NCMPA 1

North Carolina Municipal Power Agency Number 1

1994 Annual Report

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NCMPA 1: ***Chairman's Message***

The past 12 months have been among the most important to NCMPA1 since the agency was formed in 1976. Much has been accomplished in the past year and the foundation for more progress has been laid.

Some of these accomplishments are obvious. We reorganized our management structure to serve our member cities better. This reorganization improves the power agency's ability to address the issues facing our membership. A more responsive agency will help the cities provide improved service to our ultimate customer... the electricity consumer.

Legislation was introduced in March 1995 which, if passed, will enable the power agency to improve service to its member cities. The 20-year-old statutes that we want revised are quite restrictive, reflecting a utility environment that was highly structured and bureaucratic. The changes we are proposing will enable ElectriCities and the state's two power agencies to form a quick-response executive management board, eliminating the current ElectriCities board of directors and allowing the power agency boards to meet less frequently. The legislation passed its first test in May 1995 when the House Public Utilities Committee unanimously approved it. Parts of the original bill are under study by the Joint Utility Review Committee for possible consideration in the 1996 short session. We believe the legislation will bring about some very positive changes in our service to customers without doing harm to other power providers in North Carolina.

There also has been legislation introduced in the 1995 session of the General Assembly which, if enacted, could significantly affect the participants' ability to compete with investor-owned utilities and electric membership corporations. This proposed legislation could affect competition within and outside the corporate limits of the participant cities and could adversely affect the participant's ability to enlarge their electric systems and obtain new customers. While the power agency is unable to predict the outcome of the proposed legislation, agency participants are working diligently to educate lawmakers about the impact this legislation could have on the agency and agency participants.

On a positive note, our extensive reassessment process began to bear fruit during the past year. Tactical plans have been developed in the areas of marketing, communications, research, planning and organization. Cooperation with North Carolina Eastern Municipal Power Agency has reached new heights. Both agencies continue to find common goals and overlapping areas of need. This spirit of cooperation will be a key to the future success of both agencies.

Less visible, but equally important to our success, are the relationships built and strengthened during the year. We recognize that the interdependence of customers, suppliers, lawmakers, bondholders and agency members is the mortar that holds us together. In the year passed, we worked to build closer alliances with all of these stakeholders. The preservation of these relationships and the initiation of others will continue to command our attention. They are the foundation for our future.

Geo W Clay, Jr

Chairman

After fighting wholesale rate increases for a number of years, 19 cities and towns in the Piedmont and foothills region of North Carolina wanted a reliable power supply and stable rates. In 1976, these municipalities, who were then wholesale customers of Duke Power Company, became participants in North Carolina Municipal Power Agency Number 1. The power agency has been the wholesale electric supplier for 19 of the participants since 1983.

Today NCMPA 1 is the nation's fifth largest joint action agency, by electric sales, out of 66 such agencies in the United States. Through their representatives on the Board of Commissioners, the municipalities control their power supply and rates. ElectriCities of North Carolina, Inc., a not-for-profit service association based in Raleigh, provides management staff and services to carry out the agency's daily operations.

NCMPA 1 owns 75 percent of Unit 2 and 37.5 percent of support facilities at Catawba Nuclear Station. Other owners include: Duke Power Company, N.C. Electric Membership Corporation, Piedmont Municipal Power Agency and Saluda River Electric Cooperative, Inc.

According to contracts with the power agency, Duke is responsible for fueling, operation, maintenance and capital additions. Contractual agreements also require that Duke provide supplemental power to the agency. The power agency has two reliability exchange agreements with Duke to ensure that participants have sufficient power to meet their needs.

Each of the 19 participants signed a project power sales agreement with the agency. These "take or pay" agreements, which provide security for the agency's bonds, require payment to be made whether or not they receive project power. Participants also signed supplemental power sales agreements with the agency. These agreements require payment to be made only for supplemental power actually received in excess of project power. The participant agrees to purchase all of its power from the agency, over and above its ownership entitlement. The supplemental agreement excludes power available from the Southeastern Power Administration (SEPA), the regional federal marketing agency for hydroelectric power. About 4 percent of the participants' power needs is met by SEPA allotments.

With the help of Gastonia, the power agency was able to award its one millionth rebate dollar in October. Gastonia had its largest rebate month when heat pumps were installed at a hotel, and a developer added heat pumps and water heaters to the city system. The city awarded the local Howard Johnson franchise $38,000 in rebates. The hotel had been using a natural gas-fired boiler, but the rebates convinced them to go electric. Gastonia ranks first in load added this year, through the rebate program.

North Carolina Municipal Power Agency 1 has a tradition of recognizing its Hometown Heroes... those people who go beyond the call of duty to provide distinctive customer service. Late last year, Cherryville town clerk Jean Beam retired after 17 years with the town. The compliments and well-wishes which come with retirement included a special letter from a Cherryville customer. The customer described Ms. Beam as "an angel from the sky" who was always there to help out.

In June 1994, the staff for North Carolina's two power agencies, NCMPA 1 and North Carolina Eastern Municipal Power Agency (NCEMPA) were restructured to serve their customers more effectively. The objective of the new organizational structure is to achieve flexibility, accountability, a balanced team, and a stronger customer focus. The NCMPA 1 operations division, under the direction of Steve Shelton, has two main business functions: power supply and demand side operations.

