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About NCEMPA

About NCMPA I

Public Power

What is the history of Public Power?

In the late 1800s and early 1900s, electricity was slowly making its way to North Carolina's cities and towns. Often, electricity was brought into the area by the city and used primarily to power streetlights to brighten the downtown after dark. Power was generated by coal-fired generators and was produced only during the evening and night hours.

Originally, the cities built small generators in their hometowns. In some cases, the municipalities set up their own systems when other power suppliers refused to serve these communities.

The City of Statesville created the first municipally owned electric utility when it began providing service in 1889. As demand for lighting grew, electricity was brought into citizens' homes. Soon after, new appliances such as the sewing machine, clothes washer, and refrigerator were invented to simplify daily chores. At the same time, industry was becoming modernized, and industrial demand for electricity grew accordingly. Cities began to see their electric load grow.

What started as a novelty was becoming a full-fledged utility service. During the early 1900s, North Carolina cities were growing quickly. Areas that were little more than a crossroads developed into towns with citizens who needed electric service. North Carolina's investor-owned utilities were sometimes unwilling to invest in infrastructure to run power lines to outlying areas, so North Carolina's cities and towns stepped in and began to invest in electric transmission to serve North Carolina citizens.

Today, there are over 70 public power communities across the state, serving 535,000 North Carolinians. To them, owning their own power system means local control; fast, neighborly service; and economic benefits for their residents.

North Carolina's public power communities continue to be strong vibrant areas in which to work and live. Public power customers benefit from utility policy established by officials who live and work where they do. Local control benefits customers by allowing electric revenue to stay in the community, enabling public power cities to grow and prosper.

Why be a Public Power community?

Revenues from electricity sales in Public Power communities go toward operating the electric system, providing better community services, and improving the quality of life for residents. A municipally owned utility does not have to pay a dividend to shareholders. In a Public Power community, “stockholders” are all those who benefit from municipal services – the citizens of the community.

Customers have a voice in the activities of their electric systems. Since each municipality sets its own policies, customers can speak out on electric power issues at their city and town council meetings. Public Power is the public’s business.

North Carolina Eastern Municipal Power Agency (NCEMPA)

What are Power Agencies?

North Carolina has two municipal Power Agencies, North Carolina Municipal Power Agency Number 1 (NCMPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA).

In the eastern part of the state, 32 cities and towns are members of NCEMPA. The agency owns interest in five generating units built and operated by Progress Energy Carolinas (PEC), formerly known as Carolina Power and Light (CP&L). These facilities include three nuclear units, Brunswick Units 1 and 2 in Brunswick County and Shearon Harris Nuclear Plant in Wake County, and two coal-fired plants, Mayo Plant and Roxboro Unit 4 in Person County.

Both agencies purchase supplemental power above their ownership allotment as needed in the wholesale market. This supplemental power generally comes from investor-owned utilities and federally owned hydroelectric systems.

Why were the Power Agencies formed?

In the late 1970s and early 1980s, the electric utilities and state legislators became concerned that there would not be enough electricity to meet the state's future needs. The state's two investor-owned utilities (Duke and CP&L) had plans to build more plants, but high interest rates and rising fuel costs put the companies in a financial bind. They were concerned they did not have the capital to complete the projects.

In its October 1981 inaugural edition, *Business North Carolina's* cover story focused on this issue and quoted CP&L's Sherwood Smith as saying, "Utilities are facing their greatest crisis" in more than 25 years. The article, predicting a possible electricity shortage in the state by 1990, stated that construction of new generating plants had come to a near standstill because the state's investor-owned utilities did not have enough money to build the generating plants, this at a time when rates had increased 300 - 400%.

The cities, which then purchased wholesale power from Duke and CP&L, were equally concerned that those utilities would not be able to supply enough power for the cities' citizens.

The municipalities were significant providers of electricity and had an obligation to serve their customers. In an effort to ensure an adequate, reliable, and economic supply of electric power and energy to the citizens of the state, the North Carolina voters

approved a 1975 legislative amendment to the state constitution, which authorized the municipalities to have joint building, finance, own, and operate electric generation and transmission facilities with the investor-owned utilities. Fifty-one cities chose to form Power Agencies and issued electric revenue bonds to help finish construction of the plants.

The Legislature, the State Treasurer, the North Carolina Utilities Commission, and the voters of North Carolina approved the cities' actions to create the Power Agencies. At the time, demand for electricity was projected to increase at a rate high enough to allow the cities to pay the debt in full, service their electric systems and provide for other municipal services. Because the municipalities helped build the plants, the state of North Carolina has enjoyed a plentiful and reliable source of power to spur economic growth.

When did the City of Rocky Mount get involved with NCEMPA?

The City of Rocky Mount executed the Project Power and Supplemental Power Sales Agreements on September 28, 1981.

What is the City of Rocky Mount's legal arrangement with NCEMPA?

The City of Rocky Mount has executed two agreements with NCEMPA:

- **Project Power Sales Agreement:** Commits each participating City to receive power generated by the five generating units partially owned by NCEMPA in exchange for each City making bond payments in accordance with each City's percentage of ownership. The City of Rocky Mount's percentage of ownership is 16.026%. The bond payments are included in NCEMPA's All-Requirements Rate Schedule under which the City purchases wholesale power from the Power Agency.
- **Supplemental Power Sales Agreement:** Commits each participating City to purchase all required power above that generated by the five generating units from the agency.

What does the City of Rocky Mount contribute to NCEMPA?

- The City of Rocky Mount pays NCEMPA for the city's monthly wholesale power purchases.
- The projected cost of power from NCEMPA for fiscal year 2009 – 2010 is approximately \$78 million.

How does the City of Rocky Mount benefit from NCEMPA?

- The agency supplies all wholesale power needs to the City of Rocky Mount.
- The agency owns interest in five generating units built and operated by Progress Energy Carolinas. These facilities include three nuclear units, Brunswick Units 1 and 2 in Brunswick County and Shearon Harris Nuclear Plant in Wake County, and two coal-fired plants, Mayo Plant and Roxboro Unit 4 in Person County.
- The agency purchases supplemental power above their ownership allotment as needed in the wholesale market. This supplemental power generally comes from investor-owned utilities and federally owned hydroelectric systems.

How does NCEMPA control operating costs?

Through Power Supply Negotiations, Contract Cost Review, and Load Management Operations, NCEMPA staff accomplishments during 2007 and 2008 continued to provide significant savings for Participants.

- **During 2007, Power Supply Negotiations, Contract Review, and Plant Up-Rates added over \$54 million in value to the current power supply program.**

Examples include:

Execution of OATT (Open Access Transmission Tariff) Rate
Transmission Service Agreement, Benefit in 2007.....\$6M

Progress Energy Carolinas transfer of 5,211
SO₂ (Sulfur Dioxide) Allowances to Power Agency.....\$521K

Contract **Cost Review and Audits** resulted in approximately \$1.2 million
in savings through billing corrections and proper cost allocations.

Power Agency staff realized savings in power
costs for 2007 through **Load Management Operations**\$40M

- **During 2008, Power Supply Negotiations, Contract Review, and Plant Up-Rates added over \$43 million in value to the current power supply program.**

Examples include:

Negotiated savings associated with
OATT (Open Access Transmission Tariff) Rate
Transmission Service Agreement. Benefit in 2008.....\$1.7M

Negotiated savings associated with Leased
Distribution Facilities.....\$740K

Progress Energy Carolinas transfer of 7,236
SO2 (Sulfur Dioxide) Allowances to Power Agency\$2.25M

Power Agency Annual Energy Credit for 2008.....\$2.7M

Contract **Annual Cost Review and Audits** resulted in approximately \$1 million in savings through billing corrections and proper cost allocations.

Negotiated alternative nuclear fuel payment process for 2008, freeing up \$5.6 million in working capital

Power Agency staff realized savings in power costs for 2008 through **Load Management Operations**.....\$41M

- **Power Supply:**

NCEMPA's ownership interest in Harris nuclear plant was enhanced in December 2008 with the Nuclear Regulatory Commission Approval of a license extension for another 20 years, from 2026 to 2046.

Staff assisted participants regarding renewable energy generators (solar, photo voltaic, biomass, etc.) with respect to retail customer programs, Power Agency contracts, and Renewable Energy Portfolio Standards (REPS).

Should the City of Rocky Mount hire a consulting firm to review NCEMPA's operations?

NCEMPA currently works with utility experts in the areas of legal, regulatory, engineering, legislative and finance as well as others with specific areas of expertise (such as transmission, alternative fuels, etc.) In addition, the City of Rocky Mount participates in the governance of NCEMPA by a City Council member serving on the NCEMPA Board of Commissioners. The City Manager and Utility Director serve as Alternate Commissioners.

Can the City of Rocky Mount terminate the NCEMPA agreement?

The simple answer is that it is possible. The practical answer is that it is not feasible. It is a very long and complex legal process simplified into a few steps. This is not a legal opinion, as the actual steps are more complex.

