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1995 Annual Report

NCMPA1

North Carolina Municipal Power Agency Number 1

1995 NCMPA1 Annual Report
What is NCMPA1?

When the Arab oil embargo of the mid-1970s put pressure on electricity production and price, North Carolina's municipal power systems felt the heat. No longer sure of adequate amounts of wholesale power at any price from their investor-owned suppliers, a number of piedmont North Carolina towns and cities united to form North Carolina Municipal Power Agency Number 1. Once formed, the agency was able to purchase a 75 percent ownership interest in Duke Power Co.'s Catawba Nuclear Station Unit 2. The ownership interest was paid for with electric revenue bonds.

Today, that investment in Catawba Unit 2 and operating agreements with Duke assures the participant cities a safe, reliable and affordable source of electric power.

In the following pages, you will hear from the leadership of the agency and ElectriCities, the service organization that provides technical, marketing and legal assistance to the participant cities. Their letters outline the philosophy of the agency and the accomplishments of the past year. Also included is a thorough review of the agency's finances.

Your comments about this annual report are welcomed. Information on how to contact us is located on the back cover of the annual report. Thank you.

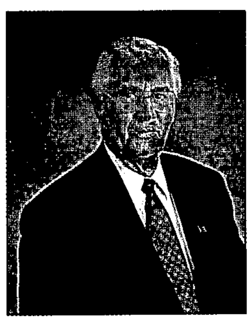
To help you better understand the terminology, words in bold face are defined in a glossary on page 28. •

1995 NCMPA1 Annual Report
Table of Contents

1995 NCMPA1 Annual Report
A Letter from Chairman George Clay, Jr.

I've been thinking a lot about dogs lately. As a matter of fact, some people might say that I've gone to the dogs. One thing's for sure — my retirement in December 1995 came after a dog's age of public service.

Since then, I've had more time to dedicate to preparing and showing my beagles than I've ever had in the past, and I've also had time to reflect on a few things. In fact, it occurs to me that there are a few parallels between my dealings with NCMPA1 and the preparation of my beagles. Both have the potential to be champions, provided they continue to improve in three basic qualities: determination, proper equipment, and value.



Determination was a key word in 1995. There was a lot of hard work put into the grass-roots movement behind House Bill 556, the enabling legislation which led to the creation of a new board of directors. NCMPA1 participant city officials struggled to overcome opposition from other power suppliers in order to push this important state legislation through. In July our determination paid off when the bill was enacted into law.

Following that, NCMPA1 commissioners had to come to accord during the annual meeting in August, and decide whether to agree on the formation of a smaller board. In the end, we did agree. NCMPA1 commissioners acknowledged that our governing bodies must change in the face of an evolving industry when we decided to delegate most of our responsibilities to a new board. We and our sister agency, NCEMPA, needed to respond to the rapid deregulation of an entire industry with a little deregulation of our own. The consolidation of the two agencies' boards into a smaller, faster-acting board of directors has proven that, with a little patience, you can teach an old dog new tricks.

Of course it helps to have the proper equipment. The purchase of a Doppler radar system in June has allowed our load management staff to more closely monitor the weather patterns which drive **coincident peak demand** and costs, particularly during the dog days of summer. The use of this equipment paid off in 1995, as we correctly predicted all 12 monthly peaks and reduced demand costs by $11.2 million.

Plans were completed and approved for the installation of some other money-saving equipment this year. We have known for some time that in 1996 our **sell-back arrangement** with Duke would change drastically. This year, we are projected to produce more **energy** than our agency participants will need. Our staff proposed a plan to prevent us from losing revenue on the expected surplus. With the installation of a new telemetry system, membership in the Automated Interchange Matching System (AIMS), and a lot of dogged determination on the part of our staff, we should be able to enhance our revenues through the sale of surplus energy to other power providers.

Although our costs might still be higher than some other providers in the state, we offer value second to none. Our participants' localized service, commitment to quality, and dedication to growth and improvement give their customers that value. The loyalty of public power employees to their hometown communities makes them their customers' best friends.

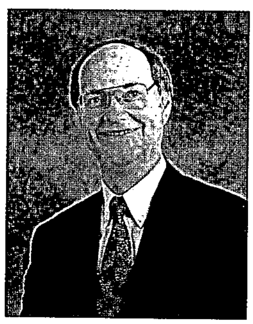
Determination, equipment, and value. Three qualities that prove that, in the new dog-eat-dog world of electric utilities, NCMPA1 is raising a pedigreed champion. •

Chairman Clay retired from public service in December, 1995. Lincolnton Mayor Jerry Campbell is now NCMPA1 Chairman.

1995 NCMPA1 Annual Report
A Letter from ElectriCities CEO Jesse C. Tilton, III

In a vastly changing electric industry, power providers must show their customers that they have the capability to shape the future.

North Carolina Municipal Power Agency Number 1 played its own role in shaping the future of public power with the election of six participant city representatives to the new board of directors, which was created to lead public power into the 21st century.



Working with the board, NCMPA1 and its board of commissioners, led by Lincolnton Mayor Jerry Campbell, will do their part in leading the way for public power in the western part of the state.

In 1995, the agency began what we believe will be many positive steps toward that goal.