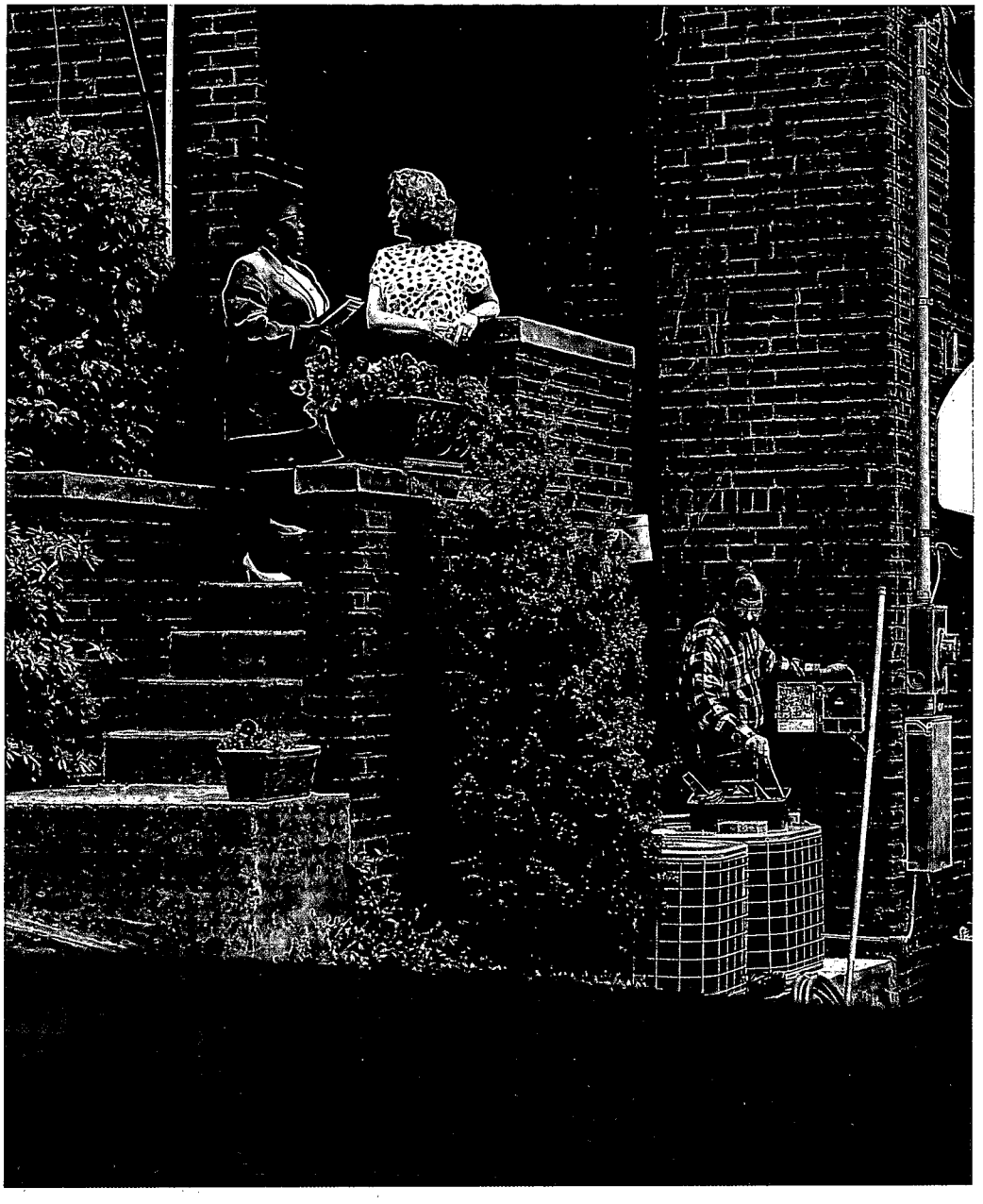
Art Hubert, previously ElectriCities director of operations and services, was appointed interim general manager after General Manager Jim Bobo's resignation in May. In early 1995, a search firm was retained to begin the search for candidates for a chief executive officer.

As competitive pressures have increased, NCMPA 1 has continued to commit resources to marketing and strategic load growth. In April, after nearly eight months of intense review, NCMPA 1 approved its strategic reassessment plan. The plan identified five areas of study: education, organization, research, marketing and planning. By December, the power agency had developed a tactical plan designed to achieve the goals and objectives outlined in the strategic plan. NCMPA 1's education team proposed a mayors' group for a better sharing of ideas and information. Its success inspired the forming of a mayors' group comprised of members from both power agencies.

In order to compete effectively, the organization must have the ability to respond to challenges and opportunities quickly. The organizational changes needed to streamline agency decision making require new state legislation. That enabling legislation is now moving through the North Carolina Legislature and is expected to become law later this year. The proposed structure would combine and unify the leadership of the power agencies and ElectriCities. It would eliminate the ElectriCities Board of Commissioners and reconstitute the Board of Directors. This will allow them to be more flexible while retaining control over wholesale rates and budgets.

The Consolidated Metco plant in Monroe produces high quality, high strength aluminum cast parts for heavy trucks. In the past year the plant has grown from 80 to 170 employees who work three shifts, six days a week. The plant expanded a year ago and plans call for further expansion and another 100 employees. A power audit conducted through the power agency revealed ways Consolidated Metco can save on their rates without losing production time. The plant was one of the first to take advantage of the economic development rate and the coincident peak rate. In the first months its savings have been significant. Monroe director of electric utilities Don Mitchell assisted the plant in locating a used diesel generator for peak shaving. After an air compressor audit, they found alternative ways to save on compressed air, thus eliminating the need for a new compressor.

After a direct mailing to customers to introduce the 100 percent air conditioning control program, Anita Byrd, Shelby's marketing specialist, had 90 calls the first day. "The immediate response really surprised me. I wasn't sure how many people would be interested. Most of those participating work during the hours the switch would be on." It was one of the most successful 100 percent air conditioning control effort in both agencies. Two hundred and thirty customers volunteered for the 100 percent air conditioning control earning a $20 a month credit during the summer months.



• When participants expressed discomfort with communicating innovative rates to their customers, ElectriCities responded by developing the Marketing Innovative Rates program. Innovative rates are alternative electric rates that give the customer the opportunity to reduce electric costs. Explaining the difference between a coincident peak rate and a load management rider to a plant manager or store owner, however, can be challenging.

The program includes a video describing the difference between demand and energy, a glossary of terms, a flip chart book for one-on-one meetings, a series of case studies, and a specially designed software program to explain and demystify innovative rates. The Marketing Innovative Rates program has been recognized nationally for its creative approach to communicating rates.

• Early in the year regional meetings were conducted across the region. These informative meetings focused on innovative rates, customer service and system efficiency. Topics for the meetings are determined by member requests. Eighteen participant cities — including Bostic, the smallest member with 173 residents — sent more than 150 elected and administrative officials.

• NCMPA 1 added 3.8 megawatts to the system through rebates awarded to customers for purchasing new heat pumps and/or hot water heaters. The power agency also awarded more than $725,000 in appliance replacement rebates. Even Landis, the last to participate, reported its first four rebates in 1994. And Granite Falls, although fourteenth in size, paid $28,000 in rebates and was fourth in kW added. The power agency hit its millionth rebate dollar in October when Gastonia awarded rebates for heat pumps installed at a hotel, and a developer added heat pumps and water heaters to the city system.

After a year of talking about implementing customer service policies, Newton decided it was time to do it. To help with the transition, Newton was thorough in explaining the changes to its customers. The city developed a brochure and publicized the changes in the paper. It also included information on customer bills. The city received a number of positive letters and comments. Customers expressed appreciation that the utility listened and changed.

