NCMPA1

2021
Financial Report

Lincolnton, NC

NORTH CAROLINA MUNICIPAL POWER AGENCY NUMBER 1

Annual Financial Report
(With Report of Independent Auditor Thereon)

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Carolina Municipal Power Agency Number 1

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Carolina Municipal Power Agency Number One (the Agency) which comprise the statements of net position as of December 31, 2021 and 2020, the related statements of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note J to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the date of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for at least twelve months beyond the date of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary schedules and statements listed in the table of contents as Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina
April 22, 2022

Management's Discussion and Analysis (MD&A)
Unaudited

As management of North Carolina Municipal Power Agency Number 1 (Agency), we offer this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2021and 2020. We encourage you to read this information in conjunction with additional information furnished in the Agency's audited financial statements and accompanying notes that follow this narrative.

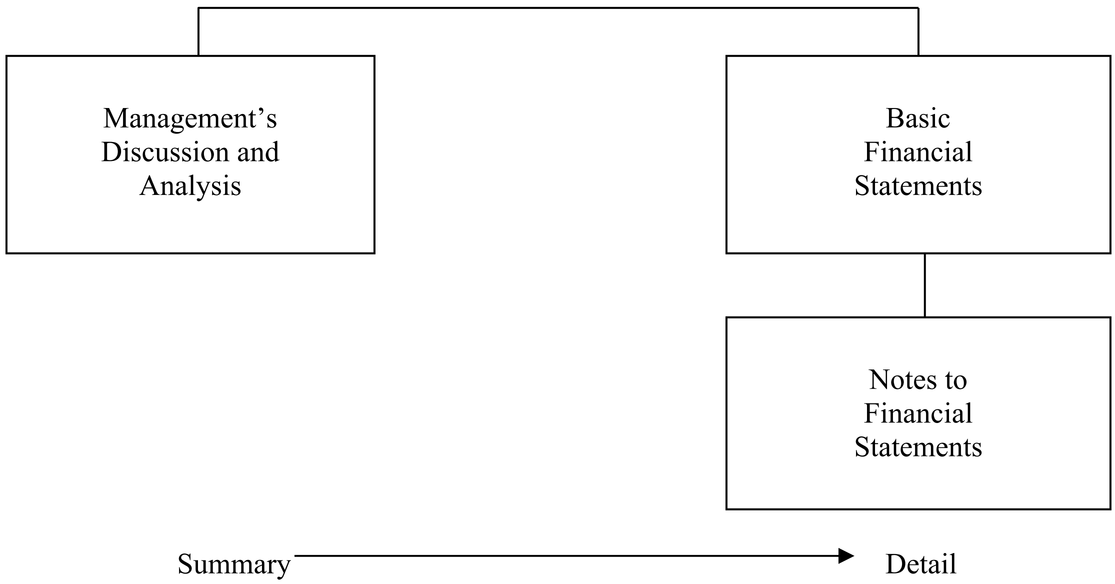
Financial Highlights

- The Agency's basic financial statements consist of a single electric enterprise fund.
- At year-end 2021 and 2020, the Agency's assets and deferred outflows of resources exceeded its liabilities and deferred inflows by $203,177,000 and $213,808,000 (net position).
- The Agency's net position decreased by $10,631,000 and $58,245,000 for 2021 and 2020, respectively.
- Year-end 2021 and 2020 unrestricted net position deficit was $544,585,000 and $443,316,000, respectively, after decreasing $101,269,000 and $81,269,000, respectively.
- The significant working capital levels built up over the past 3 years due to Duke's cost saving strategies, combined with lower projected costs resulted in the Rate Committee recommending and the Board of Commissioners and Board of Directors approving a $100,000,000 credit to members in 2020.
- The Agency's total debt decreased by $49,265,000 and $41,410,000 during 2021 and 2020, respectively, as follows:
    - Decreased $49,265,000 and $41,410,000 due to principal paid in 2021 and 2020, respectively, in accordance with the debt service schedules.
- There was no debt issuance in 2021.
- The bond ratings remained the same as follows:
    - Standard and Poor's – A (stable).
    - Fitch – A (stable).
    - Moody's – A2 (stable).
- There was no rate change in 2021 and 2020.

Overview of the Financial Statements

This MD&A serves as an introduction to the Agency's basic financial statements and notes to the financial statements (see Exhibit 1). In addition to the basic financial statements, this report contains other supplemental information designed to enhance your understanding of the financial condition of the Agency.

Required Components of the Annual Financial Report
Exhibit 1



Basic Financial Statements

The Agency is a special purpose municipal corporation that accounts for its activities as a business type entity. The first section of the basic financial statements is the Agency's single proprietary fund that focuses on the business activities of the electric enterprise. The statements are designed to provide a broad overview of the Agency's finances, similar in format to private sector business statements, and provide short and long-term information about the Agency's financial status, operations and cash flow. The statements report net position and how it has changed during the period. Net position is the difference between total assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Analyzing the various components of net position is one way to gauge the Agency's financial condition.

The second section of the basic financial statements is the notes that explain in more detail some of the data contained in the fund financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes are on pages 15 to 36 of this report.

After the notes, supplementary information is provided to show how the Agency's rates recovered its expenses as defined by the Bond Resolution, to show the Agency's performance against budget and to show activities in the special funds established by the Bond Resolution or the Board of Commissioners. Supplementary information can be found on pages 37 to 44 of this report.

Financial Analysis

The electric enterprise fund financial statements for the years ended December 31, 2021 and 2020 are presented in accordance with the Governmental Accounting Standards Board (GASB).

Condensed Statement of
Net Position
Exhibit 2
($000s)

	December 31, 2021	2020	2019
Assets and Deferred Outflows of Resources			
Capital assets	$ 1,167,429	$ 1,151,054	$ 1,161,418
Current and other assets	1,074,913	1,063,562	1,063,671
Deferred outflows of resources	31,181	37,508	45,065
Total assets and deferred outflows of resources	2,273,523	2,252,124	2,270,154
Liabilities and Deferred Inflows of Resources			
Non-current liabilities	1,212,231	1,273,173	1,309,404
Current liabilities	126,411	99,090	97,442
Deferred inflows of resources	731,704	666,053	591,255
Total liabilities and deferred inflows of resources	2,070,346	2,038,316	1,998,101
Net Position			
Net investment in capital assets	651,409	588,739	569,868
Restricted for debt service	96,353	68,385	64,232
Unrestricted deficit	(544,585)	(443,316)	(362,047)
Total Net Position	$ 203,177	$ 213,808	$ 272,053

The various components of net position may serve over time as a useful indicator of the Agency's financial condition. The assets and deferred outflows of resources of the Agency exceeded liabilities and deferred inflows of resources by $203,177,000 $213,808,000 and $272,053,000 at December 31, 2021, 2020 and 2019, respectively, representing a decrease of $10,631,000, and $58,245,000 in 2021 and 2020, respectively.

The first portion of net position of $651,409,000, $588,739,000 and $569,868,000 at December 31, 2021, 2020 and 2019, respectively, reflects the Agency's investments in capital assets (e.g. land, buildings, generation facilities, nuclear fuel and equipment), less any related debt still outstanding that was issued to acquire those items, including related net premiums, discounts, refunding losses and debt issuance costs.

The Agency uses these capital assets to provide power to its Participants. Consequently, these assets are not available for future spending. Although the Agency's investments in capital assets are reported net of the outstanding related debt, the resources needed to repay that debt will be provided through rates and certain reserve funds since the capital assets cannot be used to liquidate the liabilities.

The net position allocated to the net investment in capital assets and unrestricted net position were restated for 2020 and 2019 due to revision of the year-end evaluation. The revised net position was updated to include changes in debt structure since initial debt offerings. These changes resulted in a revised allocation of the components of the net position, but the net position remained unchanged.

An additional portion of the Agency's net position of $96,353,000, $68,385,000 and $64,232,000 as of December 31, 2021, 2020 and 2019, respectively, represents resources that are restricted for the payment of debt service.

The remaining balance of ($544,585,000), ($443,316,000) and $(362,047,000) as of December 31, 2021, 2020 and 2019, respectively, is the deficit of unrestricted net position.

Condensed Statements of Revenue, Expenses, and Changes in Net Position
Exhibit 3
($000s)

	Years Ended December 31, 2021	2020	2019
Revenues:			
Sales of electricity and other operating revenue	$ 479,192	$ 452,533	$ 491,880
Nonoperating revenues and changes in fair value	(17,460)	46,725	40,823
Total Revenues	461,732	499,258	532,703
Expenses:			
Operating expenses	375,728	348,956	378,259
Interest on long-term debt	35,148	37,648	48,454
Other nonoperating expenses	61,487	70,899	57,175
Working capital refund	-	100,000	75,000
Total Expenses	472,363	557,503	558,888
Change in Net Position	(10,631)	(58,245)	(26,185)
Net Position, Beginning of the year	213,808	272,053	298,238
Net Position, End of the year	$ 203,177	$ 213,808	$ 272,053

Financial Highlights

- The significant working capital levels built up over the past 3 years due to Duke's cost saving strategies, combined with lower projected costs resulted in the Rate Committee recommending and the Board of Commissioners and Board of Directors approving a $100,000,000 credit to members in 2020.
- There was no rate change in 2021 and 2020.