In looking at how that could be accomplished, NCMPA1 and ElectriCities staff found a catalyst for future growth in Catawba Nuclear Station Unit 2.

NCMPA1's 75 percent ownership in Catawba Unit 2 is an open opportunity for the participant cities to poise themselves for a competitive future.

Staff worked fervently to come to an agreement with Duke Power that allows for the sale of **surplus energy** from Catawba to companies other than Duke. That agreement also increased the amount of capacity Duke buys from the agency.

The first sale from that agreement was valued at more than $60,000 to LG&E Power Marketing, Inc.

To make surplus power sales easier, a real-time telemetry system is being installed at Catawba and our member cities. That system tells NCMPA1 staff how much power is available to sell on a minute-by-minute basis.

Also, membership in the Automated Interchange Matching System (AIMS), which matches buyers and sellers, will help increase our surplus sales.

The sale of surplus energy will enable NCMPA1 to increase revenues, which in the long run could help keep rates down for our customers – one of the ultimate goals we have here at ElectriCities and NCMPA1.

To further provide good customer service and keep costs down, some ElectriCities members are merging services. Huntersville and Cornelius, two NCMPA1 participants near Charlotte, became the first ElectriCities members to join this recent trend in the electric industry.

The two towns' decision to merge operations and allow ElectriCities, the organization that provides services to public power cities, to operate their systems, is the first in what we hope will be a positive future for this trend called "regionalization."

Our positive response to the U.S. Department of Energy's request to use a nuclear fuel mix at Catawba Nuclear Unit 2 could bear fruit for us in the future.

And just as we began to prepare ourselves for the future, bond rating agencies reacted cautiously to changes in the electric industry. As a result, **investor-owned** and **public utilities**, including NCMPA1, experienced downward pressure on bond credit ratings during 1995.

Fitch Investors Service reconfirmed its 'A' rating, but lowered the credit trend from stable to declining. Standard & Poor's lowered its rating to 'A-' from 'A' while maintaining a negative outlook on the credit trend. Moody's reconfirmed an 'A' rating.

Strong performance in 1995 allowed the agency to withdraw about $19 million less than what was budgeted from its **rate stabilization fund**. In addition, the agency took advantage of declining interest rates by refunding bonds, the effect of which was to lower its debt service costs. Those efforts are expected to achieve over $9 million in present value savings in debt service costs.

Also, in November, the agency issued refunding bonds, Series 1995 A, which resulted in $11.2 million in present value savings for the agency.

As 1996 continues, NCMPA1 will move forward in preparing itself for a competitive marketplace. Our goal is to provide superior service and show our customers that we can meet their needs now and in the future. •

Operational Highlights

Catawba Nuclear Station

	Capacity Factor (%)	Availability Factor (%)
• Catawba 1	88.2	88.1
• Catawba 2	80.4	80.8

Catawba Unit 1 began a refueling outage on February 11 that ended on March 24, 1995. The 42-day outage was the shortest refueling outage ever at the station. The outage ended a record run of 393 days of continuous operation for Unit 1. This is a record for a Duke Power Westinghouse unit and was the third longest run for any unit of this design in the world.

Catawba Unit 2 began a refueling outage on October 6 that ended on November 30, 1995. The 54-day outage was the second shortest refueling outage ever at the station.

Catawba Nuclear Station celebrated a decade of operation in 1995. Catawba Unit 1 began operation in January 1985 and Catawba Unit 2 in May 1986.

Catawba Unit 1 will replace its four steam generators during a 100-day outage scheduled to begin June 13, 1996. The four replacement steam generators arrived on site during January 1996. The replacement generators are receiving detailed inspections and final preparations prior to the outage. The power agency's share of the cost of the steam generator replacement is estimated to be approximately $64 million. Catawba Unit 2's steam generators are a different design and have given no indications that they will need to be replaced at this time.

In December 1995 the Catawba Nuclear Station received the Nuclear Regulatory Commission Systematic Assessment of Licensee Performance (SALP) scores for the period October 3, 1993 through October 7, 1995.

Catawba, *continued*

Catawba's SALP Scores:

Functional Area	*Rating This Period*	*Rating Last Period*
• Plant Operations	2	2
• Maintenance	2	2
• Engineering	2	2
• Plant Support	2	1

McGuire Nuclear Station

	Capacity Factor (%)	Availability Factor (%)
• McGuire 1	89.6	91.5
• McGuire 2	91.9	93.0

McGuire Unit 1 began a refueling outage on December 14, 1995 that ended on January 25, 1996. The 43-day outage was the shortest refueling outage ever at the McGuire Station.

Both units at the McGuire Station are scheduled to replace their steam generators in 1997.

In October 1995 the McGuire Nuclear Station received the NRC Systematic Assessment of Licensee Performance scores for the period February 6, 1994 through August 12, 1995.