NCMPA 1: ***Duke Power and Strategic Load Growth***

Statesville's Accuma Corporation was the first customer to benefit from NCMPA 1's economic development rate. The city receives a 35 percent wholesale rate discount for the first 18 months of service under the economic development rate. It received a $1,700 discount on January's wholesale power bill from the power agency. Statesville passed 100 percent of the savings on to its customer, who may use the savings for a static transfer switch, equipment that increases reliability and gives the customer a backup source of power. Accuma, which manufactures plastic cases for car batteries, will be a 1,500 kW customer when a three-year expansion is complete.

Power supply issues continued to be a focus for NCMPA 1 in 1994. Starting in 1996, 85 to 90 percent of the power agency's total load will be supplied by baseload generation from its 75 percent ownership interest in Catawba Unit 2 or through exchange agreements with other nuclear plants on the Duke Power Company system.

Because supplying that much of the agency's load through baseload generation is not economical, NCMPA 1's supply-side and demand-side staffs are researching methods to bridge that generation gap.

The power agency continued talks with Duke Power to resolve cost allocation methodologies that could have a significant impact on participant power costs after 1996.

In anticipation of the 1996 power supply conditions, NCMPA 1 pursued its goals of increasing participant load. Adding new load and customers benefits all power agency participants.

The power agency adopted a new retail economic development rate that makes participants more competitive with other utilities with whom they compete across the Southeast. Fifteen customers adopted NCMPA 1's economic development incentive rate which was introduced in 1993. The rate rewards participants who have added large electric loads to the system by reducing the city's wholesale power costs over a period of up to seven years. The city then returns at least 80 percent of those savings to the customer.

Board of Commissioners
North Carolina Municipal Power Agency Number 1

We have audited the balance sheets of North Carolina Municipal Power Agency Number 1 as of December 31, 1994 and 1993 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, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst + Young LLP

Raleigh, North Carolina
March 31, 1995

NCMPA 1: Balance Sheets ($000s)

Assets	December 31, 1994	1993
Electric Utility Plant (Note B):		
Electric plant in service, net of accumulated depreciation of $331,412 and $294,784	$1,070,212	$1,107,603
Construction work in progress	18,948	9,008
Nuclear fuel, net of accumulated amortization of $73,276 and $218,467	49,655	70,609
	1,138,815	1,187,220
Non-Utility Property and Equipment, net (Note B)	1,952	2,062
Special Funds Invested (Notes B, C, and E):		
Bond fund	290,587	279,939
Reserve and contingency fund	19,820	18,427
Special reserve fund	1,048	1,077
	311,455	299,443
Trust for Decommissioning Costs (Note B)	43,144	37,034
Operating Assets:		
Funds invested (Notes B, C, and E):		
Revenue fund	423,536	321,853
Operating fund	124,758	98,060
Supplemental fund	28,067	25,017
	576,361	444,930
Participant accounts receivable	16,589	16,590
Operating accounts receivable	13,342	11,443
Prepaid expenses	40,376	36,742
	646,668	509,705
Deferred Costs (Note B):		
Unamortized debt issuance costs	34,540	35,974
Excess costs on advance refundings of debt	350,554	371,718
Net costs to be recovered from future billings to participants (Note D)		93,962
	$2,527,128	$2,537,118

See notes to financial statements.

Liabilities and Retained Earnings	December 31, 1994	1993
Long-Term Debt:		
Bonds, net of unamortized discount (Notes B and E)	$2,147,596	$2,181,269
Special Funds Liabilities:		
Current maturities of bonds (Note E)	38,575	27,875
Accrued interest on bonds	66,287	67,123
Tax-exempt commercial paper (Note F)	200,600	200,600
Accrued interest on commercial paper	969	806
	306,431	296,404
Liability for Decommissioning Costs (Note B)	43,144	37,034
Operating Liabilities:		
Accounts payable	337	980
Accrued taxes	13,480	14,031
	13,817	15,011
Deferred Revenues, net (Note D)	8,740	
Commitments and Contingencies (Note G)		
Retained Earnings	7,400	7,400
	$2,527,128	$2,537,118

NCMPA 1: *Statements of Revenues and Expenses and Changes in Retained Earnings($000s)*

	Year Ended December 31, 1994	1993
Operating Revenues:		
Sales of electricity to participants	$212,537	$204,557
Sales of electricity to utilities	237,153	238,954
Other revenues (Note H)	91,005	
	540,695	443,511
Operating Expenses:		
Operation and maintenance	70,532	79,294
Nuclear fuel	36,893	28,601
Interconnection services:		
Purchased power	117,822	115,660
Transmission and distribution	13,422	12,195
Other	195	(5,095)
	131,439	122,760
Administrative and general	25,054	22,418
Gross receipts and excise taxes (Note B)	9,587	9,112
Property tax (Note B)	9,697	12,084
Depreciation	44,663	44,213
	327,865	318,482
Net Operating Income	212,830	125,029
Interest Charges (Credits):		
Interest expense	137,362	146,842
Amortization of debt refunding costs	21,164	20,300
Amortization of debt discount and issuance costs	6,440	5,918
Investment income	(54,838)	(46,832)
	110,128	126,228
(Deferred Revenues) Net Costs to be Recovered from Future Billings to Participants (Note D)	(102,702)	4,320
Excess of Revenues Over Expenses	0	3,121
Retained Earnings, beginning of year	7,400	4,279
Retained Earnings, end of year	$ 7,400	$ 7,400

See notes to financial statements.

NCMPA 1: Statements of Cash Flows ($000s)

	Year Ended December 31, 1994	1993
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 450,197	$ 424,887
Receipts from other revenues	91,005	
Payments of operating expenses	(258,965)	(240,642)
Net cash provided by operating activities	282,237	184,245
Cash Flows from Capital and Related Financing Activities:		
Bonds issued		616,275
Commercial paper issued		200,600
Bonds refunded		(788,915)
Interest paid	(138,035)	(115,166)
Refunding Trust Fund requirement		(46,315)
Additions to electric utility plant and non-utility property and equipment	(24,893)	(54,304)
Bonds retired	(27,875)	(24,810)
Debt discount and issuance costs paid	(104)	(32,363)
Net cash used for capital and related financing activities	(190,907)	(244,998)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	6,695,263	3,857,592
Purchases of investment securities	(6,836,562)	(3,842,520)
Investment earnings receipts from non-construction funds	49,926	45,732
Net cash (used for) provided by investing activities	(91,373)	60,804
Net (Decrease) Increase in Cash and Cash Equivalents	(43)	51
Operating Cash, beginning of year	59	8
Operating Cash, end of year (Note C)	$ 16	$ 59

See notes to financial statements.