Capital Assets and Debt Administration

Capital Assets

The Agency's capital assets at December 31, 2021, 2020 and 2019 totaled $1,167,429,000, $1,151,054,000 and $1,161,418,000, respectively, (net of accumulated amortization and depreciation). These assets include land, buildings, generation facilities, nuclear fuel and equipment.

Major capital asset transactions during 2021 and 2020 include the following:

- Construction work in progress increased $38,181,000 and $50,718,000 in 2021 and 2020, respectively, due to capital additions at the Catawba plant.
- Construction work in progress decreased and electric plant in service increased by $47,940,000 and $59,641,000 in 2021 and 2020, respectively, due to the transfer of completed projects.
- Electric Utility Plant and Non-Utility Property and Equipment were depreciated $44,863,000 and $42,526,000 for 2021 and 2020, respectively.
- Nuclear Fuel was amortized $40,455,000 and $39,891,000 for 2021 and 2020, respectively.
- In 2021 and 2020 there were retirements of Electric Utility Plant of $29,388,000 and $15,180,000, respectively. There were no write-offs of spent nuclear fuel in 2021 and 2020.

Capital Assets
Exhibit 4
($000s)

Electric Utility Plant, Net

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 2,029,947	$ -	$ 42,966	$ (29,388)	$ 2,043,525
Nuclear fuel	206,593	63,512	(33,079)	-	237,026
Total Depreciable Utility Plant	2,236,540	63,512	9,887	(29,388)	2,280,551
Accumulated Depreciation and Amortization					
Electric plant in service	(1,039,442)	(44,820)	4,974	29,388	(1,049,900)
Nuclear fuel	(117,816)	(40,455)	33,079	-	(125,192)
Total Accumulated Depreciation and Amortization	(1,157,258)	(85,275)	38,053	29,388	(1,175,092)
Depreciable Utility Plant, Net	1,079,282	(21,763)	47,940	-	1,105,459
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	51,092	38,181	(47,940)	-	41,333
Total Electric Utility Plant, Net	$ 1,150,142	$ 16,418	$ -	$ -	$ 1,166,560

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 1,999,415	$ -	$ 45,712	$ (15,180)	$ 2,029,947
Nuclear fuel	249,838	21,335	(64,580)	-	206,593
Depreciable Utility Plant	2,249,253	21,335	(18,868)	(15,180)	2,236,540
Accumulated Depreciation and Amortization					
Electric plant in service	(1,026,068)	(42,483)	13,929	15,180	(1,039,442)
Nuclear fuel	(142,505)	(39,891)	64,580	-	(117,816)
Total Accumulated Depreciation and Amortization	(1,168,573)	(82,374)	78,509	15,180	(1,157,258)
Depreciable Utility Plant, Net	1,080,680	(61,039)	59,641	-	1,079,282
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	60,015	50,718	(59,641)	-	51,092
Total Electric Utility Plant, Net	$ 1,160,463	$ (10,321)	$ -	$ -	$ 1,150,142

Non-Utility Plant and Equipment, Net

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Non-Utility Property and Equipment					
Property and equipment	$ 3,638	$ -	$ -	$ -	$ 3,638
Accumulated depreciation	(3,436)	(43)	-	-	(3,479)
Total Depreciable Non-Utility Property and Equipment, Net	202	(43)	-	-	159
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 912	$ (43)	$ -	$ -	$ 869

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Non-Utility Property and Equipment					
Property and equipment	$ 3,638	$ -	$ -	$ -	$ 3,638
Accumulated depreciation	(3,393)	(43)	-	-	(3,436)
Total Depreciable Non-Utility Property and Equipment, Net	245	(43)	-	-	202
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 955	$ (43)	$ -	$ -	$ 912

Additional information on capital assets can be found in Note C beginning on page 23.

Outstanding Debt

The Agency's total debt outstanding at December 31, 2021, 2020 and 2019 was $714,095,000, $763,360,000 and $804,770,000, respectively, all of which are revenue bonds. Total debt decreased by $49,265,000 (6.45%) and $41,410,000 (5.15%) during 2021 and 2020, respectively. The decreases were due to principal payments made in accordance with debt service schedules.

The Agency's bond ratings remained the same over the two-year period as follows:

- Standard and Poor's – A (stable).
- Fitch – A (stable).
- Moody's – A2 stable).

Additional information regarding the Agency's long-term debt can be found in Note H beginning on page 32 of this report.

Economic Factors and Next Year's Budgets and Rates

Economic Factors

The following key economic factors played a role in the 2021 budget.

- The historical 10-year average weather-normalized load (energy) growth rate is approximately 0.5%/year. Load is expected to grow at a rate of 0.5% annually for the next 10 years for Power Agency based on current economic projections and anticipated improvements in end-use energy efficiency.
- Natural gas spot prices are expected to remain relatively flat or lower in the next few years due to growth in U.S. natural gas production and relatively unchanged domestic consumption and will continue to increase in the long run.

Budget Highlights for 2022

- Forecasts no change in wholesale rates for 2022 with 1.5% rate increases in 2023-2025.
- Collection through rates of $47,620,000 for debt principal due January 1, 2023.
- Anticipates a scheduled refueling outage for Catawba Unit 2.
- Projects a 10-year average annual load growth of 0.5% for both energy and OP demand.
- In March 2022, the NCMPA1 Rate Committee recommended an overall rate decrease of 13% in 2022 with future projected rate increases of 2% beginning in 2024. This decrease is a significant change from the budget and reflects the impact of the new investment strategy for the Decommissioning Trust Fund. This recommendation is scheduled to be voted on at the April BOC meeting.

Requests for Information

This report is designed to provide an overview of the Agency's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, North Carolina Municipal Power Agency Number 1, P.O. Box 29513, Raleigh, NC 27626-0513.

North Carolina Municipal Power Agency Number 1
Statements of Net Position
($000s)

	December 31, 2021	December 31, 2020
ASSETS		
Non-Current Assets		
Capital Assets (Note C):		
Electric Utility Plant, Net		
Electric plant in service	$ 2,063,293	$ 2,049,715
Construction work in progress	41,333	51,092
Nuclear fuel	237,026	206,593
Accumulated depreciation and amortization	(1,175,092)	(1,157,258)
Total Electric Utility Plant, Net	1,166,560	1,150,142
Non-Utility Property and Equipment, Net		
Property and Equipment	3,817	4,348
Accumulated depreciation	(2,948)	(3,436)
Total Non-Utility Property and Equipment, Net	869	912
Total Capital Assets	1,167,429	1,151,054
Restricted Assets		
Special Funds Invested (Note D):		
Bond fund	180,481	153,481
Reserve and contingency fund	8,413	8,564
Total Special Funds Invested	188,894	162,045
Trust for Decommissioning Costs (Notes D and F)	399,536	407,537
Total Restricted Assets	588,430	569,582
Total Non-Current Assets	1,755,859	1,720,636
Current Assets		
Funds Invested (Notes D):		
Revenue fund	9,937	51,146
Operating fund	96,195	115,830
Supplemental fund	260,422	212,750
Total Funds Invested	366,554	379,726
Participant accounts receivable	28,631	29,713
Operating accounts receivable	21,035	15,141
Plant materials and renewable certificate inventory (Note E)	70,263	69,400
Total Current Assets	486,483	493,980
Total Assets	$ 2,242,342	$ 2,214,616

See accompanying Notes to Financial Statements.

North Carolina Municipal Power Agency Number 1
Statements of Net Position
($000s)

	December 31, 2021		December 31, 2020	
DEFERRED OUTFLOWS OF RESOURCES				
Costs of advance refundings of debt	$	28,830	$	34,760
Unamortized debt issuance costs		2,351		2,748
Total Deferred Outlflows of Resources		31,181		37,508
LIABILITIES				
Non-Current Liabilities				
Long-Term Debt:				
Bonds (Note H)		635,475		714,095
Unamortized premium		54,395		65,307
Total Long-Term Debt, net		689,870		779,402
Asset Retirement Obligation (Note F)		522,361		493,771
Total Non-Current Liabilities		1,212,231		1,273,173
Current Liabilities				
Operating Liabilities:				
Accounts payable		30,285		31,083
Total Operating Liabilities		30,285		31,083
Special Funds Liabilities:				
Current maturities of bonds (Note H)		78,620		49,265
Accrued interest on bonds		17,506		18,742
Total Special Funds Liabilities		96,126		68,007
Total Current Liabilities		126,411		99,090
Total Liabilities		1,338,642		1,372,263
DEFERRED INFLOWS OF RESOURCES				
Collections to be expended (Note G)		731,704		666,053
Total Deferred Inflows of Resources	$	731,704	$	666,053
NET POSITION				
Net investment in capital assets		651,409		588,739
Restricted for debt service		96,353		68,385
Unrestricted (deficit)		(544,585)		(443,316)
Total Net Position (Note J)	$	203,177	$	213,808

North Carolina Municipal Power Agency Number 1
Statement of Revenues and Expenses and Changes in Net Position
($000s)

	Years Ended December 31,	
	2021	2020
Operating Revenues:		
Sales to participants	$ 377,295	$ 369,269
Sales to utilities	100,021	79,320
Other revenues	1,876	3,944
Total Operating Revenues	479,192	452,533
Operating Expenses:		
Operation and maintenance	103,775	95,244
Fuel	41,081	40,287
Interconnection services:		
Purchased power	70,748	63,348
Transmission and distribution	18,445	17,300
Other	1,746	1,765
Total interconnection services	90,939	82,413
Administrative and general	41,191	37,972
Gross receipts and excise taxes	2,333	2,321
Property tax	22,956	21,169
Depreciation	44,863	42,526
Amortization of asset retirement obligation	28,590	27,024
Total Operating Expenses	375,728	348,956
Operating Income	103,464	103,577
Nonoperating (Revenues) Expenses		
Investment income	(22,096)	(18,935)
Working capital refund	-	100,000
Net decrease/(increase) in fair value of investments	39,556	(27,790)
Interest expense	35,148	37,648
Amortization of debt refunding costs	5,930	7,037
Amortization of debt discount, premium costs and issuance costs	(10,094)	(10,936)
Net decrease in costs to be recovered (Note G)	56,485	37,930
Net increase in collections to be expended (Note G)	9,166	36,868
Total Nonoperating (Revenues) Expenses	114,095	161,822
Change in Net Position	(10,631)	(58,245)
Net Position, Beginning of Year	213,808	272,053
Net Position, End of Year	$ 203,177	$ 213,808

See accompanying Notes to Financial Statements.