If all member cities want to dissolve the Power Agency, a determination must be made that this is in the best interest of all 32-member cities of NCEMPA. The City of Rocky Mount cannot make that determination alone. If that determination is made, then all

generation assets would have to be sold, and the entire debt must be paid. If it is not paid, then each member city is responsible for paying their remaining debt. The City of Rocky Mount would decide if they want to continue to be a customer of the Power Agency or become a wholesale customer of Progress Energy. In any case, Rocky Mount would be responsible for their power supply arrangements.

If a member city elects to sell or otherwise dispose of its electric distribution system, another nonprofit entity would have to assume the city's share of the output of the five generating stations - there are limits to how much a member can take. The other entity would also be responsible for any outstanding debt. Legal and Engineering opinions must confirm that it will not have an adverse effect on the Agency.

It is unlikely any of these would happen.

ElectriCities of North Carolina

What is ElectriCities?

ElectriCities is a not-for-profit government service organization representing cities, towns and universities that own electric distribution systems. Today, ElectriCities represents more than 90 members in North Carolina, South Carolina, and Virginia.

Formed in 1965 to protect the interests of Public Power customers and to provide a unified voice to speak out in the North Carolina legislature, ElectriCities continues today to serve Public Power communities.

ElectriCities provides customer service and safety training, emergency and technical assistance, communications, government affairs and legal services. Through consolidation of these services, members save their customers the expense of administering these functions locally. ElectriCities also provides management services to the state's two municipal Power Agencies, North Carolina Municipal Power Agency Number 1 (NCMPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA). Fifty-one of its members receive their electricity from their participation in one of these two agencies. Other members purchase power from investor-owned utilities such as Duke Power and Progress Energy Carolinas or from other power suppliers like the cooperatives. The average ElectriCities member has more than 75 years of experience operating an electric distribution system. Many member cities have been in the electric business for 100 years or more.

During the energy crisis of the mid-70s, the investor-owned utilities feared shortages and were unable to guarantee future power supply. The state needed additional power plants, but the investor-owned utilities were having difficulty raising the necessary capital for construction. After considering concerns about reliability, cost, and long-term supply of electricity, the North Carolina Legislature enacted legislation to enable cities to join together to form Municipal Power Agencies, paving the way for cities to enter the generation business. Fifty-one cities in North Carolina chose to form two Municipal Power Agencies and issued electric revenue bonds. Combined, the Power Agencies own portions of five nuclear and two coal-fired plants totaling more than 1450 mega watts of generation capacity.

Why was ElectriCities formed?

In 1965, the battle for territory between private utilities (investor-owned utilities), electric cooperatives, and the cities intensified statewide. The result was the 1965 Electric Act, promising to resolve many of the disputes between the investor-owned utilities and co-ops. The 1965 Act, however, created new difficulties for municipal

systems, which were left out of the legislation by restricting their right to serve customers in areas annexed in the future.

ElectriCities was organized to provide the municipal systems a unified voice to speak out in the legislature against the bill. The group was unable to stop passage of the bill but decided to form a permanent alliance to help Public Power become a stronger voice for its customers statewide. In 1983, at the request of the cities, the Legislature expanded this voluntary association with the passage of Chapter 159B of the North Carolina General Statutes allowing North Carolina's "electric cities" to form a joint municipal assistance agency to provide aid and assistance to municipalities in the construction, ownership, maintenance, expansion, and operation of their electric systems.

Since then, ElectriCities has been a powerful force for Public Power in North Carolina and now has grown to reach cities in Virginia and South Carolina.

Based in Raleigh, ElectriCities' staff members watch legislative issues closely to ensure its members have a voice in any legislation that may affect electricity issues. ElectriCities members are currently preparing for future competition. They want to make sure Public Power helps shape any legislation that could restructure the electric utility industry.

How and when did the City of Rocky Mount get involved with ElectriCities?

In 1965, the North Carolina legislature enacted the Territorial Act. This Act did not include the cities and as a result, the NC Municipally Owned Electric Systems Association was formed to represent the cities' interest. This organization later changed its name to ElectriCities of NC. The City of Rocky Mount joined October 12, 1966.

What is the City of Rocky Mount's legal arrangement with ElectriCities?

There is no legal arrangement between ElectriCities and the City of Rocky Mount. ElectriCities is a Joint Municipal Assistance Agency and membership is established annually by payment of dues.

What does the City of Rocky Mount contribute to ElectriCities?

The City of Rocky Mount's dues to ElectriCities for 2009 are estimated to be \$48,593.

How does the City of Rocky Mount benefit from ElectriCities?

ElectriCities provides customer service and safety training, emergency and technical assistance, communications, government affairs and legal services.

ElectriCities also provides management services to the state's two municipal Power Agencies, North Carolina Municipal Power Agency Number 1 (NCMPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA).

With the strength of its membership, ElectriCities is able to provide consolidated technical, administrative, and management services to its members. By using services offered at group rates, member cities are able to maintain their electric systems and equipment better. Services including aerial device (bucket truck) testing, infrared scanning and substation maintenance costs are significantly less through ElectriCities' contracts than if the cities contracted the services themselves, demonstrating collective strength.

ElectriCities schools and workshops keep utility personnel up-to-date on safely handling hazardous substances, customer service, utility credit and collections, load conservation marketing and other aspects of the business. Comparable schools elsewhere cost two to three times more. Training programs encourage safe work habits and reduce potential liability. Lineman training and municipal transformer schools teach member city employees' systematic safety measures to use in their daily duties. Retail rate assistance helps municipalities establish effective rate schedules. Communications, legislative and legal services present a unified message for Public Power across the state.

Through the Emergency Assistance program, cities help each other in times of disaster. For the electricity industry, the forces of Mother Nature present regular challenges and can be particularly hard in North Carolina. Despite the direct hits, municipal crews continue to beat the averages, restoring power to customers, while significant numbers of other utility customers remain in the dark.

How is ElectriCities funded?

ElectriCities is a not-for-profit government service organization financed through membership fees and dues, as well as through tuition from training programs and workshops. In addition, ElectriCities can receive funding from the Power Agency(s) (if approved by the Board of Commissioners) for certain projects and can get revenue from energy services partners. With a re-organization several years ago, a new status was created to allow for associate members, which include the South Carolina and Virginia cities and university systems.

Can the City of Rocky Mount terminate its ElectriCities' membership?

Membership is voluntary. However, ElectriCities provides services Rocky Mount needs to operate its electric distribution system, safely and efficiently, at a lower cost than

could be obtained elsewhere. See “Can the City of Rocky Mount terminate the NCEMPA agreement?”

City of Rocky Mount and Its Debt

What is the City of Rocky Mount's debt history? How much is the debt, and how is it paid? When will the debt be paid?

NCEMPA originally borrowed \$3.55 billion for the purchase and construction of the generating plants, of which Rocky Mount's portion was \$569 million or 16.0260%.

- The debt service costs are embedded in NCEMPA's wholesale rates in the demand and energy components that are paid on a monthly basis for the wholesale power purchases.
- The debt is scheduled to be paid off by January 2026.

Why did the City of Rocky Mount decide to invest in generating facilities? Why is the debt such a burden on the rates? What would be involved in getting out of the debt?

In the 1970s, CP&L raised the wholesale rate they charged the City of Rocky Mount and their other wholesale power customers over 400%. During that time, utilities (including Rocky Mount) were experiencing growth more than double what today's forecasts are. CP&L informed the cities, including Rocky Mount, that they would likely experience shortages (black outs or brown outs) because CP&L did not have the capacity to serve the Cities growing electrical load. In that case, the cities would be the first to lose power because they were wholesale customers. In 1975, an amendment to the State Constitution authorized the formation of the power agencies for the purpose of collaborating with the investor-owned utilities to ensure there would be adequate capacity to provide reliable service to all citizens in North Carolina.

In 1981, negotiations were completed for the cities to buy into the following projects:

- Brunswick Nuclear Plant Units 1 & 2 - In operation 1977 & 1975
- Roxboro Unit 4 - In operation 1980
- Mayo Units 1 & 2 - Unit 1 in operation 1983, Unit 2 was cancelled
- Harris Units 1, 2, 3 & 4 - Harris Unit 1 in operation in 1987, Units 2, 3 & 4 were cancelled

Harris Unit 1 cost almost \$4 billion to complete - more than three times the original estimate. The major reason for the debt at the level it is today is the cost to build Harris Unit 1.

By executing the Project Power Sales Agreement, the City of Rocky Mount is obligated to pay its Participant Share of the debt. In addition, under the Project Power Sales Agreement Rocky Mount has pledged their electric revenues for payment of its portion of the bonds.

