

Keowee-Toxaway Project

The initial phases of the Company's \$700 million Keowee-Toxaway Project in northwest South Carolina are well underway. The Atomic Energy Commission issued a construction permit on November 6, 1967, for the three-unit Oconee Nuclear Station, shown in the center of the artist's conception of the completed project at right. Each of Oconee's units will have a net capability of 874,000 kilowatts. At far right is the Keowee Dam and powerhouse which will provide 140,000 kilowatts of hydroelectric power. Lake Keowee's 18,400 surface acres are to the west and north of the dam. High in the mountains at upper-center will be the Jocassee Dam, which will impound 7,565 acres and provide an eventual 610,000 kilowatts of hydroelectric pumped storage power. The initial phases and sites for future steam stations and pumped storage will provide an ultimate of over 8 million kilowatts in generation.



Duke Power Company Annual Report 1967

UPDATED

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Annual Report 1967

Artist's Conception of Completed Keowee-Toxaway Project . . . Front Cover Foldout

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Service Area Map Indicating Company's 18 District Offices . . . Back Cover Foldout

Major Accomplishments in 1967

- . . . Led the nation in number of new, total-electric single family homes.
- . . . Led the nation in number of conversions of existing homes to electric heat.
- . . . Maintained national lead in number of Dusk-to-Dawn lighting units.
- . . . Received permit from AEC to build Oconee Nuclear Station.
- . . . Marshall Steam Station most efficient generating facility in nation.
- . . . Duke service area received over 50 per cent of new and expanded Carolinas industry for 7th straight year.
- . . . Average annual usage per residential customer rose to 7,664 kilowatts, 37 per cent above national average.

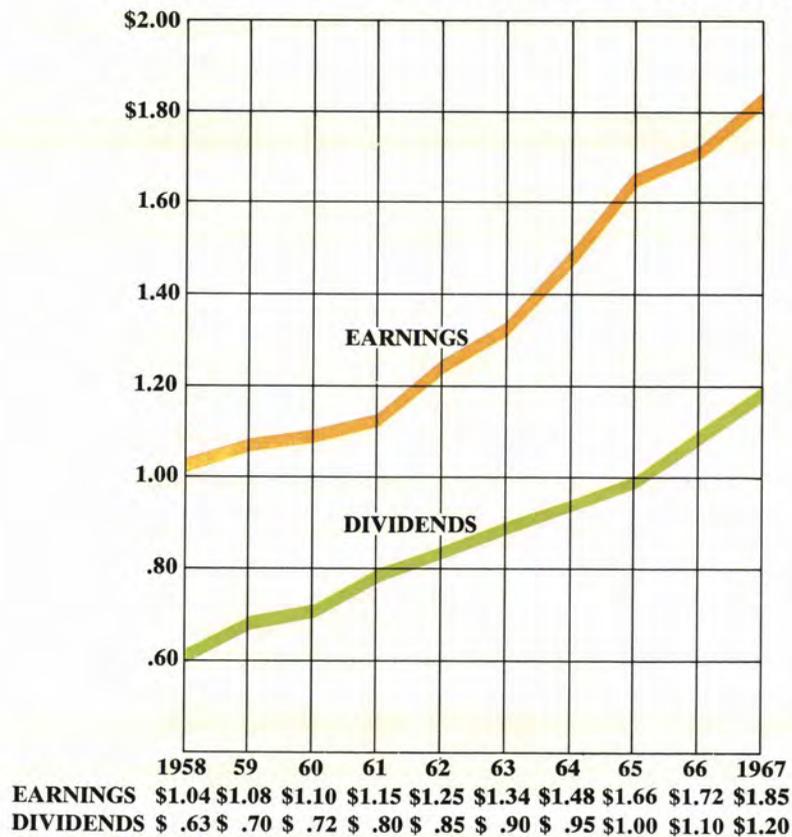


Duke Power Company

Highlights of the Year

	1967	1966	Percent Increase
Operating Revenues	\$284,697,000	\$261,053,000	9.1%
Earnings for Common Stock Before Extraordinary Items	\$ 42,679,000	\$ 39,593,000	7.8
Per Share of Common Stock:			
Earnings Before Extraordinary Items	\$1.85	\$1.72	7.6
Dividends Paid	1.20	1.10	9.1
Taxes—Federal, State and Local	\$ 66,726,000	\$ 64,353,000	3.7
Plant Construction Expenditures	\$162,271,000	\$ 83,275,000	94.9
Kilowatthour Sales (Thousands)	25,916,000	23,442,000	10.6
Peak Load (KW)	4,579,460	4,439,700	3.1
Customers	877,500	853,700	2.8

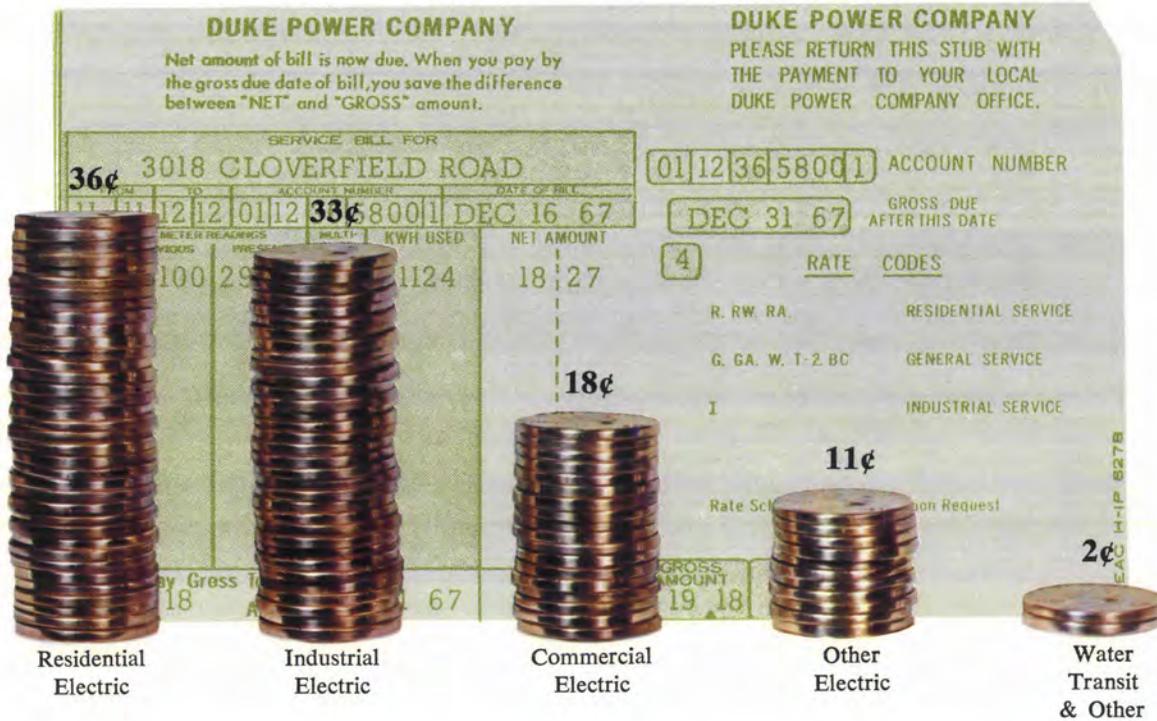
EARNINGS AND DIVIDENDS PER SHARE COMMON STOCK



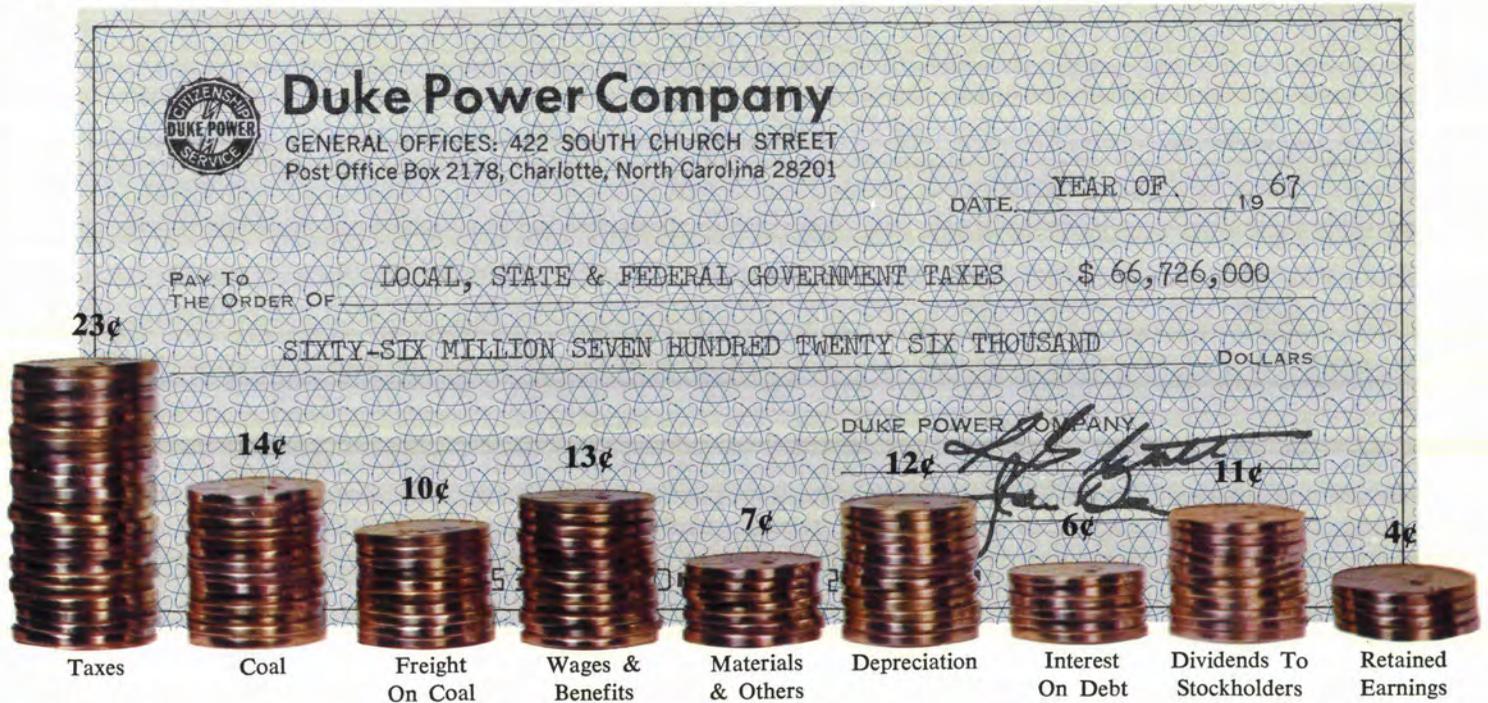
Based on average shares, before extraordinary items and adjusted for stock splits and dividends.

The 1967 Revenue Dollar

Where it came from



How it was used



The President's Letter

Your Company is pleased to present an Annual Report for the year 1967 that reflects new highs in electric revenues, sales, average kilowatt-hour usage, peak loads and total-electric customers. It was a challenging and rewarding year which saw the economy of your Company's service area, the Piedmont section of the Carolinas, continue its vigorous growth.

Earnings per share, before extraordinary items, rose to \$1.85, an increase of 7.6 per cent, and dividends of \$1.20 per share were paid, an increase of 10 cents per share over 1966. Kilowatt-hour sales rose 10.6 per cent, resulting in operating revenues of \$285 million, 9.1 per cent over 1966.

Earnings in the first six months were no better than expected but improved more than anticipated in the last six months. If the expected Federal surtax had been imposed, earnings would have been reduced, but a more nearly balanced Federal budget should have lowered current interest costs.

Residential construction which was emerging from its tight-money doldrums near the end of 1966, continued its acceleration in 1967. Aggressive marketing procedures, aimed both at new residential construction and conversions of older homes, resulted in a record 13,523 total-electric residential units added to company lines in 1967. Forty-six per cent of all new residential construction in the Duke service area during the year chose electricity for heating. The Company led the nation in number of all-electric single family residences and also conversions of existing homes to all-electric.

Continuance of industrial growth was highlighted by location of heavy manufacturing in the Duke service

area. Increasing diversification has characterized the Duke area's industrial growth in recent years. A significant account of this diversification is available on pages 4-13.

The Company's construction program in 1967 required an investment of \$162 million, and the expected construction expenditure for 1968 will be \$176 million. It appears that our construction program will continue at about this level for a number of years.

On November 6, 1967, the Atomic Energy Commission issued construction permits for all three units of the Oconee Nuclear Station. Opposition to these permits came from 11 of the 23 North Carolina municipalities on the Duke system which operate their own electric distribution systems. An appeal by these municipalities was dismissed by the Atomic Energy Commission on January 3, 1968.

These municipalities contended they should be permitted to own a share of the plant and to purchase power from it at cost. The Oconee Nuclear Station is expected to be the Company's most economical steam generating facility, and to allow these towns to obtain power at cost would discriminate unfairly against the hundreds of thousands of area citizens who are direct customers of the Company. Your Company contends that all its customers should share in the economies of new plants, and will oppose any further efforts of the municipalities to delay construction of the Oconee Nuclear Station or to acquire any direct interest in it.

Payment of an unequal share of taxes in charges for electric service supplied by investor-owned companies, as compared to taxes in charges by government-financed suppliers, continued

in 1967. A discussion of the problem appears on page 23.

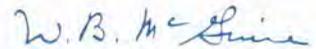
The excellent progress made by the Company in 1967 can be credited, in large measure, to the experience, spirit and loyalty of the Company's employees. While not visible on the balance sheet, these employees are one of your Company's most important assets. They are well prepared to help the Company take advantage of growth opportunities which lie ahead.

The following changes in management were made during 1967: Mr. Vance Huggins retired as Treasurer and Board Member on September 30, and Mr. Robert E. Frazer, who had been Assistant Treasurer, was named Treasurer. Mr. F. W. Beyer was elected Vice President, System Planning; Mr. A. C. Thies, Vice President, Production and Operation; Mr. Lloyd P. Julian, Assistant Vice President, Operation; and Mr. John F. Day, Assistant Secretary.

We regret the death of Mr. C. T. Wanzer, director emeritus and former Vice President and Chief Engineer. In his more than 49 years of service, Mr. Wanzer had served the Company well in many capacities.

For the Board of Directors

February 20, 1968



W. B. MCGUIRE

President

Marketing Set National Records

Residential Sales

Electricity became the dominant energy for heating of new construction in Duke Power's service area during 1967. Forty-six per cent of all new residential units built in Duke territory in 1967 chose electric heating, exceeding any other single fuel. The dramatic growth of new, individual all-electric single family residences surpassed the record number in 1966. Duke now has led the nation two years in a row in this category.

Realizing the great marketing potential in converting existing homes with combustion type heating systems to electric heating, the Company launched a "President's Conversion Challenge" Program which enlisted all employees into a systemwide effort to locate prospects for conversion. This program, coupled with the company's Recommended Electrical Modernization Dealer Program, was so successful that Duke Power led the nation's operating utilities in conversions during 1967 with 2,861. This exceeded 1966's record total by 1,110 conversions.

The Company now serves over 56,750 total-electric homes and apartment units, of which 13,523 were added in 1967 and 49,393 during the past six years. A one-month record for connecting total-electric residential customers was set in September when 1,833 such customers were added. Residential customers classified as total-electric now account for over one billion

kilowatthours annually.

Development of the mobile home market equaled last year's rapid pace, with over 7,400 of these mobile living units added in 1967. The Company continued to assist and guide manufacturers in the production of total-electric mobile homes that will conform to Duke Power rate specifications. Total-electric potential in this field is considerable.

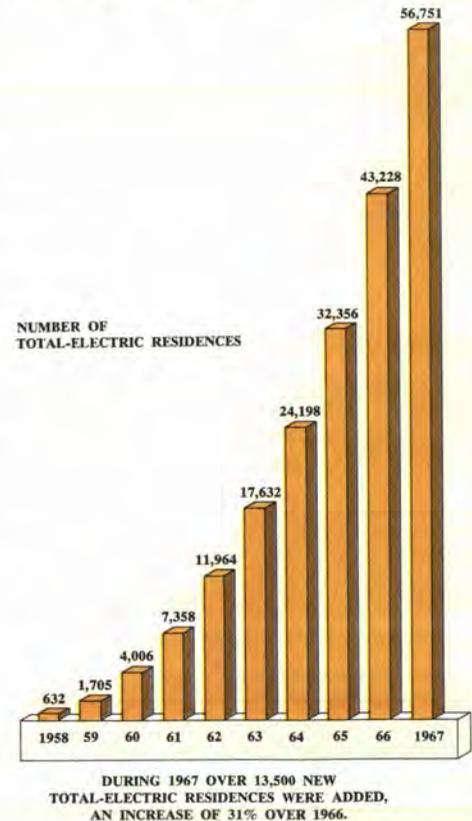
The Certified Heat Pump Program, instituted in 1966, again proved its worth in 1967. Duke Power recommends dealers who meet exacting standards of sales, installation and service under this program. It has been instrumental during its two years of existence in increasing heat pump installations on the Duke Power system to over 5,100 units.

Annual average usage of electricity per Duke residential customer rose to 7,664 kilowatthours in 1967, an increase of 358 kilowatthours over 1966. This very substantial increase occurred despite an exceptionally cool summer which resulted in a decreased use of air-conditioning equipment. The average usage per Duke Power residential customer is 38 per cent greater than the national average, while the cost to Duke customers is 17 per cent less than the national average.

Another index of company growth is that the average residential usage on the Duke Power system was 72 per cent greater in 1967 than it was 10

years ago.

The already high saturation of residential water heaters, now exceeding 74 per cent, showed steady growth during 1967. The system now serves over 516,000 customers with qualifying water heaters. The Company has pioneered the use of the single-unit water heater for the industry, which has aided Duke Power's high saturation level. This lower-cost heater has proved a superior appliance to the older, conventional water heater.



Edwin Towers, a total-electric seven-story, 175-unit public housing residence for the elderly was completed and occupied in Charlotte during 1967.



Commercial Sales

Commercial Sales was the fastest growing segment of Duke Power's business in 1967, gaining 13.7 per cent over 1966 on sales of 3.6 billion kilowatthours.

The breakthrough in total-electric educational buildings in 1966 continued in 1967. Added during the year were total-electric buildings at over 20 colleges and secondary schools.

The first total-electric commercial cafeteria, utilizing electricity for all purposes, went into operation in Salis-

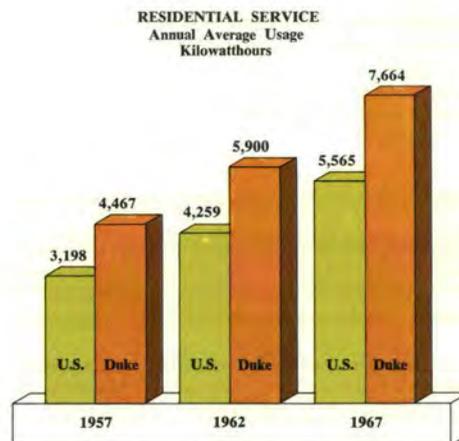
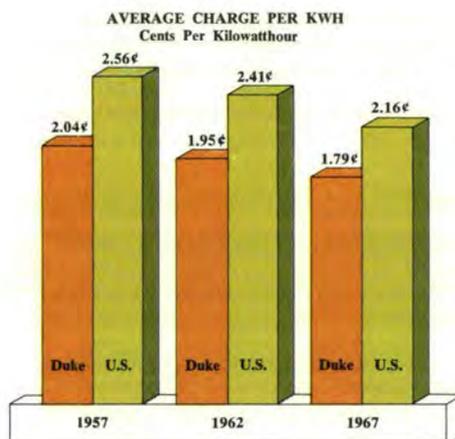
bury. The Liggett & Myers Tobacco Co. Operational Center in Durham, occupied in 1967, is total-electric as are several research centers being constructed.

The trend toward total-electric public housing units in the Duke Power area has been steady, with 985 such units completed and occupied in 1967. These included Earle Village, 400 units, and Edwin Towers, a seven-story, 175-unit residence for the elderly, in Charlotte.

Also added were total-electric expo-

sition halls, banks, churches, apartment buildings, shopping centers, supermarkets, funeral homes, government offices, nursing homes, department and appliance stores, TV studios and hotels.

Overall, there were 628 new total-electric commercial buildings added to the system in 1967. This represents a 5 per cent increase over the number added in 1966 and brings the cumulative total to 3,087.



DUKE'S CUSTOMERS USE 38% MORE ELECTRICITY AND PAY 17% LESS THAN THE U.S. AVERAGE.



Liggett & Myers Tobacco Company followed the total-electric concept for this Operational Center opened in Durham in 1967.

Industrial Sales

A total of 194 contracts for requirements of 500 kilowatts or more were negotiated during the year with new and expanded industrial plants and governmental bodies. These represent an increase in major contractual load of 320,960 kilowatts. In addition, new customers requiring between 100 and 500 kilowatts made a substantial contribution of 32,195 kilowatts to the overall industrial picture.

The dramatic trend toward diversification of new industry entering the Duke Power service area continued. Some of the new industrial customers added during the year include Sylvania Electric Products, Inc. (lighting fixtures), Dow Badische Company (synthetic fibers), Berger Industries, Inc. (steel tubing), Varco Steel, Inc. (prefabricated steel buildings), Pittsburgh Plate Glass Co. (glass fibers) and Richardson-Merrell, Inc. (drugs).

More than 100 industrial plants on the Duke Power system are total-electric.

Examples of the total-electric plants added in 1967 were the Julius W. Abernethy Plant of Carolina Mills at Maiden (6,000 kilowatts) and Charlotte Pipe and Foundry Co. at Bakers (1,700 kilowatts). Six industrial plants, faced with extensive repairs or replacement of conventional heating systems, converted to total-electric operation.

Diversification also is evident in textiles, the largest industry served by the Company. Textiles accounted for 22.1 per cent of the Company's revenue from sales of electric energy in 1967, whereas in 1957, it accounted for 27.2 per cent. This accents the fact that while textile use of electricity has increased steadily, it is accounting for a smaller percentage of total industrial use. The shift has been from cotton fibers to synthetic fibers—leading not only to a wider range of products, but also to the location of chemical plants to produce the synthetic fibers.

Agricultural Sales

The sale of electricity for farm purposes rose during the year as the trend toward consolidation of small farms into larger, more efficient units continued. These larger farms are replacing manpower with electrically-powered machines and equipment.

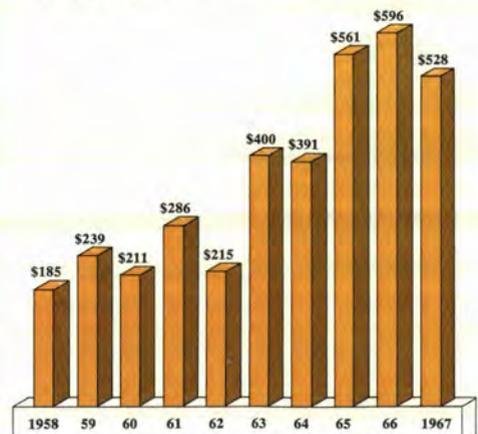
Many of these farms are gaining a further advantage by going total-electric. Farms converting to total-electric operation in 1967 numbered 217, bringing the total in this category to 1,055. This is one of the largest total-electric farm groups in the nation.

Duke Power now serves 42,337 customers in the farm classification. These are the strictly farm operations out of Duke Power's total 412,000 rural customers. Annual average usage by these farm customers in 1967 was 8,110 kilowatthours, an increase of 226 kilowatthours over 1966.



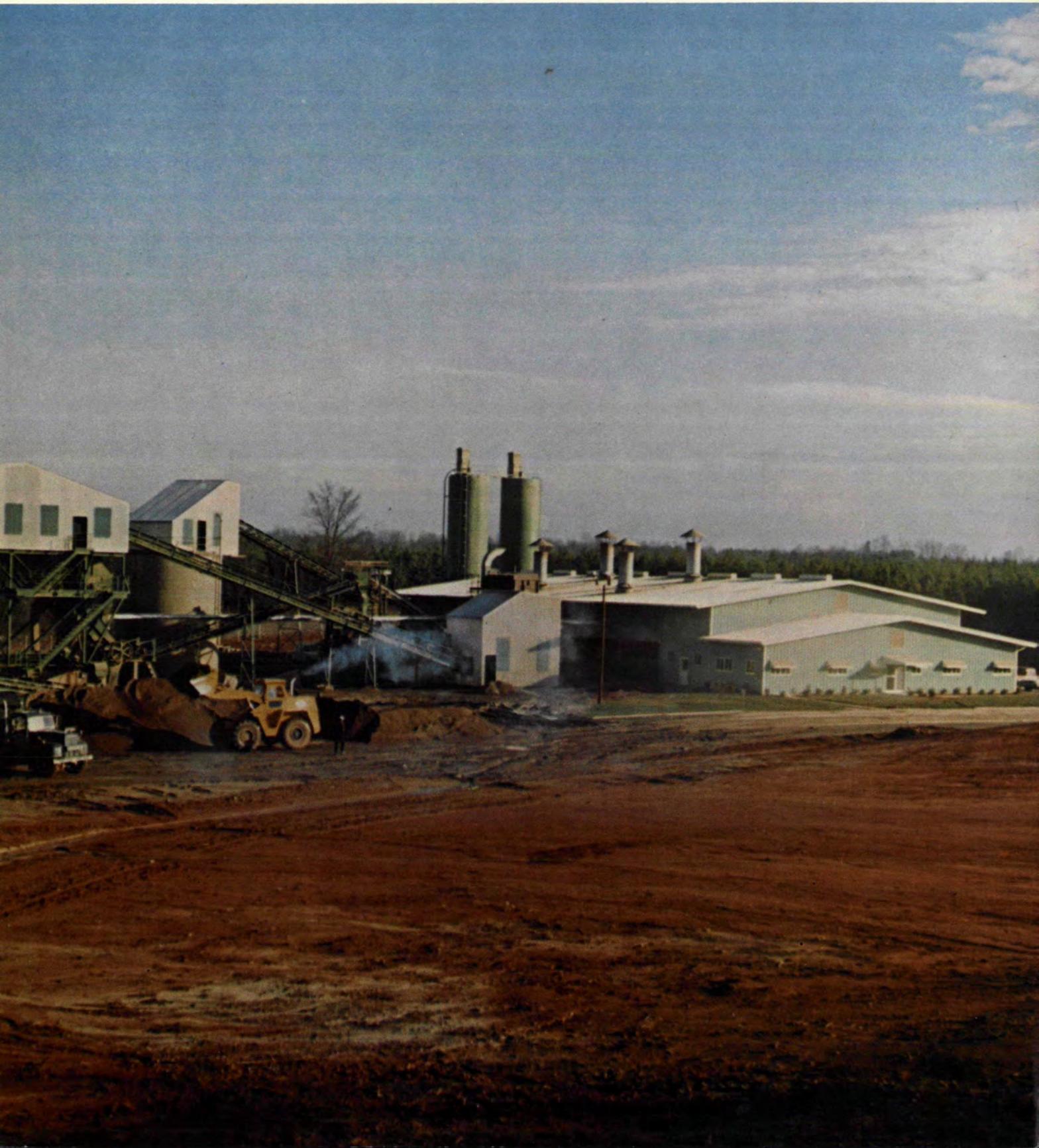
The Company's program to make all of its facilities and installations as attractive as possible is reflected in this Operating Center at Spartanburg. This effort has warranted special recognition from civic groups and garden clubs in several cities served by Duke Power.