North Carolina Municipal Power Agency Number 1
Statements of Cash Flows
($000s)

	Years Ended December 31, 2021	Years Ended December 31, 2020
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 469,795	$ 439,766
Receipts from other revenues	1,876	1,411
Payments of operating expenses	(263,481)	(247,566)
Net cash provided by operating activities	208,190	193,611
Cash Flows from Capital and Related Financing Activities:		
Bond Principal Payments	(49,265)	(41,410)
Interest paid	(36,384)	(37,272)
Additions to electric utility plant and non-utility property and equipment	(101,693)	(72,053)
Working Capital Refunded	-	(100,000)
Investment earnings receipts from construction fund	-	3
Net cash used for capital and related financing activities	(187,342)	(250,732)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	1,747,648	1,574,120
Purchases of investment securities	(1,778,754)	(1,530,067)
Investment earnings receipts	10,451	12,917
Net cash (used in)/provided by investing activities	(20,655)	56,970
Net Increase/(decrease) in Operating Cash	193	(151)
Operating Cash, Beginning of year	(73)	78
Operating Cash, End of year (Note B)	$ 120	$ (73)

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

	2021	2020
Operating Income	$ 103,464	$ 103,577
Adjustments:		
Depreciation	44,863	42,526
Amortization of nuclear fuel	40,455	39,891
Amortization of gain on defeasance	(420)	(2,533)
Amortization of asset retirement obligation	28,590	27,024
Changes in assets and liabilities:		
Decrease/ (Increase) in participant accounts receivable	1,082	(570)
Increase in operating accounts receivable	(8,183)	(8,253)
Increase in plant materials and renewable certificate inventory	(863)	(1,469)
Decrease in accounts payable	(798)	(6,582)
Total Adjustments	104,726	90,034
Net Cash Provided by Operating Activities	$ 208,190	$ 193,611

See accompanying Notes to Financial Statements.

A. General Matters

North Carolina Municipal Power Agency Number 1 (Agency) is a joint agency organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipalities owning electric distribution systems, through the organization of the Agency, to finance, construct, own, operate and maintain electric generation and transmission facilities. The Agency is comprised of 19 municipal electric systems (Participants) with interests ranging from 0.0869% to 18.96%, which receive power from the Agency.

<u>The Project</u>

The project consists of the Agency's undivided ownership interest in 75% of Unit 2 of the Catawba Nuclear Station and in 37.5% of certain support facilities. Catawba Unit 2 has a maximum net dependable capability (MNDC) of 1,145 MW with the Agency's ownership share being 858.75 MW.

In conjunction with the purchase of its ownership interest, the Agency entered into several agreements with Duke Energy Corporation (Duke) which govern the purchase, ownership, construction, operation and maintenance of the project.

- The Purchase, Construction and Ownership Agreement provides, among other things, for the Agency to purchase its ownership share of the project. However, by virtue of various exchange provisions contained in the Interconnection Agreement and the Operation and Fuel Agreement, the Agency (1) bears the costs of acquisition, construction, operation and maintenance of 37.5% of both Unit 1 and Unit 2, and (2) has the same proportionate right to the output of and bears the risks associated with the lack of operation of such units.
- The Operation and Fuel Agreement provides for Duke to operate, maintain and fuel the station; to make renewals, replacements and capital additions as approved by the Agency; and for the ultimate decommissioning of the station at the end of its useful life.
- The Emergency Supplemental Power Source (ESPS) Additions Agreement provides for enhancement of Duke operational flexibility at the Catawba Nuclear Station and installation of ESPS.
- The Low Pressure Turbine (LPT) Replacement Additions Agreement provides for Duke Catawba Unit 1 and Unit 2 to function reliably and economically through the ends of their lives.
- The Interconnection Agreement provides for the interconnection of the Project with the Duke system and for the exchange of power between Unit 1 and Unit 2 of Catawba and between the Catawba units and Duke's McGuire Nuclear Station (Reliability Exchanges).

Pursuant to the reliability exchanges, project output is provided in essentially equal amounts from Catawba Unit 2, Catawba Unit 1, McGuire Unit 1 and McGuire Unit 2, all in operation on the Duke system and all of similar size and capacity. The reliability exchanges are intended to make more reliable the supply of capacity and energy to the Agency in the amount to which the Agency is entitled pursuant to its ownership interest in Catawba Unit 2 and to mitigate potential adverse economic effects on the Agency and the Participants from unscheduled outages of Catawba Unit 2. Correspondingly, the Agency bears risks resulting from unscheduled outages of any Catawba or McGuire Unit.

Under the terms of the Operating and Fuel Agreement, The Agency paid Duke cash amounts of $214,944,000 and $182,503,000 in 2021 and 2020, respectively.

A. General Matters (continued)

The Agency entered two power sales agreements with each of its Participants for supplying the total electric power requirements of the Participants in excess of Southeastern Power Administration (SEPA) allocations. With project power, together with supplemental purchases of power, the Agency provides the total electric power requirements of its Participants, exclusive of power allotments from SEPA. Under the Project Power Sales Agreements, the Agency sells to the Participants their respective shares of project output. The revenues received relative to the project are pledged as security for bonds issued under the Resolution, after payment of project operating expenses. Each Participant is obligated to pay its share of operating costs and debt service for the project. Under the Supplemental Power Sales Agreements, the Agency supplies each Participant the additional power it requires in excess of that provided by the project and from SEPA.

To meet its supplemental power requirements, the Agency entered several contractual arrangements to assure a reliable and affordable source of supplemental power and energy. The contracts are as follows:

- Agreement with Southern Power Company for the purchase of 150 MW of capacity and the associated energy as scheduled by the Agency for the period 2016 through 2030.
- Agreement with Duke for the purchase of 50 MWh of energy as scheduled by the Agency, and for the sale by the Agency of up to 100 MWh per hour of energy through 2021, and a separate similar agreement for 2022.
- Agreement with Southern Power Company for the purchase of approximately 183 MW of capacity and associated energy as scheduled by the Agency for the period 2012 through 2031.
- Agreement with The Energy Authority (TEA) for TEA to provide hourly scheduling and dispatching services for the period 2021 until terminated (Evergreen).
- Agreement with Southern Power Company for a put option related to Catawba Project surplus energy, involving the sale of up to 200 MWh of energy to Southern Power Company as scheduled by NCMPA1, for the period January 1, 2011 through December 31, 2018. The contract automatically renews for successive one-year terms unless terminated by 60 days written notice by either party. Neither party has given notice as of December 31, 2021.

In addition to the agreements with third parties mentioned above, the Agency has developed or assisted the Participants and/or certain of their customers in developing additional generating facilities. The Agency has 65 MW of Distributed Generation which the Agency constructed to be called upon as needed. In addition, the Agency also has under remote control operation 96 MW of city-owned and customer-owned generation and has been successful in placing an additional 18 MW of generation owned by cities and retail customers under contract for local operation under the Agency's power supply program. The Agency also has 24 MW of gas turbine generation.

Agency administers a load management program by which customers may reduce load during peak billing time periods. The operation of this program results in a total peak reduction of approximately 38 MW each month.

Agency personnel and TEA, pursuant to the agreement described above, provided all scheduling and dispatching services for the Agency's various power supply resources to coordinate the Agency's utilization of Project Output and other power supply arrangements and the Participants use of their SEPA power allotments.

A. General Matters (continued)

The Agency's acquisition of its ownership interest is being financed by electric revenue bonds pursuant to Resolution No. R-16-78, as amended, (Resolution) of the Board of Commissioners of the Agency. The Resolution established special funds to hold proceeds from debt issuance, such proceeds to be used for costs of acquisition and construction of the project, for working capital and to establish certain reserves. The Resolution also established special funds in which project revenues are deposited and from which project operating costs, debt service and other specified payments relating to the project are made.

ElectriCities of North Carolina, Inc.

ElectriCities of North Carolina, Inc. (ElectriCities), organized as a joint municipal assistance agency under the General Statutes of North Carolina, is a public body and body corporate and politic created for the purpose of providing aid and assistance to municipalities in connection with their electric systems and to joint agencies, such as the Agency.

The Agency has entered into a management agreement with ElectriCities. Under the current management agreement, ElectriCities is required to provide, at cost, all personnel and personnel services necessary for the Agency to conduct its business in an economic and efficient manner. This agreement continued through December 31, 2018 and is automatically renewed for successive three-year periods unless terminated by one year's notice by either party prior to the end of the contract term. Neither party has given notice as of December 31, 2021.