CALCULATION OF INDIVIDUAL CITY/TOWN RESPONSIBILITY FOR DEBT

NCEMPA Debt Responsibility by Power Agency Participants

(as of 10/15/09)

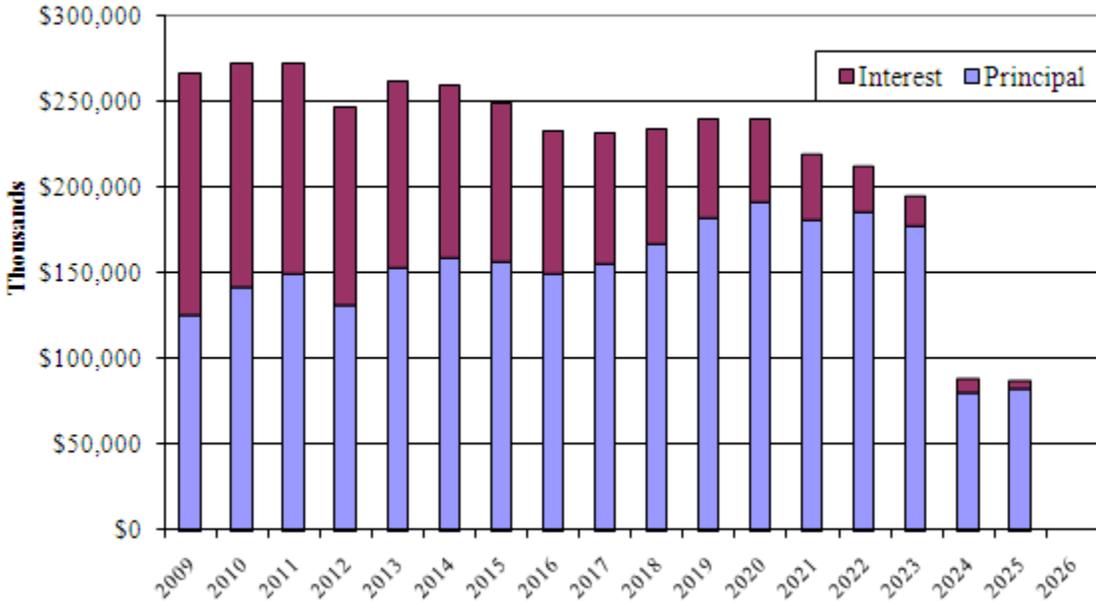
Debt Outstanding: \$2,566,260,000

CITY/TOWN	PERCENTAGE OF OWNERSHIP	GROSS DOLLAR RESPONSIBILITY
Apex	0.7056%	18,107,531
Ayden	1.1340%	29,101,388
Belhaven	0.4090%	10,496,003
Benson	0.5773%	14,815,019
Clayton	0.7448%	19,113,504
Edenton	1.5961%	40,960,076
Elizabeth City	4.2510%	109,091,713
Farmville	1.2901%	33,107,320
Fremont	0.3062%	7,857,888
Greenville	16.1343%	414,048,087
Hamilton	0.0783%	2,009,382
Hertford	0.4124%	10,583,256
Hobgood	0.0913%	2,342,995
Hookerton	0.1550%	3,977,703
Kinston	8.6678%	222,438,284
LaGrange	0.5014%	12,867,228
Laurinburg	2.2675%	58,189,946
Louisburg	0.8577%	22,010,812
Lumberton	5.1568%	132,336,896
New Bern	6.3676%	163,409,172
Pikeville	0.2046%	5,250,568
Red Springs	0.5798%	14,879,175
Robersonville	0.5066%	13,000,673
Rocky Mount	16.0260%	411,268,828
Scotland Neck	0.5762%	14,786,790
Selma	0.8102%	20,791,839
Smithfield	2.0056%	51,468,911

Southport	0.7139%	18,320,530
Tarboro	4.7427%	121,710,013
Wake Forest	0.7262%	18,636,180
Washington	5.8920%	151,204,039
Wilson	15.5120%	398,078,251

Interest payments are due and payable on January 1 and July 1 each year.
Principal payments are due and payable January 1 each year.

North Carolina Eastern Municipal Power Agency
Projected Annual Debt Service Initial Project
October 15, 2009



City of Rocky Mount's Utility Revenue

How are electric, gas, water, wastewater, and stormwater dollars allocated? How much revenue is generated each year by the sale of electricity, gas, water, wastewater, and stormwater?

See the Allocation of Expenses/Expenditures & Fund Balance Spreadsheets & Graphs on the following pages.

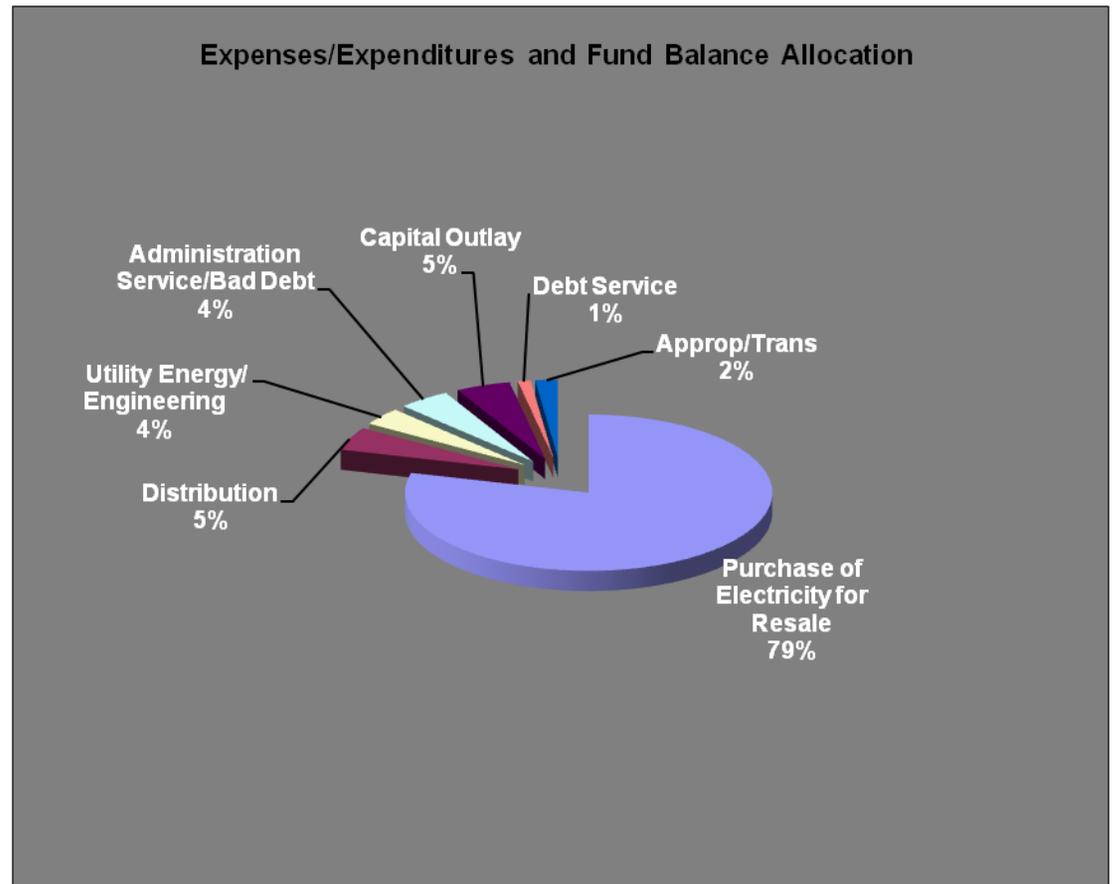
**Electric
Allocation of Expenses/Expenditures & Fund
Balance
Fiscal Year 2012**

Revenue: 90,828,386

Expenses/Expenditures and Fund Balance:

Purchase of Electricity for Resale	74,419,871
Distribution	4,521,721
Utility/Energy/Engineering	3,427,394
Administration Service/Bad Debt	4,304,497
Capital Outlay	4,519,492
Debt Service	1,061,234
Appropriations and Transfers	1,860,922
	94,115,131

Net Income/(Loss) (3,286,745)