NCMPA 1: *Statements of Cash Flows, continued ($000s)*

	Year Ended December 31, 1994	1993
Reconciliation of Net Operating Income To Net Cash Provided by Operating Activities:		
Net operating income	$212,830	$125,029
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	44,663	44,213
Amortization of nuclear fuel	36,893	28,601
Changes in assets and liabilities:		
Decrease (increase) in participant accounts receivable	1	(1,121)
Increase in operating accounts receivable	(1,899)	(11,443)
(Increase) decrease in prepaid expenses	(3,634)	5,458
Decrease in accounts payable	(6,066)	(6,849)
(Decrease) increase in accrued taxes	(551)	357
Total adjustments	69,407	59,216
Net cash provided by operating activities	$282,237	$184,245

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.

• 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 1994 and 1993, the agency retained approximately 28 percent and 25 percent, respectively, of the agency's share of the station's aggregate available capacity, and will retain increasing amounts hereafter through December 31, 2000. Thereafter, the agency retains 100 percent of its share and the sell-back arrangement terminates.

• 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 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 the Southeastern Power Administration (SEPA), which includes its total share of project

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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. 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. Amounts are removed from the books upon disposal of the spent nuclear fuel. Amortization of nuclear fuel costs includes estimated disposal costs of $6,206,000 and $5,202,000 for the years ended December 31, 1994 and 1993, 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 a bank. 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 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. Deferred revenues/net costs to be recovered from future billings to participants are not amortized but will be recovered through future rates (See Note D).

• ***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

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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. 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.

All depositories must collateralize public deposits in excess of federal depository insurance coverage. The agency's depositories use Option 2, a single financial institution collateral pool. Under Option 2, 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. Responsibility for sufficient collateralization of these excess deposits rests with the financial institutions that have chosen Option 2. Because of the inability to measure the exact amount of collateral pledged for the agency under Option 2, the potential exists for under collateralization. However, the State Treasurer enforces strict standards for each Option 2 depository, which minimizes any risk of under collateralization. At December 31, 1994 and 1993, the agency had $89,000 and $90,000, respectively, covered by federal depository insurance.

The agency's investments are categorized in the following table 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.

(In Thousands)	December 31, 1994 Carrying Amount	1994 Market Value	1993 Carrying Amount	1993 Market Value
Repurchase agreements	$ 90,850	$ 90,850	$108,965	$108,965
U.S. government securities	154,676	151,884	159,181	165,908
U.S. government agencies	423,286	421,794	303,713	325,318
Municipal bonds	21,249	20,025	21,294	21,771
Commercial Paper			346	346
Collateralized mortgage obligations	187,925	177,799	141,389	140,785
	877,986	$862,352	734,888	$763,093
Operating cash	16		59	
Restricted cash	12		20	
Accrued interest	9,802		9,406	
Total funds invested	$887,816		$744,373	
Consisting of:				
Special funds invested	$311,455		$299,443	
Operating assets	576,361		444,930	
	$887,816		$744,373	

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

D. Deferred Revenues/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.

Deferred revenues/net costs to be recovered from future billings to participants includes the following:

CONTINUED

(In Thousands)	Year Ended December 31, 1994	Year Ended December 31, 1993	Inception to December 31, 1994	Inception to December 31, 1993
GAAP Items Not Included in Billings to Participants:				
Interest expense not capitalizable	$139,015	$148,993	$1,561,932	$1,422,917
Depreciation	63,103	61,800	450,809	387,706
Training costs			6,696	6,696
	202,118	210,793	2,019,437	1,817,319
Bond Resolution Requirements Included in Billings to Participants:				
Special funds deposits	123,901	17,120	422,873	298,972
Debt service	171,502	174,069	1,529,271	1,357,769
Investment income not available for operating purposes	22,553	21,086	188,625	166,072
Special funds excess valuations	(13,136)	(5,802)	(112,592)	(99,456)
	304,820	206,473	2,028,177	1,723,357
(Deferred revenues) net costs to be recovered from future billings to participants	$(102,702)	$ 4,320	$ (8,740)	$ 93,962

E. 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, 1993, the agency had outstanding $2,393,582,000 of bonds. On January 1, 1994, the agency made principal payments of $27,875,000 for maturing bonds bringing the total outstanding bonds at December 31, 1994, to $2,365,707,000 as follows:

(In Thousands)	*December 31, 1994*	*1993*
• Series 1984		
9.5% to 9.75% maturing annually from 1995 to 1996	$ 5,695	$ 9,575
• Series 1985		
8.25% to 8.5% maturing annually from 1995 to 1996	10,240	14,820
7% maturing in 2020 with annual sinking fund requirements beginning in 2019	46,720	46,720
	56,960	61,540
• Series 1985A		
8.4% to 9.0% maturing annually from 1995 to 1998	3,585	4,315
7% maturing in 2020	26,105	26,105
	29,690	30,420
• Series 1985B		
8.2% to 8.4% maturing annually from 1995 to 1997	16,720	20,710
6% maturing in 2020 with annual sinking fund requirements beginning in 2018	125,615	125,615
	142,335	146,325
• Series 1986		
6.9% to 7.3% maturing annually from 1995 to 1998	15,695	19,010
7% maturing in 2018 with annual sinking fund requirements beginning in 2007	14,820	14,820
	30,515	33,830
• Series 1988		
Zero coupon priced to yield 7.3% to 7.6% maturing annually from 2000 to 2003	11,052	11,052
7.75% maturing in 2010 with annual sinking fund requirements beginning in 2009	8,310	8,310
7.625% maturing in 2014 with annual sinking fund requirements beginning 2011	16,180	16,180
6% maturing in 2015 with annual sinking fund requirements beginning in 2014	35,000	35,000
7% maturing in 2016 with annual sinking fund requirements beginning in 2015	60,000	60,000
7.5% maturing in 2017	25,000	25,000
	155,542	155,542

