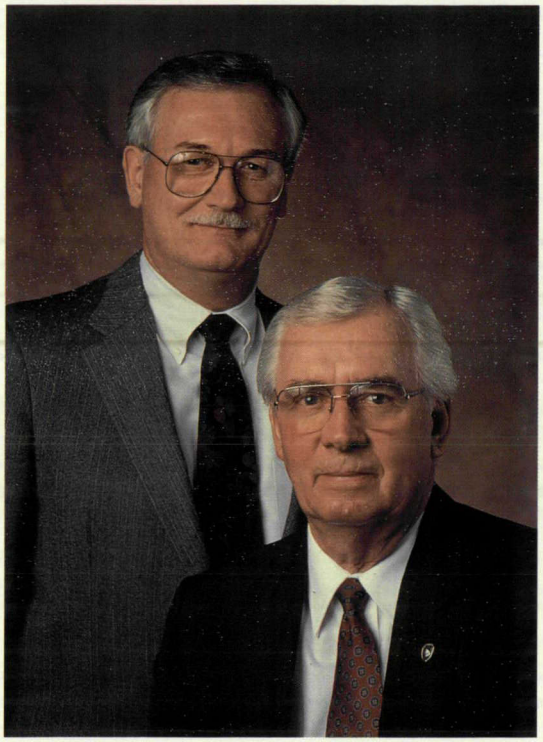
North
Carolina
Municipal
Power
Agency
Number One

1992 ANNUAL REPORT

NCMPA 1 1992 Annual Report Table of Contents

NCMPA 1 General Manager James T. Bobo and Chairman George W. Clay, Jr.



"The river brought life," said Richard Allison.

"It meant game and fish for the Indians and the settlers. When the river flooded, it silted the bottoms for planting. It was the river that created the electricity that started the factories that built the cities. . .

"It's hard to imagine what this section of the Carolinas would be without the Catawba."

Mr. Allison, 69, was born on the banks of the Catawba River in Mecklenburg County, N.C. His thoughts, published by the Charlotte Observer, speak for generations of Piedmont North Carolinians whose lives have been touched by the region's most important body of water.

Many of today's participants in North Carolina Municipal Power Agency Number 1 are cities whose fortunes were tied to the series of hydroelectric projects constructed by Duke Power Company along Catawba's route through the region.

Today, Catawba's ties with those public power communities remain strong. Power agency members within the river's basin — and others more than a pebble's skip away — now derive their principal source of power from the appropriately named Catawba Nuclear Station standing alongside one of the river's 13 lakes.

These cities and towns are linked not only by their mutual ties to Catawba, but by their power supply partnership provided by our power agency. Like the old river itself, our members have adapted to changing needs while staying true to their basic course.

Today, they look to the power agency to help them stay abreast of new innovations in an increasingly challenging environment.

During 1992, we ploughed new ground across several fields. We launched economic development activities to help our cities expand their customer base. We sought to strengthen existing relations by emphasizing customer service training and putting in every member's hands a comprehensive manual on customer service policies.

To put ourselves on equal footing with other North Carolina power suppliers, we secured passage of legislation allowing the power agency to pursue demand side management programs. And pursue them we did — from rebate programs designed to increase use of electric appliances to pilot programs in such areas as leased security lighting to budget billing.

Few of these programs were envisioned when our power agency was formed a little more than a decade ago. Once again, we are demonstrating that collectively, we can expand our emphasis and adapt to changing needs and demands.

Working together through our power agency, our cities and towns — like the river that unites us — will remain in the forefront of a dynamic, progressive region. •

James T Bobo
General Manager

Geo W Clay, Jr.
Chairman

The 19 NCMPA 1 participants serve large cities and small towns, such as Landis, in the Piedmont region of North Carolina.

NCMPA 1 has been the all-requirements power supplier since 1983 for 19 municipalities in the Piedmont region of North Carolina. Through their representatives on the Board of Commissioners, the municipalities control their power supply and rates.

NCMPA 1 has important relationships with these groups:

ELECTRICITIES

ElectriCities of North Carolina, Inc., a non-profit service association based in Raleigh, provides management staff and services to the power agency. The staff carries out the agency's daily operations, which include financing and accounting, contract administration, rate setting, billing, planning and budgeting. It closely monitors Duke Power Company's performance in fulfilling project obligations.

ElectriCities also provides participants with load management recommendations, retail rate design, communications, marketing, safety, training, legislation and regulatory matters.

DUKE POWER COMPANY

NCMPA 1 owns 75 percent of Unit 2 and 37.5 percent of the support facilities at Catawba Nuclear Station.

Under the agency's contract with Duke, the utility company is responsible for fueling, operation and capital additions. Duke is also contractually required to provide NCMPA 1 with any additional power requirements.

The power agency has two reliability exchange agreements with Duke to ensure that participants have sufficient power to meet their needs.

The exchange agreements allow the agency's ownership entitlement for power to be provided in equal amounts from four units — two each at Catawba and McGuire nuclear stations. The agreements eliminate the risk of dependence on a single unit.

THE PARTICIPANTS

Each of the 19 participants executed a Project Power Sales Agreement with the agency. These "take or pay" agreements require payment to be made whether or not they receive project power. The agreements are the security for the agency's bonds.

Each participant also signed a Supplemental Power Sales Agreement with the agency. These agreements are "take and pay," and require payment to be made only for power actually received. Under these agreements, a participant agrees to purchase all of its electric power from the agency, over and above its ownership entitlement. It excludes any power made available by the Southeastern Power Administration (SEPA). SEPA is the regional federal marketing agency for hydroelectric power. •

Residents of Kings Grant Court retirement complex in Statesville earn annual credits of $40 when they join the city's load management program. Water heaters and heat pumps are cycled during peak periods, reducing the city's bill, too. The apartment complex promotes load management credits in radio advertisements.

It's our business to help keep power costs low and service levels high for our customers. Here's what we did in 1992 for the 19 cities and towns of NCMPA 1:

LOAD MANAGEMENT

New record set for fewest recommendation hours

Each month, NCMPA 1 phones participants with load management recommendations that alert participants to reduce electric use during peak periods. One goal — predict the hour each month that will be the hour of the combined system peak. Another goal — keep recommendations to a minimum and avoid customer inconvenience. NCMPA 1 predicted the peak hour in 11 of 12 months. It also set a record for recommending load management for only 53 hours in 1992. All told, load management efforts — from voltage control to residential switches — saved participants more than $6.5 million.

The participants in NCMPA 1's Electric-$ave program increased the number of load management switches by 30 percent in 1992.

REBATES

Money back guarantee

After approving rebates in late 1991, NCMPA 1 commissioners began to see fruits of their labor when participants gave $103,000 to customers in electric water heater and energy-efficient heat pump rebates.

