

Department of Environment and Natural Resources  
Bureau of Fisheries and Aquaculture  
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**North Carolina Municipal Power Agency Number 1**  
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Raleigh, North Carolina 27625  
(919) 876-9170

## 1981/Progressions

The NCMPA 1 Annual Report examines the progress of a joint-action agency organized in 1976 to deal effectively with power supply problems of municipally operated electric utilities in Piedmont North Carolina.

During the past year, the Agency continued to move forward steadily with its financing program to purchase generating capacity for member municipalities by issuing an additional \$325 million in electric revenue bonds and bond anticipation notes.

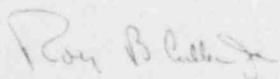
Despite volatile interest rates and increased competition in the municipal bond market, the average effective interest cost for all outstanding Agency bonds is 9.16 percent. Since 1978, the financial community has clearly demonstrated its confidence in NCMPA 1 by purchasing more than \$1 billion worth of Agency bonds and notes.

Throughout 1981, NCMPA 1 routinely re-examined its financing strategy in an effort to prosper in an ever-changing marketplace. A combination of good fortune, excellent timing and skillful maneuvering enabled the Agency to aggressively meet its financing schedule through the use of traditional financing instruments. However, NCMPA 1 financial consultants, management staff and Board of Commissioners have realized the need to investigate alternate borrowing techniques that could provide the Agency with the flexibility it may need in future markets.

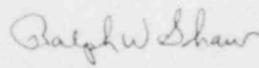
In 1981, NCMPA 1 engineering consultants recommended that the Agency not begin power supply operations at the Agency's earliest opportunity in July 1982 through the optional use of Duke Power Company's McGuire Nuclear Station. However, this possible alternative remains under constant consideration by the Agency and could be implemented at any time prior to the startup of Catawba to maximize the savings inherent in the overall joint-ownership arrangement.

Because NCMPA 1 now shares ownership of Catawba with a group of rural co-ops in the Carolinas, the Agency is re-examining its ownership contracts with Duke to clarify and define certain contractual obligations of the plant's co-owners to one another.

We believe NCMPA 1 is well on the way toward meeting its goal of providing member cities with a lower-cost, reliable source of future electric power.

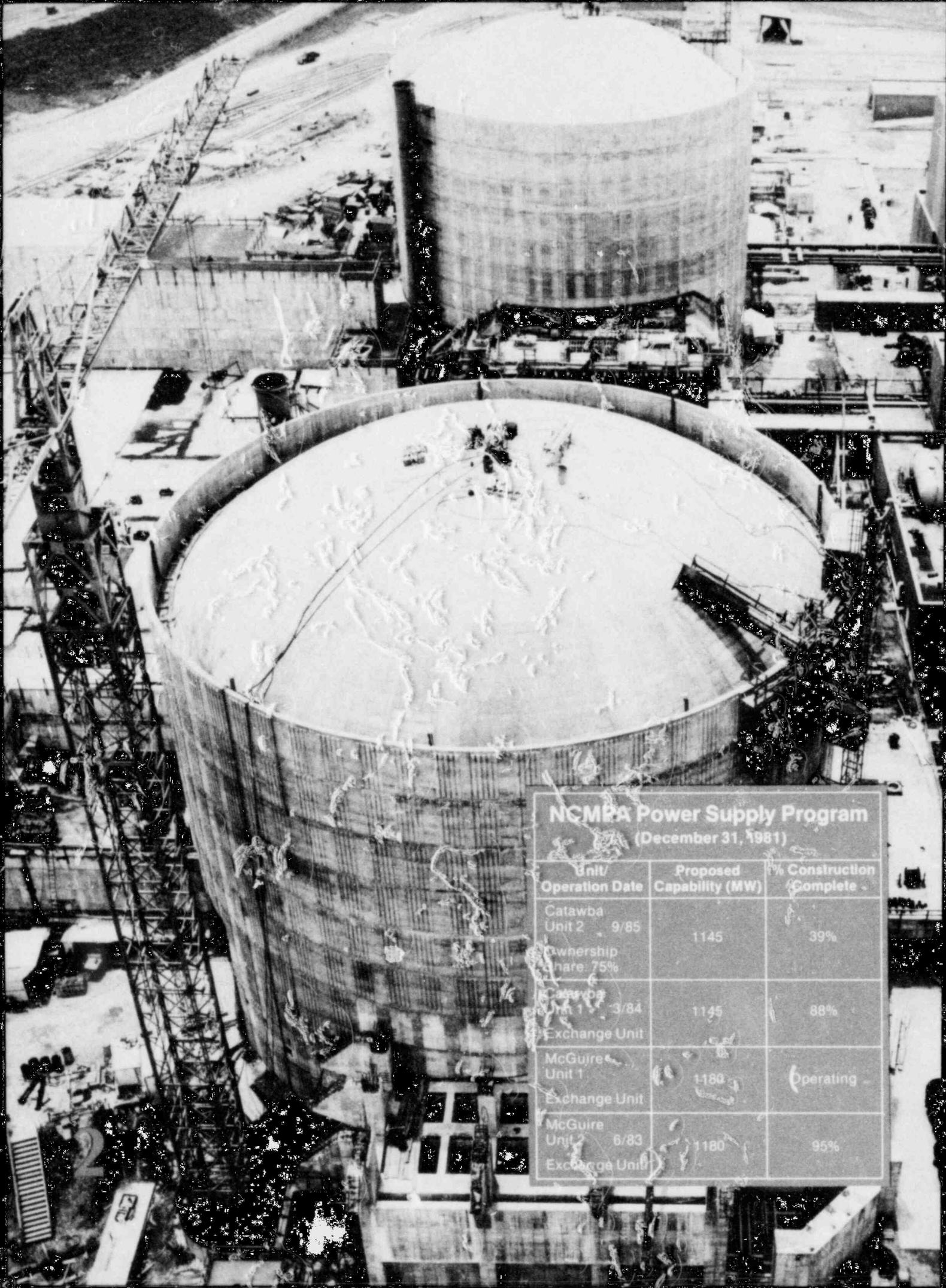


**Roy B. Culler**  
Chairman  
Board of Commissioners



**Ralph W. Shaw**  
General  
Manager





### NCMPA Power Supply Program (December 31, 1981)

Unit/ Operation Date	Proposed Capability (MW)	% Construction Complete
Catawba Unit 2 - 9/85 Ownership Share: 75%	1145	39%
Catawba Exchange Unit Unit 1 - 3/84	1145	88%
McGuire Unit 1 Exchange Unit	1180	Operating
McGuire Unit 2 - 6/83 Exchange Unit	1180	95%

# Duke Power Company And The Catawba Project

Duke Power Company has a track record in efficiency unmatched in the electric utility industry. The utility's award-winning fossil-fueled generating system is consistently one of the most efficient in the nation. Duke is the only private utility that has always designed and built its own power plants, and because of that unique ability, constructs plants more economically than the other private utilities in the country which must hire contractors.

Consequently, customers of the Charlotte-based company have traditionally enjoyed some of the lowest electric rates on the Eastern Seaboard. One of the nation's largest investor-owned utilities, Duke reported \$1.9 billion in sales in 1981, serving 1.3 million customers in its 20,000-square-mile service area in North and South Carolina.

By maintaining a balance of fossil-fueled, nuclear and hydroelectric plants to provide electric power; seeking greater control over fuel supply, assuming a leadership role in encouraging public conservation, and extensively training its employees, Duke strives to preserve its financial integrity and to meet the energy demands of continued industrial development and economic growth.

## Catawba Nuclear Station

The Catawba Nuclear Station, under construction on Lake Wylie in South Carolina near Charlotte, is representative of Duke's long-term commitment to nuclear power development as a contribution to a healthy economic climate. The two-unit nuclear-fueled generating facility will provide electric power to 20 NCMCA 1 members, 19 of which are participants in the Catawba Project. The Agency participants, municipal electric utilities in North Carolina's Piedmont, have acquired a 75 percent undivided ownership interest in one of the two Catawba units, and a 37.5 percent ownership interest in the station's support facilities. Under contract, Duke serves as engineer-contractor and operator for the Agency.