For the years ended December 31, 2021 and 2020, the Agency paid ElectriCities $13,136,000 and $14,035,000, respectively.

B. Significant Accounting Policies

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis, in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission, and are in conformity with accounting principles generally accepted in the United States (GAAP). The Agency has adopted the principles promulgated by the Governmental Accounting Standards Board (GASB) and U.S. GAAP. U.S. GAAP allows utilities to capitalize or defer certain costs and/or revenues based upon the Agency’s ongoing assessment that it is probable that such items will be recovered through future revenues.

The Agency reports in accordance with GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” The statement requires certain information be included in the financial statements and specifies how that information should be presented.

The financial statements are prepared using the economic resources measurement focus. Operating revenues are defined as revenues received from the sale of electricity and associated services. Revenues from capital and related financing activities and investment activities are defined as non-operating revenues.

Restricted net position represents constraints on resources that are imposed by Resolution and may be utilized only for the purposes established by the Resolution. Unrestricted net position may be utilized for any purpose approved by the Board through the budget process. When both restricted and unrestricted net position might be used to meet an obligation, the Agency first uses the restricted net position. Negative unrestricted net position will require future resources.

B. Significant Accounting Policies (continued)

Electric Plant in Service

All expenses associated with the development and construction of the Agency's ownership interest in the Catawba station, including interest expense net of investment income on funds not yet expended and the asset retirement obligation adjustment arising from implementing U.S. GAAP (discussed under Decommissioning Costs on page 18) have been recorded at original cost and are being depreciated on a straight-line basis over the average composite life of each unit's assets. At December 31, 2021, the remaining life for Catawba Units 1 and 2 was 22 years.

The Agency has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" which requires the Agency to report the effect of capital asset impairments in the financial statements when they occur rather than in the ongoing depreciation expense for the capital asset. Any insurance recovery associated with the impairment will be netted with the impairment loss. During 2021 and 2020, no such impairment occurred.

Construction Work in Progress

All expenditures related to capital additions at Catawba and expenditures related to distributive generation units that have not been declared commercial are capitalized as construction work in progress until such time as they are completed and transferred to Electric Plant in Service. Depreciation expense is recognized on these assets after they are transferred to Electric Plant in Service.

Nuclear Fuel

All expenditures related to the purchase and construction of the Agency's undivided ownership interests in nuclear fuel cores are capitalized until the cores are placed in the reactor. Once placed in the reactor, the cores are amortized to fuel expense utilizing the units of production method. Amounts are removed from the books upon disposal of the spent nuclear fuel. Nuclear fuel expense does not include a provision for estimated spent nuclear fuel disposal.

Under provisions of the Nuclear Waste Policy Act of 1982, Duke, on behalf of all co-owners of the Catawba station, has entered into contracts with the DOE for the disposal of spent nuclear fuel. The DOE failed to begin accepting the spent nuclear fuel in 1998, the date provided by the Nuclear Waste Policy Act and Duke's contract with the DOE. As a result of a partial breach of contract claim filed against the DOE by Duke for damages arising out of the DOE's failure to begin accepting the spent nuclear fuel, Duke and the U.S. Department of Justice signed a settlement agreement which provides for an initial payment to Duke Energy for certain storage costs incurred through July 2005, with additional amounts reimbursed annually for future storage costs. The Agency's share of the settlement for 2021 and 2020 was $526,000 and $1,286,000, respectively.

While it is uncertain when the DOE will begin accepting spent fuel, Duke has plans in place to provide adequate storage capacity until such time as DOE begins receiving spent fuel.

The DOE announced that it would cease the collection of the of 0.1-cent charge from utilities customers for each nuclear-generated kilowatt-hour of electricity as of May 16th, 2017, in response to a November 2013 ruling by the US Court of Appeals. This action resulted from a lawsuit filed on behalf of utilities and regulators by the National Association of Regulatory Utility Commissioners (NARUC) and the Nuclear Energy Institute (NEI). The court instructed the US energy secretary to "change the fee to zero" pending either compliance with the existing US nuclear waste act or the enactment by Congress of an alternative waste management plan.

B. Significant Accounting Policies (continued)

Non-Utility Property and Equipment

The Agency purchased computer equipment for its load management and telemetry programs. This equipment is being depreciated over the estimated useful life of the equipment. Also included are the land and administrative office building jointly owned with North Carolina Eastern Municipal Power Agency and used by both agencies and ElectriCities. The administrative office building is being depreciated over 37 1/2 years on a straight-line basis.

Pollution Remediation Obligations

The Agency reports in accordance with GASB Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations" (GASB No. 49) which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as nuclear power plant decommissioning.

Accounts Receivable

Accounts receivable consist of trade accounts receivable associated with the sale of electricity and are stated at cost. The Agency primarily sells to the Participants in the project and high-quality utilities and accordingly, based on past collection history, management does not believe an allowance for doubtful accounts is required.

Premiums/Discounts on Bonds

Premiums (net of discounts) on bonds, shown net of accumulated accretion/amortization of $62,294,000 and $51,803,000, at December 31, 2021 and 2020, respectively, are amortized over the terms of the related bonds in a manner that yields a constant rate of interest.

Decommissioning

The Agency reports in accordance with U.S. GAAP, which requires the Agency to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of assets and record a corresponding asset that will be depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any such adjustments for changes in the estimated future cash flows will also be capitalized and amortized over the remaining life of the asset.

Investments

The Agency reports according to the provisions of GASB Statement No. 72 “Fair Value Management and Application” which requires investments to be reported at fair value, GASB Statement No. 79 “Certain External

B. Significant Accounting Policies (continued)

Investment Pools and Pool Participants", which allows certain whole investment pools to be reported at amortized cost, and GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which allows certain investments to be reported at amortized cost. In addition, the Agency reports according to the provisions of GASB Statement No. 40 "Deposit and Investment Risk Disclosures" which addresses common investment risks related to credit risk, concentration of credit risk and interest rate risk.

Renewable Energy Certificate Inventory

The Renewable Energy and Energy Efficiency Portfolio Standard (REPS) in North Carolina requires electric utilities to procure a certain portion of the energy sold to retail customers from renewable energy generators or energy efficiency programs. The Agency complies with REPS through the procurement of Renewable Energy Certificates (RECs) from renewable generators, without the purchase of the physical energy from that generator. The Agency forecasts the number of RECs needed in future years and procures RECs accordingly. RECs are recorded at cost and are being retired on an annual basis in accordance with the quantities determined by the North Carolina Utilities Commission. Once a REC is retired, it can never be used or resold again.

Taxes

Income of the Agency is excludable from federal income tax under Section 115 of the Internal Revenue Code. Chapter 159B of the General Statutes of North Carolina exempts the Agency from property and franchise or other privilege taxes. In lieu of North Carolina property taxes, the Agency pays an amount that would otherwise be assessed on the non-utility property and equipment and North Carolina generation of the Agency. The Catawba plant is located in South Carolina and subject to South Carolina property tax. An electric power excise tax equal to 0.05% (5/10 mill) for each kilowatt-hour of electric power generated and sold for resale within South Carolina is also paid.

Statements of Cash Flows

For purposes of the statements of cash flows, operating cash consists of unrestricted cash of $69,000 and $(114,000) at December 31, 2021 and 2020 and is included on the balance sheet in the line item "Current Assets: Funds Invested". Restricted cash of $51,000 and $41,000 at December 31, 2021 and 2020, respectively, included on the balance sheet in the line item "Restricted Assets: Special Funds Invested" is also included on the statements of cash flows. Accounts payable includes special fund liabilities of $4,041,000 and $8,465,000 at December 31, 2021 and 2020, respectively. The cash flows associated with the decrease in accounts payable of $798,000 in 2021 and $6,582,000 in 2020, respectively, includes the impact of the special fund liabilities noted above.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows, liabilities and deferred inflows and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GASB No. 65 additionally provides discussion on the accounting treatment of debt issuance costs. This GASB established the requirement that debt issuance costs are to be expensed in the current period as compared

B. Significant Accounting Policies (continued)

to amortization of the costs over the life of the related debt. Per GASB No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", entities that are rate regulated are allowed to amortize these costs over time if future recovery is probable and that future recovery is based on prior costs and not similar future costs. The Agency elects to follow this pronouncement as its current rate methodology provides recovery of debt issuance costs.

Deferred Outflows/ Inflows of resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. Deferred Outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred Inflows of Resources represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. See Note G beginning on page 29 for more detailed information.

Future Accounting Standards

The Agency has not yet evaluated the effect of implementation of the following GASB pronouncements.

In June 2017, GASB issued Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for reporting periods starting with the fiscal year that ends December 31, 2022.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods starting with the fiscal year that ends December 31, 2022.