Statesville awarded more than $12,000 in rebates to the local housing authority after it replaced 83 old water heaters with new ones. The money will be used to renovate and landscape the property.

Herb Greene, left, owner of Lake Hickory Furniture Store in Granite Falls, reduced his electric bill by about 15 percent after switching to fluorescent bulbs for his showroom lamps and monitoring temperatures. He got help from Jim Cushing, the town's load management specialist, and Linda Story, town manager. Said Greene: "The fluorescents really add to the ambience, which is important in this business."

CUSTOMER SERVICE

Power to the people in '92

A task force, including representatives from NCMPA 1 cities, completed *Guidelines for Customer Service Policies and Procedures.* The manual includes state statutes, N.C. Utilities Commission guidelines and ElectriCities recommendations. It is the first comprehensive effort to offer uniform policy suggestions that benefit community and customer.

Customer service training continued in 1992 as 265 employees in 14 cities participated.

COMMUNICATIONS

Information has its rewards

At spring regional meetings from Albemarle to Morganton the news was direct: "Power costs are going up; here's why and here's what we're doing about it." More than 80 percent of all elected officials attended.

Several ElectriCities publications and programs won state and local communications and public relations awards.

North Carolina ranked first in the nation in reported Public Power Week celebrations.

Lexington and Newton were recognized at the Annual Meeting with the first Hometown Communicator awards for their outstanding programs.

GOVERNMENT AFFAIRS

State, federal laws aid power agency

More than 200 people attended a Legislative Reception in July at ElectriCities offices. Also, for the first time, ElectriCities hosted a

High Point Regional Hospital trucks its littlest patients around in wagons. In pursuit of lower electric bills, the City of High Point and the hospital got things rolling with joint savings from the hospital's generators. The generators are used during periods of peak demand, reducing the city and hospital's need to purchase higher cost electricity.

reception for the North Carolina Congressional delegation in conjunction with an American Public Power Association conference.

On the national level, ElectriCities' government affairs director worked with the Clean Air Act Advisory Committee to ensure the power agency's needs were met. Work with the Transmission Access Policy Group assured fair treatment in the federal energy bill of transmission-dependent utilities, such as the power agency.

N.C. legislators approved an amendment to state statutes that allows NCMPA 1 to pursue demand side programs, making participants more competitive with other power suppliers.

RATES

Economic development rate

For the first time in power agency history, participants can benefit from wholesale economic development rates. The rate, introduced in September, rewards cities who add large customers to their systems by reducing the city's wholesale power costs over a 4 1/2-year period. The city then returns at least 80 percent of those savings to the customer.

Also in 1992, NCMPA 1 commissioners voted to increase wholesale rates by 6 percent, effective July 1.

Wholesale rates cover the cost of project power supply ownership and operations, including fuel, supplemental power needs, administrative and general expenses, and any taxes levied by state and local governments.

The Southeastern Power Administration, a federal agency, supplies most participants' other power needs with allocations of hydroelectric generation.

Exchange agreements with Duke Power Company ensure that participants have sufficient power to meet their needs.

Within two days after state officials learned of the new economic development rate, the power agency had fielded several inquiries from developers.

THE BOTTOM LINE

Cost-savers and forward thinking

- NCMPA 1's November bond issue of $1.22 billion, the agency's largest, resulted in debt service savings of $87 million in today's dollars.
- The power agency successfully petitioned the S.C. Department of Revenue to exclude refunding losses from 1991 and future years' property tax base, saving NCMPA 1 $674,000 in additional 1991 property taxes and $777,000 in 1992 property taxes. The ruling is based on NCMPA 1's ownership interest in the Catawba Nuclear Station in York County, S.C.
- Cost reviews involving billings with Duke reduced NCMPA 1's costs by $94,000.
- Arbitration issues resulted in a settlement for the power agency valued at $2.7 million.
- An appliance saturation survey gave participants a benchmark for future progress.
- ElectriCities added a residential marketing specialist and a strategic load growth specialist to its marketing staff.
- Pilot programs included a leased security light program in Newton and special promotion of bank draft and budget billing programs in Statesville.
- The power agency conducted retail rate studies for four participants and special studies or updates were completed for two other members. •

Board of Commissioners and Management Staff

COMMISSIONERS[1,2]

Raymond I. Allen
City Manager
Albemarle

Janice Hovis
City Manager
Cherryville

James L. Dorton
Alderman
Concord

Theresa Schwab
Commissioner
Cornelius

Morris Baker
Town Manager
Drexel

Gary D. Hicks
City Manager
Gastonia

A. W. Huffman, Jr.
Mayor
Granite Falls

J. William McGuinn
High Point

Bobbie G. Ross
Mayor
Huntersville

Bobby O. Wood
Public Works Director
Landis

L. Klynt Ripple
Utilities Commission
Member
Lexington

Stephen H. Peeler
Director of Public
Works and Utilities
Lincolnton

Marcus C. Midgett
Council Member
Maiden

Jerry E. Cox
City Manager
Monroe

Robert H. Choate
Council Member
Morganton

Richard L. French
City Manager
Newton

Mary Ann Creech
Town Administrator
Pineville

George W. Clay, Jr.
Mayor
Shelby

Arthur E. Peterson
Council Member
Statesville

ALTERNATE COMMISSIONERS[1,3]

Tidus Stanback
Council Member
Albemarle

Jack F. Neel
Council Member
Albemarle

Jack Rich, Sr.
Council Member
Bostic

Kyle Beam
Council Member
Cherryville

Robert L. Race
Town Administrator
Cornelius

Benny J. Orders
Alderman
Drexel

Jack R. Clark
Commissioner
Granite Falls

Linda K. Story
Town Manager
Granite Falls

H. Lewis Price
City Manager
High Point

Lloyd D. Shank, Jr.
Director of Electric
Utilities
High Point

Jimmy Dove
Commissioner
Huntersville

Ed Humphries
Town Manager
Huntersville

A. B. Patterson, Jr.
Assistant Public Works
Director
Landis

John T. Walser, Jr.
Council Member
Lexington

R. Duke Whisenant
City Manager
Lexington

Jerry L. Campbell
Mayor
Lincolnton

Kevin C. Sanders
Administrative Assistant
Maiden

Don Mitchell
Electrical Director
Monroe

Jay Coffey
Director,
Public Utilities
Morganton

T. Jack Matthews
City Engineer
Newton

J. K. Mills
Council Member
Pineville

Stephen S. Royster
Council Member
Shelby

Smith D. Lingerfelt
Electrical
Superintendent
Shelby

John E. Marshall
Council Member
Statesville

Larry M. Cranford
Electrical Utility
Director
Statesville

1992 OFFICERS AND AT-LARGE EXECUTIVE COMMITTEE MEMBERS

Chairman -
George W. Clay, Jr.
Mayor, Shelby

Vice Chairman -
A. W. Huffman, Jr.
Mayor, Granite Falls

Secretary-Treasurer -
R. Duke Whisenant
City Manager,
Lexington

Members At-Large:

Morris Baker
Town Manager,
Drexel

Gary D. Hicks
City Manager,
Gastonia

Janice Hovis
City Manager,
Cherryville

Arthur E. Peterson
Council Member,
Statesville

MANAGEMENT STAFF

James T. Bobo
General Manager

William H. Batt
Director -
Finance and
Administration

Jack S. Childs
Director -
Communications

Alice D. Garland
Director -
Government Affairs

Arthur L. Hubert, Jr.
Director -
Operations and
Services

William G. Wemhoff
Director -
Power Supply Planning

[1] As of December 31, 1992.

