

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

Jack F. Neel, Albemarle, Chairman

Barry C. Hayes, Granite Falls, Vice Chairman

Constantine H. Kutteh, Statesville, 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

The ElectriCities Annual Conference was held Aug. 9-11 at the Marriott Grande Dunes in Myrtle Beach. More than 400 attendees from across the state came together to learn about issues affecting public power communities. Topics included media training, smart grid, plug-in vehicles and several sessions on economic development and positioning communities for future growth. During CEO Graham Edwards' speech, he commended NC Public Power communities for achieving new private investment of \$251 million with 1,250 jobs since the beginning of 2012. Edwards also commended the communities for achieving the lowest-ever lost work days in 2011 and reinforced safety as our number one priority.

Five individuals were honored with the Hometown Hero award for saving lives: Darlene Goodheart and Larry Vinson of Fayetteville Public Works Commission and Brian Marshall, Terry Johnson and Brad Short of the City of Rocky Mount. Sam Noble of Tarboro received the Public Power Lifetime Achievement Award for his many contributions to NC Public Power and ElectriCities.

Nineteen communities received Public Power Awards of Excellence. These awards recognize the achievements of

public power communities in key areas. Eighty-one awards were presented in five key categories: Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement and Service Excellence.

Throughout the year, ElectriCities has facilitated a group of members interested in new smart grid initiatives for their communities. In September, ElectriCities staff issued a Request for Proposals for solutions and price quotes for two-way meters, communications, utility operations, finance, retail customer billing and end-use software. Review of the proposals will continue through the remainder of 2012.

As the third quarter drew to a close, NC Public Power communities were preparing to celebrate Public Power Week during the first week in October. Members typically celebrate their municipal electric system with residential and industrial customer appreciation events.

Key economic development news for the quarter included: High Point, Ralph Lauren, \$142 million with 900 new jobs; Shelby, Schletter, \$27 million with 305 new jobs; and Morganton, Leviton Manufacturing Corp. with \$7.3 million and 152 new jobs.

Third Quarter Performance

Sales of electricity to participants increased \$3,512,000 (2.97%) relative to the third quarter of 2011. Billing demand decreased 111 MW (4.3%) and energy sales decreased 35,645 MWh (2.4%). The decrease in billing demand and energy is due to milder weather conditions experienced in the third quarter 2012 relative to the third quarter of 2011. The overall increase in revenues is primarily attributable to a 5.0% rate increase implemented in July 2012.

Sales of electricity to utilities decreased \$2,303,000 (19.5%) relative to the third quarter of 2011. Sales volumes increased by 22,331 MWh (6.4%) and the average sales price decreased by \$8.17/MWh (24.3%). More energy was available to sell primarily due to lower participant requirements as compared to the same period for 2011. The price decrease is primarily due to lower wholesale market prices attributable to low natural gas prices.

Other revenues decreased \$36,866,000 (99.9%) relative to the third quarter of 2011. The decrease is primarily attributable to the return of Duke working capital deposits in the third quarter of 2011; this one time adjustment was based on an agreement reached between the Agency and Duke in 2011. No such adjustment was recognized in the third quarter of 2012.

Operations and maintenance costs increased \$4,175,000 (17.5%) relative to the third quarter of 2011. The increase was

primarily attributable to the return of Duke working capital deposits in the third quarter of 2011; this one time adjustment was based on an agreement reached between the Agency and Duke in 2011. No such adjustment was recognized in the third quarter of 2012.

Nuclear fuel costs decreased \$2,864,000 (20.31%) relative to the third quarter of 2011 primarily due to the recognition of lower fuel amortization necessary to maintain fuel working capital at an appropriate level.

Purchased power costs decreased \$2,311,000 (27.7%) relative to the third quarter of 2011 primarily due to the expiration of a reserve capacity and energy contract with Duke at the end of 2011. Additionally, lower purchased energy requirements were attributable to lower participant sales experienced in the third quarter of 2012 as compared to the same period in 2011.

Administrative and general – Duke decreased \$2,279,000 (18.5%) relative to the third quarter of 2011. The decrease is primarily attributable to lower pension and insurance costs recognized in the third quarter of 2012 as compared to the same period of 2011.

Reserve and contingency fund deposits decreased \$638,000 (13.9%) relative to the third quarter of 2011. The decrease is attributable to lower anticipated capital spending at the Catawba station as compared to the same period of 2011.

Financing Status

As of September 30, 2012, NCMPA 1 had outstanding \$1,453,730,000 in bonds.

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

of the quarter was 5.015%.

To date, the NCMPA1 has had \$1,403,092,000 in debt redeemed prior to or at maturity.

