

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

Legislation

The North Carolina General Assembly adjourned its long session on July 26. One of our most closely-followed bills this session was the Tax Reduction and Simplification Act (HB 998.) That bill passed during the session and will be effective on July 1, 2014. The Act eliminates the gross receipts tax on electricity at the wholesale level and increases the tax at the retail level by a similar amount. Electricities staff is working with members on education and implementation of the changes.

Electricities Annual Conference

The Electricities Annual Conference was held Aug. 1 – 3 at Asheville's Grove Park Inn. More than 400 attendees from across the state came together to learn about issues affecting public power communities. Topics included cyber security, tourism as economic development, federal legislative and regulatory issues and an update on nuclear energy. During CEO Graham Edwards' speech, he walked attendees through the turbulent times of the 1970s and the energy challenges the nation faced. He described the climate in North Carolina at that time, and explained how the creation of the municipal Power Agencies helped bring stability and reliability to regional commerce centers outside of the metropolitan areas. Edwards touted today's excellent reliability indices for public power communities. Not only do

NC Public Power communities have fewer outages than other providers, but the average outage duration is also less. The estimated value of the superior reliability is estimated at \$25 – 30 million on an annual basis. Edwards also commended member communities for achieving the lowest-ever lost work days in 2012.

Recognition and Awards

Two individuals were honored at the Annual Meeting with the Hometown Hero award for saving lives: David Shue of Concord and Mike Billings of Statesville. Winton Poole of Cornelius received the Public Power Lifetime Achievement Award for his contributions to NC Public Power and Electricities. More information on these great stories can be found under "News" at www.electricities.com.

Twenty-one communities received 2013 Public Power Awards of Excellence. These awards recognize the achievements of public power communities in key areas: Competitive Business Environment, Energy Efficiency, Financial Stability, Legislative Involvement and Service Excellence.

Economic Development News

Key economic development news for the quarter included an announcement from Newell Rubbermaid in High Point that it would add 75 jobs. Interest in NCMPA1 Participants remains high with several projects pending.

Third Quarter Performance

Sales of electricity to Participants increased \$4,091,000 (3.4%) relative to the third quarter of 2012. Billing demand decreased 32MW (1.3%) and energy sales decreased 66,661 MWh (4.7%). The decrease in billing demand and energy usage is primarily due to milder weather conditions experienced in the third quarter 2013 as compared to the same time period of 2012. The overall increase in revenues is primarily attributable to a 5.0% rate increase implemented in July 2013.

Sales of electricity to utilities increased \$1,004,000 (10.6%) relative to the third quarter of 2012. The increase is primarily due to an increase in the sales volumes by 34,185 MWh (9.0%). More energy was available to sell primarily due to lower Participant requirements as compared to the same period for 2012.

Nuclear fuel costs increased \$4,002,000 (35.6%) relative to the third quarter of 2012. The increase was primarily attributable to additional fuel amortization recorded in

the third quarter 2013 as compared to the same time period of 2012; additional fuel amortization was necessary to maintain an appropriate level of fuel working capital.

Administrative and general – Duke decreased \$2,461,000 (24.6%) relative to the third quarter of 2012. The decrease is primarily due to the recognition of a \$1,500,000 prior year administrative adjustment (credit) in the third quarter of 2013; no such credit was recognized in the third quarter of 2012.

Debt service costs increased \$6,175,000 (15.6%) relative to the third quarter of 2012 primarily due to increased principal and interest payments resulting from the issuance of Series B and C bonds in December 2012 to fund certain capital improvements.

Reserve and contingency fund deposits increased \$836,000 (21.2%) relative to the third quarter of 2012. The increase is primarily due to higher required deposits resulting from the issuance of Series A, B, and C bonds in December 2012.

Financing Status

As of September 30, 2013, NCMPA 1 had outstanding \$1,433,090,000 in bonds.

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

of the quarter was 3.360%.