McGuire's SALP Scores:

Functional Area	*Rating This Period*	*Rating Last Period*
• Plant Operations	2	2
• Maintenance	2	3
• Engineering	1	2
• Plant Support	1	2

Rating Categories: 1 (Superior), 2 (Good), 3 (Acceptable)

1995 NCMPA1 Annual Report
Financial Information

Investment Portfolio Statistics

*Earnings**

	Income	*Rate of Return*
• 1995	$62,428,000	7.16%
• 1994	$51,597,000	6.84%

*Market Value as of 12/31**

	Value	*Average Maturity*
• 1995	$958,537,000	4.1 years
• 1994	$889,441,000	4.1 years

Transactions

	Number	*Amount*
• 1995	664	$6,868,935,000
• 1994	685	$6,898,459,000

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

Debt Statistics

Debt Outstanding 12/31/95

	Balance (Thousands)	*Weighted Average Interest Cost*
• Fixed Rate Bonds	$2,313,582	6.260%
• Tax-Exempt Commercial Paper	200,600	4.375%

Debt Statistics, *continued*

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%

Bond Reconciliation

• Bonds Outstanding 12/31/94	$2,365,707,000
• Issued Series 1995A	+ 79,440,000
	2,445,147,000
• Matured 1/1/95	− 38,575,000
• Refunded	− 92,990,000
• Bonds Outstanding 12/31/95	$2,313,582,000

Bonds Outstanding 12/31/95

• Series 1995A	$ 79,440,000
• Series 1993	591,930,000
• Series 1992	1,216,390,000
• Series 1990	115,980,000
• Series 1988	155,542,000
• Series 1986	7,825,000
• Series 1985B	138,020,000
• Series 1985A	1,785,000
• Series 1985	5,315,000
• Series 1984	1,355,000

1995 NCMPA1 Annual Report
Board of Commissioners and Management Staff

Commissioners[1]

- **Raymond I. Allen**
  City Manager
  Albemarle
- **Keith Dobbins**
  Council Member
  Bostic
- **Janice L. Hovis**
  City Manager
  Cherryville
- **James L. Dorton**
  Concord
- **Winton R. Poole**
  Commissioner
  Cornelius
- **Morris Baker**
  Town Manager
  Drexel
- **Franz F. Holscher**
  Council Member
  Gastonia
- **A. W. Huffman, Jr.**
  Mayor
  Granite Falls
- **Rebecca R. Smothers**
  Mayor
  High Point
- **Myra Skinner**
  Huntersville
- **Bobby O. Wood**
  Town Clerk
  Landis
- **L. Klynt Ripple**
  Utilities Commission Member
  Lexington
- **Stephen H. Peeler**
  Director of Public Works and Utilities
  Lincolnton
- **Kevin C. Sanders**
  Administrative Assistant
  Maiden
- **Jerry E. Cox**
  City Manager
  Monroe
- **Michael C. Cronk**
  City Manager
  Morganton
- **Radford L. Thomas**
  City Manager
  Newton
- **David Parks**
  Utility Director
  Pineville
- **George W. Clay, Jr.**
  Shelby
- **Arthur E. Peterson**
  Council Member
  Statesville

Alternate Commissioners[1,2]

- **Tidus Stanback**
  Albemarle
- **Jack F. Neel**
  Council Member
  Albemarle
- **David J. Penson, Sr.**
  Council Member
  Bostic
- **S. Kyle Beam**
  Cherryville
- **Robert L. Race**
  Town Manager
  Cornelius
- **Thurmond Ross, Jr.**
  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
- **C. Phillip Head, Sr.**
  Council Member
  Lexington
- **R. Duke Whisenant**
  City Manager
  Lexington
- **Jerry L. Campbell**
  Mayor
  Lincolnton
- **Tracy Heffner**
  Council Member
  Maiden
- **Donald D. Mitchell**
  Director of Electric Utilities
  Monroe
- **Lewis R. Fisher**
  Mayor
  Monroe
- **John N. Parker**
  Director of Electric Services
  Morganton
- **Barry B. Edwards**
  City Engineer
  Newton
- **Mary Ann Creech**
  Town Administrator
  Pineville
- **Smith D. Lingerfelt**
  Electric Superintendent
  Shelby
- **George F. Martin**
  Council Member
  Shelby
- **Herbert Lawton**
  Council Member
  Statesville
- **Larry M. Cranford**
  Electric Utility Director
  Statesville

1995 Officers

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

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

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

1996 Incoming Chairman
- **Jerry L. Campbell**
  Lincolnton

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

ElectriCities Board of Directors

- **Carey B. Washburn**
  Chairman
  Kinston
- **Franz F. Holscher**
  Vice Chairman
  Gastonia
- **William H. Batchelor**
  Secretary
  Rocky Mount
- **Steven K. Blanchard**
  PWC General Manager
  Fayetteville
- **Cyrus L. Brooks**
  City Councilman
  High Point
- **Smith D. Lingerfelt**
  Electric Superintendent
  Shelby
- **Jack F. Neel**
  City Councilman
  Albemarle
- **Samuel W. Noble, Jr.**
  Town Manager
  Tarboro
- **Winton R. Poole**
  Town Commissioner
  Cornelius
- **Stephen H. Slough**
  Director of Electrical Systems
  Concord
- **William M. Sutton**
  Town Manager
  Apex
- **John T. Walser, Jr.**
  City Councilman
  Lexington
- **Claude R. Wilson**
  Robersonville
- **Edward A. Wyatt**
  City Manager
  Wilson