NEW AND EXPANDED INDUSTRIAL PLANT GROWTH
Millions of Dollars



INDUSTRIAL CUSTOMERS HAVE INVESTED MORE THAN \$3.6 BILLION IN NEW AND EXPANDED PLANT FACILITIES IN DUKE'S SERVICE AREA DURING THESE YEARS.

Flyash from Duke Power steam stations is manufactured into lightweight aggregate at this Nello Teer Company plant completed near Charlotte in 1967.





Duke Power pioneered the development and use of individual residence transformers, which combine all primary switching, isolating means and transformer protection, plus the complete house power panel of meters and breakers, into a single, attractive unit.

Industrial Development

The selection of the Duke Power service area for the construction of large, heavy industry plants added extra sheen to an already bright industrial development picture in 1967.

Westinghouse is constructing a \$65 million plant for the manufacture of nuclear turbines near Charlotte, and General Electric a \$50 million plant near Greenville to build combustion turbines. A General Tire & Rubber Co. plant, manufacturing auto and truck tires, went into operation near Charlotte during the year. Also, Joseph Schlitz Brewing Company announced a \$45 million brewery at Winston-Salem.

Total industrial investment for new and expanded industry in the Carolinas during 1967 was \$966 million, and for the seventh straight year the Duke Power service area, which is but one-fourth of the total Carolinas land area, received over 50 per cent of this investment. The Duke area recorded \$528 million in industrial investment, 54.7 per cent of the Carolinas' total.

The 311 new and expanded industries locating in the Duke Power service area in 1967 will add 19,138 new jobs and almost \$87 million to the payrolls.

For the five-year period ended 1967, Duke Power's service area has recorded 2,130 new and expanded industries requiring an investment by those industries of \$2.5 billion, and creating over 125,783 new jobs for a payroll increase of \$472 million.



For distribution and retail purposes Duke Power has divided its 20,000 square mile service area into 18 districts containing 93 offices. Each of these districts is under the direct supervision of a District Manager who is "Mr. Duke Power Company" to all the customers in that district.

These District Managers are carefully selected, both for knowledge of company operations and the ability to project the Company as a "good citizen" to the people of his district. The Districts are subdivided into Branches, where a Branch Manager, reporting to the District Manager, serves his area in much the same manner as the District Manager. All these men have a vital interest in civic leadership, and serve in many capacities to the betterment of the cities and areas in which they are located.

Among their responsibilities is promotion of the sale of electricity. Decentralization of this responsibility through promotional staffs under their supervision is one reason for the outstanding rise in annual kilowatthour sales.

The District Managers are, back row, left to right: Tom Patrick, Durham; Dave Smith, Elkin; J. D. Henry, Greenville, S. C.; Joe Mason, Winston-Salem; and Ed Hartgrove, Lancaster, S. C. Second Row: Joe Stone, Reidsville; Pat Hudgins, Rutherfordton; Hal Davis, High Point; Jack Welch, Salisbury; and Jim Sloan, Charlotte. Third Row: Bill Wiatt, Spartanburg, S. C.; Tom Berry, Greenwood, S. C.; Joe Mann, Burlington; Mell Doolittle, Anderson, S. C.; and Bill Apple, Greensboro. Keith Arledge, Hendersonville, is in front. Bill Hardesty, Hickory, and Al Bowen, Gastonia, were not present for the photo.

Diversification and Heavy Industry Accent Industrial

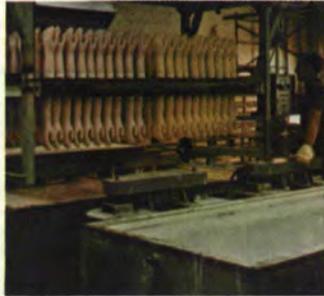
A large plant for the manufacture of auto tires began operation near Charlotte in 1967. Its output is now 7,000 tires per day



Bathing wear from Anderson District helps beautify American scene



Electrical and surgical rubber gloves roll out of this Clover plant by the thousands



Portable air compressors made in Salisbury District



Huge, ocean-going motor yachts are built by skilled craftsmen in High Point



Outdoor lighting fixtures come from this Hendersonville plant



Auto clocks and other battery-driven timing devices are made in new plant near Charlotte



Duke service area is longtime hub of Southern tobacco industry



A leading chainsaw manufacturer has found excellent skilled labor available in Gaston County



Growth In Duke Area

National firm manufactures many small appliances in Anderson District plant



Over sixty per cent of the nation's toasters are manufactured at Mt. Airy



Piedmont Carolinas furniture industry now supplies majority of nation's solid, veneer, upholstered and metal furniture



Gasoline pumps get final adjustments at end of Greensboro assembly line



The demand for computer tapes keeps this High Point District plant humming



Electric shavers (ladies model) get final inspection at Elkin District factory



Flourishing textile industry still Duke Power's largest customer



The advent of plants manufacturing large, specialized machinery has characterized industrial diversification in recent years



Capacitors for use by the Electric Industry important product of Greenville District plant



Keowee-Toxaway Project Underway

A ground-breaking ceremony on April 11, attended by Governor Robert McNair and many other South Carolina political and civic leaders, officially launched the Company's \$700 million Keowee-Toxaway generation project in northwest South Carolina.

The Engineering and Construction Departments have moved rapidly since that date, and were on schedule at year's end with the two dams that will form Lake Keowee, the hydroelectric powerhouse at Keowee Dam, and the Oconee Nuclear Station.

The Company announced on May 1 that it had let the contract for a third unit at the Oconee Nuclear Station, a duplicate of the first two units announced in 1966. Each of the Oconee units will have a net capability of 886,000 kilowatts, giving the station a net capability of 2,658,000 kilowatts.

A construction permit was issued by the AEC on November 6. The Company expects to have Unit 1 of Oconee ready for service in 1971, followed by the other two units in 1972 and 1973.

Many of the personnel who have been assigned or will be assigned to operation of the Oconee Station re-

ceived training and experience in nuclear generation at the Parr Nuclear Plant. This was the experimental nuclear plant built and operated jointly by Duke Power and its utility neighbors in Virginia and the Carolinas. This experience is one of the very worthwhile results of the Company's participation in the Parr experimental project, which was decommissioned with the approval of the AEC in 1967. Other personnel will receive intensive training before startup of Oconee.

The 140,000 kilowatt hydroelectric capacity at Keowee Dam is to be serviceable by early 1971, and the initial 305,000 kilowatts of pumped storage hydroelectric generation at Jocassee Dam are planned for 1974. An additional 305,000 kilowatts of pumped storage will be installed and ready for use at Jocassee by 1978.

Visitors Center

Contracts have been let to South Carolina construction firms to build a Visitors Center at the Keowee-Oconee portion of the Keowee-Toxaway Project. This Center is expected to become one of the outstanding public attractions in western South Carolina. It will have the Story of Energy as its theme, and will acquaint the public with the history as well as the advancing technology of the electric industry. From this Center, which is expected to be completed this year, visitors also will be able to see the Keowee Dam and powerhouse and Oconee Nuclear Station under construction, and later the completed installations. The Center is designed to appeal to all segments of the public and is expected to be particularly attractive to school and college groups.



Gov. Robert McNair and other South Carolina and national leaders attended a ground-breaking ceremony for the \$700 million Keowee-Toxaway Project in April, 1967.



The reactor vessel for Unit 1 of Duke Power's Oconee Nuclear Station is now being manufactured by the Babcock & Wilcox Company at Mt. Vernon, Indiana. This 70-ton section, leaving a heat-treating furnace at a temperature of 1750 degrees, represents one-fifth of the finished 340-ton vessel which will be delivered in the spring of 1969.

Production

The fourth and final unit at Cowans Ford Hydroelectric Station was placed in service in April of 1967, adding 93,000 kilowatts to the Company's peaking power capability. As further protection in meeting peak load requirements and emergency service, the first of five 33,500 kilowatt combustion turbines was installed and is now available for use. The other four will be available in 1968. The Company's generating capability on December 31, 1967, was 4,958,100 kilowatts.

Construction is well along on the third unit at Marshall Steam Station on Lake Norman. This third unit, Duke's first to operate at supercritical pressure, will have a net capability of 682,000 kilowatts. It will be ready in the spring of 1969, followed by a duplicate unit in 1970.

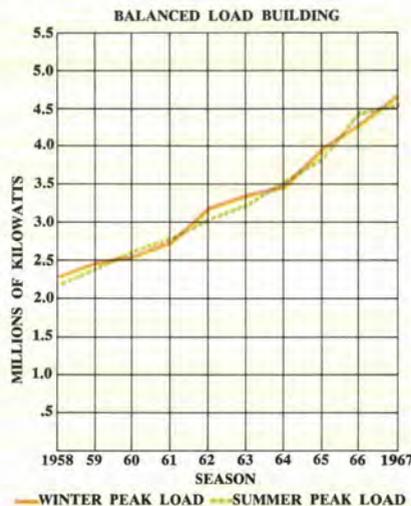
Marshall Steam Station, Units 1 and 2, was the nation's most efficient coal-burning generating facility in 1966. In 1967 this station achieved a slightly higher efficiency than in 1966.

The previous peak generating load record of 4,439,700 kilowatts set on July 28, 1966, was surpassed many times in 1967. The favorable pattern of having peak loads both in summer and winter continued. The summer peak was 4,500,755 kilowatts on August 2, followed by a peak of 4,579,460 kilowatts on November 28.

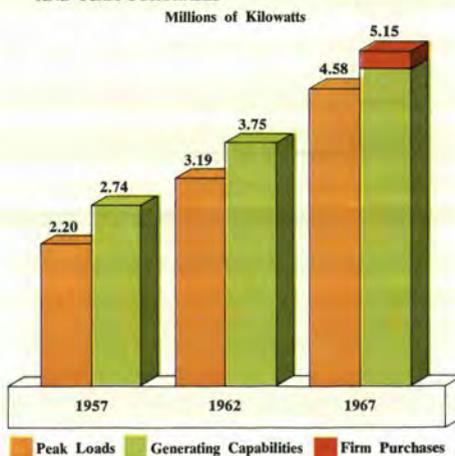
The Company made significant use of the Carolinas-Virginia Power Pool (CARVA) in 1967, the first year the pool became fully effective. The Carva Pool, formed to better realize the advantages of technical developments in larger, more efficient generating units and transmission facilities through coordinated operation over wide geographical areas, consists of Duke

Power Company, Virginia Electric and Power Company, Carolina Power & Light Company, and South Carolina Electric and Gas Company.

Production on the Duke system during 1967 was 26.3 billion kilowatt-hours from steam units, 1.3 billion kilowatt-hours from hydro, and 1.6 million kilowatt-hours from combustion turbines. This, along with 546 million kilowatt-hours from other sources, supplied the Company's total energy requirements of 28.1 billion kilowatt-hours.



PEAK LOADS VERSUS GENERATING CAPABILITIES AND FIRM PURCHASES



Underground Lines

Several phases of the Company's plan to place downtown area wiring underground in ten of the larger cities served are nearing completion. About 95 per cent of all duct systems and vaults, plus 90 per cent of all cable, switchgear and transformers had been installed at year's end. All of these underground systems should be energized by June of 1968, and the entire project, including removal of overhead lines, is expected to be completed by September.

The rapid expansion of electric requirements in these central-city areas had exhausted overhead installation space, and underground installation became an engineering necessity.

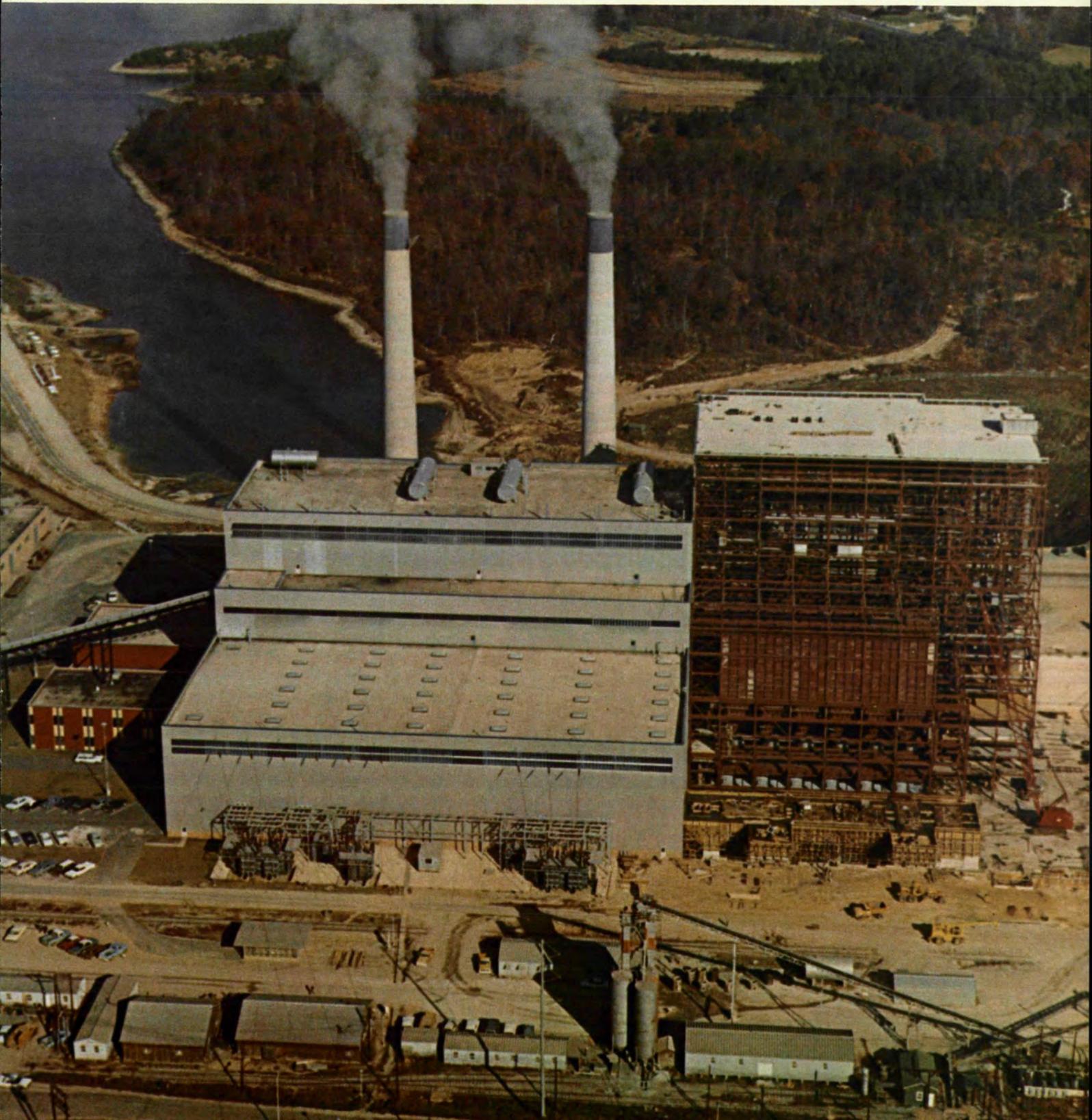
In instances where the cities provided the conduit for municipal wires, such as traffic and fire alarm signals, company crews installed these along with the power lines. This saved the cities the expense and inconvenience of later excavation for this purpose.

The Company has been an aggressive promoter of underground residential service, and will continue its efforts to reduce the cost of this type service. A uniform charge based on the average cost difference between underground and a conventional overhead system is now made.

The Company has been a pioneer in the development and use of individual residence transformers, which combine all primary switching, isolating means and transformer protection, plus the complete house power panel of meters and breakers, into a single unit.

When an underground residential design utilizing a transformer began to look economically feasible, preliminary specifications were worked out with

Two units of Marshall Steam Station on Lake Norman are in service, and have proved themselves to be the most efficient coal-burning units in the nation. Unit 3 is now under construction and due for service in 1969, with a duplicate unit to be ready in 1970. Units 3 and 4 will operate at supercritical pressure with a net capability of 682,000 kilowatts each, giving the Marshall Station a net capability in excess of 2,100,000 kilowatts.



three transformer manufacturers. These manufacturers have begun production of the single residence units, and one of the three established a plant in North Carolina for this purpose. Underground systems to serve over 500 lots using single residence transformers are now being installed.

Street and Outdoor Lighting

The program to replace all incandescent street lights on the Duke Power system with more efficient mercury vapor lights was completed in June of 1967. A total of 43,665 conversions to mercury vapor was made, and all future installations will be mercury vapor.

The Company's Dusk-to-Dawn lighting service continued to lead the nation in total number of units installed. These are outdoor lights which cut on and off automatically and for which a fixed monthly fee is charged. Over 10,500 such lights were connected in 1967, bringing the total in service to 79,000.

Franchises Granted

The electric distribution facilities for the town of Mayodan, N. C., were purchased in 1967 from Washington Mills. The acquisition of these facilities added approximately 1,100 customers to Duke Power's system total.

The Company received a renewal franchise to serve the citizens of Bessemer City, N. C. This franchise involved approximately 3,187 customers.

A 60-year franchise to serve the newly incorporated town of Cramerton, N. C. was granted. The Company had been serving Cramerton prior to its incorporation.

Transmission Growth

Records were established in the construction of transmission lines and substation facilities in 1967 as the Company stayed abreast of the burgeoning demands of its service area. The Company built 550 circuit miles of line at a cost of \$18 million, and 1968 plans call for 658 circuit miles of new line with an expenditure of \$24 million.

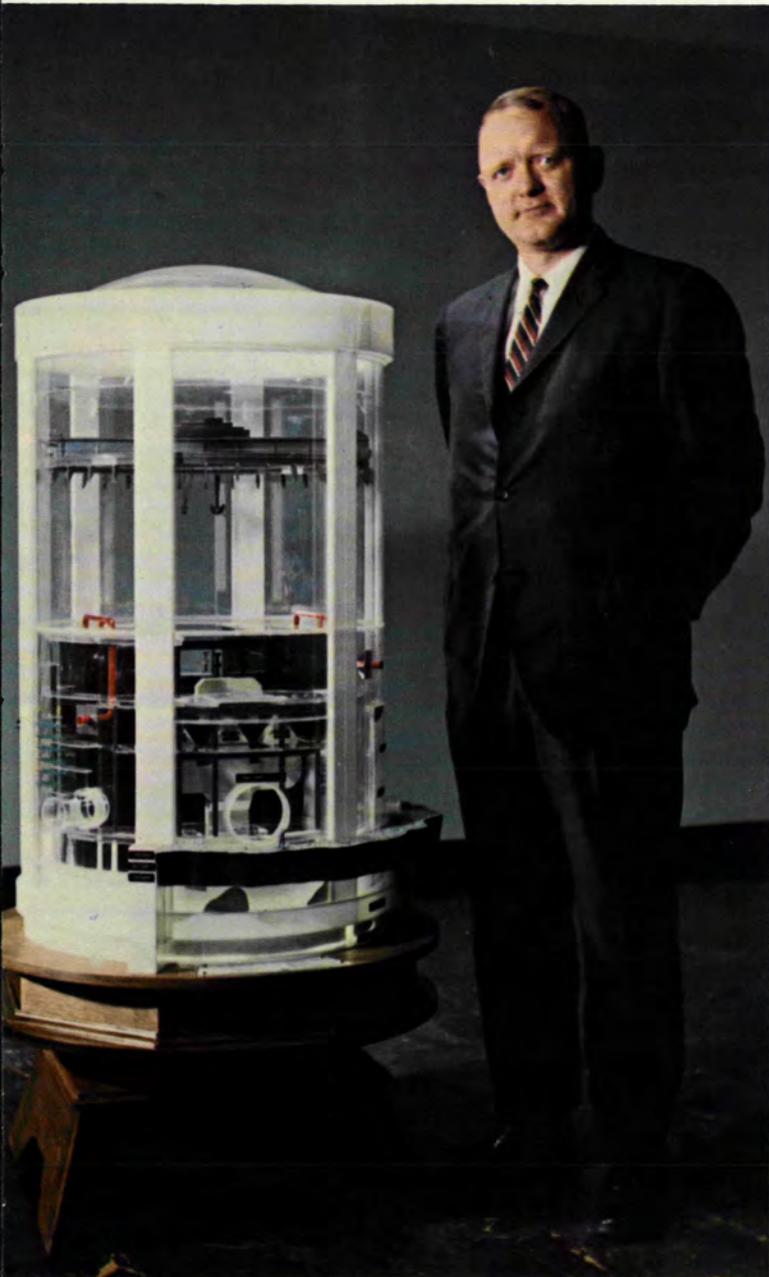
A total of \$26.8 million was spent for new or up-rated transmission, distribution and customer stations in 1967, more than twice the amount spent in 1966 for that purpose. This rising trend of expenditures for substation facilities is expected to continue in 1968.

As loads continue to grow, requiring the delivery of larger blocks of power, transmission voltages are also rising.

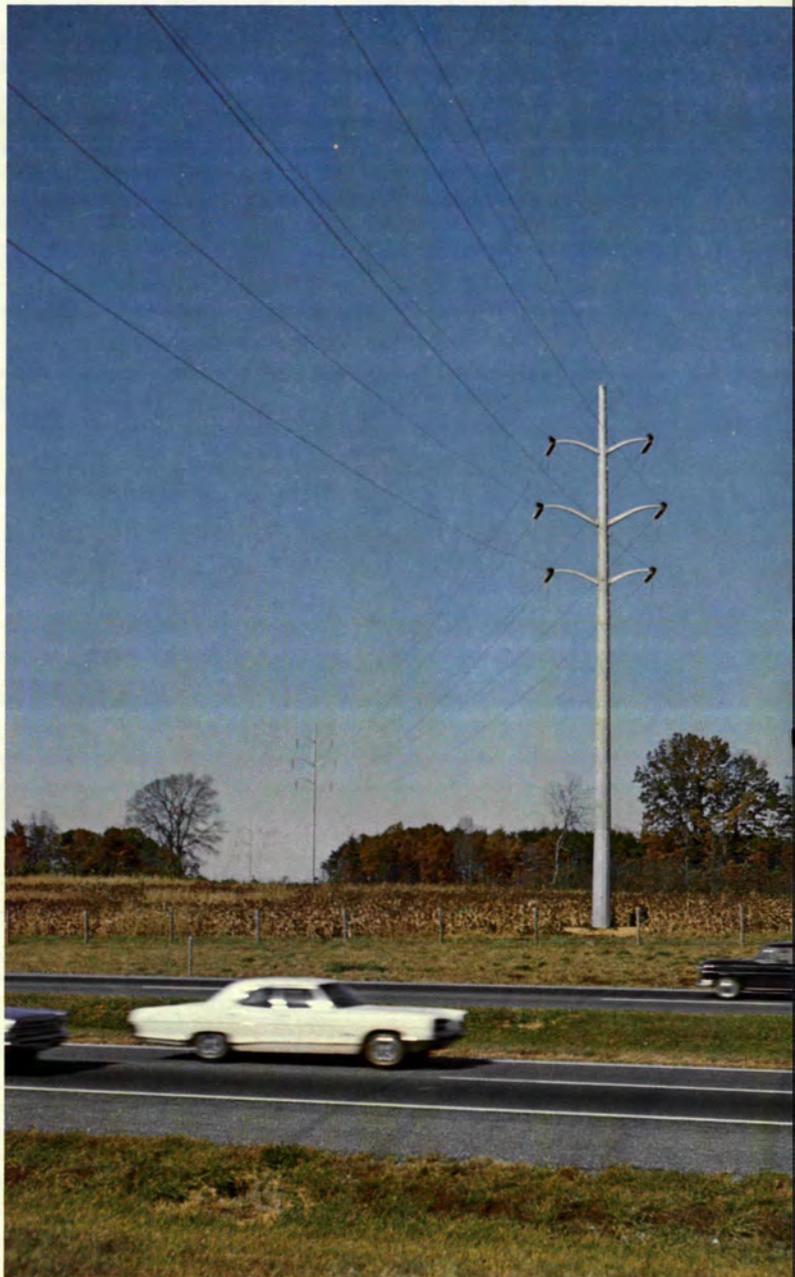
In recent years the backbone of Duke's transmission system has grown from a network of 100,000 volt lines to a 230,000 volt grid, and right of way is now being acquired for the Company's first 500,000 volt lines. It will interconnect the Company with American Electric Power Corporation for large scale interchange of power, both on a planned basis and in the event of an unexpected loss of generating capacity. This is one of the many steps being taken by the Company to protect against any widespread interruptions.



Duke Power is one of the few utility companies which does its own design engineering and construction. The Design Engineering Department has been exceptionally busy the past several years at work on the Marshall Steam Station and the Keowee-Toxaway Project, which includes the Company's first nuclear generating facility.



W. S. Lee, Vice President—Engineering, looms over this scale model of the Oconee Nuclear Station's Unit No. 1. This unit, and two duplicate units, will be equivalent in height to a 19-story building and each will have a net capability of 886,000 kilowatts for a station capability of 2,658,000 kilowatts.



Attractive, tubular steel poles have replaced the conventional lattice towers for transmission of high voltages in some sectors of the Duke system. The stretch of line above crosses Interstate 85 in the Burlington District.

Personnel...Key to Company Growth



The Company conducts a highly effective Management Development Program at its Lake Hickory Training Center. This program reached 167 employees at various management levels in 1967. Here Austin Thies, Vice President—Production & Operation, speaks to a management group at the Training Center.

Continuous effort was made in 1967 to keep all employees well informed on operations, policies and new and important developments affecting company business. This was accomplished through employee communications programs and company publications. The communications programs are designed to reach every employee through personal contact.

One such program covered the "President's Conversion Challenge," for which all employees were enlisted in a most successful effort to assist the Company's drive to convert existing homes to electric heat.

A major improvement was made in the Company's Retirement Plan during the year. This improvement permits an employee's spouse to be designated a provisional payee to receive retirement

benefits in the event of the employee's death. Other improvements in the Retirement Plan, which involves vesting of benefits under certain conditions and allowing credit for time spent in military service, have been approved by the Company's Board of Directors and will be presented to the shareholders at their annual meeting in April, 1968.

Recruiting

The Summer Student Employment Program continued to produce excellent results. Ten of the 31 engineering graduates hired during 1967 had previous experience with the Company as summer employees. Other departments of the Company also have made excellent use of summer employment of college students to evaluate and recruit outstanding graduates.

Company representatives made 11 campus visits in 1967 which resulted in visits by top-level graduates to the Company for interviews. These interviews produced 24 acceptances to join the Company, considered excellent results in view of the intense competition among area business and industry for the qualified college graduate.

About 175 engineering students from Carolinas colleges visited Duke plants during the year. These formal visits aided a number of these students in their decision to accept company job offers. The entrance of Duke Power into the nuclear generating field has proved attractive to many of these engineering graduates.

The Company also has participated in College Opportunity Day programs in its area, and this has been quite productive in contacting potential employees.

Training Program

The highly effective Management Development Program, instituted in 1961, reached 167 employees at various management levels in 1967. One of the most significant portions of this program during the year involved 75 management people ranging from departmental and district managers through the vice presidential level. This group attended five-day seminars, which included a wide range of management level subjects.

During the Management Development Program's seven years of existence it has provided training sessions for 1,110 management employees and review sessions for 910 of these employees. The classes are held at the Company's training center at Lake Hickory. Present plans are to enlarge the training center facilities and to broaden the scope of the program.