[2] The Commissioner's seat in Bostic was vacant as of December 31, 1992.

[3] The Alternate Commissioners' seats in Concord and Gastonia were vacant as of December 31, 1992.

From left: Secretary-Treasurer R. Duke Whisenant, Vice Chairman A.W. "Bert" Huffman, Jr., and Chairman George W. Clay, Jr.

NCMPA 1 Board of Commissioners meeting in Charlotte.

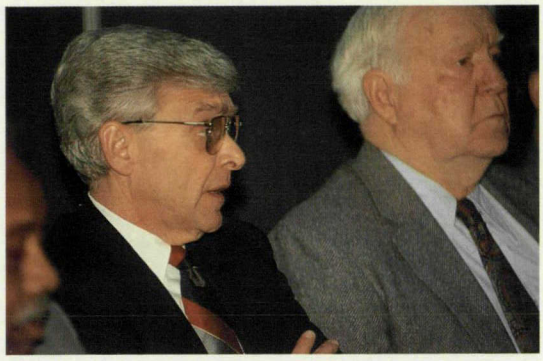
Marcus C. Midgett, Maiden council member.

From left: Duke Whisenant, Lexington city manager, and George Clay, Shelby mayor.

Steve Peeler, Lincolnton director of public works and utilities.

Arthur E. "Pete" Peterson, Statesville council member.

From left: Smith D. Lingerfelt, Shelby electric superintendent, and Jay Coffey, Morganton director of public utilities.



From left: Gary D. Hicks, Gastonia city manager; and Klynt Ripple, Lexington utilities commission member.

Mary Ann Creech, Pineville town administrator.

The control room at Catawba Nuclear Station. NCMPA 1 has 75 percent ownership in Unit 2, whose capacity factor of 92.5 percent in 1992 was the 20th best in the world.

CATAWBA NUCLEAR STATION UNITS 1 AND 2

Where: Lake Wylie, SC
17 miles southwest of Charlotte, NC
Fuel Type: Nuclear
MNDC*: 1129 mW per unit**
Commercial Operation:
Unit 1 – June 1985
Unit 2 – August 1986

During the first six months of 1992, Catawba had a capacity factor of 99.4 percent. This was the highest capacity factor ever for any Duke nuclear station in a similar time period.

Unit 1 completed its sixth scheduled refueling outage in October. Before the outage, the unit completed a record run of 281 days of continuous operation.

In November, Unit 2 ended a unit record of 263 days of continuous operation. The unit's capacity factor of 92.5 percent was the 20th best in the world, and the gross generation of 9,785,010 megawatt-hours was fourth best in the nation.

McGUIRE NUCLEAR STATION UNITS 1 AND 2

Where: Lake Norman, north of Charlotte, NC
Fuel Type: Nuclear
MNDC: 1129 mW per unit**
Commercial Operation:
Unit 1 — December 1981
Unit 2 — March 1984

McGuire Unit 2 completed a nine-week refueling outage in March.

**MNDC is maximum net dependable capability, the maximum output that can be expected from a generating unit when it is operating at full capacity, less the requirements for auxiliaries.*

*** Duke changed the MNDC rating of each Catawba and McGuire unit to 1129 mW effective January 1, 1988. The power agency is challenging this change, and negotiations are continuing.* •

NCMPA 1 took advantage of market conditions in November with a bond issue of $1.22 billion, the agency's largest. The sale had present value savings of $87 million in the agency's debt service. (Declining interest rates sent the power agency to market again in March 1993, this time with a bond sale of $616.28 million. This sale had present value savings of $52 million.)

Also in 1992:

- The power agency selected a new underwriting team, consisting of ten firms.
- NCMPA 1 added Fitch Investors Service to its list of rating agencies.

The Local Government Commission, a Department of the State Treasurer division, is involved in all phases of the agency's debt financings, monitors the financial condition of the agency and participants, and has statutory authority to require power agency-served cities to set electric rates sufficient to meet their contractual obligations to the agency. •

PORTFOLIO STATISTICS

*Earnings**

	Income	Rate of Return
1992	$56,490,000	7.62%
1991	62,526,000	8.29%

*Market Value as of 12/31**

	Value	Average Maturity
1992	$816,757,538	3.8 years
1991	874,746,283	4.5 years

Transactions

	Number	Amount
1992	539	$4,341,769,917
1991	1,000	8,523,928,512

** For Earnings and Market Value, amounts include income from and market value of securities held in the decommissioning trust.*

DEBT STATISTICS

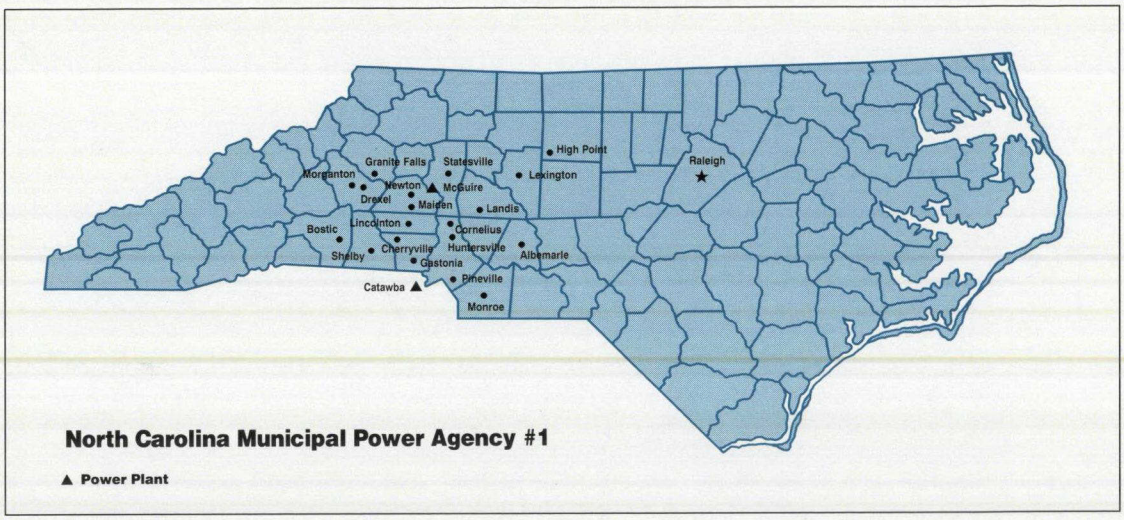
Debt Outstanding

	Value (Thousands)	Weighted Average Interest Cost
12/31/92	$2,591,032	6.99%
12/31/91	2,473,222	8.03

