

The Washington City Council met in a regular session on Monday, May 11, 2015 at 5:30pm in the City Council Chambers at the Municipal Building. Present were: Mac Hodges, Mayor; Bobby Roberson, Mayor Pro tem; Doug Mercer, Councilman; William Pitt, Councilman; Richard Brooks, Councilman; Brian M. Alligood, City Manager; Cynthia S. Bennett, City Clerk and Franz Holscher, City Attorney. Larry Beeman, Councilman was absent and excused.

Also present were: Matt Rauschenbach, Administrative Services Director/C.F.O.; Robbie Rose, Fire Chief; Allen Lewis, Public Works Director; Gloria Moore, Library Director; Susan Hodges, Human Resources Director; Kristi Roberson, Parks and Recreation Manager; Keith Hardt, Electric Utilities Director; John Rodman, Community & Cultural Services Director; David Carraway, Network Administrator and Mike Voss, Washington Daily News.

Mayor Hodges called the meeting to order and Councilman Pitt delivered the invocation.

APPROVAL OF MINUTES:

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council approved the minutes of April 27 & 28, 2015 as presented.

APPROVAL/AMENDMENTS TO AGENDA:

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council approved the agenda as presented.

PRESENTATION: FORD WORTHY – DONATION OF TWENTY LIVE OAK TREES



CONSENT AGENDA:

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council approved the consent agenda as presented.

A. Approve – Declare Surplus/Authorize – Electronic Auction of Vehicle through Gov Deals

<u>Vehicle #</u>	<u>Make/Model</u>	<u>Department</u>	<u>Serial #</u>	<u>Meter Reading</u>
111	1996 Jeep Cherokee	Municipal Bldg.	IJ4FT28S8TL267550	65,169
454	International Dump Trk.	Public Works	1HTSCABM1XH608162	92,155

B. Approve – Educational Attainment Incentive Pay for Paramedic Certification

*approve revision to the Educational Attainment Incentive Pay Plan eliminating the 5% pay increase for Emergency Medical Technician - Intermediate certification and replacing it with a 5% pay increase for initial certification as Paramedic for employees who occupy positions assigned to a salary grade at or above the salary grade for Firefighter/Paramedic classification effective May 11, 2015

C. Adopt – Resolution fixing date for public hearing on the contiguous annexation of the Granville Lilley property

RESOLUTION FIXING DATE OF PUBLIC HEARING ON QUESTION OF ANNEXATION PURSUANT TO G.S. 160A-31

WHEREAS, a petition requesting annexation of the contiguous area described herein has been received; and

WHEREAS, the City Council has by resolution directed the City Clerk to investigate the sufficiency of the petition; and

WHEREAS, certification by the City Clerk as the sufficiency of the petition has been made;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Washington, North Carolina that:

Section 1. A public hearing on the question of annexation of the contiguous area described herein will be held at the City Council Chambers on the 2nd floor of the municipal building located at 102 East 2nd Street at 6:00 p.m. on Monday, June 8, 2015.

Section 2. The area proposed for annexation is described as follows:

Being 3.47 acres of land noted on the survey "D. Granville & Anna W. Lilley" by Hood Richardson dated February 9, 2015 and being located in Washington Township, Beaufort County North Carolina and being more particularly described as follows:



Together with and subject to covenants, easements and restrictions of record. Said property to be annexed contains 3.47 acres.

Section 3. Notice of the public hearing shall be published once in the Washington Daily News, a newspaper having general circulation in the City of Washington, at least ten (10) days prior to the date of the public hearing.

ATTEST:

s/Cynthia S. Bennett
City Clerk

s/Jay MacDonald Hodges
Mayor

- D. Adopt – Airport Vision Grant Runway 5-23 Lighting Rehab Project Ordinance Amendment

AN ORDINANCE TO AMEND THE GRANT PROJECT ORDINANCE OF THE CITY OF WASHINGTON, N.C. FOR THE FISCAL YEAR 2014-2015

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That the following appropriation account numbers be increased or decreased in the amounts shown in the Airport Rehabilitation Capital Project Grant Fund to account for grant funded rehabilitation projects at the airport:

71-90-4530-0400	Professional Services	\$68,530
71-90-4530-4500	Airport Rehabilitation	(\$68,530)

Section 2. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

Section 3. This ordinance shall become effective upon its adoption.

Adopted this the 11th day of May, 2015.

ATTEST:

s/Cynthia S. Bennett
City Clerk

s/Mac Hodges
Mayor

- E. Adopt – Budget Ordinance Amendment to establish Vehicle Replacement and Facility Maintenance Funds

AN ORDINANCE TO AMEND THE GRANT PROJECT ORDINANCE OF THE CITY OF WASHINGTON, N.C. FOR THE FISCAL YEAR 2014-2015

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

- Section 1. That the Estimated Revenues in the General Fund be increased in the following accounts and amounts:

10-00-3991-9100	Fund Balance Appropriated	\$1,733,937
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- Section 2. That the following accounts and amounts be increased in the Miscellaneous division of the General Fund appropriations budget to fund the establishment of vehicle replacement and facility maintenance funds:

10-00-4400-8600	Transfer to Vehicle Fund	\$1,233,937
10-00-4400-8700	Transfer to Facility Maintenance Fund	<u>\$ 500,000</u>
	Total	\$1,733,937

- Section 3. All ordinances or parts of ordinances in conflict herewith are hereby repealed.

- Section 4. This ordinance shall become effective upon its adoption.

Adopted this the 11th day of May, 2015.

ATTEST:

s/Cynthia S. Bennett
City Clerk

s/Mac Hodges
Mayor

COMMENTS FROM THE PUBLIC:

Mike Weeks (owner of Loreta's Frozen Desserts - Greenville) came forward and asked for Council's support of Loreta's Frozen Desserts to operate a vendor cart along the Washington waterfront. (This item comes up later in the agenda and will be discussed further at that time.)

SCHEDULED PUBLIC APPEARANCES: NONE

CORRESPONDENCE AND SPECIAL REPORTS:

MEMO – TENNIS COURTS

(memo accepted as presented) Kristi Roberson, Park & Recreation Manager

The Recreation Advisory Committee met on April 20, 2015 and discussed the options for tennis courts. The following options were provided:

1. Resurface the current tennis courts at Bug House Park. The contractor stated this would not KEEP them safe and playable. Estimated cost is \$11,000.
2. Relocate the tennis courts to another location. New courts will cost an estimated \$90,000.00
 - a. The subject of walkability was discussed.
 - b. The proposed location was at the McConnell Complex.
3. Partner with Washington High School and create a Joint Use Agreement for their 6 tennis courts. Estimated Project costs are \$30,000 and the City will be responsible to pay half.

The Recreation Advisory Committee was uncomfortable making a recommendation at that time. They wanted to gather more information. RAC will revisit this discussion during the May 18, 2015 meeting.

Councilman Mercer noted that the Recreation Advisory Committee will not meet to discuss this item until May 18th. Council continued this item until June 8th to allow the Recreation Advisory Committee time to further review the matter.

MEMO – BUDGET TRANSFER – GENERAL FUND

(memo accepted as presented) Matt Rauschenbach, C.F.O.

The Budget Officer transferred \$4,330 of funds between the Recreation Admin, Recreation Events & Facilities and Aquatic Center departments of the General Fund appropriations budget for water and electric services.

NC GS 159-15 states that this shall be reported to the Council at its next regular meeting and be entered in the minutes. Transfer request is attached.

Request for Transfer of Funds

	Department	Account #	Object Classification	Amount
FROM:	Recreation	10-40-6120	1601	\$3,000
			7000	\$80
		10-40-6121	1100	\$250
			1502	\$1000
TO:	Recreation	10-40-6126	1300	\$4330

REPORTS FROM BOARDS, COMMISSIONS AND COMMITTEES:

HUMAN RELATIONS COUNCIL

(report accepted as presented)

**Human Relations Council (HRC) report for the month of April
Monday May 11, 2015 City Council Meeting**

MISSION STATEMENT

- To promote social and economic equality in the community, working with Local Government and other resources
- To appreciate the cultural and ethnic diversity of the citizens of Washington and Beaufort County
- To encourage citizens to live and work together in harmony and mutual respect

SCHEDULED PUBLIC APPEARANCES: None

OLD BUSINESS:

Update – Spring Symposium: Board member Recko distributed a handout to all Board members and reviewed the following updates:

Beaufort County/Washington Housing Symposium

“A Home is more than Bricks and Mortar!”

Tentative Schedule

10:00 – 10:15	Welcome and introductions Mayor County Commissioner Chair
10:15 – 10:45	Keynote Speaker HUD or NCHFA Representative/Realtor Representative
11:00 – 11:45	Realtor Overview The housing market in Washington and Beaufort County
12:00 – 1:00	Lunch
1:00 – 1:45	Assisted/Supportive/Emergency/Shelter Housing Overview Availability of assisted housing in Washington and Beaufort County
2:00 – 2:45	Fair Housing
3:00 – 3:45	Roundtable
3:45 – 4:00	Final Thoughts and Review

Board member Recko reviewed the need assessment for the Spring Symposium and requested assistance from the Human Relations Council. Also, he is expecting approximately 100-125 attendees.

By motion of Board member Howard, seconded by Board member O’Pharrow, the Council approved allocating \$200 toward the Spring Symposium ~ date to be determined. Tentative dates are June 11th, 18th, or 25th.

Discussion – Expiring terms: Vice-chair St. Clair reviewed the expiring terms and the two vacancies on the Human Relations Council. There will be a total of seven (7) positions available for

appointment. It is crucial that we beat the bushes for viable candidates to recommend to City Council for appointment.

NEW BUSINESS: None

OTHER BUSINESS:

FYI – All FYI items and reminders were discussed inclusive of the March 10, 2015 report submitted to City Council, financial report and updated Board members contact information.

APPOINTMENTS: NONE

OLD BUSINESS:

ADOPT/AUTHORIZE – ORDINANCE APPROVING THE ASSET PURCHASE AGREEMENT AND THE FULL REQUIREMENTS POWER PURCHASE AGREEMENT BETWEEN THE NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY AND DUKE ENERGY PROGRESS, CONSENTING TO THE RELATED TRANSACTIONS, AND AUTHORIZING EXECUTION OF CERTAIN, RELATED AND NECESSARY AGREEMENTS

The City of Washington is a 4.0871 percentage member of the North Carolina Eastern Municipal Power Agency (NCEMPA). NCEMPA has agreed to sell its ownership interest in the jointly owned generation assets to Duke Energy Progress, Inc. (DEP). This agreement will lower wholesale power costs and provide NCEMPA members with an opportunity to pass related savings on to their customers.

The North Carolina General Assembly passed legislation that generally approved this agreement as well as related transaction and specifically authorized NCEMPA to borrow money to pay the remaining outstanding debt and allowed DEP to recover the costs associated with purchasing the generation power plants. The Governor signed this legislation, Senate Bill 305, NCEMPA Asset Sale, into law on April 2, 2015. Approval from all 32 NCEMPA members' city councils and the Greenville Utilities Commission is required for this asset sale. Upon approval from each NCEMPA member and after receipt of any remaining Federal as well as State approvals that may be required, the transaction will close. The exact impact of this transaction on an individual municipal member's retail rates will vary for each member community based upon several factors, including but not limited to each individual member's (1) share of the remaining outstanding debt, (2) maintenance needs, (3) other needs that may have been postponed to defer rate increases in the past, (4) specific load characteristics, and (5) customer mix. After the sale is completed, the City will continue to provide power to its customers; own its power lines, substations and transformers that carry electricity directly to its customers; employ its own staff; and be responsible for maintenance, billing, and customer service. Selling the generation assets mitigates the risk associated with ownership of power plants and provides more predictable power costs.

The ElectriCities Board of Directors has adopted a resolution authorizing NCEMPA Management to execute the legal documents that are necessary to consummate this sale and recommend approval of this transaction to the NCEMPA members' city councils. The City has been requested to return all necessary documents by June 15th, the City Clerk has prepared the Clerk's Certificate, and the City Attorney has prepared the Attorney's Opinion. These materials will be returned promptly by City staff once the minutes of this meeting are approved by City Council on June 8th.

The North Carolina General Assembly approved Senate Bill 305, NCEMPA Asset Sale, and it was signed into law by the Governor on April 2, 2015.

The ElectriCities and NCEMPA Boards have approved this transaction and the related legal documents referenced herein.

Councilman Mercer offered comments noting that this is the most important vote that he will ever make and urged his fellow Councilmen to vote in the affirmative. Councilmembers recognized and thanked: David Barnes, Keith Hardt, Brian Alligood and Doug Mercer for their extensive work on this project. David Barnes offered thanks as well to Brian Alligood, Doug Mercer and Keith Hardt.

It was noted that Exhibit A has been replaced due to an incorrect percentage calculation, the percentage was listed as 98.8894% should be 100.0000%.

By motion of Councilman Mercer, seconded by Councilman Pitt, Council adopted the attached Ordinance of the City Council of the City of Washington, North Carolina, Determining That It Is in the Best Interests of the City of Washington to Approve the Asset Purchase Agreement and the Full Requirements Power Purchase Agreement between North Carolina Eastern Municipal Power Agency and Duke Energy Progress, Inc., to Consent to the Transactions Contemplated Thereby and to Approve and Authorize the Execution and Delivery of the Debt Service Support Contract, the Full Requirements Power Sales Agreement and the Power Sales Agreements Termination Agreement between the City of Washington and North Carolina Eastern Municipal Power Agency.

ORDINANCE

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF WASHINGTON, NORTH CAROLINA, DETERMINING THAT IT IS IN THE BEST INTERESTS OF THE CITY OF WASHINGTON TO APPROVE THE ASSET PURCHASE AGREEMENT AND THE FULL REQUIREMENTS POWER PURCHASE AGREEMENT BETWEEN NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY AND DUKE ENERGY PROGRESS, INC., TO CONSENT TO THE TRANSACTIONS CONTEMPLATED THEREBY, AND TO APPROVE AND AUTHORIZE THE EXECUTION AND DELIVERY OF THE DEBT SERVICE SUPPORT CONTRACT, THE FULL REQUIREMENTS POWER SALES AGREEMENT AND THE POWER SALES AGREEMENTS TERMINATION AGREEMENT BETWEEN THE CITY OF WASHINGTON AND NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY

WHEREAS, the City of Washington, North Carolina (the "Municipality") and North Carolina Eastern Municipal Power Agency ("Power Agency") entered into an Initial Project Power Sales Agreement dated as of July 30, 1981, as amended by an Amendment Agreement dated as of October 31, 1984 (the "Project Power Sales Agreement"), pursuant to which Power Agency sells and the Municipality purchases and pays for the Municipality's Participant's Share (as defined in the Project Power Sales Agreement) of Project Output (as defined in the Project Power Sales Agreement); and

WHEREAS, the Municipality and Power Agency entered into a Supplemental Power Sales Agreement dated as of July 31, 1981, as amended by an Amendment Agreement dated as of October 31, 1984 (the "Supplemental Power Sales Agreement"), pursuant to which Power Agency sells and the Municipality purchases and pays for All Requirements Bulk Power Supply (as defined in the Supplemental Power Sales Agreement), which consists of Project Output (as defined in the Supplemental Power Sales Agreement) and Supplemental Bulk Power Supply (as defined in the Supplemental Power Sales Agreement); and

WHEREAS, Power Agency proposes to enter into a Debt Service Support Contract dated as of April 24, 2015, with each of its members, including the Municipality, in order to support Power Agency's obligation to pay debt service on the Bonds, pursuant to which Debt Service Support Contracts each of its members, including the Municipality, is obligated to pay to Power Agency its Member's Share (as defined in the Debt Service Support Contract) of Monthly Support Costs (as defined in the Debt Service Support Contract) pursuant to the terms of the Debt Service Support Contracts; and

WHEREAS, the Bonds will be secured by, among other things, revenues derived by Power Agency pursuant to the Debt Service Support Contracts; and

WHEREAS, pursuant to Section 5 of the Debt Service Support Contract, the payment by the Municipality of its Monthly Support Costs is to be made to Power Agency unconditionally and without offset, counterclaim or other reduction, whether or not all or any portion of the electric power and energy contracted for under the member's Full Requirements Power Sales Agreement (described below) is delivered to the member or such Full Requirements Power Sales Agreement expires or is terminated in whole or in part; and

WHEREAS, the Municipality's Member's Share (as defined in the Debt Service Support Contract) is as set forth in Exhibit A to the Debt Service Support Contract; and

WHEREAS, Power Agency and DEP have entered into a Full Requirements Power Purchase Agreement (as supplemented and amended, the "Full Requirements Power Purchase Agreement") dated as of September 5, 2014, pursuant to which Power Agency will purchase from DEP and DEP will sell to Power Agency firm capacity and energy in the amounts required by Power Agency to reliably serve the current and future electrical loads of each of its members,

WHEREAS, Power Agency and Duke Energy Progress, Inc. ("DEP") have entered into an Asset Purchase Agreement (as supplemented and amended, the "APA") dated as of September 5, 2014, pursuant to which Power Agency has agreed to sell and transfer to DEP, and DEP has agreed to purchase and pay for, the following undivided ownership interests of Power Agency in the following electric generating facilities: (i) 16.17% in Harris Unit No. 1, (ii) 18.33% in Brunswick Unit No. 1, (iii) 18.33% in Brunswick Unit No. 2, (iv) 16.17% in Mayo Unit No. 1, and (v) 12.94% in Roxboro Unit No. 4 and 3.77% in the common facilities that support Roxboro Unit No. 4 and the three (3) other coal-fired generation facilities located at the site of Roxboro Unit No. 4 (collectively, the "Joint Facilities"); and

WHEREAS, in connection with the sale and transfer of the Joint Facilities to DEP, Power Agency is required to redeem, purchase, otherwise retire or defease all of its bonds (the "Outstanding Bonds") issued pursuant to, and outstanding under, Resolution R-2-82, adopted by Power Agency on April 1, 1982, as amended and supplemented thereafter; and

WHEREAS, such redemption, purchase, retirement or defeasance by Power Agency of the Outstanding Bonds will result in Power Agency being obligated to pay certain costs associated therewith (the "Defeasance Costs"); and

WHEREAS, portions of the Defeasance Costs will be funded from proceeds of the sale and transfer of the Joint Facilities to DEP and other funds available to Power Agency for such purpose, and Power Agency proposes to finance the balance of the Defeasance Costs by the issuance of revenue bonds (the "Bonds") pursuant to a bond resolution substantially in the form and content of the proposed form of bond resolution dated April 24, 2015, previously delivered to the Municipality by Power Agency (the "Draft Bond Resolution"); and

including the Municipality, throughout the term of the Full Requirements Power Purchase Agreement; and

WHEREAS, Power Agency proposes to enter into a Full Requirements Power Sales Agreement dated as of April 24, 2015, with each of its members, including the Municipality, in order to supply its members, including the Municipality, with its Full Requirements Bulk Power Supply (as defined in the Full Requirements Power Sales Agreement); and

WHEREAS, the Asset Purchase Agreement, among other things, requires the consent of the Municipality to, and approval of, the consummation of the transactions contemplated by the Asset Purchase Agreement and the Full Requirements Power Purchase Agreement and each of the Asset Purchase Agreement and the Full Requirements Power Purchase Agreement requires the termination of the Project Power Sales Agreement and the Supplemental Power Sales Agreement; and

WHEREAS, Power Agency proposes to enter into a Power Sales Agreements Termination Agreement dated as of April 24, 2015, with each of its members, including the Municipality, to terminate the Project Power Sales Agreement and the Supplemental Power Sales Agreement; and

WHEREAS, Power Agency has caused GDS Associates, Inc., Power Agency's Consulting Engineer, to prepare an economic analysis of the projected financial impact of the transaction contemplated by the APA on Power Agency's wholesale power costs and proposed full requirements wholesale rates (the "Economic Analysis"); and

WHEREAS, Power Agency has caused to be furnished to this governing body a copy of each of the following: (i) the Asset Purchase Agreement, (ii) the Full Requirements Power

Purchase Agreement, (iii) the Draft Bond Resolution, (iv) the Debt Service Support Contract, (v) the Full Requirements Power Sales Agreement, (vi) the Power Sales Agreements Termination Agreement, and (vii) the Economic Analysis.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

1. After due consideration to the contents of each of the preambles set forth above and each of the documents referred to in such preambles, it is hereby found and determined that it is in the best interests of the Municipality to consent to and approve the consummation of the transactions contemplated by the Asset Purchase Agreement and the Full Requirements Power Purchase Agreement, and such other documents as may be necessary to effect or implement either of the foregoing, and the same are hereby consented to and approved, and to enter into the Debt Service Support Contract, the Full Requirements Power Sales Agreement and the Power Sales Agreements Termination Agreement terminating the Project Power Sales Agreement and the Supplemental Power Sales Agreement effective upon APA Closing Date (as defined in the APA), which also is the effective date of the Full Requirements Power Sales Agreement.

2. The Municipality hereby approves the form, terms and provisions of the Debt Service Support Contract, the Full Requirements Power Sales Agreement and the Power Sales Agreements Termination Agreement between Power Agency and the Municipality, and the exhibits attached thereto, in the forms presented to the meeting at which this Ordinance is adopted, with such changes therein as shall be approved by the officials of the Municipality executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all such changes. The Mayor and the Clerk of the Municipality are hereby authorized

and directed to execute, acknowledge and deliver the aforesaid Debt Service Support Contract, Full Requirements Power Sales Agreement and the Power Sales Agreements Termination Agreement in the name of and on behalf of the Municipality and thereupon to cause the aforesaid Debt Service Support Contract, Full Requirements Power Sales Agreement and Power Sales Agreement Termination Agreement to be delivered to Power Agency.

3. The officers and officials of the Municipality are hereby authorized and directed to execute such further documents and to take any and all further action as, upon the advice of the Attorney of the Municipality, shall be deemed necessary or desirable in order to effectuate the execution and delivery of the aforesaid Debt Service Support Contract, Full Requirements Power Sales Agreement and Power Sales Agreements Termination Agreement and the transactions contemplated thereby and by the Asset Purchase Agreement and Full Requirements Power Purchase Agreement.

4. The Clerk of the Municipality is hereby directed to file with the minutes of the meeting at which this Ordinance is adopted each of the documents referred to in the last preamble of this Ordinance.

5. This Ordinance shall become effective from and after its adoption.

ADOPTED this 11th day of May, 2015.

ATTEST:

 Clerk


 Mayor

DEBT SERVICE SUPPORT CONTRACT

City of Washington
 Execution Copy

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NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY

Debt Service Support Contract

Dated as of April 24, 2015

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY
DEBT SERVICE SUPPORT CONTRACT

THIS DEBT SERVICE SUPPORT CONTRACT, dated as of the 24th day of April, 2015, is by and between North Carolina Eastern Municipal Power Agency, a joint agency of the State of North Carolina (including successors and permitted assigns, "Power Agency"), and the municipality of the State of North Carolina (including successors and permitted assigns, the "Member") which has executed this Debt Service Support Contract (as supplemented and amended from time to time, "this Contract").

WHEREAS, the Member previously entered into an Initial Project Power Sales Agreement dated as of July 30, 1981, as amended by an Amendment Agreement dated as of October 31, 1984 (the "Project Power Sales Agreement") with Power Agency pursuant to which Power Agency sold and the Member purchased the Member's Participant's Share (as defined in the Project Power Sales Agreement) of Project Output (as defined in the Project Power Sales Agreement); and

WHEREAS, Project Output is provided by Power Agency from its ownership interests in the Brunswick Units, the Harris Unit, the Mayo Unit and Roxboro Unit No. 4 (as such terms are defined in the Project Power Sales Agreement; such ownership interests, collectively, the "Joint Facilities"); and

WHEREAS, Power Agency has entered into an Asset Purchase Agreement (as the same may be supplemented or amended from time to time, the "APA") with Duke Energy Progress, Inc. (including successors and permitted assigns, "DEP"), dated as of September 5, 2014, pursuant to which Power Agency has agreed to sell and transfer the Joint Facilities to DEP and, in connection therewith, Power Agency and the Member have agreed to terminate the Project Power Sales Agreement; and

WHEREAS, Power Agency is required to redeem, purchase, otherwise retire or defease all of its bonds (the "Outstanding Prior Bonds") issued pursuant to, and outstanding under, Resolution R-2-82, adopted by Power Agency on April 1, 1982, as amended and supplemented thereafter, (the "Prior Bond Resolution") in connection with the sale and transfer of the Joint Facilities; and

WHEREAS, such redemption, purchase, retirement or defeasance by Power Agency of its Outstanding Prior Bonds will result in Power Agency being obligated to pay Defeasance Costs (as defined herein) associated therewith; and

WHEREAS, portions of the Defeasance Costs will be funded from proceeds of the sale and transfer of the Joint Facilities to DEP and other funds available to Power Agency for this purpose, and Power Agency proposes to finance the balance of the Defeasance Costs (the "Balance of Defeasance Costs") by the issuance of Bonds (as herein defined); and

WHEREAS, the Member has determined and agrees herein to support Power Agency's obligation to pay debt service on the Bonds by paying to Power Agency its Member's Share (as

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voting power for the election of directors (or other comparable controlling body) of such Person or (b) direct or cause the direction of management or policies of such Person, whether through the ownership of voting securities or interests, by contract or otherwise.

i. "Debt Service Support Contracts" means this Contract and all other contracts substantially identical to this Contract entered into between Power Agency and the Members, as the same may be supplemented and amended from time to time.

j. "Defeasance Amount" means the amount required by Power Agency to redeem, purchase, otherwise retire or defease all Outstanding Prior Bonds and cause such bonds to be no longer outstanding under the Prior Bond Resolution.

k. "Defeasance Costs" means all costs associated with:

the redemption, purchase or otherwise retirement or defeasance of all Outstanding Prior Bonds;

causing all Outstanding Prior Bonds to be no longer outstanding under the Prior Bond Resolution, including but not limited to the deposit of the Defeasance Amount under the Prior Bond Resolution;

financing the Balance of Defeasance Costs, whether heretofore or hereafter paid or incurred by Power Agency; and

the development, negotiation, execution and delivery of the Debt Service Support Contracts,

and in each such case shall include, but not be limited to, funds required for:

the deposit or deposits from the proceeds of Bonds in any fund or account established pursuant to the Bond Resolution to meet debt service reserve requirements or for initial working capital;

ii. the payment of all costs and expenses incurred in connection with the deposit, pursuant to the Prior Bond Resolution, of the Defeasance Amount and the issuance and sale of the Bonds, including, but not limited to, bond and underwriters' discounts, fees and expenses of trustees and paying agents, and legal, financial advisory and other financing costs; and

iii. the payment of all other costs incurred by Power Agency in considering, planning for and implementing the deposit pursuant to the Prior Bond Resolution of the Defeasance Amount and the issuance of Bonds to finance the Balance of Defeasance Costs and the entry into the Debt Service Support Contract, including, but not limited to, costs associated with any necessary amendments to N.C.G.S. Chapter 159B.

provided, however, that "Member's Defeasance Costs" for purposes of Section 13 of this Contract shall have the meaning given to it in said Section 13.