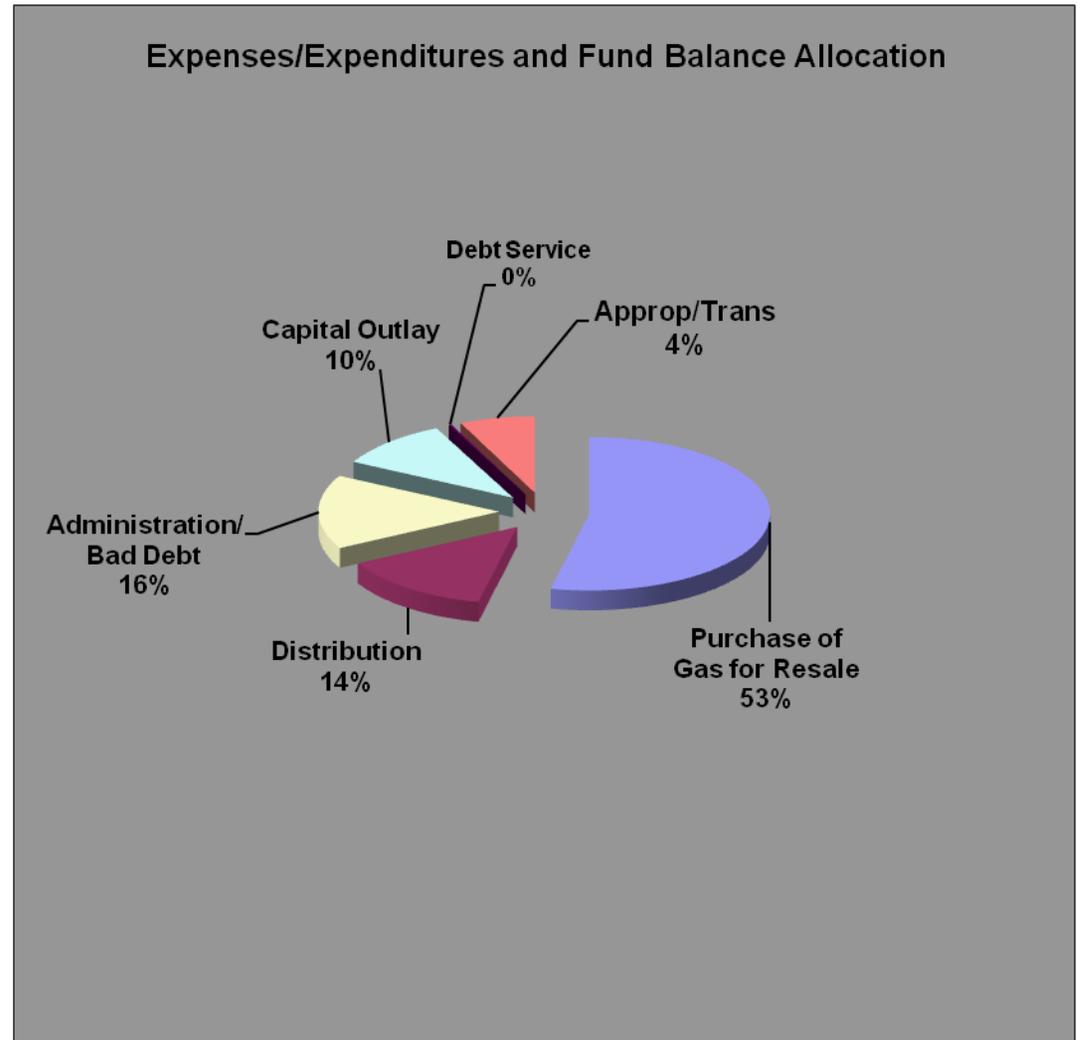
**Gas
Allocation of Expenses/Expenditures & Fund Balance
Fiscal Year 2012**

Revenue: 20,988,950

Expenses/Expenditures and Fund Balance:

Purchase of Gas for Resale	11,130,071
Distribution	2,856,734
Administration/Bad Debt	3,252,081
Capital Outlay	2,142,022
Debt Service	46,770
Appropriations and Transfers	1,404,819
	20,832,497

Net Income/(Loss) 156,453

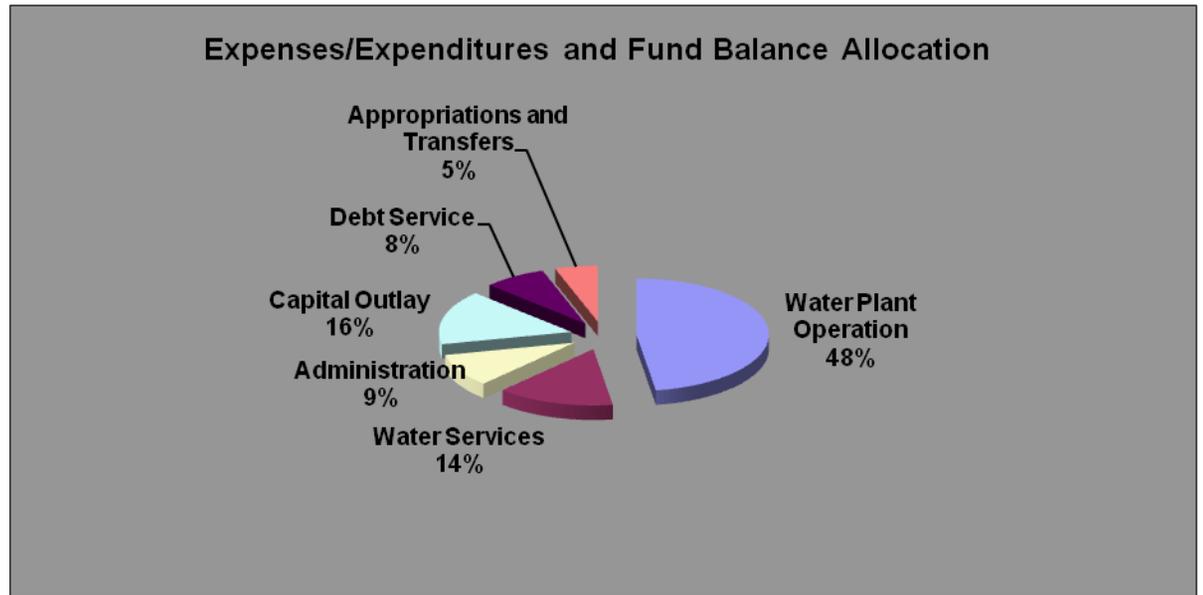


**Water
Allocation of Expenses/Expenditures & Fund Balance
Fiscal Year 2012**

Revenue: 11,085,386

Expenses/Expenditures and Fund Balance:

Water Plant Operation	5,043,289
Water Services	1,519,273
Administration	1,000,234
Capital Outlay	1,654,953
Debt Service	808,411
Appropriations and Transfers	555,516
	10,581,676
Net Income/(Loss)	503,710



**Stormwater
Allocation of Expenses/Expenditures & Fund Balance
Fiscal Year 2012**

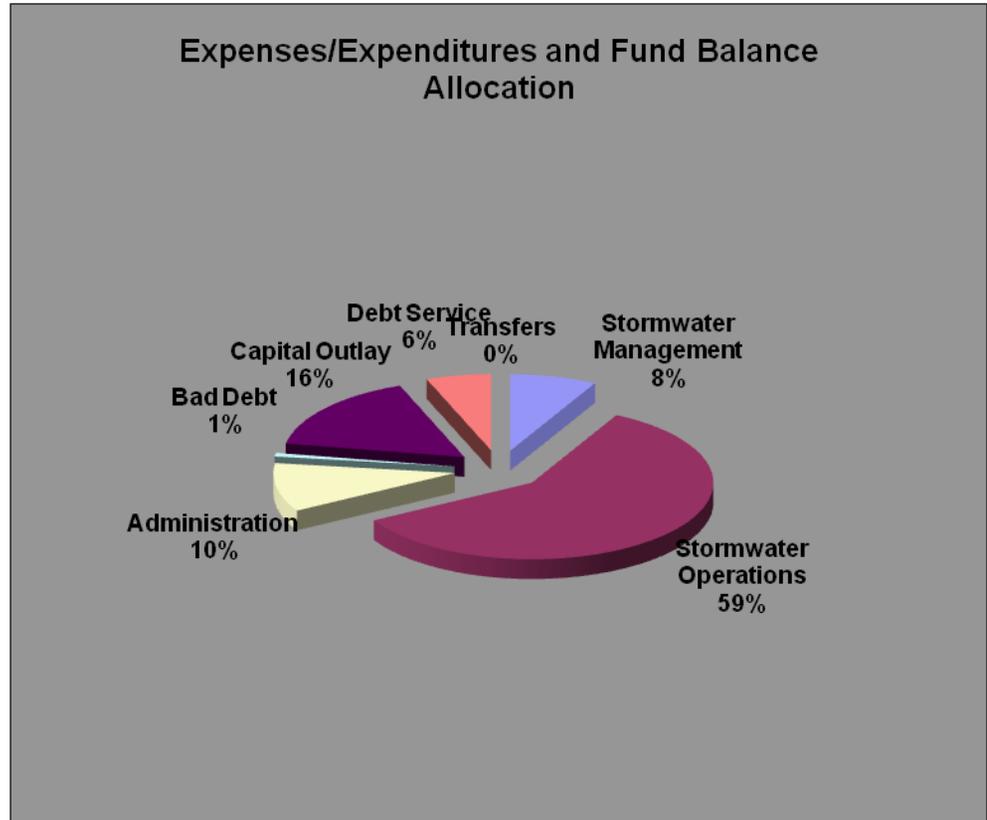
Revenue 4,638,761

Expenses/Expenditures and Fund Balance:

Stormwater Management	297,646
Stormwater Operations	2,273,673
Administration	395,352
Bad Debt	29,204
Capital Outlay	630,355
Debt Service	223,054
Transfers	-

3,849,284

Net Income/(Loss) 789,477



Rocky Mount Utility Rates

How do the City of Rocky Mount’s electric rates compare to private utilities?

The City has performed the following comparison of a residential customer using 1,000 kWh each month:

ELECTRIC RATE COMPARISON (AS OF 4-1-09)

Values shown in the example below are based on an average household usage of 1000 kWh per month.