With approval of the North Carolina Local Government Commission, the Agency periodically issues bonds to pay Duke for its portion of estimated costs of acquisition and construction.

Seeking relief from the burden of financing plant construction in erratic capital markets, Duke offered to sell portions of Catawba to a

group of wholesale customers in 1975. Upon concluding that substantial, long-term savings in electric power costs would accrue to Agency participants through direct ownership in the plant, NCMCA 1 entered into the joint agreement.

## The Joint Agreement

The Agency, as a non-profit municipal corporation, is able during the construction phase of the project to issue tax-exempt electric revenue bonds at interest rates that are significantly below the capital costs of an investor-owned utility. As an operating power-supply utility, NCMCA 1 will provide power to its participating municipalities at rates designed to recover only actual operating, maintenance and debt-service expenses. The Agency will not need to recover stockholders' dividends or income taxes.

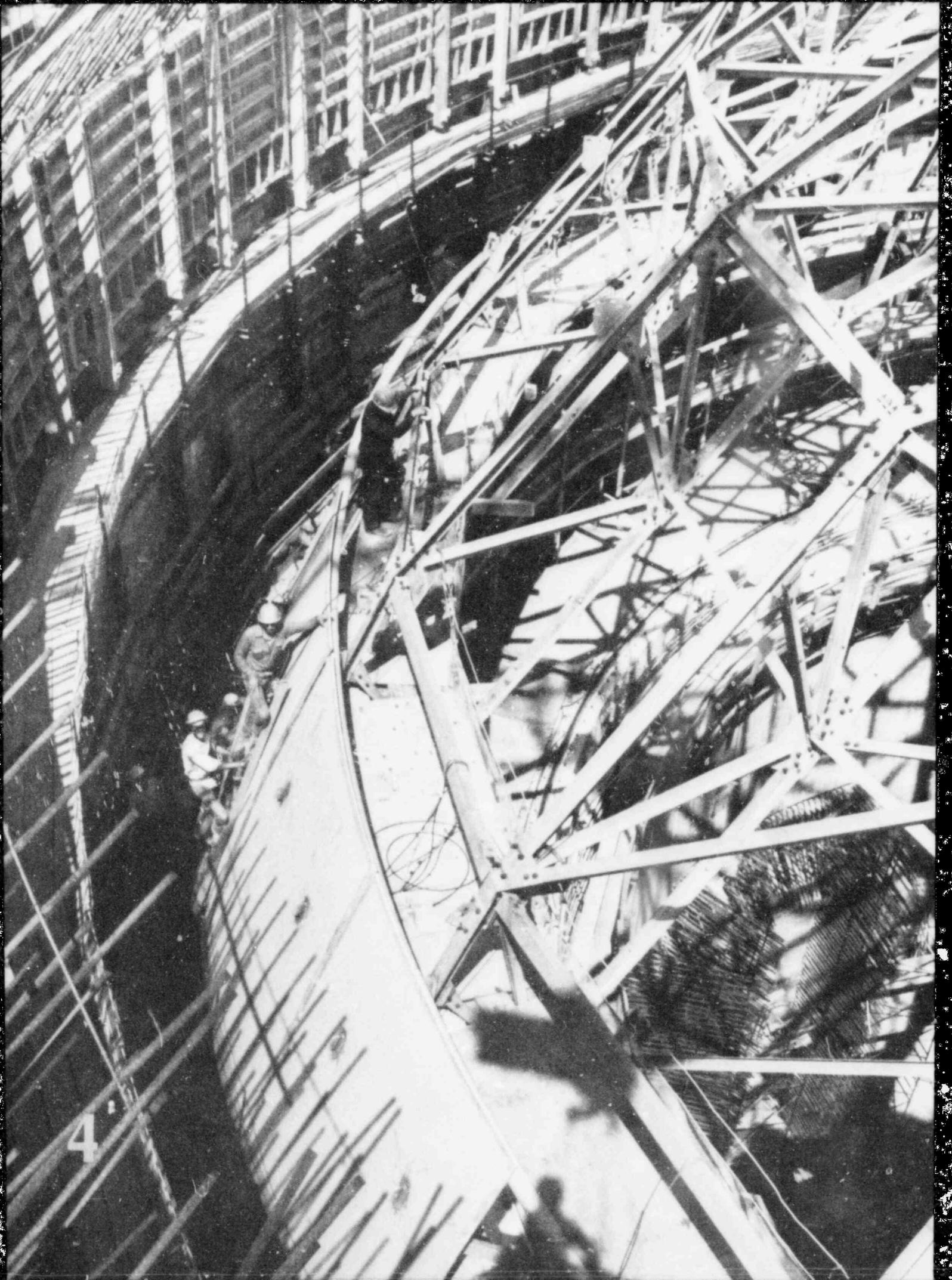
Each participant has executed a customary "take or pay" contract with the Agency, agreeing to pay its share of Catawba's annual operating costs, including debt service on bonds, whether or not the plant is completed.

Each city has also signed a supplemental power agreement with the Agency, and the Agency will purchase from Duke all additional power needed beyond that provided by joint ownership of generation, and in excess of federal power allotments some cities obtain from the Southeastern Power Administration (SEPA).

## McGuire Reliability Exchange

The Agency chose not to exercise its earliest option to trigger the McGuire Reliability Exchange, a special provision of its contracts with Duke. Under this provision, NCMCA 1 could have replaced Duke as early as July 1, 1982, as bulk power supplier for Agency participants. Project power would have been provided from the two-unit McGuire Nuclear Station where Unit 1 began commercial operation December 1, 1981.

The Agency's optional use of McGuire, prior to the startup of Catawba, would require six months' advance notice to Duke. This possible decision is under constant consideration by the Agency, and could be made at any time to maximize the savings inherent in the overall joint-ownership arrangement. McGuire, Catawba's "sister" plant, is under construction by Duke near Charlotte and is expected to be fully operational by 1983.



## A Brief History

NCMPA 1 was chartered as a municipal corporation on January 13, 1976. Of the 23 municipal electric utilities that are presently all-requirements wholesale customers of Duke Power Company, 20 belong to the Agency.

All but one Agency member, the City of Concord, are participants in the Agency's joint-ownership arrangement with Duke and own a 75 percent interest in Unit 2 at the Catawba Nuclear Station. None of the Agency's member municipalities currently owns or operates any independent electric generating facility.

### NCMPA 1

- To enable municipalities owning electric systems to create joint agencies with authority to construct, operate, maintain and finance electric generating and transmission facilities, the North Carolina General Assembly enacted the Joint Municipal Electric Power and Energy Act on May 1, 1975.

- In October 1975, Duke made a proposal to all its municipal wholesale customers in North and South Carolina (including members of NCMPA 1) for the sale of a portion of Catawba.

- A 1977 amendment to the State Constitution, ratified by North Carolina voters, enabled a municipal power agency to participate as a joint owner in generation or transmission projects with private utilities or rural electric co-ops.

- On February 27, 1978, after 2½ years of negotiations with Duke, the Agency's Board of Commissioners approved the Catawba Project and authorized the execution of joint-ownership contracts with Duke.

- By July 1978, the governing bodies of 19 Agency members had approved the "take or pay" contracts that are required between each project participant and the Agency, as well as the separate contracts for the purchase of supplemental power.

- In October 1978, NCMPA 1 (and two other municipal power agencies in the state) contracted to acquire a full range of management services at cost from ElectricCities of North Carolina. The use of a combined staff eliminates the duplication and expense of separate staffs for each agency.

- On November 16, 1978, NCMPA 1 sold a \$400 million electric revenue bond issue at a net interest cost of 6.812 percent. It was the second largest issue of its kind ever offered by a public utility and the largest single issue by far ever sold

by the North Carolina Local Government Commission.

