

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 ElectriCities legislative affairs team spent a majority of the third quarter working on implementation of two House bills.

House Bill 310, known as Wireless Communications Infrastructure Siting became law in July 2017. As originally drafted, the bill would have severely limited a city's ability to control the location of wireless antennas and support structures, and would have limited amounts to be charged.

ElectriCities' legislative team actively worked with stakeholders across the industry to ensure our concerns were addressed. HB 310 now states that wireless providers must have a pole attachment agreement with the municipality, and the wireless provider must go through permitting processes for access to city right-of-ways. The bill also provides that municipal electric providers can deny wireless providers access to city utility poles, street lights and traffic control poles.

House Bill 589, known as Competitive Energy Solutions for North Carolina, became law in July 2017. The bill amends energy policy laws by reforming the Public Utilities Regulatory Policy Act (PURPA), creating a bidding process for new renewable energy sources, and authorizing leasing of third-party owned solar developments. The bill also provides the option for municipalities to participate in third party leasing.

Economic Development

Several NCMPA1 communities had significant economic development announcements in the third quarter.

EGGER Wood Products, one of Europe's leading wood-based materials suppliers for furniture, opened its first U.S. manufacturing facility in Lexington, added 770 jobs with a \$700 million investment.

Scott Morris, President of Monroe-based American Wick Drain, invested \$8.7 million for an expansion that he hopes will help his company grow by 70 percent over the next five years.

Safety and Training

ElectriCities training workshops and programs provide career development and life-saving skills to utility workers throughout the year. In July, the Trenching Competent Person and Confined Space class had 21 students, and Transformer school had 25 students. Both classes were held in Rocky Mount. During the month of August, 15 students attended the NESC overview and Overhead Distribution Systems Training located in Rocky Mount, and 11 students attended Advanced Electric Meter School in High Point.

Municipal Transformer School, Troubleshooting School and a Leadership Skills Workshop are expected for the fourth quarter.

Third Quarter Performance

Sales to Participants decreased \$7,512,000 (5.6 %) compared to the third quarter of 2016 primarily due to milder weather experienced in the third quarter of 2017. Billed demand and energy sales decreased by 89 MW (3.3%) and 112,299 MWh (7.2%) and contributed \$1,074,000 and \$4,782,000 respectively, to the decrease. An overall 2% rate reduction effective July 1, 2017 contributed \$1,708,000 to the decrease.

Sales to utilities increased \$4,389,000 (44.7%) compared to the third quarter of 2016. Energy volumes increased by 195,633 MW (55.8%) and contributed \$5,085,000 to the increase. The higher energy volumes are due to lower Participant sales, favorable generation entitlements and utilization of certain power supply contracts. Energy rates decreased by \$1.98/MW (7.1%) and offset the favorable volume variance by \$696,000.

Financing Status

As of September 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%.

McGuire Exchange entitlement increased \$1,140,000 (11.2%) compared to the third quarter of 2016 primarily due to lower generation resulting from the Catawba Unit 2 refueling outage in September 2017. There was no refueling outage in the third quarter of 2016.

Operation and maintenance costs decreased \$1,371,000 (5.1%) compared to the third quarter of 2016 due to Duke's cost cutting measures resulting from the implementation of the "Delivering the Nuclear Promise" Initiative.

Nuclear fuel costs increased \$2,107,000 (19.0%) compared to the third quarter of 2016 primarily due to higher nuclear fuel recovery rates from Duke.

Administrative and general - Duke decreased \$1,142,000 (14.7%) compared to the third quarter of 2016 due to Duke's cost cutting measures resulting from the implementation of the "Delivering the Nuclear Promise" Initiative.