Emphasis On Safety

A continuing emphasis on accident prevention in 1967 resulted in a disabling injury frequency rate for Duke Power of more than 50 per cent below the electric utility industry average. Despite the fact that the Company's expansion program involved many phases of heavy construction, including work by the Plant Construction Department on two major projects—the continuation of Marshall Steam Station and initial phases of Keowee-Toxaway—the Company had one period that exceeded 2 million manhours worked without a disabling injury and another period in excess of 1.7 million manhours. The Company was the recipient of many national and state awards from accident prevention organizations during the year.

Robinson Awards

The Company's prized Robinson Awards, given to employees for exceptional contributions or accomplishments, went to three employees in May. Winners this year were James R. Wilson, a utility operator at Allen Steam Station; John Welch, a welder at Buck Steam Station; and Billy F. Sanders, engineering assistant in Anderson. Wilson's award was for serving, without hesitancy, as the donor in a kidney transplant operation that saved the life of his brother. Welch won for developing a technique of rebuilding

primary nozzle and diaphragm partitions in steam turbines, and Sanders was recognized for outstanding contributions to public service. To date 18 employees throughout the system have received these awards.

Tuition Refund Program

Employees desiring to develop themselves further for present and future jobs through additional study are encouraged by the Company to participate in a Tuition Refund Program. One hundred and fifty employees are now active in this program, and 70 employees completed courses in 1967.



The Robinson Awards, given to employees for exceptional contributions or accomplishments, went to these three men in 1967 (left to right): James R. Wilson, John Welch and Billy F. Sanders. Nominations for the award are made by fellow employees and the winners are selected by an investigating committee also made up of employees.

Citizenship...A Company Creed

Conservation

Preparation of right-of-way lands for wild game food plantings continued as one of the Company's most popular programs with wildlife clubs and landowners in 1967. A total of 1,392 acres was prepared under this program during the year, bringing the number of acres since the program began in mid-1965 to 3,346.

Not only has this proved beneficial to sportsmen and landowners in providing game cover and food, controlling erosion, and providing attractive right-of-ways, it also has proved to be one of the least expensive and most lasting of all right-of-way clearing procedures used by the Company.

Duke's Forestry Department, in practicing conservation and good timber management, planted just under 2 million trees in 1967 on 3,984 acres of company watershed lands. Almost 34.5 million trees have been planted on 42,717 acres of land since the forestry program was begun in 1939.

Forty million board feet of lumber were harvested from Duke Power prop-

erties in 1967, along with more than 76,000 cords of pulpwood. This timber and pulpwood is sold on the stump to private contractors who then harvest and prepare it for the construction, furniture and pulp industries. This activity has added \$14 million to company income since its inception in 1939.

Recreation

A survey conducted by the Company's Forestry Department in 1967 showed that almost 7.5 million persons visited Duke Power's hydroelectric lakes for recreational purposes in 1966. The policy of leasing recreational lakeside lots where feasible to the general public has been well received.

At the end of 1967 the Company had leased 6,010 such recreational lots to individuals, and the survey showed that 501 year-round homes had been built on these lots along with 2,553 summer homes. Recreational use of the Company's newest and largest lake, Lake Norman, has experienced rapid growth. Almost 2.5 million recreational visits were made to Lake Norman in 1966, and 39 per cent of 2,600 leased

lots now contain either year-round or summer residences.

Duke Power State Park on Lake Norman, consisting of 1,328 acres donated by the Company to the North Carolina State Park system, continued a major attraction in 1967. New facilities in the park are planned for 1968, including a campground, marina and more picnic areas.

Excellent usage was recorded for outdoor recreation on the 141,736 acres of company-owned watershed lands leased to the Wildlife Commissions of the two Carolinas. These Game Management Areas and game refuges are of great assistance to the Wildlife Commissions in their efforts to supplement hunting and fishing areas available to the public.

Archaeological Research

The Keowee Valley became one of the nation's archaeological research centers during the summer of 1967 when the South Carolina State Department of Archaeology and the University of South Carolina Archaeology Department, aided by a \$30,000 grant from Duke Power, located and excavated Fort Prince George on the Keowee River.

Fort Prince George was an early frontier fort constructed and manned by the British in 1753. It holds great historical significance to the citizens of the area.

Sixty college students and 20 Neighborhood Youth Corps workers charted the fort and catalogued approximately 10,000 specimens dating from the Colonial Period. Work will continue this summer with further research into the Cherokee Indian Villages which once occupied the area to be inundated by Lake Keowee.



Thousands of visitors are welcomed to the Company's steam stations, hydroelectric installations, and other facilities each year. Informed guides are provided for pre-planned tours, such as this class of youngsters from Charlotte's Head Start Program which is being shown the Electronic Data Processing Center in the corporate offices.

Fair Share Taxation of Electric Service

The largest single item of expense for Duke Power last year was taxes. This amounted to \$66,726,000 and represented 23 per cent of what our customers paid for electricity.

At first glance, this is not surprising. A large, successful company is bound to have a large tax bill. But thousands of people across the nation are escaping paying the taxes our customers have to pay.

These are customers of government-owned or financed systems which pay only token taxes or, in many cases, none whatsoever. For example, in the Carolinas, Federal dams on the Roanoke and Savannah Rivers produce absolutely no tax revenue. These government dams, lakes and power facilities are not even subject to property taxes by local tax districts. Federal power producers are actually large businesses selling tax-free power to thousands of users of electricity.

Serious tax erosion also continues to increase because of the millions of dollars loaned annually by the Federal government to REA co-ops at the heavily subsidized interest rate of 2 per cent. During the period 1961 through 1967, over \$1.1 billion (more than one half of all loans to REA co-ops) was loaned for generating plants and transmission lines. While REA co-ops in North Carolina pay State and local taxes, in some states they pay none, and nowhere do they pay Federal income taxes.

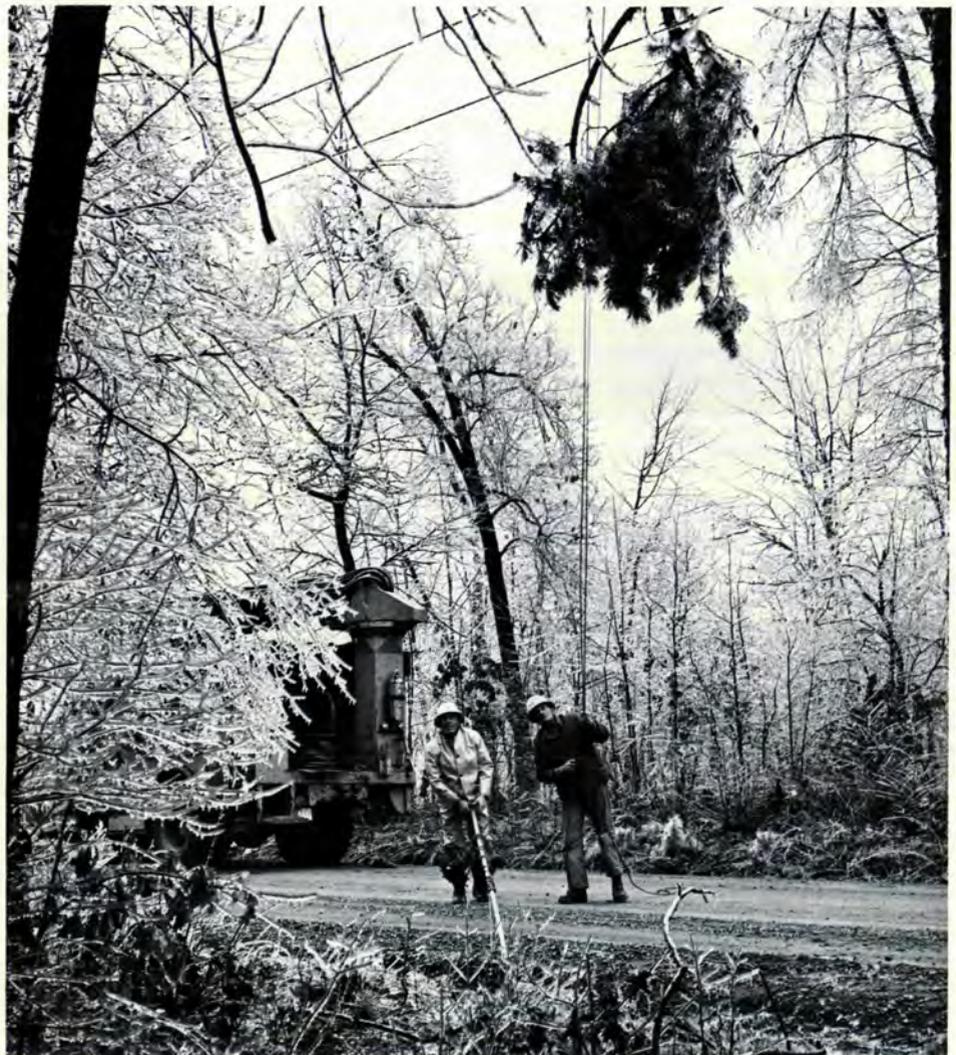
REA co-op generation displaces power that taxpaying power companies are willing and able to provide. If the co-op program continues at the present rate for the next ten-year period, a tax loss of about \$160 million will result.

If, on the other hand, investor-owned companies provide this electricity, not only will the government receive full tax revenues on the business, but it also will eliminate the loss incurred through large subsidized loans for a net gain of about \$1.4 billion for the ten years. The taxpayer will benefit both ways.

With economists today calling attention to the urgent need for reducing Federal expenditures and increasing

tax revenues, and the public alarmed over inflation and higher taxes, we think now is the time to call attention to this situation. Your state and Federal legislators will be interested in your views on this issue.

Eventually our government, state and Federal, will recognize the economic benefits as well as the fairness of equal treatment in taxation of electric service.



The worst ice storm in Company history occurred in the northern end of the system in February, 1967. A total of 1,861 men was involved in restoration of service disrupted by the storm, 1,060 of which were rushed to the storm area through a smooth-working, pre-arranged company plan for coping with such emergencies. Approximately 106,200 customers lost service during the storm, and the cost of repairs to the Company exceeded \$700,000. The crew above was working in the hard-hit Greensboro area during the height of the three-day storm.

Financing

Plant construction expenditures during the year totaled \$162 million, the highest ever incurred by Duke Power. Estimated expenditures for plant facilities for the five years 1968-1972 are \$923 million, including \$176 million for 1968. Of the five-year total about 55% will be expended for new generating facilities, including the Marshall Steam Station Units 3 and 4, Keowee and Jocassee hydroelectric units, and the Oconee Nuclear Station, Units 1, 2 and 3. The balance of plant additions will consist of electric transmission and distribution and other facilities. It is estimated that 40% of the funds required for the 1968-1972 con-

struction program will be obtained from operations and about 60% from outside financing.

The Company obtains funds to meet current construction expenditures from short-term bank borrowings and sales of commercial paper. Each year permanent financing is required to repay outstanding short-term obligations. Permanent financing for 1967 included the delivery on March 16 of 53,000 shares of Series D, 5.72% Cumulative Preferred Stock (par \$100) providing \$5,300,000 cash, the sale of \$75,000,000 principal amount of 5 $\frac{3}{8}$ % First Mortgage Bonds due 1997, and sales

of 60,508 shares of common stock to the Stock Purchase-Savings Program for Duke Power employees totaling \$2,277,000.

In February, 1968, Duke Power sold \$75,000,000 principal amount of First Mortgage Bonds due 1998 by public offering. Proceeds from this sale were used to reduce outstanding short-term notes which totaled \$89,300,000 at January 31, 1968. The Company intends to sell 350,000 shares of preferred stock (par value \$100) later in 1968, which will be used to repay short-term obligations incurred for construction expenditures.

The financial team for Duke Power Company are, left to right: Carl Horn, Jr., Vice President—Finance and General Counsel; Carl McCraw, Jr., Assistant Vice President—Finance; Robert Frazer, Treasurer; and John Hicks, Secretary and Assistant General Counsel.



Statement of Source of Funds for Plant Construction Expenditures

For the Years Ended December 31, 1967 and 1966

	1967	1966
Year Ended December 31		
SOURCE OF FUNDS FOR PLANT CONSTRUCTION EXPENDITURES:		
Operations —		
Earnings for common stock	\$ 43,533,000	\$ 43,696,000
Less — Dividends on common stock	27,676,000	25,309,000
Earnings retained for use in the business	<u>15,857,000</u>	<u>18,387,000</u>
Add — Noncash charges —		
Depreciation and amortization	34,936,000	35,842,000
Investment tax credit, net	1,557,000	2,284,000
Funds from operations	<u>52,350,000</u>	<u>56,513,000</u>
Financing —		
Sale of first mortgage bonds	75,000,000	
Sale of preferred stock	5,300,000	29,198,000
Sale of common stock	2,277,000	2,146,000
Increase in notes payable	40,400,000	23,000,000
Retirement of sinking fund debentures	(1,250,000)	(2,540,000)
Funds from financing	<u>121,727,000</u>	<u>51,804,000</u>
Total available funds	174,077,000	108,317,000
Nonconstruction expenditures (deduction) —		
Increase in working capital, etc.	(8,094,000)	(10,123,000)
Properties purchased	(787,000)	(11,699,000)
Advances to subsidiaries	(2,925,000)	(3,220,000)
PLANT CONSTRUCTION EXPENDITURES	<u>\$162,271,000</u>	<u>\$ 83,275,000</u>

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

DUKE POWER COMPANY:

We have examined the balance sheet of Duke Power Company as of December 31, 1967 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained earnings (restated as explained in note 1 to the financial statements) present fairly the financial position of the Company at December 31, 1967 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Charlotte, North Carolina
January 27, 1968

Haskins & Sells

Balance Sheet December 31, 1967 and 1966

ASSETS		December 31	1967	1966
UTILITY PLANT	At original cost—			
	Electric plant		\$1,281,135,000	\$1,124,220,000
	Water and transit plant		9,483,000	7,009,000
			<u>1,290,618,000</u>	<u>1,131,229,000</u>
	Less—Accumulated depreciation		389,937,000	356,365,000
	Utility plant, net (Note 1)		<u>900,681,000</u>	<u>774,864,000</u>
OTHER PROPERTY	At cost		7,160,000	7,202,000
	Less—Accumulated depreciation		177,000	174,000
			<u>6,983,000</u>	<u>7,028,000</u>
INVESTMENTS	Common stock and advances to subsidiaries (Note 2)		9,711,000	15,041,000
	Other securities—at cost or less		688,000	691,000
			<u>10,399,000</u>	<u>15,732,000</u>
CURRENT ASSETS	Cash		13,655,000	10,605,000
	Receivables, less allowance for losses (Note 1)		26,486,000	22,071,000
	Materials and supplies—at average cost		35,643,000	27,933,000
	Prepayments		311,000	308,000
			<u>76,095,000</u>	<u>60,917,000</u>
DEFERRED DEBITS	Debt discount and expense, being amortized		1,567,000	1,610,000
	Other		1,975,000	1,790,000
			<u>3,542,000</u>	<u>3,400,000</u>
		<u>\$ 997,700,000</u>	<u>\$ 861,941,000</u>	

LIABILITIES

December 31

1967

1966

CAPITALIZATION

Capital stock and retained earnings (Note 3)

Common stock, no par—outstanding

23,093,969 shares and 23,033,461

shares, respectively

\$ 283,988,000

\$ 281,711,000

Retained earnings (Note 1)

69,162,000

53,305,000

353,150,000

335,016,000

Cumulative preferred stock, \$100 par:

4.50% Series C, outstanding

350,000 shares

35,000,000

35,000,000

5.72% Series D, outstanding

350,000 shares and 297,000

shares, respectively

35,000,000

29,700,000

Total capital stock and

retained earnings

423,150,000

399,716,000

Long-term debt (Note 4)

441,250,000

367,500,000

Total capitalization

864,400,000

767,216,000

CURRENT LIABILITIES

Notes payable (Note 5)

81,400,000

41,000,000

Accounts payable

8,852,000

7,419,000

Customers' deposits

1,608,000

1,427,000

Taxes accrued

17,875,000

22,264,000

Interest accrued

5,831,000

4,776,000

Other

461,000

425,000

116,027,000

77,311,000

DEFERRED CREDITS

Investment tax credit, being amortized

9,461,000

7,904,000

Premium on debt, being amortized

675,000

732,000

Other

270,000

869,000

10,406,000

9,505,000

RESERVES AND OTHER

Reserves for injuries and damages

2,258,000

2,384,000

Contributions in aid of construction

4,609,000

5,525,000

Commitments (Note 6)

—

—

6,867,000

7,909,000

\$ 997,700,000

\$ 861,941,000

See the accompanying Notes to Financial Statements

Statement of Income

For the Years Ended December 31, 1967 and 1966

Year Ended December 31

1967

1966

OPERATING REVENUES:

Electric	\$282,322,000	\$258,694,000
Water and transit	2,375,000	2,359,000
Total operating revenues	<u>284,697,000</u>	<u>261,053,000</u>

OPERATING EXPENSES AND TAXES:

Operation—		
Fuel used in steam electric production	70,694,000	63,499,000
Purchased power	3,334,000	1,705,000
Wages and benefits, materials, etc.	37,091,000	36,193,000
Maintenance of plant facilities — wages, materials, etc.	14,157,000	12,113,000
Depreciation	34,683,000	31,657,000
Taxes —		
General taxes	25,531,000	23,461,000
Federal income tax	33,143,000	31,428,000
State income taxes	4,729,000	4,589,000
Investment tax credit, net of amortization	1,557,000	2,284,000
Total operating expenses and taxes	<u>224,919,000</u>	<u>206,929,000</u>
Operating income	<u>59,778,000</u>	<u>54,124,000</u>

OTHER INCOME:

Dividends from subsidiaries	1,000,000	1,000,000
Other dividends and interest	232,000	436,000
Other, net	1,151,000	1,148,000
Total other income	<u>2,383,000</u>	<u>2,584,000</u>
Gross income	<u>62,161,000</u>	<u>56,708,000</u>

INCOME DEDUCTIONS:

Interest on long-term debt	16,756,000	13,953,000
Other interest	2,258,000	1,697,000
Interest charged to construction (credit)	(4,245,000)	(1,638,000)
Other	1,199,000	962,000
Total income deductions	<u>15,968,000</u>	<u>14,974,000</u>
Income before extraordinary items	<u>46,193,000</u>	<u>41,734,000</u>

EXTRAORDINARY ITEMS:

Interest received, less expenses, on refund of excess profits taxes, net of income taxes of \$864,000	854,000	
Gain on sale of non-affiliated company capital stock, net of income taxes of \$3,135,000		8,013,000
Cost in excess of original cost of properties acquired		(3,910,000)
Total extraordinary items	<u>854,000</u>	<u>4,103,000</u>
Net income (Note 1)	<u>47,047,000</u>	<u>45,837,000</u>

DIVIDENDS ON PREFERRED STOCK:

Earnings for Common Stock	3,514,000	2,141,000
	<u>\$ 43,533,000</u>	<u>\$ 43,696,000</u>

PER SHARE OF COMMON STOCK (Average shares outstanding):

Earnings before extraordinary items	\$1.85	\$1.72
Extraordinary items04	.18
Earnings for common stock	<u>\$1.89</u>	<u>\$1.90</u>

Statement of Retained Earnings

For the Years Ended December 31, 1967 and 1966

	1967	1966
Year Ended December 31		
RETAINED EARNINGS — Beginning of year:		
As previously reported	\$ 55,887,000	\$ 69,092,000
Adjustments (Note 1)—		
Refund of excess profits taxes paid in years 1941-1945	2,212,000	2,212,000
Adjustment of net utility plant as directed by regulatory authority	(884,000)	(884,000)
Cost in excess of original cost of properties acquired in July 1966 and recorded in January 1967	(3,910,000)	
Total adjustments	(2,582,000)	1,328,000
As restated	53,305,000	70,420,000
ADD — Net income for the year	47,047,000	45,837,000
Total	100,352,000	116,257,000
DEDUCT:		
Cash dividends —		
Common stock (\$1.20 and \$1.10 per share, respectively)	27,676,000	25,309,000
Preferred stock —		
Series C (\$4.50 per share)	1,575,000	1,575,000
Series D (annual rate \$5.72 per share)	1,939,000	566,000
Amount transferred to common capital stock account		35,000,000
Capital stock expenses		502,000
Total deductions	31,190,000	62,952,000
RETAINED EARNINGS — End of year	\$ 69,162,000	\$ 53,305,000

NOTES TO FINANCIAL STATEMENTS

1. **RESTATEMENTS.** Net income for the year 1966 and the balance of retained earnings as of December 31, 1966 have been restated from amounts previously reported, in conformity with a recent opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants. The restatements reflect the retroactive application of the new reporting requirements for extraordinary items and prior year adjustments. Accordingly, the amounts in the balance sheet at December 31, 1966 have been reduced \$4,794,000 for net utility plant and increased \$2,212,000 for receivables with contra amounts shown in the Statement of Retained Earnings.

2. **INVESTMENTS IN SUBSIDIARIES.** Consistent with past practice, the accounts of the Company's subsidiaries (all of which are wholly owned) are not consolidated in the accompanying financial statements. The Company's investments in the capital stocks of the subsidiaries are carried at a total of \$1,111,000 representing cost or less. The Company's equity in its subsidiaries as shown by their books totaled \$4,054,000 at December 31, 1967 and \$3,972,000 at December 31, 1966. Advances to subsidiaries totaled \$8,600,000 at December 31, 1967 and \$13,930,000 at December 31, 1966.

3. **CAPITAL STOCK.** In 1967 the Company issued at par value 53,000 shares of its 5.72% Series D Preferred Stock and increased its authorized capital from 750,000 shares of preferred stock to 1,500,000 shares and 25,000,000 shares of common stock to 30,000,000 shares. At December 31, 1967, 616,185 shares of the authorized common stock were reserved for issuance under the Stock Purchase-Savings Program for Employees.

The outstanding preferred capital stocks are callable at the option of the Company at varying redemption prices not exceeding \$108.00 a share plus accumulated dividends to redemption date.

4. LONG-TERM DEBT

	1967	1966
First and Refunding Mortgage Bonds:		
3% Series Due 1975	\$ 40,000,000	\$ 40,000,000
2.65% Series Due 1977	40,000,000	40,000,000
2 ⁷ / ₈ % Series Due 1979	40,000,000	40,000,000
3 ¹ / ₄ % Series Due 1981	35,000,000	35,000,000
3 ⁵ / ₈ % Series Due 1986	30,000,000	30,000,000
4 ¹ / ₂ % Series Due 1992	50,000,000	50,000,000
4 ¹ / ₄ % Series B due 1992	50,000,000	50,000,000
4 ¹ / ₂ % Series Due 1995	40,000,000	40,000,000
5 ³ / ₈ % Series Due 1997	75,000,000	—
Sinking Fund Debentures:		
4 ⁷ / ₈ % Due 1982	41,250,000	42,500,000
Total long-term debt	\$441,250,000	\$367,500,000

5. **FINANCING.** See page 24 under "Financing" concerning new bond issue and payment of notes payable in February, 1968.

6. **CONSTRUCTION COMMITMENTS.** Capital expenditures for property additions for the next five years are estimated at \$923 million, including \$176 million for 1968, and substantial commitments for the purchases of materials and equipment have been made. Construction work in progress at December 31, 1967 and 1966 was \$127,682,000 and \$42,052,000, respectively.

7. **RETIREMENT PLAN COSTS.** The cost of the Company's non-contributory Employees' Retirement Plan is based on the consulting actuary's computation of requirements. The Company's policy is to fund pension costs accrued. Costs of the Plan accrued by the Company for 1967 amounted to \$3,265,000, including \$888,000 past service cost. The estimated unfunded past service cost, which is being amortized over ten years, was \$2,111,000 at December 31, 1967.