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defined herein) of Monthly Support Costs (as defined herein) pursuant to the terms of this Contract; and

WHEREAS, N.C.G.S. Chapter 159B has been amended to the extent necessary to authorize the transactions described in the foregoing preambles and contemplated by this Contract.

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Definitions. The singular of any term defined in this Contract shall encompass the plural, and the plural the singular, unless the context clearly indicates otherwise or may otherwise require.

a. "Affiliate" of any Person means any other Person directly or indirectly Controlling, directly or indirectly Controlled by or under direct or indirect common Control with such Person.

b. "APA" has the meaning assigned in the preambles to this Contract.

c. "Balance of Defeasance Costs" has the meaning assigned in the preambles to this Contract.

d. "Bond Resolution" means the resolution adopted by Power Agency, as the same may be amended or supplemented from time to time pursuant to the terms thereof, pursuant to which the Bonds are issued. A proposed form of Bond Resolution dated April 24, 2015, has been delivered to the Member, and said resolution as adopted, insofar as is reasonably material to the Member's obligations under this Contract, shall be substantially the same as such proposed form but with such changes as may be determined by Power Agency to be necessary or appropriate. Subsequent amendments to the Bond Resolution may be made without the approval of the Member if made pursuant to the terms of the Bond Resolution.

e. "Bonds" means Bonds (as such term is defined in the Bond Resolution) issued from time to time pursuant to and under the authority of the Bond Resolution (i) to pay the Balance of Defeasance Costs, and (ii) to refund Bonds, Notes or Subordinated Debt theretofore issued and outstanding as authorized by Section 8 of this Contract.

f. "Contract" or "this Contract" has the meaning assigned in the first paragraph of this Contract.

g. "Contract Year" means the 12-month period commencing January 1 of each year during the term of this Contract and ending midnight local time on the December 31 next following (or such other 12-month period as Power Agency shall determine); provided, however, that the first Contract Year shall commence on the day immediately following the Effective Date; and provided further, however, that the last Contract Year shall end at midnight local time on the date of termination of this Contract as provided in Section 3 of this Contract.

h. "Control" of any Person means the possession, directly or indirectly, of the power either to (a) vote more than fifty percent (50%) of the securities or interests having ordinary

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1. "DEP" has the meaning assigned in the preambles to this Contract.

m. "Effective Date" means the date on which the closing of the transactions contemplated by the APA takes place.

n. "Electric System" means all properties and assets, real and personal and tangible and intangible, of the Member now or hereafter existing, used for or pertaining to the generation, transmission, transformation, distribution and sale of electric power and energy or general plant associated therewith, including all renewals, replacements, additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

o. "Full Requirements Power Sales Agreements" means the substantially identical Full Requirements Power Sales Agreements dated as of the date of this Contract entered into between Power Agency and the Members, as the same may be supplemented or amended from time to time.

p. "Late Payment Interest Rate" means, for any month, the prime rate being charged by Bank of America, N.A., or its successor, or by any other major bank selected by Power Agency in its sole discretion, on the first day of such month, plus one percentage point, divided by twelve, expressed in percentage points, to the nearest hundredth, but not in excess of the rate permitted by applicable North Carolina law.

q. "Member" has the meaning assigned in the first paragraph of this Contract.

r. "Members" means those entities listed on Exhibit A to this Contract, all of which have entered into Debt Service Support Contracts with Power Agency substantially identical to this Contract.

s. "Member's Share" means the percentage indicated opposite the Member's name on Exhibit A to this Contract, subject to Section 7(d) of this Contract; provided, however, that in the event the Member terminates this Contract pursuant to Section 13 of this Contract, its Member's Share shall be zero and all other Members' Shares shall be recalculated as a percentage of the total of all non-terminating Members' Shares. In each case, Members' Shares shall be carried to four (4) decimal places.

t. "Monthly Bill" means the written statement prepared monthly by Power Agency and provided to the Member pursuant to Section 5 of this Contract.

u. "Monthly Support Costs" means all of Power Agency's costs that are paid or incurred by Power Agency during each month of each Contract Year and as of the Effective Date resulting from the issuance of the Bonds, Notes and Subordinated Debt including, but not limited to, the following items of costs:

i. the amount which Power Agency is required under the Bond Resolution to pay or deposit during such month from the "Revenue Fund" into the "Bond Fund" (as such terms are defined in the Bond Resolution) established by the Bond Resolution for the payment of the principal of and premium, if any, and interest on the Bonds and for reserves with respect thereto;

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ii. the amount required under the Bond Resolution with respect to the Bonds to be paid or deposited during such month into any fund or account established by the Bond Resolution, other than funds and accounts referred to in subparagraph (1) above;

iii. the amount required to pay or provide for the payment of the principal of and premium, if any, and interest on Notes and Subordinated Debt and for reserves with respect thereto;

iv. Power Agency's administrative overhead costs allocable to Power Agency's activities under the Bond Resolution and the Debt Service Support Contracts, as determined by Power Agency; and

v. any other costs incurred by Power Agency during such month relating to Bonds, Notes and Subordinated Debt, and the payment of Defeasance Costs and the defeasance, payment and retirement of the Outstanding Prior Bonds, not included in the costs hereinabove specified, including but not limited to amounts required as working capital for the payment of the costs included in this definition.

v. "Notes" means any notes or other evidences of indebtedness issued in anticipation of the issuance of Bonds for the payment of the Balance of Defeasance Costs or for the purposes specified in Section 8 of this Contract.

w. "Outstanding Prior Bonds" has the meaning assigned in the preambles to this Contract.

x. "Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, limited liability company, unincorporated organization, governmental authority or any other form of legal entity.

y. "Power Agency" has the meaning assigned in the first paragraph of this Contract.

z. "Prior Bond Resolution" has the meaning assigned in the preambles to this Contract.

aa. "Prudent Utility Practice" means, at a particular time, any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in the light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Utility Practices are not intended to be limited to the optimum practices, methods or acts, to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the electric utility industry. In evaluating whether any matter conforms to Prudent Utility Practice as used in this Contract, the parties to this Contract shall take into account the fact that the Member is a public body and a body corporate and politic organized under the laws of the State of North Carolina, with the statutory duties and responsibilities thereof.

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The term of this Contract shall expire on the earliest to occur of (i) the date on which no Bonds remain outstanding under the Bond Resolution, (ii) midnight local time on December 31, 2035, or (iii) the date this Contract is terminated pursuant to Section 13 of this Contract.

Notwithstanding the foregoing, the expiration or termination of this Contract shall not affect any accrued liability or obligation hereunder, including, but not limited to, the Member's obligation to pay Monthly Support Costs. This Contract shall not be subject to termination by either party under any circumstances, whether based upon the default of any other party under this Contract or any other instrument or otherwise, except as specifically provided in this Contract.

4. Charges for Monthly Support Costs.

a. Power Agency shall determine, and revise from time to time to the extent necessary, the amounts required to permit Power Agency to timely pay all Monthly Support Costs, and each Member shall pay such Member's Share of the Monthly Support Costs.

b. In determining and revising the amounts required to permit Power Agency to pay all Monthly Support Costs pursuant to subsection (a) of this Section 4, Power Agency shall comply with the provisions of N.C.G.S. Chapter 159B, including but not limited to the provisions of Section 159B-10(b), if applicable, and Section 159B-16.1(b). Power Agency shall cause a notice in writing to be given to the Member and the other Members which shall set out such determinations and revisions.

c. In consideration of Section 5(d) of this Contract and a corresponding provision in the Full Requirements Power Sales Agreements, Power Agency shall (i) establish appropriate rates and charges for Full Requirements Bulk Power Supply for the Members sufficient at all times to pay all costs and expenses incurred by Power Agency and reserves deemed necessary therefor by Power Agency, including reserves for the payment of such costs and expenses in future periods (including future Contract Years) and taking into account withdrawals of such reserves established in previous periods, all with respect to Full Requirements Bulk Power Supply, and shall establish appropriate rates and charges for special obligations as set forth in the Monthly Bill as provided in Section 5 of the Full Requirements Power Sales Agreements, and (ii) enforce all Full Requirements Power Sales Agreements in accordance with their terms. As used in this subsection (c), the terms Full Requirements Bulk Power Supply, Members, Contract Years and Monthly Bill shall have the respective meanings given to them in the Full Requirements Power Sales Agreements.

5. Total Annual Budget and Monthly Bills: Payments by the Member.

a. Not less than thirty (30) days prior to each Contract Year, Power Agency shall provide to the Member a proposed annual budget for the ensuing Contract Year with respect to amounts to be paid under this Contract, and thereafter shall hold a public hearing on such proposed annual budget and shall provide to the Member a Total Annual Budget for the Contract Year. During each Contract Year, Power Agency shall review at least quarterly, and at such other times as Power Agency deems desirable, the Total Annual Budget for the Contract Year. In the event such review indicates that the Total Annual Budget does not or will not substantially

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bb. "Revenues" means all income, rents, rates, fees, charges, receipts, profits and other moneys or monetary benefits derived by the Member directly or indirectly from the ownership or operation of its Electric System and the sale, furnishing or supplying of capacity or output and power and energy therefrom, including, without limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges, receipts, profits or other moneys derived from the sale, furnishing or supplying of the electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Electric System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, receipts, profits or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to the Electric System and (iii) the proceeds derived by the Member directly or indirectly from the sale, lease or other disposition of a part of the Electric System as permitted by Sections 6(d)(1) and 6(d)(2) of this Contract, but the term "Revenues" shall not include retail customers' deposits or any other deposits subject to refund until such deposits have become the property of the Member and shall not include any refunds associated with electric service by a Member prior to the Effective Date.

cc. "Subordinated Debt" means any bonds, notes, certificates, warrants or other evidences of indebtedness issued for the payment of the Balance of Defeasance Costs, or for the purposes specified in Section 8 of this Contract, which are payable as to principal and interest from the Revenues subject and subordinate to the deposits and credits required to be made pursuant to the Bond Resolution from the "Revenues" and "Revenue Fund" into the "Bond Fund" (as such terms are defined in the Bond Resolution).

dd. "Total Annual Budget" means the budget adopted by Power Agency pursuant to Section 5 of this Contract.

2. Financing Balance of Defeasance Costs, Surplus Moneys.

a. Power Agency, in good faith, shall use its best efforts to issue and sell Bonds, Notes or Subordinated Debt to finance all Balance of Defeasance Costs, as permitted by the terms of the Bond Resolution, provided that, in each such case, Bonds, Notes or Subordinated Debt may then be legally issued and sold.

b. If, following the retirement or defeasance of all Outstanding Prior Bonds under and pursuant to the Prior Bond Resolution and the final payment of all Pre-Closing Costs (defined below), any moneys remain on deposit in any fund or account established by or pursuant to the Prior Bond Resolution, which moneys are no longer required for the purposes of such funds and accounts, for the retirement or defeasance of Outstanding Prior Bonds or for the payment of Pre-Closing Costs, such surplus moneys may be applied by Power Agency to any purpose permitted by this Contract or by the Full Requirements Power Sales Agreement, including, but not limited to, working capital or other reserves. "Pre-Closing Costs" means all charges, costs and expenses payable by Power Agency subsequent to the Effective Date associated with the ownership and operation of the Joint Facilities.

3. Term of Contract. This Contract shall be effective as of the Effective Date. Power Agency shall notify the Member of the Effective Date as soon as practicable thereafter.

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correspond with actual receipts and expenditures, or if at any time during such Contract Year there are or are expected to be extraordinary receipts, credits, or costs substantially affecting the Monthly Support Costs, Power Agency shall adopt and provide to the Member an amended Total Annual Budget, which shall supersede, for the remainder of such Contract Year, the Total Annual Budget or amended Total Annual Budget theretofore provided as the basis for the determination of Monthly Support Costs. The Total Annual Budget under this Contract may be included with or as a component of any budget required to be provided to the Member under the Member's Full Requirements Power Sales Agreement.

b. On or before the fifth (5th) day of each month of each Contract Year (beginning with the first full month of the Contract Year), or such other date not later than the tenth (10th) day of such month as Power Agency shall establish from time to time, Power Agency shall prepare, date, and on such date provide to the Member a Monthly Bill showing the amount payable by the Member for its Member's Share of Monthly Support Costs for the preceding month. The Monthly Bill under this Contract may be included with or as a component of any monthly bill under the Member's Full Requirements Power Sales Agreements.

c. The amounts shown in the Monthly Bill to be paid to Power Agency by the Member shall be due and payable ten (10) days after the date of the Monthly Bill, and any amounts due and not paid by the Member within fifteen (15) days after the date of the Monthly Bill shall accrue a late payment charge computed at the Late Payment Interest Rate. Remittances received by mail will be accepted without assessment of a late payment charge, provided that the postmark of the United States Postal Service clearly indicates that the payment was mailed on or before such fifteenth (15th) day. Remittances due in a month and transmitted by wire transfer will be accepted without assessment of a late payment charge if received on or before the twenty-fifth (25th) day of such month.

d. All monies received by Power Agency as payment from the Member of any Monthly Bill and of any monthly bill, for the same month, under the Member's Full Requirements Power Sales Agreement (whether in full or partial payment of either thereof) shall be applied by Power Agency *pro rata* to the Monthly Bill and to such other monthly bill in the ratio that the total amount of each bears to the total of the two, and the resulting amounts shall be credited to the appropriate accounts on the books of Power Agency. ***The Member understands and agrees that a failure by the Member to pay in full its obligations under both this Contract and its Full Requirements Power Sales Agreement may result in an event of default under both this Contract and its Full Requirements Power Sales Agreement.***

e. In each Contract Year, the Member shall pay to Power Agency the Member's Share of Monthly Support Costs for such Contract Year. The Member shall be obligated to make such payments unconditionally and without offset, counterclaim or other reduction, whether or not all or any portion of the electric power and energy contracted for under the Member's Full Requirements Power Sales Agreement is delivered to the Member or such Full Requirements Power Sales Agreement expires or is terminated in whole or in part. Such payments shall be made and shall not be conditioned upon the performance or non-performance by Power Agency or any other Member under this or any other agreement or instrument. The remedies for any such non-performance by Power Agency shall be limited to those provided by Sections 7(f) and 7(g) of this Contract.

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f. In the event of any dispute as to any portion of any Monthly Bill, the Member shall nevertheless pay the full amount of the disputed charges when due and shall give written notice of the dispute to Power Agency within sixty (60) days following the date on which such payment is due. Such notice shall identify the disputed bill, state the amount in dispute, and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. Power Agency shall give consideration to such dispute and shall advise the Member with regard to its position relative thereto within thirty (30) days following receipt of such written notice. Upon final determination (whether by agreement, arbitration, adjudication, or otherwise) of the correct amount, an appropriate adjustment shall be made on the Monthly Bill next submitted to the Member after such determination, together with interest computed at the Late Payment Interest Rate.

6. Payment Sources: Certain Obligations of Members.

a. The obligations of the Member to make payments under Section 5 of this Contract shall be an operating expense of its Electric System.

b. The Member shall not be required to make any payments to Power Agency under this Contract except from the Revenues of its Electric System. The Member covenants and agrees that it will fix, charge, and collect rents, rates, fees, and charges for electric power and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Electric System at least sufficient to provide Revenues adequate to meet its obligations under this Contract and under its Full Requirements Power Sales Agreement and any additional contract relating to supplying Full Requirements Bulk Power Supply by and between Power Agency and the Member, and to pay any and all other amounts payable from or constituting a charge and lien upon such Revenues, including, but not limited to, amounts sufficient to pay the principal of and interest on all general obligation bonds (if also payable from Revenues) and revenue bonds heretofore or hereafter issued by the Member to finance its Electric System. Notwithstanding the foregoing, nothing in this Contract shall be construed to limit, constrain or affect in anyway the legal rights and authority of the Member to design, set and implement rates, fees and charges for electric power and energy and other services to its retail and wholesale customers through the operation of the Member's duly authorized rate setting process so long as the Member's rates, fees and charges for electric power and energy and other services fully meet and comply with the Member's obligations under this Section 6(b).

c. The Member covenants and agrees that in accordance with Prudent Utility Practice: (i) it shall at all times operate the properties of its Electric System and the business in connection therewith in an efficient manner and at reasonable cost, (ii) it shall maintain its Electric System in good repair, working-order and condition and in a safe operating condition, and (iii) it shall make all necessary and proper repairs, renewals, replacements, additions, betterments, equipments and furnishings to its Electric System.

d. The Member covenants and agrees that it shall not sell, mortgage, lease or otherwise dispose of or encumber its Electric System or any part thereof except as permitted by any of the following provisions of this subsection (d) and subsection (e) of this Section 6:

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Affiliate of DEP, the transferor Member's Full Requirements Power Sales Agreement shall be terminated and not assigned and transferred and DEP shall have agreed to (a) exclude the transferor Member's load from the calculation of Power Agency's Hourly Demand under the Full Requirements Power Purchase Agreement, and (b) delete the transferor Member's Delivery Points from the NITSA/NOA. For purposes of this paragraph (5), the terms Hourly Demand, Full Requirements Power Purchase Agreement, Delivery Points and NITSA/NOA shall have the respective meanings given to them in the Full Requirements Power Sales Agreements.

vi. In the event of a sale or other disposition permitted by paragraph (3) of this subsection (d), or a merger or consolidation permitted by paragraphs (3) and (4) of this subsection (d), the Member shall provide to Power Agency a counsel's opinion, satisfactory in form and substance to counsel to Power Agency, that (i) in the event of a sale or other disposition, the transferee has assumed and become liable for the duties and obligations of the transferor Member under this Contract and the transferor Member's Full Requirements Power Sales Agreement, and (ii) in the event of a merger or consolidation, that following such merger or consolidation the Electric System or unit of local government, as the case may be, surviving such merger or consolidation shall remain or shall have become subject to this Contract and liable for the duties and obligations of the transferor Member under this Contract and under the transferor Member's Full Requirements Power Sales Agreement to the same extent that such Electric System or Member had been so subject prior to such merger or consolidation. In the event of a sale or other disposition permitted by paragraph (5) of this subsection (d) (other than a sale or disposition to DEP or a subsidiary or Affiliate of DEP), the Member shall provide to Power Agency a counsel's opinion, satisfactory in form and substance to counsel to Power Agency, that the transferee has assumed and become liable for the duties and obligations of the transferor Member under its Full Requirements Power Sales Agreement.

vii. Nothing contained in the foregoing paragraphs (1) through (6) of this subsection (d) shall be deemed to authorize a Member to mortgage or encumber all or substantially all of the properties of its Electric System.

The provisions of subsections (a), (b) and (c) of this Section 6 shall be subject to the provisions of paragraphs (2), (3), (4) and (5) of this subsection (d).

e. The Member covenants and agrees not to issue bonds, notes or other evidences of indebtedness or enter into any agreement to take or to take or pay for power and energy, other than a power sales agreement with Power Agency, payable from the Revenues on a parity with or superior to the payment of operating expenses of its Electric System (including Monthly Support Costs hereunder) unless an independent consulting engineer or engineering firm or corporation having a national and favorable reputation for special skill, knowledge and experience in analyzing the operations of electric utility systems (which may be a consulting engineer to Power Agency) shall render and file with Power Agency a written opinion that the facilities for the financing of which the bonds, notes or other evidences of indebtedness are being issued or with respect to which such agreement is being entered into are (or were when the Member committed itself to them by contract or financing) reasonably expected to contribute

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i. The Member may, in the ordinary course of the business of operating and maintaining its Electric System, scrap, trade-in, sell or otherwise dispose of any property or equipment if the Member determines that (i) such property or equipment is surplus, obsolete or otherwise not required for the operation and maintenance of its Electric System, and (ii) the original cost of all property and equipment disposed of pursuant to this paragraph (1) in any fiscal year of the Member is less than the greater of \$25,000 or two percent (2%) of the gross plant investment of the Electric System as reported on the books for the Electric System as of the end of the most recent fiscal year of the Member for which such figure is available.

ii. The Member may sell, lease, mortgage or otherwise dispose of or encumber any property and equipment (i) if and to the extent permitted by N.C.G.S. Section 160A-20, as the same may be amended from time to time, or (ii) if the Member determines, with the written concurrence of Power Agency (which concurrence shall not be unreasonably withheld), that, taking into account past and current operating results of its Electric System and any replacements or intended replacements for such property and equipment to be disposed of, the proposed action will not have a material adverse effect on the Revenues or the operation of its Electric System, or materially increase the operating and maintenance expenses of its Electric System.

iii. The Member may sell or otherwise dispose of its Electric System to one or more other Members, or merge or consolidate its Electric System with the Electric System or Systems of one or more other Members, provided that the purchasing or surviving Member(s), as the case may be, shall have assumed all of the transferor Member's duties and obligations under this Contract and under the transferor Member's Full Requirements Power Sales Agreement.

iv. The Member may merge or consolidate with, or be merged or consolidated into, one or more units of local government which shall have assumed all of the Member's duties and obligations hereunder, in which event such Member shall be relieved from all such duties and obligations, but only if (i) this Contract shall have been assigned to such unit(s) of local government, which shall have assumed all of the transferor Member's duties and obligations hereunder, and (ii) the Local Government Commission of North Carolina shall have determined that after such merger or consolidation the survivor unit(s) of local government will have the ability to meet the obligations of such Member hereunder.

v. The Member may sell or otherwise dispose of its Electric System to any other Person but only if the Member (i) has terminated this Contract pursuant to the provisions of Section 13 of this Contract, and (ii) has assigned and transferred its Full Requirements Power Sales Agreement and all interests therein to the transferee Person who has assumed all of the transferor Member's duties and obligations under the transferor Member's Full Requirements Power Sales Agreement; provided, however, that prior to any sale or other disposition pursuant to this paragraph (5), Power Agency shall have determined that such sale or other disposition will not increase the cost of power and energy under the Full Requirements Power Sales Agreement of any other Member; and provided further, however, that if the transferee Person is DEP, or a subsidiary or

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properly and advantageously to the conduct of the business of its Electric System in an efficient and economical manner consistent with Prudent Utility Practice and will not impair the ability of the Member to raise Revenues sufficient to meet its obligations under Section 6(b) of this Contract; provided, however, that the foregoing written opinion is not required with respect to bonds, notes or other evidences of indebtedness issued to refund bonds, notes or other evidences of indebtedness theretofore or thereafter issued for which the foregoing written opinion was provided and which refunded bonds, notes or other evidences of indebtedness are payable from and secured by a lien on Revenues on a parity with or superior to the payment of operating expenses of the Member's Electric System.

f. The Member shall take no action the effect of which would be to prevent, hinder, or delay Power Agency from the timely fulfillment of its obligations under this Contract, the Member's Full Requirements Power Sales Agreement, the Bond Resolution and the Bonds, or any Debt Service Support Contract or Full Requirements Power Sales Agreement entered into between Power Agency and any other Member.

7. Obligations in the Event of Default.

a. Upon failure of the Member to make any payment in full when due under this Contract or to perform or otherwise comply with any other obligation of the Member under this Contract, Power Agency shall make demand upon the Member for payment or performance, and if said failure is not cured within fifteen (15) days from the date of such demand, it shall constitute a default under this Contract at the expiration of such period, and notice of such event of default shall forthwith be given to the Member. Notice of such demand, and of the default if it occurs, shall be provided to the other Members by Power Agency.

b. No default shall affect any accrued liabilities or the obligations of the Member under this Contract, including, but not limited to, its obligation to pay its Member's Share of Monthly Support Costs, all of which shall continue in full force and effect.

c. In the event of any default by the Member under any covenant, agreement, or obligation under this Contract, Power Agency may, upon fifteen (15) days' prior written notice, bring any suit, action, or proceeding in law or in equity, including mandamus, injunction, and action for specific performance as may be necessary or appropriate to enforce any covenant, agreement, or obligation of this Contract against the Member.

d. Upon the failure of any Member(s) to make any payment which failure constitutes a default under any Debt Service Support Contract, the Member's(s) Share(s) of each nondefaulting Member shall be automatically increased, but only for the duration of the existence and continuation of such default, by the *pro rata* amount of the defaulting Member's(s) Share(s) compared to those of the other non-defaulting Member(s), and the defaulting Member's(s) Share(s) shall be reduced correspondingly; provided, however, that no such reduction shall reduce the defaulting Member's(s) obligations under subsection (c) of this Section 7; and provided further, however, that the sum of such increases for any nondefaulting Member pursuant to this subsection (d) shall not exceed, without the consent of such nondefaulting Member, an accumulated maximum of twenty-five percent (25%) of the nondefaulting Member's Share prior to any such increases. The provisions of this subsection (d)

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shall apply to accrued obligations of the defaulting Member prior to the change in Member's(s) Share(s).

e. If the Member shall fail or refuse to pay any amounts due to Power Agency hereunder, the fact that other Members have assumed the obligation to make such payments shall not relieve the defaulting Member of its liability for such payments, and any Members assuming such obligation, either individually or as a member of a group, shall have a right of recovery from the defaulting Member. Power Agency or any Members, as their interests may appear, jointly or severally, may commence such suits, actions or proceedings, at law or in equity, as may be necessary or appropriate to enforce the obligations of this Contract against the defaulting Member.

f. In the event of any default by Power Agency under any covenant, agreement, or obligation under this Contract, the Member may, upon fifteen (15) days' prior written notice, bring any suit, action, or proceeding in law or in equity, including mandamus and injunction, as may be necessary or appropriate to enforce any covenant, agreement, or obligation of this Contract against Power Agency.

g. No remedy conferred upon or reserved to the parties hereto is intended to be exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, or by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy. The pursuit by either party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or by law, equity, or statute. Any delay by either party in the exercise of any remedy with respect to any matter arising in connection with this Contract shall not constitute a waiver by such party of any right to later exercise such remedy with respect to the same or any other matter arising in connection with this Contract.

h. Any waiver at any time by either party to this Contract of its rights with respect to any default of the other party hereto, or with respect to any other matter arising in connection with this Contract, shall not be considered a waiver with respect to any subsequent default, right, or matter arising in connection with this Contract or with respect to any default, right or matter arising in connection with any other Debt Service Support Contract.