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement is effective for reporting periods beginning with the fiscal year that ends December 31, 2022.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement is effective for reporting periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020, and did not have a material impact on the Agency's financial position, overall cash flow or balances or results of

B. Significant Accounting Policies (continued)

operations. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately (June 2020), and did not have a material impact on the Agency’s financial position, overall cash flow or balances or results of operations. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

C. Capital Assets

Electric Utility Plant, Net

Changes in components of electric utility plant, net during 2021 and 2020 are as follows (in thousands of dollars):

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 2,029,947	$ -	$ 42,966	$ (29,388)	$ 2,043,525
Nuclear fuel	206,593	63,512	(33,079)	-	237,026
Total Depreciable Utility Plant	2,236,540	63,512	9,887	(29,388)	2,280,551
Accumulated Depreciation and Amortization					
Electric plant in service	(1,039,442)	(44,820)	4,974	29,388	(1,049,900)
Nuclear fuel	(117,816)	(40,455)	33,079	-	(125,192)
Total Accumulated Depreciation and Amortization	(1,157,258)	(85,275)	38,053	29,388	(1,175,092)
Depreciable Utility Plant, Net	1,079,282	(21,763)	47,940	-	1,105,459
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	51,092	38,181	(47,940)	-	41,333
Total Electric Utility Plant, Net	$ 1,150,142	$ 16,418	$ -	$ -	$ 1,166,560

Electric Utility Plant, Net

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Depreciable Utility Plant					
Electric Utility Plant					
Electric plant in service	$ 1,999,415	$ -	$ 45,712	$ (15,180)	$ 2,029,947
Nuclear fuel	249,838	21,335	(64,580)	-	206,593
Depreciable Utility Plant	2,249,253	21,335	(18,868)	(15,180)	2,236,540
Accumulated Depreciation and Amortization					
Electric plant in service	(1,026,068)	(42,483)	13,929	15,180	(1,039,442)
Nuclear fuel	(142,505)	(39,891)	64,580	-	(117,816)
Total Accumulated Depreciation and Amortization	(1,168,573)	(82,374)	78,509	15,180	(1,157,258)
Depreciable Utility Plant, Net	1,080,680	(61,039)	59,641	-	1,079,282
Land and Other Non-Depreciable Assets					
Land	19,768	-	-	-	19,768
Construction work in progress	60,015	50,718	(59,641)	-	51,092
Total Electric Utility Plant, Net	$ 1,160,463	$ (10,321)	$ -	$ -	$ 1,150,142

The Agency has commitments to Duke in connection with capital additions for the station. Current estimates indicate the Agency's portion of these costs for 2022 and 2023 will be approximately $101,631,000.

C. Capital Assets (continued)

Non-Utility Property and Equipment

Changes in components of non-utility property and equipment, net during 2021 and 2020 are as follows (in thousands of dollars):

	December 31, 2020	Additions	Transfers	Retirements	December 31, 2021
Non-Utility Property and Equipment					
Property and equipment	$ 3,638	$ -	$ -	$ -	$ 3,638
Accumulated depreciation	(3,436)	(43)	-	-	(3,479)
Total Depreciable Non-Utility Property and Equipment, Net	202	(43)	-	-	159
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 912	$ (43)	$ -	$ -	$ 869

Non-Utility Property and Equipment

	December 31, 2019	Additions	Transfers	Retirements	December 31, 2020
Non-Utility Property and Equipment					
Property and equipment	$ 3,638	$ -	$ -	$ -	$ 3,638
Accumulated depreciation	(3,393)	(43)	-	-	(3,436)
Total Depreciable Non-Utility Property and Equipment, Net	245	(43)	-	-	202
Land	710	-	-	-	710
Total Non-Utility Property and Equipment, Net	$ 955	$ (43)	$ -	$ -	$ 912

D. Investments

The Agency investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. The agency categorizes investments based on the fair value hierarchy established by GASB Statement No. 72. Level 1 securities are valued using directly observable, quoted prices (unadjusted) in active markets. Level 2 securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

The Agency invests in the North Carolina Cash Management Trust (NCCMT) and North Carolina Investment Pool (NCIP). The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCIP, a commingled local government investment pool established to invest idle funds in various short-term investments in accordance with North Carolina General Statute 159-30, is measured at fair value.

D. Investments (continued)

The Agency's investments are detailed in the following schedule (in thousands of dollars):

		December 31,			
		2021		2020	
	Method of Valuation	Cost Basis	Reported Value	Cost Basis	Reported Value
Commercial Paper	Fair Value Level 1	$ 83,415	$ 83,437	$ 90,161	$ 90,181
U.S. Government Agencies	Fair Value Level 1	83,243	83,187	89,538	91,302
U.S.Treasury Securities	Fair Value Level 1	216,764	217,168	225,770	230,585
NCCMT* -Government Portfolio	Fair Value Level 1	3	3	62,721	62,721
North Carolina Investment Pool	Fair Value Level 1	124,657	124,657	-	-
Collateralized mortgage obligations	Fair Value Level 2	45,601	46,081	64,127	65,898
Sub-total funds invested		553,683	554,533	532,317	540,687
Decommissioning Trust securities:					
Commercial Paper	Fair Value Level 1	210,482	210,513	-	-
U.S. government agencies	Fair Value Level 1	20,051	23,705	88,987	97,920
U.S. Treasury Securities	Fair Value Level 1	93,705	137,069	189,037	265,091
Collateralized mortgage obligations	Fair Value Level 2	26,794	27,301	42,003	43,507
NCCMT* -Government Portfolio	Fair Value Level 1	758	758	28	28
Sub-total funds invested		351,790	399,346	320,055	406,546
Cash					
Operating cash		69	69	(115)	(114)
Restricted cash		51	51	41	41
Accrued interest		985	985	2,148	2,148
Total funds invested		$ 906,578	$ 954,984	$ 854,446	$ 949,308
Consisting of:					
Special funds invested			$ 188,894		$ 162,045
Decommissioning Trust			399,536		407,537
Operating assets			366,554		379,726
Total funds invested			$ 954,984		$ 949,308

** NC Capital Management Trust*

Interest Rate Risk

The Bond Resolution authorizes the Agency to invest in obligations with maturity dates, or with redemption features, on or before the respective dates when the money in such accounts will be required for the purposes intended. The Agency does not have additional formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

D. Investments (continued)

The Agency's maturities of investments are detailed in the following schedule (in thousands of dollars.):

December 31, 2021

	Recorded Value	Investment Maturity (In Years): Less Than 1	1-5	6-10	More than 10
Commercial Paper	$ 83,437	$ 83,437	$ -	$ -	$ -
U.S. Government Agencies	83,187	10,482	72,705	-	-
U.S. Treasury Securities	217,168	57,253	159,915	-	-
NCCMT	3	3	-	-	-
North Carolina Investment Pool	124,657	124,657	-	-	-
Collateralized mortgage obligations	46,081	1,047	9,350	15,860	19,824
Sub-total funds invested	554,533	276,879	241,970	15,860	19,824
Decommissioning Trust securities	399,346	275,061	99,110	-	25,175
Total	$ 953,879	$ 551,940	$ 341,080	$ 15,860	$ 44,999

December 31, 2020

	Recorded Value	Investment Maturity (In Years): Less Than 1	1-5	6-10	More than 10
Commercial Paper	$ 90,181	$ 90,181	$ -	$ -	$ -
U.S. Government Agencies	91,302	9,849	81,453	-	-
U.S. Treasury Securities	230,585	77,800	152,785	-	-
NCCMT	62,721	62,721	-	-	-
Collateralized mortgage obligations	65,898	-	13,106	18,825	33,967
Sub-total funds invested	540,687	240,551	247,344	18,825	33,967
Decommissioning Trust securities	406,546	33,382	160,042	59,689	153,433
Total	$ 947,233	$ 273,933	$ 407,386	$ 78,514	$ 187,400

The Agency's unrealized losses are detailed in the following schedule (in thousands of dollars):

December 31, 2021

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 53,257	$ 599	$ 1,492	$ 37	$ 54,749	$ 636
U.S. Treasury Securities	146,745	976	-	-	146,745	976
Collateralized mortgage obligations	12,863	164	2,335	51	15,198	215
Sub-total	212,865	1,739	3,827	88	216,692	1,827
Decommissioning Trust securities	38,205	259	3,331	44	41,536	303
Total	$ 251,070	$ 1,998	$ 7,158	$ 132	$ 258,228	$ 2,130

December 31, 2020

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government agencies	$ 1,522	$ 7	$ -	$ -	$ 1,522	$ 7
Collateralized mortgage obligations	3,041	3	2,991	7	6,032	10
Sub-total	4,563	10	4,182	53	8,745	63
Decommissioning Trust securities	40,153	650	495	3	40,648	653
Total	$ 44,716	$ 660	$ 4,677	$ 56	$ 49,393	$ 716

D. Investments (continued)

Credit Risk

The Resolution authorizes the Agency to invest in 1) direct obligations of, or obligations of which the principal and interest are unconditionally guaranteed by the United States (U.S.), 2) obligations of any Agency of the U.S. or corporation wholly owned by the U.S., 3) direct and general obligations of the State of North Carolina or any political subdivision thereof whose securities are rated "A" or better, 4) repurchase agreements with a member of the Federal Reserve System which are collateralized by previously described obligations and 5) bank time deposits evidenced by certificates of deposit and bankers' acceptances. The Agency has no formal investment policy that would further limit its investment choices.

As of December 31, 2021, and 2020, the Agency's investments in U.S. Government Agencies and U.S. Treasury Securities are rated Aaa by Moody's Investor Service and AA+ by Standard and Poor's Corporation. The Agency's investments in Money Market Instruments and the North Carolina Capital Management Trusts' Government Portfolio are rated AAAm by Standard and Poor's Corporation. The investments in the North Carolina Capital Management Trust Term Portfolio are not rated by any rating agency. The investments in the North Carolina Investment Pool Liquid Portfolio is rated AAAm by Standard & Poor's and AAAmmf by Fitch Ratings.