- On November 29, 1978, the Agency and Duke closed on the Catawba purchase.

- In May 1979, NCMPA 1 again went to market, selling an issue of \$150 million at a net interest cost of 7.338 percent.

- In April 1980, NCMPA 1 sold a third issue of \$100 million at a net interest cost of 10.507 percent.

- In June 1980, the NCMPA 1 Board of Commissioners approved a revolving credit agreement with a group of four banks. By year end, the Agency had borrowed the \$75 million at its disposal under that agreement.

- In April 1981, NCMPA 1 sold a \$125 million issue of bonds at a net interest cost of 10.731 percent.

- In September 1981, NCMPA 1 sold a \$200 million issue of bonds and \$100 million of bond anticipation notes. The long-term bonds were sold at a net interest cost of 14.45 percent. The interest on the bond anticipation notes was 12.17 percent.

### Other Agencies Formed

In 1976, other regional groups of municipal electric utilities in North Carolina formed two additional municipal power agencies for the purpose of acquiring generation facilities.

On December 30, 1981, North Carolina Eastern Municipal Power Agency (NCEMPA) began power deliveries to 11 of its 32 participating municipalities. These 11 Northeastern North Carolina municipalities formerly purchased all their power from Virginia Electric and Power Company.

These cities also were charter members of North Carolina Municipal Power Agency Number 2. In early 1980, they joined NCEMPA in anticipation of completion of that Agency's negotiations for the joint ownership of generating facilities owned by Carolina Power & Light Company (CP&L).

NCEMPA has negotiated to purchase ownership interests in seven generating units in operation or under construction by CP&L, a Raleigh-based private utility serving some 757,000 electric customers in North Carolina and South Carolina. NCEMPA's remaining 21 participants, formerly served at wholesale by CP&L, will begin receiving Agency power at the time of closing with CP&L.

## Agency 1 Participants

The 19 NCMPA 1 cities are clustered in the central Piedmont area of North Carolina, a region characterized by gently rolling hills to the east and sharply rising elevations to the west.

The Piedmont is the most populous and most highly industrialized portion of the state. At the same time, it boasts a substantial, thriving agricultural base.

More than 3.5 million of North Carolina's 5.9 million residents live in the Piedmont. The region's agreeable climate, progressive government and stable work force contribute to its continuing industrial growth.

The member cities of Agency 1, which collectively serve some 112,000 retail electric customers, reflect the diversity of the Piedmont. They also offer a classic example of the emergence of municipal electric utilities as a significant partner in the ownership of electrical generating facilities.

NCMPA 1 cities have had from 43 to 93 years' experience in operating municipal electric systems. Once the principal suppliers of electric power in the state, the municipal electric systems thrived before the rural electric cooperatives and the investor-owned utilities were established.

Eventually, the cities' small generation stations became less profitable to operate, and municipal systems began to purchase power at wholesale from private power companies that could operate larger, more economical generating plants.

Today, by renewing municipal ownership of generation facilities, NCMPA 1 is restoring the cities' historic role in North Carolina's electric power-supply community.

Here's a closer look at the Agency's participants:

**Albemarle** — pop. 15,110. Approximately 42 miles northeast of Charlotte, Albemarle is the seat of Stanly County and its largest city. Textile manufacturing is the major industry. There are several large plants near the city, including manufacturers of aluminum ingots, electrical components, furniture, and mobile homes.

**Bostic** — pop. 475. Bostic is a 73-year-old town covering a one-mile-square area in Rutherford County. Industry is represented by a small textile mill, and there are several downtown retail shops.

**Cherryville** — pop. 4,844. Cherryville, located in Gaston County, is the headquarters of the 12th largest motor freight company in the nation. Textile mills and furniture factories are among the town's major industries. Cherryville is also the home of the New Year Shooters. Every year, just before midnight New Year's Eve and for 24 hours, about 150 residents raise a loud cry to ward off evil spirits and invoke good luck. Carrying antique muskets filled with black gunpowder, the Shooters visit homes and businesses, periodically firing in unison.

**Cornelius** — pop. 1,884. About 20 miles north of Charlotte, Cornelius is part of Mecklenburg County. The 77-year-old town is home to manufacturers of foam products, small household products, and tools.

**Drexel** — pop. 1,392. Drexel, located in Burke County, is an industrial community. Its largest industrial residents are a furniture manufacturer and a knitting mill.

**Gastonia** — pop. 47,333. This city is the seat of Gaston County and lies 21 miles west of Charlotte. It is one of the state's leading textile manufacturing centers. In addition, tool and truck parts industries are expanding in the city.

**Granite Falls** — pop. 2,608. Incorporated in 1899, Granite Falls was named for the water flowing over granite rocks in Gunpowder Creek. The town boasts the oldest cordage mill in the United States. Granite Falls is about three miles square and located in Caldwell County. Its main industries include textiles and furniture.

**High Point** — pop. 63,380. High Point, located in Guilford County, is the sixth largest city in North Carolina. The city is situated at the highest point of the Piedmont region. Furniture and textiles are the largest industries. Annual furniture exhibitions hosted by High Point attract exhibitors from across the nation and all around the world. High Point is one of three cities in the Triad, one of the nation's most desirable areas in which to live.

**Huntersville** — pop. 1,311. Located 15 miles north of Charlotte in Mecklenburg County, Huntersville is 105 years old. Its industries are manufacturers of household products and janitorial supplies.

**Landis** — pop. 2,007. The economy of this Rowan County town is based primarily on manu-

facturing. Two large cotton mills, a dyeing and processing plant, and cotton yarn plant are the largest manufacturers.

**Lexington** — pop. 15,711. Lexington is the seat of Davidson County and its largest city. The town is the birthplace of North Carolina western barbecue, and the site of 15 barbecue restaurants. Western barbecue, say townspeople, is made from pork shoulders only, differing from whole-hog barbecue found in the eastern part of the state.

The economy of the city shows activity in industry and agriculture.

**Lincolnton** — pop. 4,884. Almost 200 years old, this town is located about 30 miles northwest of Charlotte. It is the county seat of Lincoln County and its largest city. Lincolnton is home to various textile mills, furniture factories, metal working plant, building material fabricator, apparel factories, fruit juice processing plant, and manufacturers of plastics, textiles, electronic supplies, and taps and dies.

**Maiden** — pop. 2,717. Situated in the western Piedmont region in Catawba County, Maiden's principal industries are textiles and furniture. A thread mill, knitting mill, four furniture factories, and four yarn mills operate in or around the town.

**Monroe** — pop. 12,639. This seat of Union County is located 26 miles southeast of Charlotte in the southern tip of the Piedmont region. The city benefits from the thriving agriculture and industry in the area. Principal farm products include cotton, corn and poultry. Industries include textile mills, injection-molded plastic plants, household furnishings manufacturers, textile machinery plants, tool and die factories, pharmaceutical plants, brick and tile factories,

apparel manufacturers, and hardware factories.