	Rocky Mount Public Utilities	Progress Energy	Dominion
Basic Customer Charge	\$10.00	\$6.75	\$9.50
kWh Charge	0.131538 (Jan-Dec)	0.10634 (July-Oct) 0.09634 (Nov-June)	0.0885 (June-Sept) 0.07747 (Oct-May)
Average Monthly Bill	\$130.79	\$106.78	\$105.70

Please note that rates for Progress Energy and Dominion are calculated based on a weighted average:

- Progress Energy calculation: $\$6.75 + 0.36(0.10634 * 4) + (0.09364 * 8) / 12$

- Dominion calculation: $\$9.50 + 0.01505(0.0885 * 4) + (0.07747 * 8) / 12$

Beyond this simple residential rate comparison, neither the City nor Electricities has rate comparison information or the resources to gather and keep such information current for all of the different rate schedules for each provider and at varying levels of consumption. There are several things to consider. Each city, each investor owned utility and each cooperative utility are very different. They each have a different mix of customers (residential, commercial and industrial); a different mix of energy supply (nuclear, coal, natural gas); different levels of load management; different distribution systems and losses; different budget philosophies at the retail level, and different financial situations and obligations. Since it is not possible to compare “apples to apples,” any comparison would be of little value; therefore, it is not performed.

The establishment of utility rates is very different from establishing the costs for consumer goods or services. Consumer goods and services can have a variable profit margin built into their cost. Utility rates are established to ensure all costs are covered and allocated to the correct rate class – nothing more and nothing less – so there is no room to adjust the rate up or down in comparison with another utility’s rates.

Operating expenses are an integral piece of utility rates. How does NCEMPA control operating costs?

Through Power Supply Negotiations, Contract Cost Review, and Load Management Operations, NCEMPA staff accomplishments during 2007 and 2008 continued to provide significant savings for Participants.

- **During 2007, Power Supply Negotiations, Contract Review, and Plant Up-Rates added over \$54 million in value to the current power supply program.**

Examples include:

Execution of OATT (Open Access Transmission Tariff) Rate
Transmission Service Agreement, Benefit in 2007.....\$6M

Progress Energy Carolinas transfer of 5,211
SO₂ (Sulfur Dioxide) Allowances to Power Agency.....\$521K

Contract **Cost Review and Audits** resulted in approximately \$1.2 million in savings through billing corrections and proper cost allocations.

Power Agency staff realized savings in power
costs for 2007 through **Load Management Operations**\$40M

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Negotiated savings associated with
OATT (Open Access Transmission Tariff) Rate
Transmission Service Agreement. Benefit in 2008.....\$1.7M

Negotiated savings associated with Leased
Distribution Facilities.....\$740K

Progress Energy Carolinas transfer of 7,236
SO₂ (Sulfur Dioxide) Allowances to Power Agency\$2.25M

Power Agency Annual Energy Credit for 2008.....\$2.7M

Contract **Annual Cost Review and Audits** resulted in approximately \$1 million in savings through billing corrections and proper cost allocations.

Negotiated alternative nuclear fuel payment process for 2008, freeing up \$5.6 million in working capital

Power Agency staff realized savings in power costs for 2008 through Load Management Operations.....\$41M

- **Power Supply:**

NCEMPA's ownership interest in Harris nuclear plant was enhanced in December 2008 with the Nuclear Regulatory Commission Approval of a license extension for another 20 years, from 2026 to 2046.

Staff assisted participants regarding renewable energy generators (solar, photo voltaic, biomass, etc.) with respect to retail customer programs, Power Agency contracts, and Renewable Energy Portfolio Standards (REPS).

Can the City of Rocky Mount provide a review of rate changes for all utility services?

See rate change histories and rate change graphs on the following pages

Electric Chart

Electric Residential Rate Change History Data

Effective Date of Change	Percentage Change of Increase
1-May-80	7.0%
1-Jan-81	11.0%
1-Feb-82	13.0%
1-Aug-82	6.0%
15-Dec-82	6.0%
1-Dec-83	10.4%
1-Nov-84	8.1%
1-Apr-85	7.7%
14-Oct-85	3.0%
1-Jul-86	5.2%
1-Sep-87	1.0%
1-Nov-87	2.0%
1-Sep-88	6.0%
1-Sep-89	7.5%
1-Oct-90	2.3%
23-Sep-91	2.0%
22-Jun-92	7.0%
1-Oct-92	2.2%
1-Oct-93	2.0%
1-Oct-94	2.0%
1-Jan-02	6.5%
1-Nov-02	1.7%
1-Jan-03	3.0%
11-Nov-03	1.2%
1-Apr-05	1.3%
1-May-05	4.2%
10-Jan-06	11.7%
1-Jan-07	-1.5%
1-Aug-08	11.5%
1-Mar-09	3.25%

Gas Chart

Gas Residential Rate Change History Data

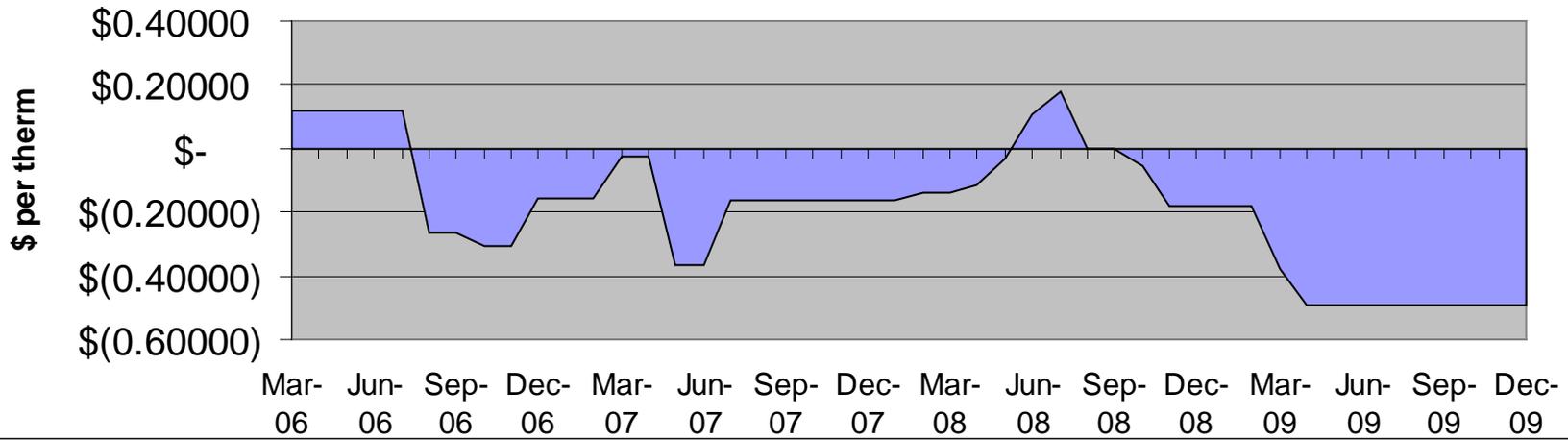
Effective Date of Change	Percentage Change of Increase
1-Jul-80	0.1%
1-Sep-80	20.0%
1-Jan-81	0.2%
1-Feb-81	4.0%
1-Mar-81	17.0%
1-May-81	1.0%
1-Jul-81	-2.0%
1-Sep-81	-10.0%
1-Jan-82	0.5%
1-Mar-82	6.0%
1-May-82	1.0%
1-Jul-82	-1.0%
1-Sep-82	2.0%
1-Oct-82	20.0%
1-Nov-82	6.0%
1-Dec-82	2.0%
1-Jan-83	-1.0%
1-Jun-83	5.0%
1-May-84	1.2%
1-Jul-84	0.8%
1-Jan-85	-2.8%
1-May-85	-5.6%
1-Dec-85	0.2%
1-Jul-86	-13.6%
1-Nov-86	17.7%
1-Nov-87	-5.7%
15-Apr-88	6.2%
1-May-88	1.1%
1-Nov-88	2.3%
1-Mar-89	2.2%

1-Jul-89	-2.3%
1-Sep-89	-0.7%
1-Dec-89	-5.7%
1-Mar-90	1.3%
1-Jul-90	-3.6%
1-Nov-90	4.9%
1-Mar-91	5.3%
1-Jul-91	0.5%
1-Nov-91	-1.6%
1-Mar-92	-3.0%
1-May-92	3.0%
1-Jul-92	9.0%
1-Oct-92	7.0%
1-Dec-92	16.0%
1-Apr-93	-7.0%
1-Jun-93	8.0%
1-Nov-93	2.0%
1-Feb-94	-7.0%
1-Dec-94	5.0%
1-Feb-95	-1.0%
1-Apr-95	-8.0%
1-Aug-95	3.0%
1-Dec-95	2.0%
1-Feb-96	15.0%
1-May-96	-5.0%
1-Jul-96	5.0%
1-Nov-96	4.0%
15-Jan-97	13.0%
1-May-97	-18.0%
1-Oct-97	6.0%
1-Nov-97	11.0%
1-Mar-98	-10.0%
1-May-98	-5.0%
15-Nov-98	6.0%
1-Feb-99	-12.0%
1-Nov-99	17.8%
1-Mar-00	3.9%
1-Jun-00	-1.8%