8. Issuance of Obligations for Refunding. In addition to the issuance of Bonds, Notes and Subordinated Debt to pay the Balance of Defeasance Costs as provided in Section 2 of this Contract, Power Agency may issue Bonds in accordance with the provisions of the Bond Resolution, or may issue Notes or Subordinated Debt, at any time and from time to time to provide for refunding any Bonds, Notes or Subordinated Debt.

9. Notices and Computation of Time. Any notice or demand given by the Member to Power Agency under this Contract shall be deemed properly given if mailed postage prepaid and addressed, or electronically mailed, to the chief executive officer of Power Agency at its principal office or electronic mail address designated in writing filed with the Members by Power Agency. Any notice, demand, budget, or statement given or rendered by Power Agency to the Members under this Contract shall be deemed properly given or rendered if mailed postage prepaid and addressed, or electronically mailed, to the person and at the address designated in

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Member and upon timely request, Power Agency shall amend this Contract to include similar terms and conditions.

12. Assignment of Contract. Except as provided in Section 6 of this Contract and subsection (b) of this Section 12, this Contract shall not be transferred or assigned.

a. The Member consents to the assignment by Power Agency of this Contract and any or all of Power Agency's rights under or interests in this Contract to any trustee or other fiduciary acting for the benefit of holders of Bonds, Notes or Subordinated Debt, without further notice to the Member.

13. Termination.

a. This Contract may be terminated by the Member pursuant to and to the extent provided in this Section 13. Any such termination shall be of the whole of this Contract and not in part.

b. The Member shall give Power Agency notice in writing of (i) the Member's intent to terminate this Contract, (ii) the proposed effective date of such termination, which shall not be less than six (6) months following the date Power Agency receives such notice, (iii) the proposed Retirement Date referred to in subsection (c) below, and (iv) the Net Funding Election referred to in subsection (c) below. Such notice shall be irrevocable on and after such date as Power Agency is required to irrevocably give notice of redemption to any trustee or paying agent under the Bond Resolution or Power Agency or such trustee or paying agent is required to irrevocably give notice of redemption to the owners of the affected Bonds.

c. If the Member properly gives notice of termination, the termination shall be effective upon deposit by the Member, as directed by Power Agency and under and pursuant to the Bond Resolution, of immediately available funds in the amount calculated as provided in this subsection (c). The amount of the deposit shall be at least equal to the amount necessary (together with any amounts that Power Agency advises the Member will be available for the purpose from funds held under the Bond Resolution and allocable to the Member) to enable the principal or redemption price of and interest on the Member's Share of the Bonds at the time outstanding under the Bond Resolution, determined pursuant to subsection (d) below, to be paid (or its payment provided for) in full (for purposes of this Section 13, the "Member's Defeasance Costs") and to enable such Bonds to be redeemed, purchased or otherwise retired, and defeased, under the Bond Resolution (for purposes of this Section 13, the "Member's Defeasance"). The Member understands that such redemption price may be at a premium over par or at a so-called "make-whole" redemption price.

The amount of the Member's Defeasance Costs shall be the amount that is due on and prior to the first optional redemption date or earlier maturity date of the Member's Share of the outstanding Bonds after the date Power Agency receives notice of termination, or on such other date or dates as may be agreed upon between Power Agency and the Member (for purposes of this Section 13, the "Retirement Date"). Member's Defeasance Costs may take into account investment income on amounts deposited under the Bond Resolution to effectuate such defeasance, if the Member so elects (for purposes of this Section 13, the "Net Funding

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f. Notwithstanding the termination of this Contract pursuant to this Section 13, the terminating Member shall be obligated to indemnify and hold harmless each non-terminating Member for any financial liability pursuant to Section 7(d) of this Contract after such termination in excess of the financial liability that would have been incurred by such non-terminating Member pursuant to Section 7(d) of this Contract prior to such termination. To the extent of such indemnification and hold harmless obligations and the provisions of this Contract governing payment obligations and the enforcement thereof, this Contract shall not be terminated and shall remain in full force and effect with respect to the terminating Member.

g. Notwithstanding anything to the contrary in this Contract, the Member shall be obligated to pay its Member's Share of Monthly Support Costs applicable to the entire month during which such termination occurs, notwithstanding a termination that becomes effective during such month or prior to the date the Monthly Bills for such month have been delivered pursuant to Section 5 of this Contract.

14. Survivorship of Obligations. The termination of this Contract shall not discharge any party hereto from any obligation it owes to the other party under this Contract by reason of any transaction, loss, cost, damage, expense, or liability which shall occur or arise (or the circumstances, events, or basis of which shall occur or arise) prior to such termination. It is the intent of the parties hereby that any such obligation owed (whether the same shall be known or unknown at the termination of this Contract or whether the circumstances, events, or basis of the same shall be known or unknown at the termination of this Contract) shall survive the termination of this Contract.

15. Severability. If any section, paragraph, clause, or provision of this Contract shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Contract shall remain in full force and effect as though such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein. In the event of any such invalidity, the parties hereto shall promptly negotiate in good faith valid new provisions to restore the Contract to its original intent and effect.

Notwithstanding the invalidity or unenforceability of any or all other provisions of this Contract, the provisions of this Contract in respect of the Member's obligation to pay its Member's Share of Monthly Support Costs shall remain in full force and effect.

16. No Delay. No disagreement or dispute of any kind between the parties to this Contract, or between any party and any other entity, concerning any matter, including, without limitation, the amount of any payment due from said party or the correctness of any billing made to the party, shall permit the said party or either of them, to delay or withhold any payment or the performance by any party of any other obligation pursuant to this Contract. Each party shall promptly and diligently undertake to resolve such disagreement and dispute without undue delay.

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writing filed with Power Agency by the Member. The designations of the name and address to which any such notice or demand is directed may be changed at any time and from time to time by either party giving notice as above provided.

In computing any period of time prescribed or allowed under this Contract, the day of the act or event after which the designated period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is a Saturday, a Sunday, or a legal holiday in North Carolina, in which event the period runs until the end of the next day which is not a Saturday, a Sunday, or a legal holiday in North Carolina.

10. Records; Accounts; Reports; Audits; Information to be Made Available.

a. Power Agency shall keep accurate records and accounts of Monthly Support Costs, separate and distinct from its other records and accounts. Such records and accounts shall contain information supporting the allocation of Power Agency's indirect costs associated with Monthly Support Costs and the payment thereof under this Contract, with Full Requirements Bulk Power Supply (as defined in the Full Requirements Power Sales Agreement) and the payment thereof and of special charges under the Full Requirements Power Sales Agreements and with any projects owned or controlled by Power Agency and the payment of costs thereof. Such records and accounts shall be audited annually by a firm of independent certified public accountants, experienced in electric utility accounting and of national reputation, to be employed by Power Agency. Such records and accounts and such annual audit, including all written comments and recommendations of such accountants, shall be made available for inspection at any reasonable time by the Member at the principal office of Power Agency.

b. The Member shall keep accurate records and accounts for its Electric System, separate and distinct from its other records and accounts. Such records and accounts shall be audited annually by a firm of certified public accountants or by an accountant approved by the Local Government Commission of North Carolina as qualified to audit Local Government accounts who has no personal interest, direct or indirect, in the fiscal affairs of the municipal government or any of its officers, which audit may be part of the annual audit of the accounts of the Member. Such records and accounts shall be made available for inspection by Power Agency at any reasonable time, and a copy of such annual audit, including all written comments and recommendations of such accountants, shall be furnished to Power Agency not later than one hundred eighty (180) days after the close of the Member's fiscal year.

c. The Member shall, upon the request of Power Agency, furnish to Power Agency all financial statements and information and operating data, and at such times, as Power Agency shall advise the Member is necessary to enable Power Agency to comply with the requirements of any continuing disclosure undertaking entered into by Power Agency pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

11. Modification and Uniformity of Contracts. If any other Debt Service Support Contract is amended or replaced so that it contains terms and conditions different from those contained in this Contract, Power Agency shall notify the Member and, at the option of the

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Election"), in which case the same may be estimated in advance but shall be finally determined as of a date agreed upon between Power Agency and the Member when such amounts are capable of being finally determined; *provided, however*, that the nature of the securities invested in shall be subject to the approval of Power Agency. The sufficiency of such deposit for such purpose shall be verified at the sole expense of the Member by such person or firm as shall be satisfactory to Power Agency in its sole discretion.

In addition to the deposit of the Member's Defeasance Costs, the Member also shall pay directly to Power Agency, contemporaneously with the deposit of the Member's Defeasance Costs, immediately available funds in an amount estimated by Power Agency to be sufficient to reimburse Power Agency for internal costs incident to the Member's Defeasance and all costs estimated by Power Agency to be payable by it to third parties (including, but not limited to, the trustee and paying agents under the Bond Resolution) in connection with the Member's Defeasance (for purposes of this Section 13, the "Termination Costs").

The deposit of the Member's Defeasance Costs and the payment of Termination Costs, once made by the Member, shall be irrevocable; *provided, however*, that any amount of such deposit or earnings in excess of the amount required to pay any balance of the Member's Defeasance Costs or any amount paid to Power Agency in excess of the amount required to pay Termination Costs shall be returned by Power Agency to the Member, and any deficiency in either the Member's Defeasance Costs or Termination Costs, if and to the extent Power Agency notifies the Member of such deficiency in writing within ninety (90) days after the deposit required by this subsection (c), shall be paid by the Member to Power Agency within sixty (60) days thereafter. All such amounts shall be determined by Power Agency, which determinations shall be conclusive absent manifest error.

d. The particular Bonds to be paid at maturity or redemption prior to maturity that shall constitute the Member's Share of the Bonds for purposes of subsection (c) above shall be selected by Power Agency, or the trustee or registrar for the Bonds under the Bond Resolution, from each maturity of Bonds then outstanding under the Bond Resolution. Power Agency shall select such Bonds of each maturity, or cause such Bonds of each maturity to be selected, *pro rata* as nearly as possible, based on the terminating Member's Share compared to the total of all Members' Shares at the time of termination, subject to the authorized denominations of the Bonds, but in each or any year may round upwards from *pro rata* in its sole discretion. The Member acknowledges that this process may result in higher debt service being allocated to the termination than would be the Member's Share of debt service had the termination not occurred.

e. Upon the termination of this Contract pursuant to this Section 13, Power Agency shall recalculate the Members' Shares of the non-terminating Members in accordance with the definition of Member's Share in Section 1 of this Contract and shall notify the non-terminating Members of such termination pursuant to this Section 13 and of the recalculated Members' Shares following such termination by providing an amended Exhibit A to this Contract. Such amended Exhibit A shall be attached to this Contract by the parties to this Contract, and whether or not attached shall be incorporated into and be deemed to be a part of this Contract as if set forth in this Contract.

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17. Continuance and Enforcement of Contract.

a. Power Agency shall continue this Contract in full force and effect, except as provided in Section 13, and shall enforce this Contract in accordance with its terms to the extent permitted by law.

b. The failure of a party to enforce at any time any of the provisions of this Contract or to require at any time performance by the other party of any of the provisions of this Contract shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Contract or any part thereof, or the right of such party thereafter to enforce each and every such provision.

18. Applicable Law; Construction. This Contract is made under and shall be governed by the law of the State of North Carolina without regard to principles of conflicts of laws. Headings herein are for convenience only and shall not influence the construction of this Contract.

19. Further Documentation. From time to time after the execution of this Contract, the parties hereto shall within their legal authority execute other documents as may be necessary, helpful, or appropriate to carry out the terms of this Contract.

20. Incorporation of Exhibits. All Exhibits attached to this Contract are hereby incorporated into and shall be a part of this Contract.

21. Relationship to Other Instruments. It is recognized by the parties hereto that Power Agency must comply with the requirements of the Bond Resolution and that this Contract is intended to support Power Agency's obligations under the Bond Resolution, and it is therefore agreed that this Contract is made subject to the terms and provisions of the Bond Resolution.

22. Counterparts; Electronic Signatures. This Contract may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, taken together, shall constitute but one and the same Debt Service Support Contract. The parties agree that the electronic signature of a party to this Contract shall be as valid as an original signature of such party and shall be effective to bind such party to this Contract and, when printed from electronic files, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. For purposes of this Contract, "electronic signature" means a manually-signed original signature that is then transmitted by electronic means, and "transmitted by electronic means" means sent in the form of a facsimile or via the internet as a "pdf" (portable document format) or other replicating image attached to an e-mail message.

23. Entire Agreement. This Contract shall constitute the entire understanding among the parties hereto, superseding any and all previous understandings, oral or written, pertaining to the subject matter contained herein. No party hereto has relied, or will rely, upon any oral or written representation or oral or written information made or given to such party by any representative of the other party or anyone on its behalf.

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24. Preaudit. Execution of this Contract by the finance officer of the Member shall constitute a certification of such finance officer that, to the extent this Contract requires the Member to satisfy a financial obligation during the Member's fiscal year in which the Effective Date occurs, this Contract has been preaudited in the manner required by the N.C. Local Government Budget and Fiscal Control Act.

[Balance of Page Intentionally Left Blank; Signature Page Follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Contract all by authority of their respective governing bodies duly given.

Executed this 11th day of May, 2015.

CITY OF WASHINGTON

By: Jay McDonald
Mayor

Attest:

For purposes of Section 24 only:

Cynthia S. Bennett
City Clerk

Matt Rounsville
Finance Officer

(SEAL)

Executed this 21st day of April, 2015.

NORTH CAROLINA EASTERN
MUNICIPAL POWER AGENCY

By: Paul
Chief Executive Officer

Attest:

[Signature]
Assistant Secretary

(SEAL)

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[Signature Page to Debt Service Support Contract]

EXHIBIT A

Members and Members' Shares

Member	Member's Share
Town of Apex	1.1218%
Town of Ayden	1.4347
Town of Bellhaven	0.3473
Town of Benson	0.6507
Town of Clayton	1.0539
Town of Edenton	1.5570
City of Elizabeth City	4.0525
Town of Farmville	0.9836
Town of Fremont	0.2359
City of Greenville	20.3709
Town of Hamilton	0.0675
Town of Hertford	0.3867
Town of Hobgood	0.0730
Town of Hookerton	0.1057
City of Kinston	7.6434
Town of LaGrange	0.4261
City of Laurinburg	2.1984
Town of Louisburg	0.8445
City of Lumberton	4.7153
City of New Bern	6.6370
Town of Pikeville	0.1611
Town of Red Springs	0.5500
Town of Robersonville	0.4237
City of Rocky Mount	12.9031
Town of Scotland Neck	0.5140
Town of Selma	0.9171
Town of Smithfield	2.2631
City of Southport	0.7366
Town of Tarboro	3.6701
Town of Wake Forest	1.1297
City of Washington	4.0871
City of Wilson	<u>17.7385</u>
	100.0000%

This Exhibit A is subject to amendment pursuant to Section 13 of this Contract.

FULL REQUIREMENTS POWER SALES AGREEMENT

City of Washington
Execution Copy

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY

Full Requirements Power Sales Agreement
Dated as of April 24, 2015

NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY
FULL REQUIREMENTS POWER SALES AGREEMENT

THIS AGREEMENT, dated as of the 24th day of April, 2015, is by and between North Carolina Eastern Municipal Power Agency, a joint agency of the State of North Carolina (including successors and permitted assigns, "Power Agency"), and the municipality of the State of North Carolina (including successors and permitted assigns, the "Member") which has executed this Agreement (as supplemented and amended pursuant to the terms of this Agreement, the "Agreement").

WHEREAS, Power Agency is duly organized as a public body and a body corporate and politic under the laws of the State of North Carolina (G.S. Chapter 159B) and, among other things, is authorized to sell for resale electric power and energy; and

WHEREAS, the Member is a city or town created under the laws of the State of North Carolina owning a system or facilities for the generation, transmission or distribution of electric power and energy for public and private use, and is authorized by said laws to contract to buy from Power Agency some or all of the power and energy required for its present or future requirements; and

WHEREAS, the Member previously entered into a Supplemental Power Sales Agreement, dated July 30, 1981, as amended by an Amendment Agreement dated as of October 31, 1984 (the "Supplemental Power Sales Agreement") with Power Agency pursuant to which Power Agency sold and the Member purchased All Requirements Bulk Power Supply (as defined in the Supplemental Power Sales Agreement), which consisted of Project Output (as defined in the Supplemental Power Sales Agreement) and Supplemental Bulk Power Supply (as defined in the Supplemental Power Sales Agreement); and

WHEREAS, Project Output is sold by Power Agency and purchased by the Member pursuant to an Initial Project Power Sales Agreement between Power Agency and the Member dated July 30, 1981, as amended by an Amendment Agreement dated as of October 31, 1984 (the "Project Power Sales Agreement"); and

WHEREAS, Project Output is provided by Power Agency from its ownership interests in the Brunswick Units, the Harris Unit, the Mayo Unit and Roxboro Unit No. 4 (as such terms are defined in the Project Power Sales Agreement; such ownership interests, collectively, the "Joint Facilities"); and

WHEREAS, Power Agency has entered into an Asset Purchase Agreement (as the same may be supplemented and amended, the "APA") with Duke Energy Progress, Inc. (including successors and permitted assigns, "DEP"), dated as of September 5, 2014, pursuant to which Power Agency has agreed to sell and transfer the Joint Facilities to DEP, and, in connection therewith, Power Agency and the Member have agreed to terminate the Project Power Sales Agreement and the Supplemental Power Sales Agreement; and

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Exhibit A - Network Integration Transmission Service Agreement and Network Operating Agreement between Duke Energy Progress, Inc. and North Carolina Eastern Municipal Power Agency A-1

WHEREAS, after the termination of the Project Power Sales Agreement and the Supplemental Power Sales Agreement, the Member will have a need for an economical and reliable source of electric power and energy to meet the current and future demands of its customers and has determined to purchase such electric power and energy from resources owned, controlled, or purchased by Power Agency; and

WHEREAS, Power Agency has entered into a Full Requirements Power Purchase Agreement (as the same may be supplemented and amended, the "Full Requirements Power Purchase Agreement") with DEP, dated as of September 5, 2014, pursuant to which Power Agency will purchase from DEP and DEP will sell to Power Agency firm capacity and energy in the amounts required by Power Agency to reliably serve the current and future electrical loads of its Members; and

WHEREAS, Power Agency is a party to the Network Integration Transmission Service Agreement (the "NITSA") and the Network Operating Agreement (the "NOA") Between Duke Energy Progress, Inc. and North Carolina Eastern Municipal Power Agency, as amended by DEP from time to time, on file with the Federal Energy Regulatory Commission as OATT Service Agreement No. 268 of Duke Energy Progress, Inc., a copy of which is attached to this Agreement as Exhibit A; and

WHEREAS, Power Agency is a party to an Agreement for Transmission Use and Other Electric Service (the "Dominion NCP Transmission Agreement") with Dominion North Carolina Power (formerly Virginia Electric and Power Company) ("Dominion NCP"), dated as of July 30, 1981, with respect to (i) arrangements for the transmission of electric energy from points of interconnection of the DEP and Dominion NCP electric systems; and (ii) other related matters; and

WHEREAS, Power Agency proposes to sell, and the Member proposes to purchase, Full Requirements Bulk Power Supply (as defined herein) pursuant to the terms of this Agreement.

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. Definitions. The singular of any term defined in this Agreement shall encompass the plural, and the plural the singular, unless the context clearly indicates otherwise or may otherwise require.

a. "Affiliate" of any Person means any other Person directly or indirectly Controlling, directly or indirectly Controlled by or under direct or indirect common Control with such Person.

b. "APA" has the meaning assigned in the preambles to this Agreement.

c. "Bond Resolution" means the resolution adopted by Power Agency, as the same may be amended or supplemented from time to time pursuant to the terms thereof, pursuant to which the Bonds are issued. A proposed form of Bond Resolution dated April 24, 2015, has been delivered to the Member, and said resolution as adopted, insofar as is reasonably material to the Member's obligations under this Agreement, shall be substantially the same as such proposed form but with such changes as may be determined by Power Agency to be necessary

or appropriate. Subsequent amendments to the Bond Resolution may be made without the approval of the Member if made pursuant to the terms of the Bond Resolution.

d. "Bonds" means Bonds (as such term is defined in the Bond Resolution) issued from time to time pursuant to and under the authority of the Bond Resolution (i) to pay Balance of Defeasance Costs (as such term is defined in the Debt Service Support Contract), and (ii) to refund Bonds, Notes (as such term is defined in the Debt Service Support Contract) or Subordinated Debt (as such term is defined in the Debt Service Support Contract) theretofore issued and outstanding as authorized by Section 8 of the Debt Service Support Contract.

e. "Contract Year" means the 12-month period commencing January 1 of each year during the term of this Agreement and ending midnight local time on the December 31 next following (or such other 12-month period as Power Agency shall determine); provided, however, that the first Contract Year shall commence, with respect to Full Requirements Bulk Power Supply, on the day immediately following the Effective Date; and provided further, however, that the last Contract Year shall end at midnight local time on the date of termination of this Agreement as provided in Section 2 herein.

f. "Control" of any Person means the possession, directly or indirectly, of the power either to (a) vote more than fifty percent (50%) of the securities or interests having ordinary voting power for the election of directors (or other comparable controlling body) of such Person or (b) direct or cause the direction of management or policies of such Person, whether through the ownership of voting securities or interests, by contract or otherwise.

g. "Customer Generation" means any generating unit having a nameplate capacity rating of 95 kW or more that is owned (i) by a retail or wholesale customer of a Member, or a retail customer of a wholesale customer of a Member and is used to serve load at the site of the load; or (ii) by a Member and is installed at a customer location for the benefit of the customer.

h. "Debt Service Support Contract" means the Debt Service Support Contract, dated as of the date hereof, entered into between Power Agency and the Members, as the same may be supplemented and amended from time to time.

i. "Delivery Point" means the point on the DEP Transmission System where the delivery of power to the Member is measured in accordance with the NITSA and NOA, at which point the delivery of electric power to the Member is measured for billing purposes under this Agreement.

j. "Dominion NCP Transmission Agreement" has the meaning assigned in the preambles to this Agreement.

k. "Economic Development Generation" means any generating unit owned by Power Agency, a Member, or a retail or wholesale customer of a Member, or a retail customer of a wholesale customer of a Member, in each case that is installed for the purpose of retaining the load of an existing customer or attracting the load of a new customer served or to be served by a Member.

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amounts necessary for the payment of the principal of and premium, if any, and interest on any bonds, notes (including notes issued in anticipation of the issuance of bonds), certificates, warrants or other evidences of indebtedness, including commercial paper, issued for Full Requirements Power Costs (collectively, "Full Requirements Power Debt"), which Full Requirements Power Debt shall be payable from all or any amounts received under the Full Requirements Power Sales Agreements, as determined by Power Agency, after giving effect to the provisions of Section 6(d) thereof, as payments from the Members of Full Requirements Power Costs, and (vi) all costs and expenses relating to the issuance, security and payment of Full Requirements Power Debt, including without limitation costs and expenses associated with insurance contracts, agreements for lines of credit, letters of credit, commitments to purchase Full Requirements Power Debt, depositaries for safekeeping and agents for delivery and payment.

f. "Full Requirements Power Purchase Agreement" has the meaning assigned in the preambles to this Agreement.

s. "Full Requirements Power Sales Agreement" means this Agreement and all other Agreements substantially identical to this Agreement entered into by Power Agency and the Members with respect to the purchase and sale of Full Requirements Bulk Power Supply, as the same may be supplemented or amended from time to time.

t. "Guidelines Concerning Load-side Generation" means the Guidelines Concerning Load-side Generation approved and adopted by the Board of Directors of Power Agency, as supplemented and amended, including, but not limited to, as supplemented and amended on November 16, 2012.

u. "Hourly Demand" means, in each hour, the aggregate load of Power Agency's Members for which there is in effect a Full Requirements Power Sales Agreement, determined by summing the metered 60-minute demands of the Members (integrated metered kilowatt load, compensated where applicable, in accordance with the NITSA and NOA and Dominion NCP Transmission Agreement, to reflect losses from the meter location back to the Delivery Point), adjusted to include the output of PURPA Qualifying Resources in each clock hour in accordance with Section 4.4.2 of the Full Requirements Power Purchase Agreement, and adjusted further to include line losses over the DEP transmission system.

v. "Late Payment Interest Rate" means, for any month, the prime rate being charged by Bank of America, N.A., or its successor, or by any other major bank selected by Power Agency in its sole discretion, on the first day of such month, plus one percentage point, divided by twelve, expressed in percentage points, to the nearest hundredth, but not in excess of the rate permitted by applicable North Carolina law.

w. "Members" means those entities which enter into Full Requirements Power Sales Agreements with Power Agency substantially identical to this Agreement.

x. "Member Generation" means any generating unit (other than the Edenton Generators and Elizabeth City Generators) owned by a Member having a nameplate capacity of 95kW or more, that is used to serve load at the site of the load, except for any such generating

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l. "Edenton Generators" means the two (2) 1,250 kW generators owned and operated by the Town of Edenton that are located on Tower Drive, Edenton, North Carolina.

m. "Effective Date" means the date on which the closing of the transactions contemplated by the APA takes place.

n. "Electric System" means all properties and assets, real and personal and tangible and intangible, of the Member now or hereafter existing, used for or pertaining to the generation, transmission, transformation, distribution and sale of electric power and energy or general plant associated therewith, including all renewals, replacements, additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

o. "Elizabeth City Generators" means the four (4) 1,750 kW generators owned and operated by the City of Elizabeth City that are located at 410 Pritchard Street, Elizabeth City, North Carolina.

p. "Full Requirements Bulk Power Supply" means, with respect to the Member, all electric power and energy required by the Member at its Delivery Point(s)¹, exclusive of any purchases of power and energy by the Member from the Southeastern Power Administration ("SEPA"), if any, and, as applicable, exclusive of the output of Customer Generation, Member Generation, Economic Development Generation, the Edenton Generators and the Elizabeth City Generators. Full Requirements Bulk Power Supply shall include all transmission service to deliver Full Requirements Bulk Power Supply to the Member's Delivery Point(s), power and energy purchases made by Power Agency pursuant to the Full Requirements Power Purchase Agreement, power and energy supplied by NCEMPA Generation, and power and energy derived by Power Agency from any resource used to replace power and energy purchases under the Full Requirements Power Purchase Agreement (i) following the exercise by Power Agency of an early termination option set forth in the Full Requirements Power Purchase Agreement, or (ii) in connection with a PURPA Qualifying Resource owned by Power Agency.

q. "Full Requirements Power Costs" for any period means all costs associated with or incidental to Full Requirements Bulk Power Supply for such period. In addition to the costs associated with or incidental to Full Requirements Bulk Power Supply, Full Requirements Power Costs also shall include, without limitation (i) Power Agency's general and administrative overhead costs allocated to Power Agency's activities related to its provisions of Full Requirements Bulk Power Supply, (ii) working capital deemed necessary by Power Agency, (iii) costs and expenses relating to the acquisition, construction, maintenance and operation of an administrative building or office, including land therefor, together with any administrative equipment and facilities, which may be owned alone or together with any other joint agency or agencies, joint municipal assistance agencies, municipalities, corporations, associations or Persons under such terms and provisions for sharing costs and otherwise as may be determined by Power Agency, (iv) costs associated with Power Agency management and other services provided to Members, including, but not limited to, costs associated with compliance with renewable energy requirements or mandatory electric reliability standards, (v)

¹ Including any load met by NCEMPA Generation that is interconnected with the Member's Electric System.