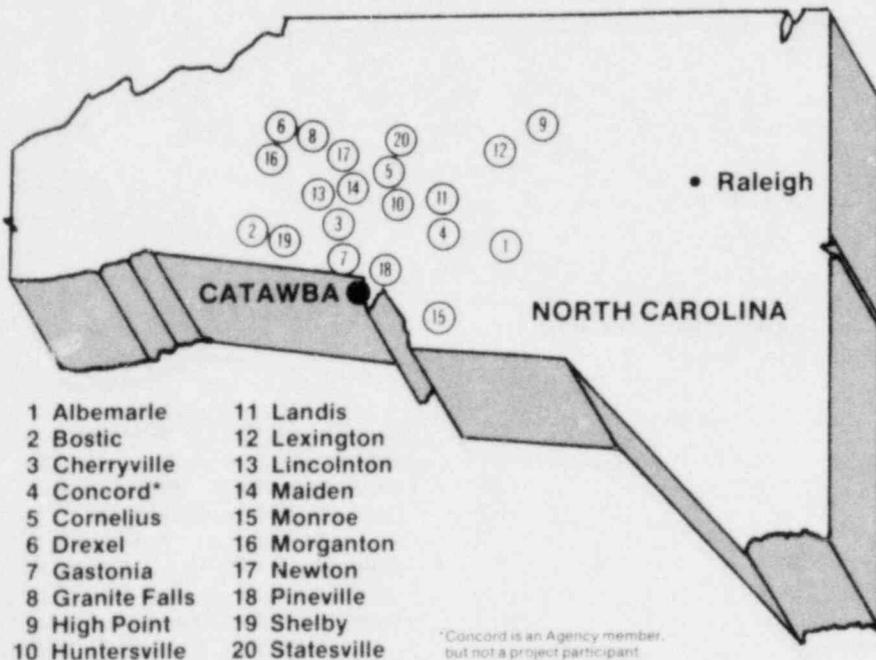
**Morganton** — pop. 14,949. Morganton is the seat of Burke County, located at the perimeter of the Blue Ridge mountains. Industries include furniture, electronics, shoes, poultry processing, upholstery weaving, industrial finishes and shipping containers.

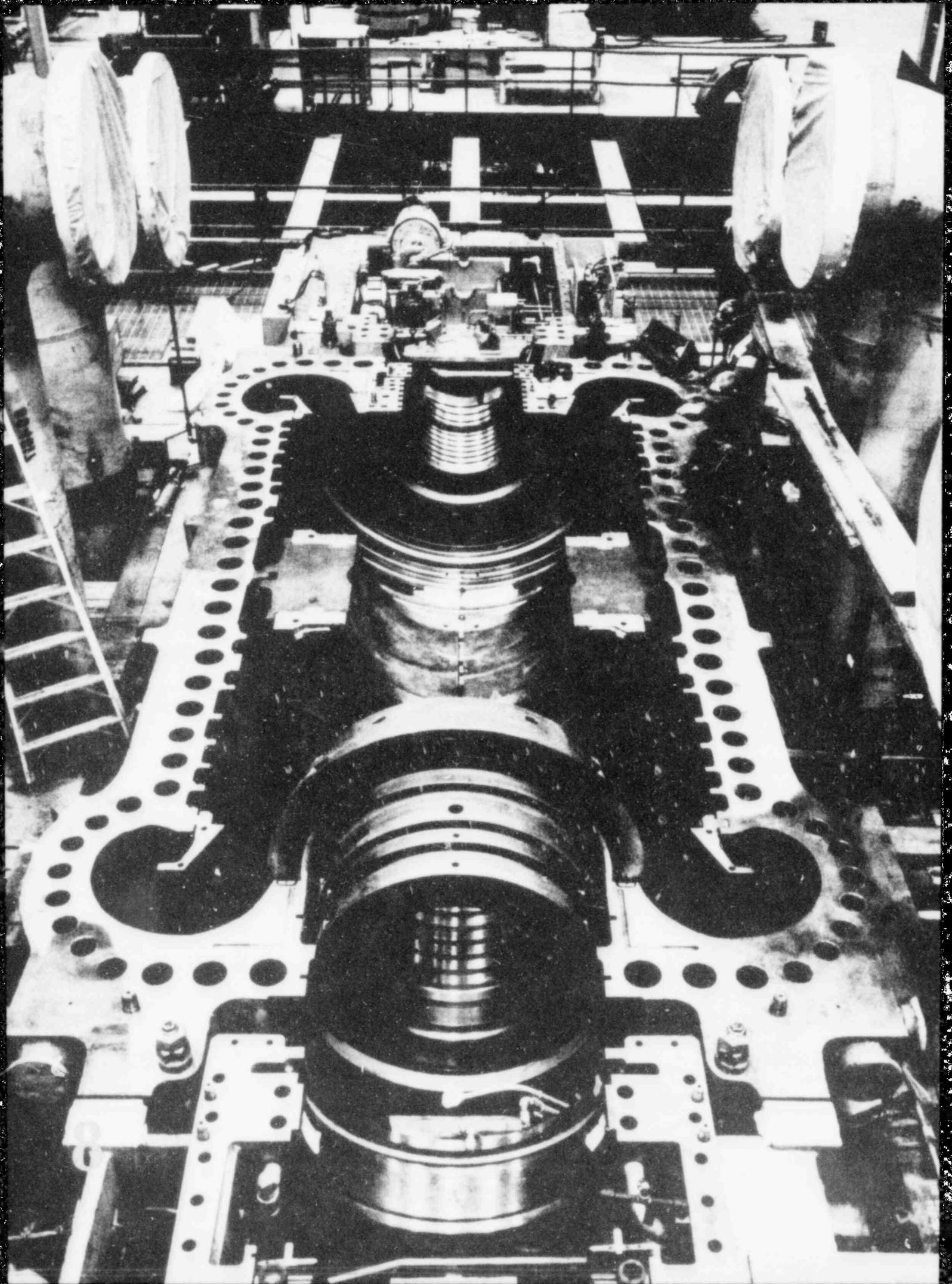
**Newton** — pop. 7,624. Located at the foothills of the Blue Ridge Mountains, Newton's historical landmarks include Old St. Paul's Church (built in 1771) and the Catawba County Historical Museum. The county seat of Catawba County, Newton has a diversified economy. Its largest manufacturers include textile mills, furniture factories, hosiery mills and a plastics plant.

**Pineville** — pop. 1,527. Eight miles south of Charlotte in Mecklenburg County, Pineville is the birthplace of U. S. President James K. Polk. Main industries include manufacturers of chemicals, plastics, cardboard boxes, textiles, and air conditioners.

**Shelby** — pop. 15,310. Shelby is the center of an active agricultural and industrial area. The city is the seat of Cleveland County. Industries include textile mills, two furniture plants, flour and feed mill, bakery, ladies apparel manufacturer and an independent motion picture studio.

**Statesville** — pop. 18,622. This city, about 200 years old, is the seat of Iredell County. Located 43 miles north of Charlotte, it is the business center of a growing industrial and agricultural area. Statesville is active in wholesale and retail trade. Industry includes flour mills, veneer plants, pen factory, cotton mills, hosiery mills, knitting mills, furniture factories, tool factory, screw factory, and large distribution warehouses.





## Engineering 1981



**William G. Wemhoff**  
Manager—Projects and Construction

The Engineering Division of NCMCA 1 is primarily concerned with verifying that provisions of contractual agreements between the Agency and Duke are being executed in the best interests of the Agency and its participating cities, and with reviewing construction costs at Catawba Nuclear Station for the propriety and accuracy of charges to the Agency.

Once NCMCA 1 becomes the power supplier for its participating municipalities, the division will be actively engaged in meeting participants' requirements for technical services, including demand and energy forecasting, rate development, and assistance in determining project expenditure and revenue projections.

The 12-member Engineering Division serves as the combined staff for both NCMCA 1 and NCEMCA. A full range of managerial services is provided at cost and paid directly by each Agency. The projects and construction staff includes a division manager, power supply administrator and power supply analyst, operations engineer, supervisor of construction and operations, several cost engineers and site representatives, as well as a supervisor of technical services, and a safety and training specialist.

NCEMCA began all-requirements power delivery to a portion of its participating cities in December 1981. The engineering staff nearly doubled in size during the past year to meet the operating requirements of NCEMCA, and to prepare for the potential startup of NCMCA 1 power deliveries to participants in 1982 through special provisions of the agreements called the McGuire Reliability Exchange.

### Activities Monitored

Throughout 1981, the NCMCA 1 management staff and engineering team continued to monitor all aspects of Duke's activities at Catawba through on-site inspection and by attending formal buyer meetings at the company's corporate headquarters in Charlotte. As provided for in the Agency's joint-ownership contracts with Duke, the buyer meetings were established as a means for co-owners of the Catawba facility to obtain a timely review of project scheduling, construction status, and budget and financial matters. Day-to-day monitoring of the Catawba Project is the

responsibility of one of this division's professional engineers who is an on-site representative for the Agency.