BOND RECONCILIATION

Bonds Outstanding 12/31/91	$2,473,222,000
Issued Series 1992	1,222,555,000
	3,695,777,000
Matured 1/92	-23,150,000
Redeemed 1/92	-19,450,000
Refunded	-1,062,145,000
Bonds Outstanding 12/31/92	$2,591,032,000

Bonds Outstanding 12/31/92	
Series 1992	$1,222,555,000
Series 1990	154,375,000
Series 1988	155,542,000
Series 1986	170,430,000
Series 1985B	172,925,000
Series 1985A	44,535,000
Series 1985	69,085,000
Series 1984	13,050,000
Series 1983	29,625,000
Series 1982	24,730,000
Series 1981	27,800,000
Series 1979	138,780,000
Series 1978	367,600,000



City	*Customers*	*Gross Revenues From Sales*
Albemarle	10,574	$16,021,101
Bostic	172	136,060
Cherryville	2,363	3,940,479
Cornelius	1,151	1,412,135
Drexel	1,113	1,123,642
Gastonia	23,587	40,208,879
Granite Falls	1,783	2,784,738
High Point	30,966	55,629,318
Huntersville	1,168	1,714,870
Landis	2,454	2,535,956
Lexington	16,665	28,278,766
Lincolnton	2,549	3,844,898
Maiden	948	3,753,559
Monroe	8,224	24,072,791
Morganton	7,328	15,464,578
Newton	3,608	5,535,755
Pineville	2,429	4,515,217
Shelby	7,772	11,544,714
Statesville	10,967	23,230,515
Total	***135,821***	***$245,747,971***

Board of Commissioners
North Carolina Municipal Power Agency Number 1

We have audited the accompanying balance sheets of North Carolina Municipal Power Agency Number 1 as of December 31, 1992 and 1991 and the related statements of revenues and expenses and changes in retained earnings and cash flows for the years then ended.
These financial statements are the responsibility of the Agency's management.
Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards.
Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Municipal Power Agency Number 1 at December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Revenues and Expenses per Bond Resolution and Other Agreements and Changes in Assets of Funds Invested are presented for purposes of additional analysis and are not a required part of the basic financial statements of North Carolina Municipal Power Agency Number 1. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young

Raleigh, North Carolina
March 16, 1993

	December 31, 1992	December 31, 1991
ASSETS		
Electric Utility Plant (Notes B and C):		
Electric plant in service, net of accumulated depreciation of $275,239 and $234,130	$1,138,277	$1,171,805
Construction work in progress	7,049	5,895
Nuclear fuel, net of accumulated amortization of $195,068 and $166,937	60,166	67,345
	1,205,492	1,245,045
Non-Utility Property and Equipment, net (Note B)	2,151	2,100
Special Funds Invested (Notes B, C, D, and F):		
Bond fund	291,196	347,272
Reserve and contingency fund	21,925	21,602
Special reserve fund	1,113	1,119
	314,234	369,993
Trust for Decommissioning Costs (Note B)	31,409	26,359
Operating Assets:		
Funds invested (Notes B, D, and F):		
Revenue fund	341,400	343,064
Operating fund	102,999	85,043
Supplemental fund	2,374	18,476
	446,773	446,583
Participant accounts receivable	15,469	14,281
Operating accounts receivable		15,008
Prepaid expenses	42,200	38,440
	504,442	514,312
Deferred Costs (Note B):		
Unamortized debt issuance costs	40,845	41,268
Excess costs on advance refundings of debt	319,874	191,988
Net costs to be recovered from future billings to participants (Note E)	89,642	46,585
	$2,508,089	$2,437,650

See notes to financial statements.

	December 31, 1992	1991
LIABILITIES & RETAINED EARNINGS		
Long-Term Debt:		
Bonds, net of unamortized discount (Notes B and F)	$2,370,915	$2,256,810
Special Funds Liabilities:		
Current maturities and redemptions of bonds (Note F)	24,810	42,600
Accrued interest on bonds	52,608	90,349
	77,418	132,949
Liability for Decommissioning Costs (Note B)	31,409	26,359
Operating Liabilities:		
Accounts payable	10,394	181
Accrued taxes	13,674	11,273
	24,068	11,454
Commitments and Contingencies (Note G)		
Retained Earnings	4,279	10,078
	$2,508,089	$2,437,650

See notes to financial statements.

North Carolina Municipal Power Agency Number 1

Statements of Revenues and Expenses and Changes in Retained Earnings ($000s)

	Year Ended December 31, 1992	1991
Operating Revenues:		
Sales of electricity to participants	$183,609	$176,354
Sales of electricity to utilities	234,625	262,456
	418,234	438,810
Operating Expenses:		
Operation and maintenance	76,013	77,028
Nuclear fuel	32,972	28,805
Interconnection services:		
Purchased power	125,058	121,469
Transmission and distribution	11,649	11,861
Other	(2,509)	232
	134,198	133,562
Administrative and general	22,978	23,405
Gross receipts and excise taxes (Note B)	8,585	8,001
Property tax (Note B)	11,147	8,964
Depreciation	43,701	43,443
	329,594	323,208
Net Operating Income	88,640	115,602
Interest Charges (Credits):		
Interest expense	176,511	180,917
Amortization of debt refunding costs	11,216	6,941
Amortization of debt discount and issuance costs	3,729	3,266
Investment income	(53,960)	(60,480)
Net interest capitalized (Note C)		(39)
	137,496	130,605
Net Costs to be Recovered from Future Billings to Participants (Note E)	43,057	2,459
Deficiency of Revenues Over Expenses	(5,799)	(12,544)
Retained Earnings, beginning of year	10,078	22,622
Retained Earnings, end of year	$ 4,279	$ 10,078

See notes to financial statements.