10-Year Financial and Statistical Summary

INCOME DATA (DOLLARS IN THOUSANDS)

	1967	1966	1965	1964
Operating revenues:				
Electric—Residential sales	\$ 103,127	\$ 95,902	\$ 88,591	\$ 83,757
—Commercial sales	52,490	47,547	45,867	41,317
—Industrial sales	93,730	86,596	75,002	68,983
—Other energy sales	30,036	25,932	22,337	19,986
—Other revenues	2,939	2,717	2,567	2,730
Total electric revenues	282,322	258,694	234,364	216,773
Water and transit revenues	2,375	2,359	2,290	2,030
Total operating revenues	284,697	261,053	236,654	218,803
Operating expenses and taxes:				
Operation and maintenance	125,276	113,510	98,352	90,946
Depreciation	34,683	31,657	28,967	27,810
Taxes	64,960	61,762	58,460	54,650
Total operating expenses and taxes	224,919	206,929	185,779	173,406
Operating income	59,778	54,124	50,875	45,397
Other income	2,383	2,584	1,992	1,737
Income deductions	20,213	16,612	15,320	14,079
Interest charged to construction—credit	4,245	1,638	2,215	2,488
Income before extraordinary items	46,193	41,734	39,762	35,543
Extraordinary items (a)	854	4,103	1,067	—
Net income	47,047	45,837	40,829	35,543
Dividends on preferred stock	3,514	2,141	1,575	1,553
Earnings for common stock	43,533	43,696	39,254	33,990
Dividends on common stock	27,676	25,309	22,957	21,768
Earnings retained for use in the business	\$ 15,857	\$ 18,387	\$ 16,297	\$ 12,222

COMMON STOCK DATA

Shares of common stock—year end (thousands) (b)	23,094	23,033	22,979	22,935
Per share of common stock (b) (average shares outstanding):				
Earnings before extraordinary items	\$ 1.85	\$ 1.72	\$ 1.66	\$ 1.48
Extraordinary items, net of related income taxes	.04	.18	.05	—
Earnings for common stock	1.89	1.90	1.71	1.48
Dividends paid	1.20	1.10	1.00	.95
Interest charged to construction	.18	.07	.10	.11
Market value—high-low	43¼-30	43-35½	44-35	37-31¼
—Year end	37	40⅞	42⅞	36½

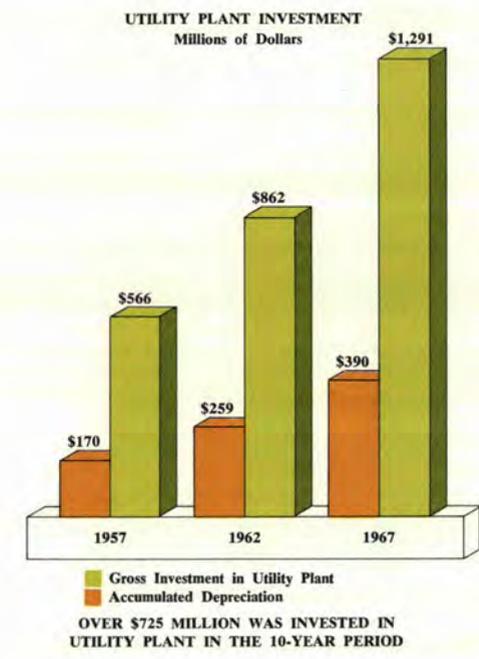
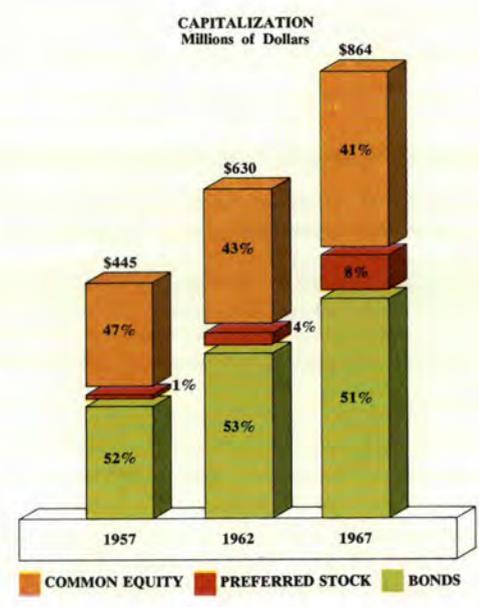
BALANCE SHEET DATA (DOLLARS IN THOUSANDS) (a)

Utility plant (original cost)	\$1,290,618	\$1,131,229	\$1,044,958	\$979,091
Accumulated depreciation	389,937	356,365	328,891	303,879
Capitalization and short-term notes:				
Common stock equity	353,150	335,016	314,985	296,404
Preferred stock	70,000	64,700	35,000	35,000
Long-term debt	441,250	367,500	368,750	330,000
Short-term notes payable	81,400	41,000	18,000	30,700

ELECTRIC AND OTHER STATISTICS

Kilowatthour sales (millions):				
Residential	5,777	5,320	4,817	4,503
Commercial	3,579	3,148	2,955	2,509
Industrial	12,338	11,442	10,032	9,041
Other	4,222	3,532	2,878	2,536
Total kilowatthour sales	25,916	23,442	20,682	18,589
Number of customers (year end):				
Residential	762,658	743,504	711,942	691,492
Other	114,874	110,174	107,560	103,715
Total customers	877,532	853,678	819,502	795,207
Residential customer data:				
Average annual KWH use	7,664	7,306	6,856	6,590
Average revenue per KWH	1.79¢	1.80¢	1.84¢	1.86¢
Number of employees (year end):				
Operating and maintenance	6,294	5,993	5,735	5,761
Plant construction	902	488	500	666
Source of energy (millions of KWH):				
Generated—Steam	26,276	24,067	20,385	17,736
—Hydro	1,315	1,401	1,862	2,126
—Combustion turbines	2	—	—	—
Purchased and net interchange	546	233	401	461
Loss and company use	2,222	2,259	1,967	1,734
% loss and company use	7.9%	8.8%	8.7%	8.5%
System average heat rate	9,691	9,619	9,557	9,649
System load factor	70.1%	66.1%	67.6%	65.7%

1963	1962	1961	1960	1959	1958
79,272	\$ 74,574	\$ 71,972	\$ 65,973	\$ 60,625	\$ 56,909
37,177	34,550	31,616	29,238	27,666	25,207
64,357	60,062	54,331	52,376	49,583	46,192
20,381	18,605	16,647	15,172	13,777	12,952
2,185	1,886	1,758	1,954	2,024	1,902
103,372	189,677	176,324	164,713	153,675	143,162
1,857	1,838	1,831	1,858	1,836	1,903
105,229	191,515	178,155	166,571	155,511	145,065
87,123	79,725	74,652	71,278	67,141	63,705
26,378	25,300	23,846	21,496	19,563	17,730
51,345	45,815	44,616	41,190	39,078	35,588
64,846	150,840	143,114	133,964	125,782	117,023
40,383	40,675	35,041	32,607	29,729	28,042
1,892	1,655	1,474	1,422	1,225	1,337
13,335	14,763	11,306	10,730	8,664	8,209
2,983	2,430	2,025	2,292	2,241	1,689
31,923	29,997	27,234	25,591	24,531	22,859
(1,244)	-	-	-	-	-
30,679	29,997	27,234	25,591	24,531	22,859
1,360	1,360	1,360	1,360	746	20
29,319	28,637	25,874	24,231	23,785	22,839
20,576	19,410	18,088	15,963	15,386	13,854
8,743	\$ 9,227	\$ 7,786	\$ 8,268	\$ 8,399	\$ 8,985
22,896	22,855	22,812	22,038	21,994	21,975
1.34	\$ 1.25	\$ 1.15	\$ 1.10	\$ 1.08	\$ 1.04
(.05)	-	-	-	-	-
1.29	1.25	1.15	1.10	1.08	1.04
.90	.85	.80	.72	.70	.63
.13	.11	.09	.10	.10	.08
3-26¾	30½-21½	31½-25¾	27-20¾	25½-21¼	22¾-13¾
31¾	28½	27¼	27	22¼	22½
23,709	\$861,812	\$805,683	\$750,309	\$688,364	\$624,132
83,172	258,613	237,269	216,736	199,287	182,655
85,058	275,071	264,656	239,361	230,043	221,587
25,273	25,284	25,284	25,284	25,284	284
31,250	332,500	283,750	285,000	235,000	235,000
14,000	-	14,800	5,200	19,050	3,300
4,175	3,832	3,690	3,347	3,042	2,840
2,131	1,938	1,737	1,587	1,424	1,273
8,390	7,778	6,995	6,736	6,356	5,597
2,589	2,346	2,087	1,901	1,708	1,586
17,285	15,894	14,509	13,571	12,530	11,296
71,508	657,916	638,117	628,875	613,974	593,313
98,518	95,377	91,537	90,938	89,214	86,725
70,026	753,293	729,654	719,813	703,188	680,038
6,279	5,900	5,636	5,382	5,041	4,858
1.90¢	1.95¢	1.95¢	1.97¢	1.99¢	2.00¢
5,613	5,629	5,537	5,595	5,448	5,304
693	641	1,023	723	720	787
17,206	15,378	13,854	12,904	11,865	10,668
1,125	1,515	1,643	1,956	1,798	1,672
583	567	350	109	201	172
1,629	1,566	1,488	1,398	1,334	1,216
8.6%	9.0%	9.4%	9.3%	9.6%	9.7%
9,578	9,490	9,546	9,611	9,820	9,950
64.1%	62.4%	63.8%	64.0%	64.0%	61.9%



(a) Certain amounts herein have been restated from amounts previously reported, in conformity with a recent opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants. The restatements reflect the retroactive application of the new reporting requirements for extraordinary items and prior year adjustments.

(b) Adjusted for 2 for 1 split in 1964 and 15% stock dividend in 1959.

Directors



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Chairman of the Board



Robert C. Edwards
President
Clemson University



B. F. Few
Trustee
Duke Endowment



P. B. Heatt
Trustee
Duke Endowment



Howard Holderness
Board Chairman
Jefferson Standard
Life Insurance Co.



M. I. Pickens
Trustee
Duke Endowment



K. C. Towe
Trustee
Duke Endowment

Officer Directors



W. B. McGuire
President



John D. Hicks
Secretary and Assistant
General Counsel



Carl Horn, Jr.
Vice President
Finance and General Counsel



D. W. Jones
Executive Vice President
Retail Operations



J. P. Lucas, Jr.
Vice President
Public Relations



G. G. Mattison
Senior Vice President
Transmission and
Electric Installations



B. B. Parker
Executive Vice President
Power Operations

Other Officers

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Assistant Vice President
Real Estate

W. J. Burton,
Assistant Vice President
Public Relations

P. B. Huff,
Assistant Vice President
Distribution Engineering

Lloyd P. Julian,
Assistant Vice President
Operation

J. W. Lewis,
Assistant Vice President
District Operations

Carl G. McCraw, Jr.,
Assistant Vice President
Finance

C. E. Watkins,
Assistant Vice President
Construction

R. L. Asbury,
Assistant Treasurer

R. B. Henney,
Assistant Treasurer

J. W. Lawrence,
Assistant Treasurer

John F. Day,
Assistant Secretary

J. C. Goodman, Jr.,
Assistant Secretary

James S. Sease,
Assistant Secretary



Kenneth Austin
Vice President
Personnel



F. W. Beyer
Vice President
System Planning



D. W. Booth
Vice President
Marketing



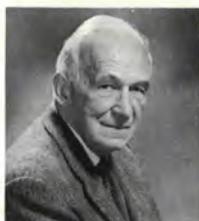
Glen A. Coan
Vice President
Rates



W. S. Lee
Vice President
Engineering



Robert E. Frazer
Treasurer

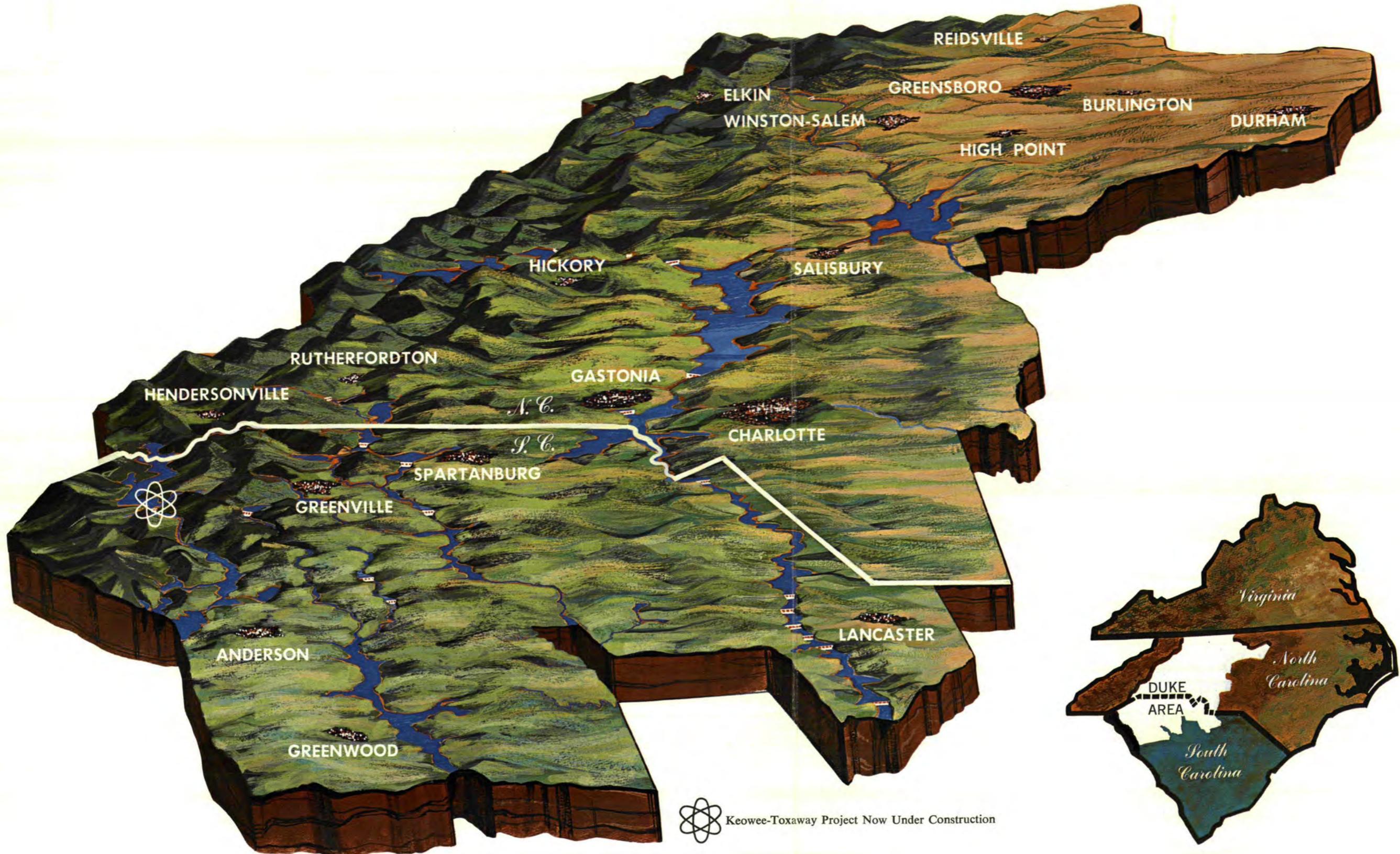


C. S. Reed
Vice President
Rate Consultant



A. C. Thies
Vice President
Production & Operation

Service Area...Industrial "Heart" of Carolinas



In addition to the 18 District Offices indicated on the map, the Company has 77 branch offices to serve its 20,000 square mile area.

Duke Power Company

GENERAL OFFICES: 422 SOUTH CHURCH STREET
Post Office Box 2178, Charlotte, North Carolina 28201

TRANSFER AGENTS FOR COMMON STOCK

Morgan Guaranty Trust Company of New York
North Carolina National Bank, Charlotte

REGISTRARS FOR COMMON STOCK

First National City Bank, New York
Wachovia Bank and Trust Company, Charlotte

ANNUAL MEETINGS OF STOCKHOLDERS

Fourth Wednesday in April

60-269-270-287

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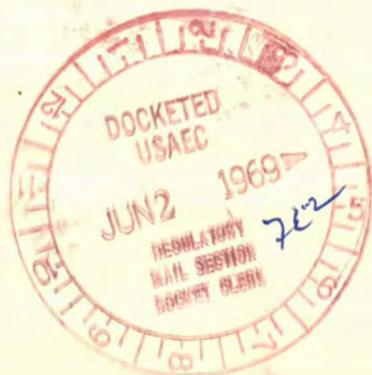
**DUKE POWER
ANNUAL REPORT**

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1968



1769

Duke Power Company

General Offices: 422 South Church Street
Post Office Box 2178, Charlotte, North Carolina 28201

TRANSFER AGENTS FOR COMMON STOCK
Morgan Guaranty Trust Company of New York
North Carolina National Bank, Charlotte

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50-267-270-287

Highlights of the Year

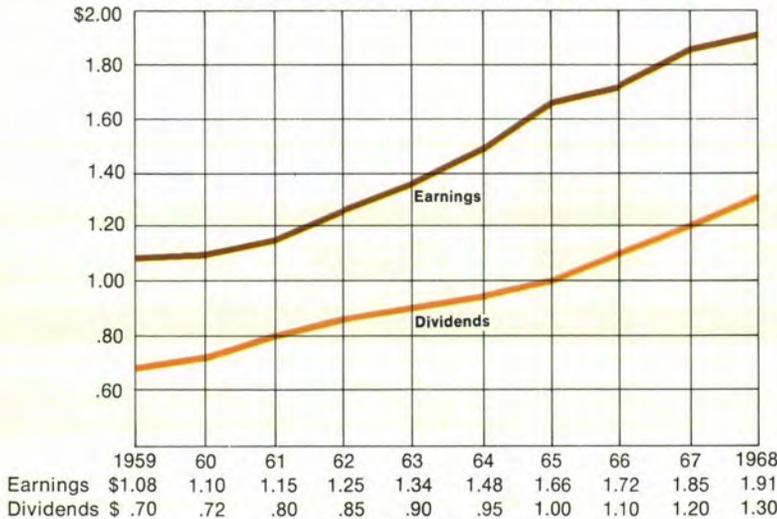
	1968	1967	Percent Increase
Electric Revenues.....	\$312,246,000	\$282,322,000	10.6%
Earnings for Common Stock			
Before Extraordinary Item....	\$ 44,171,000	\$ 42,679,000	3.5
Per Share of Common Stock:			
Earnings Before			
Extraordinary Item	\$1.91	\$1.85	3.2
Dividends Paid	\$1.30	\$1.20	8.3
Taxes—Federal, State and Local...	\$ 72,341,000	\$ 66,726,000	8.4
Plant Construction Expenditures...	\$197,148,000	\$162,271,000	21.5
Kilowatthour Sales (Thousands)...	28,899,000	25,916,000	11.5
Peak Load (KW).....	5,364,165	4,579,460	17.1
Customers	905,789	877,532	3.2

Regulatory

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Earnings and Dividends Per Share Common Stock



Before extraordinary items and adjusted for stock splits and dividends.

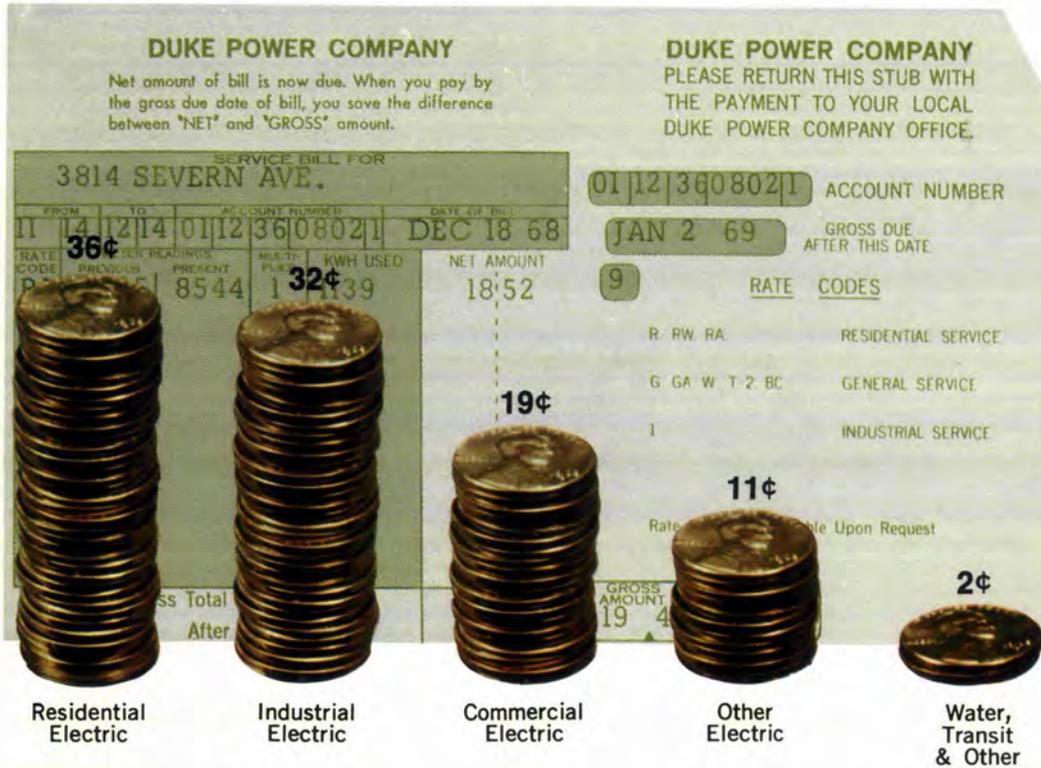


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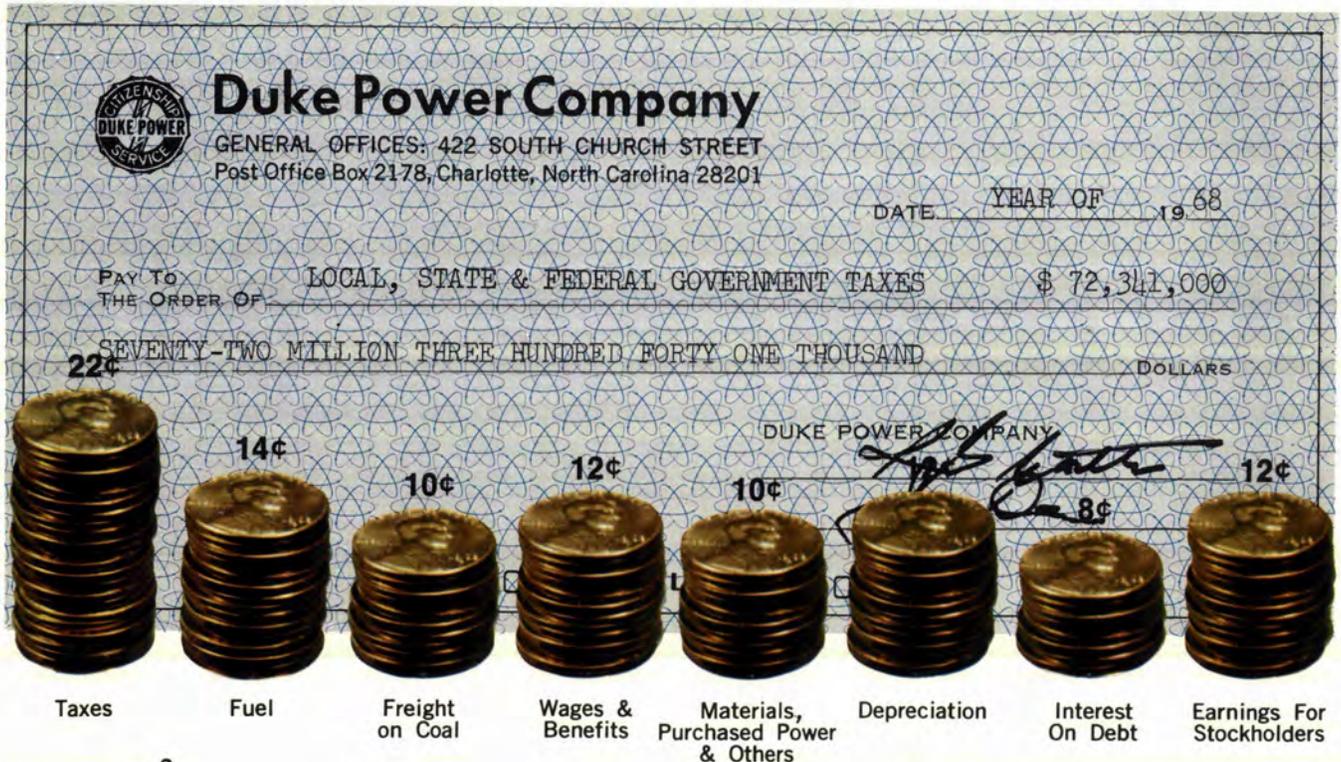
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The 1968 Revenue Dollar

Where it came from



How it was used



The President's Letter

It is your Company's privilege to report to you that 1968 produced record marks in all phases of company operations. Growth in electric sales was in step with a robust and rapidly growing economy in the Company's service area, the Piedmont Carolinas. Kilowatt-hour sales climbed 11.5 per cent, resulting in operating revenues of \$312 million, 10.6 per cent over 1967.

The 10 per cent Federal income tax surcharge levied in 1968 depressed earnings by 15 cents per share. In spite of this effect, earnings per share rose, before extraordinary item, to \$1.91 from \$1.85, an increase of 3.2 per cent over 1967.

Common stock dividends were increased, effective with the third quarterly payment, from an annual rate of \$1.20 to \$1.40 per share. This increase resulted in payment of dividends of \$1.30 per share in 1968, which was the 17th straight year that cash dividends paid to shareholders have been increased.

Continued growth of the electric power business depends on our ability to compete effectively with other forms of energy—in price and quality of service. That our service is competitive is shown by the fact that electricity was chosen for heating by about half of all new residential units in the Duke Power area during 1968. The Company has either led all the nation's utilities or been near the top in the number of all-electric single family residences, conversions of existing homes to all-electric, and total-electric mobile homes for the last several years.

Selection of the Duke Power area for the location of new industry and expansion of existing industries again was a bright page in the Company's growth ledger for the year. Of the \$1.2 billion investment announced for new and expanded industries in the Carolinas during 1968, over half, or a record \$614 million, was located in the Duke service area.

The Company's construction program required an investment of \$197 million in 1968 and the expected construction expenditure for 1969 will be \$261 million. The investment in new facilities to stay adequately ahead of the demands of our customers will average \$251 million a year for the next three years.

Four combustion turbine units were added during 1968 to the one installed in 1967, and seven additional units will be installed in 1969 making a total of twelve units with a capability of 386,500 kilowatts.

The Company is scheduled to add a substantial generating unit each year in the immediate future, beginning with a 682,300 kilowatt third unit at Marshall Steam Station in 1969. A similar unit will become operable at Marshall in 1970. The 140,000 kw Keowee hydro facility and 305,000 kw of pumped storage capacity at Jocassee Station are scheduled to begin service in 1970 and 1974, respectively. The Oconee Nuclear Station's three 886,300 kilowatt units will start joining the system in successive years beginning in 1971.

Attempts to purchase a portion of the \$341 million Oconee Nuclear Station by 11 of 25 North Carolina municipalities having their own electric distribution systems and purchasing their supply of electricity from the Company, is continuing in Federal court.

The Company will oppose these efforts as it has in the past, contending that to allow these towns to obtain power at cost from what is expected to be the Company's most economical generating units would discriminate unfairly against the hundreds of thousands of other customers of the Company.

The unequal share of taxes in charges for electric service supplied by investor-owned companies such as Duke Power, as compared to taxes in charges by government-financed suppliers, was accentuated by the enactment of the 10 per cent Federal income tax surcharge.

Regional planning and coordination of bulk power generation and transmission, for reliability and economy, are gaining in sophistication and effectiveness. The Company is a member of the

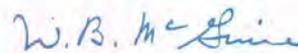
Carolinas - Virginias (CARVA) Power Pool, which in 1968 joined with similar regional groups throughout the United States to form the National Electric Reliability Council. The Company will begin work in 1969 on its portion of a 500,000 volt transmission network which will connect with the American Electric Power Company. This line will later be a link in a 500,000 volt high capacity system serving the CARVA companies.

To carry out capital expansion activities during 1968, the Company obtained \$75 million in first mortgage bonds and \$35 million from the sale of 350,000 shares of preferred stock. This was supplemented by short-term bank borrowings, sales of commercial paper, and internally generated funds. Additional sales of debt and equity securities are planned for 1969.

The Company's employees, most of whom are shareholders through the Employees Stock Purchase-Savings Program, are to be commended for another year of spirited and devoted service. Much of the progress achieved during the year was due to the loyalty, dedication and excellent performance of the employees.

Several changes in management were made in 1968. P. B. Heartt and K. C. Towe, after many years of service and significant contributions to the Company's success, retired from the Board of Directors. D. W. Booth, R. B. Henney, and W. S. Lee were elected to the Board. Mr. Henney was named Chairman of the Finance Committee. Stewart Campbell was named an Assistant Treasurer.

For the Board of Directors
February 21, 1969



W. B. McGuire
President



The growth of total-electric apartment living has been a major factor in expanding residential sales. The Company added 5,066 total-electric apartment units in 1968 for a system total of 17,219 such apartments. The attractive apartments pictured were completed in 1968 by Hobart Smith of Charlotte.

Marketing Climb Continues

Residential Sales

The Company's position as supplier of the dominant heating energy for new homes and apartments within its service area was strengthened in 1968. About 50 per cent of all new residential living units completed in Duke territory in 1968 chose electricity for heating, an increase of 4 percentage points in market penetration.

The growth of new, total-electric single-family residences exceeded by 25 per cent the record 1967 figure which placed Duke number one among all utilities in the country in this category.

The Company's Electrical Modernization Dealer Program in 1968 converted 2,674 homes from other heat to electric heat. This same program set a national record for conversions in 1967. A total of 7,286 homes have been converted to electric heat in the past three years.

Over 72,000 total-electric homes and apartments are now served by the Company, 15,840 of which were added in 1968 and 65,233 during the past seven years. A one-month record for connecting total-electric residential customers was set in September when 1,854 such customers were added. Total-electric residential customers now account

for over 1.5 billion kilowatthours annually.