To date, the NCMPA1 has had \$1,615,412,000 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>September 30, 2013</u>	<u>September 30, 2012</u>		<u>September 30, 2013</u>	<u>September 30, 2012</u>
Assets			Deferred Outflows of Resources		
Non-Current Assets			Costs of advance refundings of debt		
Capital Assets:			Total Deferred Outflows of Resources		
Electric Utility Plant, Net:			\$82,711	\$105,873	
Electric plant in service	\$1,828,334	\$1,785,738	<u>\$82,711</u>	<u>\$105,873</u>	
Construction work in progress	53,910	54,589			
Nuclear fuel	236,334	220,643			
Accumulated depreciation and amortization	(953,566)	(945,591)			
Total Electric Utility Plant, Net	<u>1,165,012</u>	<u>1,115,379</u>			
Non-Utility Property and Equipment, Net:			Liabilities		
Property and equipment	5,663	5,663	Non-Current Liabilities:		
Less accumulated depreciation	(4,408)	(4,299)	Long-Term Debt:		
Total Non-Utility Property and Equipment, Net	<u>1,255</u>	<u>1,364</u>	Bonds payable		
Total Capital Assets	<u>1,166,267</u>	<u>1,116,743</u>	\$1,317,580	\$1,370,305	
Special Funds Invested:			Unamortized premium		
Construction fund	110,158	10,684	97,226	41,024	
Bond fund	288,489	282,773	Total Long-Term Debt		
Reserve and contingency fund	34,880	21,501	1,414,806	1,411,329	
Total Special Funds Invested	<u>433,527</u>	<u>314,958</u>	Asset Retirement Obligation		
Trust for Decommissioning Costs	291,538	301,153	331,762	313,604	
Total Restricted Assets	<u>725,065</u>	<u>616,111</u>	Collections to be Expended		
Other Assets:			244,917	183,132	
Costs to be Recovered	6,062	10,879	Total Non-Current Liabilities		
Total Other Assets	<u>6,062</u>	<u>10,879</u>	1,991,485	1,908,065	
Total Non-Current Assets	<u>1,897,394</u>	<u>1,743,733</u>	Current Liabilities:		
Current Assets			Operating Liabilities:		
Funds Invested:			Accounts payable		
Revenue fund	5,835	4,135	13,765	3,214	
Operating fund	42,706	56,386	Accrued taxes		
Supplemental fund	102,423	114,815	21,051	20,505	
Total Funds Invested	<u>150,964</u>	<u>175,336</u>	Total Operating Liabilities		
Participant accounts receivable	39,927	36,654	34,816	23,719	
Operating accounts receivable	12,066	13,756	Special Funds Liabilities:		
Plant materials and renewable certificate inventory	46,042	42,829	Current maturities of bonds		
Total Current Assets	<u>248,999</u>	<u>268,575</u>	115,510	83,425	
Total Assets	<u>\$2,146,393</u>	<u>\$2,012,308</u>	Accrued interest on bonds		
			16,710	18,578	
			Total Special Funds Liabilities		
			132,220	102,003	
			Total Current Liabilities		
			167,036	125,722	
			Total Liabilities		
			<u>\$2,158,521</u>	<u>\$2,033,787</u>	
			Deferred Inflows of Resources		
			Asset retirement provision adjustment		
			\$12,017	\$12,017	
			Total Deferred Inflows of Resources		
			<u>\$12,017</u>	<u>\$12,017</u>	
			Net Position		
			Net invested in capital assets		
			\$404,316	\$372,174	
			Restricted for debt service		
			214,884	100,539	
			Unrestricted		
			(560,634)	(400,336)	
			Total Net Position		
			<u>\$58,566</u>	<u>\$72,377</u>	