D. Investments (continued)

Credit Risk

The Board of Directors of the Agency approved an Investment Risk Management Policy in 2012 and established the Decommissioning Trust Investment policy on July 23, 2021. The policy set the overall investment objectives and established sector and issuer guidelines. It is reviewed annually to ensure it is compliant with the current law and the Local Government Commission. The Agency's investments by issuer are detailed in the following schedule (in thousands of dollars):

	December 31, 2021		December 31, 2020	
Issuer	Recorded Value	Percentage	Recorded Value	Percentage
Federal Home Loan Mortgage Corporation	$ 63,865	6.7%	$ 84,844	9.0%
Federal National Mortgage Association	81,803	8.6%	142,128	15.0%
Federal Home Loan Bank	30,563	3.2%	61,995	6.5%
Federal Farm Credit Bank	2,116	0.2%	6,266	0.7%
Government National Mortgage Association	1,927	0.2%	2,516	0.3%
Resolution Funding Corporation	-	0.0%	877	0.1%
Commercial Paper				
Collaterized Comm Paper V Co.	575	0.1%	-	-
Credit Suisse AG	19,979	2.1%	-	0.0%
DNB Bank ASA	-	0.0%	10,000	1.1%
Exxon Mobile	-	0.0%	23,748	2.5%
ING (US) Funding LLC	23,781	2.4%	-	-
LMA Amercia LLC	19,999	2.1%	-	-
MacQuarie Bank	29,242	3.1%	-	-
MetLife Short Term Funding	25,784	2.7%	3,306	0.3%
Mitsubishi UFJ T&B NY	8,999	0.9%	-	-
Mizuho Bank	39,966	4.2%	-	0.0%
MUFG Bank	48,922	5.1%	25,128	2.7%
Natixis NY	25,290	2.7%	-	-
Royal Bank of Canada	19,979	2.1%	-	-
Societe Generale	19,442	2.0%	25,500	2.7%
Toronto Dominion Bank	11,992	1.3%	-	0.0%
Toyota Motor Credit	-	0.0%	2,500	0.3%
Money Market Fund - NC Capital Management Trust	761	0.1%	62,749	6.6%
North Carolina Investment Pool	124,657	13.1%	-	-
US Treasury Department	354,237	37.1%	495,676	52.2%
Total	$ 953,879	100%	$ 947,233	100.0%

D. Investments (continued)

The Resolution permits the Agency to establish official depositories with any bank or trust company qualified under the laws of North Carolina to receive deposits of public moneys and having capital stock, surplus and undivided profits aggregating in excess of $20,000,000.

All depositories must collateralize public deposits in excess of federal depository insurance coverage. The Agency's depositories use the pooling method, a single financial institution collateral pool. Under the pooling method, a depository establishes a single escrow account on behalf of all governmental agencies. Collateral is maintained with an eligible escrow agent in the name of the State Treasurer of North Carolina based on an approved averaging method for demand deposits and the actual current balance for time deposits less the applicable federal depository insurance for each depositor. The financial institutions using the pooling method are responsible for assuring sufficient collateralization of these excess deposits. Because of the inability to measure the exact amount of collateral pledged for the Agency under the pooling method, the potential exists for under-collateralization. However, the State Treasurer enforces strict standards for each pooling method depository, which minimizes any risk of under-collateralization. At December 31, 2021 and 2020, the Agency had $69,000 and $42,000 in operating funds, respectively, and $51,000 and $41,000 in restricted funds, respectively, covered by federal depository insurance.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Agency does not have a formal policy for custodial credit risk. All deposits are currently held in the name of North Carolina Municipal Power Agency Number 1.

E. Renewable Energy Certificate Inventory

The following shows RECs activity during 2021 and 2020 (in thousands of dollars):

Summary of Changes in RECs

	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
RECs	$ 11,056	$ 2,253	$ (1,272)	$ 12,037

	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020
RECs	$ 10,253	$ 2,210	$ (1,407)	$ 11,056

F. Decommissioning Costs

As a co-licensee of Catawba Unit 2 and in accordance with the terms of the Catawba reliability exchange, the Agency has furnished certification of its financial capability to fund its share of the costs of nuclear decommissioning of the Catawba Station to the U.S. Nuclear Regulatory Commission (NRC) as required by its regulations. To satisfy the NRC's financial capability regulations, the Agency established an external trust fund (Decommissioning Trust) pursuant to a trust agreement with a bank. The Agency's certification requires that the Agency make annual deposits to the Decommissioning Trust which, together with the investment earnings, amounts previously on deposit in the trust and certain reserve assets, are anticipated to result in sufficient funds being held in the Decommissioning Trust at the expiration of the current operating licenses for the Catawba Units (2043) to meet the Agency's share of decommissioning.

The Decommissioning Trust is irrevocable and funds may be withdrawn from the trust solely for the purpose of paying the Agency's share of the costs of nuclear decommissioning. In accordance with the NRC regulations, the Decommissioning Trust is segregated from Agency assets and outside the Agency's administrative control. The Agency is deemed to have incurred and paid decommissioning costs as deposits are made to the Decommissioning Trust. In addition to the Decommissioning Trust, certain reserve assets are anticipated to be available for transfer to the Decommissioning Trust to satisfy the Agency's total decommissioning liability.

Estimates of the future costs of decommissioning the units are based on the 2018 site-specific study that was conducted on behalf of Duke utilizing the unit factor method, which follows the approach as outlined in the DOE Decommissioning handbook. The Agency's portion of decommissioning costs, including the cost of decommissioning plant components not subject to radioactive contamination, is $675,956,000, stated in 2020 dollars.

The Agency has identified certain asset retirement obligations, which are primarily associated with the decommissioning of NCMPA1's ownership interest in Catawba Unit 2. Changes in components of the asset retirement obligation during 2021 and 2020 are as follows (in thousands of dollars):

	Years Ended December 31,	
	2021	2020
Balance, beginning of year	$ 493,771	$ 466,747
Accretion expense	28,590	27,024
Revisions in estimated cash flows	-	-
Balance, end of year	$ 522,361	$ 493,771

G. Costs To Be Recovered and Collections To Be Expended

Rates for power billings to Participants are designed to cover the Agency's operating expenses, debt requirements and reserves as specified by the Resolution and power sales agreements. Straight-line depreciation and amortization are not considered in the cost of service calculation used to design rates. In addition, certain earnings on funds established in accordance with the Resolution are restricted to those funds and are not available for current operations.

The differences between debt principal maturities (adjusted for the effects of premiums, discounts and amortization of deferred gains and losses) and straight-line depreciation and in interest income recognition are recognized as other recoverable/collectible costs. When total recoverable/collectible items exceed principal debt service, costs to be recovered increase. When principal debt service exceeds total recoverable/collectible items, costs to be recovered decrease.

G. Costs To Be Recovered and Collections To Be Expended (continued)

Funds collected through rates for reserve accounts and restricted investment income are recognized as collections to be expended, thus increasing total collections to be expended. When these funds are used to meet current expenses, total collections to be expended decrease.

The Agency's present charges to the Participants are sufficient to recover all of the Agency's current annual costs of the Participants' bulk power needs. Each Participant is required under the power sales agreements to set its rates for its customers at levels sufficient to pay all its costs of its electric utility system, including the Agency's charges for bulk power supply. All Participants have done so.

All rates must be approved by the Board of Commissioners. Rates are designed on an annual basis. If they are determined to be inadequate to cover the Agency's current annual costs, rates may be revised.

Other costs and collections to be recovered include the following (in thousands of dollars):

	Years Ended December 31,		Inception to December 31,	
	2021	2020	2021	2020
Costs to be recovered				
Net deferred interest	$ -	$ -	$ 155,316	$ 155,316
Amortization of debt discount, premium & issuance costs	(10,094)	(10,936)	(22,940)	(12,846)
Depreciation and amortization	73,453	69,550	1,714,415	1,640,962
Amortization of debt refunding costs	5,930	7,037	629,357	623,427
Deferred Fuel	-	-	(17,806)	(17,806)
Participant billing offsets	(125,774)	(103,581)	(2,809,426)	(2,683,652)
Other unrecovered costs	-	-	23,749	23,749
Total Costs To Be Recovered *	$ (56,485)	$ (37,930)	$ (327,335)	$ (270,850)

	Years Ended December 31,		Inception to December 31,	
	2021	2020	2021	2020
Collections to be expended				
Net special funds (withdrawals)/deposits	$ 29,919	$ -	$ 68,918	$ 38,999
Restricted investment income	17,511	9,799	372,586	355,075
Rate stabilization funds used for other than operations	-	-	(53,393)	(53,393)
Special Funds Valuations	429	(2,189)	(51,920)	(52,349)
Net increase in fair value of investments	(39,556)	27,790	5,037	44,593
Asset Retirement Obligation Provision	-	-	10,242	10,242
Other collections to be expended	863	1,468	52,899	52,036
Total Collections To Be Expended	$ 9,166	$ 36,868	$ 404,369	$ 395,203

*Due to the high Participant billing collections, the total cost to be recovered has a credit balance. For presentation purposes on the Statement of Net Position, the credit balance was combined with collections to be expended.