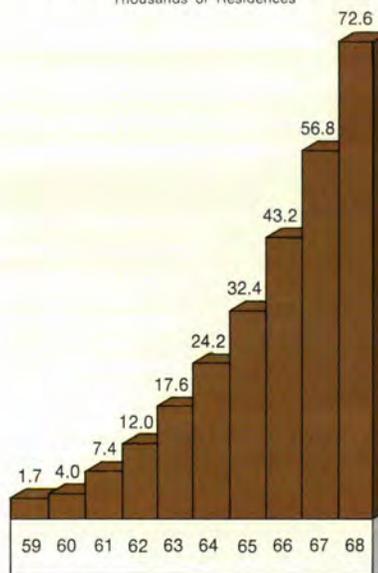
The mobile home market, which has experienced rapid growth in recent years, exceeded 1967's record marks by 15 per cent. Over 9,000 mobile living units were added in 1968. The Company has involved itself in a program to assist and guide manufacturers and dealers in the production and sale of total-electric mobile homes that will meet Duke Power rate specifications. As a result, Duke led the entire utility industry in the Southeast in the number of total-electric mobile homes connected.

Annual average usage of electricity per Duke residential customer rose dramatically to 8,432 kilowatthours in 1968, an increase of 768 kilowatthours or 10 per cent over 1967. This quite substantial increase was due in part to the air conditioning demands of an unusually hot summer and the increase in electric heating customers.

Average usage per Duke Power residential customer is 40 per cent greater than the national average, while Duke has held cost to its customers to 17 per cent below the national average. The average usage on the Duke Power system was 74 per cent greater in 1968 than it was 10 years ago.

The Company enjoys a high saturation of residential water heaters in its service area, now exceeding 74 per cent of all customers. The single-unit water heater, which Duke has pioneered and promoted has now been adopted as the standard for the southeastern United States.

Number of Total-Electric Residences
Thousands of Residences



During 1968 over 15,800 new Total-Electric residences were added, an increase of 28% over 1967.



About 50 per cent of all new residential living units completed in Duke's service area in 1968 chose electricity for heating — including this lovely New England Colonial style home built by Ervin Industries, Inc. The "all-wood" house is one of the most popular architectural styles in the mid-South at present, and is easily adaptable to total-electric standards.



One of the larger total-electric commercial buildings announced in the Duke Power service area in 1968 was the Jefferson First Union Tower in Charlotte. This architect's rendering shows how the 32-story office structure will look when it is completed in 1970.

Commercial Sales

Commercial sales continued to accelerate and exceeded 1967's record growth by 17 per cent on sales of 4.2 billion kilowatthours.

The three-year trend toward total-electric educational buildings continued strong in 1968, with 15 colleges and secondary schools adding total-electric facilities during the year. Many others are under construction.

Another trend in Commercial Sales that is expected to continue upward is the choice of the total electric concept by shopping centers. Three large shopping centers using electricity as a single source of energy were completed in 1968, and three others—including one of the largest in the Southeast in Charlotte—are now being built.

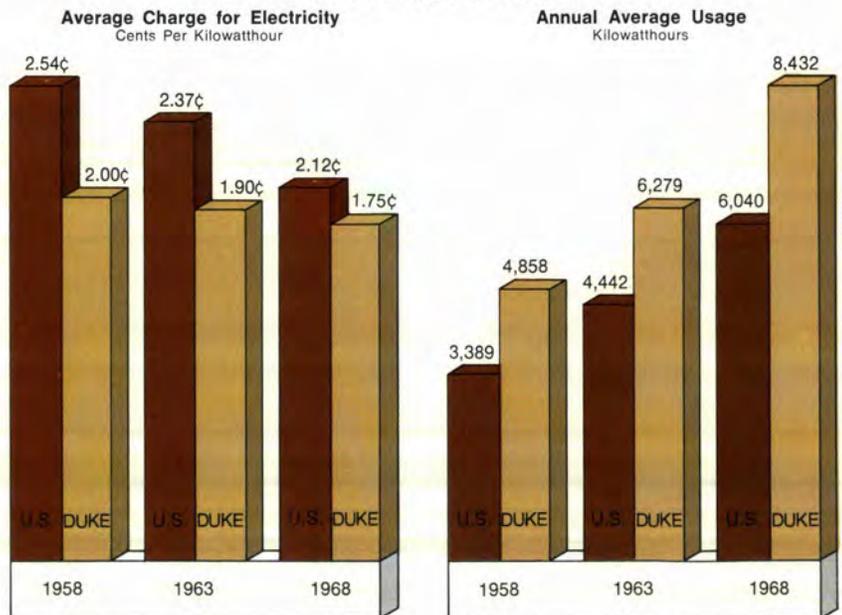
Other large total-electric projects announced in 1968 included high-rise public housing for the elderly in Durham and Winston-

Salem, the 32-story Jefferson First Union Towers office building in Charlotte, and the Knight Publishing Company's newspaper production plant in Charlotte.

Also added as total-electric customers during the year were large office buildings in Greensboro and Charlotte; one of the few total-electric college sports stadiums in the nation, Groves Stadium at Wake Forest University; the National Environmental Health Center Statistics Laboratory in the Research Triangle at Durham; and banks, churches, apartment buildings, supermarkets, exposition halls, government offices, funeral homes, nursing homes, motels and department and appliance stores.

Overall, there were 717 total-electric commercial buildings added to the system during the year. This represents an 11 per cent increase over the number added in 1967 and brings the cumulative total to 3,804.

RESIDENTIAL SERVICE



Duke customers pay 17% less and use 40% more electricity than the U.S. average.



Wake Forest University in Winston-Salem used its new, all-electric football stadium for the first time in 1968. Groves Stadium has an electrically heated and cooled field house and press box; total-electric concession stands; and one of the finest lighting systems for night games in the nation. It seats 30,000 and can be expanded.



Some of the largest total-electric shopping centers in the Southeast are either completed or under construction in Duke Power's Piedmont Carolinas service area. McAlister Square (above), which uses electricity for all its energy requirements, began serving the public in Greenville, S. C. in 1968. It encompasses 300,000 square feet of heated and cooled area and features 31 stores around the mall.



Springs Mills completed this new Customer Service Center near Lancaster, S. C. in 1968 to provide more efficient service to customers. Heat generated by the computer equipment and other internal sources is the basis for efficient comfort heating throughout the building, while a "cascading" centrifugal system provides refrigeration.

Industrial Sales

Contract negotiations for substantial new and expanded loads were completed during the year, involving industrial, resale and large general service customers. These represented a net increase in contractual load of 323,190 kilowatts. The major portion of these customers had load requirements of 500 kilowatts or more. In addition, new plants and expansion of existing plants requiring contractual loads of less than 500 kilowatts made a contribution of 29,240 kilowatts to the overall system load. This represented the largest total new load placed under contract in any year in Company history.

The number of total-electric industrial plants on the Duke system advanced to 144 during

the year. Examples of the total-electric firms joining Company lines in 1968 were Lithium Corporation of America (ore concentrate), Valdese Manufacturing Company (textiles), Milliken Industrial Corporation (electronic control consoles), and the Greenville News-Piedmont Company (newspapers).

Continuing diversification and the selection of the Duke Power area by heavy industry are still prominent in the industrial sales picture. Some of these new customers include General Electric Company (large gas turbines), Westinghouse (nuclear steam turbines), Joseph Schlitz Brewing Company (brewery), B. F. Goodrich Company (surgical rubber gloves), Gravely Tractor (power equipment), Madison Throwing

Company (synthetic yarns), and Superior Continental Corporation (coaxial cable).

Other noteworthy industrial expansions were Olin Mathieson Chemical Corporation (cellophane) and Bowater Carolinas Corporation (newsprint).

Eleven industrial plants, following a noticeable trend in the Duke service area, converted to total-electric operation in 1968.

Textiles remain the largest single industry group served by the Company. Even though sales to this group have increased steadily each year, the percentage of total sales today stands at 33 per cent as compared to 41 per cent in 1958. This is due to the accelerated industrial diversification taking place in the area served by the Company.



Westinghouse Corporation is nearing completion of a \$65 million plant to build nuclear turbines near Charlotte. The plant will begin partial production this year and is expected to be in a full three-shift operation in 1970.



This General Electric Plant began manufacturing gas turbines near Greenville, S. C., in 1968 and expects to approach full production this year. This facility represents an investment of over \$50 million.

What has been described as the "world's most modern fiber glass producing facility" has been placed in operation near Lexington, N. C., by Pittsburgh Plate Glass Company. The plant produces over 40 million pounds of yarn annually for draperies, curtains, electrical insulation and other applications.



Polyester staple fibers are produced in this \$30 million plant built at Cowpens, S. C., by Hystron Fibers Incorporated. Initial capacity of the plant is 30 million pounds per year and a \$75 million addition to the plant has been announced.



Another of the many plants producing man-made textile fibers selecting the Duke service area in recent years is the \$60 million Dow Badische Company facility at Anderson, S. C. This plant produces 30 million pounds of nylon fiber and 30 million pounds of polyester fiber per year.



Agricultural Sales

The conversion of farms to total-electric operation in the Duke Power service area continued its upward trend in 1968 with a record 218 farms choosing electricity for all energy needs. This brought the number of total-electric farms served to 1,273 and placed the Company among the nation's leaders in this category.

The trend toward consolidation of smaller farms into larger, more efficient units continued all across the Duke service area, and the sale of electricity for farm purposes rose as electrically-powered equipment and machines continued to replace hard-to-find farm labor.

The Company now serves 41,470 customers in the farm classification, and 384,530 other rural customers. Annual average usage by the farm classification customer in 1968 was 8,635 kilowatthours, an increase of 525 kilowatthours over 1967. Electric service has been available to all farms in the Duke area for some time.

Industrial Development

The Carolinas set a combined record when new and expanded industry announced an investment of over \$1.2 billion in the two states during 1968. For the eighth straight year the Duke service area, which is but one-fourth of the Carolinas' land area, recorded over 50 per cent of this new investment.

Total investment in the Piedmont Area served by Duke during 1968 amounted to \$614 million. This included 117 new industries and 233 expansions of existing industries. The year's industrial acquisitions will add 23,890 employees to the work force and \$127 million to the annual payroll.

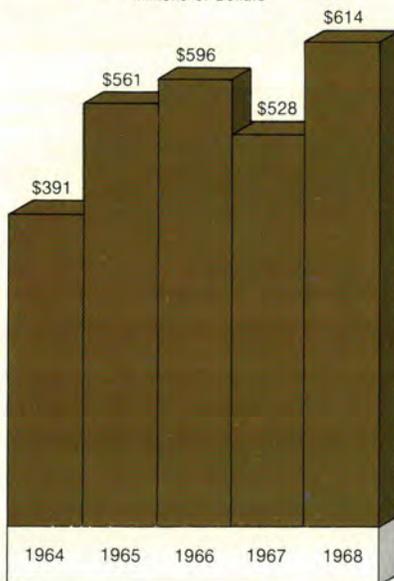
For the five-year period ended 1968, Duke Power's service area

has recorded 1,955 new and expanded industries requiring an investment by those industries of \$2.7 billion and creating over 124,000 new jobs for a payroll increase of \$512 million.

The year's larger expansions were announced by Spartan Mills, Singer Manufacturing Company, Chiquola Mills and Cannon Mills. Among the larger new industries were Milliken Electronics and American Enka Corporation.

Activity at the year's end was at a peak, according to the Company's Industrial Development Department, and prospects for 1969 are excellent. The selection of the Duke service area by heavy industry for large plants has been a trend of recent years.

New and Expanded Industrial Plant Growth
Millions of Dollars



Industrial customers have invested \$2.7 billion in new and expanded plant facilities in Duke's service area during these years.



Duke University has completed a \$3.9 million Regional Nuclear Structure Laboratory on its Durham campus, the largest nuclear physics research facility in the Carolinas. The Atomic Energy Commission has endorsed the purchase of a Tandem Van De Graaff accelerator and will provide \$2.5 million toward cost of the facility. It will be available for use by all nuclear physicists from the nearby Research Triangle and Piedmont area. The building contains 28,175 square feet and is total electric.

Carolínians Believe In Education Opportunity

In 1789 the first of our nation's state universities, the University of North Carolina, began accepting students at Chapel Hill, and the Piedmont Carolinas' enthusiasm for excellence in education has continued to grow since.

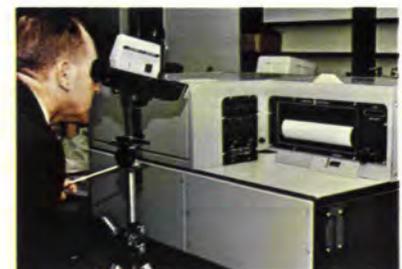
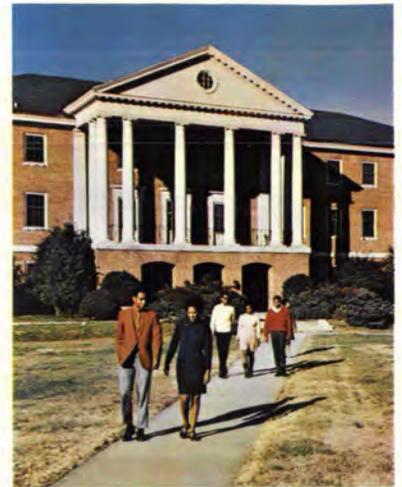
If educational facilities for post-high school learning can be a measure of an area's status, then the Duke Service Area is indeed finely tuned to the needs of the times.

There are presently 101 institutions of higher learning located in the area served by Duke. From accredited four-year colleges and universities to community colleges and vocational schools, these institutions are responding to the challenge of training the executives, scientists and technicians needed to meet industry's growing requirements.

Students by the tens of thousands are using the area's educational facilities to ready themselves to meet the challenge offered by the rapidly changing nature of the Piedmont's industry . . . students who will steer the course of a complex and changing world.

Post-graduate and professional schools are numerous in the area, as are the trade schools which offer the new courses required to meet technological and industrial needs.

It is a land of educational advantages—from kindergarten to graduate study.



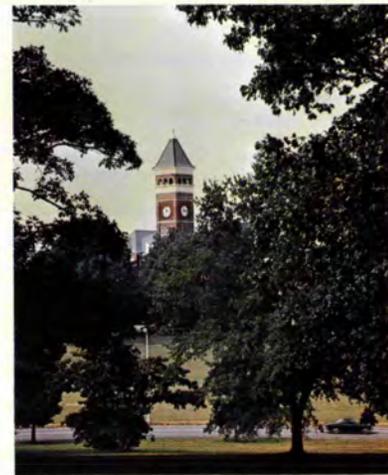
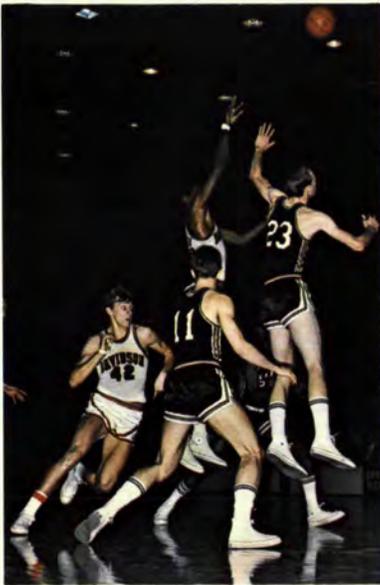
The Baccalaureate service, still observed as an integral part of graduation programs at Carolinas colleges and universities, makes for a beautiful scene (top) at Catawba College in Salisbury.

Elon College in Guilford County is typical of the smaller liberal arts colleges that have served the Piedmont Carolinas so long and so well.

Botany and horticulture students have use of this beautiful hothouse facility at Pfeiffer College at Misenheimer near Salisbury.

A change of classes at North Carolina College (top) in Durham catches a group of students hurrying from one classroom complex to another.

The demand for chemists in the Piedmont Carolinas has soared in recent years due to expansion of the manmade fiber industry and the paper industry. Area institutions such as Presbyterian College in Clinton, S. C., help fill this demand. This is a spectro-photometer used for chemical analysis.



It is not rare for as many as three college or university basketball teams in the Duke Power service area to be rated among the nation's top 10. Davidson vs Wake Forest (center above) is typical of the tremendous action available.

Individual instruction is one of the bonus features available at smaller Carolinas colleges such as Wofford College (bottom) in Spartanburg, S. C.

Many of the activities at Piedmont Crescent institutions of higher education are concerned with the art of good living, such as this choir group at Converse College in Spartanburg, S. C.

Technical schools have sprung up in many of the counties served by Duke Power, supplying the training needed by area industries. Above is a class in automotive interpretation at the Durham Technical Education Center.

Electronics is the course being studied at the Technical Institute of Alamance County in the bottom photo.

Excellent medical schools serve the Piedmont Carolinas. Among these is the Duke University Medical School (top) in Durham.

The experiment is a vital part of the higher education process, and these students (center) learn by doing at Furman University in Greenville, S. C.

Tillman Hall, which serves as the main administration building, adds a touch of the traditional to a Clemson University campus that is becoming one of the most modern in the South.

Production

Generation Growth

The Company will add a major generating unit in the spring of 1969, and has at least one major unit, either steam or hydro, scheduled for each of the next six years.

The third unit of Marshall Steam Station, the Company's first to operate at super-critical pressure, will add 682,300 kilowatts in May. Marshall's fourth unit, also 682,300 kilowatts, will begin service in 1970 as will the Keowee Hydro Station, a 140,000 kilowatt facility.

The Marshall Steam Station was the nation's most efficient in 1968 for the third straight year.

Beginning in 1971 the Oconee Nuclear Station will contribute an 886,300 kilowatt unit to the Company's capability each year for three years, followed by the Jocassee pumped storage facility in 1974.

Four 33,500 kilowatt combustion turbines were installed in 1968 as additional capacity to meet peak load requirements and for emergency service. The Company now has five of these quick-service units on the line and expects to install seven more units totaling 219,000 kw in 1969.

All generation records were topped in 1968 as the balanced pattern of peak loads in both

summer and winter continued. The previous peak load mark of 4,579,460 kilowatts on November 28, 1967, was surpassed repeatedly during the year. The 1968 peak load of 5,364,165 kilowatts occurred on August 19 at 11:00 a.m., representing an increase of 17 per cent over the peak load in 1967. The Company kilowatt generating capability and firm purchased capacity at the time of the 1968 peak load totaled 5,757,475 kw.

Duke's 1968 production consisted of 28 billion kilowatthours from steam plants, 1.5 billion kilowatthours from hydro (about median), and 0.2 billion kilowatthours from combustion turbines. This, along with 2 billion kilowatthours from purchased sources supplied the Company's total energy requirements in 1968 of 31.7 billion kilowatthours.

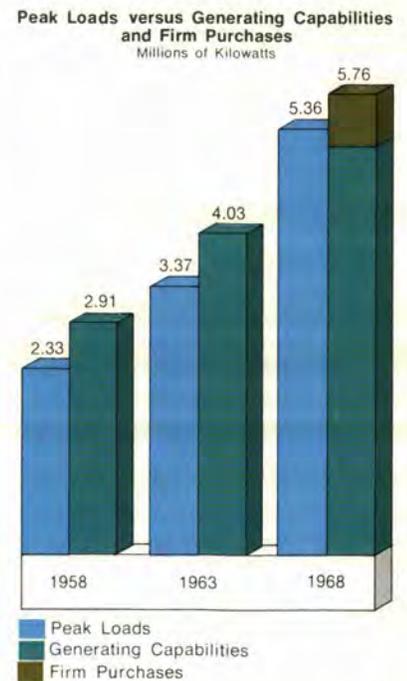
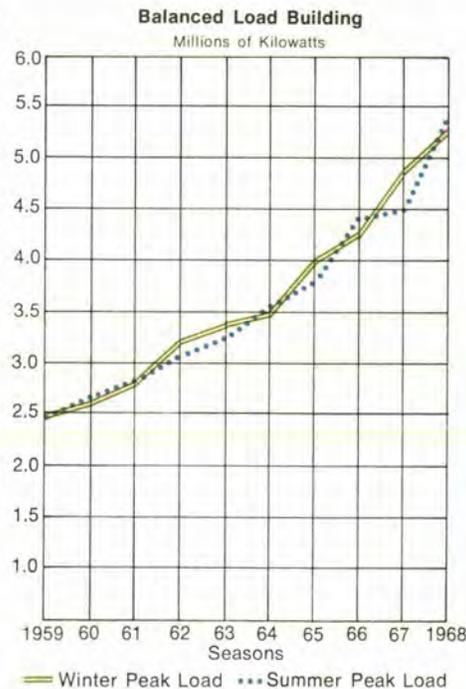
The Carolinas-Virginias Power Pool, formed by Duke Power and three neighboring utilities, continued to share the benefits of large generation units and high-voltage interconnected transmission during its second year.

Transmission Growth

The Company announced in November that it will join with the three other Carolinas - Virginias Power Pool Companies in building a 500,000 volt transmission loop connecting the companies with the American Electric Power Company. Construction of Duke Power's first portion of this loop, 85 miles, will begin in 1969.

This interconnection will allow the large scale interchange of power, both by plan and in case of an emergency. This is one of several actions being taken by the Company to improve the continuity and economy of electric service.

The Company continued to set records in most phases of its transmission construction program in 1968, building 477 miles of circuits and adding substations with new or uprated transformers requiring an expenditure of \$41 million. This was almost double the amount spent in 1967, and a similar expenditure of \$41 million for 658 circuit miles of line is planned for 1969.





Duke Power's Transmission Lines Department is noted throughout the industry for its research and development accomplishments. Among recent innovations is this unique "tensioner" for stringing transmission cable.

Keowee Toxaway Project

The Keowee-Toxaway Project, the initial phases of which include the Keowee and Jocassee hydroelectric installations and the Oconee Nuclear Generating Station, will be entering its most vigorous period of construction in 1969.

The Keowee Hydro power-

house, which will have a capacity of 140,000 kilowatts, will be ready for service in late 1970. The first unit of the Oconee Nuclear Station is steadily progressing toward its 1971 commercial operation date. The reactor for Unit 1 will be delivered the summer of 1969, after a two-months trip by barge, rail and overland trailer. Unit 2 will be in service in 1972 and Unit 3 in 1973. Each of the units will have a net capability of 886,300 kilowatts, giving the station a net capability of 2,658,900 kilowatts.

Lake Keowee began filling in late 1968, and the Keowee spillway and intake structure along with a major portion of the powerhouse are due to be completed this year.

Work also was begun on Jocassee, a pumped-storage facility. The Jocassee Dam, which will be one of the highest in eastern America at 385 feet, is slated for completion and use in 1974. Its initial two-unit capacity of 305,000 kilowatts of generation will be doubled by installations in 1978.



The tube sheet for the steam generator which will be a part of the Company's first unit at the Oconee Nuclear Station was machined and drilled at the Barberton, Ohio, plant of Babcock and Wilcox. Workmen drilled 15,400 holes to extremely close tolerances in the sheet for the insertion of the necessary tubes. The completed steam generator will be delivered to the Oconee site this year.

Visitors Center

In early summer, the Company will open a permanent Visitors Center at its Keowee-Toxaway site. This Center is expected to attract thousands of people annually, including many student groups of all age levels. It will feature animated displays depicting the story of energy all the way from the forces of nature through the harnessing of the atom.

The Center, containing 13,000

square feet of enclosed space, plus outside patio-type overlooks, will provide the public clear views of the Oconee Nuclear Station, Keowee Hydroelectric Station, Keowee Dam and Lake Keowee. Closed circuit TV will provide views of construction and the actual control room of the nuclear plant. The operating staff has been selected and the Center will be open to the public on a seven-day week basis.



On-site responsibility for erection of the Oconee Nuclear Station belongs to Projects Engineer R. L. Dick (right) and Project Engineer John C. Rogers. The two are getting an aerial view of the foundation work for Unit 2 from the largest tower crane now in use in the world. A second crane of equal capacity will be installed at the Oconee site this year.

The Company is building a permanent Visitors Center at the Keowee-Toxaway Project, and the operating staff (left) plans to have the Center open to the public on a seven-day week basis in the spring of 1969. The Visitors Center will feature animated displays telling the story of energy, plus outside overlooks that will afford unrestricted views of the Oconee Nuclear Station and the Keowee Dam and hydro installations.

Personnel

Company employees increased from 7,196 to 8,079 during the year. Of the 883 new employees, 446 were added in the construction of the Keowee-Toxaway Project. Duke Power is one of the few utilities in the nation which designs and constructs its own generating plants.

The majority of the Company employees continued to participate in the Stock Purchase-Savings Program established by the Company in 1959. Of the employees eligible, 91 per cent were sharing in their Company's progress through the purchase of common stock at the end of 1968. Since the plan's inception employees have purchased 450,145 shares of stock through payroll deduction.

The Company continued its effort to keep all employees abreast of new developments affecting Company business. This was achieved through communications programs and employee publications.

Two union elections were held in 1968. The Keowee-Toxaway Project Construction Department employees rejected unionization by an overwhelming margin of 7 to 1, while 881 Distribution-Operating Department employees, 850 of whom already were represented, voted for department-wide representation. Twenty per cent of the Company's employees are represented by unions.

Recruiting

While competition for the top-level college graduate continued to be intense in the Duke area, the Company attracted what is

considered a proportionate share of those available. The Company's recruiting efforts, particularly in the vital fields of engineering, computer sciences and finance, were helped considerably by a program of summer employment for students. This program included training in areas of electric operations, computer programming and economics of the free enterprise system.

Ten of the 25 June engineering graduates hired in 1968 had previous experience with the Company as summer employees. A total of 39 engineering graduates was employed.

Duke's generation plants were visited by hundreds of students during the year. In the field of engineering alone, 155 college students were brought to Company installations for on-site views of Duke Power operation and construction. These visits have been instrumental in a number of students accepting employment offers after graduation.

Safety Emphasized

Accident prevention continues to be an important part of the Company's operations, and the accident frequency rate was well below the industry average. Many of the districts, stations and departments completed the year without a disabling injury, and the Company, for the second straight year, had a period of two million manhours worked without a disabling injury. This is considered exceptional since Duke Power performs its own heavy construction.

Six units of the Company exceeded one million manhours worked without a disabling injury, led by the Steam Production Department, which topped the two million manhour mark. Many awards were given to the Company and its departments by

state and national safety organizations during the year.

Training Programs

The Management Development Program, highly effective since its inception in 1959, reached a record number of 365 employees in 1968. This program, which is held at the Company's Lake Hickory Training Center, will be expanded in size and scope with the addition of new facilities. Two new, modern, motel-type dormitories have been constructed, and the classroom building has been remodeled and refurnished at the Center.

The Management Development Program has provided training for 1,475 management-level employees in its eight years of existence, plus review sessions for 910 of these employees.

The Company has also instituted a program designed to provide reactor operators licensed by the Atomic Energy Commission. This training, which consists of a two-year period of intensive formal instruction, is expected to qualify all the licensed operators necessary for the Oconee Nuclear Station by the time it commences operation in 1971.

Tuition Refund

Seventy-three employees completed courses in 1968 under the Company's Tuition Refund Program. Employees desiring to develop themselves further for present and future jobs are encouraged by the Company to participate in this program. One hundred and ten employees are presently enrolled and will be refunded a portion of tuition costs upon successful completion of an approved course.

Examples of courses now being pursued under the tuition refund program are Principles of Surveying, General Electronics, Blueprint Reading and Principles of Refrigeration and Service.



Senior engineering students at area universities are brought to Company generation and construction projects for on-site views of Company operation. These visits have resulted in a number of graduates accepting Company employment offers. In the above photograph Duke University engineering students are visiting Marshall Steam Station.

Robinson Awards

Lifesaving, a better method of boiler maintenance, and exceptional civic and community contributions won 1967 Robinson Awards for three employees. These prized awards, given annually, recognize employees for outstanding service in several categories. The winners are nominated and selected by fellow employees.