	Year Ended December 31, 1992	1991
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 437,837	$434,735
Payments of operating expenses	(261,964)	(241,073)
Net cash provided by operating activities	175,873	193,662
Cash Flows from Capital and Related Financing Activities:		
Bonds issued	1,222,555	
Bonds refunded	(1,062,145)	
Interest paid	(177,496)	(174,615)
Refunding Trust Fund requirement	(95,162)	
Additions to electric utility plant and non-utility property and equipment	(22,525)	(25,854)
Bonds retired	(42,600)	(21,020)
Investment earnings receipts from construction fund		60
Debt discount and issuance costs paid	(105,493)	(128)
Net cash used for capital and related financing activities	(282,866)	(221,557)
Cash Flows from Investing Activities:		
Sales of investment securities	4,223,200	7,969,611
Purchases of investment securities	(4,165,317)	(7,993,049)
Investment earnings receipts from non-construction funds	49,108	51,323
Net cash provided by investing activities	106,991	27,885
Net Decrease in Cash and Cash Equivalents	(2)	(10)
Operating Cash, beginning of year	10	20
Operating Cash, end of year (Note D)	$ 8	$ 10

See notes to financial statements.

	Year Ended December 31, 1992	1991
Reconciliation of Net Operating Income To Net Cash Provided by Operating Activities:		
Net operating income	$ 88,640	$115,602
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	43,701	43,443
Amortization of nuclear fuel	32,972	28,805
Changes in assets and liabilities:		
Increase in participant accounts receivable	(1,188)	(1,631)
Decrease in operating accounts receivable	15,008	5,270
(Increase) decrease in prepaid expenses	(3,760)	3,435
Decrease in accounts payable	(1,901)	(2,911)
Increase in accrued taxes	2,401	1,649
Total adjustments	87,233	78,060
Net cash provided by operating activities	$175,873	$193,662

See 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 has twenty members, nineteen (participants) which receive power from the agency and one which receives power from Duke Power Company (Duke).

The agency has entered into several agreements with 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 a 75% undivided ownership interest in Unit 2 of the Catawba Nuclear Station (station) and a 37.5% undivided ownership interest in certain support facilities of the station. However, by virtue of various provisions 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 Unit 1 and 37.5% of 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 Interconnection Agreement provides for the interconnection between Duke's electric power system and the agency's project and for the exchange of power between Unit 1 and Unit 2 of the station and between the Catawba units and Duke's McGuire Nuclear Station. The agreement also provides for the purchase and sale of capacity and energy, and the transmission of energy to the agency's participants.

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.

As part of the Interconnection Agreement, the agency agrees to sell back to Duke, on a take-or-pay basis, capacity from each Catawba unit in decreasing amounts. In calendar year 1992, the agency has retained approximately 22 percent of the agency's share of the station's aggregate available capacity, and will retain increasing amounts thereafter through December 31, 2000 when the agency retains 100 percent of the agency's share and the sell-back arrangement terminates.

The agency's acquisition of its ownership interest is being financed by the issuance of 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, 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.

The agency has entered into a Project Power Sales Agreement and a Supplemental Power Sales Agreement with each participant. These agreements provide for each participant to purchase from the agency its all requirements bulk power supply, in excess of power allotments from Southeastern Power Administration (SEPA), which includes its total share of project output (as defined by the Project Power Sales Agreement). The agency is obligated to provide all electric power required by each participant at the respective delivery points. Each participant is obligated to pay its share of the operating and debt service costs of the project.

The agency's participants receive their total electric power, exclusive of power allotments from SEPA, from the agency. Such power is provided by project output together with supplemental purchases of power from Duke.

Continued

Pursuant to two "Reliability Exchanges" contained in the Interconnection Agreement, project output is provided in essentially equal amounts from Catawba Unit 2 and three other nuclear units (Catawba Unit 1, McGuire Unit 1, and McGuire Unit 2) in operation on the Duke system, 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.

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 all personnel and personnel services necessary for the agency to conduct its business in an economic and efficient manner.

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 generally accepted accounting principles (GAAP).

Electric Plant in Service

All expenditures 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, 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.

Construction Work in Progress

All expenditures related to modifications identified prior to commercial operation and to capital additions, including interest expense net of investment income on funds not yet expended, 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 items after they are transferred.

Nuclear Fuel

All expenditures related to the purchase and construction of nuclear fuel cores, including interest expense net of investment income on funds not yet expended, are capitalized until such time as the cores are placed in the reactor. At that time, they are amortized and charged to fuel expense on the units of production method. Amortization of nuclear fuel costs includes estimated disposal costs of $4,841,000 and $5,222,000 for the years ended December 31, 1992 and 1991, respectively.

Non-Utility Property and Equipment

All expenditures related to purchasing and installing an in-house computer, jointly owned with North Carolina Eastern Municipal Power Agency (NCEMPA), have been capitalized and are fully depreciated. Also included are the land and administrative office building jointly owned with NCEMPA and used by both agencies and ElectriCities. The administrative office building is being depreciated over 37 1/2 years on a straight-line basis.

Investments

Investments are carried at amortized cost. Discounts and premiums, if any, are amortized over the terms of the related investments in a manner which yields a constant rate of return. In those instances where market values are below

amortized cost, no provision for loss has been provided since it is the agency's intention to hold the securities to maturity.

Decommissioning Costs

U.S. Nuclear Regulatory Commission (NRC) regulations require that each licensee of a commercial nuclear power reactor furnish to the NRC certification of its financial capability to meet the costs of nuclear decommissioning at the end of the useful life of the licensee's facility. As a co-licensee of Catawba Unit 2, the agency is subject to these requirements and therefore has furnished certification of its financial capability to fund its share of the costs of decommissioning the Catawba Station.

To satisfy the NRC's financial capability regulations, the agency established an external trust fund (the "Decommissioning Trust") pursuant to a trust agreement with Wachovia Bank and Trust Company. The agency's certification of financial capability requires that the agency make annual deposits to the Decommissioning Trust which, together with the investment earnings and amounts previously on deposit in the trust, 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 to meet the agency's share of the decommissioning cost figure of $105 million per unit (1986 dollars) set forth in the NRC regulations. 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.

Under the NRC regulations, the Decommissioning Trust is required to be segregated from the agency assets and outside the agency's administrative control. The agency is deemed to have incurred and paid decommissioning costs as annual withdrawals are made from the Decommissioning Fund and deposited to the Decommissioning Trust.

Deferred Costs

Unamortized debt issuance costs, shown net of accumulated amortization, are being amortized on the interest method over the term of the related debt. Excess costs on advance refundings of debt are deferred and amortized over the term of the debt issued on refunding. Net costs to be recovered from future billings to participants are not amortized but will be recovered through future rates (See Note E).

Discount on Bonds

Discount on bonds is amortized over the terms of the related bonds in a manner which yields a constant rate of interest.

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 which would otherwise be assessed on the non-utility property and equipment of the agency. In lieu of a franchise or privilege tax, the agency pays to North Carolina an amount equal to 3.22% of the gross receipts from sales of electricity to participants. Electric utility property is located in South Carolina and subject to South Carolina property tax. An electric power excise tax equal to .05% (5/10 mill) for each kilowatt-hour of electric power sold for resale within South Carolina is also paid.