CONTINUED

	December 31, 1994	December 31, 1993
• Series 1990		
Zero coupon priced to yield 6.75% maturing in 2004	$ 3,670	$ 3,670
6.1% to 6.9% maturing annually from 1995 to 2003	11,280	12,025
6.5% maturing in 2010 with annual sinking fund requirements beginning in 2007	91,600	91,600
7% maturing in 2019 with annual sinking fund requirements beginning in 2014	10,225	10,225
	116,775	117,520
• Series 1992		
4.1% to 8% maturing annually from 1995 to 2011	522,095	523,200
Zero coupon priced to yield 6.55% to 6.7% maturing annually from 2008 to 2012	100,000	100,000
5.75% maturing in 2015 with annual sinking fund requirements beginning in 2013	191,030	191,030
6.25% maturing in 2017 with annual sinking fund requirements beginning in 2016	135,495	135,495
6.2% maturing in 2018	83,540	83,540
5.75% maturing in 2020 with annual sinking fund requirements beginning in 2019	123,990	123,990
6% Indexed Caps Bonds maturing in 2012	65,300	65,300
	1,221,450	1,222,555
• Series 1993		
3.5% to 5.5% maturing annually from 1995 to 2010	286,875	296,405
PARS maturing in 2012 with annual sinking fund requirements beginning in 2011 and with an initial rate of 2.6%	27,400	27,400
INFLOS maturing in 2012 with annual sinking fund requirements beginning in 2011 and with an initial rate of 8.12%	27,400	27,400
5% maturing in 2015 with annual sinking fund requirements beginning in 2013	103,390	103,390
5% maturing in 2018 with annual sinking fund requirements beginning in 2016	91,680	91,680
PARS maturing in 2020 with annual sinking fund requirements beginning in 2018 and with an initial rate of 2.6%	35,000	35,000
INFLOS maturing in 2020 with annual sinking fund requirements beginning in 2018 and with an initial rate of 8.32%	35,000	35,000
	606,745	616,275
	2,365,707	2,393,582
Less: Current maturities of bonds	38,575	27,875
Unamortized discount	179,536	184,438
	$2,147,596	$2,181,269

The fair market value of the agency's long-term debt was estimated using a yield curve derived from December 31, 1994 and 1993 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 $2,129,092,000 and $2,445,404,000 at December 31, 1994 and 1993, respectively.

Certain proceeds of the Series 1984, 1985A, 1985B, 1988, 1990, 1992, and 1993 bonds and the TECP were used to establish trusts for advance refunding of $3,450,900,000 of previously issued bonds. At December 31, 1994, $1,664,195,000 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.

In March 1994, the agency realized a $6,568,000 gain from restructuring securities in one of the refunding trust funds. This gain is reflected in investment income for financial reporting purposes.

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 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 and 1993	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 1999 and thereafter are as follows (in thousands of dollars):

1995	$ 38,575
1996	40,500
1997	43,240
1998	44,650
1999	47,890
Thereafter	2,150,852
	$2,365,707

CONTINUED

In February 1994, the agency entered into a forward swap on portions of the Series 1985A and 1986 bonds totaling $41,935,000. The swap was reversed in July 1994 for a $2,000,000 gain which is netted against interest expense for financial reporting purposes. At December 31, 1994, the agency was not a party to any swap arrangements.

F. Tax-Exempt Commercial Paper

In May 1993, the agency authorized the issuance of $275,000,000 of tax-exempt commercial paper (TECP) to provide for the refunding of certain outstanding bonds and for the financing of the replacement of the steam generators at Unit 1 of the Catawba Nuclear Station. The agency issued $200,600,000 of TECP to accomplish the refunding of $217,055,000 in bonds. As of December 31, 1994, the agency had $200,600,000 of TECP outstanding with an average maturity of 73 days and an average interest cost of 4.5%. The agency maintains a line of credit with a consortium of banks upon which the agency may draw for the payment of maturing principal and interest on the TECP. The agency currently pays approximately $552,000 per year in fees for the line of credit which currently expires May 25, 1996. There were no borrowings under the line of credit agreement at December 31, 1994 or 1993. The agency may issue additional TECP up to a total outstanding amount of $275,000,000, such additional amount may be used to finance the costs of the steam generators.

G. Commitments and 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, 1998, 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, 1994 and 1993, the agency paid ElectriCities $2,729,000 and $2,400,000, respectively.

The Price-Anderson Act limits the public liability for a nuclear incident at a nuclear generating unit to $8,900,000,000, 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 $79,300,000 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 $3,625,000,000. 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 $170 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 $64 million.

In 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 alleged 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 alleged that the steam generators are defective and will have to be replaced well short of their design life. In November 1990, the agency became a plaintiff in the suit. In March 1994, a settlement was reached and the lawsuit was dismissed. The settlement results in the agency receiving future cash payments, discounts on future services and equipment, and additional warranties and services for the steam generators at Catawba Unit 2.

H. Other Revenues

Other revenues of $91,005,000 were received from Duke in settlement of arbitration issues.

NCMPA 1: Schedules of Changes in Assets of Funds Invested ($000s)

	Funds Invested January 1, 1993	*Bond/Note Proceeds*	*Power Billing Receipts*	*Investment Income*	*Disbursments*
Bond fund:					
Interest account	$ 53,003	$(14,723)	$	$ 1,050	$(114,099)
Reserve account	213,252	(28,351)		15,824	
Principal account	24,941	(3,034)		405	(24,810)
	291,196	(46,108)		17,279	(138,909)
Reserve & contingency fund	21,925	(2,835)		2,673	(15,984)
Special reserve fund	1,113			34	
Revenue fund:					
Revenue account	50,080	12,487	66,989	622	88,169
Rate stabilization account	291,320			21,085	
	341,400	12,487	66,989	21,707	88,169
Operating fund:					
Working capital account	50,616			4,546	(159,939)
Fuel account	52,383				
	102,999			4,546	(159,939)
Supplemental fund:	2,374		136,093	593	(3,429)
	$761,007	$(36,456)	$203,082	$46,832	$(230,092)

Transfers	Funds Invested December 31, 1993	Power Billing Receipts	Investment Income	Disbursements	Transfers	Funds Invested December 31, 1994
$ 142,293	$ 67,524	$	$ 1,331	$(133,409)	$ 131,559	$ 67,005
(16,463)	184,262		13,736		(13,446)	184,552
30,651	28,153		871	(27,875)	37,881	39,030
156,481	279,939		15,938	(161,284)	155,994	290,587
12,648	18,427		1,831	(8,404)	7,966	19,820
(70)	1,077		38		(67)	1,048
(214,780)	3,567	70,562	392	207,036	(282,491)	(934)
5,881	318,286		22,552	(9,525)	93,157	424,470
(208,899)	321,853	70,562	22,944	197,511	(189,334)	423,536
134,084	29,307		5,791	(136,359)	132,711	31,450
16,370	68,753				24,555	93,308
150,454	98,060		5,791	(136,359)	157,266	124,758
(110,614)	25,017	141,022	1,675	(7,822)	(131,825)	28,067
$ 0	$744,373	$211,584	$48,217	$(116,358)	$ 0	$887,816