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unit owned by a Member that is installed at the Member's customer's location for the benefit of the customer.

y. "Member's Share" has the meaning assigned in the Debt Service Support Contract.

z. "Monthly Bill" means the written statement prepared monthly by Power Agency and provided to the Member pursuant to Section 5 herein.

aa. "Monthly Support Costs" has the meaning assigned in the Debt Service Support Contract.

bb. "NCEMPA Generation" means any generating unit owned by Power Agency having a nameplate capacity rating of 95 kW or more (but not more than 2,000 kW) that is connected directly to the electric distribution system of a Member, such that the output of such unit is thereby excluded from Power Agency's Hourly Demand.

cc. "NITSA" has the meaning assigned in the preambles to this Agreement.

dd. "NOA" has the meaning assigned in the preambles to this Agreement.

ee. "Outstanding Prior Bonds" means bonds issued by Power Agency pursuant to, and outstanding under, the Prior Bond Resolution.

ff. "Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, limited liability company, unincorporated organization, governmental authority or any other form of legal entity.

gg. "Policy Guidelines for Leased Facilities Charges" means the Policy Guidelines For Leased Facilities Charges approved and adopted by the Board of Directors of Power Agency, as revised, supplemented and amended, including, but not limited to, as supplemented and amended on April 23, 2004.

hh. "Prior Bond Resolution" means Resolution R-2-81, adopted by Power Agency on April 1, 1982, as amended and supplemented thereafter.

ii. "Prudent Utility Practice" means any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Prudent Utility Practices are not intended to be limited to the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the electric utility industry. In evaluating whether any matter conforms to Prudent Utility Practice as used in this Agreement, the parties hereto shall take into account (i) the fact that Power Agency and each Member is a public body and a body corporate and politic organized under the laws of the State of North Carolina, with the statutory duties and responsibilities thereof, and (ii) the objectives to

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integrate Full Requirements Bulk Power Supply with the other resources of the Members, including, but not limited to, Qualified Generation owned by Power Agency, its Members and its Members' customers, SEPA Purchases and other PURPA Qualifying Resources to achieve optimum utilization of the resources and achieve efficient and economical operation of each system.

jj. "PURPA Qualifying Resource" means a resource derived from a generating facility that is a "small power production facility" or "cogeneration facility" that, in each case, meets the requirements of Sections 292.203(a) and 292.203(b) of Title 18 of the Code of Federal Regulations and that has satisfied the procedures for obtaining Qualifying Facility status under Section 292.207 of Title 18 of the Code of Federal Regulations.

kk. "Qualified Generation" means Member Generation, Customer Generation, and NCEMPA Generation.

ll. "Renewable Energy Development and Service Agreement" means the Renewable Energy Development and Service Agreement between Power Agency and each of its members dated as of May 26, 2009, as the same may be supplemented and amended.

mm. "Revenues" means all income, rents, rates, fees, charges, receipts, profits and other moneys or monetary benefits derived by the Member directly or indirectly from the ownership or operation of its Electric System and the sale, furnishing or supplying of capacity or output and power and energy therefrom, including, without limiting the generality of the foregoing: (i) all income, rents, rates, fees, charges, receipts, profits or other moneys derived from the sale, furnishing or supplying of the electric power and energy and other services' facilities and commodities sold, furnished or supplied the facilities of the Electric System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, receipts, profits or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to the Electric System and (iii) the proceeds derived by the Member directly or indirectly from the sale, lease or other disposition of a part of the Electric System, but the term "Revenues" shall not include retail customers' deposits or any other deposits subject to refund until such deposits have become the property of the Member and shall not include any refunds associated with electric service by a Member prior to the Effective Date.

nn. "SEPA Purchases" means the aggregate sum of capacity and energy that some or all of Power Agency's Members receive as preference customers, through the U.S. Department of Energy - Southeastern Power Administration ("SEPA"), pursuant to contracts entered into between the United States of America and such Members pursuant to the Flood Control Act of 1944 or similar or superseding Federal law.

oo. "Telemetry and Metering System Services Agreement" means the Telemetry and Metering System Services Agreement between DEP (formerly Carolina Power & Light Company) and Power Agency dated as of August 7, 1998.

pp. "Total Annual Budget" means the budget adopted by Power Agency pursuant to Section 5 of this Agreement.

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necessary to effect the delivery and sale of Full Requirements Bulk Power Supply to the Member during the term of this Agreement. In furtherance of Power Agency's obligations to sell and the Member's obligations to purchase hereunder, Full Requirements Bulk Power Supply shall initially be sold and purchased pursuant to the provisions of this Agreement (i.e., on a take and pay basis to the extent delivered or provided).

b. Full Requirements Bulk Power Supply shall be obtained or furnished and delivered or caused to be delivered by Power Agency in the manner it determines to be most economical, dependable, and otherwise feasible. Initially, Full Requirements Bulk Power Supply shall be obtained and furnished to all Members in accordance with the Full Requirements Power Purchase Agreement and the NITSA and NOA. If Power Agency exercises one or more of its early termination options set forth in the Full Requirements Power Purchase Agreement, Power Agency may provide for Full Requirements Bulk Power Supply by any additional or alternative means it determines to be most economical, dependable, and otherwise feasible, including, but not limited to, one or more of the following methods: (1) purchase by Power Agency of power generated by one or more other power suppliers and transmission thereof over the facilities of one or more other power suppliers, either solely or in combination with transmission facilities owned by Power Agency or as to which Power Agency has the right of use, if any; (2) acquisition or construction by Power Agency of generation or transmission facilities or any project supplying a portion of Full Requirements Bulk Power Supply; (3) acquisition or construction by Power Agency of such additional generation facilities and transmission of the power and energy generated thereby over the facilities of one or more other power suppliers, either solely or in combination with transmission facilities owned by Power Agency or as to which Power Agency has the right of use, if any; or (4) generation, transmission and delivery by one or more other power suppliers, pursuant to a contract arrangement therefor obtained or approved by, or assigned to, Power Agency for and on behalf of Member or the Members as its agent for that purpose. In the event that any such method or any combination of such methods is such that the Member makes payment for any part of such power supply service directly to one or more other power suppliers, such payments shall nevertheless be accounted for as though the same were paid by Power Agency, and the Member shall be granted a credit with respect to Power Agency's rates and charges to the Member with respect to the same billing period, accordingly.

c. From and after the Effective Date, neither Power Agency nor the Member shall enter into any new contract or permit any then or thereafter existing contract to be renewed or extended (regardless of the manner in which such renewal or extension may be effectuated, including failure of a party thereto timely to cancel and terminate the same upon any anniversary date when such is possible) or enter into any amendment to or modification to such a contract, with any other bulk power supplier which shall preclude or impair the ability of Power Agency or the Member to exercise and perform its rights and obligations under this Agreement.

d. Power Agency, for the purpose of carrying out its rights and obligations under this Agreement, shall be, and the Member hereby designates and appoints Power Agency as, the Member's sole agent to the fullest legal extent that such agency may be established for such purposes.

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2. Term of Agreement. This Agreement shall be effective as of the Effective Date. Power Agency shall notify the Member of the Effective Date as soon as practical thereafter.

The term of this Agreement shall expire at midnight local time on December 31, 2043; provided, however, that this Agreement may be terminated by the Member effective at midnight local time on December 31, 2035, upon written notice to Power Agency (i) not later than July 31, 2027, or (ii) not later than March 31, 2031; provided, however, if the number of Members giving notice to terminate pursuant to clause (ii) of Section 2 of such Members' Full Requirements Power Sales Agreements would cause Power Agency's 12-month average Monthly Coincident Billing Demands (as such term is defined in the Full Requirements Power Purchase Agreement) to be reduced by more than 700 megawatts, as determined by Power Agency based on Power Agency's actual Monthly Coincident Billing Demands during Calendar Year 2030, Power Agency shall give written notice, not later than July 31, 2031, of such fact to all Members from whom Power Agency has received such notice to terminate, together with Power Agency's best estimate of the costs Power Agency expects to incur under the Full Requirements Power Purchase Agreement as a result of a reduction in its 12-month average Monthly Coincident Billing Demands exceeding 700 megawatts, and any such Member who has given such notice to terminate thereafter may rescind such notice to terminate by written notice to Power Agency not later than September 30, 2031. In the event Power Agency determines that the number of Members giving notice to terminate pursuant to clause (ii) of Section 2 of such Members' Full Requirements Power Sales Agreements would cause Power Agency's 12-month average Monthly Coincident Billing Demands to be reduced by more than 700 megawatts, Power Agency shall use its reasonable best efforts to engage in negotiations (in which the Member may participate) with DEP to permit all Members who have given such notice to terminate to terminate their Full Requirements Power Sales Agreements without any financial costs to Power Agency. Notwithstanding the foregoing, any costs incurred by Power Agency pursuant to the Full Requirements Power Purchase Agreement if the final number of Members giving notice to terminate pursuant to clause (ii) of this Section 2 causes Power Agency's 12-month average Monthly Coincident Billing Demands to be reduced by more than 700 megawatts shall be borne by such terminating Members on a pro rata basis, as determined by Power Agency using Power Agency's actual Monthly Coincident Billing Demands during Calendar Year 2030. This Agreement may be terminated by Power Agency as provided in Section 7(b) of this Agreement.

Notwithstanding the foregoing, the expiration or termination of this Agreement shall not affect any accrued liability or obligation hereunder. This Agreement shall not be subject to termination by either party under any circumstances, whether based upon the default of any other party under this Agreement or any other instrument or otherwise, except as specifically provided in this Agreement.

3. Sale and Purchase of Full Requirements Bulk Power Supply.

a. Commencing with the first day of the first Contract Year, Power Agency shall provide or cause to be provided and sell, and the Member shall purchase from Power Agency, the Full Requirements Bulk Power Supply requirements of the Member. Power Agency will be responsible in accordance with the provisions of this Agreement for planning, negotiating, designing, financing, acquiring or constructing, contracting for, administering, operating, and maintaining all generation and transmission arrangements and facilities and power purchases

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e. From and after the effective date of any termination of this Agreement pursuant to Section 7(b) of this Agreement, the Member shall be solely responsible for providing its Full Requirements Bulk Power Supply to the Member's Delivery Point(s); provided, however, that such Member shall be obligated to Power Agency under this Agreement for any costs incurred by Power Agency pursuant to any agreements with a bulk power supplier associated with the delivery to the Member's Delivery Point(s) of Full Requirements Bulk Power Supply or any delivery facilities, and any other cost not included in the costs payable by the Member under any other agreement with Power Agency, including, but not limited to: wheeling charges, leased facilities charges; costs of administration, operation, maintenance, renewals, replacements, or capital additions required for the Member's Delivery Point(s); costs associated with delivery facilities, protection stations, metering, transmission extensions, capacitors, reactive charges, changes in DEP-owned equipment, or loss due to early retirement of delivery facilities and all such similar costs incurred by Power Agency with respect to the Member or otherwise. Following such a termination, the Member shall be entitled to purchase the balance of its Full Requirements Bulk Power Supply requirements from Power Agency only if Power Agency and the Member shall enter into a new power sales agreement, containing such additional or different terms and conditions, if any, as Power Agency may reasonably require.

4. Rates and Charges, Surplus Moneys.

(a) Power Agency shall establish appropriate rates and charges for Full Requirements Bulk Power Supply for the Members sufficient at all times to pay all costs and expenses incurred by Power Agency and reserves deemed necessary therefor by Power Agency, including reserves for the payment of such costs and expenses in future periods (including future Contract Years) and taking into account withdrawals of such reserves established in previous periods, all with respect to Full Requirements Bulk Power Supply, and shall establish appropriate rates and charges for special obligations as set forth in the Monthly Bill as provided in Section 5 of this Agreement. Such rates and charges shall be sufficient at all times to permit the payment of all Monthly Support Costs and of all Full Requirements Power Costs of Power Agency and shall at all times be consistent with the provisions of the NITSA and NOA, the Dominion NCP Transmission Agreement, the Renewable Energy Development and Service Agreement and the policies and guidelines established from time to time by Power Agency, including, but not limited to, Policy Guidelines for Leased Facilities Charges, Guidelines Concerning Load-side Generation, and policies regarding any compliance responsibilities associated with mandatory electric reliability standards applicable to the Members.

Power Agency shall furnish to the Members the basis for changes in rates and charges for Full Requirements Bulk Power Supply made pursuant to the provisions of Section 6(a) of this Agreement.

(b) If, following the retirement or defeasance of all Outstanding Prior Bonds under and pursuant to the Prior Bond Resolution and the final payment of all Pre-Closing Costs (defined below), any moneys remain on deposit in any fund or account established by or pursuant to the Prior Bond Resolution or any other fund or account established by Power Agency, which moneys are no longer required for the purposes of such funds and accounts, for the retirement or defeasance of Outstanding Prior Bonds or for the payment of Pre-Closing Costs, such surplus moneys may be applied by Power Agency to any purpose permitted by this Agreement or by the

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Debt Service Support Contract, including, but not limited to, working capital or other reserves. "Pre-Closing Costs" means all charges, costs and expenses payable by Power Agency subsequent to the Effective Date associated with the ownership and operation of the Joint Facilities.

5. Total Annual Budget and Monthly Bills; Payments by the Member

a. Not less than thirty (30) days prior to each Contract Year, Power Agency shall provide to the Member a proposed annual budget for the ensuing Contract Year with respect to amounts to be paid under this Agreement, and thereafter shall hold a public hearing on such proposed annual budget and shall provide to the Member a Total Annual Budget for the Contract Year. During each Contract Year, Power Agency shall review at least quarterly, and at such other times as Power Agency deems desirable, the Total Annual Budget for the Contract Year. In the event such review indicates that the Total Annual Budget does not or will not substantially correspond with actual receipts and expenditures, or if at any time during such Contract Year there are or are expected to be extraordinary receipts, credits, or costs substantially affecting the Monthly Support Costs or Full Requirements Power Costs, Power Agency shall adopt and provide to the Member an amended Total Annual Budget, which shall supersede, for the remainder of such Contract Year, the Total Annual Budget or amended Total Annual Budget theretofore provided as the basis for the determination of Monthly Support Costs and Full Requirements Power Costs. The Total Annual Budget under this Agreement shall include, as a component thereof, any budget required to be provided the Member under the Member's Debt Service Support Contract.

b. On or before the fifth (5th) day of each month of each Contract Year (beginning with the first full month of the Contract Year), or such other date not later than the tenth (10th) day of such month as Power Agency shall establish from time to time, Power Agency shall prepare, date, and on such date provide to the Member a Monthly Bill separately showing (i) the amount of power and energy of Full Requirements Bulk Power Supply delivered to the Member in the preceding calendar month at the Delivery Point(s) and the total amount payable by the Member therefor at Power Agency's applicable Full Requirements Bulk Power Supply rates and charges; (ii) the amount payable by the Member under the Monthly Bill pursuant to the Debt Service Support Contract for the preceding month for its Member's Share of Monthly Support Costs; (iii) the amount payable by the Member for special obligations, which shall be for leased facilities charges, delivery facilities costs, any back end costs or liabilities or any charges payable by the Member for services or facilities other than for the provisions of Full Requirements Bulk Power Supply for the preceding month; and (iv) any costs or charges payable by the Member associated with the Agreement for Transmission Use and Other Electric Service.

c. The amounts shown in the Monthly Bill to be paid to Power Agency by the Member shall be due and payable ten (10) days after the date of the Monthly Bill, and any amounts due and not paid by the Member within fifteen (15) days after the date of the Monthly Bill shall accrue a late payment charge computed at the Late Payment Interest Rate. Remittances received by mail will be accepted without assessment of a late payment charge, provided that the postmark of the United States Postal Service clearly indicates that the payment was mailed on or before such fifteenth (15th) day. Remittances due in a month

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days after the date of the notice except when required to assure compliance with the provisions of Section 4 of this Agreement, and shall set forth the basis upon which the rates are proposed to be adjusted and established. Monthly changes in amounts billed pursuant to automatic adjustment clauses included in the rates and charges shall not require, notice, but changes in such clauses shall be subject to the foregoing notice provisions.

b. The obligations of the Member to make payments under Section 5 of this Agreement for its Full Requirements Bulk Power Supply shall be an operating expense of its Electric System.

c. The Member shall not be required to make any payments to Power Agency under this Agreement except from the Revenues of its Electric System. The Member covenants and agrees that it will fix, charge, and collect rents, rates, fees, and charges for electric power and energy and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Electric System at least sufficient to provide Revenues adequate to meet its obligations under this Agreement, any additional contract relating to supplying Full Requirements Bulk Power Supply by and between Power Agency and the Member and its Debt Service Support Contract, and to pay any and all other amounts payable from or constituting a charge and lien upon such Revenues, including, but not limited to, amounts sufficient to pay the principal of and interest on all general obligation bonds (if also payable from Revenues) and revenue bonds heretofore or hereafter issued by the Member to finance its Electric System. Notwithstanding the foregoing, nothing set forth in this Agreement shall be construed to limit, constrain or affect in any way the legal rights and authority of the Member to design, set and implement rates, fees and charges for electric power and energy and other services to its retail and wholesale customers through the operation of the Member's duly authorized rate setting process so long as the Member's rates, fees and charges for electric power and energy and other services fully meet and comply with the Member's obligations set forth in this Section 6(c).

d. The Member shall take no action the effect of which would be to prevent, hinder, or delay Power Agency from the timely fulfillment of its obligations under this Agreement, the Full Requirements Power Purchase Agreement, the NITSA and NOA, the Agreement for Transmission Use and Other Electric Service, the Bond Resolution, and the Bonds or other securities or evidences of indebtedness issued to provide the amounts due and payable between Power Agency and the Member relating to delivery facilities, or any other agreement entered into between Power Agency and any Member.

7. Obligations in the Event of Default

a. Upon failure of the Member to make any payment in full when due under this Agreement or to perform any obligation herein, Power Agency shall make demand upon the Member for payment or performance, and if said failure is not cured within fifteen (15) days from the date of such demand, it shall constitute a default under this Agreement at the expiration of such period, and notice of such default shall forthwith be given to the Member. Notice of such demand, and the default if it occurs, shall be provided to the other Members by Power Agency.

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transmitted by wire transfer will be accepted without assessment of a late payment charge if received on or before the twenty-fifth (25th) day of such month.

d. All monies received by Power Agency as payment from the Member of any Monthly Bill (whether in full or partial payment thereof) shall be applied by Power Agency pro rata to the separate monthly charges shown on the Monthly Bill in the ratio that each separate charge as set forth in Sections 5(b)(i) through 5(b)(iv) of this Agreement bears to the total Monthly Bill rendered, and the resulting amounts shall be credited to the appropriate accounts on the books of Power Agency. *The Member understands and agrees that a failure by the Member to pay in full its obligations under this Agreement and under its Debt Service Support Contract may result in an event of default under this Agreement and under its Debt Service Support Contract.*

e. In each Contract Year, the Member shall pay to Power Agency the Member's Share of Monthly Support Costs for such Contract Year. The Member shall be obligated to make such payments unconditionally and without offset, counterclaim or other reduction, whether or not all or any portion of Full Requirements Bulk Power Supply is delivered to the Member pursuant to Section 3 of this Agreement or this Agreement expires or is terminated in whole or in part. Such payments shall be made and shall not be conditioned upon the performance or non-performance by Power Agency or any other Member under this or any other agreement or instrument. The remedies for any such non-performance by Power Agency shall be limited to those provided by Sections 7(d) and 7(e) of this Agreement.

f. In the event of any dispute as to any portion of any Monthly Bill, the Member shall nevertheless pay the full amount of the disputed charges when due and shall give written notice of the dispute to Power Agency within sixty (60) days following the date on which such payment is due. Such notice shall identify the disputed bill, state the amount in dispute, and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. Power Agency shall give consideration to such dispute and shall advise the Member with regard to its position relative thereto within thirty (30) days following receipt of such written notice. Upon final determination (whether by agreement, arbitration, adjudication, or otherwise) of the correct amount, an appropriate adjustment shall be made on the Monthly Bill next submitted to the Member after such determination, together with interest computed at the Late Payment Interest Rate.

6. Rate Review and Payment Sources

a. Power Agency, at such intervals as it shall deem appropriate, but in any event not less frequently than once each Contract Year, shall review its rates and charges and, if necessary, shall revise such rates and charges so that the revenues collected hereunder shall be at least sufficient to comply with the provisions of Section 4 of this Agreement. In making revisions to rates and charges, Power Agency shall comply with the provisions of Chapter 159B, including, but not limited to, the provisions of §159B-10(b), if applicable, and §159B-16.1(b). Power Agency shall cause a notice in writing to be given to the Member and the other Members which shall set out all the proposed revisions of the rates and the date upon which such revised rates shall become effective. The effective date shall not be less than forty (40)

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b. If the Member shall fail to pay any amounts due to Power Agency under this Agreement, or to perform any other obligation hereunder which failure constitutes a default under this Agreement, Power Agency may terminate this Agreement. In either such event, Power Agency shall forthwith notify such Member of such termination. Notice of such termination shall be given to the other Members of Power Agency. Except for such termination, the obligations of the Member under this Agreement shall continue in full force and effect. For purposes of applying the other provisions of this section, such termination shall be considered to be a default under this Agreement.

c. Any waiver at any time by either party to this Agreement of its rights with respect to any default of the other party hereto, or with respect to any other matter arising in connection with such Agreement, shall not be considered a waiver with respect to any subsequent default, right, or matter.

d. In the event of any default by Power Agency under any covenant, agreement, or obligation of this Agreement, the Member may, upon fifteen (15) days' prior written notice, bring any suit, action, or proceeding in law or in equity, including mandamus and injunction, as may be necessary or appropriate to enforce any covenant, agreement, or obligation of this Agreement against Power Agency.

e. No remedy conferred upon or reserved to the parties hereto is intended to be exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, or by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy. The pursuit by either party of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided hereunder or by law, equity, or statute. Any delay by either party in the exercise of any remedy with respect to any matter arising in connection with this Agreement shall not constitute a waiver by such party of any right to later exercise such remedy with respect to the same or any other matter arising in connection with this Agreement.

8. Deliveries; Delivery Facility Costs; Load Forecasts; System Reliability

a. Full Requirements Bulk Power Supply shall be delivered to the high voltage side of the Member's Delivery Point(s).

b. In addition to the rates and charges for Full Requirements Bulk Power Supply, the Member, to the extent applicable, shall be responsible to Power Agency for all costs of delivery facilities, Power Agency's payments to DEP for Protection Station costs, leased facilities charges, net loss in salvage (as defined in the NITSA and NOA) of delivery facilities, capacitor costs and charges for reactive power, all pursuant to the NITSA and NOA, all such similar costs incurred by Power Agency pursuant to the Dominion NCP Transmission Agreement, if applicable, and all other charges incurred by Power Agency at the request or on behalf of the Member in accordance with Power Agency's established policies and guidelines. The Member shall fulfill such cost responsibility by: (i) payment to Power Agency of any costs to Power Agency relating to delivery of Full Requirements Bulk Power Supply to the Member's Delivery Point(s) and not included in the rates and charges of Power Agency for delivery of Full Requirements Bulk Power Supply, including, but not limited to, leased

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facilities charges; (ii) payment of any and all costs of ownership, operation, maintenance, renewals, replacements, and additions to delivery facilities owned by Power Agency but required to deliver Full Requirements Bulk Power Supply to the Member pursuant to a Delivery Facility Use Agreement between Power Agency and the Member; (iii) payment of any and all costs of operation and maintenance, exclusive of renewals, replacements, and additions of delivery facilities owned by the Member and operated by Power Agency pursuant to a Delivery Facility Operating and Maintenance Agreement; and (iv) payment by any combination of the foregoing. Leased facilities charges for Members connected to the DEP and Dominion NCP transmission systems will be calculated in accordance with Power Agency's Policy Guidelines for Leased Facilities Charges, as established and amended from time to time by Power Agency.

c. Delivery Point data sheets shall be completed for each Delivery Point. No revisions or modifications (other than necessary maintenance) of the delivery facilities for Members shall be undertaken for the purpose of modifying the characteristics of delivery from transmission facilities of DEP or Dominion NCP, as applicable, and/or of Power Agency set out on the Delivery Point data sheets unless prior agreement is obtained from Power Agency and DEP or Dominion NCP, as applicable, and revised Delivery Point Data Sheet(s) are first executed. Power Agency and each Member shall agree on the amount of firm capacity required at each such Delivery Point, taking into account the firm load expected to be served at such Delivery Point(s). A reasonable allowance will be included if growth is anticipated. A Member shall not place loads on Delivery Point(s) in excess of the firm capacity amount(s) so agreed to and recorded on the Delivery Point Data Sheet(s) without Power Agency and the Member first negotiating a new Delivery Point Data Sheet. Pursuant to the NITSA and NOA, DEP has agreed with Power Agency that it shall not unreasonably withhold its agreement for an increase in the firm capacity amount. The Agreement for Transmission Use and Other Electric Service also includes provisions for modifications to existing Delivery Points. Delivery Points will be established and/or modified in accordance with the terms and conditions of the NITSA and NOA or the Dominion NCP Transmission Agreement and the Procedure for Establishing New Delivery Points adopted by Power Agency in accordance with the requirements of NERC Reliability Standard FAC-002-0, as each may be amended from time to time.

d. Should a Member request more capacity at a Delivery Point than is reasonably necessary to serve the continuous load at that point for the purpose of switching load between Delivery Points, such capability will be provided by DEP pursuant to the NITSA and NOA. If additional transmission or other facilities are required, and payment by Power Agency of a leased facilities charge to cover the investment in any required additional transmission or other facilities is required, the Member shall agree to reimburse Power Agency for payment of such charge. In the alternative, Power Agency or a Member may provide such capability through its own facilities if Power Agency gives written notice to DEP sufficient to enable DEP to accommodate such an arrangement. Parallel operation, transfer of loads, emergency switching and other operations at or in connection with Delivery Points will be undertaken in accordance with Section 5.0 of the NOA.

e. Prior to March 31 of each Contract Year, each Member shall assist Power Agency with development of projected capacity requirements at each Delivery Point for the next ten (10) calendar years in order for Power Agency to fulfill in a timely manner its responsibilities

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terms and conditions of the NITSA and NOA and the applicable NERC Reliability Standards, including, but not limited to, those related to system protection, load reduction, load shedding and load management and (ii) with any similar provisions applicable to Dominion NCP.

k. The Member shall provide promptly to Power Agency any and all information requested by Power Agency to permit Power Agency to provide to DEP the information which DEP may request pursuant to the terms and conditions of the NITSA and NOA to carry out DEP's scheduling and dispatch function, including the telemetering of Delivery Point data and other network planning and operation activities.