Since 1978 when NCMCA 1 first acquired its ownership interest in Catawba, Duke has sold or arranged to sell all but a 25 percent ownership interest in the two-unit plant. The Saluda River Electric Cooperative in South Carolina and North Carolina Electric Membership Corporation collectively own a 75 percent interest in Catawba Unit 1. The Piedmont Municipal Power Agency (PMPA), a group of 10 South Carolina municipalities, has arranged to buy the remaining 25 percent of Catawba Unit 2, the unit in which NCMCA 1 has its ownership. (In early 1982, the South Carolina Supreme Court upheld the constitutionality of that state's joint-action legislation, bringing PMPA closer to acquiring a share of Catawba. PMPA's purchase agreement must also be approved by the South Carolina Public Service Commission.)

As a result of the multiple ownership of the Catawba plant, during 1981 the Agency undertook a major re-examination of its ownership agreements with Duke in an effort to clarify and define certain contractual obligations and relationships of the co-owners to one another. While largely the task of NCMCA 1 legal consultants, revision of the Catawba agreements has directly involved the Agency's engineering staff, whose working knowledge of the ownership contracts has proved invaluable.

### Catawba Construction Status

At year end, Duke estimated construction of the total Catawba Station to be 72 percent complete (as compared to 58 percent in 1980). Construction of Catawba Unit 1 was 88 percent complete (79 percent in 1980) and Catawba Unit 2 was 30 percent complete (25 percent in 1980).

The current construction schedule estimates a commercial operation date of March 1984 for Catawba Unit 1 and September 1985 for Catawba Unit 2. While Duke has not announced any delays to the project construction schedule in 1981, it is expected that the company will undertake a major formal analysis of Catawba construction status in early 1982, after which the predicted commercial operation dates for the Catawba units may be revised.



## Finance And Accounting 1981

**James T. Bobo**  
 Manager—Finance and Administration

NCMPA 1 continued the financing of its interest in the Catawba Nuclear Station during 1981 through the issuance of additional bonds and notes. As of January 1, 1981, the Agency had bonds outstanding in the amount of \$775 million and revolving credit notes outstanding of \$75 million.

On April 2, NCMPA 1 sold \$125 million of Series 1981 Bonds at a net interest cost of 10.731 percent. On September 17, the Agency sold \$200 million of Series 1981A Bonds and \$100 million of Series 1981 Bond Anticipation Notes at a net interest cost of 14.45 percent and 12.17 percent respectively.

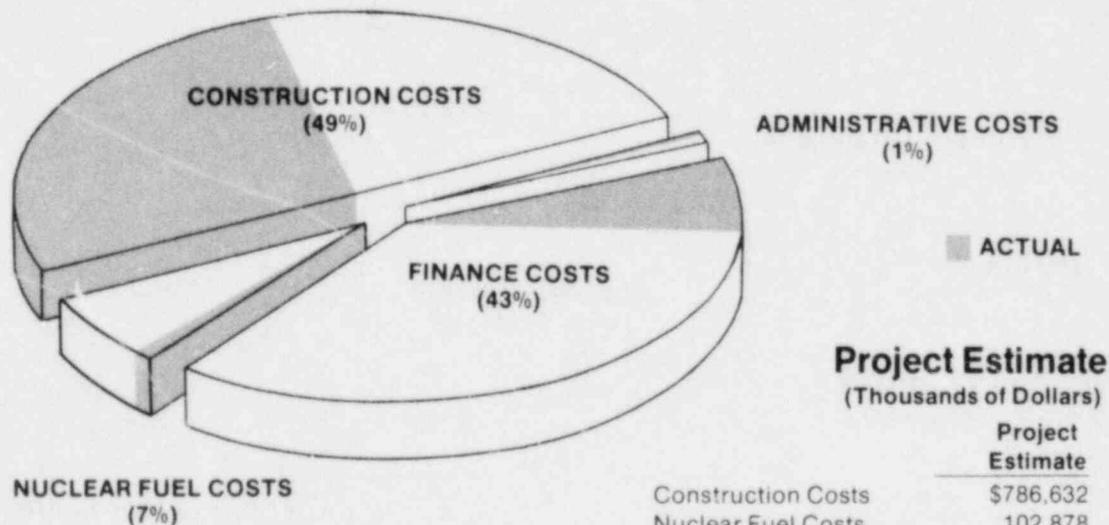
Both series of bonds issued in 1981 were rated A by Moody's Investor Services, Inc., and Standard and Poor's Corporation. The Series 1981 Bond Anticipation Notes were rated MIG-1 by Moody's. With the accomplishment of these 1981 financings, the Agency's total amount of debt outstanding grew to \$975 million in bonds and \$175 million in notes.

The 1981 financings provided funds sufficient to meet estimated cash flow requirements and construction costs to the second quarter of 1983,

and interest requirements on debt outstanding through July 1983 or later. Under these same cost flow projections, NCMPA 1 expects the next issue of debt to be marketed in the first quarter of 1983.

The Board of Commissioners of the Agency also authorized the finance staff to begin review of various alternative methods of debt issuance to provide NCMPA 1 with flexibility in today's market. One such method of borrowing under consideration by the Agency is the use of tax-exempt commercial paper.

During the preparation for the issuance of debt in September, the Agency estimated that the total principal amount of bonds required to finance the project is \$1.590 billion. This represents a \$25 million increase over the Agency's latest 1980 project estimate of \$1.565 billion and was based upon the current construction schedule for the Catawba units and the current regulatory and economic environment. The estimated total amount of bonds required to finance the project is subject to revision if there are economic changes affecting finance costs, and if there are revised dates for commercial operation of the Catawba units.



**Project Estimate**  
 (Thousands of Dollars)

	Project Estimate	Actual 12-31-81
Construction Costs	\$786,632	530,102
Nuclear Fuel Costs	102,878	22,030
Finance Costs	688,990	221,510
Administrative Costs	11,500	3,945
	<b>\$1,590,000</b>	<b>\$777,587</b>

By year's end, NCMPA 1 had completed 61 percent of the estimated \$1.590 billion financing program through the issuance of long-term bonds. Out of the proceeds from the issuance of long-term bonds, together with short-term financings, the Agency to date has spent \$778 million for construction, nuclear fuel, financing and administrative costs.

### Agency Financings

The finance and accounting staff has the essential task of planning, controlling and reporting the financial activities of NCMPA 1 and NCEMPA. The finance staff's primary responsibility on behalf of NCMPA 1 is acquiring and managing the funds needed to finance the Agency's share of the Catawba Station construction and initial fueling costs.