Statements of Cash Flows

The agency has adopted cash flow reporting as required by Governmental Accounting Standards Board Statement No. 9. For purposes of the statements of cash flows, operating cash consists of unrestricted cash included in the line item on the balance sheets "operating assets: funds invested".

C. CONSTRUCTION PROGRAM

Interest costs of $0 and $396,000 were capitalized as part of the cost of capital additions and power plants under construction during 1992 and

Continued

1991, respectively. The capitalized interest costs were offset by $0 and $357,000 of interest earned on related unexpended bond proceeds for 1992 and 1991, respectively.

In 1991, the Board of Commissioners determined that there were no remaining costs of acquisition and construction as defined in the resolution. Therefore, the board passed resolution R-6-91 terminating the Construction Fund of the agency. The $19.5 million remaining in the fund was transferred to the Bond Fund Retirement Account to call at par certain debt of the agency as defined in the resolution.

With the closeout of the Construction Fund, the construction program of the agency officially ended. In accordance with terms of the resolution, all remaining capital additions are being paid from the Reserve and Contingency Fund with the exception of the Catawba generator replacement project.

D. INVESTMENTS

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 the Bond Fund Trustee, Construction Fund Trustee, or any government bond dealer reporting to the Federal Reserve Bank of New York which mature within nine months from the date they were entered into and are collateralized by previously described obligations, and 5) bank time deposits evidenced by certificates of deposit and bankers' acceptances.

Bank time deposits may only be in banks with capital stock, surplus, and undivided profits of $20,000,000 or $50,000,000 for North Carolina banks and out-of-state banks, respectively, and the agency's investments deposited in such banks cannot exceed 50% and 25%, respectively, of such banks' capital stock, surplus, and undivided profits.

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 in excess of $20,000,000. At December 31, 1992 and 1991, the agency had $11,000 and $15,000, respectively, so deposited.

The agency's investments are categorized to give an indication of the level of risk assumed by the agency at year-end. All agency investments are category 1 which includes investments that are insured or registered or for which the securities are held by the agency or its agent in the agency's name. *SEE SCHEDULE.*

In accordance with the provisions of the resolution, the collateral under the repurchase agreements is segregated and held by the trustee for the agency.

E. NET COSTS TO BE RECOVERED FROM FUTURE BILLINGS TO PARTICIPANTS

Rates for power billings to participants are designed to cover the agency's "costs" as defined by (1) the resolution, (2) the Project Power Sales Agreements, and (3) the Supplemental Power Sales Agreements. The agency's rates are structured to systematically provide for the debt requirements, operating funds, and reserves as specified by the resolution and power sales agreements. Recognition of "expenses" (defined according to GAAP) which are not included as "costs," is deferred to such period as it is intended that such "expenses" be covered by rates. Recognition of those "revenues," which under the resolution and the power sales agreements are collected to cover "costs" that are not "expenses," is deferred to such period as it is intended that such "revenues" cover "expenses."

All rates must be approved by the Board of Commissioners. Rates are designed on an annual basis and are reviewed quarterly. If they are determined to be inadequate, rates may be revised.

Continued

INVESTMENTS ($000s)	*December 31, 1992*		*December 31, 1991*	
	Carrying Amount	*Market Value*	*Carrying Amount*	*Market Value*
Repurchase agreements	$ 77,328	$ 77,328	$197,028	$197,028
U.S. government securities	186,793	195,104	211,326	223,026
U.S. government agencies	404,040	426,732	384,916	412,963
Municipals	4,094	4,301	6,961	6,968
Collaterized mortgage obligations	77,667	77,031	4,121	4,290
	749,922	$780,496	804,352	$844,275
Operating cash	8		10	
Restricted cash	3		5	
Accrued interest	11,074		12,209	
Total funds invested	$761,007		$816,576	
Consisting of:				
Special funds invested	$314,234		$369,993	
Operating assets	446,773		446,583	
	$761,007		$816,576	

NET COSTS ($000s)	*Year ended December 31,*		*Inception to December 31,*	
	1992	*1991*	*1992*	*1991*
GAAP Items Not Included in Billings to Participants:				
Interest expense not capitalizable	$180,240	$183,070	$1,273,924	$1,093,684
Depreciation	52,384	47,864	325,906	273,522
Training costs			6,696	6,696
	232,624	230,934	1,606,526	1,373,902
Bond Resolution Requirements Included in Billings to Participants:				
Special funds (withdrawals) deposits	(25,883)	17,287	281,852	307,735
Debt service	206,405	204,139	1,183,700	977,295
Investment income not available for operating purposes	24,195	25,062	144,986	120,791
Special funds excess valuations	(15,150)	(18,013)	(93,654)	(78,504)
	189,567	228,475	1,516,884	1,327,317
Net costs to be recovered from future billings to participants	$ 43,057	$ 2,459	$ 89,642	$ 46,585

Net costs to be recovered from future billings to participants are detailed in the schedule at the bottom of page 23.

F. 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 refundings may result in the issuance of additional bonds.

As of December 31, 1991, the agency had outstanding $2,473,222,000 of bonds. On January 1, 1992, the agency made principal payments of $23,150,000 for maturing bonds and $19,450,000 for redeemed bonds. In November 1992, an additional $1,222,555,000 of bonds were issued (Series 1992). Proceeds of this issue were used to establish a trust for advance refunding portions of Series 1984, 1985, 1985A, 1985B, 1986, 1988, and 1990 bonds totalling $1,062,145,000, bringing the total outstanding bonds at December 31, 1992, to $2,591,032,000 as follows (in thousands of dollars):

	December 31,	
	1992	*1991*
Series 1978		
5.8% to 6.45% maturing annually from 1992 to 2000	$ 49,605	$ 54,330
6.6% maturing in 2003 with annual sinking fund requirements beginning in 2001	25,870	25,870
6.7% maturing in 2008 with annual sinking fund requirements beginning in 2004	55,935	55,935
6.875% maturing in 2020 with annual sinking fund requirements beginning in 2009	236,190	240,290
	367,600	376,425
Series 1979		
6.25% to 6.9% maturing annually from 1992 to 2000	17,525	19,160
7.1% maturing in 2004 with annual sinking fund requirements beginning in 2001	12,905	12,905
7.375% maturing in 2020 with annual sinking fund requirements beginning in 2005	108,350	109,895
	138,780	141,960
Series 1981		
9.6% to 10% maturing annually from 1992 to 1995	3,115	3,970
8.5% maturing in 2017 with annual sinking fund requirements beginning in 2011	24,685	25,000
	27,800	28,970
Series 1982		
7.5% maturing in 2018 with annual sinking fund requirements beginning in 2009	24,730	25,000