The 1967 awards went to K. W. Price, assistant maintenance supervisor of Cliffside

Steam Station; Samuel Jack Childers, an operator at 99 Islands Hydro Station; and Richard R. Pierce, Supervisor of News Media Services.

Price won for developing a power tool to resurface boiler plates, saving considerable maintenance expense. Childers was credited with saving a five-year-old drowning victim through prompt and skillful action. Pierce won for service that ranged across a wide area of community, civic and church life.



Robinson Awards, given to employees for exceptional accomplishments or contributions, went to these three men in 1968 (top to bottom): Richard R. Pierce, K. W. Price and S. J. Childers. Nominations for the award are made by fellow employees and the winners are selected by an investigating committee also made up of employees.

Better Customer Service

In meeting the challenge and opportunity of supplying electricity to the dynamic Piedmont Carolinas, Duke Power has focused its attention on serving the customer reliably, promptly and courteously.

Indicative of this attitude is the Company's new Customer Information System, a highly-advanced, computerized method of answering customer inquiries about pending service requests, current and past information of energy usage, and other billing data. The purpose of the new system is to provide fast, accurate, and efficient service to the customer.

A by-product of the method is that it makes the job of customer service easier and more efficient, by cutting out the routine page-turning and leg work formerly required to answer customers' questions.

Heart of the Customer Information System is a new IBM 360 Model 65 Computer, the latest in the line of "miracle machines." The computer's operating speed is measured in billionths of a second and its storage capacity is much greater than that of its predecessors. Its "random access" cells allow it to go directly to an item of information without having to search for it through a reel of magnetic tape.

As part of the system, the

Company is installing Display Stations and Communications Terminals at its District Offices and many of its 77 Branch Offices. From these "remote terminals," customer service representatives will be able to obtain fast and accurate information from the Charlotte-based computer's storage files. The information requested will be delivered from Charlotte almost instantly and either printed out, displayed on a video screen, or both.

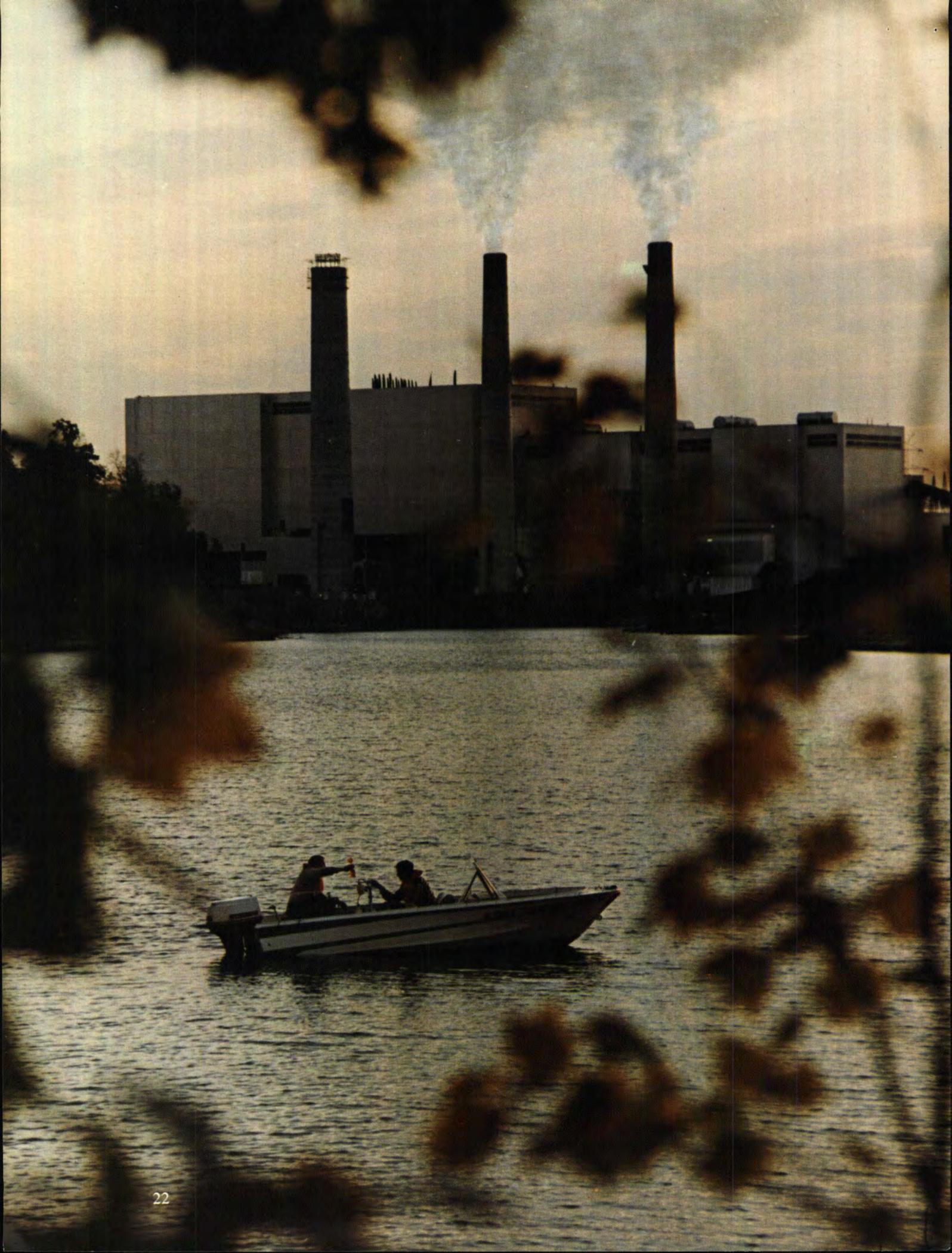
Information from the computer

will be requested by use of a typewriter keyboard. In order to obtain the information about one particular customer, the representative need only know the account number or the name and address.

With Duke Power growing rapidly in size and complexity, this Customer Information System is only one of many computerized applications either installed or scheduled for installation to meet the Company's management information needs.



The initial installations of the new computerized Customer Information System were placed in operation in late 1968. Plans are to link all of the Company's retail offices with the system in 1969. Here a customer, having given either his account number or his name and address, waits for a complete video report of his bill inquiry.



Citizenship: We Believe In It

Conservation

The Company continued to practice good timber management and conservation by planting over two million trees in 1968. These trees were placed on 4,156 acres of Company watershed lands, and brought the total trees planted by Duke Power to 36.5 million on 46,873 acres since the forestry program was begun in 1939. Company lands under scientific forestry management now total 267,910 acres.

Thirty-nine million board feet of timber were harvested in 1968, along with 62,000 cords of pulpwood. The Company sells its timber and pulpwood on the stump to private contractors who harvest it and prepare it for sale to the construction, furniture and pulp industries. The forestry operation added about \$1.5 million to the Company's gross income in 1968.

Landowners and sportsmen continued to laud the Company's program for the preparation of right of way lands for wild game food plantings. The 1,433 acres prepared for planting along right of way property brought the total since the program was initiated in mid-1965 to 4,671 acres.

While these planting procedures have proved most beneficial to the propagation of game animals and birds and in providing attractive rights of way, they also are one of the most economical and lasting of clearing methods used by the Company.

The effects of cooling water discharge at the Marshall Steam Station is being studied as part of a national project under sponsorship of the Edison Electric Institute. Johns Hopkins University is directing the program, which includes several state agencies plus Company personnel. Here a team conducts tests near the Marshall Station.

Pollution Control

The Company has continued its program of air pollution abatement which was begun in 1955. Recent steam generating units have been equipped with the most efficient pollution control equipment available. Collection equipment installed on eight existing units in 1957-58 is now being revamped to improve its performance, and additional pollution control devices are being installed so that by 1973 all post-World War II units will be so equipped.

For a number of years the Company has had a Water Research Department concerning itself with water quality in our streams and reservoirs. Close liaison has been maintained with state and local officials in our water management programs, and in 1965 the Company began a major research project to study the effects of cooling water discharge at its Marshall Steam Station site on Lake Norman. The first phase of this study involving heat dissipation capability of receiving waters has been completed. The project's second phase, which includes a study of the biological effects from cooling water discharge is now underway.

This research is a part of a national project under the sponsorship of the Edison Electric Institute with Johns Hopkins University coordinating and directing the program. The Company, the Division of Inland Fisheries of the North Carolina Wildlife Resources Commission, and consultants from University of North Carolina branches at Chapel Hill and Charlotte are assisting in the collecting and analyzing of specimens. The biological phase is expected to cover a period of at least three years and should pro-

duce important factual information concerning the effects of cooling water discharge on marine life.

Recreation

The Company entered into two additional lease agreements for the establishment of wild game management areas during the year. A lease was signed allowing the South Carolina Wildlife Resources Department to manage 14,124 acres in Abbeville, Anderson and McCormick Counties for game, and a similar lease was signed with the North Carolina Wildlife Resources Commission for 12,500 acres in Transylvania County. The Company now has 168,630 acres under lease to the Wildlife Commissions of the Carolinas for game management areas.

These game management areas have proved to be of great value to the Wildlife Commissions in their efforts to make additional hunting and fishing areas available to the public.

The Company has leased in excess of 6,000 recreational lots on its lake shores to the general public, and over half of these contain year-round or summer homes. A count made of the number of vehicles using the 47 access areas provided by the Company in 1968 showed 2,369,971 visits.

Landscaping

The Company employed a landscape architect in 1968 and his services are being utilized for professional planning at new and existing Company installations. The architect will seek to provide settings aesthetically compatible with the area occupied by an installation. This will include substations, retail offices, power facilities, operations centers and one of the early efforts, the Keowee-Toxaway Visitors Center.

Financing

About 34% of the Company's \$197 million construction program in 1968 was financed from internal sources (principally depreciation accruals and retained earnings). The balance was obtained from the sale of the Company's securities and from short-term bank borrowings and sales of commercial paper.

On February 26, 1968, the Company sold \$75 million principal amount of its First and Refunding Mortgage Bonds, 1998 Series, at an interest rate of 6 $\frac{3}{8}$ %. On May 2, 1968, 350,000 shares of 6.72% Cumulative Preferred Stock, Series E, were sold at par value of \$100 per share. Periodically during the year, a total of 66,330 shares of com-

mon stock were sold to the Trustee of the Stock Purchase-Savings Program for Duke Power Employees at an average price of \$37.24. On December 31, 1968, the Company's outstanding short-term obligations amounted to \$100.4 million, \$74 million of which was repaid from the net proceeds of the sale on February 6, 1969, of an additional \$75 million principal amount of First and Refunding Mortgage Bonds, 1999 Series, at an interest rate of 7%.

The Company's construction program is continuing at an accelerated pace in order to meet the rapidly growing demand on its system for electric service. Estimated expenditures for plant facilities for the three years 1969-1971 are \$754 million, including \$261 million for 1969. Approximately 51% of the three-year total will be expended for additional generating facilities and the balance for additional electric

transmission, distribution and general plant facilities. Included in the three-year construction program is a portion of the expenditures for Marshall Steam Station, Units 3 and 4, Keowee and Jocassee hydroelectric units, Oconee Nuclear Station, Units 1, 2 and 3, and 488 structure miles of 500 KV transmission line and related substations. Also included are expenditures for the initial construction phase of other generating units which will not be completed until the mid 1970s.

It is estimated that about 70% of the funds required for the 1969-1971 construction program will be obtained from outside financing. The Company presently intends to sell equity securities and additional bonds later in 1969. At the close of 1968 the Company's total capitalization was \$989 million consisting of 52% bonds and debentures, 11% preferred stock and 37% common stock equity.



The Company uses computers for many management purposes. Above is the installation in the Corporate Office which is used for much of the management information needs, including customer service, accounting, engineering, economic studies, marketing and financial forecasting.

Statement of Source of Funds for Plant Construction Expenditures

For the Years Ended December 31, 1968 and 1967

Year Ended December 31

1968

1967

SOURCE OF FUNDS:

Operations —		
Earnings for common stock	\$ 44,171,000	\$ 43,533,000
Less — Dividends on common stock	30,069,000	27,676,000
Earnings retained for use in the business	<u>14,102,000</u>	<u>15,857,000</u>
Add — Noncash charges —		
Depreciation and amortization	38,393,000	34,936,000
Investment tax credit, net	2,280,000	1,557,000
Funds from operations	<u>54,775,000</u>	<u>52,350,000</u>
Financing —		
Sale of first mortgage bonds	75,000,000	75,000,000
Sale of preferred stock	35,000,000	5,300,000
Sale of common stock	2,470,000	2,277,000
Increase in notes payable	18,940,000	40,400,000
Retirement of sinking fund debentures	(1,250,000)	(1,250,000)
Funds from financing	<u>130,160,000</u>	<u>121,727,000</u>
Total available funds	184,935,000	174,077,000
Other —		
(Increase) decrease in working capital, etc.	12,963,000	(8,094,000)
Properties purchased	—	(787,000)
Advances to subsidiaries	(750,000)	(2,925,000)
PLANT CONSTRUCTION EXPENDITURES	<u>\$197,148,000</u>	<u>\$162,271,000</u>

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

DUKE POWER COMPANY:

We have examined the balance sheet of Duke Power Company as of December 31, 1968 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of the Company at December 31, 1968 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Charlotte, North Carolina
January 31, 1969

Balance Sheet December 31, 1968 and 1967

ASSETS		December 31	1968	1967
ELECTRIC PLANT	At original cost (Note 1)—			
	Electric plant in service.....		\$1,251,993,000	\$1,155,892,000
	Construction work in progress.....		214,881,000	125,243,000
			<u>1,466,874,000</u>	<u>1,281,135,000</u>
	Less—Accumulated depreciation		418,298,000	387,959,000
	Electric plant, net.....		<u>1,048,576,000</u>	<u>893,176,000</u>
OTHER PROPERTY	At cost (Note 2).....		21,650,000	18,307,000
	Less—Accumulated depreciation		3,807,000	3,819,000
	Other property, net.....		<u>17,843,000</u>	<u>14,488,000</u>
INVESTMENTS	Common stock and advances to unconsolidated			
	subsidiaries—at cost.....		9,446,000	9,711,000
	Other securities—at cost or less.....		684,000	688,000
			<u>10,130,000</u>	<u>10,399,000</u>
CURRENT ASSETS	Cash.....		14,315,000	13,655,000
	Receivables, less allowance for losses.....		24,341,000	26,486,000
	Materials and supplies—at average cost....		34,067,000	35,643,000
	Prepayments.....		335,000	311,000
			<u>73,058,000</u>	<u>76,095,000</u>
DEFERRED DEBITS	Debt discount, premium and expense, being			
	amortized		804,000	892,000
	Other		2,664,000	1,975,000
			<u>3,468,000</u>	<u>2,867,000</u>
			<u>\$1,153,075,000</u>	<u>\$ 997,025,000</u>

LIABILITIES

December 31

1968

1967

CAPITALIZATION

Capital stock and retained earnings (Note 3):			
	Common stock, no par—outstanding 23,160,299 shares and 23,093,969 shares, respectively	\$ 316,458,000	\$ 283,988,000
	Retained earnings	52,775,000	69,162,000
	Total common stock equity . . .	<u>369,233,000</u>	<u>353,150,000</u>
Cumulative preferred stock, \$100 par:			
	4.50% Series C, outstanding 350,000 shares	35,000,000	35,000,000
	5.72% Series D, outstanding 350,000 shares	35,000,000	35,000,000
	6.72% Series E, outstanding 350,000 shares	35,000,000	—
	Total capital stock and retained earnings	474,233,000	423,150,000
	Long-term debt (Note 4)	515,000,000	441,250,000
	Total capitalization	<u>989,233,000</u>	<u>864,400,000</u>

CURRENT LIABILITIES

	Notes payable (Note 5)	100,340,000	81,400,000
	Accounts payable	12,729,000	8,852,000
	Customers' deposits	2,101,000	1,608,000
	Taxes accrued	19,174,000	17,875,000
	Interest accrued	8,705,000	5,831,000
	Other	957,000	461,000
		<u>144,006,000</u>	<u>116,027,000</u>

DEFERRED CREDITS

	Investment tax credit, being amortized . . .	11,741,000	9,461,000
	Other	602,000	270,000
		<u>12,343,000</u>	<u>9,731,000</u>

RESERVES AND OTHER

	Reserves for injuries and damages	2,258,000	2,258,000
	Contributions in aid of construction	5,235,000	4,609,000
	Commitments (Note 6)		
		<u>7,493,000</u>	<u>6,867,000</u>

		<u>\$1,153,075,000</u>	<u>\$ 997,025,000</u>
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See the accompanying notes to financial statements

Statement of Income

For the Years Ended December 31, 1968 and 1967

	1968	1967
Year Ended December 31		
ELECTRIC REVENUES	\$312,246,000	\$282,322,000
ELECTRIC EXPENSES AND TAXES:		
Operation—		
Fuel used in electric generation	76,035,000	69,641,000
Purchased power	10,635,000	3,334,000
Wages and benefits, materials, etc.	39,407,000	36,425,000
Maintenance of plant facilities—wages, materials, etc. . .	14,020,000	13,721,000
Depreciation	38,075,000	34,544,000
Taxes—		
General	28,104,000	25,302,000
Federal income	35,740,000	33,143,000
State income	4,861,000	4,729,000
Investment tax credit, net of amortization	2,280,000	1,557,000
Total electric expenses and taxes	<u>249,157,000</u>	<u>222,396,000</u>
Electric operating income	<u>63,089,000</u>	<u>59,926,000</u>
OTHER INCOME:		
Dividends from subsidiaries	750,000	1,000,000
Other dividends and interest	385,000	232,000
Other, net (Note 2)	1,592,000	1,003,000
Total other income	<u>2,727,000</u>	<u>2,235,000</u>
Gross income	<u>65,816,000</u>	<u>62,161,000</u>
INCOME DEDUCTIONS:		
Interest on long-term debt	21,887,000	16,756,000
Other interest	3,460,000	2,258,000
Interest charged to construction (credit)	(9,667,000)	(4,245,000)
Other	995,000	1,199,000
Total income deductions	<u>16,675,000</u>	<u>15,968,000</u>
Income before extraordinary item	<u>49,141,000</u>	<u>46,193,000</u>
EXTRAORDINARY ITEM		
Interest received, less expenses, on refund of excess profits taxes, net of income taxes of \$864,000	—	854,000
Net income	<u>49,141,000</u>	<u>47,047,000</u>
DIVIDENDS ON PREFERRED STOCK	4,970,000	3,514,000
Earnings for common stock	<u>\$ 44,171,000</u>	<u>\$ 43,533,000</u>
PER SHARE OF COMMON STOCK (average shares outstanding):		
Earnings before extraordinary item	\$1.91	\$1.85
Extraordinary item	—	.04
Earnings for common stock	<u>\$1.91</u>	<u>\$1.89</u>

See the accompanying notes to financial statements

Statement of Retained Earnings

For the Years Ended December 31, 1968 and 1967

Year Ended December 31

	1968	1967
RETAINED EARNINGS —Beginning of year.....	\$ 69,162,000	\$ 53,305,000
ADD —Net income for the year.....	49,141,000	47,047,000
Total	<u>118,303,000</u>	<u>100,352,000</u>
DEDUCT:		
Cash dividends—		
Common stock (\$1.30 and \$1.20 per share, respectively)	30,069,000	27,676,000
Preferred stock—		
Series C (\$4.50 per share).....	1,575,000	1,575,000
Series D (\$5.72 per share).....	2,002,000	1,939,000
Series E (annual rate \$6.72 per share).....	1,393,000	—
Transfer to common capital stock account.....	30,000,000	—
Capital stock expenses.....	489,000	—
Total deductions.....	<u>65,528,000</u>	<u>31,190,000</u>
RETAINED EARNINGS —End of year.....	<u>\$ 52,775,000</u>	<u>\$ 69,162,000</u>

Notes to Financial Statements

1. **CONTINGENCY.** Electric plant assets include the Company's hydroelectric projects, several of which are licensed by the Federal Power Commission under the Federal Power Act. The Act provides that upon the expiration of the licenses, the United States may at its option take over such projects by payment to the licensee of its "net investment" in project assets. In September, 1968 the Federal Power Commission prescribed a rule for determining "net investment" which, if applied to the Company's projects, would result in an amount some \$6,700,000 less than their original cost, net of accrued depreciation, at which they are now carried on the Company's books. Various licensees, including the Company, have petitioned the Commission for modification of its rule, and a rehearing for further consideration of the matter has been granted.

2. **RECLASSIFICATION.** Water and transit plant, revenues, and expenses, previously shown separately, have been reclassified in the accompanying financial statements. Water and transit plant is included in "Other Property." Revenues and expenses have been reclassified under "Other Income—Other, net."

3. **CAPITAL STOCK.** The Company's authorized capital stock consists of 1,500,000 shares of preferred stock and 30,000,000 shares of common stock. At December 31, 1968, 549,855 shares of the authorized common stock were reserved for issuance under the Stock Purchase-Savings Program for Employees.

The outstanding preferred capital stocks are callable at the option of the Company at varying redemption prices not exceeding \$110 a share plus accumulated dividends to redemption date.

	1968	1967
4. LONG-TERM DEBT.		
First and Refunding		
Mortgage Bonds:		
3% Series Due 1975... \$	40,000,000	\$ 40,000,000
2.65% Series Due 1977	40,000,000	40,000,000
2 $\frac{7}{8}$ % Series Due 1979	40,000,000	40,000,000
3 $\frac{1}{4}$ % Series Due 1981	35,000,000	35,000,000
3 $\frac{5}{8}$ % Series Due 1986	30,000,000	30,000,000
4 $\frac{1}{2}$ % Series Due 1992	50,000,000	50,000,000
4 $\frac{1}{4}$ % Series B Due 1992	50,000,000	50,000,000
4 $\frac{1}{2}$ % Series Due 1995	40,000,000	40,000,000
5 $\frac{3}{8}$ % Series Due 1997	75,000,000	75,000,000
6 $\frac{3}{8}$ % Series Due 1998	75,000,000	—
Sinking Fund Debentures:		
4 $\frac{7}{8}$ % Due 1982.....	40,000,000	41,250,000
Total.....	<u>\$515,000,000</u>	<u>\$441,250,000</u>

5. **FINANCING.** See page 24 under "Financing" concerning new bond issue and payment of notes payable in February 1969.

6. **COMMITMENTS.** Capital expenditures for property additions for the next three years are estimated at \$754 million, including \$261 million for 1969. Substantial commitments for the purchases of materials and equipment have been made.

7. **RETIREMENT PLAN COSTS.** The Company and its subsidiaries have a non-contributory Employees' Retirement Plan covering all regular employees. The Company's policy is to fund pension costs accrued, which during the year 1968 amounted to \$3,618,000, including past service cost of \$888,000. Unfunded past service cost of the Plan at December 31, 1968 was approximately \$1,262,000, which will be fully amortized during 1970.

10-Year Financial and Statistical Summary

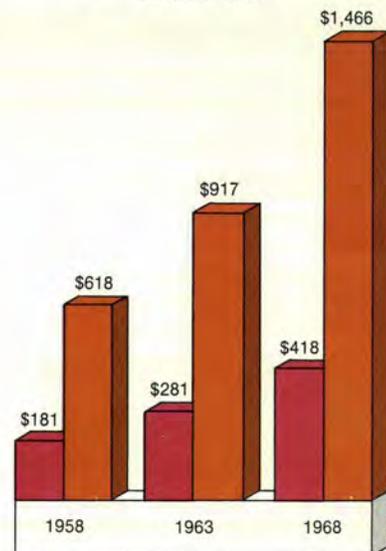
	1968	1967	1966	1965
INCOME DATA (DOLLARS IN THOUSANDS) (a)				
Electric revenues:				
Residential sales.....	\$ 114,576	\$ 103,127	\$ 95,902	\$ 88,591
Commercial sales.....	59,650	52,490	47,547	45,867
Industrial sales.....	102,627	93,730	86,596	75,002
Other energy sales.....	32,255	30,036	25,932	22,337
Other revenues.....	3,138	2,939	2,717	2,567
Total electric revenues.....	312,246	282,322	258,694	234,364
Electric expenses and taxes:				
Operation and maintenance.....	140,097	123,121	111,396	96,344
Depreciation.....	38,075	34,544	31,524	28,855
Taxes.....	70,985	64,731	61,538	58,268
Total electric expenses and taxes.....	249,157	222,396	204,458	183,467
Electric operating income.....	63,089	59,926	54,236	50,897
Other income (a).....	2,727	2,235	2,472	1,970
Income deductions.....	26,342	20,213	16,612	15,320
Interest charged to construction-credit.....	9,667	4,245	1,638	2,215
Income before extraordinary items.....	49,141	46,193	41,734	39,762
Extraordinary items.....	-	854	4,103	1,067
Net income.....	49,141	47,047	45,837	40,829
Dividends on preferred stock.....	4,970	3,514	2,141	1,575
Earnings for common stock.....	44,171	43,533	43,696	39,254
Dividends on common stock.....	30,069	27,676	25,309	22,957
Earnings retained for use in the business.....	\$ 14,102	\$ 15,857	\$ 18,387	\$ 16,297
COMMON STOCK DATA				
Shares of common stock—year end (thousands) (b).....	23,160	23,094	23,033	22,979
Per share of common stock (b) (average shares outstanding):				
Earnings before extraordinary items.....	\$ 1.91	\$ 1.85	\$ 1.72	\$ 1.66
Extraordinary items, net of related income taxes.....	-	.04	.18	.05
Earnings for common stock.....	1.91	1.89	1.90	1.71
Dividends paid.....	1.30	1.20	1.10	1.00
Market value—high-low.....	43¼-33½	43¼-30	43-35½	44-35
—Year end.....	38¼	37	40⅞	42⅞
BALANCE SHEET DATA (DOLLARS IN THOUSANDS) (a)				
Electric plant (original cost).....	\$1,466,874	\$1,281,135	\$1,124,220	\$1,038,386
Accumulated depreciation.....	418,298	387,959	354,512	327,166
Capitalization and short-term notes:				
Common stock equity.....	369,233	353,150	335,016	314,985
Preferred stock.....	105,000	70,000	64,700	35,000
Long-term debt.....	515,000	441,250	367,500	368,750
Short-term notes payable.....	100,340	81,400	41,000	18,000
ELECTRIC AND OTHER STATISTICS				
Kilowatt-hour sales (millions):				
Residential.....	6,547	5,777	5,320	4,817
Commercial.....	4,197	3,579	3,148	2,955
Industrial.....	13,634	12,338	11,442	10,032
Other.....	4,521	4,222	3,532	2,878
Total kilowatt-hour sales.....	28,899	25,916	23,442	20,682
Number of customers (year end):				
Residential.....	785,830	762,658	743,504	711,942
Other.....	119,959	114,874	110,174	107,560
Total customers.....	905,789	877,532	853,678	819,502
Residential customer data:				
Average annual KWH use.....	8,432	7,664	7,306	6,856
Average revenue per KWH.....	1.75¢	1.79¢	1.80¢	1.84¢
Number of employees (year end):				
Operating and maintenance.....	6,666	6,290	5,988	5,735
Plant construction.....	1,413	906	493	500
Source of energy (millions of KWH):				
Generated—Steam.....	28,019	26,275	24,067	20,386
—Hydro.....	1,521	1,315	1,401	1,862
—Combustion turbines.....	173	2	-	-
Purchased and net interchange.....	2,024	799	430	599
Loss and company use.....	2,615	2,222	2,259	1,967
% loss and company use.....	8.2%	7.8%	8.7%	8.6%
System average heat rate.....	9,700	9,691	9,619	9,557
System load factor.....	65.9%	70.1%	66.1%	67.6%

(a) See Note 2 in the accompanying Notes to Financial Statements.