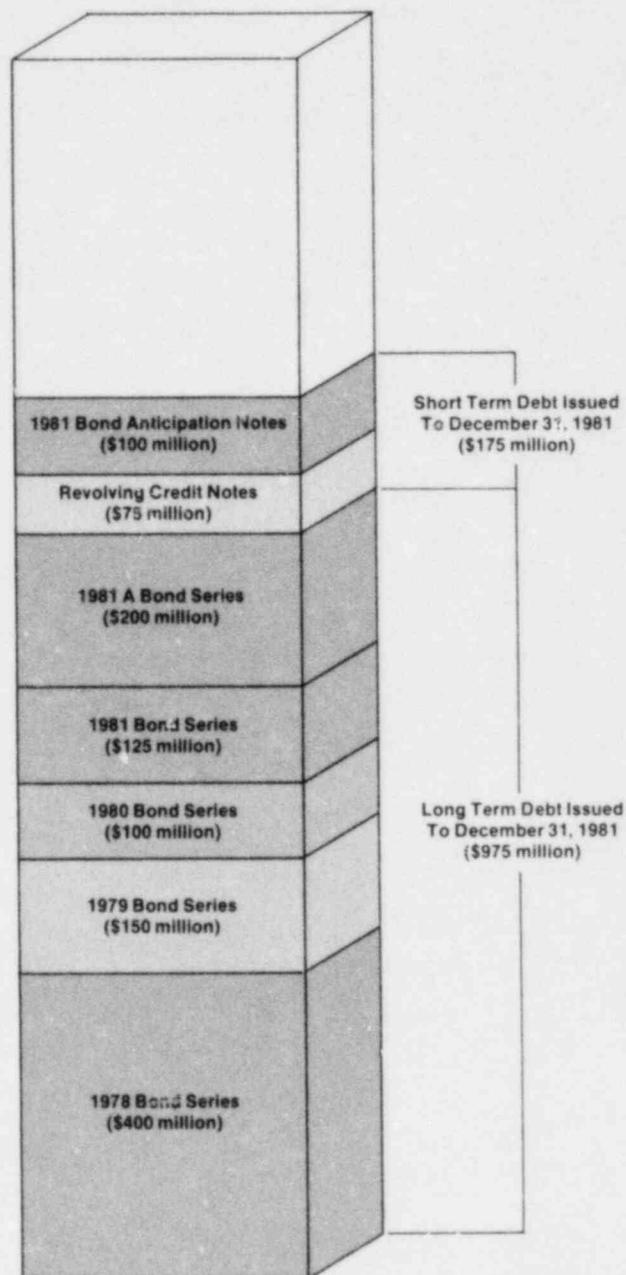
In accomplishing this task, the financial staff works closely and in concert with the North Carolina Local Government Commission (a division of the Department of State Treasurer) and with the Agency's financing team of consultants and underwriters, to assure the investing community of proper disclosure of pertinent information on a timely basis through official statements and periodic status reports.

### Systems Development

The evolutionary role of NCMPA 1 as a power supplier has required the design of flexible systems which will enable the Agency to meet its contractual, regulatory, planning and control responsibilities. During 1981, steady progress was made in the development of operating systems for each Power Agency through the use of common software. Specifically, the Power Demand and Operating Statistics system was considered operational as of December 31. This system, already in use by NCEMPA, is designed to verify the power supplier's billings for the monthly energy and demand costs, and to collect, maintain and report monthly load statistics.

In addition, software packages were acquired to be used in both the Financial Reporting and Control, and the Annual Planning and Budgeting Systems. These two systems are presently in the installation phase and are scheduled for operation in 1982.

## Estimated Funding Requirements (\$1.590 billion)



## Balance Sheets

Years Ended December 31, 1981 and 1980	1981	1980
<b>ASSETS</b>		
ELECTRIC UTILITY PLANT - Construction		
Work in Progress, at cost (Notes 1 and 2)	\$ 638,192,115	\$516,504,914
SPECIAL FUNDS (Notes 1, 3, 4, 5 and 6):		
Construction Fund:		
Construction Account	112,019,296	30,759,301
Construction Interest Account	141,470,787	25,276,863
Construction Revolving Account	93,982	95,635
Note Interest Account	32,801,358	
Bond Fund:		
Interest Account	40,886,143	26,500,427
Reserve Account	110,499,957	59,413,972
Operating Fund:		
Working Capital Account	5,020,853	5,008,996
Revolving Credit Fund:		
Revolving Credit Account	79,071,975	75,642,377
	<u>521,864,351</u>	<u>222,697,571</u>
DEFERRED DEBT ISSUANCE COSTS (Note 1)	35,840,688	13,147,442
	<u><b>\$1,195,897,154</b></u>	<u><b>\$752,349,927</b></u>
<b>LIABILITIES</b>		
CAPITALIZATION (Notes 4, 5 and 6):		
Revenue Bonds	\$ 975,000,000	\$650,000,000
Revolving Credit Notes Payable	75,000,000	75,000,000
Bond Anticipation Notes Payable	100,000,000	
	<u>1,150,000,000</u>	<u>725,000,000</u>
OTHER LIABILITIES:		
Accounts Payable	427,955	227,542
Accrued Interest on Bonds	40,790,964	26,413,990
Accrued Interest on Revolving Credit Notes	1,803,235	708,395
Accrued Interest on Bond Anticipation Notes	2,875,000	
	<u>45,897,154</u>	<u>27,349,927</u>
COMMITMENTS AND CONTINGENCIES (Notes 2, 7 and 8)		
	<u><b>\$1,195,897,154</b></u>	<u><b>\$752,349,927</b></u>

## Statements Of Changes In Financial Position

Years Ended December 31, 1981 and 1980	1981	1980
<b>SOURCE OF FUNDS:</b>		
Proceeds from sale of revenue bonds	\$325,000,000	\$100,000,000
Proceeds from sale of bond anticipation notes	100,000,000	
Proceeds from revolving credit notes		75,000,000
Decrease in cash		26,994
Increase in other liabilities	18,547,227	6,763,474
	<u><b>\$443,547,227</b></u>	<u><b>\$181,790,468</b></u>
<b>APPLICATION OF FUNDS:</b>		
Additions to electric utility plant — construction work in progress	\$121,687,201	\$111,585,140
Additions to special funds	299,166,780	67,541,940
Net deferred debt issuance costs	22,693,246	2,663,388
	<u><b>\$443,547,227</b></u>	<u><b>\$181,790,468</b></u>

See notes to financial statements.

## Statements Of Changes In Assets Of Special Funds

Years Ended December 31, 1981 and 1980	CONSTRUCTION FUND			
	Construction Account	Construction Interest Account	Construction Revolving Account	Note Interest Account
Cash and Investments, December 31, 1979 (4)	\$ 47,550,893	\$ 38,527,564	\$ 98,613	\$
Bond Proceeds (1)	55,214,153	31,563,104		
Note Proceeds				
Investment Income	5,368,233	5,081,756	9,076	
Disbursements	(85,127,877)		(13,444)	
Transfers	<u>7,753,899</u>	<u>(49,895,561)</u>	<u>1,390</u>	
Cash and Investments December 31, 1980 (4)	30,759,301	25,276,863	95,635	
Bond Proceeds (2)	85,059,080	174,709,494		
Note Proceeds (3)	66,704,722			31,625,000
Investment Income	8,689,687	9,709,017	12,171	1,176,358
Disbursements	(87,172,247)		(41,719)	
Transfers	<u>7,978,753</u>	<u>(68,224,587)</u>	<u>27,895</u>	
Cash and Investments December 31, 1981 (4)	<u><u>\$112,019,296</u></u>	<u><u>\$141,470,787</u></u>	<u><u>\$ 93,982</u></u>	<u><u>\$32,801,358</u></u>

BOND FUND		REVENUE FUND	OPERATING FUND	REVOLVING CREDIT FUND	Total
Interest Account	Reserve Account	Revenue Fund Account	Working Capital Account	Revolving Credit Account	
\$20,535,846	\$ 43,399,382 11,346,652	\$	\$ 5,043,333	\$	\$155,155,631 98,123,909 75,000,000
76,964 (39,175,813)	7,002,269	(22,014)	576,504	75,000,000 1,078,504	75,000,000 19,193,306
45,063,430	(2,334,331)	22,014	(610,841)	(436,127)	(124,775,275)
26,500,427	59,413,972 45,424,409		5,008,996	75,642,377	222,697,571 305,192,983 98,329,722
162,165 (50,253,795)	9,105,942	(11,664)	838,562	11,647,697	41,341,599
64,477,346	(3,444,366)	11,664	(826,705)	(8,218,099)	(145,697,524)
<b>\$40,886,143</b>	<b>\$110,499,957</b>	<b>\$</b>	<b>\$ 5,020,853</b>	<b>\$79,071,975</b>	<b>\$521,864,351</b>

- 1) Net of underwriters' fee of \$2,534,000 plus accrued interest on bonds of \$657,909.
- 2) Net of underwriters' fees of \$9,166,250 and discount on bonds of \$11,582,500 plus accrued interest of \$941,733.
- 3) Net of underwriters' fee of \$1,830,000 plus accrued interest of \$159,722.
- 4) Cash and investments at December 31, 1979, 1980 and 1981 include accrued interest of \$2,482,758, \$3,723,635 and \$7,514,270, respectively.