1-Aug-00	8.1%
1-Sep-00	6.3%
1-Nov-00	19.2%
1-Jan-01	13.3%
1-Feb-01	8.7%
1-Apr-01	-17.7%
1-Jun-01	-10.7%
1-Sep-01	-9.8%
19-Nov-01	-2.7%
1-Apr-02	-12.0%
1-Jun-02	9.0%
1-Nov-02	10.0%
1-Feb-03	-10.0%
1-Apr-03	12.0%
1-Sep-04	11.6%
9-Nov-04	4.5%
14-Feb-05	-2.5%
1-Apr-05	12.0%
1-Sep-05	7.3%
1-Oct-05	20.3%

1-Nov-05
Implemented
Purchased Gas
Adjustment Policy

City of Rocky Mount Purchased Gas Adjustment History (PGA)

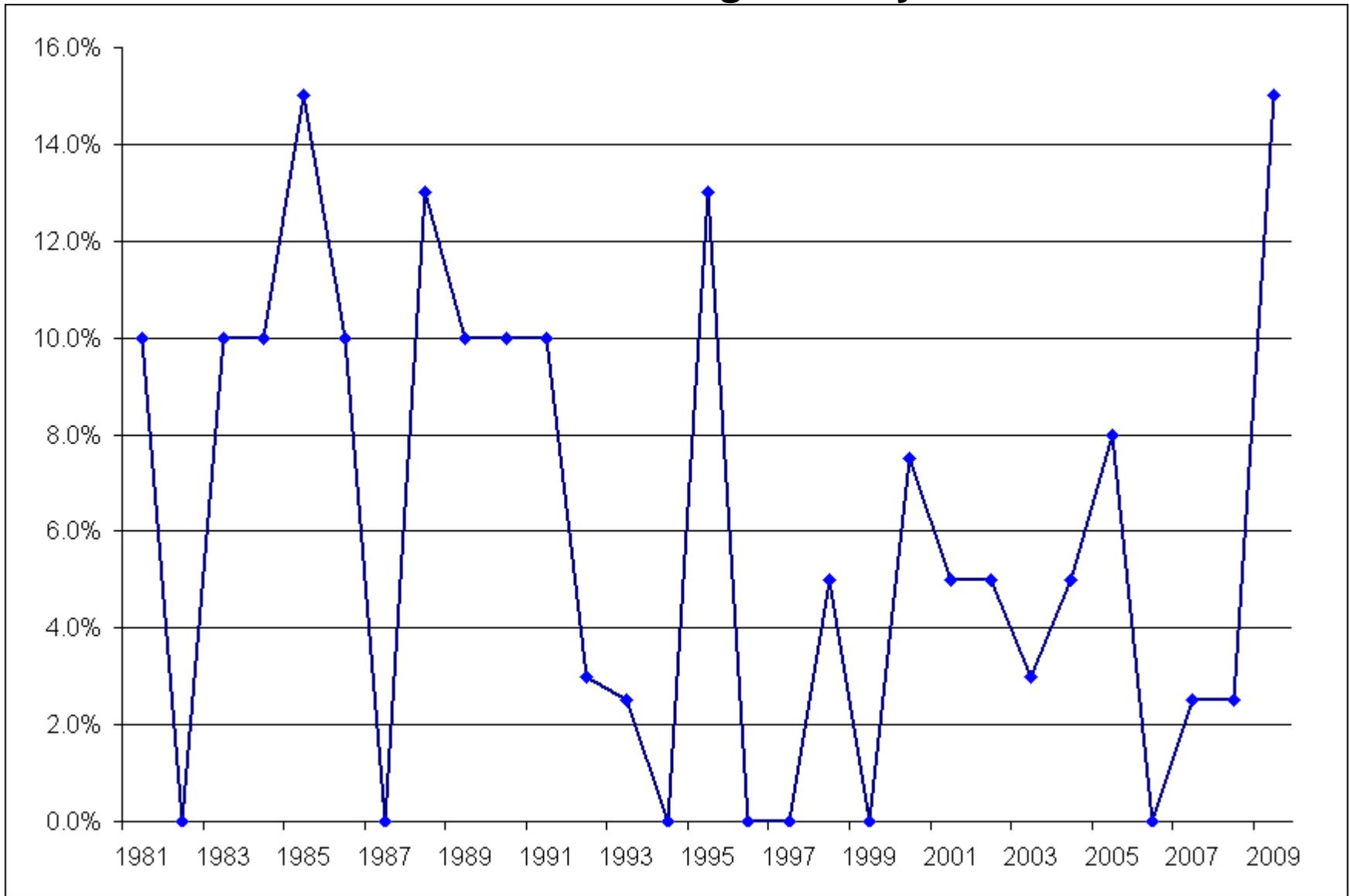


**Purchased Gas
Adjustment (PGA)
Data**

<u>Month</u>	<u>PGA (\$/therm)</u>
1-Nov-05	\$ 0.22098
1-Dec-05	\$ 0.18098
1-Jan-06	\$ 0.12098
1-Feb-06	\$ 0.12098
1-Mar-06	\$ 0.12098
1-Apr-06	\$ 0.12098
1-May-06	\$ 0.12098
1-Jun-06	\$ 0.12098
1-Jul-06	\$ 0.12098
1-Aug-06	\$ (0.26500)
1-Sep-06	\$ (0.26500)
1-Oct-06	\$ (0.30500)
1-Nov-06	\$ (0.30500)
1-Dec-06	\$ (0.15500)
1-Jan-07	\$ (0.15500)
1-Feb-07	\$ (0.15500)
1-Mar-07	\$ (0.02500)
1-Apr-07	\$ (0.02500)
1-May-07	\$ (0.36500)
1-Jun-07	\$ (0.36500)
1-Jul-07	\$ (0.16500)
1-Aug-07	\$ (0.16500)
1-Sep-07	\$ (0.16500)
1-Oct-07	\$ (0.16500)
1-Nov-07	\$ (0.16500)
1-Dec-07	\$ (0.16500)
1-Jan-08	\$ (0.16500)
1-Feb-08	\$ (0.14000)
1-Mar-08	\$ (0.14000)

1-Apr-08	\$	(0.11300)
1-May-08	\$	(0.03200)
1-Jun-08	\$	0.10500
1-Jul-08	\$	0.18100
1-Aug-08	\$	-
1-Sep-08	\$	-
1-Oct-08	\$	(0.05500)
1-Nov-08	\$	(0.18280)
1-Dec-08	\$	(0.18280)
1-Jan-09	\$	(0.18280)
1-Feb-09	\$	(0.18280)
1-Mar-09	\$	(0.37900)
1-Apr-09	\$	(0.49280)
1-May-09	\$	(0.49280)
1-Jun-09	\$	(0.49280)
1-Jul-09	\$	(0.49280)
1-Aug-09	\$	(0.49280)
1-Sep-09	\$	(0.49280)
1-Oct-09	\$	(0.49280)
1-Nov-09	\$	(0.49280)
1-Dec-09	\$	(0.49280)