9. Member Planning and Operations.

a. Power Supply Planning. The Member will keep Power Agency advised on matters relating to the Member's power supply planning, including, but not limited to, load forecasts, proposed transmission additions, and new Delivery Points.

b. Diligence. The Member will exercise diligence in the operation of its Electric System with the view of securing efficiency in keeping with Prudent Utility Practice, will construct its facilities in accordance with specifications at least equal to those prescribed by the National Electric Safety Code of the United States Bureau of Standards, and will maintain its lines at all times in a safe operating condition. Each Member will operate said lines in conformity with Section 8(h) of this Agreement. The Member will use electric service equally from the three phases as nearly as possible.

c. Capacitors. Members whose conductors connect with those of DEP (either directly or through Power Agency's facilities) shall install capacitors and operate switched capacitors in accordance with the terms and conditions of the NITSA and NOA. In the alternative, Power Agency may install such capacitors, or cause such capacitors to be installed, to maintain the required power factor, and such Member will reimburse Power Agency for the costs and expenses it incurs in connection therewith. Power Agency may (i) require each Member whose conductors connect with those of Dominion NCP (either directly or through Power Agency's facilities) to install on its distribution system sufficient capacitors or other facilities to maintain at the time of Dominion NCP's monthly peak a power factor of 92% or higher, or any future power factor established by Dominion NCP, at each of that Member's Delivery Points, or (ii) in the alternative, install facilities to maintain such power factor, and such Member will reimburse Power Agency for the costs and expenses it incurs in connection therewith. Any such costs or expenses incurred by Power Agency pursuant to arrangements with Dominion NCP shall be reimbursed by the Member which caused such costs or expenses to be incurred.

d. Access. Power Agency and the Member each will give the other the right to enter the premises of the other, and the Member will give DEP or Dominion NCP the right to enter the Member's premises, at all reasonable times for the purpose of repairing or removing facilities, reading meters, or performing work incidental to delivery and receipt of Full Requirements Bulk Power Supply.

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to DEP and to Dominion NCP, and its responsibilities to the Member hereunder. The projected capacity requirement shall be for the load reasonably expected to exist in the area served by each such Delivery Point. The proposed location, delivery voltage, and estimated capacity requirements of any new delivery point desired by the Member or Power Agency for the next ten (10) calendar years shall also be delineated.

The terms and conditions of the NITSA and NOA shall govern the size of loads connected to Delivery Points on, or extensions from, the 115kV or 230kV transmission system of DEP and the conditions upon which a Delivery Point may be connected to a DEP transmission line.

f. Subject to the terms and conditions of the NITSA and NOA, transmission line extensions shall be made to new Delivery Points for Members whose conductors connect with those of DEP (either directly or through Power Agency's facilities) from a transmission line which has adequate capacity to serve the additional load involved.

g. In accordance with Section 3.5 of the Dominion NCP Transmission Agreement, Future Delivery Points on the Dominion NCP transmission system will be established pursuant to Prudent Utility Practices as defined therein. Future Delivery Points shall be established at 230kV or 115kV at the option of Dominion NCP, exercised consistent with Prudent Utility Practices, except in the case of small loads where Dominion NCP may agree to provide service at lower voltage levels.

h. The Member shall operate and maintain Delivery Points in a manner consistent with the terms and conditions of the NOA. The Member shall avoid and refrain from any acts or transactions, or the use of any equipment, appliance, or device, which would (i) have a significant adverse effect upon the reliability or operating characteristics of the DEP or Dominion NCP systems, or the interconnected facilities of Power Agency or of its other Members, including, but not limited to, such adverse effects caused by the interconnection of, or the transfer of loads between, Delivery Points not made in accordance with the terms and conditions of the NOA, or (ii) interconnect the DEP or Dominion NCP systems through the systems of Power Agency or the Member with other power suppliers without agreement between Power Agency and DEP or Dominion NCP on reasonable measures or conditions, if any, for parallel operation. Each Member shall maintain a reasonable electrical balance between the phases at each Delivery Point.

i. It is expressly understood and agreed that Power Agency does not hereby contract to furnish Member electric power for pumping water for extinguishing fires.

j. The Member shall install, maintain, and operate such protective equipment and switching, voltage control, load shedding, and other facilities as shall be required in order to meet the requirements of DEP and Dominion NCP, as applicable, to assure continuity and adequacy of service and the stability of the interconnected facilities of DEP or Dominion NCP and Power Agency and the other Members and to provide adequate protection for DEP's or Dominion NCP's facilities, and its services to other customers, against trouble originating on the electric system of Power Agency or the Member. In addition, the Member recognizes and agrees to comply and to cooperate with Power Agency in complying, as applicable, (i) with the

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e. Compliance. The Member will be subject to and will comply with all applicable terms and conditions set forth in those tariffs, rate schedules and contracts which affect Power Agency and the Member.

10. Disposition of Electric Systems. The Member covenants and agrees that it shall not sell, mortgage, lease or otherwise dispose of or encumber its Electric System or any part thereof except as permitted by any of the following provisions of this Section 10:

a. The Member may, in the ordinary course of the business of operating and maintaining its Electric System, scrap, trade-in, sell or otherwise dispose of any property or equipment if the Member determines that (i) such property or equipment is surplus, obsolete or otherwise not required for the operation and maintenance of its Electric System, and (ii) the original cost of all property and equipment disposed of pursuant to this subparagraph (a) in any fiscal year of the Member is less than the greater of \$25,000 or two percent (2%) of the gross plant investment of the Electric System as reported on the books for the Electric System as of the end of the most recent fiscal year of the Member for which such figure is available.

b. The Member may sell, lease, mortgage or otherwise dispose of or encumber any property and equipment (i) if and to the extent permitted by N.C.G.S. Section 160A-20, as the same may be amended from time to time, or (ii) if the Member determines, with the written concurrence of Power Agency (which concurrence shall not be unreasonably withheld), that, taking into account past and current operating results of its Electric System and any replacements or intended replacements for such property and equipment to be disposed of, the proposed action will not have a material adverse effect on the Revenues or the operation of its Electric System, or materially increase the operating and maintenance expenses of its Electric System.

c. The Member may sell or otherwise dispose of its Electric System to one or more other Members, or merge or consolidate its Electric System with the Electric System or Systems of one or more other Members, provided that the purchasing or surviving Member(s), as the case may be, shall have assumed all of the transferor Member's duties and obligations hereunder and under the transferor Member's Debt Service Support Contract.

d. The Member may merge or consolidate with, or be merged or consolidated into, one or more units of local government which shall have assumed all of the Member's duties and obligations hereunder, in which event such Member shall be relieved from all such duties and obligations, but only if (i) this Agreement shall have been assigned to such unit(s) of local government, which shall have assumed all of the transferor Member's duties and obligations hereunder, and (ii) the Local Government Commission of North Carolina shall have determined that after such merger or consolidation the survivor unit(s) of local government will have the ability to meet the obligations of such Member hereunder.

e. The Member may sell or otherwise dispose of its Electric System to any other Person but only if the Member (i) has assigned and transferred this Agreement and all interests herein to the transferee Person who has assumed all of the transferor Member's duties and obligations hereunder, and (ii) has terminated its Debt Service Support Contract pursuant to the provisions of Section 13 of the Debt Service Support Contract; provided, however, that

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prior to any sale or other disposition pursuant to this subsection (c). Power Agency shall have determined that such sale or other disposition will not increase the cost of power and energy under the Full Requirements Power Sales Agreement of any other Member; and provided further, however, that if the transferee Person is DEP, or a subsidiary or Affiliate of DEP, this Agreement shall be terminated and not assigned and transferred and DEP shall have agreed to (a) exclude the transferor Member's load from the calculation of Power Agency's Hourly Demand under the Full Requirements Power Purchase Agreement, and (b) delete the transferor Member's Delivery Points from the NITSA and NOA.

f. In the event of a sale or other disposition permitted by subsection (c) of this Section 10, or a merger or consolidation permitted by subsection (c) and (d) of this Section 10, the Member shall provide to Power Agency a counsel's opinion, satisfactory in form and substance to counsel to Power Agency, that (i) in the event of a sale or other disposition, the transferee has assumed and become liable for the duties and obligations of the transferor Member under this Agreement and the transferor Member's Debt Service Support Contract, or (ii) in the event of a merger or consolidation, that following such merger or consolidation the Electric System or unit of local government, as the case may be, surviving such merger or consolidation shall remain or shall have become subject to this Agreement and the transferor Member's Debt Service Support Contract and liable for the duties and obligations of the Member hereunder and thereunder to the same extent that such Electric System or Member had been so subject prior to such merger or consolidation. In the event of a sale or other disposition permitted by subsection (c) of this Section 10 (other than a sale or disposition to DEP or a subsidiary or Affiliate of DEP), the Member shall provide to Power Agency a counsel's opinion, satisfactory in form and substance to counsel to Power Agency, that the transferee has assumed and become liable for the duties and obligations of the transferor Member under this Agreement.

g. Nothing contained in the foregoing subsections (a) through (f) of this Section 10 shall be deemed to authorize a Member to mortgage or encumber all or substantially all of the properties of its Electric System.

11. Miscellaneous General Provisions.

a. Character and Continuity of Service. Power Agency shall use its reasonable best efforts to enforce the terms and conditions of the Full Requirements Power Purchase Agreement, the NITSA and NOA and the Dominion NCP Transmission Agreement, and the terms and conditions of any other similar agreement(s) with other parties for Full Requirements Bulk Power Supply.

Power Agency may temporarily interrupt or reduce deliveries of electric energy to the Member if Power Agency determines that such interruption or reduction is necessary in case of emergencies, to meet any regulatory compliance or reliability directives or in order to install equipment in or make repairs to or replacements, investigations, and inspections of or to perform other maintenance work on its generation or transmission facilities and related apparatuses. After informing the Member regarding any such planned interruption or reduction, giving the reason therefor, and stating the probable duration thereof, Power Agency will, to the best of its ability

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such facility would be eligible to receive from DEP, based on DEP's PURPA avoided cost rates, as determined by DEP in its sole discretion in accordance with Section 4.4.2 of the Full Requirements Power Purchase Agreement.

c. Liability of Parties. Neither Power Agency nor the Member shall be responsible for the transmission, control, use or application of electric power provided under this Agreement on the other side of the Point of Connection (hereinafter defined) therefor and shall not, in any event, be liable for damage or injury to any Person or property whatsoever arising, accruing, or resulting from, in any manner, the receiving, transmission, control, use, application, or distribution by Power Agency or the Member of said electric power.

Where Power Agency or the Member has facilities and equipment located on the premises of the other party, the party owning the premises shall permit no one but the other party's authorized representatives to have access to or handle those facilities and equipment. Each party shall indemnify, hold and save harmless the other party for any loss or damage to that other party's premises caused by or arising out of the negligence of the party owning the facilities and equipment, or its representatives, while on the premises of the other party. Each party shall indemnify, hold and save harmless the other party from and against any and all legal and other expenses, claims, costs, losses, suits or judgments for damages, injuries to or death of Persons, or damage to or destruction of property, arising in any manner directly or indirectly by reason of acts of negligence of either party's authorized representative while on the premises of the other party under the right of access provided in this Section 11(c).

Power Agency and the Member shall indemnify, hold and save each other harmless from any and all loss or damage sustained, and from any and all liability to any Person or property incurred by the other (the indemnified party), by reason of any act or performance, or failure to act or perform, on the part of the other (the indemnifying party) or its officers, agents, or employees, in constructing, maintaining or operating the indemnifying party's apparatus, appliances or other property, or in the transmission, control, or application, redistribution, delivery, or sale of said power and energy on the indemnifying party's side of said Point of Connection. Whenever any claim is made against either party, whether the indemnified party or the indemnifying party, the party against whom the claim is made shall give notice to the other party within a reasonable time after the party against whom the claim is made becomes aware of any facts which could reasonably cause it to conclude that the claim is covered by this indemnification. Except as otherwise specifically provided in this Section 11(e), such indemnification shall hold harmless the indemnified party, its officer, agents or employees, from and against any and all liability and any and all losses, damages, injuries, costs and expenses, including expenses incurred by the indemnified party, its agents, servants or employees, in connection with defending any claim or action, and including reasonable attorneys' fees incurred or suffered by the indemnified party, its officer, agents or employees, by reason of the assertion of any such claim against the one indemnified, its officer, agents or employees. The indemnification provided for in this Section 11(e) shall not cover the following expenses: (1) the expense of investigating any claim prior to the time that notice is given to the other party that said claim is covered by this indemnification; (2) compensation for time of employees of the indemnified party spent in defending any action; and (3) attorneys' fees incurred by an indemnified party after an indemnifying party has assumed the defense of an action as provided in this Section 11(e). At any time, the indemnifying party may, at its option, assume on behalf of

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and if sufficient time is available, schedule such interruption or reduction at a time which will cause the least interference with the operations of the Members.

Power Agency shall not be required to provide, and shall not be liable for failure to provide, service under this Agreement when such failure or the cessation or curtailment of or interference with the service is caused by Force Majeure or, with respect to the services to be provided for Full Requirements Bulk Power Supply, is caused by the inability of Power Agency to obtain any required governmental approvals to enable Power Agency to acquire or construct any facilities.

b. Metering. Electric capacity and energy delivered by Power Agency to Members' Delivery Points connected to the DEP transmission system will be measured by meters installed at such Members' Delivery Points. The installation, operation, maintenance, repair and replacement of all metering equipment located at Delivery Points connected to the DEP transmission system will be performed by DEP pursuant to the NITSA and NOA. Electric capacity and energy delivered by Power Agency to Members' Delivery Points connected to the Dominion NCP transmission system will be measured by meters installed at such Members' Delivery Points, and such measurements will be transmitted to the point of interconnection between the DEP transmission system and the Dominion NCP transmission system pursuant to the Telemetry and Metering System Services Agreement. The installation, operation, maintenance, repair and replacement of all metering equipment located at Delivery Points connected to the Dominion NCP transmission system will be performed pursuant to the Dominion NCP Transmission Agreement.

c. Power Deliveries. Power and energy furnished to the Member under this Agreement shall be in the form of three phase current, alternating at a frequency of approximately 60 Hertz.

d. Effect of PURPA. Power Agency shall endeavor to provide the Member with capacity and energy, or transmission services, as required by the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978 (16 USC 824a-3) and its implementing regulations ("PURPA Requirements") in connection with the service of loads by the Members pursuant to the PURPA Requirements. In connection with the purchase by a Member of capacity and energy from a PURPA Qualifying Resource that (i) has a nameplate capacity below 500 kW, Power Agency shall provide the Member a billing credit, on a monthly basis, equal to the Power Agency's avoided cost rate, as the same may be amended from time to time, and (ii) has a nameplate capacity at or above 500 kW, Power Agency shall provide the Member a billing credit, on a monthly basis, equal to the rate that such PURPA Qualifying Resource would receive pursuant to the terms and conditions of DEP's applicable North Carolina filed rate tariff (the "Applicable Rate") applied to the energy and capacity, if applicable, from such PURPA Qualifying Resource. The capacity and energy generated by such PURPA Qualifying Resources shall be added to the Member's Delivery Point metered loads for purposes of determining the monthly billing demand and energy for the Member. For a PURPA Qualifying Resource having a nameplate capacity at or above 500 kW, the Applicable Rate shall be either: (a) the energy-only rate under DEP's North Carolina filed rate tariff that the PURPA Qualifying Resource would be eligible to receive from DEP for facilities not directly interconnected with DEP, or (b) the energy and capacity, if applicable, rates that

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the indemnified party, its officer, agents and employees, after written notification by the indemnified party of the existence of such a claim, the defense of any action at law or in equity which may be brought against the indemnified party, its officers, agents or employees. The indemnifying party, regardless of whether it assumes the defense of any such action, will pay on behalf of the indemnified party, its officer, agents or employees, the amount of any judgment that may be entered against the indemnified party, its officer, agents or employees, in any such action.

If, pursuant to the provisions of the Full Requirements Power Purchase Agreement, Power Agency is liable to DEP for any loss or damage sustained or any liability to any Person or property incurred by DEP by reason of any act or performance, or failure to act or perform, by the Member, its officers, agents or employees, then the Member shall reimburse Power Agency for any costs or expenses incurred in connection therewith.

In the event that a Member sustains any loss or damage or incurs any liability to any Person or property by reason of any act or performance, or failure to act or perform, by DEP, its officers, agents or employees, then Power Agency shall indemnify and hold harmless such Member from and against such loss, damage or liability; provided, however, that Power Agency shall not be required to indemnify and hold harmless such Member from and against such loss, damage or liability unless Power Agency shall be entitled to recover from DEP the amount of any indemnification sought by the Member pursuant to this paragraph.

The term "Point of Connection" as used in this Section 11(c) shall mean any point at which the conductors owned by a Member connect with the conductors owned by any other entity, including Power Agency, for the purpose of delivering electric power to the Member in accordance with the provisions of this Agreement.

f. No Adverse Distinction. Power Agency agrees that there shall be no pattern of adverse distinction and no pattern of undue discrimination in carrying out its obligations under this Agreement relating to the Member as compared to the other Members.

g. Other Terms and Conditions. Service hereunder shall be in accordance with such other terms and conditions as are established as part of Power Agency's service rules and regulations, which shall not be inconsistent with the provisions of this Agreement.

h. Notices and Computation of Time. Any notice or demand given by the Member to Power Agency under this Agreement shall be deemed properly given if mailed postage prepaid and addressed, or electronically mailed, to the chief executive officer of Power Agency at its principal office or electronic mail address designated in writing filed with the Members by Power Agency. Any notice, demand, budget, or statement given or rendered by Power Agency to the Members under this Agreement shall be deemed properly given or rendered if mailed postage prepaid and addressed, or electronically mailed, to the Person and at the address designated in writing filed with Power Agency by the Member. The designations of the name and address to which any such notice or demand is directed may be changed at any time and from time to time by either party giving notice as above provided.

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In computing any period of time prescribed or allowed under this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is a Saturday, a Sunday, or a legal holiday in North Carolina, in which event the period runs until the end of the next day which is not a Saturday, a Sunday, or a legal holiday in North Carolina.

12. Future Members. It is expressly understood that nothing herein shall preclude other future Members from contracting with Power Agency for planning, procuring, and providing such other future Members' bulk power supply.

13. Records, Accounts, Reports, Audits. Power Agency shall keep accurate records and accounts for any projects owned or controlled by Power Agency and for Full Requirements Bulk Power Supply, separate and distinct from its other records and accounts. Such records and accounts shall contain information supporting the allocation of Power Agency's indirect costs associated with any projects owned or controlled by Power Agency and with Full Requirements Bulk Power Supply. Such records and accounts shall be audited annually by a firm of independent certified public accountants, experienced in electric utility accounting and of national reputation, to be employed by Power Agency. Such records and accounts and such annual audit, including all written comments and recommendations of such accountants, shall be made available for inspection at any reasonable time by the Member at the principal office of Power Agency.

The Member shall keep accurate records and accounts for its Electric System, separate and distinct from its other records and accounts. Such records and accounts shall be audited annually by a firm of certified public accountants or by an accountant approved by the Local Government Commission of North Carolina as qualified to audit Local Government accounts who has no personal interest, direct or indirect, in the fiscal affairs of the municipal government or any of its officers, which audit may be part of the annual audit of the accounts of the Member. Such records and accounts shall be made available for inspection by Power Agency at any reasonable time, and a copy of such annual audit, including all written comments and recommendations of such accountants, shall be furnished to Power Agency not later than one hundred eighty (180) days after the close of the Member's fiscal year.

Power Agency shall, following the close of each fiscal year, submit an annual report of its activities for the preceding year to the Members, to the North Carolina Utilities Commission, and to the Local Government Commission of North Carolina. Each such report shall set forth a complete operating and financial statement covering the operations of Power Agency.

14. Modification and Uniformity of Contracts. This Agreement shall not be subject to termination by either party hereto under any circumstances whether based upon the default of the other party under this Agreement, or any other agreement, or otherwise, except as specifically provided in this Agreement. If any other Full Requirements Power Sales Agreement is amended or replaced, so that it contains terms and conditions different from those contained in this Agreement, Power Agency shall notify the Member and, at the option of the Member and upon timely request, Power Agency shall amend this Agreement to include similar terms and conditions.

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b. The failure of a party to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions of this Agreement shall in no way be construed to be a waiver of such provisions, nor in any way to affect the validity of this Agreement or any part thereof, or the right of such party thereafter to enforce each and every such provision.

23. Relationship to Other Instruments. It is recognized by the parties hereto that Power Agency must comply with the requirements of the Bond Resolution, and it is therefore agreed that this Agreement is made subject to the terms and provisions of the Bond Resolution.

24. Counterparts, Electronic Signatures. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, taken together, shall constitute but one and the same Full Requirements Power Sales Agreement. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement and, when printed from electronic files, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. For purposes of this Agreement, "electronic signature" means a manually-signed original signature that is then transmitted by electronic means, and "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a "pdf" (portable document format) or other replicating image attached to an e-mail message.

25. Entire Agreement. This Agreement shall constitute the entire understanding among the parties hereto, superseding any and all previous understandings, oral or written, pertaining to the subject matter contained herein. No party hereto has relied, or will rely, upon any oral or written representation or oral or written information made or given to such party by any representative of the other party or anyone on its behalf.

26. Preaudit. Execution of this Agreement by the finance officer of the Member shall constitute a certification of such finance officer that, to the extent this Agreement requires the Member to satisfy a financial obligation during the Member's fiscal year in which the Effective Date occurs, this Agreement has been preaudited in the manner required by the N.C. Local Government Budget and Fiscal Control Act.

[Balance of Page Intentionally Left Blank; Signature Page Follows.]

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15. Assignment of Agreement. Except as provided in Section 10 of this Agreement, this Agreement shall not be transferred or assigned.

16. Severability. If any section, paragraph, clause, or provision of this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Agreement shall be unaffected by such adjudication and all of the remaining provisions of this Agreement shall remain in full force and effect as though such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein. In the event of any such invalidity, the parties hereto shall promptly negotiate in good faith valid new provisions to restore the Agreement to its original intent and effect.

Notwithstanding the invalidity or unenforceability of any or all other provisions of this Agreement, the provisions of this Agreement in respect of the Member's obligation to pay its Member's Share of Monthly Support Costs shall remain in full force and effect.

17. Applicable Law; Construction. This Agreement is made under and shall be governed by the law of the State of North Carolina without regard to principles of conflicts of laws. Headings herein are for convenience only and shall not influence the construction of this Agreement.

18. Survivorship of Obligations. The termination of this Agreement shall not discharge any party hereto from any obligation it owes to the other party under this Agreement by reason of any transaction, loss, cost, damage, expense, or liability which shall occur or arise (or the circumstances, events, or basis of which shall occur or arise) prior to such termination. It is the intent of the parties hereto that any such obligation owed (whether the same shall be known or unknown at the termination of this Agreement or whether the circumstances, events, or basis of the same shall be known or unknown at the termination of this Agreement) shall survive the termination of this Agreement.

19. No Delay. No disagreement or dispute of any kind between the parties to this Agreement or between any party and any other entity, concerning any matter, including, without limitation, the amount of any payment due from said party or the correctness of any billing made to the party, shall permit the said party or either of them, to delay or withhold any payment or the performance by any party of any other obligation pursuant to this Agreement. Each party shall promptly and diligently undertake to resolve such disagreement and dispute without undue delay.

20. Further Documentation. From time to time after the execution of this Agreement, the parties hereto shall within their legal authority execute other documents as may be necessary, helpful, or appropriate to carry out the terms of this Agreement.

21. Incorporation of Exhibits. All Exhibits attached to this Agreement shall be incorporated into and be a part of this Agreement.

22. Continuance and Enforcement of Agreement.

a. Except as provided in Section 7(b) of this Agreement, Power Agency shall continue this Agreement in full force and effect and shall enforce this Agreement in accordance with its terms to the extent permitted by law.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement all by authority of their respective governing bodies duly given.

Executed this 11th day of May, 2015.

CITY OF WASHINGTON

By:  Mayor

Attest:

For purposes of Section 26 only:


Cynthia S. Bonner
City Clerk


Matt Russell
Finance Officer

(SEAL)

Executed this 21st day of April, 2015.