Management Staff

- **Jesse C. Tilton, III**
  Chief Executive Officer
- **Arthur L. Hubert, Jr.**
  Transition Manager
- **Steve R. Shelton**
  Director
  NCMPA1 Operations
- **Kenneth M. Raber**
  Director
  NCEMPA Operations
- **William F. Watson**
  Director
  Planning
- **Jimmy M. Autry**
  Director
  Marketing and Communications
- **William H. Batt**
  Director
  Finance
- **Alice D. Garland**
  Director
  Corporate & Government Services

[1] *As of December 31, 1995.*

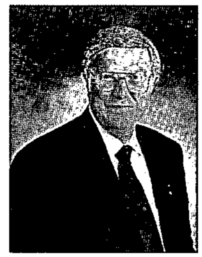
[2] *The Alternate Commissioners' seat in Concord was vacant as of December 31, 1995.*

1995 NCMPA1 Annual Report
Board of Commissioners


George W. Clay, Jr.
Chairman


A. W. Huffman, Jr.
Vice Chairman


R. Duke Whisenant
Secretary–Treasurer


Jerry L. Campbell
1996 Chairman


Raymond I. Allen


Morris Baker


Dale Becker


Mary Ann Creech

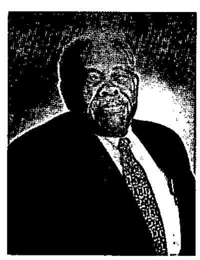

Larry M. Cranford


Michael C. Cronk


Janice L. Hovis


David Parks


Stephen H. Peeler


Arthur E. Peterson


Winton R. Poole


L. Klynt Ripple


Thurmond Ross, Jr.


Kevin C. Sanders


Lloyd D. Shank, Jr.


Radford L. Thomas

1995 NCMPA1 Annual Report
NCMPA1 Participants Electric Systems

City	Established	Customers*		Revenues	Percent Ownership
• Albemarle	1910	10,903	1995	$18,621,934	7.6043
			1994	$18,131,991	
• Bostic	1920	178	1995	$160,633	0.0869
			1994	$153,471	
• Cherryville	1906	2,375	1995	$4,586,450	1.5788
			1994	4,519,146	
• Cornelius	1916	1,298	1995	$2,011,853	0.3621
			1994	$1,694,076	
• Drexel	1926	1,212	1995	$1,179,503	0.5070
			1994	$1,232,219	
• Gastonia	1919	24,061	1995	$47,687,382	17.1205
			1994	$46,987,205	
• Granite Falls	1923	1,939	1995	$3,503,350	0.9125
			1994	$3,393,127	
• High Point	1893	30,856	1995	$63,446,463	18.9600
			1994	$62,001,063	
• Huntersville	1916	1,245	1995	$2,040,173	0.6228
			1994	$2,098,854	
• Landis	1919	2,417	1995	$2,715,610	1.1298
			1994	$2,864,800	
• Lexington	1904	18,265	1995	$35,540,282	12.9345
			1994	$34,321,136	
• Lincolnton	1900	2,629	1995	$4,559,120	1.6078
			1994	$4,457,845	
• Maiden	1920	978	1995	$4,165,897	1.2891
			1994	$4,073,135	
• Monroe	1900	7,891	1995	$27,407,477	10.0377
			1994	$26,256,803	
• Morganton	1916	7,477	1995	$19,594,528	6.7352
			1994	$18,237,382	
• Newton	1896	3,725	1995	$6,285,173	2.1147
			1994	$5,992,350	
• Pineville	1939	2,119	1995	$5,748,126	0.5359
			1994	$5,692,970	
• Shelby	1912	7,676	1995	$12,552,418	5.9965
			1994	$12,952,892	
• Statesville	1889	11,971	1995	$24,872,715	9.8639
			1994	$24,915,198	

** As of June 30, 1995*

Report of Independent Auditors

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, 1995, and 1994 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, 1995 and 1994, 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 26, 1996

1995 NCMPA1 Annual Report
Balance Sheets ($000s)

	December 31, 1995	1994
ASSETS		
Electric Utility Plant (Note B):		
Electric plant in service, net of accumulated depreciation of $372,622 and $311,412	$1,032,818	$1,070,212
Construction work in progress	34,602	18,948
Nuclear fuel, net of accumulated amortization of $53,256 and $73,276	48,311	49,655
	1,115,731	1,138,815
Non-Utility Property and Equipment, net (Note B)	1,912	1,952
Special Funds Invested (Notes B, C, and E):		
Bond fund	287,310	290,587
Reserve and contingency fund	18,900	19,820
Special reserve fund	1,019	1,048
	307,229	311,455
Trust for Decommissioning Costs (Note B)	51,276	43,144
Operating Assets:		
Funds invested (Notes B, C, and E):		
Revenue fund	429,958	423,536
Operating fund	126,973	124,758
Supplemental fund	26,271	28,067
	583,202	576,361
Participant accounts receivable	18,742	16,589
Operating accounts receivable		13,342
Prepaid expenses	36,342	40,376
	638,286	646,668
Deferred Costs (Note B):		
Unamortized debt issuance costs	33,032	34,540
Excess costs on advance refundings of debt	348,818	350,554
	$2,496,284	$2,527,128

See notes to financial statements.