H. Bonds

The Agency has been authorized to issue Catawba Electric Revenue Bonds (bonds) in accordance with the terms, conditions, and limitations of the Resolution. The total to be issued is to be sufficient to pay the costs of acquisition and construction of the project, as defined, and/or for other purposes set forth in the Resolution. Future refunding of bonds may result in the issuance of additional bonds.

The following shows bond activity during 2021 and 2020 (in thousands of dollars):

Summary of Changes in Long Term Liability

	December 31, 2020	Additions	Reductions	December 31, 2021	Amounts Due within One Year
Bonds payable	$ 763,360	$ -	$ (49,265)	$ 714,095	$ 78,620

	December 31, 2019	Additions	Reductions	December 31, 2020	Amounts Due within One Year
Bonds payable	$ 804,770	$ -	$ (41,410)	$ 763,360	$ 49,265

The various issues comprising the outstanding debt are as follows (in thousands of dollars):

	December 31, 2021	December 31, 2020
Series 2009B (Federally Taxable)		
5.482% maturing in 2021	$ -	$ 9,200
Series 2009D (Federally Taxable Build America Bonds)		
6.184% maturing in 2032 with annual sinking fund requirements beginning in 2030	65,525	65,525
Series 2012B		
3.00% to 5% maturing annually from 2021 to 2032	34,360	34,360
Series 2012C (Federally Taxable)		
2.447% to 3.922% maturing annually from 2021 to 2032	36,785	38,115
Series 2015A		
5.0% to 5.25% maturing annually from 2023 to 2032	274,710	274,710
Series 2015B		
3.0% to 5.0% maturing annually from 2022 to 2024	41,265	41,265
Series 2015C		
3.5% to 5.0% maturing annually from 2029 to 2031	87,230	87,230
Series 2015D (Federally Taxable)		
3.34% maturing annually in 2022	23,930	23,930

H. Bonds (continued)

	December 31, 2021	December 31, 2020
Series 2015E (Forward Delivery Bonds)		
5.00% maturing annually in 2022 to 2023	17,610	17,610
Series 2016A		
4.0% maturing 2022	2,755	2,755
4.0% to 5.0% maturing 2024 and 2025	3,595	3,595
5.0% maturing annually 2027 to 2030	63,030	63,030
	69,380	69,380
Series 2019A		
5% maturing 2021	-	18,640
5% maturing annually 2025-2032	63,300	63,300
	63,300	81,940
Series 2019B		
5% maturing 2021	-	20,095
Total Bonds Outstanding	714,095	763,360
Current maturities of bonds	(78,620)	(49,265)
Total Long-Term Debt, Bonds	$ 635,475	$ 714,095

The following table reflects principal debt service included in the designated year's rates. In accordance with the Resolution, these moneys are collected through rates the year prior to the January 1 maturity and deposited into the Bond Fund for payment when due. Current maturities of $78,620,000 at December 31, 2021 were collected monthly through rates during 2021 and were deposited into the Bond Fund to make the January 1, 2022 principal payment and the full call of 2012B bonds amounting to $27,615,000. Debt service deposit requirements from the designated year's rates for long-term debt outstanding at December 31, 2021 are as follows (in thousands of dollars):

Year	Principal	Interest	Total
2022	$ 47,620	$ 31,923	$ 79,543
2023	49,485	29,691	79,176
2024	58,255	27,278	85,533
2025	61,105	24,433	85,538
2026	64,100	21,431	85,531
2027 to 2031	354,910	56,295	411,205
2032 to 2033	-	-	-
Total	$ 635,475	$ 191,051	$ 826,526

The fair market value of the Agency's long-term debt was estimated using a yield curve derived from December 31, 2021 and 2020 market prices for similar securities. Using these yield curves, market prices were estimated for each individual maturity and the individual maturities were summed to arrive at an estimated fair market value of $820,524,225 and $892,052,803 at December 31, 2021 and 2020, respectively.

H. Bonds (continued)

Certain proceeds of the Series 1998A, 2003A, 2003B (subsequently paid at maturity), 2008A, 2008B, 2009A, 2009B, 2010A, 2010B, 2012A, 2015A, 2015B, 2015C, 2015D, 2015E, 2016A, 2019A, 2019B bonds were used to establish trusts for the refunding of $2,663,175,000 of previously issued bonds at December 31, 2021. At December 31, 2021 and 2020, $2,663,175,000 and $2,656,750,000 of these bonds have been redeemed leaving $0 and $6,425,000 of defeased bonds still outstanding respectively.

Under these Refunding Trust Agreements, obligations of, or guaranteed by, the United States have been placed in irrevocable Refunding Trust Funds maintained by the Bond Fund Trustee. The government obligations in the respective Refunding Trust Funds along with the interest earnings on such obligations, will be sufficient to pay all interest on the refunded bonds when due and to redeem all refunded bonds at various dates prior to their original maturities at par. The monies on deposit in each Refunding Trust Fund, including the interest earnings thereon, are pledged solely for the benefit of the holders of the refunded bonds. Since the establishment of each Refunding Trust Fund, the refunded bonds are no longer considered outstanding obligations of the Agency.

Interest on the bonds is payable semi-annually.

On September 11, 2019, the Agency applied $75,515,000 of available funds to defease $68,900,000 of certain outstanding Series 2012B, 2012C and 2015C bonds. The funds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. All of the defeased bonds are still outstanding as of December 31, 2021.

Certain of the following bonds are subject to redemption prior to maturity at the option of the Agency, on or after the following dates at a maximum of 100% of the respective principal amounts:

Series 2012B	January 1, 2022
Series 2015A and C	January 1, 2026
Series 2016A	July 1, 2026
Series 2019A	January 1, 2030

The Series 2009 B and D and 2012C Bonds are subject to redemption on any business day at the Make Whole Redemption Price which is the greater of (i) 100% of principal amount to be redeemed or (ii) the sum of the present value of the remaining scheduled principal and interest to be redeemed. The Series 2009D and 2012C are also subject to redemption on any business day at the Extraordinary Optional Redemption Price which is the greater of (i) 100% of principal amount to be redeemed or (ii) the sum of the present value of the remaining scheduled principal and interest to be redeemed. An Extraordinary Event will have occurred if the Agency determines that a material adverse change has occurred which is not the Agency's fault, which results in a reduction or elimination of the Federal subsidy payment.

The bonds are special obligations of the Agency, payable solely from and secured solely by (1) project revenues (as defined by the Resolution) after payment of project operating expenses (as defined by the Resolution) and (2) other monies and securities pledged for payment thereof by the Resolution.

The Resolution requires the Agency to deposit into special funds all proceeds of bonds issued and all project revenues (as defined by the Resolution) generated as a result of the Project Power Sales Agreements and Interconnection Agreement. The purpose of the individual funds is specifically defined in the Resolution.

H. Bonds (continued)

The Resolution requires that the Agency maintains a reserve investment balance in an amount to sufficiently cover the highest annual debt service payment over the life of the bonds, which was $84,128,000 and $85,118,000 for 2021 and 2020, respectively. As of December 31, 2021, and 2020, the balances of the reserve were $84,160,000 and $83,609,000, respectively. The Resolution also requires a bond contingency fund to be established to maintain 10% of the required reserves for the year totaling $8,413,000 and $8,512,000 for 2021 and 2020, respectively. As of December 31, 2021, and 2020, the balances of the contingency fund were $8,413,000 and $8,495,000, respectively.

As of December 31, 2021 and 2020 the Agency had no unspent bond funds in restricted cash and investments.

I. Commitments and Contingencies

Duke maintains, on behalf of all co-owners of the Catawba station, nuclear insurance coverage in the following areas: liability coverage, property, decontamination and decommissioning coverage, and extended accidental outage coverage to cover increased generating costs and/or replacement power purchases.

Liability Coverage

In accordance with the Price-Anderson Act, Duke, on behalf of all co-owners, insures against public liability claims from a nuclear incident to the full limit of liability of approximately $13.8 billion, $450 million of which is by private insurance with a like amount to cover certain worker tort claims. The remaining amount of approximately $13.3 billion has been provided through a mandatory industry-wide excess secondary insurance program of risk pooling. The $13.3 billion amount will increase by $138 million as each new nuclear reactor is licensed and decrease by $138 million for each insured nuclear reactor that is no longer operational and has been exempted from the program. The Agency is liable for 37.5% of these premiums.

The terms of this coverage require the owners of all licensed facilities to provide retrospective premiums of up to $138 million per year per unit owned (adjusted annually for inflation) in the event of any nuclear incident involving any licensed facility in the nation, with an annual maximum assessment of $20.5 million per unit owned. If any such payments are required, the Agency would be liable for 37.5% of those payment amounts.

The Price Anderson Act expires in 2025.

Property, Decontamination and Decommissioning Coverage

Primary property damage insurance coverage purchased for the station is $1.5 billion. If the insurer's losses ever exceed its reserves, Duke will be liable, on a pro rata basis, for additional assessments of up to $31.875 million. This amount represents ten times of Catawba's annual premium. Excess property damage, decontamination and decommissioning liability insurance of $1.25 billion has also been purchased. If industry losses ever exceed the accumulated funds available to the insurer for the excess property, decontamination and decommissioning liability program, Catawba will be liable, on a pro rata basis, for additional assessments of up to $7.663 million which represents ten times the annual premium.