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>September 30, 2017</u> | <u>September 30, 2016</u> | | <u>September 30, 2017</u> | <u>September 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 | \$63,032 | \$73,120 | |
| Construction work in progress | 58,904 | 48,841 | 4,285 | 4,886 | |
| Nuclear fuel | 266,055 | 237,541 | <u>\$67,317</u> | <u>\$78,006</u> | |
| Accumulated depreciation and amortization | <u>(1,091,657)</u> | <u>(1,006,037)</u> | | | |
| Total Electric Utility Plant, Net | 1,139,919 | 1,174,018 | | | |
| Non-Utility Property and Equipment, Net: | | | Liabilities | | |
| Property and equipment | 5,750 | 5,750 | Non-Current Liabilities: | | |
| Less accumulated depreciation | <u>(4,709)</u> | <u>(4,640)</u> | Long-Term Debt: | | |
| Total Non-Utility Property and Equipment, Net | <u>1,041</u> | <u>1,110</u> | Bonds payable | | |
| Total Capital Assets | 1,140,960 | 1,175,128 | Unamortized premium/(discount), net | | |
| Restricted Assets: | | | Total Long-Term Debt | | |
| Special Funds Invested: | | | Asset Retirement Obligation | | |
| Construction fund | 60,861 | 85,485 | Total Non-Current Liabilities | | |
| Bond fund | 206,217 | 206,091 | Current Liabilities: | | |
| Reserve and contingency fund | <u>17,051</u> | <u>23,428</u> | Operating Liabilities: | | |
| Total Special Funds Invested | 284,129 | 315,004 | Accounts payable | | |
| Trust for Decommissioning Costs | <u>338,367</u> | <u>337,555</u> | Accrued taxes | | |
| Total Restricted Assets | <u>622,496</u> | <u>652,559</u> | Total Operating Liabilities | | |
| Total Non-Current Assets | <u>1,763,456</u> | <u>1,827,687</u> | Special Funds Liabilities: | | |
| | | | Current maturities of bonds | | |
| | | | Accrued interest on bonds | | |
| | | | Total Special Funds Liabilities | | |
| | | | Total Current Liabilities | | |
| | | | Total Liabilities | | |
| | | | <u>1,570,857</u> | <u>1,641,375</u> | |
| Current Assets | | | Deferred Inflows of Resources | | |
| Funds Invested: | | | Collections to be expended | | |
| Revenue fund | 76,801 | 66,495 | Total Deferred Inflows of Resources | | |
| Operating fund | 75,475 | 52,841 | 526,152 | 496,059 | |
| Supplemental fund | <u>199,417</u> | <u>169,244</u> | <u>526,152</u> | <u>496,059</u> | |
| Total Funds Invested | 351,693 | 288,580 | | | |
| Participant accounts receivable | 38,517 | 41,879 | | | |
| Operating accounts receivable | 14,127 | 7,390 | | | |
| Plant materials and renewable certificate inventory | <u>65,043</u> | <u>62,214</u> | | | |
| Total Current Assets | <u>469,380</u> | <u>400,063</u> | | | |
| Total Assets | <u>\$2,232,836</u> | <u>\$2,227,750</u> | | | |
| | | | Net Position | | |
| | | | Net Invested in capital assets | | |
| | | | Restricted for debt services | | |
| | | | Unrestricted | | |
| | | | Total Net Position | | |
| | | | 642,821 | 613,610 | |
| | | | 70,432 | 99,152 | |
| | | | (510,109) | (544,440) | |
| | | | <u>\$203,144</u> | <u>\$168,322</u> | |

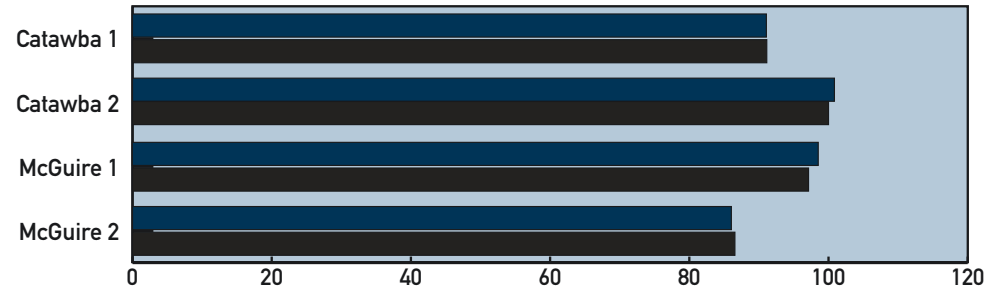
NCMPA1 Statements of Revenues and Expenses