1995 NCMPA1 Annual Report
Balance Sheets ($000s)

LIABILITIES AND RETAINED EARNINGS	December 31, 1995	1994
Long-Term Debt:		
Bonds, net of unamortized discount (Notes B and E)	$2,112,217	$2,147,596
Special Funds Liabilities:		
Current maturities of bonds (Note E)	40,500	38,575
Accrued interest on bonds	62,593	66,287
Tax-exempt commercial paper (Note F)	200,600	200,600
Accrued interest on commercial paper	380	969
	304,073	306,431
Liability for Decommissioning Costs (Note B)	51,276	43,144
Operating Liabilities:		
Accounts payable	6,161	337
Accrued taxes	13,680	13,480
	19,841	13,817
Deferred Revenues, net (Note D)	1,477	8,740
Commitments and Contingencies (Note G)		
Retained Earnings	7,400	7,400
	$2,496,284	$2,527,128

1995 NCMPA1 Annual Report
Statements of Revenues and Expenses and Changes in Retained Earnings ($000s)

	December 31, 1995	1994
Operating Revenues:		
Sales of electricity to participants	$228,919	$212,537
Sales of electricity to utilities	183,554	237,153
Other revenues (Note H)	1,379	91,005
	413,852	540,695
Operating Expenses:		
Operation and maintenance	84,749	70,532
Nuclear fuel	33,739	36,893
Interconnection services:		
Purchased power	85,078	117,822
Transmission and distribution	10,708	13,422
Other	158	195
	95,944	131,439
Administrative and general	30,153	25,054
Gross receipts and excise taxes (Note B)	9,687	9,587
Property tax (Note B)	12,269	9,697
Depreciation	46,221	44,663
	312,762	327,865
Net Operating Income	101,090	212,830
Interest Charges (Credits):		
Interest expense	139,084	137,362
Amortization of debt refunding costs	21,124	21,164
Amortization of debt discount and issuance costs	6,610	6,440
Investment income	(58,465)	(54,838)
	108,353	110,128
Net Costs to be Recovered from Future Billings to Participants (Deferred Revenues) (Note D)	7,263	(102,702)
Excess of Revenues Over Expenses	0	0
Retained Earnings, beginning of year	7,400	7,400
Retained Earnings, end of year	$ 7,400	$ 7,400

See notes to financial statements.

1995 NCMPA1 Annual Report
Statements of Cash Flows ($000s)

	Year Ended December 31, 1995	1994
Cash Flows from Operating Activities:		
Receipts from sales of electricity	$ 415,720	$ 450,197
Receipts from other revenues	1,379	91,005
Payments of operating expenses	(200,114)	(258,965)
Net cash provided by operating activities	216,985	282,237
Cash Flows from Capital and Related Financing Activities:		
Bonds issued	79,440	
Bonds refunded	(92,990)	
Interest paid	(140,640)	(138,035)
Refunding Trust Fund requirement	(3,181)	
Additions to electric utility plant and non-utility property and equipment	(67,339)	(24,893)
Bonds retired	(38,575)	(27,875)
Debt discount and issuance costs paid	(5,365)	(104)
Net cash used for capital and related financing activities	(268,650)	(190,907)
Cash Flows from Investing Activities:		
Sales and maturities of investment securities	6,786,258	6,695,263
Purchases of investment securities	(6,785,145)	(6,836,562)
Investment earnings receipts from non-construction funds	50,580	49,926
Net cash provided by (used for) investing activities	51,693	(91,373)
Net Increase (Decrease) in Operating Cash	28	(43)
Operating Cash, beginning of year	16	59
Operating Cash, end of year (Note C)	$ 44	$ 16

See notes to financial statements.

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Statements of Cash Flows ($000s)

	Year Ended December 31, 1995	1994
Reconciliation of Net Operating Income To Net Cash Provided by Operating Activities:		
Net operating income	$101,090	$212,830
Adjustments:		
Depreciation	46,221	44,663
Amortization of nuclear fuel	33,739	36,893
Changes in assets and liabilities:		
(Increase) decrease in participant accounts receivable	(2,153)	1
Decrease (increase) in operating accounts receivable	13,342	(1,899)
Decrease (increase) in prepaid expenses	4,034	(3,634)
Increase (decrease) in accounts payable	20,512	(6,066)
Increase (decrease) in accrued taxes	200	(551)
Total adjustments	115,895	69,407
Net cash provided by operating activities	$216,985	$282,237

See notes to financial statements.

Years Ended December 31, 1995 and 1994

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 1995 and 1994, the agency retained approximately 57 percent and 28 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 agency and Duke have reached agreement on a challenge issue which would increase the sell-back capacity for the years 1996 to 1999, pending approval by all regulatory authorities.
>
> 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

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bulk power supply, in excess of power allotments from the 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. 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 $6,606,000 and $6,206,000 for the years ended December 31, 1995 and 1994, 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 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

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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, 1995 and 1994, the agency had $212,000 and $89,000, respectively, covered by federal depository insurance.