## Notes To Financial Statements Years Ended December 31, 1981 and 1980

### NOTE 1

#### General Matters and Summary of Significant Accounting Policies:

##### A. General Matters:

North Carolina Municipal Power Agency Number 1 (the "Agency") was organized on January 13, 1976, pursuant to the Joint Municipal Electric Power and Energy Act, adopted by the General Assembly of North Carolina on May 1, 1975. The Act enables municipalities owning electric systems to create joint agencies with authority to construct, operate, maintain and finance electric generation and transmission facilities.

The Agency currently has as members 20 North Carolina municipalities which are wholesale customers of Duke Power Company (Duke). The Agency's principal activities to date consist of financing and purchasing electric generation and transmission facilities.

The Agency and Duke have entered into the following agreements:

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 and a 37.5% undivided ownership interest in certain support facilities of the Project. This facility is presently under construction by Duke. The acquisition 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 Interconnection Agreement provides for the interconnection between Duke's electric power system and the Agency's above mentioned undivided ownership interest in the Catawba Nuclear Station and for the exchange of power between Unit 1 and Unit 2 of the Catawba Nuclear Station and between the Catawba units and Duke's McGuire Nuclear Station. The Agreement also provides for the purchase and sale of energy capacities and demands, and the transmission of energy to the Agency's participants.

The Operating and Fuel Agreement provides for Duke to operate, maintain and fuel the facility, make renewals, replacements and capital additions as

approved by the Agency, and for the ultimate decommissioning of the facility at the end of its useful life.

The Agency has entered into a Project Power Sales Agreement and Supplemental Power Sales Agreement with each of the 19 members who have elected to participate in the project. These Agreements provide for the participant to purchase from the Agency its total share of Project Output and its All Requirements Bulk Power Supply, as defined. The Agency is required to provide all electric power and energy 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.

##### B. Basis of Accounting:

The accounts of the Agency are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission, and are in conformity with generally accepted accounting principles.

##### C. Electric Utility Plant - Construction Work in Progress:

All direct and indirect expenditures, including interest expense, net of amounts earned on invested funds, not otherwise classified, are considered to be costs associated with the development and construction of the Project. These costs will be capitalized as construction work in progress until such time as the plant becomes operational. Depreciation expense will be recognized on the facility when operations commence.

##### D. Investment Securities:

Investment securities are stated at amortized cost as market declines are not recorded by the Agency unless a permanent loss is anticipated.

##### E. Deferred Debt Issuance Costs:

Cost of the issuance of revenue bonds, revolving credit notes and bond anticipation notes are deferred and amortized over the lives of the related debt instruments.

### NOTE 2

#### Construction Program:

The Agency has substantial commitments in connection with the construction of the Catawba

## Notes To Financial Statements Years Ended December 31, 1981 and 1980

facility. As of January 27, 1981 the Agency's cost of construction, including nuclear fuel, was estimated at approximately \$901,000,000. These costs, together with provisions for required working capital funds, and operating and debt service costs during the construction period will require the use of the proceeds from the issuance of up to an estimated \$1,590,000,000 of Electric Revenue Bonds. Any future delays in construction could further increase the cost of such facilities and this could require the issuance of additional revenue bonds.

In accordance with provisions of the Purchase, Construction and Ownership Agreement between the Agency and Duke (Note 1), the Agency makes progress payments to Duke upon receipt of monthly billings.

The components of the construction work in progress costs are as follows:

	December 31,	
	1981	1980
Electric Plant	\$616,162,623	\$498,791,005
Nuclear Fuel Deposits	22,029,492	17,713,909
	<b>\$638,192,115</b>	<b>\$516,504,914</b>

### NOTE 3

#### Investment Securities:

Investment securities include securities of the U.S. Government, governmental agencies and securities purchased under agreements to resell (securities of the U.S. Government and governmental agencies serve as collateral under such agreements).

### NOTE 4

#### Revenue 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 amounts to be issued are to be sufficient to pay the costs of acquisition and construction of the project, as defined, and/or other purposes set forth in the Resolution. On August 31, 1981, the Local Government Commission of the State of North Carolina approved the issuance of such bonds up to a maximum principal amount of \$1,580,000,000.

The Agency will request that the Commission increase the aggregate principal amount of bonds authorized to the limit of any revised estimates in connection with the issuance of the next series of bonds.

At December 31, 1981, the Agency has issued \$975,000,000 of the total authorized

amount. These outstanding Revenue Bonds consist of the following:

#### SERIES 1978

5.20% to 6.45% maturing annually from 1986 to 2000	\$ 77,905,000
6.60% maturing in 2003 with annual sinking fund requirements beginning in 2001	25,870,000
6.70% maturing in 2008 with annual sinking fund requirements beginning in 2004	55,935,000
6.875% maturing in 2020 with annual sinking fund requirements beginning in 2009	240,290,000
	<b>400,000,000</b>

#### SERIES 1979

5.75% to 6.90% maturing annually from 1986 to 2000	\$ 27,200,000
7.10% maturing in 2004 with annual sinking fund requirements beginning in 2001	12,905,000
7.375% maturing in 2020 with annual sinking fund requirements beginning in 2005	109,895,000
	<b>150,000,000</b>

#### SERIES 1980

9.10% to 9.90% maturing annually from 1986 to 1995	16,855,000
10.25% maturing in 2000 with annual sinking fund requirements beginning in 1996	16,145,000
10.50% maturing in 2010 with annual sinking fund requirements beginning 2001	67,000,000
	<b>100,000,000</b>

#### SERIES 1981

9.40% to 10.5% maturing annually from 1991 to 1998	11,125,000
10.75% maturing in 2001 with annual sinking fund requirements beginning in 1999	9,875,000
8.5% maturing in 2017 with annual sinking fund requirements beginning in 2011	25,000,000
11.125% maturing in 2020 with annual sinking fund requirements beginning in 2002	79,000,000
	<b>125,000,000</b>

#### SERIES 1981A

14.375% maturing in 2001 with annual sinking fund requirements beginning in 1997	17,500,000
11% maturing in 2015 with annual sinking fund requirements beginning in 2012	25,000,000
14.75% maturing in 2020 with annual sinking fund requirements beginning in 2002	157,500,000
	<b>200,000,000</b>
	<b>\$975,000,000</b>

## Notes To Financial Statements Years Ended December 31, 1981 and 1980

Interest on Bonds is payable semi-annually on January 1 and July 1.

The Bonds are subject to redemption prior to maturity at the option of the Agency, on and after the following dates at a maximum of 103% of the respective principal amounts:

Series 1978	January 1, 1989
Series 1979	January 1, 1990
Series 1980	January 1, 1991
Series 1981	January 1, 1991
Series 1981A	January 1, 1991

These bonds are special obligations of the Agency, payable solely from and secured solely by the Revenues, as defined, generated from the operation of the Project subject to the prior payment from Revenues of Operating Expenses, as defined, as well as other moneys and securities included in funds specifically established for that purpose by the Resolution.

The Resolution requires the Agency to deposit into special funds all proceeds of Electric Revenue Bonds issued and of all Revenues, as defined, generated as a result of the Power Sales Agreements mentioned above. The utilization of the contents of the individual funds is specifically defined in the Resolution.

**NOTE 5**  
**Revolving Credit Agreement:**

On July 17, 1980, the Agency and a group of four banks entered into a revolving credit agreement (Agreement) which allows the Agency to borrow up to \$75,000,000 until July 17, 1983. Borrowings under the Agreement bear interest (with a ceiling of 12%) at 65% of the prime rate as established by the banks from time to time. Interest is payable on the last business day of July, October, January and April, commencing July, 1980.

The Agency borrowed \$18,750,000 on July 17, 1980 and the remaining \$56,250,000 on December 17, 1980, evidenced by notes maturing July 17, 1983. These proceeds were deposited in the "Revolving Credit Fund" in accordance with the Agreement to be used for payment of costs of acquisition and construction of the project as defined. These moneys may be invested by the Agency until expended.