	December 31, 1992	December 31, 1991
Series 1983		
8.25% to 9.25% maturing annually from 1992 to 1996	$ 4,625	$ 6,155
7% maturing in 2018 with annual sinking fund requirements beginning in 2009	25,000	25,000
	29,625	31,155
Series 1984		
8.75% to 9.75% maturing annually from 1992 to 1996	13,050	33,535
7% maturing in 2018 with annual sinking fund requirements beginning in 2009		50,000
	13,050	83,535
Series 1985		
7.5% to 9.1% maturing annually from 1992 to 2000	19,085	48,720
9.375% maturing in 2005 with annual sinking fund requirements beginning in 2001		40,000
7% maturing in 2020 with annual sinking fund requirements beginning in 2019	50,000	50,000
	69,085	138,720
Series 1985A		
7.6% to 9.2% maturing annually from 1992 to 2002	4,990	7,925
9.375% maturing in 2005 with annual sinking fund requirements beginning in 2001		21,005
7% maturing in 2020	39,545	39,545
	44,535	68,475
Series 1985B		
7.6% to 8.75% maturing annually from 1992 to 2002	47,310	106,615
8.75% maturing in 2005 with annual sinking fund requirements beginning in 2003		61,935
8.5% maturing in 2017 with annual sinking fund requirements beginning 2006		338,345
6% maturing in 2020 with annual sinking fund requirements beginning in 2018	125,615	125,615
	172,925	632,510
Series 1986		
6.2% to 7.5% maturing annually from 1992 to 2000	22,125	34,700
7.5% maturing in 2006 with annual sinking fund requirements beginning in 2000		38,915
7% maturing in 2018 with annual sinking fund requirements beginning in 2006	148,305	148,305
5% maturing in 2020 with annual sinking fund requirements beginning in 2018		38,275
	170,430	260,195

Continued

	December 31, 1992	December 31, 1991
Series 1988		
Zero coupon priced to yield 7.3% to 7.6% maturing annually from 2000 to 2003	$ 11,052	$ 11,052
7.7% maturing in 2008 with annual sinking fund requirements beginning in 2003		16,100
7.75% maturing in 2010 with annual sinking fund requirements beginning in 2008	8,310	8,310
7.625% maturing in 2014 with annual sinking fund requirements beginning in 2010	16,180	80,000
6% maturing in 2015 with annual sinking fund requirments beginning in 2013	35,000	35,000
7% maturing in 2016 with annual sinking fund requirements beginning in 2014	60,000	60,000
7.5% maturing in 2017 with annual sinking fund requirements beginning in 2016	25,000	25,000
7.85% maturing in 2019 with annual sinking fund requirements beginning in 2015		166,020
	155,542	401,482
Series 1990		
Zero coupon priced to yield 6.75% maturing from 2004 to 2005	3,670	13,105
5.7% to 7% maturing annually from 1992 to 2006 except for 2004 and 2005	35,970	36,635
6.5% maturing in 2010 with annual sinking fund requirements beginning in 2007	91,600	111,600
5.5% maturing in 2013 with annual sinking fund requirements beginning in 2011		100,320
7% maturing in 2019 with annual sinking fund requirements beginning in 2014	23,135	23,135
	154,375	284,795
Series 1992		
3.5% to 8% maturing annually from 1994 to 2011	523,200	
Zero coupon priced to yield 6.55% to 6.7% maturing annually from 2008 to 2012	100,000	
5.75% maturing in 2015 with annual sinking fund requirements beginning in 2013	191,030	
6.25% maturing in 2017 with annual sinking fund requirements beginning in 2016	135,495	
6.2% maturing in 2018	83,540	
5.75% maturing in 2020 with annual sinking fund requirements beginning in 2019	123,990	
6% Indexed Caps Bonds maturing in 2012	65,300	
	1,222,555	
	2,591,032	2,473,222
Less: Current maturities of bonds	24,810	23,150
Current redemption of bonds (Note C)		19,450
Unamortized discount	195,307	173,812
	$2,370,915	$2,256,810

The fair market value of the agency's long-term debt was estimated using a yield curve derived from December 31, 1992 market prices for similar securities. Using these yield curves, market prices were estimated to call date, to par call date, and to maturity. The lowest of the three prices was used as the estimated market price for each individual maturity and the individual maturities were summed to arrive at a fair market value of $2,549,429,000.

Certain proceeds of the Series 1984, 1985A, 1985B, 1988, 1990, and 1992 bonds were used to establish trusts for advance refunding of $2,661,985,000 of previously issued bonds. At December 31, 1992, $324,865,000 of these bonds have been redeemed. 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, in amounts ranging from par to a maximum redemption price of 103%. 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.

As a result of the refunding, the agency will increase excess costs on advanced refundings of debt by $139,101,000 for the Series 1992 Bonds. However, the agency will benefit from reduced debt service costs of $122,439,000 over the life of the Series 1992 Bonds.

Interest on the bonds is payable semi-annually. The bonds are subject to redemption prior to maturity at the option of the agency, on or after the following dates at a maximum of 103% of the respective principal amounts:

Series 1978, 1979, and 1981	Currently
Series 1982 and 1983	January 1, 1993
Series 1984	January 1, 1994
Series 1985	January 1, 1995
Series 1985A, 1985B, and 1986	January 1, 1996
Series 1988	January 1, 1998
Series 1990	January 1, 2000
Series 1992	January 1, 2003

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.

Maturities and redemptions of outstanding bonds through 1997 and thereafter are as follows (in thousands of dollars):

1993	$ 24,810
1994	27,745
1995	33,715
1996	35,810
1997	38,630
Thereafter	2,430,322
	$2,591,032

On March 12, 1993, the agency issued $616,275,000 of Series 1993 Bonds. The proceeds of the series will be used to advance refund $571,860,000 of previously issued bonds. The series is comprised of $296,405,000 of serial bonds with interest rates ranging from 2.75 percent to 5.5 percent maturing annually from 1994 to 2010, $195,070,000 of 5% bonds maturing in 2015 and 2018, $62,400,000 of PARS maturing in 2012 and 2020 with annual sinking

Continued

fund requirements beginning in 2011 and 2018, respectively, and $62,400,000 of INFLOS maturing in 2012 and 2020 with annual sinking fund requirements beginning in 2011 and 2018, respectively.

As a result of the refunding, the agency will increase excess costs on advanced refundings of debt by $47,002,000 for the Series 1993 Bonds. However, the agency will benefit from reduced debt service costs of $156,486,000 over the life of the Series 1993 Bonds.

G. COMMITMENTS & CONTINGENCIES

The agency has a contractual agreement with ElectriCities whereby ElectriCities provides, at cost, general management services to the agency. This agreement continues through December 31, 1995, 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.

For the years ended December 31, 1992 and 1991, the agency paid ElectriCities $2,472,000 and $1,962,000, respectively.

