

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
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

CEO Roy Jones and the Electricities Board of Directors have worked together since last year to develop five strategic priorities that will enable us to address the challenges our members are facing over the next few years. Jones revealed the following five strategic priorities at the 2016 Electricities Annual Conference.

Wholesale Power Supply Cost

Noting that we took big steps in 2015 that resulted in cost savings for members, Jones cited ways we can continue reducing wholesale energy costs, including expanding and growing distributed generation and load management programs and finding more opportunities to use the Catawba Nuclear Station's excess energy.

Workforce Planning and Development

With estimates that 50 percent of the national energy workforce will retire in the next 10 years, public power stands to lose a lot of knowledge and expertise. "It's not easy to find the right person with the right skill set," Jones said, and competition from investor-owned energy companies, as well as giants like Google, makes replacing our retiring workers even more difficult. Promoting public service as a career choice is key, as is having training programs that are "as relevant, convenient and affordable as possible," Jones said.

Grid Modernization

Along with investing in people, Jones said, we need to continue investing in our infrastructure to modernize our power grid

to improve reliability and reduce losses. We must also invest in new technology like smart meters and utility billing software. And we can't overlook cybersecurity, he said, adding, "You never know where the next threat may come from."

Continuous Improvement

"We must constantly challenge ourselves," Jones said. Meeting today's customers' expectations for services and payment options is imperative, because "the very foundation of public power is being connected to the customers we serve." Jones encouraged communities to continue working together, whether we're in disaster recovery situations or managing day-to-day operations.

Communicating the Value of Public Power

A recent APPA survey revealed that only one in five public power customers knows that their electricity comes from a public power utility and what that means for them. That means there's great opportunity to explain the benefits of public power, both in terms of economic development and in connecting with younger customers.

In conclusion, Jones reminded us that the strength of public power has always been our people. We are part of the communities we serve, and we take pride in being responsive to our customers who live there with us, he said. "That's the value of public power, and it's why I'm proud to be part of the public power community."

Third Quarter Performance

Sales to Participants increased \$5,804,000 (4.5 %) compared to the third quarter of 2015 due to higher billed demand and energy sales resulting from the hotter weather experienced in the third quarter of 2016. Billed demand and energy increased by 76 MW (2.9%) and 110,607 MWh (7.6%) respectively. Rates during the 3rd quarter of 2015 and 2016 were the same.

Sales to utilities increased \$978,000 (11.1 %) compared to the third quarter of 2015. Energy rates increased by \$2.82/MWh (11.2%) and contributed \$991,000 to the increase. This increase is due to higher natural gas prices as compared to the same period for 2015. Sales volume decreased by 483 MWh (0.1%) and offset the increase by \$13,000.

McGuire Exchange entitlement decreased \$1,941,000 (16.0%) compared to the third quarter of 2015 due to the refueling outage at Catawba Unit 2 in September and October 2016. There was no refueling outage in the third quarter of 2015.

Investment revenue available for operations decreased \$2,383,000 (66.6%) compared to the third quarter of 2015 primarily due to lower debt reserve requirement balances resulting from the 2015 debt restructuring.

Nuclear fuel costs decreased \$1,374,000 (11.0%) compared to the third quarter of 2015 primarily due to additional fuel amortization of \$1,205,000 recognized in the third quarter of 2015. No additional amortization was

recognized in the third quarter 2016.

Purchased Power costs increased \$3,165,000 (37.6%) compared to the third quarter of 2015 primarily due to higher purchased energy requirements experienced in the third quarter of 2016. This increase resulted from higher Participant energy requirements driven by hotter weather conditions.

Transmission and distribution costs increased \$1,038,000 (30.2%) compared to the third quarter of 2015 primarily due to higher network transmission rates effective June 1, 2016.

Administrative and general - Duke decreased \$1,627,000 (17.3%) compared to the third quarter of 2015 primarily due to lower administrative expenses.

Debt service decreased \$13,356,000 (66.1%) compared to the third quarter of 2015 due to the 2015 debt restructuring.

Special Funds deposit into the Decommissioning Fund decreased \$1,225,000 (45.8%) compared to the third 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 \$1,656,000 (33.0%) compared to the third quarter of 2015 due to lower annual debt reserve requirements resulting from the 2015 debt restructuring.