NCMPA1 Balance Sheets

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

Assets	September 30, 2012	September 30, 2011
Non-Current Assets		
Capital Assets:		
Electric Utility Plant, Net:		
Electric plant in service	\$1,785,738	\$1,761,617
Construction work in progress	54,589	70,818
Nuclear fuel	220,643	206,804
Accumulated depreciation and amortization	(945,591)	(942,114)
Total Electric Utility Plant, Net	<u>1,115,379</u>	<u>1,097,125</u>
Non-Utility Property and Equipment, Net:		
Property and equipment	5,663	5,663
Less accumulated depreciation	(4,299)	(4,173)
Total Non-Utility Property and Equipment, Net	<u>1,364</u>	<u>1,490</u>
Total Capital Assets	<u>1,116,743</u>	<u>1,098,615</u>
Special Funds Invested:		
Construction fund	10,684	31,299
Bond fund	282,773	290,959
Reserve and contingency fund	21,501	22,293
Total Special Funds Invested	<u>314,958</u>	<u>344,551</u>
Trust for Decommissioning Costs	301,153	285,058
Total Restricted Assets	<u>616,111</u>	<u>629,609</u>
Other Assets:		
Unamortized debt issuance costs	10,879	12,841
Costs of advance refundings of debt	105,873	128,753
Total Other Assets	<u>116,752</u>	<u>141,594</u>
Total Non-Current Assets	<u>1,849,606</u>	<u>1,869,818</u>
Current Assets		
Funds Invested:		
Revenue fund	4,135	12,735
Operating fund	56,386	43,311
Supplemental fund	114,815	126,191
Total Funds Invested	<u>175,336</u>	<u>182,237</u>
Participant accounts receivable	36,654	36,109
Operating accounts receivable	13,756	14,565
Prepaid expenses	4,866	4,691
Plant materials and operating supplies	40,340	37,825
Total Current Assets	<u>270,952</u>	<u>275,427</u>
Total Assets	<u>\$2,120,558</u>	<u>\$2,145,245</u>

Liabilities and Fund Equity	September 30, 2012	September 30, 2011
Liabilities		
Non-Current Liabilities:		
Long-Term Debt:		
Bonds payable	\$1,370,305	\$1,453,730
Unamortized premium/(discount), net	41,024	49,620
Total Long-Term Debt	<u>1,411,329</u>	<u>1,503,350</u>
Asset Retirement Obligation	313,604	296,440
Deferred Revenues	195,150	124,755
Total Non-Current Liabilities	<u>1,920,083</u>	<u>1,924,545</u>
Current Liabilities:		
Operating Liabilities:		
Accounts payable	5,590	3,507
Accrued taxes	20,505	17,848
Total Operating Liabilities	<u>26,095</u>	<u>21,355</u>
Special Funds Liabilities:		
Current maturities of bonds	83,425	87,355
Accrued interest on bonds	18,578	19,689
Total Special Funds Liabilities	<u>102,003</u>	<u>107,044</u>
Total Current Liabilities	<u>128,098</u>	<u>128,399</u>
Total Liabilities	<u>2,048,181</u>	<u>2,052,944</u>
Fund Equity		
Invested in capital assets, net of related debt (deficit)	372,174	288,742
Restricted for debt services	100,539	128,387
Unrestricted	(400,336)	(324,828)
Total Fund Equity	<u>72,377</u>	<u>92,301</u>
Total Liabilities and Fund Equity	<u>\$2,120,558</u>	<u>\$2,145,245</u>