Water Rate Change History



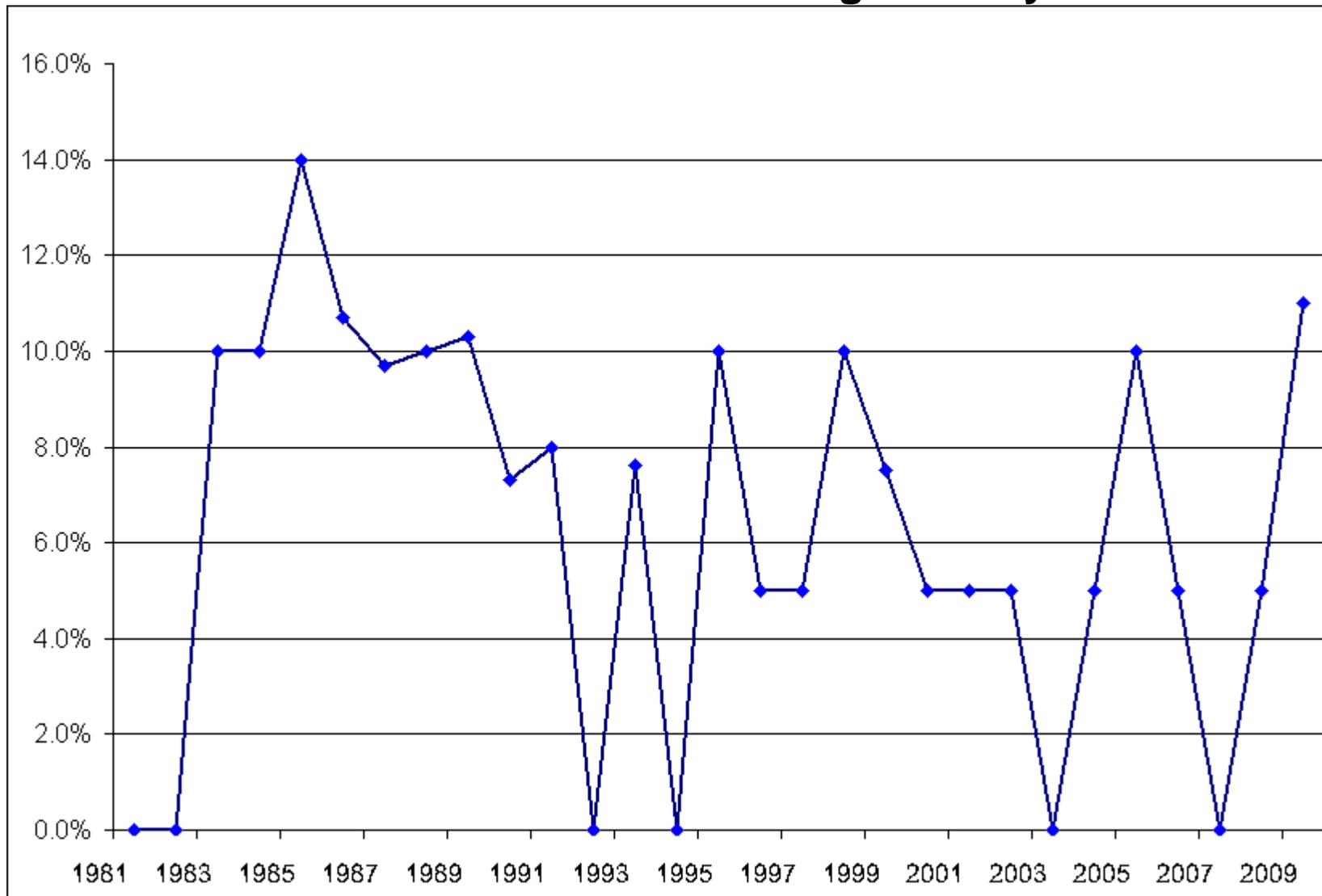
Water Service Rate Change History Data

Effective Date of Change	Percentage Change of Increase
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1980

1-Jul-81	10.0%
1-Jul-82	0.0%
1-Jul-83	10.0%
1-Jul-84	10.0%
1-Jul-85	15.0%
1-Jul-86	10.0%
1-Jul-87	0.0%
1-Jul-88	13.0%
1-Jul-89	10.0%
1-Jul-90	10.0%
1-Jul-91	10.0%
1-Jul-92	3.0%
1-Jul-93	2.5%
1-Jul-94	0.0%
1-Jul-95	13.0%
1-Jul-96	0.0%
1-Jul-97	0.0%
1-Jul-98	5.0%
1-Jul-99	0.0%
1-Jul-00	7.5%
1-Jul-01	5.0%
1-Jul-02	5.0%
1-Jul-03	3.0%
1-Jul-04	5.0%
1-Jul-05	8.0%
1-Jul-06	0.0%
1-Jul-07	2.5%
1-Jul-08	2.5%
1-Jul-09	15.0%

Wastewater Rate Change History



Wastewater Service Rate Change History Data

Effective Date of Change	Percentage Change of Increase
1980	
1-Jul-81	0.0%
1-Jul-82	0.0%
1-Jul-83	10.0%
1-Jul-84	10.0%
1-Jul-85	14.0%
1-Jul-86	10.7%
1-Jul-87	9.7%
1-Jul-88	10.0%
1-Jul-89	10.3%
1-Jul-90	7.3%
1-Jul-91	8.0%
1-Jul-92	0.0%
1-Jul-93	7.6%
1-Jul-94	0.0%
1-Jul-95	10.0%
1-Jul-96	5.0%
1-Jul-97	5.0%
1-Jul-98	10.0%
1-Jul-99	7.5%
1-Jul-00	5.0%
1-Jul-01	5.0%
1-Jul-02	5.0%
1-Jul-03	0.0%
1-Jul-04	5.0%
1-Jul-05	10.0%
1-Jul-06	5.0%
1-Jul-07	0.0%
1-Jul-08	5.0%
1-Jul-09	11.0%

Electric Provider

How do customers determine who will be their electric provider?

The 1965 Electric Act passed by the NC General Assembly governs retail electric service in North Carolina. There are three types of retail electric providers in the state: (i) municipalities, (ii) investor-owned companies, and (iii) electric membership corporations. Within the city limits, the City of Rocky Mount is the primary retail electric supplier and will, in most cases, be the electric supplier for new facilities. In situations where another electric provider has existing electric lines inside the city limits, the 1965 Electric Act created a 300-foot “corridor” around those secondary electric provider’s lines. In these situations, a customer establishing electric service for a new facility may have a choice of electric suppliers within the city limits depending upon the proximity of their new facility to the secondary electric provider’s lines. Customers should contact the City of Rocky Mount to review their specific situation for determination of electric service rights. Existing customers will continue to be served by their current provider.

The City of Rocky Mount may also provide electric service outside the city limits to serve new facilities within reasonable limitations, to provide electric service to city-owned facilities, or expand electric lines prior to annexation to provide city services when annexation becomes effective. The City of Rocky Mount will assist customers in establishing electric service for a new facility.

Bad Debt and Financials

What is the level of bad debt the City of Rocky Mount carries – Commercial? Residential?

2008

Residential	Commercial	Total
\$821,201	\$238,729	\$1,059,930
77%	23%	100%

2007

Residential	Commercial	Total
\$775,128	\$76,564	\$851,962
91%	9%	100%

2006

Residential	Commercial	Total
\$825,785	\$121,666	\$947,451
87%	13%	100%

2005

Residential	Commercial	Total
\$1,500,897	\$70,052	\$1,570,947
96%	4%	100%

2004

Residential	Commercial	Total
\$997,984	\$327,593	\$1,325,577
75%	25%	100%

2003

Residential	Commercial	Total
\$1,008,666	\$431,811	\$1,440,477
70%	30%	100%

Should the City of Rocky Mount hire a consulting firm to review its operations?

In 2003, a consulting engineering firm was engaged to perform an electric distribution system power loss and billing analysis. The analysis covered three broad areas: electric distribution system power losses, electric metering and billing process review, and financial forecast and billing verification. The recommendations of the study were implemented and resulted in a reduction of electric distribution system losses as follows:

<u>Fiscal Year</u>	<u>System Losses</u>
02-03	6.7%
03-04	5.8%
04-05	3.5%
05-06	3.5%
06-07	3.2%
07-08	3.0%
08-09	3.1%

Electric system power loss is the difference between the amount of wholesale power purchased and sold measured in kWh. For an electric distribution system of our size, losses of between 5 to 7% are expected. Losses of 4% to 5% are good. Losses less than 4% are exceptional.

- In 2003, a consulting engineering firm was engaged to develop a Long-Range Plan for the City’s electric distribution system. The Plan was to focus predominantly on the need for electric system upgrades and renewals to maintain adequate service to the City over the next twenty years with the primary focus on the first ten years. This formula is used for planning and preparing the five years Capital Improvement Plan and operating budgets. This plan was updated in 2005 and 2007. An update is planned for 2010.

Alternatives

Has the City of Rocky Mount explored using alternative energy sources such as solar, wind, etc.?

When the supplemental power supply contract between NCEMPA and Progress Energy Carolinas was negotiated for power above that generated by the agency's share in the five generating units, NCEMPA evaluated various alternatives, but only focused on those that were the most cost-effective. Solar and wind are still at a much higher cost than the contract. Until 2017, (the expiration of the contract with Progress Energy Carolinas for supplemental power), NCEMPA is obligated to purchase all power needs above that generated by the agency's share in the five generating units from Progress Energy Carolinas. This contract is very competitive and lower than any other alternatives considered.

The City of Rocky Mount implemented a renewable energy policy in November 2008. This policy allows customers the opportunity to generate energy from renewable sources such as wind and solar power. The City will pay the customer for electricity generated from their renewable energy source at 2.461¢/kWh. This rate is representative of the City's avoided cost of purchasing and distributing the electricity from our supplier. Customers may be eligible for credits from NC Green Power of 15¢/kWh.

The Renewable Energy Policy was designed to encourage customers to install renewable sources of energy. New construction and retrofit projects for residential and small commercial electric customers are eligible. Residential customers can generate up to 10 kW and small commercial customers can generate up to 100 kW.

