



**Greenville
Utilities**

Protecting Your Investment

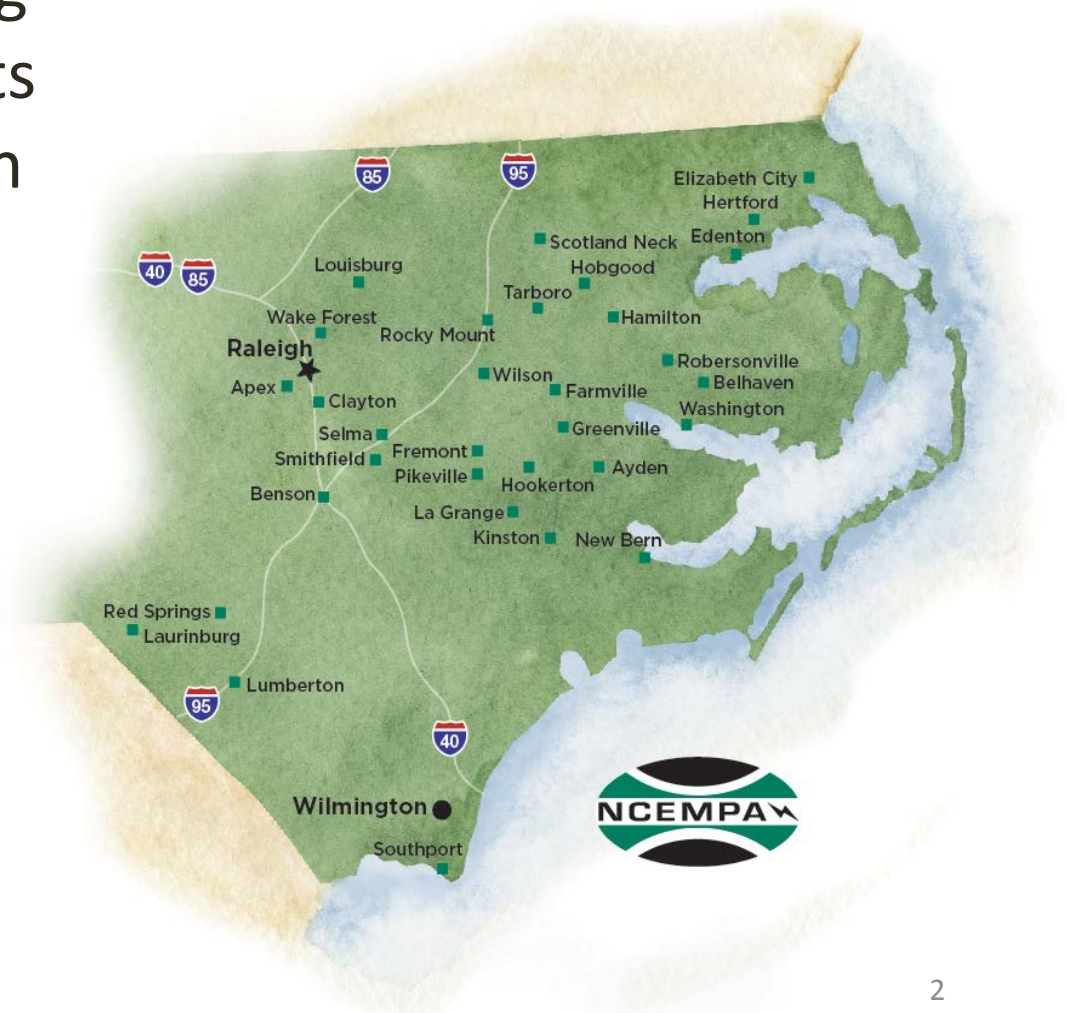


NCEMPA Assets Sale

May 26, 2015

NCEMPA: Est. 1978

- Began providing all requirements power supply in 1982
- Provides wholesale power to 32 members



NCEMPA Generation Assets

Harris Plant
16.17% Ownership
(146 MW)



Brunswick Units 1 & 2
18.33% Ownership
(343 MW)



Mayo Plant
16.17% Ownership
(118 MW)



Roxboro Unit 4
12.94% Ownership
(90 MW)



Duke Energy Progress Offer

- February 2014, NCEMPA entered into exclusive negotiations with Duke Energy Progress (DEP) regarding the potential sale of NCEMPA's ownership in the generation facilities.
- September 2014, NCEMPA and DEP approve the terms of the transaction.