The notes are payable from proceeds of subsequently issued Bonds and are additionally secured by a lien on Revenues, junior in right of payment to the Bonds (Note 4).

**NOTE 6**  
**Bond Anticipation Notes:**

Bond Anticipation Notes in the aggregate principal amount of \$100,000,000 dated October 1, 1981, bearing interest at the rate of 11.50% per annum, will mature July 1, 1984. Interest will be payable semi-annually on January 1 and July 1, commencing January 1, 1982.

The Notes are payable from proceeds of subsequently issued Bonds and are additionally secured by a lien on Revenues on a parity with the Revolving Credit Notes, junior in right of payment to the Bonds (Note 4).

**NOTE 7**  
**Commitments:**

The Agency has a contractual agreement with ElectricCities of North Carolina whereby ElectricCities provides general management services to the Agency. Such services include, among other things, accounting services, review of billings from Duke, assistance in connection with the issuance of revenue bonds, preparation of construction and operating budgets, specific rate matters and any other services requested, and the necessary facilities required for the Agency to conduct its normal business. Per the Agreement, charges for these services are at the actual costs to ElectricCities.

The terms of the agreement specify automatic contract renewal for successive three-year periods unless terminated by one year's notice by either party prior to the end of the contract term. The present agreement extends through December 31, 1984.

**NOTE 8**  
**Contingencies:**

Duke has applied to the Nuclear Regulatory Commission (NRC) for an operating license for the Catawba Nuclear Station. The license is expected to be received prior to the end of the construction period. However, there is no assurance that the NRC will issue such license and the facility cannot be placed into service without it.

The Price-Anderson Act limits the public liability for a nuclear incident at a nuclear generating unit to \$560,000,000, which amount is to be covered by private insurance and agreements of indemnity with the Nuclear Regulatory Commission.

## Notes To Financial Statements Years Ended December 31, 1981 and 1980

Such private insurance and agreements of indemnity will be carried by Duke on behalf of all co-owners of the Catawba Nuclear Station. The terms of this coverage require the owners of all licensed facilities to provide up to \$5,000,000 per year per unit in the event of any nuclear incident involving any licensed facility in the nation with a maximum of \$10,000,000 per year per unit owned in the event of more than one incident. If any such

payments are required after the Catawba Nuclear Station has received its operating license, the Agency would be liable for 75% of those payments applicable to Unit #2.

Property damage insurance coverage presently available for the entire Catawba Nuclear Station has a maximum benefit limited to \$450,000,000. Such available coverage has been obtained.

### Auditor's Opinion

*Touche Ross & Co.*

February 22, 1982

Board of Commissioners  
North Carolina Municipal Power  
Agency Number 1  
Raleigh, North Carolina

We have examined the balance sheets of North Carolina Municipal Power Agency Number 1 as of December 31, 1981 and 1980, and the related statements of changes in financial position and changes in assets of special funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of North Carolina Municipal Power Agency Number 1 at December 31, 1981 and 1980, and the changes in its financial position and the changes in its assets of special funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Touche Ross & Co.*

Certified Public Accountants  
Charlotte, North Carolina

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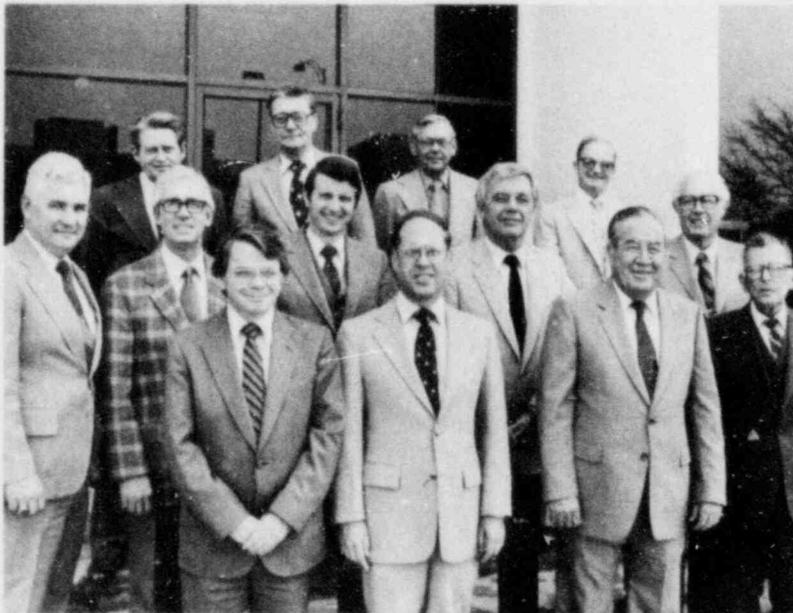
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Administrator, Cornelius

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Alderman, Lincolnton

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Councilman, Pineville



**Front Row**, from left: Lowe, secretary-treasurer; Baker, Wilson, Riddle, vice chairman.

**Center Row**, from left: Neel, Clay, Dellinger (alternate), Culler, chairman; Huffman.

**Back Row**, from left: Crump, Hinkel, Gunter, Sparrow.

## Consultants, Trustees, Paying Agents

### North Carolina Counsel

Spruill Lane McCotter & Jolly  
Rocky Mount, North Carolina

### Washington Counsel

Spiegel & McDiarmid  
Washington, D.C.

### Engineering Consultant

R. W. Beck and Associates  
Orlando, Florida

### Bond Counsel

Wood & Dawson  
New York, New York

### Bond Fund Trustee

Chemical Bank  
New York, New York

### Construction Fund Trustee

Wachovia Bank and Trust Company, N.A.  
Winston-Salem, North Carolina

### Paying Agents

Chemical Bank  
New York, New York

Continental Illinois National  
Bank and Trust Company  
of Chicago  
Chicago, Illinois

Wachovia Bank and Trust Company, N.A.  
Winston-Salem, North Carolina

## Employees

The combined staff of NCMPA 1 and NCEMPA expanded significantly in 1981 to meet the demands of two rapidly evolving and complex power-supply programs.

With the approaching full operation of NCMPA 1 and NCEMPA as bulk power suppliers, staff additions have been required in all disciplines. Between early 1981 and early 1982, the staff grew from 15 to 35 employees and is expected to increase to 42 by mid-1982.

The focus of hiring has been on personnel with specialized technical training, and experience in power-supply forecasting and power plant design/construction management. Significant additions were also made in the finance and accounting areas. Necessary support personnel are being added in all areas.

**Warren B. Allen**  
Power Supply Analyst

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Clerk-Typist

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Manager-Member Relations

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Site Representative-Catawba

**Thomas A. Collins**  
Specialist-Budgets and Studies

**Al M. Conyers**  
Supervisor-Finance and Accounting

**Irene S. Fellows**  
Accountant

**Tina J. Figueroa**  
Receptionist

**Michael J. Gaona**  
Investment Specialist

**John R. Gaster, II**  
Cost Engineer

**David B. Holloway**  
Specialist-Safety and Training

**Arthur L. Hubert**  
Supervisor-Construction and Operations

**E. Elaine Jackson**  
Clerk-Typist

**Danny B. Jones**  
Accountant

**Evelyn D. Kirby**  
Specialist-Information and Communications

**Fred M. Mills, Jr.**  
Manager-Government Affairs

**Mary Proctor**  
Accounting Technician III

**Kenneth M. Raber**  
Supervisor-Technical Support Services

**James W. Sally**  
Site Representative-Harris

**Ralph W. Shaw**  
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Operations Engineer

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Accountant

**Lois M. Smith**  
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**Daniel M. Stone**  
Cost Engineer

**William F. Watson**  
Administrator-Power Supply

**William G. Wemhoff**  
Manager-Projects and Construction

**Karen S. Wood**  
Accountant

**Sandra J. Young**  
Accounting Technician I