I. Commitments and Contingencies (continued)

Extended Accidental Outage Coverage

Duke also purchases on behalf of all co-owners, increased cost of generation and/or purchased power insurance resulting from an accidental outage of a nuclear unit. Each unit at Catawba is insured for up to approximately $3.5 million per week, after a 12-week deductible period, with declining amounts per unit where more than one unit is involved in the accidental outage. The coverage continues at 100% for 52 weeks and 80% for the next 110 weeks. The accident outage policy limit is $490 million per unit. If the insurer's losses exceed its reserves for this program, Catawba will be liable, on a pro rata basis, for additional assessments of up to $10.634 million which represents ten times Catawba's annual premium.

The Agency assumes their pro rata shares of any liability for retrospective premium assessments resulting from the Nuclear Electric Insurance Limited policies applicable to the joint ownership agreements.

J. Prior Period Restatement

In fiscal year 2021, the Agency identified an error in the application of GASB 63 guidance when calculating the Net Investment in Capital Assets on the Statement of Net Position. This resulted in an overstatement of the Net Investment in Capital Assets and an understatement of Net Assets Restricted for Debt Service and Unrestricted Net Deficit for the year ended December 31, 2020.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	December 31, 2020 (as reported)	December 31, 2020 (as restated)
Net investment in capital assets	$866,696	$588,739
Restricted for debt service	-	68,385
Unrestricted deficit	(652,888)	(443,316)
Total Net Position	$213,808	$213,808

K. Subsequent Events

The Agency has evaluated subsequent events through April 22, 2022, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

North Carolina Municipal Power Agency Number 1
Schedules of Revenues and Expenses Per Bond Resolution and Other Agreements
($000s)

	Year Ended December 31, 2021		
	Project	Supple-mental	Total
Revenues:			
Sales to participants	$ 294,110	$ 83,185	$ 377,295
Sales to utilities	100,021	-	100,021
Investment income	1,746	2,839	4,585
Excess Funds valuation	(3,007)	-	(3,007)
Other revenue	1,800	76	1,876
Total Revenues	394,670	86,100	480,770
Expenses:			
Operation and maintenance	102,720	938	103,658
Nuclear fuel	40,562	519	41,081
Interconnection services:			
Purchased power	34,140	36,608	70,748
Transmission and distribution	-	18,445	18,445
Other	-	2,726	2,726
Total interconnection services	34,140	57,779	91,919
Administrative and general – Duke	28,466	-	28,466
Administrative and general – Agency	4,872	5,330	10,202
Miscellaneous Agency expenses	405	2,118	2,523
Gross receipts and excise taxes	2,333	-	2,333
Property tax	22,828	128	22,956
Working capital refund	-	-	-
Debt service	113,768	-	113,768
Special funds deposits:			
Decommissioning fund	4,525	-	4,525
Reserve for future costs	-	29,919	29,919
Reserve and contingency fund	40,051	-	40,051
Total special funds deposits	44,576	29,919	74,495
Total Expenses	394,670	96,731	491,401
Revenues Under Expenses	$ -	$ (10,631)	$ (10,631)

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2021 and 2020.

See accompanying Report of Independent Auditor.

Year Ended December 31, 2020		
Project	Supple-mental	Total
$ 272,952	$ 96,317	$ 369,269
79,320	-	79,320
3,918	5,218	9,136
773	-	773
3,869	75	3,944
360,832	101,610	462,442
94,661	1,248	95,909
39,999	288	40,287
32,885	30,463	63,348
-	17,300	17,300
-	2,568	2,568
32,885	50,331	83,216
24,548	-	24,548
5,120	5,458	10,578
473	2,373	2,846
2,321	-	2,321
21,012	157	21,169
-	100,000	100,000
86,913	-	86,913
4,525	-	4,525
-	-	-
48,375	-	48,375
52,900	-	52,900
360,832	159,855	520,687
$ -	$ (58,245)	$ (58,245)

North Carolina Municipal Power Agency Number 1
Budgetary Comparison Schedule
Years Ended December 31, 2021 and 2020
($000's)

	2021 Budget Original	2021 Budget Final	Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
Revenues:				
Sales to participants	$ 370,376	$ 370,376	$ 377,295	$ 6,919
Sales to utilities	84,297	84,297	100,021	15,724
Investment income	4,433	4,433	4,585	152
Excess Funds valuation	-	-	(3,007)	(3,007)
Other revenues	1,410	1,410	1,876	466
Total Revenues	460,516	460,516	480,770	20,254
Expenses:				
Operations and maintenance	114,935	114,935	103,658	11,277
Nuclear fuel	42,485	42,485	41,081	1,404
Interconnection services:				
Purchased power	64,200	64,200	70,748	(6,548)
Transmission and distribution	20,637	20,637	18,445	2,192
Other interconnection expenses	3,830	3,830	2,726	1,104
Total interconnection services	88,667	88,667	91,919	(3,252)
Administrative and general – Duke	30,477	30,477	28,466	2,011
Power Agency services	14,985	14,985	12,725	2,260
Taxes	26,956	26,956	25,289	1,667
Working capital refund	-	-	-	-
Debt service	86,218	113,833	113,768	65
Special funds deposits	74,494	74,494	74,495	(1)
Total Expenses	479,217	506,832	491,401	15,431
Revenue Over (Under) Expenses	$ (18,701)	$ (46,316)	$ (10,631)	$ 35,685

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2021 and 2020.

See accompanying Report of Independent Auditor.

	2020 Budget Original	2020 Budget Final	Actuals (Budgetary Basis)	Positive (Negative) Variance With Final Budget
Revenues:				
Sales to participants	$ 380,622	$ 380,622	$ 369,269	$ (11,353)
Sales to utilities	101,203	101,203	79,320	(21,883)
Investment income	9,124	8,076	9,136	1,060
Excess Funds valuation	-	-	773	773
Other revenues	1,405	1,405	3,944	2,539
Total Revenues	492,354	491,306	462,442	(28,864)
Expenses:				
Operations and maintenance	111,968	111,968	95,909	16,059
Nuclear fuel	46,683	46,683	40,287	6,396
Interconnection services:				
Purchased power	76,666	76,666	63,348	13,318
Transmission and distribution	21,399	21,399	17,301	4,098
Other interconnection expenses	3,481	3,481	2,567	914
Total interconnection services	101,546	101,546	83,216	18,330
Administrative and general – Duke	34,687	34,687	24,548	10,139
Power Agency services	14,960	14,960	13,424	1,536
Taxes	26,274	26,274	23,490	2,784
Working capital refund	-	100,000	100,000	-
Debt service	86,952	86,952	86,913	39
Special funds deposits	52,900	52,900	52,900	-
Total Expenses	475,970	575,970	520,687	55,283
Excess of Revenues Over (Under) Expenses	$ 16,384	$ (84,664)	$ (58,245)	$ 26,419

North Carolina Municipal Power Agency Number 1
Schedule of Changes in Assets of Funds Invested
($000's)

	Funds Invested January 1, 2020	Debt Proceeds	Power Billing Receipts	Investment Income	Receipts (Disburse-ments)	Transfers
Construction Fund	$ 3,413	$ -	$ -	$ 4	$ (3,417)	$ -
Bond Fund:						
Interest account	18,401	-	-	40	(37,110)	37,415
Reserve account	85,726	-	-	1,956	4	(4,077)
Principal account	41,680	-	-	64	(41,410)	48,955
Total Bond Fund	145,807	-	-	2,060	(78,516)	82,293
Reserve and Contingency Fund	8,535	-	-	291	(49,764)	49,432
Revenue Fund	88,635	-	237,102	1,003	27,968	(304,293)
Operating Fund:						
Working Capital account	49,494	-	-	811	(149,227)	141,998
Fuel account	59,271	-	-	-	(29,686)	42,878
Total Operating Fund	108,765	-	-	811	(178,913)	184,876
Supplemental Fund:						
Supplemental account	218,586	-	32,500	5,210	(48,851)	(12,308)
Reserve for future costs	12,153	-	-	191	-	-
Total Supplemental Fund	230,739	-	32,500	5,401	(48,851)	(12,308)
Total Funds Invested	$ 585,894	$ -	$ 269,602	$ 9,570	$ (331,493)	$ -

Note: The schedule above has been prepared in accordance with the underlying Bond Resolution, and accordingly, does not reflect the change in the fair value of investments as of December 31, 2021 and 2020.

See accompanying Report of Independent Auditor.

Funds Invested December 31, 2020	Debt Proceeds	Power Billing Receipts	Investment Income	Receipts (Disburse-ments)	Transfers	Funds Invested December 31, 2021
$ -	$ -	$ -	$ -	$ -	$ -	$ -
18,746	-	-	3	(36,249)	35,008	17,508
83,609	-	-	1,064	18	(531)	84,160
49,289	-	-	13	(49,265)	78,584	78,621
151,644	-	-	1,080	(85,496)	113,061	180,289
8,494	-	-	75	(42,605)	42,449	8,413
50,415	-	261,321	663	35,053	(337,529)	9,923
43,076	-	-	360	(153,900)	157,765	47,301
72,463	-	-	-	(63,606)	40,124	48,981
115,539	-	-	360	(217,506)	197,889	96,282
195,137	-	118,313	2,820	(53,171)	(45,786)	217,313
12,344	-	-	117	-	29,916	42,377
207,481	-	118,313	2,937	(53,171)	(15,870)	259,690
$ 533,573	$ -	$ 379,634	$ 5,115	$ (363,725)	$ -	$ 554,597