NORTH CAROLINA EASTERN
MUNICIPAL POWER AGENCY

By: 
Chief Executive Officer

Attest:


Assistant Secretary

(SEAL)

[Signature Page of Full Requirements Power Sales Agreement]

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Duke Energy Progress, Inc.
FERC FPA Electric Tariff
Open Access Transmission Tariff
Service Agreement No. 268
NITSA and NOA with NCEMPA
Effective July 1, 2014
Option Code: A

Exhibit A
Network Integration Transmission Service Agreement
and
Network Operating Agreement
between
Duke Energy Progress, Inc.
and
North Carolina Eastern Municipal Power Agency

NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT
AND
NETWORK OPERATING AGREEMENT
BETWEEN
DUKE ENERGY PROGRESS, INC.
AND
NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY

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NCEMPA NITSA
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SERVICE AGREEMENT FOR
NETWORK INTEGRATION TRANSMISSION SERVICE

- 1.0 This Service Agreement, dated as of April 30, 2008, is entered into, by and between Duke Energy Progress, Inc., formerly known as Carolina Power & Light Company, (d/b/a Progress Energy Carolinas, Inc.), with its principal offices located at 410 S. Wilmington Street, Raleigh, North Carolina 27601 ("Transmission Provider" or "DEP"), and North Carolina Eastern Municipal Power Agency, with its principal offices located at 1427 Meadow Wood Blvd, Raleigh, NC 27604 ("Transmission Customer" or "NCEMPA").
- 2.0 The Transmission Customer has been determined by the Transmission Provider to have submitted a Completed Application for Network Integration Transmission Service under the Open Access Transmission Tariff of Duke Energy Progress, Inc. (the "Tariff").
- 3.0 The Transmission Customer has met the creditworthiness standards of Section 11.2 of the Tariff. In the event that Transmission Customer does not take service for any reason, the Transmission Provider will provide Transmission Customer with a statement identifying the costs incurred.
- 4.0 Service under this Service Agreement shall commence on the later of (1) July 1, 2008, or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission.
- 5.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of Part III of the Tariff and this Service Agreement.
- 5.1 The Transmission Customer is responsible for replacing Real Power Losses associated with all transmission service in accordance with Section 28.5 of the Tariff.
- NCEMPA has initially arranged, through its contracts with Duke Energy Progress, Inc. ("DEP"), for the supply of Real Power Losses associated with its transmission service in accordance with Section 28.5 of the Tariff.

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- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

Sammy Roberts
Duke Energy Progress, Inc.
Director, Power System Operations - Carolinas
3401 Hillsborough Street
Raleigh, NC 27607
Phone: (919) 546-5678
Fax: (919) 546-4048

Transmission Customer:

Roy Jones, COO
Electricities of North Carolina, Inc.
1427 Meadow Wood Blvd.
Raleigh, NC 27604
RJones@electricities.org

- 7.0 The Tariff, Specifications for Network Integration Transmission Service and the Network Operating Agreement, all of which may be amended from time to time, are incorporated herein and made a part hereof.
- 8.0 Service under this Service Agreement will be subject to some combination of the agreed-upon charges detailed below:

8.1 Transmission Charge:

In each month, Transmission Customer's charge for transmission service shall be determined in accordance with Attachment H of the Tariff. For purposes of applying the provisions of Attachment H, the Transmission Customer's "Network Load" shall be determined as follows:

$$\text{Network Load} = [(TCCP - SEPA) / (1.0 - TLF)] + 50 \text{ MW}$$

where:

"TCCP" for any month is the aggregate of the 60-minute integrated metered demands recorded at (or, if the metering location is remote from the Delivery Point, compensated to) the Transmission Customer's Delivery Points during the hour of the month in which the greatest load was imposed on the Transmission Provider's Transmission System.

"SEPA" is the sum of the preference customer Southeastern Power Administration ("SEPA") capacity allocations of Transmission Customer's municipal participants.

"TLF" is the approved Transmission Loss Factor (expressed as a decimal amount) for the Transmission Provider's Transmission System.

- (2) Transmission Customer Generation Purchased:
- (a) The purchase of approximately 29 MW of capacity and associated energy from the Kerr hydroelectric project located in the Dominion Virginia Power control area, operated by the U.S. Army Corps of Engineers, and marketed by the Southeastern Power Administration ("SEPA"). Although considered a Network Resource for purposes of this Service Agreement, SEPA reimburses the Transmission Provider for transmission service under a separate Service Agreement. Consequently, SEPA allocations will be subtracted from the Transmission Customer's Network Load for purposes of determining charges pursuant to paragraph 8.0 of this Service Agreement.
 - (b) The purchase of capacity and energy from DEP pursuant to Article 7 of the 1981 PCA to replace capacity and energy from Initial Project Resources when any portion thereof is not available or is subject to a dispatch related reduction ("Backstand" or "Replacement Energy"). Backstand and Replacement Energy is supplied by DEP's system of generating and purchased resources and is delivered to the DEP-East Control Area. The term of the 1981 PCA extends to the later of (i) January 1, 2032, or (ii) upon the date on which the last Initial Project Resource is retired.
 - (c) The purchase by NCEMPA of approximately 8 MW of capacity and associated energy pursuant to an agreement dated March 29, 1988 between NCEMPA and the Town of Edenton and an agreement dated March 24, 1988, between NCEMPA and the City of Elizabeth City (collectively, the "Diesel New Resources"). These resources are physically located in the Dominion Virginia Power control area.
 - (d) The purchase of capacity and energy from DEP pursuant to the Agreements between NCEMPA and DEP applicable to Supplemental Load dated December 23, 2002 and February 25, 2005 (the "Supplemental Load Agreements"), which obligate DEP to provide capacity and energy to meet all remaining load of NCEMPA not met by other resources. Supplemental Capacity and Energy under the Supplemental Load Agreements is supplied by DEP's system of generating and purchased resources and is delivered to the DEP-East Control Area. The Supplemental Load Agreements obligate DEP to supply such capacity and energy through December 31, 2017.
 - (e) Effective January 1, 2018: The purchase of capacity and energy from DEP pursuant to an Agreement between NCEMPA and DEP applicable to Supplemental Load dated October 31, 2011 (the "Power Supply Agreement"), which obligates DEP to provide capacity and energy to meet all remaining load of NCEMPA not met by other resources. Supplemental Capacity and Energy under this Agreement is supplied by DEP's system of generating and purchased resources and is delivered to the DEP-East Control Area. This Power Supply Agreement obligates DEP to supply such capacity and energy through December 31, 2031.

ATTACHMENT A-1

**TO THE SPECIFICATIONS FOR SERVICE UNDER THE
NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (NITSA)
BETWEEN
NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY
AND DUKE ENERGY PROGRESS, INC.**

**NCEMPA DELIVERY POINTS AND
FORECASTED DELIVERY POINT DEMANDS**

Total Network Resources = (1) + (2) = Transmission Customer's Total Network Load

- 4.0 Network Load
- (1) Transmission Customer Network Load:
See Attachment A-1 for a list of the Transmission Customer's Delivery Points and the 10-year forecast for each. Detailed information about each of the Transmission Customer's Delivery Points shall be set forth in Delivery Point Data Sheets, executed by the Parties, substantially in the form set forth in Attachment A-2. Initiation of a new Delivery Point, or changes to the configuration of or investment in existing Delivery Points, shall require execution of an appropriately modified Delivery Point Data Sheet.
 - (2) Total Network Load at time of most recent annual peak load:
- | Season
(Date - Hour Ending) | Total Network Load
[kW] |
|----------------------------------|----------------------------|
| Summer 2007
(08/21/2007-HE15) | 1,626,015 |
| Winter 2007
(02/06/2007-HE10) | 1,263,024 |
- 5.0 Power Factor Requirements
The power factor requirements applicable to Transmission Customer's Delivery Points shall be as set forth in the Transmission Provider's Tariff.
 - 6.0 Designation of party(ies) subject to reciprocal service obligation:
None.
 - 7.0 Name(s) of any Intervening Systems providing transmission service:
None.
 - 8.0 Party Responsible for Providing Real Power Losses:
Transmission Customer has initially arranged, through its contracts with Duke Energy Progress, Inc. ("DEP"), for the supply of Real Power Losses associated with its transmission service in accordance with Section 28.5 of the Tariff.

North Carolina Eastern Municipal Power Agency
2008 Forecast Annual DP NCP Demand Kilowatts at Power Agency Delivery Level
Including SEPA Allocation
(2008-2018)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Apex 2	35,963	36,973	38,170	39,359	40,588	41,876	43,233	44,680	46,230	47,783	48,969
Apex 3	25,710	26,855	27,518	28,375	29,261	30,190	31,168	32,218	33,328	34,448	35,303
Apex 4	21,563	22,356	23,080	23,799	24,541	25,320	26,141	27,022	27,953	28,892	29,609
Ayden	23,481	23,836	24,354	24,860	25,378	25,918	26,489	27,050	27,661	28,285	28,906
Benson	8,677	8,706	8,716	8,732	8,751	8,774	8,802	8,950	9,100	9,253	9,403
Clayton	24,122	24,375	25,139	25,804	26,492	27,205	27,937	28,683	29,469	30,266	31,058
Farmville 1	-	-	-	-	-	-	-	-	-	-	-
Farmville 2	13,221	13,246	13,273	13,299	13,327	13,354	13,381	13,408	13,435	13,461	13,486
Fremont	3,312	3,322	3,332	3,342	3,352	3,362	3,372	3,382	3,393	3,404	3,414
Greenville 1	269,927	274,268	279,959	285,780	292,178	298,652	305,343	312,384	319,675	326,699	333,716
Greenville 4	83,723	85,100	86,866	88,673	90,658	92,666	94,743	96,927	99,158	101,369	103,646
Hookerton	1,520	1,557	1,570	1,579	1,585	1,590	1,596	1,603	1,609	1,616	1,623
Kinston	101,953	103,340	104,637	105,376	105,877	106,372	106,759	107,095	107,497	107,940	108,360
La Grange	7,035	7,067	7,176	7,255	7,319	7,386	7,447	7,508	7,577	7,651	7,726
Laurinburg	34,746	34,878	35,290	35,631	35,987	36,203	36,412	36,665	37,068	37,414	37,777
Louisburg	12,786	12,927	13,095	13,237	13,384	13,537	13,700	13,866	14,041	14,217	14,392
Lumberton 2	36,004	36,231	36,616	36,982	37,353	37,707	38,048	38,390	38,760	39,135	39,512
Lumberton 3	33,057	33,265	33,618	33,955	34,295	34,620	34,933	35,247	35,586	35,931	36,277
New Bern 1	31,185	31,420	31,796	32,179	32,551	32,852	33,217	33,557	33,922	34,309	34,723
New Bern 2	36,888	37,165	37,611	38,063	38,504	38,906	39,292	39,694	40,126	40,583	41,073
New Bern 3	7,516	7,573	7,663	7,755	7,845	7,927	8,006	8,088	8,176	8,269	8,369
New Bern 4	43,950	44,281	44,811	45,350	45,876	46,355	46,814	47,293	47,807	48,353	48,936
Pikeville	2,240	2,249	2,261	2,273	2,285	2,297	2,309	2,322	2,335	2,347	2,359
Red Springs	8,500	8,570	8,657	8,741	8,825	8,905	8,984	9,064	9,153	9,244	9,337
Rocky Mount 1	160,049	140,537	140,614	140,641	140,664	140,685	140,704	140,724	140,743	140,762	140,779
Rocky Mount 4	-	19,766	19,777	19,781	19,784	19,787	19,790	19,792	19,795	19,798	19,800
Selma 2	13,326	13,548	13,916	14,204	14,484	14,804	15,114	15,443	15,780	16,125	16,449
Selma 3	1,220	1,243	1,267	1,293	1,320	1,348	1,376	1,406	1,437	1,468	1,498
Smithfield 1	34,614	29,897	30,404	30,910	31,459	31,980	32,567	33,201	33,908	34,599	35,338
Smithfield 2	4,929	9,889	9,961	10,033	10,111	10,185	10,269	10,359	10,460	10,558	10,663
Southport	12,735	13,051	13,214	13,402	13,543	13,728	13,930	14,056	14,249	14,366	14,545
Wake Forest 2	37,302	19,335	20,119	20,947	21,680	22,388	23,264	24,188	25,150	25,632	26,494

Wake Forest 3	-	19,335	20,119	20,947	21,680	22,388	23,264	24,188	25,150	25,632	26,494
Washington	74,397	75,902	77,333	78,630	79,913	81,218	82,505	83,797	85,121	86,451	87,771
Wilson 1	-	-	-	-	-	-	-	-	-	-	-
Wilson 2	15,751	15,675	15,857	16,057	16,278	16,481	16,696	16,925	17,187	17,448	17,734
Wilson 3	40,192	39,999	40,465	40,973	41,538	42,056	42,605	43,189	43,856	44,524	45,252
Wilson 4	11,864	11,807	11,945	12,095	12,261	12,414	12,576	12,749	12,946	13,143	13,358
Wilson 5	20,519	20,420	20,658	20,918	21,206	21,470	21,751	22,049	22,390	22,731	23,102
Wilson 6	27,689	27,556	27,877	28,227	28,616	28,973	29,351	29,754	30,213	30,674	31,175
Wilson 7	15,311	15,238	15,415	15,609	15,824	16,021	16,231	16,453	16,707	16,962	17,239
Wilson 8	-	-	-	-	-	-	-	-	-	-	-
Wilson 9	-	-	-	-	-	-	-	-	-	-	-
Wilson 10	47,980	47,749	48,305	48,912	49,586	50,204	50,860	51,557	52,354	53,151	54,020
Wilson 11	66,567	66,247	67,018	67,860	68,795	69,653	70,563	71,530	72,635	73,741	74,947
Wilson 12	4,944	4,920	4,977	5,040	5,109	5,173	5,241	5,312	5,395	5,477	5,566
DEP Total	1,456,070	1,471,569	1,494,452	1,516,878	1,540,053	1,562,969	1,586,764	1,611,778	1,638,424	1,664,110	1,690,098
Belhaven 1	5,388	5,409	5,431	5,454	5,478	5,503	5,528	5,551	5,573	5,595	5,617
Edenton 1	25,641	25,938	26,245	26,553	26,848	27,135	27,431	27,737	28,097	28,469	28,854
Elizabeth City 1	70,380	71,734	72,953	74,106	75,291	76,380	77,452	78,619	79,912	81,262	82,628
Hamilton 1	1,060	1,061	1,066	1,072	1,077	1,083	1,089	1,094	1,100	1,105	1,111
Hertford 1	5,562	5,615	5,652	5,688	5,725	5,760	5,795	5,831	5,868	5,906	5,945
Hobgood 1	1,066	1,088	1,099	1,103	1,107	1,110	1,113	1,115	1,118	1,121	1,124
Robersonville 1	6,431	6,450	6,561	6,660	6,750	6,831	6,898	6,973	7,053	7,157	7,247
Scotland Neck 1	7,333	7,338	7,338	7,338	7,338	7,338	7,338	7,338	7,338	7,338	7,338
Tarboro 1	13,030	13,110	13,277	13,405	13,524	13,622	13,728	13,836	13,960	14,075	14,200
Tarboro 2	13,429	13,511	13,684	13,816	13,939	14,040	14,148	14,260	14,388	14,507	14,635
Tarboro 3	18,188	18,299	18,532	18,712	18,878	19,015	19,162	19,314	19,466	19,648	19,822
Tarboro 4	10,870	10,936	11,075	11,183	11,282	11,364	11,451	11,542	11,645	11,742	11,846
Tarboro 5	8,055	8,104	8,207	8,287	8,360	8,421	8,486	8,553	8,629	8,701	8,778
VEPCO Total	186,452	188,594	191,119	193,379	195,597	197,602	199,620	201,763	204,176	206,626	209,147
NCEMPA Total	1,642,522	1,660,163	1,685,571	1,710,257	1,735,650	1,760,572	1,786,384	1,813,541	1,842,600	1,870,736	1,899,245

ATTACHMENT A-2
TO THE SPECIFICATIONS FOR SERVICE UNDER THE
NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (NITSA)
BETWEEN
NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY
AND DUKE ENERGY PROGRESS, INC.

FORM OF DELIVERY POINT DATA SHEETS

DELIVERY POINT DATA SHEET

1. NCEMPA Participant _____
2. Location _____
3. Effective Date _____
4. Delivery Point Name and Location _____
5. Delivery Point Voltage _____
6. Point of Connection _____
- A. Name _____
- B. Number _____
- C. Physical Location _____
- D. Firm Capacity of: _____
- E. Voltage _____
- F. Metered Voltage _____
- G. Location of Meter _____
7. Special Facilities or Conditions _____

ACCEPTED BY NCEMPA Name: _____
Title: _____
Date: _____

ACCEPTED BY DEP Name: _____
Title: _____
Date: _____

ATTACHMENT B-1
TO THE SPECIFICATIONS FOR SERVICE UNDER THE
NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (NITSA)
BETWEEN
NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY
AND DUKE ENERGY PROGRESS, INC.

DELIVERY FACILITIES CHARGES

DELIVERY FACILITIES CHARGES

Transmission Customer will compensate Transmission Provider for Transmission Customer's share of the cost of Delivery Facilities (facilities beyond the Delivery Points that are used to deliver capacity and energy from the Transmission System to the systems of Transmission Customer's municipal participants at each Delivery Point). The charges for Delivery Facilities in each month shall be calculated in accordance with the formulas set forth below, based upon the operating voltage (transmission voltage or distribution voltage) of specific Delivery Facilities at a Delivery Point.

$$\begin{aligned} \text{Delivery Facilities Charge for Transmission Voltage Delivery Facilities} &= (\text{CACR}_{DP} - \text{CACR}_{EX}) \times \text{MFCR}_{TV} \\ \text{Delivery Facilities Charge for Distribution Voltage Delivery Facilities} &= (\text{CACR}_{DP} - \text{CACR}_{EX}) \times \text{MFCR}_{DV} \\ \text{CACR}_{EX} &= \text{OC}_{EX} \times \text{RF} \\ \text{CACR}_{DP} &= \text{OC}_{DP} \times \text{RF} \end{aligned}$$

Terms used in the foregoing formulas shall have the following meanings:

CACR_{EX} ("Customer-Assigned Cost Responsibility – Existing Facilities"): the portion (in \$) of the Original Cost of Delivery Facilities placed in service on and after July 1, 2008 and located at Transmission Customer's Delivery Points for which Transmission Customer shall bear cost responsibility for purposes of calculating Delivery Facilities Charges.

CACR_{DP} ("Customer-Assigned Cost Responsibility – Additional Facilities"): the portion (in \$) of the Original Cost of Delivery Facilities placed in service on and after July 1, 2008 and located at Transmission Customer's Delivery Points for which Transmission Customer shall bear cost responsibility for purposes of calculating Delivery Facilities Charges. In any year, CACR_{DP} shall be determined as the product of the Original Cost of Additional Facilities (Delivery Facilities placed in service on and after July 1, 2008) times the RF for that year.

OC_{EX} ("Original Cost of Existing Facilities"): for any Delivery Point, the asset costs of Delivery Facilities placed in service before July 1, 2008, as set forth in the Delivery Facilities Investment Data Sheet for such Delivery Point that is in effect as of July 1, 2008. These values, shall not change during the term of the NITSA except (as set forth below) as necessary to reflect the Transmission

Provider's remaining book investment in existing Delivery Facilities that later may be retired from service.

OC_{AF} ("Original Cost of Additional Facilities"): For any Delivery Point, the asset costs of new Delivery Facilities or modifications to existing Delivery Facilities that are placed in service on and after July 1, 2008, as properly recorded by Transmission Provider in FERC Accounts 360 through 369 (or their successor accounts) and reflected on a new or modified Delivery Facilities Investment Data Sheet for that Delivery Point.

OC_{EF} and OC_{AF} shall be reduced from time to time by an appropriate share of the Transmission Provider's remaining book investment in existing or new Delivery Facilities that were reflected in the determination of OC_{EF} or OC_{AF} (as applicable) but that later are retired from service.

RF ("Responsibility Factor"): For Delivery Points where the Transmission Customer is the sole user of the Delivery Facilities, RF shall equal 1.0. For Delivery Points where the Transmission Customer is not the sole user of the Delivery Facilities, RF shall be calculated as follows:

$$RF = \frac{\text{(Transmission Customer metered demand at hour of peak annual demand on Delivery Facility)}}{\text{(Total demand on Delivery Facility at hour of peak annual demand on Delivery Facility)}}$$

The Transmission Provider shall update the values used for RF each calendar year based on the most recent available load data.

MFCR_{TV} ("Monthly Fixed Charge Rate – Transmission Voltage"): A rate, expressed as a decimal value, representing one-twelfth of the annual cost of ownership of Delivery Facilities operated at transmission voltage (115 kV and higher). The current MFCR_{TV} value is 1.10%.

MFCR_{DV} ("Monthly Fixed Charge Rate – Distribution Voltage"): A rate, expressed as a decimal value, representing one-twelfth of the annual cost of ownership of Delivery Facilities operated at distribution voltage (below 115 kV). The current MFCR_{DV} value is 1.18%.

The values used for MFCR_{TV} and MFCR_{DV} may be changed by the Transmission Provider only pursuant to a filing made under Section 205 of the Federal Power Act, and by the Transmission Customer only pursuant to a filing made under Section 205 of the Federal Power Act.

Effective July 1, 2014, Transmission Customer shall pay the following monthly Delivery Facilities charges:

Delivery Facilities Charge for Transmission Voltage Delivery Facilities = \$13,113.49/month

Delivery Facilities Charge for Distribution Voltage Delivery Facilities = \$116,514.62/month

ATTACHMENT B-2

**TO THE SPECIFICATIONS FOR SERVICE UNDER THE
NETWORK INTEGRATION TRANSMISSION SERVICE AGREEMENT (NITSA)
BETWEEN
NORTH CAROLINA EASTERN MUNICIPAL POWER AGENCY
AND DUKE ENERGY PROGRESS, INC.**

**ORIGINAL COST OF EXISTING DELIVERY FACILITIES AND
INITIAL CUSTOMER-ASSIGNED COST RESPONSIBILITY
FOR EXISTING DELIVERY FACILITIES**

Cost Responsibility for Existing Power Agency Municipal Participant Distribution Delivery Facilities

(a)	(b)	(c)	(d)	(e)	(f)
Delivery Point	OC _{EF}	OC _{AF}	CACR _{EF}	CACR _{AF}	CACR _{TOTAL}
Apex #2 and #3	\$1,531,103	0	\$1,531,103	0	\$1,531,103
Apex #4		12,389		12,389	12,389
Apex #5		14,067		14,067	14,067
Benson #1	1,247,074	148,105	401,083	167,608	568,671
Clayton #1	1,611,560	2,435,934	560,148	694,097	1,254,245
Farmville #1	1,450,836	(1,450,836)	0	0	0
Farmville #2	0	14,586	0	14,586	14,586
Fremont #1	562,283	0	217,739	0	217,739
Hockerton #1	889,473	0	144,102	0	144,102
Kinston #1	52,117	0	52,117	0	52,117
LaGrange #1	625,884	0	317,067	0	317,067
Laurinburg #1	770,049	0	548,129	0	548,129
Louisburg #1	1,004,227	0	515,842	0	515,842
Lumberton #2	39,671	0	39,671	0	39,671
Lumberton #3	22,560	0	22,560	0	22,560
Lumberton #4	0	10,740	0	10,740	10,740
New Bern #1	11,869	0	11,869	0	11,869
New Bern #2	52,988	0	52,988	0	52,988
New Bern #3	1,002,374	0	456,188	0	456,188
New Bern #4	2,641	0	2,641	0	2,641
New Bern Lewis Farm Rd.	0	12,803	0	12,803	12,803
Pinetops #1	821,744	(44,673)	166,780	0	166,780
Red Springs #1	517,037	0	441,431	0	441,431
Selma #2	671,859	0	507,494	0	507,494
Selma #3	0	15,664	0	15,664	15,664
Smithfield #1	553,433	0	553,433	0	553,433
Smithfield #2	0	8,650	0	8,650	8,650
Southport #1	1,088,355	0	532,692	0	532,692
Wake Forest #2	1,429,433	0	1,429,433	0	1,429,433
Wake Forest #3	0	15,219	0	15,219	15,219
Wilson #1 through 11	399,986	0	399,986	0	399,986
Investment in metering, telemeasuring, and related equipment (combined system load signal)	3,821	0	3,821	0	3,821
Total Distribution	\$16,162,387	\$ 1,193,648	\$8,908,297	\$ 965,823	\$ 9,874,120

Cost Responsibility for Existing Power Agency Municipal Participant Transmission Delivery Facilities

(a)	(b) Transmission Voltage Delivery Facilities					(f)
	(c) OC _{EP}	(c) OC _{AP}	(d) CACR _{EP}	(e) CACR _{AP}	(e) CACR _{TOTAL}	
Ayden #1	\$79,383		\$79,383		\$79,383	
Greenville #1, #2 and #3	742,482	(394,981)	742,482	(394,981)	347,501	
Rocky Mount #1	310,574		310,574		310,574	
Washington #1	157,956		157,956		157,956	
Wilson 230 kV POD	296,721		296,721		296,721	
Total Transmission	\$1,587,116	(394,981)	\$1,587,116	(394,981)	\$1,192,135	

Network Operating Agreement

Between

Duke Energy Progress, Inc.

And

North Carolina Eastern Municipal Power Agency

Duke Energy Progress, Inc. formerly known as Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.) (Transmission Provider), and North Carolina Eastern Municipal Power Agency (Transmission Customer) agree that the provisions of this Network Operating Agreement (NOA) and the Service Agreement govern the Transmission Provider's provision of Network Integration Service to the Transmission Customer in accordance with DEP's Open-Access Transmission Tariff (Tariff), as it may be amended from time to time. Unless specified herein, capitalized terms shall refer to terms defined in the Tariff.

The Network Operating Committee consisting of a representative and an alternate from each Network Customer and the Transmission Provider shall: (i) coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service; (ii) ensure that current operating practices and procedures are consistent with the Network Operating Agreement; (iii) plan, schedule, and implement operational changes to maintain consistency with the Network Operating Agreement; and (iv) recommend, schedule, and implement Network Operating Agreement changes. Each party's authorized official will inform the other party's authorized official in writing of the representative and alternate to the Network Operating Committee as soon as practical, so that the agreement can be implemented.