The Price-Anderson Act limits the public liability for a nuclear incident at a nuclear generating unit to $7,800,000,000, which amount is to be covered by private insurance and agreements of indemnity with the Nuclear Regulatory Commission. Such private insurance and agreements of indemnity are carried by Duke on behalf of all co-owners of the station. The terms of this coverage require the owners of all licensed facilities to provide up to $63,000,000 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 $10,000,000 per unit owned. If any such payments are required, the agency would be liable for 37.5% of those payments applicable to the station.

Property damage insurance coverage presently available for the station has a maximum benefit limited to $2,625,000,000. Such available coverage has been obtained.

The steam generators at the Catawba Station have experienced stress corrosion cracking in the steam generator tubes. Duke has signed an agreement to purchase replacement steam generators for Catawba Unit 1. Catawba Unit 2's steam generators have not shown the degree of corrosion stress cracking which has occurred in Catawba Unit 1 and the Unit 2 steam generators have not been scheduled for replacement. The Catawba Unit 1 steam generator replacement is scheduled for 1996 and is expected to take approximately four months and cost approximately $200 million, excluding the cost of replacement power. The agency's share of the anticipated costs of replacing the steam generators at Catawba Unit 1 (excluding the cost of replacement power) is approximately $70 million.

On March 22, 1990, Duke, purporting to act on behalf of all co-owners of the Catawba Nuclear Station, filed suit in U.S. District Court in Charleston, S.C. against the Westinghouse Electric Corporation. The suit alleges that when Westinghouse sold the Catawba and McGuire steam generators to Duke, it represented that the generators would last for the 40-year life of the stations. It also alleges that the steam generators are defective and will have to be replaced well short of their design life. The suit seeks the costs of repair or replacement of the steam generators as well as the cost of replacement power during the repair outages. In November 1990 the agency became a plaintiff in the suit. •

	Year Ended December 31, 1992			Year Ended December 31, 1991		
	Project	*Supplemental*	*Total*	*Project*	*Supplemental*	*Total*
Revenues:						
Sales of electricity to participants	$ 55,081	$128,528	$183,609	$ 57,227	$119,127	$176,354
Sales of electricity to utilities	234,625		234,625	262,456		262,456
Rate stabilization fund withdrawal	46,115		46,115	3,425		3,425
Fund valuations	15,150		15,150	18,013		18,013
Investment revenue available for operations	29,061	704	29,765	32,399	1,945	34,344
	380,032	129,232	509,264	373,520	121,072	494,592
Expenses:						
Operation and maintenance	76,013		76,013	77,028		77,028
Nuclear fuel	32,972		32,972	28,805		28,805
Interconnection services:						
Purchased power	5,596	119,462	125,058	5,702	115,767	121,469
Transmission and distribution		11,649	11,649		11,861	11,861
Other		(2,509)	(2,509)		232	232
	5,596	128,602	134,198	5,702	127,860	133,562
Administrative and general-Duke	19,132		19,132	19,838		19,838
Administrative and general-agency	1,720	1,782	3,502	1,651	1,782	3,433
Miscellaneous agency expense		344	344		134	134
Gross receipts and excise taxes	4,512	4,073	8,585	4,233	3,768	8,001
Property tax	11,147		11,147	8,964		8,964
Debt service	206,175	230	206,405	204,067	72	204,139
Special funds deposits:						
Decommissioning fund	2,533		2,533	2,520		2,520
Rate stabilization fund						
Reserve and contingency fund	20,232		20,232	20,712		20,712
	22,765		22,765	23,232		23,232
	380,032	135,031	515,063	373,520	133,616	507,136
Deficiency of Revenues Over Expenses	$	$ (5,799)	$ (5,799)	$	$ (12,544)	$ (12,544)

	Funds Invested January 1, 1991	*Power Billing Receipts*	*Investment Income*	*Disbursements*	*Transfers*
Construction fund	$ 18,956	$	$ 1,073	$ (578)	$ (19,451)
Bond fund:					
Interest account	85,669		2,506	(174,396)	177,715
Reserve account	212,596		20,085		(20,191)
Principal account	21,633		687	(21,020)	22,448
Retirement account			89		19,451
	319,898		23,367	(195,416)	(199,423)
Reserve and contingency fund	21,641		3,003	(3,084)	42
Decommissioning fund					
Special reserve fund	1,147		73		(101)
Revenue fund:					
Revenue account	5,081	73,658	781	122,321	(172,019)
Rate stabilization account	291,608		25,058		(3,424)
	296,689	73,658	25,839	122,321	(175,443)
Operating fund:					
Working capital account	29,907		5,253	(123,340)	125,911
Fuel account	48,233				(921)
	78,140		5,253	(123,340)	124,990
Supplemental fund	50,101	101,076	1,872	(5,113)	(129,460)
	$786,572	$174,734	$60,480	$(205,210)	$ 0

Funds Invested December 31, 1991	*Bond and Note Proceeds*	*Power Billing Receipts*	*Investment Income*	*Disbursements*	*Transfers*	*Funds Invested December 31, 1992*
$ 0	$	$	$	$	$	$ 0
91,494	1,578		1,373	(220,688)	179,246	53,003
212,490	683		18,738		(18,659)	213,252
23,748			440	(23,150)	23,903	24,941
19,540			5	(19,450)	(95)	0
347,272	2,261		20,556	(263,288)	184,395	291,196
21,602			2,975	(5,152)	2,500	21,925
1,119			47		(53)	1,113
29,822	9,655	45,560	823	110,810	(146,590)	50,080
313,242			24,193		(46,115)	291,320
343,064	9,655	45,560	25,016	110,810	(192,705)	341,400
37,731			4,708	(139,936)	148,113	50,616
47,312					5,071	52,383
85,043			4,708	(139,936)	153,184	102,999
18,476		136,763	657	(6,201)	(147,321)	2,374
$816,576	$11,916	$182,323	$53,960	$(303,767)	$ 0	$761,007

	1992	1991	1990	1989	1988
Kilowatt-hour Sales (thousands)	3,757,172	3,722,099	3,585,461	3,572,021	3,473,529
Peak Billing Demand (kW)	740,847	742,108	721,247	689,304	723,078
Operating Revenues	$418,234,000	$438,810,000	$432,647,000	$429,098,000	$425,772,000
(Deficiency) Excess of Revenues over Expenses	$(5,799,000)	$(12,544,000)	$(18,534,000)	$19,167,000	$(6,034,000)
Sales to Duke (Revenues)	$234,625,000	$262,456,000	$266,086,000	$263,034,000	$269,443,000
Average Monthly Power Purchases by Cities (MWh)	313,098	310,175	298,788	297,668	289,461
Average Monthly Billings by Cities	$15,301,000	$14,696,000	$13,880,000	$13,839,000	$13,027,000

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