NCMPA 1: Schedules of Revenues and Expenses Per Bond Resolution and Other Agreements ($000s)

	Year Ended December 31, 1994			Year Ended December 31, 1993		
	Project	*Supplemental*	*Total*	*Project*	*Supplemental*	*Total*
Revenues:						
Sales of electricity to participants	$ 83,392	$129,145	$ 212,537	$ 73,261	$131,296	$204,557
Sales of electricity to utilities	237,153		237,153	238,954		238,954
Other revenues	91,005		91,005			
Rate stabilization fund (deposit) withdrawal	(106,789)		(106,789)	3,113		3,113
Funds valuations	13,136		13,136	5,802		5,802
Investment revenue available for operations	30,572	1,714	32,286	25,117	629	25,746
	348,469	130,859	479,328	346,247	131,925	478,172
Expenses:						
Operation and maintenance	70,532		70,532	79,294		79,294
Nuclear fuel	36,893		36,893	28,601		28,601
Interconnection services:						
Purchased power	7,788	110,034	117,822	5,934	109,726	115,660
Transmission and distribution		13,422	13,422		12,195	12,195
Other		195	195	(5,209)	114	(5,095)
	7,788	123,651	131,439	725	122,035	122,760
Administrative and general-Duke	20,102		20,102	18,216		18,216
Administrative and general-agency	1,926	1,717	3,643	1,679	1,846	3,525
Miscellaneous agency expenses		1,308	1,308		677	677
Gross receipts and excise tax	5,496	4,091	9,587	4,951	4,161	9,112
Property tax	9,697		9,697	12,084		12,084
Debt service	176,198	92	176,290	177,751	85	177,836
Special funds deposits:						
Decommissioning fund	2,725		2,725	2,713		2,713
Reserve and contingency fund	17,112		17,112	20,233		20,233
	19,837		19,837	22,946		22,946
	348,469	130,859	479,328	346,247	128,804	475,051
Excess of Revenues over Expenses	$ 0	$ 0	$ 0	$ 0	$ 3,121	$ 3,121

Next fall, these smiling faces will brighten the cafeteria of the new Rutherford Middle School which opens in the small town of Bostic. The new school will increase demand for electricity in Bostic by 46 percent. Adding the larger school to the town's electrical system required a system upgrade to 12kV. A new transformer will handle the additional 350 kW load. The teamwork of Bostic superintendent of lights, Charles Morgan, school system construction engineer Royce Woodall, ElectriCities economic developer Slater Barr and NCMPA 1 demand side operations supervisor Mark Otersen paved the way for these new improvements.

When she was having trouble with her heat pump and was receiving high bills, Floscean Wallace called the City of High Point for help. A retiree from Yonkers who works part-time in High Point's branch library, Wallace speaks highly of the service she received from the electric utility. Energy conservation specialist Rick Eller met her in her home to consult on ways she could improve her system and save on her bills. He analyzed her rates, tested her meter and installed a load management switch on her air conditioning system. High Point's people are working Saturdays, going door to door, to meet the city's goal of increasing the number of load management switches in use.

Rates

Commissioners increased the agency's wholesale demand and energy rates by 4.7 percent, effective July 1, 1994.

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

Load Management

NCMPA 1 recommended load management for 10 of 12 monthly peaks. Total estimated savings from load management efforts were $8.7 million.

In 1994, NCMPA 1 conducted 18 power audits for customers. In addition to helping the customer to identify load management opportunities, the power audit program benefits the agency by helping to develop a closer working relationship between utility and customer.

New in 1994, load management participants could dial an ElectriCities' extension 24 hours a day and hear the latest load management recommendations. As part of this load management information system, an automated calling system, or phone tree, automatically calls participants to alert them of load management recommendations.

NCMPA 1 Plants

• Catawba Nuclear Station Units 1 and 2

Catawba Nuclear Station's Unit 1 set a station record for continuous operation. By the end of 1994, the unit had completed 335 days of continuous service, surpassing its previous record of 281 days on October 21.

Location:	Lake Wylie, SC, 17 miles southwest of Charlotte, NC
Fuel Type:	Nuclear
MNDC*:	1145 MW per unit
Commercial Operation:	Unit 1 – June 1985 Unit 2 – August 1986

• McGuire Nuclear Station, Units 1 and 2

Location:	Lake Norman, north of Charlotte, NC
Fuel Type:	Nuclear
MNDC*:	1180 MW per unit
Commercial Operation:	Unit 1 -- December 1981 Unit 2 -- March 1984

**MNDC is maximum net dependable capability, the maximum output that can be depended on from a generating unit when it is operating at full power as set by the restated Interconnection Agreement with Duke Power Company.*

Cherryville completed a major electric system conversion that will make the distribution system more reliable for the city's 2,400 customers. The city upgraded its system from 4kV to 12kV. Customers will see fewer outages and more dependable, continuous power, said Ike Williams, electric superintendent.

As an ElectriCities Service Management Model, Monroe's customer service practices, along with Hertford and Ayden's, were analyzed for other members to learn from. With help from ElectriCities staff, Monroe surveyed customer complaints, assessed training needs, adopted customer-friendly policies, put in place recovery plans for mistakes, and reviewed the physical arrangement of the customer service area. Customers in focus groups had good stories to tell about police, public works, utilities and recreation departments, and they didn't mention rates until prompted. "They felt they were getting good service and value for what they pay for," said Laurie Jackson, customer service administrator at ElectriCities.

Investment Portfolio Statistics

*Earnings**

	Income	*Rate of Return*
1994	$51,597,000	6.84%
1993	49,666,000	7.06%

*Market Value as of 12/31**

	Value	*Average Maturity*
1994	$889,441,000	4.1 years
1993	810,229,000	4.1 years

Transactions

	Number	*Amount*
1994	685	$6,898,459,000
1993	522	3,882,672,000

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

Debt Statistics

Debt Outstanding 12/31/94

Balance (Thousands)	*Weighted Average Interest Cost*
• Fixed Rate Bonds	
$2,365,707	6.38%
• Tax-Exempt Commercial Paper	
200,600	4.50%

Debt Statistics, cont.

