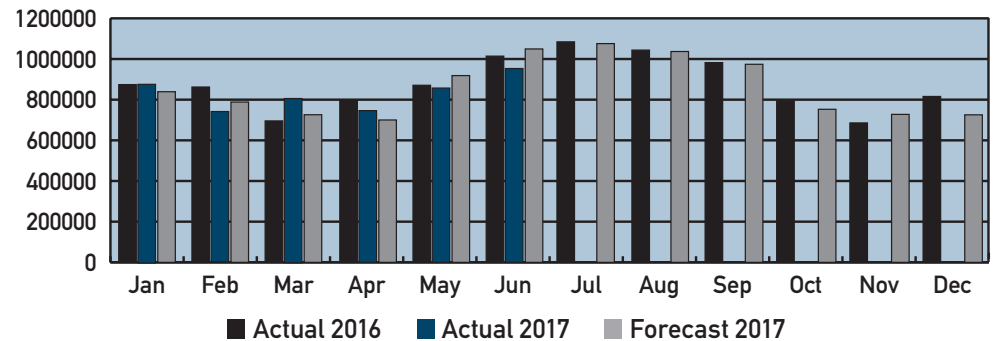
■ Capacity Factor - The ratio of actual output to maximum net dependable capability.
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

McGuire Unit 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)



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 2017 is from the NCMPA1 Winter 2016 Load Forecast.