Financing Status

As of September 30, 2016, NCMPA 1 had outstanding \$1,135,360,000 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 \$2,005,692,000 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)

	<u>September 30, 2016</u>	<u>September 30, 2015</u>		<u>September 30, 2016</u>	<u>September 30, 2015</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	\$1,893,673	\$1,870,743		\$73,120	\$76,202
Construction work in progress	48,841	74,273		4,886	6,042
Nuclear fuel	237,541	236,982		<u>\$78,006</u>	<u>\$82,244</u>
Accumulated depreciation and amortization	<u>(1,006,037)</u>	<u>(1,012,704)</u>	Liabilities		
Total Electric Utility Plant, Net	1,174,018	1,169,294	Non-Current Liabilities:		
Non-Utility Property and Equipment, Net:			Long-Term Debt:		
Property and equipment	5,750	5,750	Bonds payable		
Less accumulated depreciation	<u>(4,640)</u>	<u>(4,569)</u>	Unamortized premium/(discount), net		
Total Non-Utility Property and Equipment, Net	1,110	1,181	Total Long-Term Debt		
Total Capital Assets	1,175,128	1,170,475	Asset Retirement Obligation		
Special Funds Invested:			Total Non-Current Liabilities		
Construction fund	85,485	120,294	Current Liabilities:		
Bond fund	206,091	185,272	Operating Liabilities:		
Reserve and contingency fund	<u>23,428</u>	<u>27,396</u>	Accounts payable		
Total Special Funds Invested	315,004	332,962	Accrued taxes		
Trust for Decommissioning Costs	<u>337,555</u>	<u>318,639</u>	Total Operating Liabilities		
Total Restricted Assets	<u>652,559</u>	<u>651,601</u>	Special Funds Liabilities:		
Total Non-Current Assets	1,827,687	1,822,076	Current maturities of bonds		
			Accrued interest on bonds		
			Total Special Funds Liabilities		
			Total Current Liabilities		
			Total Liabilities		
				<u>\$1,641,375</u>	<u>\$1,676,551</u>
Current Assets			Deferred Inflows of Resources		
Funds Invested:			Collections to be expended		
Revenue fund	66,495	51,754	Total Deferred Inflows of Resources		
Operating fund	52,841	66,937		\$496,059	\$450,435
Supplemental fund	<u>169,244</u>	<u>100,995</u>		<u>\$496,059</u>	<u>\$450,435</u>
Total Funds Invested	288,580	219,686	Net Position		
Participant accounts receivable	41,879	39,867	Net Invested in capital assets		
Operating accounts receivable	7,390	13,190	Restricted for debt services		
Plant materials and renewable certificate inventory	<u>62,214</u>	<u>54,790</u>	Unrestricted		
Total Current Assets	400,063	327,533	Total Net Position		
Total Assets	<u>\$2,227,750</u>	<u>\$2,149,609</u>		\$613,610	\$570,546
				99,152	116,870
				<u>(544,440)</u>	<u>(582,549)</u>
				<u>\$168,322</u>	<u>\$104,867</u>

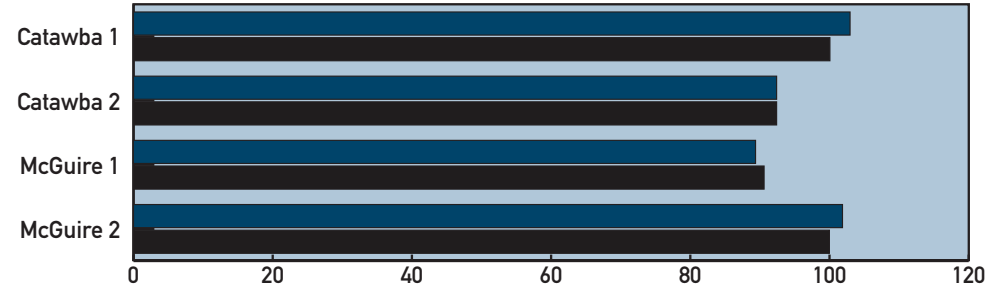
NCMPA1 Statements of Revenues and Expenses