The agency's investments are categorized in Chart A on page 19 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 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

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A. INVESTMENTS ($000s)

	December 31, 1995 Carrying Amount	1995 Market Value	1994 Carrying Amount	1994 Market Value
Repurchase agreements	$209,363	$209,363	$ 90,850	$ 90,850
U.S. government securities	88,388	89,391	154,676	151,884
U.S. government agencies	361,459	374,152	423,286	421,794
Municipal bonds	20,992	21,298	21,249	20,025
Collateralized mortgage obligations	200,129	203,195	187,925	177,799
	880,331	$897,399	877,986	$862,352
Operating cash	44		16	
Restricted cash	72		12	
Accrued interest	9,984		9,802	
Total funds invested	$890,431		$887,816	
Consisting of:				
Special funds invested	$307,229		$311,455	
Operating assets	583,202		576,361	
	$890,431		$887,816	

B. DEFERRED REVENUES ($000s)

Net Costs to be Recovered from Future Billings to Participants	*Year Ended December 31,* 1995	1994	*Inception to December 31,* 1995	1994
GAAP Items Not Included in Billings to Participants:				
Interest expense not capitalizable	$136,759	$ 139,015	$1,698,691	$1,561,932
Depreciation	63,160	63,103	513,969	450,809
Training costs			6,696	6,696
	199,919	202,118	2,219,356	2,019,437
Bond Resolution Requirements Included in Billings to Participants:				
Special funds deposits	5,983	123,901	428,856	422,873
Debt service	170,371	171,503	1,699,643	1,529,272
Investment income not available for operating purposes	29,668	22,552	218,292	188,624
Special funds excess valuations	(13,366)	(13,136)	(125,958)	(112,592)
	192,656	304,820	2,220,833	2,028,177
Net costs to be recovered from future billings to Participants (deferred revenues)	$ 7,263	$(102,702)	$ (1,477)	$ (8,740)

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 are detailed in Chart B on the preceeding page.

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, 1994, the agency had outstanding $2,365,707,000 of bonds. On January 1, 1995, the agency made principal payments of $38,575,000 for maturing bonds. In November 1995, an additional $79,440,000 of bonds were issued (Series 1995A). Proceeds of this issue were used to establish a trust for advance refunding portions of Series 1985, 1985A, and 1986 Bonds totaling $92,990,000, bringing the total outstanding bonds at December 31, 1995 to $2,313,582,000 as follows (in thousands of dollars):

	December 31,	
	1995	*1994*
• *Series 1984*		
9.75% maturing in 1996	$ 1,355	$ 5,695
• *Series 1985*		
8.5% maturing in 1996	5,315	10,240
7% maturing in 2020 with annual sinking fund requirements beginning in 2019		46,720
	5,315	56,960
• *Series 1985A*		
8.6% to 8.8% maturing annually from 1996 to 1997	1,785	3,585
7% maturing in 2020		26,105
	1,785	29,690
• *Series 1985B*		
8.3% to 8.4% maturing annually from 1996 to 1997	12,405	16,720
6% maturing in 2020 with annual sinking fund requirements beginning in 2018	125,615	125,615
	138,020	142,335

	December 31, 1995	December 31, 1994
• *Series 1986*		
7% to 7.2% maturing annually from 1996 to 1997	$ 7,825	$ 15,695
7% maturing in 2018 with annual sinking fund requirements beginning in 2007		14,820
	7,825	30,515
• *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
• *Series 1990*		
Zero coupon priced to yield 6.75% maturing in 2004	3,670	3,670
6.2% to 6.9% maturing annually from 1996 to 2003	10,485	11,280
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
	115,980	116,775
• *Series 1992*		
4.5% to 8% maturing annually from 1996 to 2011	517,035	522,095
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
	1,216,390	1,221,450

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	December 31, 1995	December 31, 1994
• *Series 1993*		
3.75% to 5.5% maturing annually from 1996 to 2010	$ 272,060	$ 286,875
PARS/INFLOS maturing in 2012 with annual sinking fund requirements beginning in 2011 with a linked interest rate of 5.5%	54,800	54,800
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/INFLOS maturing in 2020 with annual sinking fund requirements beginning in 2018 with a linked interest rate of 5.6%	70,000	70,000
	591,930	606,745
• *Series 1995A*		
5.1% to 5.2% maturing annually from 2007 to 2008	15,185	
5.375% maturing in 2020 with annual sinking fund requirements beginning in 2019	64,255	
	79,440	
	2,313,582	2,365,707
Less: Current maturities of bonds	40,500	38,575
Unamortized discount	160,865	179,536
	$2,112,217	$2,147,596

The fair market value of the agency's long-term debt was estimated using a yield curve derived from December 31, 1995 and 1994 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 $2,321,914,000 and $2,129,092,000 at December 31, 1995 and 1994, respectively.