1.0 Control Area Requirements

The Transmission Customer shall: (i) operate as a Control Area under applicable guidelines of the North American Electric Reliability Corporation ("NERC") and the SERC Reliability Corporation ("SERC"); or (ii) satisfy its Control Area requirements, including all Ancillary Services, by contracting with the Transmission Provider; or (iii) satisfy its Control Area requirements, including all Ancillary Services, by contracting with another entity that can satisfy those requirements in a manner that is consistent with the Tariff and Good Utility Practice and satisfies NERC and SERC standards. The Transmission Customer shall plan, construct, operate and maintain its facilities and system in accordance with Good Utility Practice, which shall include, but not be limited to, all applicable guidelines of NERC and SERC, as they may be modified from time to time, and any generally accepted practices in the region that are consistently adhered to by the Transmission Provider.

2.0 Redispatch Procedures

- If the Transmission Provider determines that redispatching resources (including reductions in off-system purchases and sales) to relieve an existing or potential transmission constraint is the most effective way to ensure the reliable operation of the Transmission System, the Transmission Provider will redispatch the Transmission Provider's resources, and request the Transmission Customer to redispatch its resources, on a least-cost basis, without regard to the ownership of such resources. The Transmission Provider will maintain a redispatch protocol and will apprise the Transmission Customer of its redispatch practices and procedures, as they may be modified from time to time.
- The Transmission Customer will submit verifiable cost data for its resources, which estimate the cost to the Transmission Customer of changing the generation output of its Network Resources, to the Transmission Provider. This cost data will be used, along with similar data for the Transmission Provider's resources, as the basis for least-cost dispatch. The Transmission Provider's bulk power operations personnel will keep this data confidential, and will not disclose it to the Transmission Provider's marketing personnel. If the Transmission Customer experiences changes to its costs, the Transmission Customer will submit those changes to the Transmission Provider's Energy Control Center. The Transmission Provider will implement least-cost redispatch consistent with its existing contractual obligations and its current practices and procedures for its own resources per Sections 33.2 and 42.2 of the Tariff. The Transmission Customer shall respond within ten minutes to requests for redispatch from the Transmission Provider's Energy Control Center.
- The Transmission Customer may audit, at its own expense, particular redispatch events (such as the cause or necessity of the redispatch) during normal business hours following reasonable notice to the Transmission Provider. Either the Transmission Customer or the Transmission Provider may request an audit of the other Party's cost data. Any audit of cost data will be performed by an independent agent at the requesting Party's cost. Such independent agent will be a nationally recognized accounting firm and will be required to keep all cost data confidential.
- Once redispatch has been implemented, the Transmission Provider will book in a separate account the redispatch costs incurred by the Transmission Provider and the Transmission Customer based on the submitted cost data. The Transmission Provider and the Transmission Customer will each bear a proportional share of the total redispatch costs pursuant to Sections 33 and 42 and Attachment J of the Tariff. The redispatch charge or credit, as appropriate, will be reflected on the Transmission Customer's monthly bill.

3.0 Metering

- Unless otherwise agreed and except as provided in Section 3(b), the Transmission Provider will be responsible for the installation, operation, maintenance, repair and replacement of all metering equipment necessary to provide Network Integration Service or Network Contract Demand Service. All metering equipment shall conform to Good Utility Practice and, if it is electrically located in the Transmission Provider's Control Area, the standards and practices of the Transmission Provider's Control Area. Prior to installation of any metering equipment by the Transmission Customer or its agents, the Transmission Provider and the Transmission Customer shall review the metering equipment to ensure conformance with such standards or practices. Metering equipment necessary to provide Network Integration Transmission Service that is in place at each Delivery Point as of the date of this Agreement is included within the Delivery Facilities provided by Transmission Provider pursuant to Section 10 and Attachments B-1 and B-2 of the NITSA.
- Unless otherwise agreed, electric capacity and energy received by the Transmission Provider from the Transmission Customer will be measured by meters installed and maintained by the Transmission Customer at the Transmission Customer's Network Resources if such Network Resources are electrically located within the Transmission Provider's Control Area. When measurement is made at any location other than a Point of Receipt, suitable adjustment for losses between the point of measurement and the Point of Receipt will be agreed upon in writing between the Parties hereto and will be applied to all measurements so made. Metered receipts used in billing and accounting hereunder will in all cases include adjustment for such losses.
- Electric capacity and energy delivered to the Transmission Customer's points of delivery by the Transmission Provider will be measured by meters installed at the points of delivery. When measurement is made at any location other than a Point of Delivery, suitable adjustment for losses between the point of measurement and the Point of Delivery will be agreed upon in writing between the Parties hereto and will be applied to all measurements so made. Metered receipts used in billings and accounting hereunder will in all cases include adjustments for such losses.
- Meters at the Transmission Customer's Network Resources and Network Loads will be tested at least biennially. In addition, the Transmission Customer will, upon request of the Transmission Provider, test any of its meters at its Network Resources or Network Loads used for determining the receipt or delivery of capacity and energy by the Transmission Provider. Representatives of the Transmission Provider will be afforded an opportunity to witness such tests. In the event the test shows the meter to be inaccurate, the Transmission Customer will make any necessary adjustments, repairs or replacements thereon.

- (e) In the event any meter used to measure capacity and energy fails to register or is found to be inaccurate, appropriate billing adjustments, based on the best information available, will be agreed upon by the Parties hereto. Any meter tested and found to be not more than two percent above or below normal will be considered to be correct and accurate insofar as correction of billing is concerned. If, as a result of any test, a meter is found to register in excess of two percent either above or below normal, then the reading of such meter previously taken will be corrected according to the percentage of inaccuracy so found, but no correction will extend beyond ninety days prior to the day on which inaccuracy is discovered by such test.
- (f) The Transmission Provider will have the right to install suitable metering equipment at any Point(s) of Receipt or Delivery, as herein provided for the purpose of checking the meters installed by the Transmission Customer.
- (g) The Transmission Customer will read the meters owned by it, except as may be mutually agreed, and will furnish to the Transmission Provider all meter readings and other information required for operations and for billing purposes. Such information will remain available to the Transmission Provider for 3 years.

4.0 Control Area and Data Equipment

- (a) Unless otherwise agreed, the Transmission Provider will be responsible for the installation, modification, operation, maintenance, repair and replacement of all data acquisition equipment, protection equipment, and any other associated equipment and software, which may be required by either Party for the Transmission Customer to operate in accordance with its choice under Section 1.0 of this NOA.

Such equipment shall conform to Good Utility Practice and, if the Transmission Customer is electrically located within the Transmission Provider's Control Area, the standards and practices of the Transmission Provider's Control Area. Prior to installation of any such equipment by Transmission Customer or its agents, the Transmission Provider and the Transmission Customer shall review the equipment and software required by this Section to ensure conformance with such standards or practices.
- (b) The selection of real time telemetry and data to be received by the Transmission Provider's Energy Control Center and the Transmission Customer shall be at the reasonable discretion of the Transmission Provider's Control Area, as deemed necessary for reliability, security, economics, and/or monitoring of system operations. This telemetry includes, but is not limited to, loads, line flows, voltages, generator output, and breaker status at any of the Transmission Customer's transmission facilities. To the extent telemetry is required that is not available, the Transmission Customer shall, at its own expense, install any metering equipment data acquisition equipment, or other equipment and software

correction equipment sufficient to bring the Transmission Customer's power factor into compliance with the power factor requirements, and to assess the Transmission Customer the reasonable cost of such equipment.

- (c) Insofar as practicable, the Transmission Provider and the Transmission Customer shall protect, operate, and maintain their respective systems so as to avoid or minimize the likelihood of disturbances which might cause impairment of service on the system(s) of the other. The Parties shall implement load shedding programs to maintain the reliability and integrity of the Transmission System, consistent with the standards of NERC and SERC, as provided in Sections 33.6 and 42.6 of the Tariff. Load shedding shall include: (1) automatic load shedding by under frequency relay or (2) manual load shedding. The Transmission Provider will implement load shedding to maintain the relative sizes of load served, unless otherwise required by circumstances beyond the control of the Transmission Provider or the Transmission Customer. Automatic load shedding devices will operate without notice. When manual load shedding is necessary, the Transmission Provider shall notify the Transmission Customer's dispatchers or schedulers of the required action and the Transmission Customer shall comply within ten minutes.
- (d) The Transmission Customer shall, at its own expense, provide, operate, and maintain in service high-speed, digital under frequency load shedding equipment. For load served in or from the DEP Zone, the Transmission Customer will install under frequency relays to disconnect automatically its Network Load in a manner consistent with that followed by the Transmission Provider.

The installation of under frequency relays to accomplish any load shedding in addition to that already installed shall be completed on a schedule agreed to by the Network Operating Committee. The Network Operating Committee may review the amount of load that would be disconnected automatically, and make such adjustments and changes as necessary.
- (e) In the event the Transmission Provider modifies the load shedding system, the Transmission Customer shall, at its expense, make changes to its equipment and the settings of such equipment, as required. The Transmission Customer shall test and inspect the load shedding equipment within ninety (90) days of taking Network Integration Transmission Service or Network Contract Demand Transmission Service under the Tariff and thereafter in accordance with Good Utility Practice, and provide a written report to the Transmission Provider. The Transmission Provider may request a test of the load shedding equipment with reasonable notice.
- (f) The Transmission Customer shall ensure that all Network Resources meet the Transmission Provider's requirements for parallel operation of non-utility generation.

necessary for the telemetry to be received by the Transmission Provider's Energy Control Center.

The Transmission Customer has load located outside the Transmission Provider's Control Area. The Transmission Customer currently provides and shall continue to provide real time telemetry and data for this load to the Transmission Provider's Energy Control Center that is necessary for the provision of Network Integration Transmission Service.

- (c) Each Party shall be responsible for implementing any computer modifications or changes required to its own computer system(s) as necessary to implement this Section.

5.0 Operating Requirements

- (a) The Transmission Customer shall operate its generating resources inside the Transmission Provider's Control Area in a manner consistent with that of the Transmission Provider, including following voltage schedules, free governor response, meeting power factor requirements at the point of interconnection with the Transmission Provider's system, and other such criteria required by NERC and SERC, and consistently adhered to by the Transmission Provider.

- (b) When load is being served by the Transmission Customer within the DEP control area, the Transmission Customer shall maintain a power factor of 100% to 90%, lagging at each point of delivery determined on the basis of the 60-minute metered or computed reactive demand (kVar) for each hour of the month and the corresponding 60-minute metered or computed kilowatt demand for that hour.

In addition, the Transmission Customer shall maintain a power factor of 100% to 95%, lagging at each point of delivery, determined on the basis of the 60-minute metered or computed kilowatt demand at the time of DEP's monthly transmission system peak and the corresponding 60-minute reactive demand (kVar) for that hour.

To the extent the Transmission Customer owns or operates reactive devices which would cause reactive power to flow onto the DEP system, DEP and the Customer will develop procedures governing the Customer's delivery of reactive power to the DEP system.

In the event that the Transmission Customer does not satisfy the power factor requirements outlined above, or the Parties cannot agree on the procedures governing the customer's delivery of reactive power, or the Parties cannot agree on the efforts to be undertaken by the Transmission Customer to satisfy the power factor requirements within an agreed upon period of time, DEP reserves the right to make a unilateral filing with FERC under Section 205 of the Federal Power Act seeking authorization to either (i) assess appropriate charges to the Transmission Customer for reactive power supplied to the Transmission Customer by DEP up to the level of minimum power factor requirement, or (ii) install power factor

The Transmission Customer shall not permit any generating unit greater than 5 MW to be operated in parallel either continuously or momentarily with the Transmission Provider's system without the written approval of the Transmission Provider's Network Operating Committee representative.

For the Transmission Customer owned generation greater than 5 MW operated in parallel with the Transmission Provider's system without prior written approval, the Transmission Provider may take any and all appropriate action necessary to prevent the parallel operation of such generation. These actions may include, but are not limited to, ensuring reliability and safety of the Transmission Provider's system by whatever means necessary.

- (g) Parallel Operation or Transfers of Load Between Points of Connection

- (1) Planning
The Transmission Customer shall not permit any Point of Delivery to be operated in parallel with another Point of Delivery, or transfer load between Points of Delivery, unless the Transmission Provider has first approved the arrangement. The Transmission Provider shall grant such approval unless the reliability of its system and its ability to measure energy at any Point of Delivery would be adversely affected by such operation in parallel or load transfer. Any and all switching shall be done with the prior consent of the Transmission Provider Energy Control Center System Operator.

- (2) Operations
The Transmission Customer will be permitted to parallel Points of Delivery or to transfer loads for purposes of emergencies, maintenance, construction, or restoration of service with the prior consent of the Transmission Provider Energy Control Center System Operator.

6.0 Operational Information

The Transmission Customer shall provide data needed for the safe and reliable operation of the Transmission Customer's and the Transmission Provider's Control Area and to implement the provisions of the Tariff. The Transmission Provider will treat this information as confidential and will not divulge it to its marketing personnel.

- (a) The Transmission Customer served from the DEP Zone shall provide by September 1st of each year the Customer's Network Resource availability forecast (e.g., all planned resource outages, including off-line and on-line dates) for the following year. Such forecast shall be made in accordance with Good Utility Practice. The Transmission Customer shall inform the Transmission Provider, in a timely manner, of any changes to the Transmission Customer's Network Resource availability forecast. In the event that the Transmission Provider determines that such forecast cannot be accommodated due to a transmission constraint on its

Transmission System, and such constraint may jeopardize the security of its Transmission System or adversely affect the economic operation of either the Transmission Provider or the Transmission Customer, the provisions of Sections 33.2 and 42.2 of the Tariff will be implemented.

- (b) The Transmission Customer served from the DEP Zone shall provide at least 14 calendar days advance notice of the Transmission Customer's best forecast of any planned transmission or Network Resource outage(s) and other operating information that the Transmission Provider deems appropriate. In the event that such planned outages cannot be accommodated due to a transmission constraint on the Transmission Provider's Transmission System, the provisions of Sections 33.2 and 42.2 of the Tariff will be implemented.
- (c) The Transmission Provider and the Transmission Customer shall notify and coordinate with as much advance notice as reasonably possible with the other Party prior to the beginning of any work by the other Party (or contractors or agents performing on their behalf), which may directly or indirectly have adverse effects on the reliability and security of the other Party's system.
- (d) The Transmission Customer is responsible for replacing Real Power Losses associated with all transmission service in accordance with Sections 28.5 and 36.11 of the Tariff. The Transmission Customer must identify the party responsible for supplying Real Power Losses before the transaction takes place.

7.0 Network Planning

In order for the Transmission Provider to plan, on an ongoing basis, to meet the Transmission Customer's requirements for Network Integration Service, the Transmission Customer served from the DEP Zone shall provide, by January 1st of each year, updated information (current year and 15-year projections) for Network Loads and Network Resources, as well as any other information reasonably necessary to plan for Network Integration Service. This type of information is consistent with the Transmission Provider's information requirements for planning to serve its Native Load Customers. The data will be provided in a format consistent with that used by the Transmission Provider.

8.0 Character of Service

Power and energy delivered under the Service Agreement and this NOA shall be delivered as three-phase alternating current at a nominal frequency of sixty (60) Hertz, and at the nominal voltages at the delivery and receipt points.

9.0 Transfer of Power and Energy Through Other Systems

Since the Transmission Provider's Transmission System is, and will be, directly and indirectly connected with other electric systems, it is recognized that, because of the physical and electrical characteristics of the facilities involved, power delivered under the Service Agreement and this NOA may flow through such other systems. The Parties agree to advise other electric systems as

deemed appropriate of such scheduled transfers and to attempt to maintain good relationships with affected third parties. If the Transmission Provider is charged by another electrical system for loop flow charges, then the Transmission Provider may seek recovery of these charges from the Transmission Customer based on his cost responsibility pursuant to § 205 of the Federal Power Act.

10.0 Notice

If any Notice or request made to or by either Party regarding this NOA shall be made to the representative of the other Party as indicated in the Network Service Agreement.

11.0 Incorporation

The Tariff and the Service Agreement, as may be amended from time to time, are incorporated herein and made a part hereof.

12.0 Term

The term of this NOA shall be concurrent with the term of the Service Agreement between the Parties.

IN WITNESS WHEREOF, the Parties have caused this NOA to be executed by their respective authorized officials.

Transmission Provider:

By: /s/ K. R. Wilkerson 04/28/08
Name: K. R. Wilkerson Date
Title: Director, Power System Operations - Carolinas
Progress Energy Carolinas, Inc.

Transmission Customer:

By: /s/ Kenneth M. Raber 04/25/08
Name: Kenneth M. Raber Date
Title: Sr. VP Electricities Services / NCEMPA
Electricities of North Carolina, Inc.

POWER SALES AGREEMENTS TERMINATION AGREEMENT

City of Washington
Execution Copy

POWER SALES AGREEMENTS TERMINATION AGREEMENT

THIS POWER SALES AGREEMENTS TERMINATION AGREEMENT, dated as of the 24th day of April, 2015, is by and between North Carolina Eastern Municipal Power Agency, a joint agency of the State of North Carolina (including successors and permitted assigns, "Power Agency"), and the municipality of the State of North Carolina (the "Member") which has executed this Agreement (the "Agreement").

WHEREAS, Power Agency is duly organized as a public body and a body corporate and politic under the laws of the State of North Carolina (G.S. Chapter 159B) and, among other things, is authorized to sell for resale electric power and energy; and

WHEREAS, Power Agency owns the following undivided ownership interests in the following electric generating facilities: (i) 16.17% in Harris Unit No. 1, (ii) 18.33% in Brunswick Unit No. 1, (iii) 18.33% in Brunswick Unit No. 2, (iv) 16.17% in Mayo Unit No. 1, and (v) 12.94% in Roxboro Unit No. 4 and 3.77% in the common facilities that support Roxboro Unit No. 4 and the three (3) other coal-fired generation facilities located at the site of Roxboro Unit No. 4 (collectively, the "Joint Facilities"); and

WHEREAS, the Member is a city or town created under the laws of the State of North Carolina owning a system or facilities for the generation, transmission or distribution of electric power and energy for public and private use, and is authorized by said laws to contract to buy from Power Agency some or all of the power and energy required for its present or future requirements; and

WHEREAS, the Member has entered into an Initial Project Power Sales Agreement dated as of July 30, 1981, as amended by an Amendment Agreement dated as of October 31, 1984 (the "Project Power Sales Agreement"), with Power Agency pursuant to which Power Agency sells and the Member purchases the Member's Participant's Share (as defined in the Project Power Sales Agreement) of Project Output (as defined in the Project Power Sales Agreement) from the Joint Facilities; and

WHEREAS, the Member has entered into a Supplemental Power Sales Agreement dated July 31, 1981, as amended by an Amendment Agreement dated as of October 31, 1984 (the "Supplemental Power Sales Agreement") and, together with the Project Power Sales Agreement, the "Power Sales Agreements"), with Power Agency pursuant to which Power Agency sells and the Member purchases its All Requirements Bulk Power Supply (as defined in the Supplemental Power Sales Agreement), which consists of Project Output (as defined in the Project Power Sales Agreement) and Supplemental Bulk Power Supply (as defined in the Supplemental Power Sales Agreement); and

WHEREAS, Power Agency has entered into an Asset Purchase Agreement (as the same may be supplemented and amended, the "APA") with Duke Energy Progress, Inc. (including successors and permitted assigns, "DEP"), dated as of September 5, 2014, pursuant to which Power Agency has agreed to sell and transfer to DEP, and DEP has agreed to purchase and pay for, among other assets, the Joint Facilities; and

WHEREAS, upon the closing of the transaction contemplated by the APA (the "Closing"), including the sale and transfer of the Joint Facilities to DEP, Power Agency will no longer receive Project Output (as defined in the Project Power Sales Agreement); and

WHEREAS, Power Agency has entered into a Full Requirements Power Purchase Agreement (as the same may be supplemented and amended, the "Full Requirements Power Purchase Agreement") with DEP, dated as of September 5, 2014, pursuant to which Power Agency, effective upon the Closing, will purchase from DEP and DEP will sell to Power Agency firm capacity and energy in the amounts required by Power Agency to reliably serve the current and future electrical loads of its Members; and

WHEREAS, Power Agency and the Member have entered into a Full Requirements Power Sales Agreement pursuant to which, effective upon the Closing, Power Agency shall sell and deliver, and the Member shall purchase and receive, the Member's full requirements bulk power supply; and

WHEREAS, pursuant to Section 2.41(b)(xiii) of the APA, Power Agency is required to deliver to DEP, at the Closing, a termination agreement executed by Power Agency and each of its members, including the Member, terminating the Power Sales Agreements; and

WHEREAS, effective upon the Closing, Power Agency and the Member desire to terminate the provisions of the Power Sales Agreements.

NOW, THEREFORE, the parties mutually agree as follows:

SECTION 1. Termination of Power Sales Agreements. Effective as of, and conditional upon the occurrence of the Closing, the Power Sales Agreements shall terminate and, except to the extent specifically set forth in Section 2 of the Project Power Sales Agreement and Sections 2 and 19 of the Supplemental Power Sales Agreement with respect to accrued liabilities and obligations, shall be of no further force and effect, and neither party shall have any rights, obligations or liabilities in connection therewith, except to the extent set forth in the aforementioned Section 2 of the Project Power Sales Agreement and Sections 2 and 19 of the Supplemental Power Sales Agreement.

SECTION 2. Miscellaneous Provisions.

(i) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(ii) Severability. If any section, paragraph, clause, or provision of this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Agreement shall be unaffected by such adjudication and all of the remaining provisions of this Agreement shall remain in full force and effect as though such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein. In the event of any such invalidity, the parties hereto shall promptly negotiate in good faith valid new provisions to restore the Agreement to its original intent and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement all by authority of their respective governing bodies duly given.

Executed this 1st day of May, 2015.

CITY OF WASHINGTON

By: *Jay M. Dull*
Mayor

Attest:

Christa S. B...
City Clerk

(SEAL)

Executed this 24th day of April, 2015.

NORTH CAROLINA EASTERN
MUNICIPAL POWER AGENCY

By: *[Signature]*
Chief Executive Officer

Attest:

[Signature]
Assistant Secretary

(SEAL)

[Signature Page of Power Sales Agreements Termination Agreement]

[Balance of Page Intentionally Left Blank; Signature Page Follows.]

- Asset Purchase Agreement (document on file in City Clerk's office and available for review)
- Full Requirements Power Purchase Agreement (document on file in City Clerk's office and available for review)
- Resolution BDR-4-15 (document on file in City Clerk's office and available for review)
- Bond Resolution (draft) (document on file in City Clerk's office and available for review)
- Economic Analysis (document on file in City Clerk's office and available for review)

DISCUSSION – BUDGET FOLLOW-UP (LIBRARY TEST PROCTORING FEE, BALL FIELD LIGHTING CHARGE, POOL HOURS OF OPERATION)

Ball Field Lighting Cost

	Hourly Cost	Cost 3 hours	Fixtures
Complex			
F1	15.37	46.11	60 fixtures on 5 poles, 1500 watt bulbs
F2	4.10	12.30	16 fixtures on 4 poles, 1500 watt bulbs
F3	3.07	9.21	12 fixtures on 4 poles, 1500 watt bulbs
F4	3.07	9.21	12 fixtures on 4 poles, 1500 watt bulbs
F5	3.07	9.21	12 fixtures on 4 poles, 1500 watt bulbs
F6	3.07	9.21	12 fixtures on 4 poles, 1500 watt bulbs
3rd Street			
F1	14.25	42.75	18 fixtures on 8 poles, 1000 watt bulbs
F2	12.66	37.98	16 fixtures on 8 poles, 1000 watt bulbs
JCT			
Front	16.75	50.25	16 fixtures on 6 poles, 1000 watt bulbs
Back	14.65	43.95	14 fixtures on 6 poles, 1000 watt bulbs
Kugler			
	14.54	43.62	34 fixtures on 8 poles, 1500 watt bulb

Current charge is \$25/field/night

Councilman Mercer suggested that we need to establish a fee for each facility rather than an across the board fee of \$25.00. This can be discussed further during the budget public hearing. After discussion, Council continued this item until June 8th to allow time for the Recreation Advisory Committee to review and forward a recommendation to Council.

Test Proctoring Fee Recommendation (no discussion)

Eighty-three public libraries were surveyed on test proctoring fees. Forty-nine libraries out of the 83 responded. Seven out of the 49 libraries charged for test proctoring. Only one of the seven was a municipal library – Farmville Public Library.

The remaining 42 libraries did not charge for one or all of the following reasons:

1. The demand for proctoring was fairly small with few requests
2. Staff was limited and time did not permit
3. Proctoring was seen as another public service the library provides

Test proctoring can include incidental fees such as printing copies, faxing pages, dropping off the finished test package to be mailed which includes an hour to 1 ½ hours at most. Brown has few requests for test proctoring. In the course of eight years, we have had 5 request. This is due to the fact that Beaufort County Community College offers test proctoring as a free service. Therefore, few students require our services.

The revenue stream would be minimal. It is my recommendation that Brown Library charge a \$25 processing fee. This would cover staff salary and mileage.

A list of libraries that were surveyed follows:

Libraries	Proctoring Fees
Lee County Public Library	No charge
Appalachian Regional	\$20.00
Davie County Public Library	No charge
Sandhill Regional Library System	No charge
Granville County Library	No charge
Public Library of Johnston Co. & Smithfield	No charge
Neuse Regional Library System	\$20 per test if the student lives inside county. \$30 per test if the student lives outside our region.
Edgecombe County Library	No charge
Davidson County Library	No charge
Rutherford County Library	No charge but have considered charging
Charlotte Mecklenburg Library	\$30
Onslow County Library	\$30 proctoring fee per exam.
Braswell Memorial Library	\$20.00
Gastonia Public Library	No charge
Alexander County	No charge
McDowell County	No charge
Pettigrew	No charge
Catawba	Do not proctor
Gastonia Public Library	No charge but limits on availability
Stanly County Library	Charge is \$20 (approximately an hours salary for the reference librarian).
MUNICIPAL LIBRARIES	
Roanoke Rapids	No charge
Chapel Hill	No charge
Southern Pines	No charge
High Point	No charge
Mooreville	No charge
Richville Public	No charge
Jacob S. Mauney	No charge
Farmville Public	\$5.00
Wetmore Public	No charge
Ahoskie Public	No charge
Caswell County Library	No charge
Nantahala Regional	No charge
Harnett County	No charge
Randolph County	No charge
Mitchell County Library	No charge
East Albemarle Regional	No charge
Fontana Regional	No charge
Wayne County	No charge
H. Leslie Perry	No charge
Sandhill Regional Library	No charge
Cabarrus County	No charge
Caldwell County Public	No charge
Durham County Library	No charge
Orange County Library	No charge
Duplin County	No charge
Pettigrew Regional	No charge
Haywood County	No charge

Moore Aquatic & Fitness Center (no discussion)

The Moore Aquatic and Fitness Center was built to assist in drown proofing the community and offering individuals and families an affordable place to swim year round. In addition to the generous donation by Mr. John McConnell for the Susiegray McConnell Sport Complex, he graciously gave money to assist with the construction of the pool.