Debt Outstanding 12/31/93

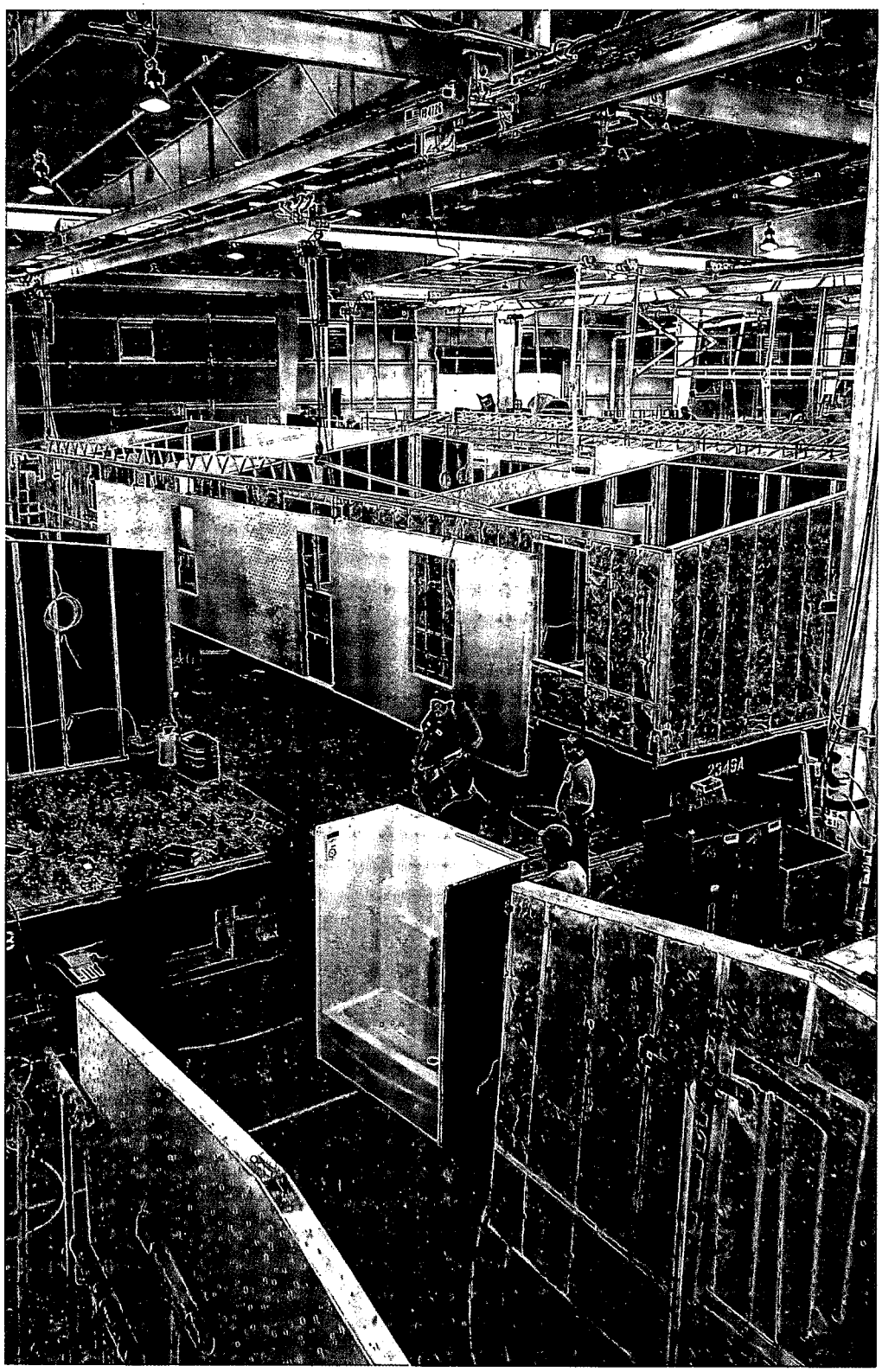
Balance (Thousands)	*Weighted Average Interest Cost*
• Fixed Rate Bonds	
$2,393,582	6.373%
• Tax-Exempt Commercial Paper	
200,600	3.099%

Bond Reconciliation

Bonds Outstanding 12/31/93	$2,393,582,000
Matured 1/94	27,875,000
Bonds Outstanding 12/31/94	$2,365,707,000

Bonds Outstanding 12/31/94

• Series 1993	$ 606,745,000
• Series 1992	1,221,450,000
• Series 1990	116,775,000
• Series 1988	155,542,000
• Series 1986	30,515,000
• Series 1985B	142,335,000
• Series 1985A	29,690,000
• Series 1985	56,960,000
• Series 1984	5,695,000



A good working relationship between city and economic development officials quickly landed Masterpiece Homes in Albemarle after another firm left the large facility vacant. A subsidiary of Palm Harbor Homes, the leading maker of sectional manufactured homes in America, Masterpiece was thrilled to find a facility in Albemarle, said Woody Bell, division president. "The building needed only minor adjustments, but we were able to begin production quickly." The Albemarle facility assembles 10 to 12 manufactured homes each day.

NCMPA 1: *Board of Commissioners & Management Staff*

Sometimes finding lots of little savings can add up to make a big impact. Power audits in Granite Falls produced efficiency improvements at a local rescue squad, a screen printing operation and a wire company. In just six months, customer savings climbed to more than $10,000 and the relationships between the customers and the city were strengthened.

Commissioners[1,2]

- **Raymond I. Allen**
  City Manager
  Albemarle
- **Janice L. Hovis**
  City Manager
  Cherryville
- **James L. Dorton**
  Alderman
  Concord
- **Winton Poole**
  Commissioner
  Cornelius
- **Morris Baker**
  Town Manager
  Drexel
- **Franz F. Holscher**
  Council Member
  Gastonia
- **A. W. Huffman Jr.**
  Mayor
  Granite Falls
- **Cyrus L. Brooks**
  Council Member
  High Point
- **Myra Skinner**
  Commissioner
  Huntersville
- **Bobby O. Wood**
  Town Clerk
  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
- **Michael C. Cronk**
  City Manager
  Morganton
- **Radford L. Thomas**
  City Manager
  Newton
- **J. K. Mills**
  Council Member
  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
- **S. Kyle Beam**
  Council Member
  Cherryville
- **Roberta Bales**
  Commissioner
  Cornelius
- **Alan Washam**
  Commissioner
  Cornelius
- **Benny J. Orders**
  Alderman
  Drexel
- **Dale Becker**
  Electric Director
  Gastonia
- **Danny Crew**
  City Manager
  Gastonia
- **Linda K. Story**
  Town Manager
  Granite Falls
- **Barry Hayes**
  Council Member
  Granite Falls
- **H. Lewis Price**
  City Manager
  High Point
- **Lloyd D. Shank, Jr.**
  Director of Electric Utilities
  High Point
- **Kimberley L. Phillips**
  Commissioner
  Huntersville
- **Ed Humphries**
  Town Manager
  Huntersville
- **A. B. Patterson Jr.**
  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
- **Donald D. Mitchell**
  Director of Electric Utilities
  Monroe
- **John N. Parker**
  Director of Electric Services
  Morganton
- **T. Jack Matthews**
  City Engineer
  Newton
- **Mary Ann Creech**
  Town Administrator
  Pineville
- **Smith D. Lingerfelt**
  Electric Superintendent
  Shelby
- **John E. Marshall**
  Council Member
  Statesville
- **Larry M. Cranford**
  Electric Utility Director
  Statesville