Certain proceeds of the Series 1984, 1985A, 1985B, 1988, 1990, 1992, 1993, and 1995A bonds and the TECP were used to establish trusts for advance refunding of $3,543,890,000 of previously issued bonds. At December 31, 1995, $2,021,610,000 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 following bonds are subject to redemption prior to maturity at the option of the agency, on or after the following dates at a maximum of 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
• Series 1995A	January 1, 2006

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 2000 and thereafter are as follows (in thousands of dollars):

• 1996	$ 40,500
• 1997	43,240
• 1998	39,305
• 1999	47,890
• 2000	52,063
• Thereafter	2,090,584
	$2,313,582

In February 1994, the agency entered into a forward swap agreement 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. In June and August 1995, the agency entered into forward swap agreements related to the potential future refunding of portions of the Series 1988 Bonds totaling $103,590,000. At the time of the refunding, the agency anticipates issuing variable rate debt. Based upon the swap agreements, beginning on January 1, 1998 the agency will make payments calculated at a fixed rate to the counter party to the swap. In return, the counter party makes payments to the agency based on variable rate indices. The agency will continue to pay interest to the new variable rate debt holders at the variable rates provided on the debt. However, during the term of the swap agreement, the agency effectively pays a fixed rate on the debt. The agency will be exposed to variable rates if the counter party to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the agency's making or receiving a termination payment.

As a result of the Series 1995A refunding, the agency increased excess costs on advanced refundings of debt by $19,389,000. However, the agency will benefit from reduced debt service costs of $38,864,000 over the life of the Series 1995A Bonds.

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F. Tax-Exempt Commercial Paper

The agency has issued $200,600,000 of TECP to accomplish the refunding of $217,055,000 in bonds. As of December 31, 1995 the agency had $200,600,000 of TECP outstanding with an average maturity of 84 days and an average interest cost of 4.375%. The agency maintains a direct-pay letter of credit with two banks for $205,546,000 that is drawn upon to provide funds to pay principal of and interest on the TECP when due, for which the agency paid a fee of approximately $567,000 in 1995. Each draw upon the letter of credit is to be reimbursed from the proceeds of TECP issued on the same day the draw is made. In the event a draw is not reimbursed, it becomes a borrowing which matures four years after the termination date of the letter of credit agreement (currently December 7, 1997). There were no borrowings under the letter of credit agreement at December 31, 1995.

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, 1995 and 1994, the agency paid ElectriCities $4,007,000 and $2,729,000, 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 $2,750,000,000. 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 purchased 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.

H. Other Revenues

Other revenues of $1,379,000 and $91,005,000 were received from Duke in 1995 and 1994, respectively, in settlement of arbitration issues.

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

	Year Ended December 31, 1995			Year Ended December 31, 1994		
	Project	Supplemental	Total	Project	Supplemental	Total
REVENUES:						
Sales of electricity to participants	$146,899	$82,020	$228,919	$ 83,392	$129,145	$ 212,537
Sales of electricity to utilities	183,554		183,554	237,153		237,153
Other revenues	1,367	12	1,379	91,005		91,005
Rate stabilization fund withdrawal (deposit)	11,093		11,093	(106,789)		(106,789)
Fund valuations	13,366		13,366	13,136		13,136
Investment revenue available for operations	27,115	1,682	28,797	30,572	1,714	32,286
	383,394	83,714	467,108	348,469	130,859	479,328
EXPENSES:						
Operation and maintenance	84,749		84,749	70,532		70,532
Nuclear fuel	33,739		33,739	36,893		36,893
Interconnection services:						
Purchased power	18,433	66,645	85,078	7,788	110,034	117,822
Transmission and distribution		10,708	10,708		13,422	13,422
Other		158	158		195	195
	18,433	77,511	95,944	7,788	123,651	131,439
Administrative and general-Duke	24,062		24,062	20,102		20,102
Administrative and general-agency	2,598	2,700	5,298	1,926	1,717	3,643
Miscellaneous agency expense		793	793		1,308	1,308
Gross receipts and excise taxes	7,076	2,611	9,687	5,496	4,091	9,587
Property tax	12,269		12,269	9,697		9,697
Debt service	179,207	99	179,306	176,198	92	176,290
Special funds deposits:						
Decommissioning fund	4,185		4,185	2,725		2,725
Reserve and contingency fund	17,076		17,076	17,112		17,112
	21,261		21,261	19,837		19,837
	383,394	83,714	467,108	348,469	130,859	479,328
EXCESS OF REVENUES OVER EXPENSES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

1995 NCMPA1 Annual Report
Schedules of Changes in Assets of Funds Invested
($000s)

	Funds Invested Jan. 1, 1994	*Power Billing Receipts*	*Investment Income*	*Disbursments*	*Transfers*
Bond fund:					
Interest account	$ 67,524	$	$ 1,331	$(133,409)	$131,559
Reserve account	184,262		13,736		(13,446)
Principal account	28,153		871	(27,875)	37,881
	279,939		15,938	(161,284)	155,994
Reserve & contingency fund	18,427		1,831	(8,404)	7,966
Special reserve fund	1,077		38		(67)
Revenue fund:					
Revenue account	3,567	70,562	392	207,036	(282,491)
Rate stabilization account	318,286		22,552	(9,525)	93,157
	321,853	70,562	22,944	197,511	(189,334)
Operating fund:					
Working capital account	29,307		5,791	(136,359)	132,711
Fuel account	68,753				24,555
	98,060		5,791	(136,359)	157,266
Supplemental fund:	25,017	141,022	1,675	(7,822)	(131,825)
	$744,373	$211,584	$48,217	$(116,358)	$ 0