City Council requested staff to generate a new schedule that would reduce the facility’s hours from 75.5 hours to 40 hours per week. These hours have not been presented to the Recreation Advisory Committee for consideration, however this item will be placed on the agenda for our May 18, 2015 meeting. Staff considered the hours of operation that were most utilized by our patrons, thus the following hours of operation are being proposed:

Monday – Friday 6:00AM – 10 AM and 4 PM – 7 PM
 Saturday 11 AM – 4 PM
 Sunday Closed

*These hours will be hard to accommodate summer swim lessons with other yearlong programs.

The proposed reduction in hours will save the City an estimated \$30,000 in staff costs. We do expect we will lose 25% of our memberships. Staff does not anticipate significant cost savings in any other line items. The pool will require the same amount of chemicals and gas to heat the pool even during nonoperational hours. The utility costs will remain constant as well, it is important to maintain facility temperatures and humidity levels to reduce building and equipment maintenance. During the 2013-2014 budget year, the Aquatic Center was able to reopen during the hours of 1 PM – 3 PM with no additional expenses.

Carl Ralph, Alton E. Meads Recreation Center, Inc. has provided a proposal to assist the City with the operation of the Moore Aquatic and Fitness Center. This proposal will save the City an estimated %50,000 per year and not require the facility to reduce hours.

Currently the Aquatic and Fitness Center is the only year round indoor aquatic facility that anyone under the age of 18 is allowed to join. It is also the home of the ECA Swim Team and the Washington High School Swim Team.

NEW BUSINESS:

ALLOW – CART VENDORS ON STEWART PARKWAY AND HAVENS GARDENS

Councilman Mercer said it appears that a process was created in 2002 that allowed vending on Stewart Parkway, we should follow the procedure that was in place at that time and allow carts on Stewart Parkway. Councilman Pitt agreed with Councilman Mercer. Mayor Hodges expressed concern with vendor carts during designated festivals. Mike Weeks explained that he would contact the appropriate agency and reserve a vendor space for the festival/event or possibly relocate to another location, he would work with Kristi Roberson on the details. Mayor Pro tem Roberson asked if the City Code needed to be amended? Franz Holscher suggested that the ordinance could be rewritten to state that peddlers are only allowed on Stewart Parkway by Council. Discussion continued.

Mr. Alligood explained that in 2002 a vending contract was created for two locations on Stewart Parkway and one location on Havens Gardens for food vendors. The Recreation Department has received another request for vending on Stewart Parkway. Currently section 22-5 of the City Code prohibits peddling on the waterfront. Councilmembers supported the concept and Mr. Alligood inquired about the process Council wants to use to allow vendors. Franz Holscher reviewed the specifics of the RFP from 2002 and inquired how many vendors does Council want to allow.

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks, Council voted to allow up to three vendors on Stewart Parkway and instructed staff to follow the RFP process as established in 2002.

AUTHORIZE – CITY MANAGER TO ISSUE A NOTICE TO PROCEED WITH LAND DESIGN FOR DOWNTOWN STREETScape DESIGNS

Community & Cultural Services Director, John Rodman explained Council had requested that Land Design submit a proposal to provide a Streetscape Master Plan to renew streetscape components in Downtown associated with the potential upgrade of utilities in the area. Mr. Rodman explained the City will utilize the \$25,000 provided in the 2014-2015 budget and WHDA will provide the difference of \$4,600.

Councilman Mercer expressed concern with only inviting Land Design to submit a proposal for this project. Mayor Hodges explained that Land Design did the Master Plan in 2009. Chris Furlough, WHDA commented on this topic and discussed the stakeholders that have been involved in the streetscape project.

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks, Council authorized the Manager to issue a Notice to Proceed with Land Design to provide a Master Plan for Downtown Streetscape Designs not to exceed \$29,600; adopted the resolution exempting the City from G.S. 143-64.31 and authorized the issuance of a purchase order..

NOTICE TO PROCEED WITH PROJECT

Project: Downtown Streetscape Master Plan
Dear Mr. Laqueux;

You are hereby notified to commence work on the above referenced project in accordance with the Scope of Services dated April 14, 2015. The project cost shall not exceed \$29,600.

The date of commencement for project work shall begin no later than fourteen days (14) days from the date of this letter. You are scheduled to complete the work within ten (10) weeks from the date of commencement.

I am looking forward to a successful project. If you have any questions or comments, please don't hesitate to give me a call.

s/John Rodman
Community and Cultural Services

s/Brian Alligood
City Manager, Authorized Official

**RESOLUTION EXEMPTING CITY OF WASHINGTON UNDERGROUND
UTILITY/STREETSCAPE DESIGN PROJECT FROM G.S. 143-64.31**

WHEREAS, G.S. 143-64.31 requires the initial solicitation and evaluation of firms to perform architectural, engineering, surveying, and alternative construction delivery services (collectively “design services”) to be based on qualifications and without regard to fee;

WHEREAS, the City proposes to enter into one or more contracts for design services for work on downtown underground utilities and streetscape; and

WHEREAS, G.S. 143-64.32 authorizes units of local government to exempt contracts for design services from the qualifications-based selection requirements of G.S. 143-64.31 if the estimated fee is less than \$50,000; and

WHEREAS, the estimated fee for design services for the above-described project is less than \$50,000

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WASHINGTON RESOLVES:

Section 1. The above-described project is hereby made exempt from the provisions of G.S. 143-64.31.

Section 2. This resolution shall be effective upon adoption.

ATTEST:

s/Cynthia S. Bennett
City Clerk

s/Jay MacDonald Hodges
Mayor

PUBLIC HEARING – ZONING:

PUBLIC HEARING – OTHER:

**ADOPT – RESOLUTION TO ADOPT PAMLICO SOUND REGIONAL HAZARD
MITIGATION PLAN**

Mayor Hodges opened the public hearing. Community & Cultural Services Director, John Rodman reviewed the request from North Carolina Emergency Management for participation in a regional hazard mitigation plan to include Beaufort, Craven, Carteret, and Pamlico Counties. Each municipality was asked to sign an agreement as the intent of the municipality to participate in the plan. FEMA covered all costs involved in the rewrite of the plan and provided funding to Craven County as the lead agency. No funds were required by the City of Washington. The Plan received preliminary approval from FEMA stating that all jurisdictions should proceed with adoption. Adopting the regional plan will help with the Community Rating System and lower flood insurance rates.

There being no comments from the public, Mayor Hodges closed the public hearing.

Councilman Mercer expressed concern with the document, noting it was 358 pages long and he felt Council was not given adequate time to review it. It was suggested that this topic be continued until June 8th. Mayor Pro tem Roberson asked about who enforces this document. Mr. Rodman noted the City will enforce our own CRS program, the City currently has a Certified Flood Plain Manager (Allen Pittman).

By motion of Councilman Mercer, seconded by Mayor Pro tem Roberson, Council continued the request until June 8th.

PUBLIC HEARING: DISCUSSION – FISCAL YEAR 2015-2016 PROPOSED BUDGET

Mayor Hodges opened the public hearing. Mr. Alligood reviewed the adjustments that were made during the budget workshops. The Manager’s proposed budget suggested a 1 ½ cent tax increase, adjustments were made and a tax increase was not approved. The spreadsheet below reviews the changes made during the budget workshops.

Several individuals spoke to City Council supporting the aquatics center and requested that the hours not be reduced at the pool. Suggestions were given regarding increased marketing efforts in order to increase membership. A suggestion was also given to allow the citizens to form a committee to work on efforts to enhance and increase pool usage/membership.

Jim Bise Scott Pake Dale Cole Spencer Pake Doug Woolard
 Carol Crozier David Mays Casey Cox Tristen Pake Betty Cochran
 Jackson Wilder Nancy Wallace Keagan Pake Carol Dunn Sandra Moritz
 Mike Crawford Danny (last name not provided)

Hal Miller spoke in opposition to the proposed tax increase, electric fund transfer and planning fees, but was in favor of employee merit and COLA.

There being no further comments, Mayor Hodges closed the public hearing.

Council Budget Changes

	General	Water	Sewer	Storm Water	Electric	Airport	Sanitation	Cemetery	ED Capital Reserve	Total
Revenue										
10-00-3100-1115	Ad Valorem tax	(120,000)								(120,000)
10-00-3980-3500	Transfer from Electric fund	185,050								185,050
39-90-3471-4100	Grave Openings							(24,000)		(24,000)
39-90-3991-9900	Fund balance appropriated							24,000		24,000
35-90-3920-9100	Installment note proceeds				(1,075,000)					(1,075,000)
10-00-3980-2100	Transfer from ED	27,550								27,550
21-60-3940-3000	Payments from Water fund								4,959	4,959
21-60-3940-3200	Payments from Sewer fund								4,959	4,959
21-60-3940-3500	Payments from Electric fund								17,632	17,632
34-90-3571-5100	Storm water fees				(40,000)					(40,000)
34-90-3991-9910	Fund balance appropriated	57,285			40,000					97,285
32-90-3991-9910	Fund balance appropriated			12,902						12,902
37-90-3991-9910	Fund balance appropriated					1,370				1,370
39-90-3991-9910	Fund balance appropriated							751		751
10-00-3970-3000	Admin. Chgs. from water	(7,899)								(7,899)
10-00-3970-3200	Admin. Chgs. from sewer	(5,856)								(5,856)
10-00-3970-3500	Admin. Chgs. from electric	(39,997)								(39,997)
10-00-3970-3700	Admin. Chgs. from airport	662								662
10-00-3970-3800	Admin. Chgs. from sanitation	(3,905)								(3,905)
10-00-3970-3900	Admin. Chgs. from cemetery	(290)								(290)
Total Revenue		92,600	-	12,902	-	(1,075,000)	1,370	-	751	27,550
Expenditures										
10-40-6170-9101	Arts Council to ED	(13,000)								(13,000)
10-40-6170-9102	BHM to library	(7,800)								(7,800)
10-40-6110-xxxx	BHM to library	7,800								7,800
10-40-6170-9104	Arts Council to ED	(3,000)								(3,000)
10-40-6170-9105	Boys & Girls 10%	(1,600)								(1,600)
10-40-6170-9107	Zion Shelter 10%	(850)								(850)
10-40-6170-9108	Wright Flight 10%	(350)								(350)
10-40-6170-9110	Blind Center 10%	(125)								(125)
10-40-6170-9112	Christmas parade to ED	(1,500)								(1,500)
10-40-6170-9116	Eagle Wings 10%	(100)								(100)
10-40-6170-9136	Purpose of God 10%	(2,000)								(2,000)
10-40-6170-9185	Comer Stone Worship 10%	(1,000)								(1,000)
10-40-6170-9170	Estuarium to ED	(20,000)								(20,000)
10-00-4650-4520	WHDA 10%	(6,200)								(6,200)
10-00-4650-xxxx	Turnage from o/s	14,400								14,400
10-00-4650-xxxx	Christmas Parade from o/s	1,350								1,350
10-00-4650-xxxx	Estuarium from o/s	18,000								18,000
30-90-6610-6702	Payment to ED		4,959							4,959
32-90-6610-6702	Payment to ED			4,959						4,959
35-90-6610-6702	Payment to ED				17,632					17,632
21-60-4492-1000	Transfer to General Fund								27,550	27,550
35-90-8390-7401	Midway to 5 Points tie				(325,000)					(325,000)
35-90-8390-7401	Honey Pod Farm rework				(150,000)					(150,000)
35-90-8390-7401	White Post to Slatestone 34kV				(600,000)					(600,000)
35-90-8380-4501	Large bucket trimming truck upcharge				(100,000)					(100,000)
35-90-8375-7400	LM switches				(70,000)					(70,000)
35-90-4020-8300	Installment note principal				(99,115)					(99,115)
35-90-4020-8301	Installment note interest				(20,672)					(20,672)
10-10-4341-3301	EMS medical supplies	15,000								15,000
Svc. Expansion	Cola @ 1.3%	81,965	8,225	7,928	22,671	618	4,517	1,820		127,744
Svc. Expansion	Fica	6,271	1,819	1,796	2,689	48	345	140		13,108
Svc. Expansion	Retirement	5,339	1,294	1,259	3,233	42	297	122		11,586
Svc. Expansion	Utility Maintenance Worker @ 50%		15,549	15,549						31,098
Svc. Expansion	Rt of Way Position Upgrade				5,364					5,364
Svc. Expansion	Meter Reader Upgrade				2,288					2,288
Svc. Expansion	Lead Meter Reader Upgrade				1,821					1,821
Svc. Expansion	Meter Services Supervisor Upgrade				2,562					2,562
Svc. Expansion	Pt Meter Tech eliminated				(13,134)					(13,134)
Svc. Expansion	PT Adm. Support				13,572					13,572
Svc. Expansion	Admin support equipment				1,500					1,500
Svc. Expansion	Admin support training				500					500
Svc. Expansion	Electric LM study- commercial				15,000					15,000
35-90-6610-1000	Transfer to General Fund				185,050					185,050
30-90-6610-9231	Transfer to water capital reserve		(23,947)							(23,947)
32-90-9990-9900	Contingency			(12,733)						(12,733)
35-90-9990-9900	Contingency				69,035					69,035
38-90-9990-9900	Contingency						(1,254)			(1,254)
39-90-9990-9900	Contingency							(1,041)		(1,041)
30-90-6610-9200	Admin. Chgs. To GF		(7,899)							(7,899)
32-90-6610-9201	Admin. Chgs. To GF			(5,856)						(5,856)
35-90-6610-9200	Admin. Chgs. To GF				(39,997)					(39,997)
37-90-4530-9710	Admin. Chgs. To GF					662				662
38-90-4710-9200	Admin. Chgs. To GF						(3,905)			(3,905)
39-90-4740-9200	Admin. Chgs. To GF							(290)		(290)
10-10-4310-7400	Vehicle fund payment	(142,000)								(142,000)
10-10-4310-7486	Vehicle fund payment	142,000								142,000
10-10-4341-7400	Vehicle fund payment	(150,000)								(150,000)
10-10-4341-7486	Vehicle fund payment	150,000								150,000
10-10-4350-7400	Vehicle fund payment	(20,000)								(20,000)
10-10-4350-7486	Vehicle fund payment	20,000								20,000
10-20-4510-7400	Vehicle fund payment	(75,000)								(75,000)
10-20-4510-7486	Vehicle fund payment	75,000								75,000
Total Expenditures		92,600	-	12,902	-	(1,075,000)	1,370	-	751	27,550
Net		-	-	-	-	0	-	-	-	0

ADOPT – POLICY REVISION FOR MAKING WATER & SEWER BILLING ADJUSTMENTS

City Manager, Brian Alligood explained staff is requesting to change our Water and Sewer adjustment policy. Staff feels this is appropriate because every drop of water that goes through a meter is treated the same whether it is consumed or leaks on the ground. The policy still allows for sewer adjustments for water that does not return to our sewer system as described in the attached policy.

By motion of Councilman Pitt, seconded by Councilman Mercer, Council adopted the revised policy for Water & Sewer Billing Adjustments dated May 11, 2015.

**POLICY FOR
WATER AND SEWER BILLING ADJUSTMENTS
EFFECTIVE MAY 2015
WATER & SEWER ADJUSTMENTS**

To make an adjustment, the City of Washington will need the following information from the customer:

- When the leak was discovered;
- Who made the repairs, where and when; and
- A copy of the plumber's bill, or receipts for materials purchased if you made the repairs.

The amount of the bill adjustment depends in part on whether the water from the leak returned to the sanitary sewer system or leaked elsewhere on your property.

The City of Washington will issue a billing adjustment to any customer having a water leak repaired based on the following formula:

1. The customer will be required to pay for his monthly average sewer consumption and will not be billed any additional charge, if the water did not go into the Sewer System.
2. If a customer has a high water usage due to leaks or malfunctions of equipment and the water did go back into the sewer system, then the customer will not receive an adjustment. Faulty commodes or constant running water in commodes are good examples of this high water usage.

The City will only allow one adjustment during any 365 day period.

If the City notifies a customer of a water leak at their premise and the customer does not correct the problem within 30 days of notification, the City will not issue any adjustment(s).

The following procedure will be followed before an adjustment is given:

- The customer has to provide the Customer Service Representative with proof that the water leaked on the ground or premises before an adjustment can be considered.
- A check-read service order will be generated by a Customer Service Representative to verify the reading of the meter and to investigate signs of a leak. The water and sewer department will be notified, if any assistance is needed.
- Approximately sixty (60) days from the date of repair, the customer's account will be printed and given to Public Works Department for review.
- Upon review of customer's usage history, a sewer adjustment will be granted based on an average monthly usage.
- The adjustment will appear on the customer's utility account.

Approved by City Council May 11, 2015.

**AUTHORIZE – STAFF TO DRAFT AND ENTER INTO AN AGREEMENT FOR THE
WASHINGTON WATERFRONT UNDERGROUND RAILROAD MUSEUM**

Leesa Jones and Rebecca Clark explained that the City of Washington recently received recognition as a National Park Service "Underground Railroad Network to Freedom". This designation is an important one for Washington and signifies the importance of the role African American people have had in the development and history of the City. The Underground Railroad Museum is requesting to lease the existing caboose and surrounding grounds to promote tours and re-enactments throughout the year. Through partnerships with Washington Harbor District Alliance and Washington Noon Rotary, the caboose will be restored to its original colors. The museum will be free and open to the public. The museum will be self-funded through donations, community and corporate sponsors and tour

ticket sales. The museum would operate under the Washington Historic District Alliance banner. Ms. Jones asked the City to partner with the museum by allowing them to lease the caboose at a nominal fee and to reconnect utilities to the caboose. The caboose is a Seaboard Coast Line, M-5 Caboose, #0797 and should be painted orange with black lettering.

The Washington Noon Rotary has already lined up the painters, Ms. Clark noted they just need approval from Council. There hopes are to be opened by late summer. Councilman Mercer expressed that this is a great idea and he supports the concept, but has difficulty approving an agreement that Council hasn't seen yet. Mr. Holscher explained that an operational agreement was needed, but maybe not conveying any property/land. Mayor Pro tem Roberson asked Mr. Holscher if he could have the operational agreement ready for the June 8th Council meeting and Mr. Holscher stated that he could.

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks, Council authorized the City Manager and City Attorney to draw up an operational agreement for the Underground Railroad Museum for presentation to Council at the June 8th meeting.

ADOPT – PURCHASING POLICY AND PROCEDURES

City Manager, Brian Allgood explained that the City's Manual of Purchasing Procedures adopted February 12, 1990 was last revised September 8, 1997. The City of Tarboro recently adopted a policy with input from the Local Government Commission and this proposal reflects that base document with modifications to fit the City of Washington's needs.

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks, Council repealed the Manual of Purchasing Procedures and adopted the proposed Purchasing Policy and Procedures as presented.

AMEND – CITY CODE ADJUSTMENT OF BILL ORDINANCES

Mr. Allgood reviewed the City Code limits the period of adjustment of water, sewer, and electric billing under or overcharges to twelve months. Staff recommends extending the adjustment period to thirty six months. This modification will enable staff to resolve the majority of billing adjustments in an expedient manner for our customers and avoid their need to petition Council for individual ordinance exceptions.

By motion of Mayor Pro tem Roberson, seconded by Councilman Brooks, Council amended Sections 10-50, 38-50, and 39-51 of the City Code to change the period of adjustment for utility bill under or overcharges from twelve to thirty six months.

**ORDINANCE TO AMEND CHAPTER 10, ELECTRIC UTILITY, ARTICLE II, RATES AND CHARGES, SECTION 10-50.
ADJUSTMENT OF BILL**

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That Chapter 10, Electric Utility, Article II, Rates and Charges, Section 10-50, Adjustment of Bill, be replaced in its entirety with the following Section 10-50, Adjustment of Electric Bills.

Sec. 10-50. Adjustment of Electric Bills.

- (a) If the city determines that it has overcharged or undercharged a customer on account of its error, the city shall refund or recover the difference, subject to the following:
 - (1) The adjustment period shall be limited to the lesser of the actual period during which the error occurred or thirty-six (36) months;
 - (2) The amount of adjustment shall be determined by the electric utility Director based upon such evidence as deemed appropriate; and
 - (3) Any overcharge may be either refunded or credited to the customer and any undercharge shall be billed to the customer.

- (b) If the city determines that it has undercharged a customer on account of any unlawful or materially misleading act of such customer, the undercharge shall be determined and collected as set out in subsection (a) of this section, except the adjustment period shall be twelve (12) months if the adjustment period cannot be determined. The city shall, in addition to collecting such undercharge, have the right to take such other action against such customer as is permitted by law.

Section 2. This Ordinance shall become effective upon its adoption.

Section 3. All Ordinances or parts in conflict herein are repealed.

Adopted this 11th day of May, 2015.

ATTEST:

s/Cynthia Bennett
City Clerk

s/Jay MacDonald Hodges,
Mayor

**ORDINANCE TO AMEND CHAPTER 39, WASTEWATER/SUO, ARTICLE II, GENERAL
SEWER USE REQUIREMENTS, DIVISION 2, FEES, SECTION
39-51.**

ADJUSTMENT OF SEWER BILLS

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That Chapter 39, Wastewater/SUO, Article II, General Sewer Use Requirements, Division 2, Fees, Section 39-51, Adjustment of Sewer Bills, be replaced in its entirety with the following Section 39-51, Adjustment of Sewer Bills.

Sec. 39-51. Adjustment of Sewer Bills.

- (a) If the city determines that it has overcharged or undercharged a customer on account of its error, the city shall refund or recover the difference, subject to the following:
- (1) The adjustment period shall be limited to the lesser of the actual period during which the error occurred or thirty-six (36) months;
 - (2) The amount of adjustment shall be determined by the POTW Director based upon such evidence as deemed appropriate; and
 - (3) Any overcharge may be either refunded or credited to the customer and any undercharge shall be billed to the customer.
- (b) If the city determines that it has undercharged a customer on account of any unlawful or materially misleading act of such customer, the undercharge shall be determined and collected as set out in subsection (a) of this section, except the adjustment period shall be twelve (12) months if the adjustment period cannot be determined. The city shall, in addition to collecting such undercharge, have the right to take such other action against such customer as is permitted by law.

Section 2. This Ordinance shall become effective upon its adoption.

Section 3. All Ordinances or parts in conflict herein are repealed.

Adopted this 11th day of May, 2015.

ATTEST:

s/Cynthia Bennett
City Clerk

s/Jay MacDonald Hodges,
Mayor

**ORDINANCE TO AMEND CHAPTER 38, WATER, ARTICLE II, OPERATION OF SYSTEM,
DIVISION 3, FEES, SECTION 38-50.
ADJUSTMENT OF WATER BILLS**

BE IT ORDAINED by the City Council of the City of Washington, North Carolina:

Section 1. That Chapter 38, Water, Article II, Operation of System, Division 3, Fees, Section 38-50, Adjustment of Water Bills, be replaced in its entirety with the following Section 38-50, Adjustment of Water Bills.

Sec. 38-50. Adjustment of Water Bills.

- (a) If the city determines that it has overcharged or undercharged a customer on account of its error, the city shall refund or recover the difference, subject to the following:
 - (1) The adjustment period shall be limited to the lesser of the actual period during which the error occurred or thirty-six (36) months;
 - (2) The amount of adjustment shall be determined by the Director based upon such evidence as deemed appropriate; and
 - (3) Any overcharge may be either refunded or credited to the customer and any undercharge shall be billed to the customer.
- (b) If the city determines that it has undercharged a customer on account of any unlawful or materially misleading act of such customer, the undercharge shall be determined and collected as set out in subsection (a) of this section, except the adjustment period shall be twelve (12) months if the adjustment period cannot be determined. The city shall, in addition to collecting such undercharge, have the right to take such other action against such customer as is permitted by law.

Section 2. This Ordinance shall become effective upon its adoption.

Section 3. All Ordinances or parts in conflict herein are repealed.

Adopted this 11th day of May, 2015.

ATTEST:

**s/Cynthia Bennett
City Clerk**

**s/Jay MacDonald Hodges,
Mayor**

**APPROVE – TRANSPORTATION ASSET MANAGEMENT PROPOSAL
FROM MARTIN-MCGILL**

Brian Alligood recalled that at previous meetings discussion was held regarding the City's surface transportation assets. The proposal from Martin-McGill will produce an objective and prioritized plan for making needed improvements based on the current assessment of the assets. Mr. Alligood stated the financial services part of the proposal will develop a 10-year Capital Improvement Plan (CIP) and a financing model to fund the needed work. Also, he noted funding for this project will come from the General Fund fund balance.

By motion of Councilman Pitt, seconded by Councilman Brooks, Council approved the Transportation Asset Management Plan proposal from Martin-McGill in the amount of \$67,500.

ANY OTHER ITEMS FROM CITY MANAGER: NONE

**ANY OTHER BUSINESS FROM THE MAYOR OR OTHER MEMBERS OF COUNCIL:
DISCUSSION: NONE**

**CLOSED SESSION: UNDER NCGS § 143-318.11(A)(6) PERSONNEL; (A)(5) LAND
ACQUISITION AND (A)(3) ATTORNEY/CLIENT PRIVILEGE**

By motion of Councilman Pitt, seconded by Councilman Brooks, Council agreed to enter into closed session at 7:05pm under NCGS § 143-318.11(a)(6) Personnel; (a)(5) Land Acquisition and (a)(3) Attorney/Client Privilege.

By motion of Councilman Brooks, seconded by Councilman Pitt, Council agreed to come out of closed session at 8:00pm.

OTHER BUSINESS:

Mayor Pro tem Roberson tendered his resignation as a member of City Council and asked that it be considered during the June 8, 2015 City Council meeting.

ADJOURN:

By motion of Councilman Pitt, seconded by Councilman Brooks, Council adjourned the meeting at 8:05pm until Monday, June 8, 2015 at 5:30 pm, in the Council Chambers.

**Cynthia S. Bennett, MMC
City Clerk**