

# Understanding the NCEMPA Asset Sale Agreement

North Carolina Eastern Municipal Power Agency (NCEMPA) and Duke Energy Progress (DEP) announced on July 28 that both companies' boards of directors have approved an agreement for DEP to purchase NCEMPA's ownership in certain generating assets. The transaction includes a purchase price of \$1.2 billion that will be used to lower our wholesale power costs.

In addition, DEP and NCEMPA will enter into a wholesale power contract as part of the transaction.

## How This Benefits Our Communities

Selling our power generation assets will enable NCEMPA to lower wholesale electric costs for NCEMPA members. The exact impact on retail rates will be different for each member. It is premature to speculate on the amount of reduction to a particular city, since it depends on factors such as the member's share of the outstanding debt and the specific load characteristics and customer mix of that member.

## Lower Costs

NCEMPA members are currently responsible for \$1.87 billion in debt. That accounts for nearly 40 percent of our wholesale power costs. Selling our power generation assets will reduce our debt by more than 70 percent and make our wholesale power costs more competitive.

## Less Risk, More Predictability

Owning power plants comes with considerable risks that have the potential to suddenly increase costs. Selling our ownership in these plants will mitigate that risk and provide members with more predictable power costs.

## History

NCEMPA is comprised of 32 communities across eastern North Carolina. In 1982, NCEMPA members joined together to buy a portion of four power plants owned by CP&L (now DEP.)

Through the years, NCEMPA has discussed the idea of selling its ownership in the power plants. NCEMPA and DEP began exclusive negotiations in January 2014 regarding a sale of its electric generation assets.

## Cities Continue as Public Power Providers

NCEMPA members will continue to receive wholesale power from NCEMPA, just as they have for more than 30 years. Our communities will continue to own the power lines, substations and transformers that carry electricity directly to local residents and businesses. Our communities will continue to employ their own utility staff and be responsible for issues such as maintenance, customer service and billing.

## What's Happens Next?

The agreement requires federal and state approval and is expected to take more than a year to complete. Duke Energy Progress will file a motion with the Federal Energy Regulatory Commission (FERC) in September to begin the regulatory process.