1994 Officers

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

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

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

At-Large Executive Committee Members

- **Morris Baker**
  Town Manager
  Drexel
- **Janice L. Hovis**
  City Manager
  Cherryville
- **Arthur E. Peterson**
  Council Member
  Statesville
- **Lloyd D. Shank Jr.**
  Director of Electric Utilities
  High Point

Management Staff

- **Arthur L. Hubert Jr.**
  Interim General Manager
- **Steve R. Shelton**
  Director
  NCMPA 1 Operations
- **Kenneth M. Raber**
  Director
  NCEMPA Operations
- **William F. Watson**
  Director
  Planning
- **Jimmy M. Autry**
  Director
  Marketing & Communications
- **William H. Batt**
  Director
  Finance
- **Alice D. Garland**
  Director
  Corporate & Government Services

[1] *As of December 31, 1994.*

[2] *The Commissioner's seat in Bostic was vacant as of December 31, 1994.*

[3] *The Alternate Commissioners' seats in Bostic and Concord were vacant as of December 31, 1994.*

George W. Clay Jr.
Chairman

W. Bert Huffman Jr.
Vice Chairman

R. Duke Whisenant
Secretary-Treasurer

Raymond Allen

Morris Baker

Dale Becker

Larry Cranford

Michael Cronk

Janice Hovis

Marcus Midgett

J.K. Mills

Stephen Peeler

Winton Poole

Klynt Ripple

Radford Thomas

High Point's economic development rate was significant in Levolor Blind's decision to move its corporate headquarters and customer service facility to the area. A big energy user, Levolor adds 3 MW to the power agency's load. The company is planning to consolidate three manufacturing operations as well, increasing from 150 employees to more than 400. The city's economic development incentive fund was also attractive to Levolor. The company received land credits for 19 acres of the 35 acre site, plus credits for a storm retention pond, building permits, tap fees and environmental site analysis. High Point is also home to a large current construction project--the 950,000 square-foot Oak Hollow regional mall due to open in August 1995.

NCMPA 1: ***At a Glance***

City	*Customers*	*Gross Revenue From Sales*	*Established*
Albemarle	10,883	$ 18,131,991	1910
Bostic	172	153,471	1920
Cherryville	2,379	4,519,146	1906
Cornelius	1,281	1,665,000	1916
Drexel	1,137	1,232,219	1926
Gastonia	23,697	46,177,735	1919
Granite Falls	1,911	3,354,733	1923
High Point	30,767	62,001,063	1893
Huntersville	1,187	2,088,854	1916
Landis	2,674	2,864,800	1919
Lexington	16,715	34,321,136	1904
Lincolnton	2,599	4,457,845	1900
Maiden	965	4,073,135	1920
Monroe	8,489	26,416,082	1900
Morganton	7,395	18,237,382	1916
Newton	3,569	5,992,350	1896
Pineville	2,053	5,692,970	1936
Shelby	7,679	12,952,892	1912
Statesville	11,951	24,915,198	1889
Total	*137,503*	*$279,248,002*	

** Based on information from participant questionnaires, June 30, 1994.*

Attracting industrial customers is vital to the long-term success of the Power Agency. Earlier this year, agency member High Point landed a large pharmaceutical firm, adding electric load equivalent to a 500-home subdivision. A key enticement was High Point's new retail economic development rate.

NCMPA 1: Statistical Highlights

	1994	*1993*	*1992*	*1991*	*1990*
• *Kilowatt-hour Sales (MWH)*	3,950,370	3,976,104	3,757,172	3,722,099	3,585,461
• *Peak Billing Demand (kW)*	752,717	788,060	740,847	742,108	721,247
• *Operating Revenues*	$540,695,000***	$443,511,000	$418,234,000	$438,810,000	$432,647,000
• *Excess (Deficiency) of Revenues over Expenses*	$0	$3,121,000	$(5,799,000)	$(12,544,000)	$(18,534,000)
• *Sales to Duke (Revenues)*	$237,153,000	$238,954,000	$234,625,000	$262,456,000	$266,086,000
• *Average Monthly Power Purchases by Cities (MWh)*	329,198	331,342	313,098	310,175	298,788
• *Average Monthly Billings by Cities*	$17,711,000	$17,046,000	$15,301,000	$14,696,000	$13,880,000

	1989	*1988*	*1987*	*1986*	*1985*
• *Kilowatt-hours Sales (000)*	3,572,021	3,473,529	3,358,447	3,190,842	3,020,916
• *Peak Billing Demand (kW)*	689,304	723,078	666,802	653,210	610,358
• *Operating Revenues*	$429,098,000	$425,772,000	$430,546,000	$331,907,000	$206,195,000
• *Excess (Deficiency) of Revenues over Expenses*	$19,167,000	$(6,034,000)	$8,197,000	$6,075,000	$4,497,000
• *Sales to Duke (Revenues)*	$263,034,000	$269,443,000	$280,810,000	$194,986,000**	$83,175,000*
• *Average Monthly Power Purchases by Cities (MWh)*	297,668	289,461	279,871	265,904	251,743
• *Average Monthly Billings by Cities*	$13,839,000	$13,027,000	$12,478,000	$11,410,000	$10,252,000

* *Catawba Unit 1 began commercial operation in June 1985.*
** *Catawba Unit 2 began commercial operation in August 1986.*
*** *Includes $91,005,000 received in settlement of arbitration issues.*

NCMPA1

North Carolina Municipal Power Agency Number 1

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P.O. Box 29513 • Raleigh, North Carolina 27626-0513

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