(b) Adjusted for 2 for 1 split in 1964 and 15% stock dividend in 1959.

	1964	1963	1962	1961	1960	1959
\$	83,757	\$ 79,272	\$ 74,574	\$ 71,972	\$ 65,973	\$ 60,625
	41,317	37,177	34,550	31,616	29,238	27,666
	68,983	64,357	60,062	54,331	52,376	49,583
	19,986	20,381	18,605	16,647	15,172	13,777
	2,730	2,185	1,886	1,758	1,954	2,024
	216,773	203,372	189,677	176,324	164,713	153,675
	89,063	85,450	78,082	73,069	69,645	65,536
	27,693	26,199	25,063	23,604	21,267	19,351
	54,496	51,195	45,679	44,471	41,049	38,948
	171,252	162,844	148,824	141,144	131,961	123,835
	45,521	40,528	40,853	35,180	32,752	29,840
	1,613	1,747	1,477	1,335	1,277	1,114
	14,079	13,335	14,763	11,306	10,730	8,664
	2,488	2,983	2,430	2,025	2,292	2,241
	35,543	31,923	29,997	27,234	25,591	24,531
	-	(1,244)	-	-	-	-
	35,543	30,679	29,997	27,234	25,591	24,531
	1,553	1,360	1,360	1,360	1,360	746
	33,990	29,319	28,637	25,874	24,231	23,785
	21,768	20,576	19,410	18,088	15,963	15,386
\$	12,222	\$ 8,743	\$ 9,227	\$ 7,786	\$ 8,268	\$ 8,399
	22,935	22,896	22,855	22,812	22,038	21,994
\$	1.48	\$ 1.34	\$ 1.25	\$ 1.15	\$ 1.10	\$ 1.08
	-	(.05)	-	-	-	-
	1.48	1.29	1.25	1.15	1.10	1.08
	.95	.90	.85	.80	.72	.70
	37-31¼	33-26¾	30½-21½	31½-25¾	27-20¾	25½-21¼
	36½	31½	28½	27¼	27	22¼
\$	973,121	\$ 916,790	\$ 854,968	\$ 798,849	\$ 743,704	\$ 682,029
	302,251	280,588	256,194	234,986	214,649	197,387
	296,404	285,058	275,071	264,656	239,361	230,043
	35,000	25,273	25,284	25,284	25,284	25,284
	330,000	331,250	332,500	283,750	285,000	235,000
	30,700	14,000	-	14,800	5,200	19,050
	4,503	4,175	3,832	3,690	3,347	3,042
	2,509	2,131	1,938	1,737	1,587	1,424
	9,041	8,390	7,778	6,995	6,736	6,356
	2,536	2,589	2,346	2,087	1,901	1,708
	18,589	17,285	15,894	14,509	13,571	12,530
	691,492	671,508	657,916	638,117	628,875	613,974
	103,715	98,518	95,377	91,537	90,938	89,214
	795,207	770,026	753,293	729,654	719,813	703,188
	6,590	6,279	5,900	5,636	5,382	5,041
	1.86¢	1.90¢	1.95¢	1.95¢	1.97¢	1.99¢
	5,761	5,613	5,629	5,537	5,595	5,448
	666	693	641	1,023	723	720
	17,736	17,206	15,378	13,854	12,904	11,865
	2,126	1,125	1,515	1,643	1,956	1,798
	-	-	-	-	-	-
	679	583	567	350	109	201
	1,734	1,629	1,566	1,488	1,398	1,334
	8.4%	8.6%	9.0%	9.4%	9.3%	9.6%
	9,649	9,578	9,490	9,546	9,611	9,820
	65.7%	64.1%	62.4%	63.8%	64.0%	64.0%

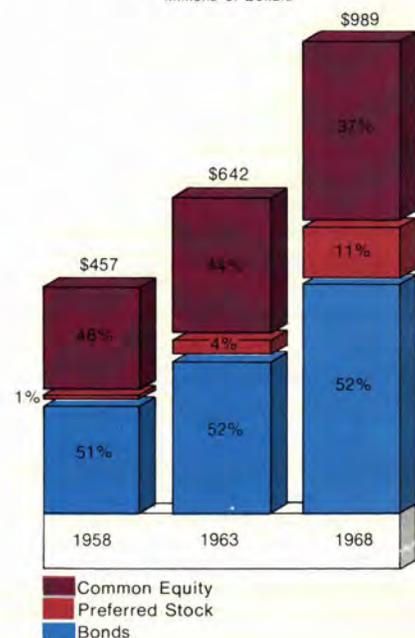
Electric Plant Investment
Millions of Dollars



■ Gross Investment in Electric Plant
■ Accumulated Depreciation

Over \$848 million was invested in electric plant in the 10-year period and \$754 million is scheduled for the years 1969-1971.

Capitalization
Millions of Dollars



■ Common Equity
■ Preferred Stock
■ Bonds



Howard Holderness B. F. Few W. B. McGuire



B. B. Parker John D. Hicks



Marshall I. Pickens J. P. Lucas, Jr.



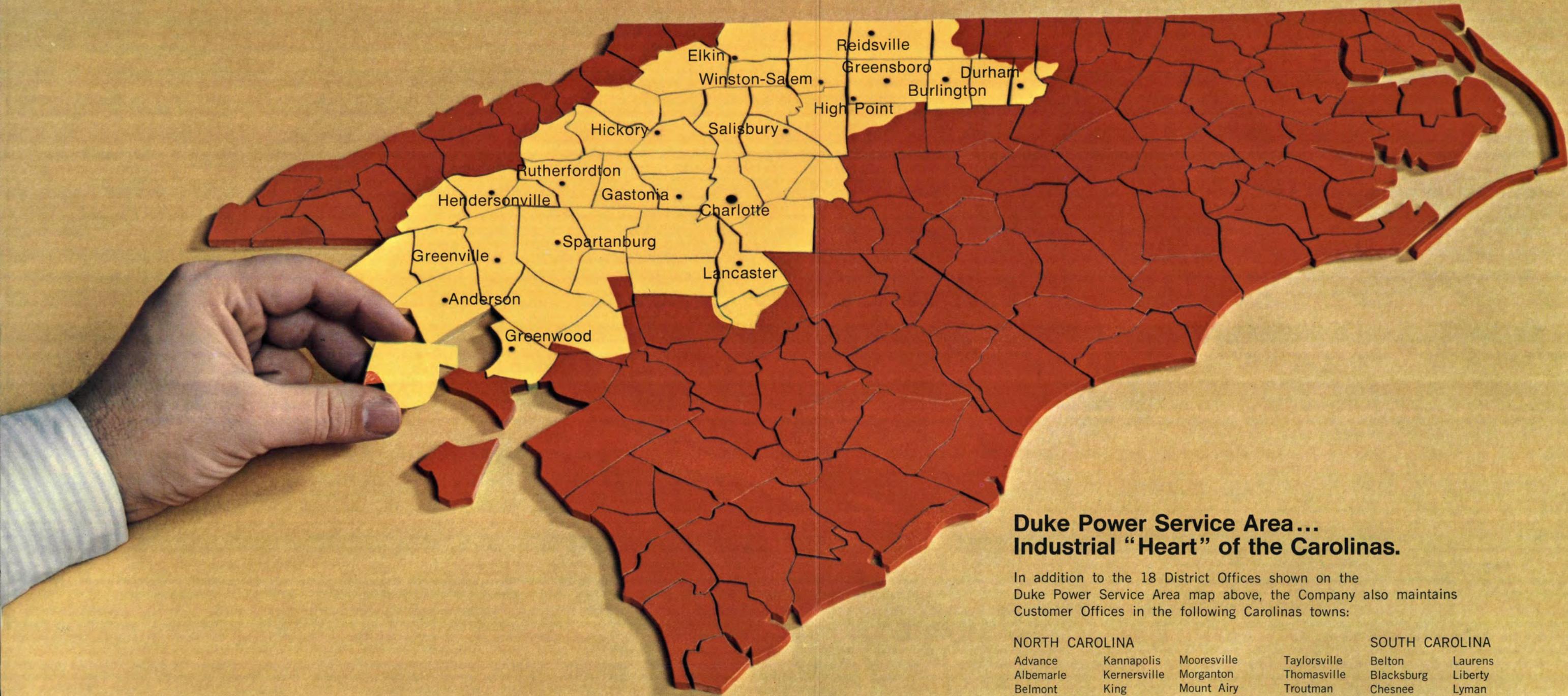
Thomas L. Perkins G. G. Mattison Robert C. Edwards



W. S. Lee D. W. Booth R. B. Henney



D. W. Jones Carl Horn, Jr.



**Duke Power Service Area...
Industrial "Heart" of the Carolinas.**

In addition to the 18 District Offices shown on the Duke Power Service Area map above, the Company also maintains Customer Offices in the following Carolinas towns:

NORTH CAROLINA				SOUTH CAROLINA	
Advance	Kannapolis	Mooreville	Taylorsville	Belton	Laurens
Albemarle	Kernersville	Morganton	Thomasville	Blacksburg	Liberty
Belmont	King	Mount Airy	Troutman	Chesnee	Lyman
Bessemer City	Lake Lure	Mount Holly	Tryon	Chester	Pendleton
Brevard	Lenoir	North Wilkesboro	Valdese	Clemson	Pickens
China Grove	Lincolnton	Norwood	Walnut Cove	Clover	Piedmont
Conover	Madison	Old Fort	Waxhaw	Fountain Inn	Simpsonville
Eden	Marion	Pilot Mountain	Yadkinville	Great Falls	Travelers Rest
Gibsonville	Marshville	Randleman		Greer	Walhalla
Graham	Matthews	Rockwell		Honea Path	Whitmire
		Durham			

Directors

THOMAS L. PERKINS

Chairman of the Board
Formerly Partner, now Counsel,
Perkins, Daniels & McCormack

Director

American Cyanamid Company
Discount Corporation of New York
General Motors Corporation
Morgan Guaranty Trust Company
Penn Central Company

Trustee

Duke University
Phillips Academy
Duke Endowment, Chairman

ROBERT C. EDWARDS

President, Clemson University

Director

Draper Corporation
State Bank and Trust Company
Carolina Motor Club

B. F. FEW

Formerly Director, President
and Chief Executive Officer,
Liggett & Myers Tobacco Company

Director

Chemical Bank New York Trust Company,
Advisory Committee to Board New York
Bank for Savings

Trustee

Duke University (Emeritus)
Converse College
Duke Endowment

RICHARD B. HENNEY

Secretary, Duke Endowment

Trustee

Y.W.C.A. Retirement Fund

HOWARD HOLDERNESS

Chairman of Board, Jefferson Standard
Life Insurance Company and
Jefferson-Pilot Corporation

Director

Burlington Industries, Inc.
Carolina Telephone and Telegraph Company
Jefferson Standard Broadcasting Company

Trustee

St. Andrews College

MARSHALL I. PICKENS

Vice Chairman, Duke Endowment

Director

Piedmont and Northern Railway

Trustee

Davidson College
Duke University
Duke University Medical Center
St. Andrews College

Officer-Directors

W. B. McGUIRE

President

D. W. BOOTH

Vice President
Marketing

JOHN D. HICKS

Secretary and Assistant
General Counsel

CARL HORN, JR.

Vice President
Finance and General Counsel

D. W. JONES

Executive Vice President
Retail Operations

W. S. LEE

Vice President
Engineering

J. P. LUCAS, JR.

Vice President
Public Relations

G. G. MATTISON

Senior Vice President
Transmission and
Electric Installations

B. B. PARKER

Executive Vice President
Power Operations

Other Officers



Kenneth Austin
Vice President
Personnel



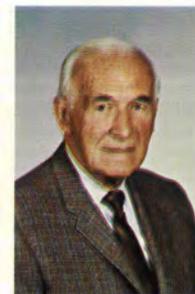
F. W. Beyer
Vice President
System Planning



Glen A. Coan
Vice President
Rates



Robert E. Frazer
Treasurer



C. S. Reed
Vice President
Rate Consultant



A. C. Thies
Vice President
Production
and Operation

50-269
50-270
50-287

Regulatory

File Cy.

May 20, 1969

Received w/Ltr Dated 9-24-70

Dear Mr. Goodwin,

I enjoyed going to visit Duke Power's electricity plant very much. It helped us to learn more about electricity, how you make it, and how it works. And everything was so interesting. When I grow up I am going to build a house in which Freddy Kilowatt does all the work. Thank you very much for everything you did.

Yours truly,

Debbie Smith

Mrs. Adams 6th Grade

RETURN TO REGULATORY CENTRAL FILES
ROOM 016

3083



1969 Annual Report



THE COVER

Thousands of Carolinas youngsters are welcomed visitors to Duke Power installations of all types each year. Many of them thank us with letters, such as the one Debbie Smith of Charlotte wrote after visiting a steam station.

Duke Power Company

General Offices: 422 South Church Street
Post Office Box 2178, Charlotte, North Carolina 28201

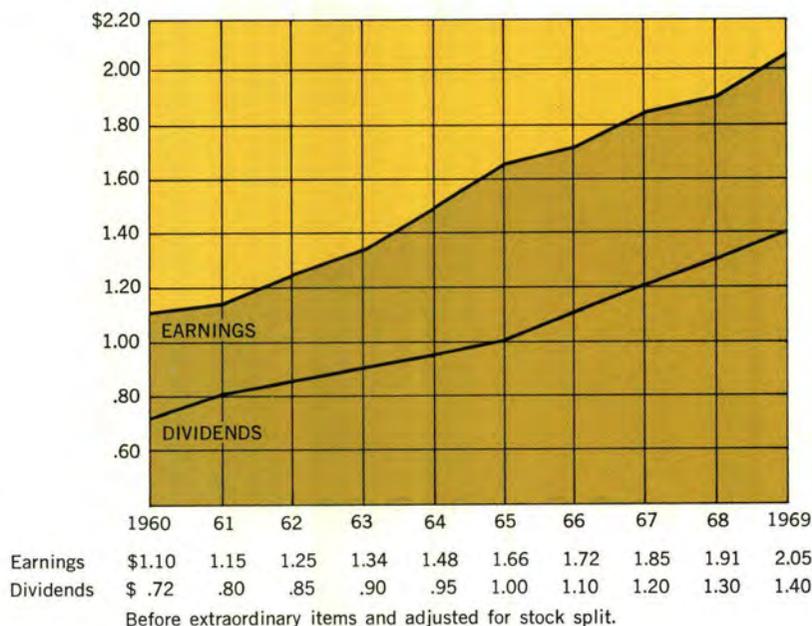
TRANSFER AGENTS FOR COMMON STOCK
Morgan Guaranty Trust Company of New York
North Carolina National Bank, Charlotte

REGISTRARS FOR COMMON STOCK
First National City Bank, New York
Wachovia Bank and Trust Company, Charlotte

Highlights of the Year

	1969	1968	Percent Increase (Decrease)
Electric Revenues	\$342,242,000	\$312,246,000	9.6%
Earnings for Common Stock	\$ 47,448,000	\$ 44,171,000	7.4
Per Share of Common Stock:			
Earnings	\$2.05	\$1.91	7.3
Dividends Paid	\$1.40	\$1.30	7.7
Taxes—Federal, State and Local . .	\$ 64,269,000	\$ 72,341,000	(11.2)
Plant Construction Expenditures . . .	\$282,806,000	\$197,148,000	43.4
Kilowatthour Sales (Thousands) . . .	31,880,000	28,899,000	10.3
Peak Load (KW)	5,613,625	5,364,165	4.7
Customers	935,239	905,789	3.3

Earnings and Dividends Per Share Common Stock



Contents

President's Letter	2	Working With Youth	16
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Distribution	6	Tax Reform	24
Visitors Center	8	Financing	26
Oconee Nuclear Station	Foldout	10-Year Summary	32
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Personnel	14	Service Area Map....	Cover Foldout

The President's Letter

In 1969 our Company established new records for electric energy sold, higher revenues received, and greater earnings reported.

Total sales of electricity aggregated 31.9 billion kilowatthours, a gain of 10.3 per cent over 1968, and electric operating revenues were \$342 million, up 9.6 per cent.

Earnings for 1969 amounted to \$2.05 per share, up from \$1.91 per share in 1968. The 1969 earnings figures reflect several significant accounting changes, which are summarized in the Notes to Financial Statements.

Fuel costs, our largest single item of expense, increased substantially in 1969. We have filed with the North Carolina and South Carolina State Regulatory Commissions and the Federal Power Commission, a request to adjust charges to our customers when fossil fuel costs more than the 1968 average of 28¢ per million BTU. This cost is now in excess of 32¢. Hearings on our request to the Commissions are scheduled and if approval has not been granted by the end of March, it is our plan to put these increased charges in effect under bond as quickly as possible.

Cost of money and other expenses continued to advance in 1969. Your management is alert to the necessity of maintaining earnings adequate to enable the Company to finance the construction program now under way and will take such further action as is needed to accomplish this end.

The Company solidified its position as the dominant supplier of heating energy in its service area as over 54 per cent of all new homes and apartments chose electricity for

heating in 1969. This has led to excellent balance in summer and winter peaks, and has kept the Company first among all the nation's utilities in total-electric single family residences for four straight years.

Industry continued to favor the Duke service area with a record investment of \$661 million in new plants and expansions of existing plants in 1969. This was almost half of the total industrial investment in the two Carolinas, despite the fact that Duke serves but one-fourth of the total land area. The diversification of incoming industry continued to dominate this bright area development picture.

The growing demand for electricity projected for the years immediately ahead is such that your Company now is engaged in the most ambitious expansion and modernization program in its history. In 1969 our investment in new power generation, transmission, distribution and other plant facilities was at the record level of \$283 million, more than 43 per cent above the previous high in 1968. The capital construction budget calls for expenditures exceeding an average \$345 million per year through 1972.

Unprecedented failure of manufacturers to deliver equipment on schedule has hampered construction progress at the Oconee Nuclear Generating Station. Units 1 and 3 are close to the original schedule and are expected to be available for service in mid-year of 1971 and 1973, respectively. However, Oconee 2 may be delayed beyond its scheduled date of mid-1972. The 590,400 kilowatt Cliffside 5 unit, which was undertaken because of the delay on Oconee 2, is presently on schedule for substantial generation in the summer of 1972.

The Company's contention that it was proceeding within the law in its construction of the Oconee Nuclear Station was upheld by

The 1969 Revenue Dollar

Where it came from



a decision of the United States Court of Appeals in November. The decision strengthened the Company's position in opposing the efforts of 10 North Carolina municipalities to purchase a portion of the \$406 million Oconee plant. One of the original group of 11 cities seeking to make this purchase withdrew from the action during the year. Thirteen other cities with municipal distribution and served by Duke did not join the suit.

The Company also voiced active opposition and took positive steps in regard to a proposal by some North Carolina electric municipalities and rural electric cooperatives. This proposal, called Electric Power in Carolina by its authors, calls for the construction of a \$1.75 billion generating and transmission system to supply power to these groups by 1990.

Your Company promptly called public attention to the fact that EPIC is simply a tax evasion scheme. The potential savings its promoters optimistically held out to the co-ops and municipal systems is less than the taxes on that amount of business which the state's investor-owned power companies would pay if they continue to serve these customers. We expect to maintain a strong position against the EPIC proposal and made this intention clear by intervening before the Federal Power Commission to oppose the application by the EPIC group for a permit to study a pumped storage project on the Green River in North Carolina.

The Company obtained capital expansion financing during 1969 by issuing \$150,000,000 in First and Refunding Mortgage Bonds and \$50,000,000 in Cumulative Preference Stock. For further details see page 26.

Ninety-five per cent of the shareholders voted at a special meeting on December 12, 1969, to

approve a proposal to eliminate the preemptive rights pertaining to the Company's common stock.

As we move further into the high energy use period of the Seventies, your Company will intensify its long-standing policy of building and operating its electric facilities for minimum impact on environment. Emerging technology will be used to improve air quality, and the most modern design and equipment available will assure maintenance of water quality at generating plants. A major effort is underway to reduce stack emissions from existing plants, involving \$12.8 million in electrostatic precipitators and related air pollution control equipment.

A discussion of tax reforms and how they affect charges to the Company's customers through their electric bills is on page 24.

This report reflects the performance of our entire employee force, which at year's end numbered 9,529. Most of these are sharing in the Company's success through participation in the Employees Stock Purchase-Savings Program, and all are commended for a year to which they contributed exceptional and devoted service.

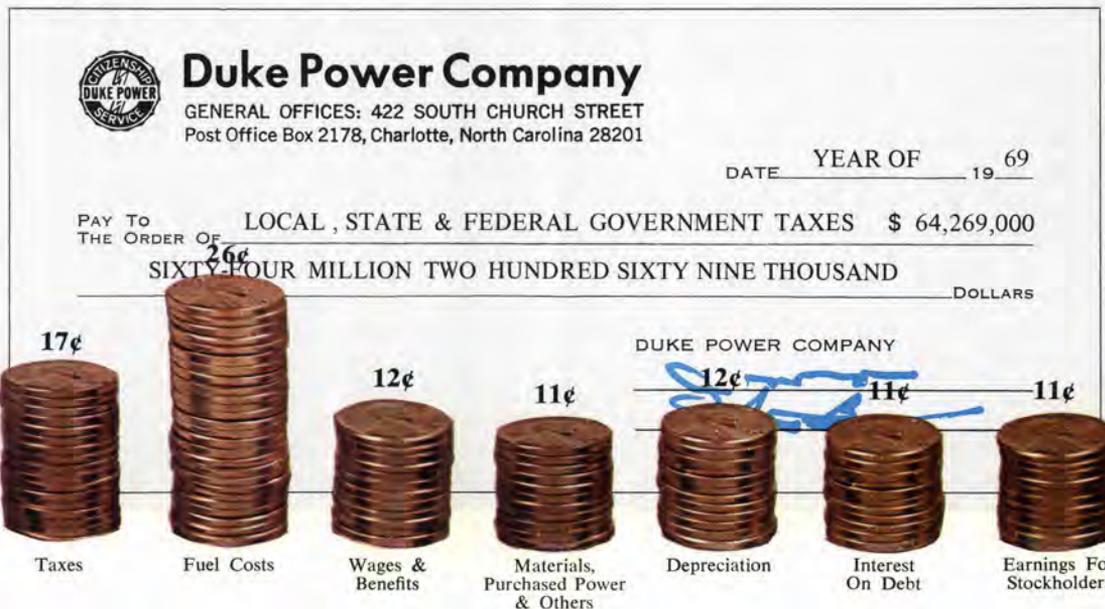
One management change was made in 1969. B. F. Few retired from the Board of Directors after 13 years of significant contribution to the Company's success. We are pleased that Herman W. Lay, Board Chairman of Pepsico, Inc. joined our Board in September.

For the Board of Directors
February 24, 1970

W. B. McGuire

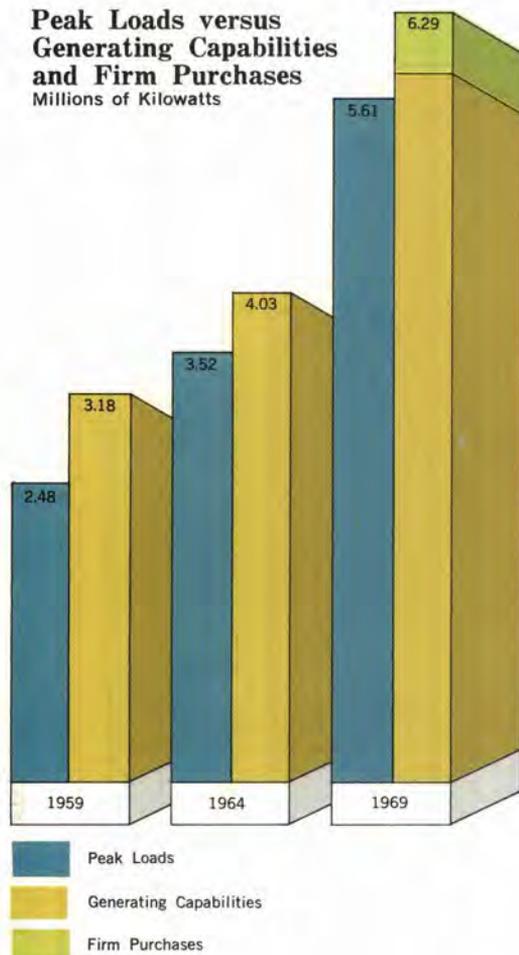
W. B. McGuire
President

How it was used



Production

**Peak Loads versus
Generating Capabilities
and Firm Purchases**
Millions of Kilowatts



During 1969 the Company announced plans to build additional generation that will more than double present capacity by 1977.

A coal-burning station will be built on a 3,863 acre cooling lake at Belews Creek near Winston-Salem. This station will consist of two units, each with a net capability of 1,143,200 kilowatts. Unit 1 is scheduled for operation in the spring of 1974, followed by the second unit a year later.

Work on adding a 590,400 kilowatt unit at the Cliffside Steam Station is well underway. This unit, also coal-fired, is scheduled to join the system in the spring of 1972. This unit will utilize large cooling towers to cool condenser water prior to its recirculation to the condenser equipment.

In November the Company announced that it had ordered nuclear reactors with related equipment for a second nuclear-fueled generating station. The cost of this plant, as yet unnamed and to be built at an undetermined site, will exceed \$400 million and will consist of two nuclear-fueled generating units of about 1,150,000 kilowatts each. The plant is expected to be in full operation by early 1977.

After detailed economic, engineering and environmental analyses of nuclear and competitive fuels, nuclear fuel was chosen for this station.

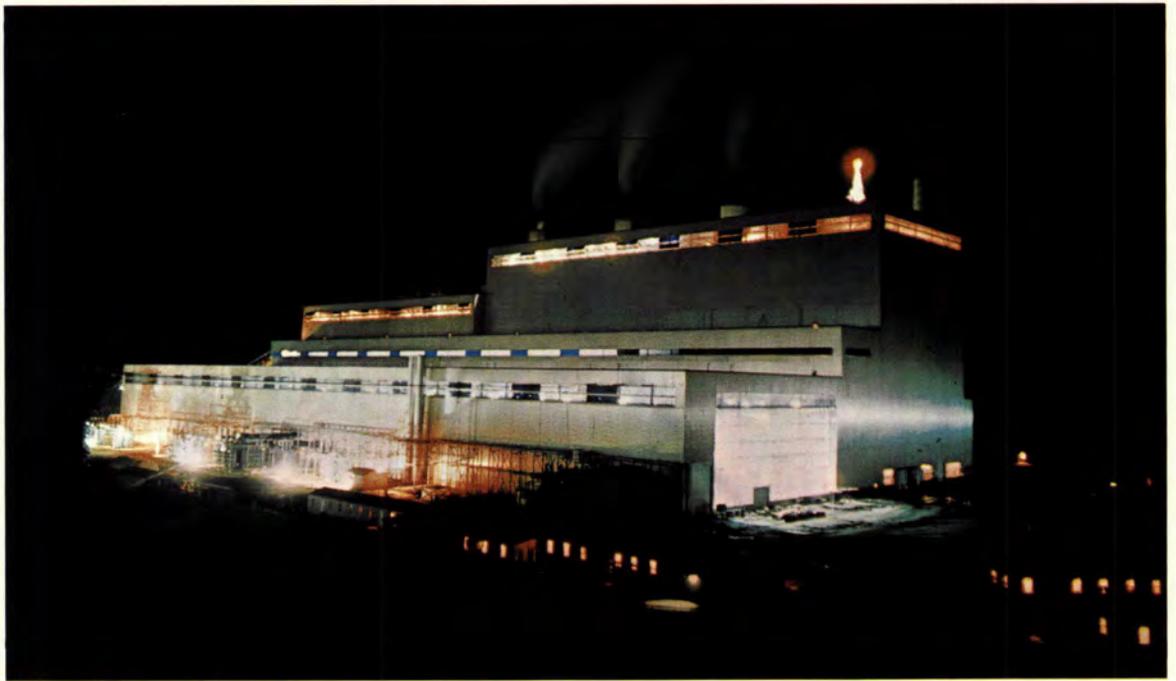
Work on the Company's first nuclear-fueled generating facility, the Oconee Nuclear Station, continued at a vigorous pace. Unit 1 is scheduled for use in 1971 with similar units of 886,300 kilowatts each scheduled in 1972 and 1973.