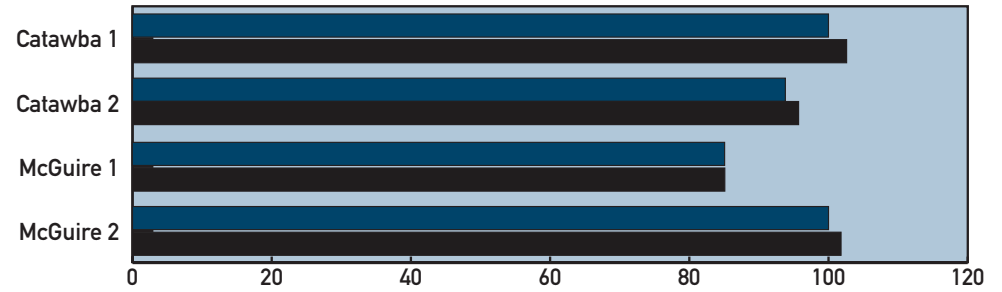
NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended September 30		Year-to-Date September 30	
	2013	2012	2013	2012
Sales of electricity to Participants	\$125,861	\$121,770	\$318,547	\$305,125
Sales of electricity to utilities	10,501	9,497	37,959	36,773
McGuire exchange entitlement	9,543	10,052	33,214	25,078
Investment revenue available for operations	1,616	1,789	4,894	5,609
Other revenues	24	26	74	112
Total Revenues	147,545	143,134	394,688	372,697
Expenses				
Operation and maintenance	27,167	28,101	78,177	89,230
Nuclear fuel	15,236	11,234	46,380	46,521
McGuire exchange entitlement	10,003	8,585	29,761	25,460
Interconnection services:				
Purchased power	6,481	6,043	17,697	16,145
Transmission and distribution	3,695	3,422	10,696	9,928
Other	277	162	829	529
Total Interconnection Services	10,453	9,627	29,222	26,602
Administrative and general - Duke	7,551	10,012	25,810	29,555
Administrative and general - Agency	3,031	3,328	9,715	10,169
Gross receipts and excise taxes	4,693	4,682	12,396	11,890
Property tax	5,450	5,332	16,349	16,242
Debt service	45,720	39,545	136,964	118,446
Special funds deposits:				
Decommissioning fund	1,844	926	5,532	2,778
Reserve and contingency fund	4,789	3,953	14,366	11,878
Total Special Funds Deposits	6,633	4,879	19,898	14,656
Total Expenses	135,937	125,325	404,672	388,771
Excess of revenues over expenses	11,608	17,809	(9,984)	(16,074)
Net position, beginning of quarter	46,958	54,568	68,550	88,451
Net position, end of quarter	\$58,566	\$72,377	\$58,566	\$72,377

NCMPA1 Plant Status

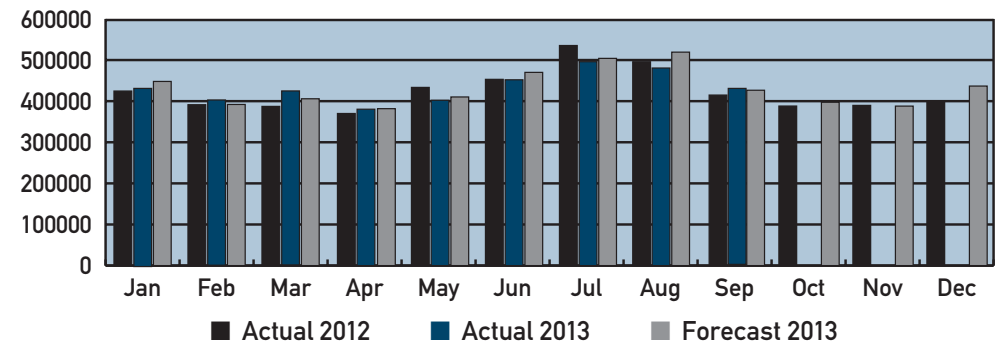
NOTE: The plant status values are year-to-date through September 2013.



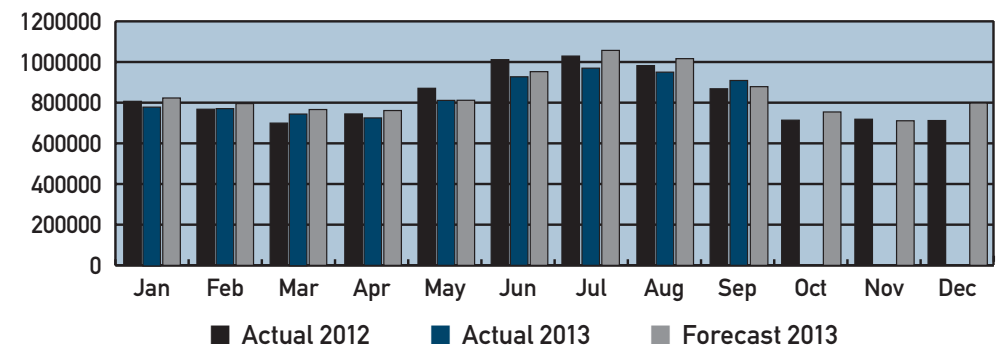
- Capacity Factor - The ratio of actual output to maximum net dependable capability.
- Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

Third-quarter highlights: McGuire 1 began a refueling outage on March 16 and returned to service on April 22. Catawba Unit 2 began a refueling outage on September 14 and returned to service on October 17.

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 2013 is from the NCMPA1 Summer 2012 Load Forecast.