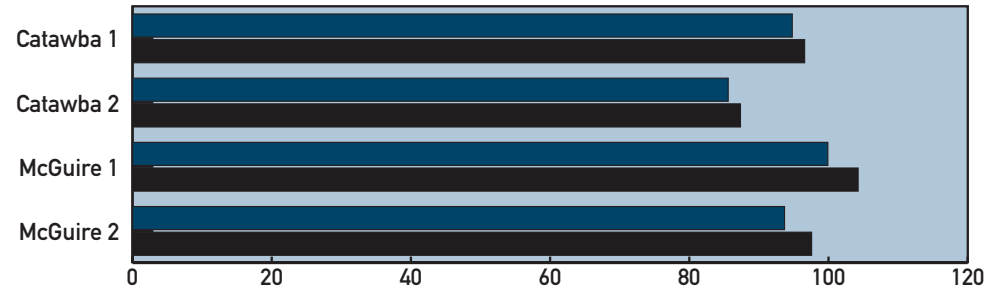
NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended September 30		Year-to-Date September 30	
	2012	2011	2012	2011
Sales of electricity to participants	\$121,770	\$118,258	\$305,125	\$293,303
Sales of electricity to utilities	9,497	11,800	36,773	41,290
McGuire exchange entitlement	10,052	10,554	25,078	28,852
Investment revenue available for operations	1,789	1,770	5,609	4,826
Other revenues	26	36,892	112	36,935
Total Revenues	143,134	179,274	372,697	405,206
Expenses				
Operation and maintenance	28,101	23,926	89,230	80,821
Nuclear fuel	11,234	14,098	46,521	39,124
McGuire exchange entitlement	8,585	9,138	25,460	26,098
Interconnection services:				
Purchased power	6,043	8,354	16,145	25,578
Transmission and distribution	3,422	3,967	9,928	10,608
Other	162	153	529	620
Total Interconnection Services	9,627	12,474	26,602	36,806
Administrative and general - Duke	10,012	12,291	29,555	30,123
Administrative and general - Agency	3,328	3,264	10,169	9,733
Gross receipts and excise taxes	4,682	4,434	11,890	11,444
Property tax	5,332	4,611	16,242	13,833
Debt service	39,545	41,789	118,446	125,016
Special funds deposits:				
Decommissioning fund	926	436	2,778	1,312
Reserve and contingency fund	3,953	4,591	11,878	13,772
Total Special Funds Deposits	4,879	5,027	14,656	15,084
Total Expenses	125,325	131,052	388,771	388,082
Excess of revenues over expenses	17,809	48,222	(16,074)	17,124
Fund Equity, beginning of quarter	54,568	44,079	88,451	75,177
Fund Equity, end of quarter	\$72,377	\$92,301	\$72,377	\$92,301

NCMPA1 Plant Status

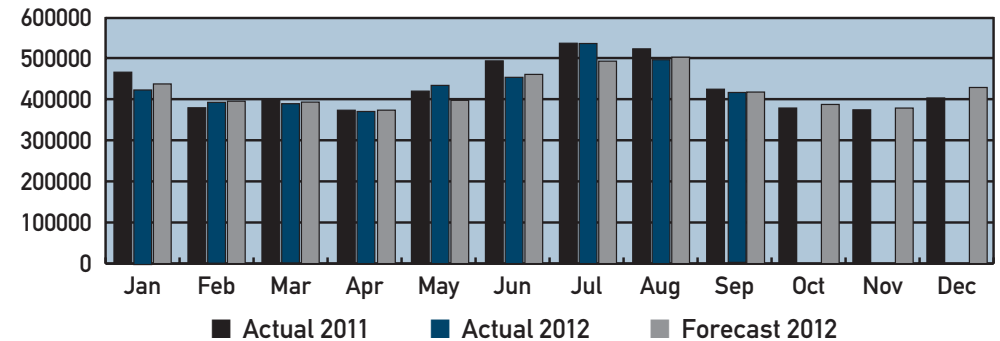
NOTE: The plant status values are year-to-date through September 2012.



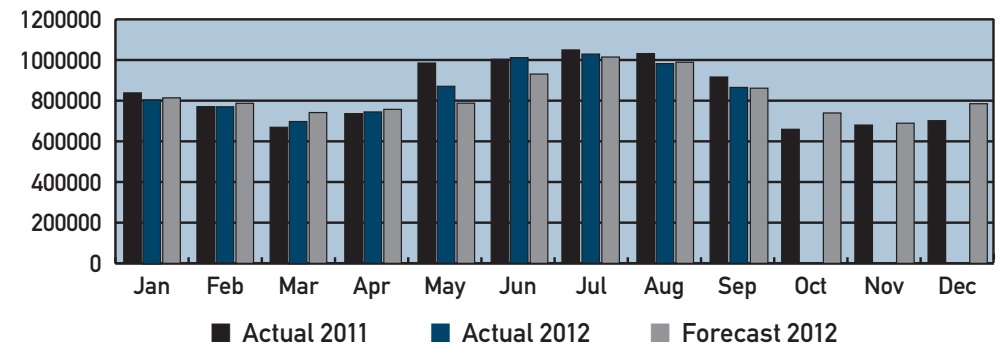
- Capacity Factor - The ratio of actual output to maximum net dependable capability.
- Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Third-quarter highlights: Catawba 1 experienced a 13 day forced outage in April due to a power supply cable failure on a one of the four reactor coolant water pumps. Catawba 2 began a refueling outage on March 10 and returned to service on April 17, 2012. McGuire 2 began a refueling outage on September 15 and is currently expected to return to service on November 11, 2012.

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 2012 is from the NCMPA1 Summer 2011 Load Forecast.