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

Revenues	Quarter Ended September 30		Year-to-Date September 30	
	2016	2015	2016	2015
Sales of electricity to Participants	\$134,546	\$128,742	\$334,929	\$344,019
Sales of electricity to utilities	9,810	8,832	37,419	38,353
McGuire exchange entitlement	10,207	12,148	31,470	31,808
Investment revenue available for operations	1,193	3,576	3,819	6,350
Other revenues	424	306	1,123	21,045
Total Revenues	156,180	153,604	408,760	441,575
Expenses				
Operation and maintenance	26,703	26,277	82,925	99,657
Nuclear fuel	11,093	12,467	34,876	36,867
McGuire exchange entitlement	11,004	10,214	29,703	31,648
Interconnection services:				
Purchased power	11,576	8,411	26,425	23,277
Transmission and distribution	4,478	3,440	13,210	11,563
Other	600	867	1,853	1,747
Total Interconnection Services	16,654	12,718	41,488	36,587
Administrative and general - Duke	7,782	9,409	25,166	27,418
Administrative and general - Agency	3,306	3,370	9,845	9,558
Gross receipts and excise taxes	491	549	1,560	1,621
Property tax	5,198	5,412	15,594	16,156
Debt service	33,575	20,219	100,557	113,370
Special funds deposits:				
Revenue Fund	-	-	-	20,000
Decommissioning fund	1,450	2,675	5,793	8,025
Reserve and contingency fund	3,357	5,013	10,071	14,325
Total Special Funds Deposits	4,807	7,688	15,864	42,350
Total Expenses	120,613	108,323	357,578	415,232
Net position (decrease)	35,567	45,281	51,182	26,343
Net position, beginning of quarter	132,755	59,586	117,140	78,524
Net position, end of quarter	\$168,322	\$104,867	\$168,322	\$104,867

NCMPA1 Plant Status

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



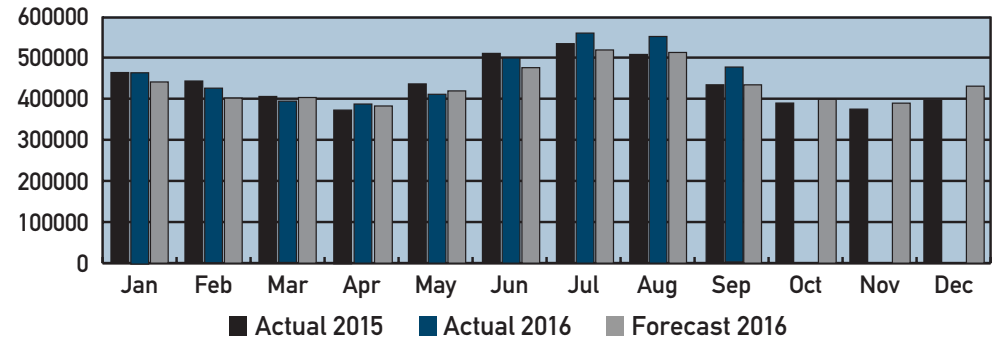
■ Capacity Factor - The ratio of actual output to maximum net dependable capability.

■ 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.

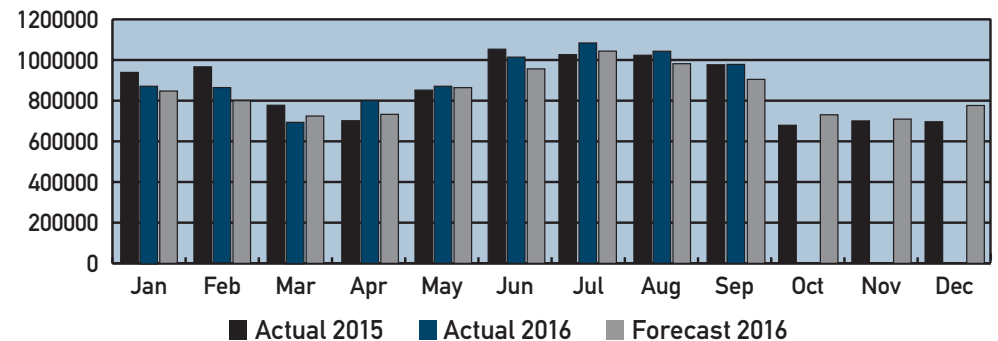
McGuire Unit 1 began a refueling outage on March 19 and returned to service on April 17, 2016.

Catawba 2 began a refueling outage on September 10, 2016 and returned to service on October 9, 2016.

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 2016 is from the NCMPA1 Winter 2015 Load Forecast.