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

| Revenues | Quarter Ended September 30 | | Year-to-Date September 30 | |
|---|----------------------------|------------------|---------------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales of electricity to Participants | \$127,034 | \$134,546 | \$323,730 | \$334,929 |
| Sales of electricity to utilities | 14,199 | 9,810 | 43,270 | 37,419 |
| McGuire exchange entitlement | 11,347 | 10,207 | 30,272 | 31,470 |
| Investment revenue available for operations | 1,649 | 1,193 | 5,180 | 3,819 |
| Other revenues | 350 | 421 | 1,051 | 1,123 |
| Total Revenues | 154,579 | 156,180 | 403,503 | 408,760 |
| Expenses | | | | |
| Operation and maintenance | 25,332 | 26,703 | 86,998 | 82,925 |
| Nuclear fuel | 13,200 | 11,093 | 39,952 | 34,876 |
| McGuire exchange entitlement | 10,294 | 11,004 | 27,535 | 29,703 |
| Interconnection services: | | | | |
| Purchased power | 12,034 | 11,576 | 29,105 | 26,425 |
| Transmission and distribution | 4,338 | 4,478 | 13,026 | 13,210 |
| Other | 572 | 600 | 1,437 | 1,853 |
| Total Interconnection Services | 16,944 | 16,654 | 43,568 | 41,488 |
| Administrative and general - Duke | 6,640 | 7,782 | 23,930 | 25,166 |
| Administrative and general - Agency | 3,467 | 3,306 | 9,972 | 9,845 |
| Excise taxes | 577 | 491 | 1,600 | 1,560 |
| Property tax | 5,301 | 5,198 | 15,904 | 15,594 |
| Debt service | 33,172 | 33,575 | 99,417 | 100,557 |
| Special funds deposits: | | | | |
| Decommissioning fund | 1,450 | 1,450 | 4,350 | 5,793 |
| Reserve and contingency fund | 3,309 | 3,357 | 9,926 | 10,071 |
| Total Special Funds Deposits | 4,759 | 4,807 | 14,276 | 15,864 |
| Total Expenses | 119,686 | 120,613 | 363,152 | 357,578 |
| Net position (decrease) | 34,893 | 35,567 | 40,351 | 51,182 |
| Net position, beginning of quarter | 168,251 | 132,755 | 162,793 | 117,140 |
| Net position, end of quarter | \$203,144 | \$168,322 | \$203,144 | \$168,322 |

NCMPA1 Plant Status

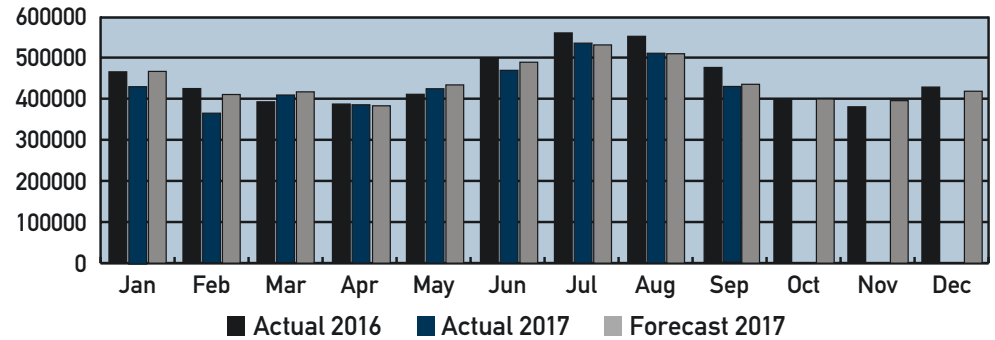
NOTE: The plant status values are year-to-date through September 2017.



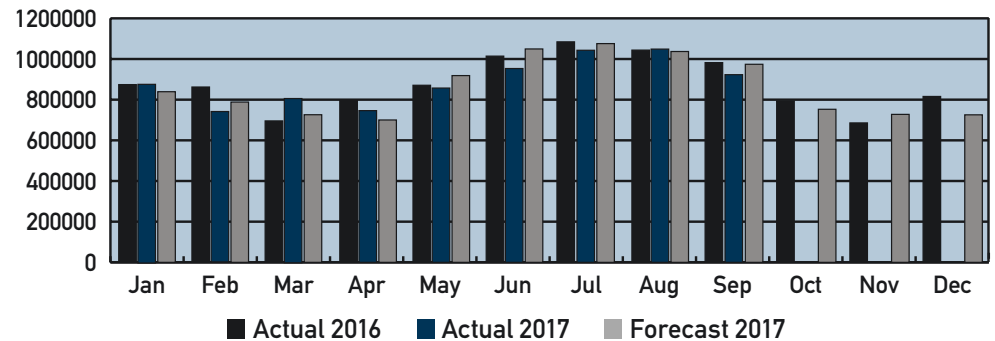
■ Capacity Factor - The ratio of actual output to maximum net dependable capability.
■ Availability Factor - The ratio of actual time a unit was available to produce power (regardless of whether it did) to the total time in the period.

McGuire Unit 1 began a refueling outage on September 23, 2017 and was returned to service on October 16, 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.