Glossary of Terms

- **North Carolina Municipal Power Agency 1 (NCMPA1)**

NCMPA1 consists of 19 cities and towns in the piedmont and western portion of North Carolina. NCMPA1 owns a portion of the Catawba Nuclear Station operated by Duke Energy. NCMPA1 provides wholesale power to its 19 participants. NCMPA1 provides economic services, reliable generation and transmission services.
- **Supplemental Power**

Excess power purchased by both NCEMPA and NCMPA1 above what is produced by their ownership in generating facilities.
- **Generating Facilities**

Facilities that generate electric power for distribution by various means including nuclear, coal, natural gas, solar, wind and hydro
NCEMPA is part owner in three nuclear facilities, Shearon Harris Nuclear in Wake County, and Brunswick Units 1 and 2 in Brunswick County, and two coal-fired plants, Mayo Plant and Roxboro Unit 4 both in Person County.
- **Plant-Up Rates**

Projects or process improvements that create an increase in generation capacity; an increase in power plant unit output at an existing facility through modifications or replacement of equipment
- **Open Access Transmission Tariff (OATT)**

Contract for transmission of project and supplemental power from the generation facilities to the distribution point
- **Capital Additions**

The cost involved for adding new assets or improving existing assets. Additions can take the form of adding new parts that could be reasonably expected to increase useful life or potential, and/or adding new assets to increase production.
- **Federal Energy Regulatory Commission (FERC)**

An independent agency that regulates the interstate transmission of electricity, natural gas, and oil
FERC reviews proposals to build liquefied natural gas (LNG) terminals and interstate natural gas pipelines as well as licensing hydropower projects.

- **Renewable Energy Portfolio Standards (REPS)**
 North Carolina's Renewable Energy and Energy Efficiency Portfolio Standard (REPS), enacted by Senate Bill 3 in August 2007, requires all investor-owned utilities in the state to supply 12.5% of 2020 retail electricity sales (in North Carolina) from eligible energy resources by 2021. Municipal utilities and electric cooperatives must meet a target of 10% renewables by 2018 and are subject to slightly different rules. In February 2008, the North Carolina Utilities Commission (NCUC) adopted final rules implementing the REPS. Electric cooperatives and municipal utilities must meet the solar, swine waste and poultry waste goals, but these utilities only must meet an overall target of 10% by 2018. Cooperatives and municipal utilities are permitted to use demand side management or energy efficiency to satisfy the standard without limitation. Municipal utilities may also purchase renewable energy certificates to meet REPS requirements.
- **Renewable Energy**
 Renewable energy resources include solar electric, solar thermal, wind, hydropower, geothermal, or ocean current or wave energy resource, biomass resources, including agricultural waste, animal waste, wood waste, spent pulping liquors, combustible residues, combustible liquids, combustible gases, energy crops, or landfill methane; waste heat derived from a renewable energy resource and used to produce electricity or useful measurable thermal energy at a retail electric customer's facility; or hydrogen derived from a renewable energy resource.
- **United States Nuclear Regulatory Commission (NRC)**
 Congress created this agency in 1974 to enable the nation to use radioactive materials in a safe way for beneficial civilian purposes while ensuring that people and the environment are protected. The NRC regulates commercial nuclear power plants and other uses of nuclear materials, such as in nuclear medicine, through licensing, inspection, and enforcement of its requirements.
- **Progress Energy Carolinas (PEC)**
 Formerly known as Carolina Power & Light (CP&L); Headquartered in Raleigh, NC; Progress Energy includes two major electric utilities that serve approximately 3.1 million customers in the Carolinas and Florida.
- **Joint Municipal Assistance Agencies**
 Joint Municipal Assistance Agencies provide aid and assistance to municipalities in the construction, ownership, maintenance, expansion, and operation of their electric systems.
- **Debt Service**
 Cash required over a given period for the repayment of interest and principal on a debt

- **Wholesale Power**
Power purchased by Public Power communities for the purpose of resale to electric customers.
- **kWh**
A kilowatt-hour measures the amount of electricity consumed or generated in one hour.
- **Operating Expenses**
This is the money a business spends in order to turn inventory into services. Operating expenses also include depreciation of plants and machinery, which are used in the production process.
- **Distribution Expenses**
Cost of distributing power from the generating facility to customers
- **PGA (Purchased Gas Adjustment)**
Natural gas rates are set using a base rate that accounts for transportation and utility costs, then adjusted each month based on the fluctuating price of the gas itself.

Fact Sheet- About ElectriCities

Fact Sheet- Benefits ElectriCities Provides

Fact Sheet- Electric Rates

Fact Sheet- Nuclear Assets

Fact Sheet- NC Public Power

North Carolina Eastern Municipal Power Agency (NCEMPA)



NCEMPA consists of 32 cities and towns in eastern North Carolina, including some of the largest cities in the region, that own and operate their electric systems. NCEMPA provides wholesale power to its 32 Participants.

Governance

NCEMPA is governed by a Board of Commissioners (BOC). Each Participant appoints a Commissioner and an Alternate Commissioner to the Board. The BOC meets at least three times a year.

The ElectriCities Board of Directors (BOD) provides oversight of NCEMPA operations. The ElectriCities BOD consists of 14 members elected from throughout North Carolina and meets monthly.

Plant Ownership

NCEMPA owns a portion of five generating units. All units are operated by Progress Energy Carolinas. NCEMPA staff oversees operations and is heavily involved in operations at the plants. Staff regularly attends owners' meetings and is included in all capital improvement planning.

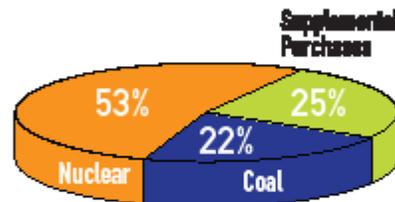
Plant	Type of Unit	Date Operations Began	Licensed Until
Roxboro Unit 4	Coal	1980	n/a
Mayo Unit 1	Coal	1983	n/a
Brunswick Unit 1	Nuclear	1977	2034
Brunswick Unit 2	Nuclear	1975	2036
Harris Unit 1	Nuclear	1987	2046

Participant Map



Power Supply

The majority of NCEMPA's energy requirements are provided by its ownership in the plants. The remaining energy is purchased through long-term supplemental contracts with Progress Energy.



Based on 2008 year-end joint unit entitlement plus supplemental purchases

North Carolina Municipal Power Agency Number 1 (NCMPA1)



NCMPA1 consists of 19 cities and towns in piedmont and western North Carolina, including some of the largest areas of economic growth. NCMPA1 Participants serve approximately 164,000 customers.

Governance

NCMPA1 is governed by a Board of Commissioners (BOC). Each Participant appoints a Commissioner and an Alternate Commissioner to the BOC. The BOC monitors operations of the Power Agency, approves the annual budget and elects their representatives to the ElectriCities Board of Directors (BOD). The BOC meets quarterly.

The ElectriCities BOD provides oversight of NCMPA1 operations. The ElectriCities BOD meets monthly and consists of 14 individuals elected from member cities throughout North Carolina.

Nuclear Plant Ownership

NCMPA1 owns a portion of the Catawba Nuclear Station, operated by Duke Energy. NCMPA1 has an on-site manager at Catawba to oversee operations and represents its interests. Staff also regularly attends owners' meetings and is included in all capital improvement planning.

Surplus Energy Program

Several years ago, NCMPA1 implemented its own power supply resource scheduling and power marketing in order to maximize the value of surplus Catawba energy in the wholesale market. Annually, the surplus energy program results in revenues in excess of \$84 million for the Power Agency.

Fossil Generation

NCMPA1 owns 34 diesel generators located on city electric systems. These units, totaling 65 MW, are operated remotely on short notice during periods of high demand and high market prices. Seventy-one megawatts of city-owned and customer-owned generators are also under remote control operation. This combination of 136 MW of remotely operated, fast-start units provides great operational flexibility for NCMPA1's power supply program.

NCMPA1 recently began work on a project to install two gas turbine generators that will provide 24 MW of peaking and reserve capacity. These two generators, which will be connected to the City of Monroe's electric system, are

scheduled to be in service in September 2009. Just as with the diesel Distributed Generation units, the gas turbine generators will be operated remotely on short notice during periods of high demand and high market prices.

Participant Map



Renewable Energy and Energy Efficiency Programs

Under North Carolina's Renewable Energy and Energy Efficiency Portfolio Standard (REPS), NCMPA1 member cities must obtain up to 10 percent of their energy through renewable energy or energy efficiency resources by 2018.

The REPS requirement begins in 2012 at 3 percent of retail sales, increases to 6 percent in 2015 and 10 percent in 2018 and beyond. NCMPA1 executed the following contracts in 2008 for the purchase of RECs as part of its compliance plan:

NCMPA1 purchased and received 40,000 MWh (RECs) from Scurry County Wind, a Texas wind farm.

NCMPA1 agreed to purchase 100,000 MWh (RECs) per year three years from Craven County Wood.

In addition to REC purchases, NCMPA1 has been actively developing Energy Efficiency programs as another key component of the renewable portfolio. The new programs were introduced by NCMPA1 Participants in 2009:

- High Efficiency Heat Pump Rebate Program
- Energy Star Home Rebate Program
- Commercial/Industrial RFP (request for proposals) for Energy Efficiency Projects
- Commercial Solar Thermal Rebate Program
- City Energy Efficiency Projects
- LED Demonstration for Grocery Refrigeration Cases
- Low-Income Weatherization Assistance Rebate Program