Components of NCEMPA Deal

- Sale of generation assets
 - *\$1.2 billion transaction*
- Debt reduction
 - *\$1.97 billion to \$492 million (75%)*
 - *Defeasance of remaining debt*
- NCEMPA long-term wholesale power supply
 - *18% initial reduction **
 - *3% net present value savings over 30 years **

* - Represents NCEMPA's overall impact. Actual impact varies from member-to-member.

Opportunity for GUC

- Selling NCEMPA's power generation assets and entering into a new power supply contract will allow us to:
 - Continue providing a reliable power supply
 - Lower rates and become more cost competitive
 - Eliminate primary funding requirements related to decommissioning of nuclear assets
 - Provide long-term economic benefits
 - Increase stability and reduce risk
 - Adapt and respond to changing market conditions

Due Diligence

GUC TEAM MEMBERS

Black & Veatch	<i>Craig Brown</i>	Financial Forecasting & Power Supply Modeling
First Southwest	<i>Randy Finken</i>	Financial Advisor
McCarter & English	<i>John Adragna</i>	Legal Services
GUC General Counsel	<i>Phil Dixon</i>	Legal Services
Sidley Austin	<i>Eric Hubert</i>	Bond Counsel

Power Supply Analysis

- Black & Veatch (B&V) evaluated power supply costs for 2015-2046 under the proposed sale compared to the “Status Quo” (current NCEMPA contract)
- An alternative scenario was prepared using the B&V forecast of fuel costs, which are generally lower in the study period
- Scenarios show significant savings in the first 10 years, higher costs in the next 20, with overall NPV savings over the evaluation period
- Initial reduction of 15.8% in wholesale power supply costs with a net present value savings of 3.2% over 30 years

Mitigation of Power Supply Risks

- Access to broader mix of power supply sources
- New Full Requirements Power Purchase Agreement (FRPPA) includes off ramps to terminate all or a portion of firm load, if beneficial to GUC
- Wholesale formula rate tracks DEP's system average cost
- Priority and firmness of service same as DEP native load customers

Defeasance of Bonds

- GUC's portion of the \$492M bond defeasance is approximately \$100M
- Debt service portion of each member's debt will be a separate line item on their wholesale power bill
- Option for each member to pay off their portion of the debt
- It is in GUC and NCEMPA's best interests for power agency to issue new debt to defease existing debt

NCEMPA-Member Agreements

- Full Requirements Power Sales Agreement
 - In effect until December 31, 2043 unless earlier termination in accordance with its terms
 - Provides each Member's full requirements power supply and assures full recovery of NCEMPA's costs of service including debt defeasance
- Debt Service Support Contract
 - Each Member pays its proportional share of the monthly support costs (all debt-related costs)
 - Member rates must recover all costs associated with the two contracts

NCEMPA-Member Agreements

- Power Sales Agreements Termination Agreement terminates the existing power sales agreement with NCEMPA

Action

Consider adoption of a resolution/ordinance that:

Approves the sale of the NCEMPA generating assets to DEP; and approves and authorizes the execution of the following contracts between NCEMPA and both governing bodies:

- Debt Service Support Contract
- Full Requirements Power Sales Agreement
- Power Sales Agreements Termination Agreement

Next Steps

- Obtain consent of NCEMPA members (May/June)
- Local brokers meeting (June 11th)
- Nuclear Regulatory Commission approval of operating license transfer (by June 19)
- Price and sell defeasance debt bonds (week of June 22)
- Closing of transaction and new wholesale rate effective (July 1)



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