1995 NCMPA1 Annual Report
Schedules of Changes in Assets of Funds Invested
($000s)

Funds Invested Dec. 31, 1994	*Bond/ Note Proceeds*	*Power Billing Receipts*	*Investment Income*	*Disbursements*	*Transfers*	*Funds Invested Dec. 31, 1995*
$ 67,005	$ (2,397)	$	$ 1,790	$(131,448)	$ 127,935	$ 62,885
184,552	(1,644)		13,381		(12,888)	183,401
39,030			1,151	(38,575)	39,418	41,024
290,587	(4,041)		16,322	(170,023)	154,465	287,310
19,820	(164)		2,438	(6,135)	2,941	18,900
1,048			56		(85)	1,019
(934)	1,437	154,013	1,349	81,128	(218,225)	18,768
424,470	(17,684)		29,669	(14,785)	(10,480)	411,190
423,536	(16,247)	154,013	31,018	66,343	(228,705)	429,958
31,450			7,008	(139,105)	129,386	28,739
93,308					4,926	98,234
124,758			7,008	(139,105)	134,312	126,973
28,067		72,623	1,626	(13,117)	(62,928)	26,271
$887,816	$(20,452)	$226,636	$58,468	$(262,037)	$ 0	$890,431

1995 NCMPA1 Annual Report
Fast Facts

- NCMPA1 is made up of 19 cities in the western part of the state which own 75 percent of Catawba Nuclear Station Unit 2
- NCMPA1's load management program reduced demand costs for participant cities by $11.2 million in 1995
- NCMPA1 participant cities served 137,685 customers in 1995
- Megawatt hour sales for NCMPA1 in 1995 hit 3,811,827
- Participant cities' revenue from power sales reached $287,018,212 in 1995, up from $279,975,663 the previous year
- Peak demand as of June 30, 1995 reached 799,062 kilowatts
- NCMPA1 found a catalyst for future growth in Catawba Nuclear Station Unit 2 in an agreement with Duke Power that allows for the sale of surplus energy to other companies. The first sale was valued at $60,000 from LG&E Power Marketing, Inc.
- Strong performance in 1995 allowed NCMPA1 to withdraw about $19 million less than what was budgeted from its rate stabilization fund
- NCMPA1 gained $62,428,000 from investment earnings in 1995, with a rate of return of 7.16 percent
- In November 1995, the agency issued refunding bonds, Series 1995A, which resulted in $11.3 million in present value savings

1995 NCMPA1 Annual Report
Glossary

- **Capacity** - The amount of dependable power available from a plant at one hour in time if the plant is running at 100 percent.
- **Coincident peak demand** - An individual customer's demand used during the system peak, or the hour of the month when a utility's entire customer base reaches its maximum demand for that month.
- **Demand** - The rate at which electric power is consumed at any given time. Demand is usually measured in kilowatts (kW) and megawatts (MW).
- **Energy** - Total demand usage over a period of time. Energy is usually measured in kilowatt-hours (kWh) and megawatt-hours (MWh). Ten 100-watt light bulbs left on for one hour use one kWh of energy.
- **Investor-owned utility** - A utility owned by private investors.
- **Public utility** - A utility owned by a municipality or other public entity.
- **Rate stabilization fund** - Funds set aside to minimize future fluctuations in participants' power costs.
- **Sell-back arrangement** - An arrangement under which the power agency sells back a portion of its ownership interest to Duke Power.
- **Surplus energy** - The difference between the power agency's ownership entitlement and its actual energy requirements at any given hour.

1995 NCMPA1 Annual Report
Statistical Highlights

	1995	*1994*	*1993*	*1992*	*1991*
• *Megawatt-hour Sales (MWH)*	4,125,029	3,950,370	3,976,104	3,757,172	3,722,099
• *Peak Billing Demand (kW)*	803,615	752,717	788,060	740,847	742,108
• *Operating Revenues*	$413,852,000	$540,695,000**	$443,511,000	$418,234,000	$438,810,000
• *Excess (Deficiency) of Revenues over Expenditures*	$0	$0	$3,121,000	$(5,799,000)	$(12,544,000)
• *Sales to Duke (Revenues)*	$183,554,000	$237,153,000	$238,954,000	$234,625,000	$262,456,000
• *Average Monthly Power Purchases by Cities (MWh)*	343,752	329,198	331,342	313,098	310,175
• *Average Monthly Billings by Cities*	$19,077,000	$17,711,000	$17,046,000	$15,301,000	$14,696,000

	1990	*1989*	*1988*	*1987*	*1986*
• *Megawatt-hour Sales (000)*	3,585,461	3,572,021	3,473,529	3,358,447	3,190,842
• *Peak Billing Demand (kW)*	721,247	689,304	723,078	666,802	653,210
• *Operating Revenues*	$432,647,000	$429,098,000	$425,772,000	$430,546,000	$331,907,000
• *Excess (Deficiency) of Revenues over Expenditures*	$(18,534,000)	$19,167,000	$(6,034,000)	$8,197,000	$6,075,000
• *Sales to Duke (Revenues)*	$266,086,000	$263,034,000	$269,443,000	$280,810,000	$194,986,000*
• *Average Monthly Power Purchases by Cities (MWh)*	298,788	297,668	289,461	279,871	265,904
• *Average Monthly Billings by Cities*	$13,880,000	$13,839,000	$13,027,000	$12,478,000	$11,410,000

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

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