A total of 867,300 kilowatts was added to system capability during 1969. The 682,300 kilowatt unit at Marshall Steam Station, the Company's first to operate at super-critical pressure, went into service in May. A similar unit will begin service at Marshall this spring, giving this coal-burning station a net capability of 2,137,000 kilowatts. The Marshall Steam Station was the nation's most efficient for the fourth straight year.

Seven combustion turbines totaling 185,000 kilowatts and operating either on gas or oil were installed at various points over the system. These turbines supply capacity for peak load requirements and emergency service. Twelve of these quick-service units with a total capacity of 335,000 kilowatts are now on the line. In 1970 seven additional combustion-type peaking units with a total capacity of 126,500 kilowatts will be added to the system. Ten more such units, totaling 209,000 kilowatts, have been ordered for 1971 installation.

The 140,000 kilowatt Keowee Hydro Station, a portion of the Keowee-Toxaway complex in northwest South Carolina, is nearing completion and will be available for use in late 1970. Work also is progressing on the Jocassee pumped-storage facility, with two of these units to be ready in 1974 and two others in 1978. Each Jocassee unit will have a capability of 152,500 kilowatts.

All generating records were broken during the year as summer and winter peaks continued to climb. The previous peak load of 5,364,165 kilowatts on August 19, 1968, was exceeded many times during the year. The 1969 peak load of 5,613,625 kilowatts occurred on July 21 at noon, an increase of 4.7 per

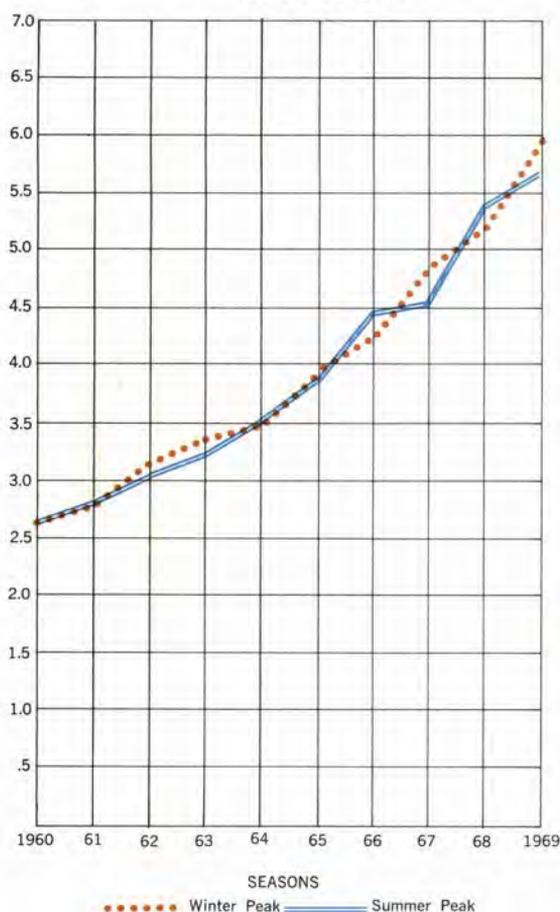


(top) The first of two 570-ton steam generators arrived at the Oconee Nuclear Station on this giant, 240-wheel tractor-truck. The truck is 220 feet long and is powered by two 600-hp tractors.

(center) The Marshall Steam Station, the nation's most efficient coal-burning generating facility, will be completed when its fourth and final unit joins the Duke system in the spring of 1970. The fourth unit has a capacity of 682,300 kilowatts, giving the station a capacity of 2,137,000 kilowatts.

(left) The three men most closely concerned with construction of the Oconee Nuclear Station took advantage of the world's largest crane for a topside look at Unit 1's reactor building. Looking over the site from 193 feet in the air are W. S. Lee, Vice President—Engineering; C. E. Watkins, Assistant Vice President—Construction; and R. L. Dick, Projects Engineer.

Balanced Load Building
Millions of Kilowatts



cent over the peak load of the previous year. This has been surpassed, however, by the 6,031,505 kilowatts recorded at 7 PM on January 8, 1970—thus continuing the pattern of most previous years of each season producing a new peak.

The Company had a generating capability and firm purchased capacity at the time of the 1969 peak load of 6,293,734 kilowatts.

The Company's total energy requirement during 1969 was 34.5 billion kilowatthours. Steam plants supplied 30.6 billion kilowatthours, while 1.8 billion kilowatthours came from hydro, 0.6 billion kilowatthours from combustion turbines, and 1.5 billion kilowatthours was purchased from sources outside the Company.

The Company continued to interchange blocks of power with neighboring companies during the year, and assisted in the formation of the Southeastern Electric Reliability Council. This organization (SERC) consists of all power suppliers in the interconnected network in the southeast with generating capacity of 25,000 kilowatts or more.

The Council includes 22 investor-owned, federal, state, county, municipal and rural electric cooperative systems. The primary purpose of SERC is to assure maximum reliability in supplying power within the region.

TRANSMISSION GROWTH

Work was begun in 1969 on the Company's first 525,000 volt transmission line, an 85-mile segment connecting with American Electric and Power Company. This is Duke's initial portion of a 525,000 volt transmission loop that will interconnect with neighboring power companies as well as serving the Duke area.

Eighty per cent of all right of way for the 525,000 volt segment, which originates near Cowans Ford Dam and joins American Electric and Power near Galax, Va., has been cleared and half of the needed materials had been delivered to the job site at the year's end.

This interconnection, and others to follow in rapid order, will allow interchange of bulk power, both by plan and in case of emergency. This is one of several actions being taken by the Company to improve the economy and continuity of electric service.

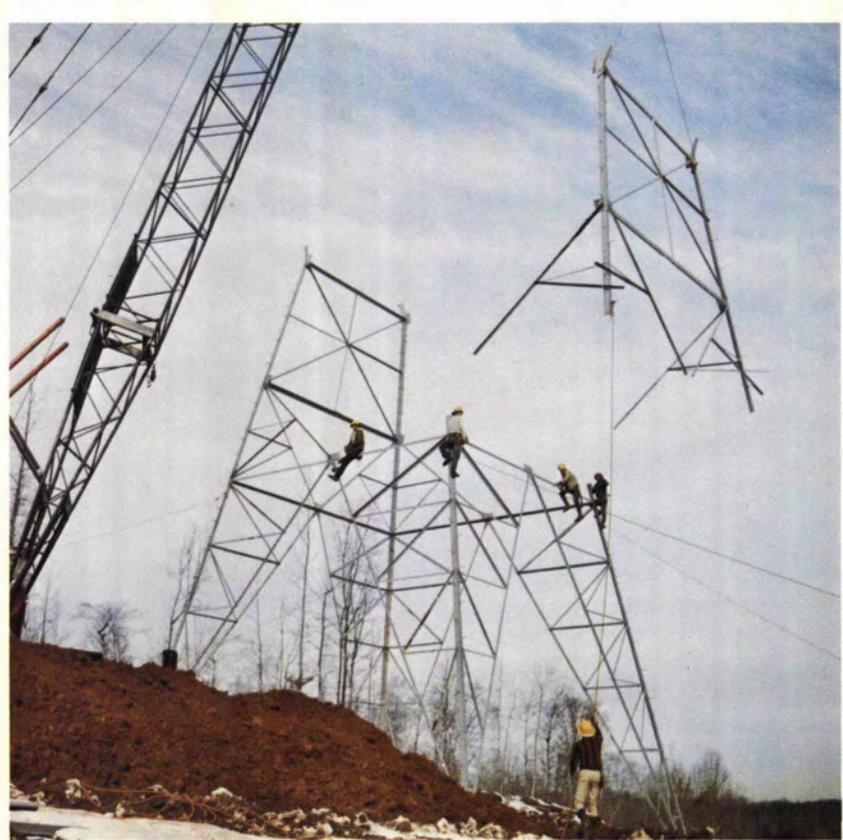
The Company added new or up-rated transmission circuits and substations at a cost of \$65,000,000 in 1969. This included 375 net circuit miles increase to the transmission system. An expenditure of \$75,000,000 for new or up-rated transmission circuits and substations is planned for 1970. This includes \$12.5 million for 525,000 volt facilities.

DISTRIBUTION

The Company added 1,205 miles of distribution lines in 1969, bringing the system total of these lines, which carry electricity from transmission lines to consumers, to 42,430 miles.

Duke has been an industry leader in placing power lines underground in new residential developments. During the past year 200 miles of underground lines serving over 9,600 new

Rapid progress is being made on construction of Duke Power's first 525,000 volt transmission line, an 85-mile segment connecting with American Electric and Power Company. Crews are presently erecting two of the giant towers per day.



One of the South's most modern and efficient facilities for maintenance of all types of vehicles was erected by the Company in Greensboro during 1969. A similar garage is being built in Durham.



residential customers were installed.

A new Operating Center was completed in Lancaster, and others are being built in several major districts. One of the South's most modern transportation facilities, to care for area vehicles, was put into service in Greensboro, and a similar transit garage is underway in Durham. A new office was constructed and occupied in Hillsboro.

Citizens of the Town of Ninety Six, South Carolina, voted 433 to 33 in April to sell their electric distribution system, which served 920 customers at the time, to Duke Power. The office at Ninety Six is, coincidentally, the ninety-sixth in the Company's retail system.

The Company retained its longtime national lead in number of dusk-to-dawn lights in service. Duke added 11,320 such lights in 1969 for a system total of 100,237. This exceeded by far the 87,667 municipal street lights in service at year's end, and represented a significant revenue item.

Visitors Center

The Company opened its Keowee-Toxaway Visitors Center on July 1, 1969, and its success was both immediate and spectacular. For the six months ended December 31, the Center attracted 126,864 persons to see and hear the Story of Energy. This was an average of 4,880 visitors per week—far beyond attendance at any other such electric industry facility in the nation.

During its first six months the Keowee-Toxaway Visitors Center recorded guests from all 50 states and 28 foreign countries. A significant portion of the attendance has been school children. Hundreds of entire classes have been brought to the Center by bus, and many Carolinas school officials have said that visits to the Center will become a part of their annual program.

The Center features animated displays depicting the story of energy all the way from the forces of nature through harnessing of the atom. It contains 13,000 square feet of enclosed space and outside, patio-type overlooks where visitors are able to view construction of the Oconee Nuclear Station. Closed circuit TV also provides closeup views of construction and later will "take" the visitor into the actual control room of the nuclear station.

The Center's grounds have been landscaped with native trees, flowering plants and huge pieces of colorful granite blasted from the area to be occupied by the Keowee powerhouse. Several dozen picnic tables have been provided along the shore of Lake Keowee and a nature trail, which winds through a wooded area on the Center's grounds, has been opened.

Marketing Records Tumble

RESIDENTIAL SALES

Every Company record involving the sale of electricity for residential purposes was smashed in 1969. The most significant of these gains was in the field of heating energy, headed by the fact that almost 55 per cent of all new residential living units completed in Duke Power territory in 1969 chose electricity for heating. This was an increase of five per cent in marketing penetration.

The year saw 18,621 total electric homes, apartments and mobile homes added to Duke lines, an increase of 17.9 per cent over 1968 and the fourth straight year the Company has led the nation in this category. December set an all-time one-month mark when 2,465 total-electric installations were completed.

The Company's Electrical Modernization Dealer Program, which set national marks in 1967 and 1968, retained that position in 1969 by conversion of 3,119 homes from other heating systems to electric heat. This program has converted 10,411 homes to electric heat in the past four years.

One of the most spectacular gains in residential marketing efforts occurred in the mobile home division. The Company's program to guide and assist manufacturers and dealers in the production and sale of total-electric mobile homes which meet Duke rate specifications resulted in an 87 per cent increase in total-electric mobile home customers. Over 10,000 mobile living units were added during the year, 669 of which were total-electric. The Company considers this an important market penetration and the beginning of a significant trend.

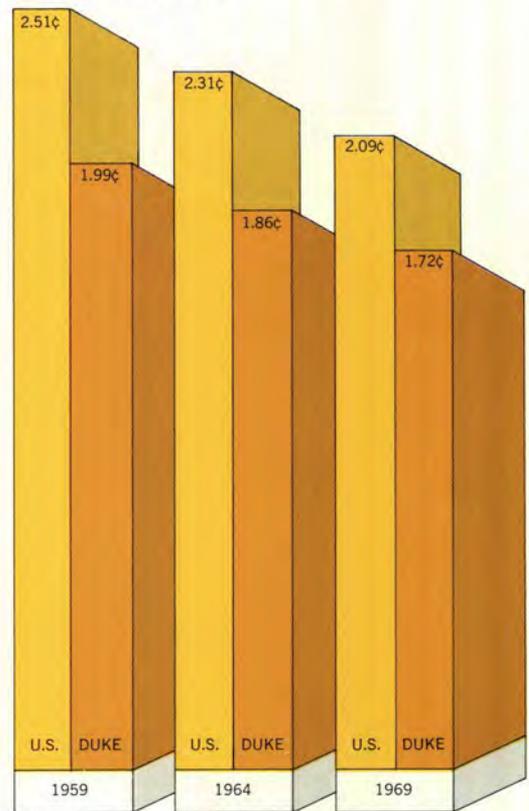
Duke Power now serves 91,162 total-electric dwelling units, 83,804 of which were added during the past eight years. Total-electric residential customers now account for over 1.7 billion kilowatthours annually.

Annual average usage of electricity per Duke residential customer made yet another dramatic rise to 9,179 kilowatthours in 1969, an increase of 747 kilowatthours or 8.9 per cent over 1968. This significant increase was due in part to the strong strides in acquiring electric heating customers to balance the constant growth of summer air conditioning loads.

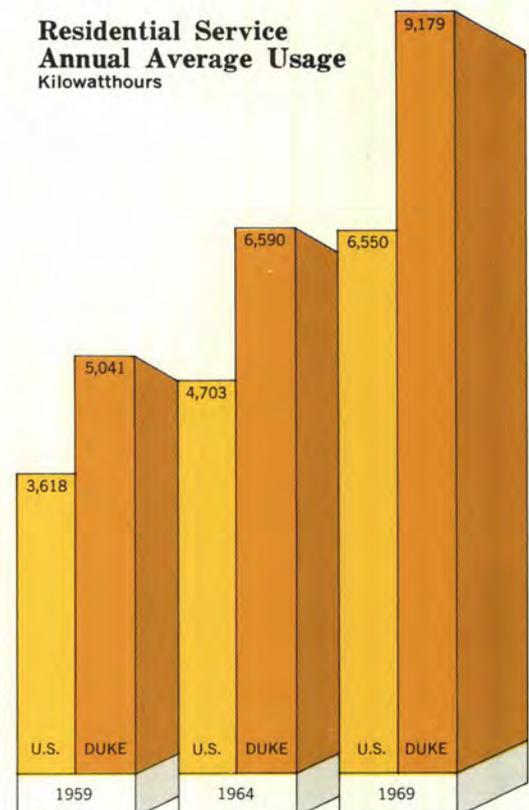
Average usage per Duke residential customer is 40 per cent greater than the national average, while cost to Duke customers per kilowatthour has been held to 18 per cent under the national average. The average usage per Duke customer was 82 per cent greater in 1969 than it was when the decade began.

The Company's high saturation of residential water heaters in its service area continued in 1969. Over 74 per cent of all Duke customers now use electricity for heating water.

**Residential Service
Average Charge Per KWH**
Cents Per Kilowatthour

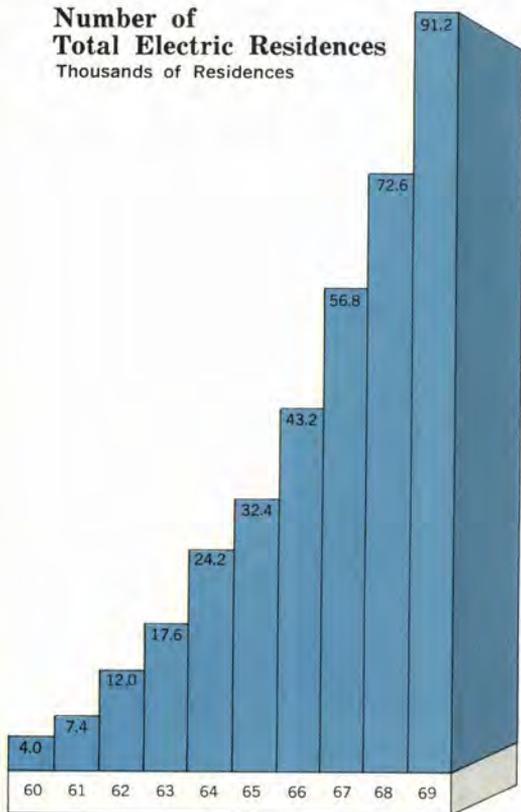


**Residential Service
Annual Average Usage**
Kilowatthours



Duke customers pay 18% less and use 40% more electricity than the U. S. average.

**Number of
Total Electric Residences**
Thousands of Residences



Over 54 per cent of all new homes and apartments built in Duke's service area during 1969 were total-electric, the fourth straight year the Company has led the nation's utilities in this category.

INDUSTRIAL SALES

New and expanded industrial loads, including resale and large general service customers, held even with the previous year's record gains. These negotiations represented a net increase in contractual load of 323,990 kilowatts, with the major portion of these customers requiring 500 kilowatts or more. New plants and expansions of existing plants requiring contractual loads of less than 500 kilowatts made a significant contribution of 28,030 kilowatts to the overall system load.

The net addition of 48 total-electric industrial plants in 1969 brought the number of such plants on the system to 192, establishing Duke as the nation's leader in this category. Among these were 16 industrial plants which converted to total-electric operation—a record number which continues a noticeable trend of several years standing in the Duke service area.

Examples of new total-electric firms joining Duke lines during the year are: Coats and Clark, Inc. (plastics); Engineered Custom Plastics Corporation (plastic molding); Wright Machinery Company (packaging machines); United States Gypsum Company (mineral refining); Wynick Corporation (underwear); Melville Furniture Company (mobile home furniture); Pilot Furniture Company (upholstered furniture); and International Wire Products Corporation (wire).

The industrial sales picture is characterized by continuing diversification of manufacturing selecting the Duke Power area. Some of these new customers include Hayes Albion Corporation (stamped metal products); American Meter Company (fluid meters); Amp Incorporated (wiring devices); Southeastern Injection Molding Company (plastic products); and Benjamin F. Shaw Company (fabricated utility piping).

Noteworthy industrial expansions during the year included Kimberly-Clark Corporation (hygiene products); Great Lakes Carbon Corporation (carbon electrodes); The Singer Company (motors and blowers); Talon Division of Textron, Inc. (zipper tapes); and Drexel Enterprises (furniture).

Textiles continued as the largest single industry group served by Duke Power. While sales to textiles have increased steadily each year, the percentage of total industrial sales today is 62.4 per cent as compared to 75.4 percent in 1960. This has been due mainly to the exceptional industrial diversification taking place in the Duke service area.

The outlook for continuing progress in industrial sales in 1970 is good, with the number of total-electric plants continuing to increase.

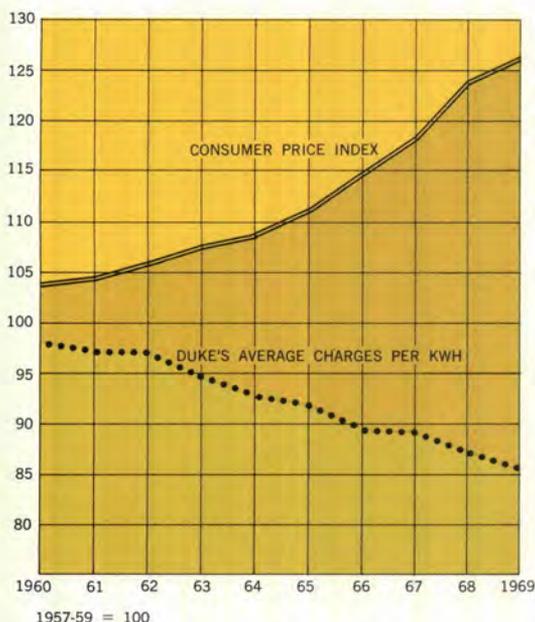
Duke Power led the nation's utilities for the fourth straight year in number of total electric homes, apartments and mobile homes added to Company lines. The 18,621 total electric single family residences added in 1969 included 171 apartments built by The Ervin Company in Charlotte. The development, named Providence Square, will add another 100 units.

Duke Power's Mobile Home Division has worked closely with the University of North Carolina at Greensboro in the design of attractive total-electric mobile homes. The furniture industry, North Carolina State University and Georgia Tech also are participating in the program.



Mobile home manufacturers have made great strides in modernizing and beautifying their product in recent years. This is the kitchen and living room area of a total-electric mobile home built by a Duke service area manufacturer, Emperess Mobile Homes, Division of AABCO Industries, Clinton, South Carolina. The Company added over 10,000 mobile home customers in 1969.

Consumer Price Index and Duke's Average Charge Per KWH



COMMERCIAL SALES

Total-electric commercial buildings joining Duke lines in 1969 totaled 982. This represents a 37 per cent increase over the number added in 1968 and brings the system total to a nationally prominent 4,786.

Two recent trends in Commercial Sales continued as commercial revenues exceeded the previous year's record growth by 11.3 per cent on sales of 4.8 billion kilowatthours.

The first of these trends, toward total-electric educational buildings, remained a strong factor as 11 colleges and secondary schools added total-electric facilities during the year.

Some of these were: Rockingham Community College, Wilkes Community College, Central Piedmont Community College, Duke University, and Wofford College. Many other total-electric education buildings are under construction.

The other trend in Commercial Sales retaining a position of prominence was the choice of the total-electric concept by shopping centers. One of the largest such total-electric shopping centers completed in 1969 was the Holly Hill Mall (453,000 square feet) in Burlington. One of the largest total-electric shopping centers in the Southeast, the SouthPark Shopping Center (1,000,000 square feet) in Charlotte, will begin operation in 1970.

Other large total-electric projects announced in 1969 included Burlington Corporation headquarters in Greensboro; North Carolina National Bank computer headquarters in Charlotte; and the City Administration and Superior Court Buildings in Greensboro.

Among other large, total-electric office buildings added during the year were Kemper Insurance, E. I. DuPont, Educational Administration Center, the Little Office Building, and Court Plaza in Charlotte; Lamb-Young and a Municipal Convention Center in Winston-Salem; and a 210,000-square-foot addition to the Merchandise Mart in Charlotte.

In all, 75,000 kilowatts of Commercial electric space heating load was added in 1969.

AGRICULTURAL SALES

The conversion of 211 farms to total-electric operation in 1969 held steady with the previous year's record growth in this marketing area. The additions brought the number of total-electric farms served to 1,484 and placed Duke Power among the nation's leaders in this category.

The sale of electricity for farm purposes made another rise as electrically-powered equipment and machines continued to replace hard-to-find labor. The trend toward consolidation of smaller Piedmont Carolinas farms into larger, more efficient units continued unabated in 1969.

Farm classification customers now served by the Company total 40,619, while other rural customers number 398,619. Annual average usage by the total-electric farm classification customer in 1969 was 28,714 kilowatthours, an increase of 1,570 kilowatthours over 1968. All farms in the Duke service area have had electricity available for many years.



(top) Central Piedmont Community College of Charlotte added this total-electric library building in 1969. The modern structure, which will serve over 10,000 students, contains 94,000 square feet.

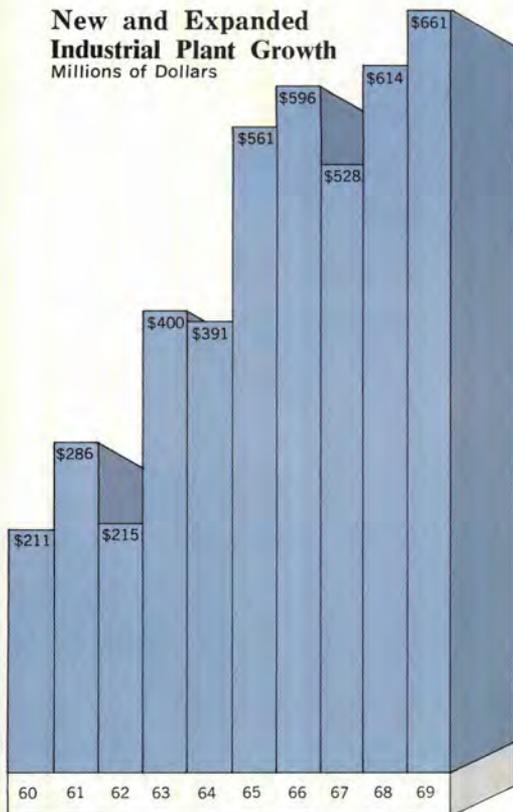
(left center) The recent trend toward total-electric motels in the Duke service area is continuing. A noteworthy example completed in 1969 is the 154-unit Downtowner-Coliseum in Charlotte.

(right center) Winston-Salem completed this 90,000-square-foot Convention Center in its downtown area during the year. The Center utilizes electricity as its single source of energy and has been recognized as an outstanding example of functional architecture.

(right) This federally-subsidized high rise apartment building for the elderly was placed in service in Durham in 1969. The seven-floor, total-electric structure contains 106 living units and 152,000 square feet.

New and Expanded Industrial Plant Growth

Millions of Dollars



Industrial customers have invested \$4.5 billion in new and expanded plant facilities in Duke's service area during these years.

Personnel

INDUSTRIAL DEVELOPMENT

Expansions of existing industrial plants highlighted an excellent year of industrial development in the Duke Power service area. Fifty-three per cent of all industrial expansion in the two Carolinas, representing an investment of \$370 million, occurred in Company territory.

In addition, investment in new plants in the Duke area accounted for an additional \$291 million, giving the Company service area, which is but one-fourth of the Carolinas land area, nearly half of the record \$1.4 billion invested in Carolinas industry during the year.

The combined investment of a record \$661 million for new and expanded industry in the Duke area represents 22,260 jobs and an annual payroll increase of \$119 million.

For the six-year period ended 1969, Duke Power's service area has acquired 2,684 new and expanded industries requiring an investment by those industries of \$3.4 billion and creating over 146,000 jobs for a payroll increase of \$631 million.

Some of the larger new industries selecting the Duke area in 1969 were Burroughs-Wellcome & Co., Inc. (pharmaceutical research), Westinghouse Electric Corporation (turbine blades), The Timken Roller Bearing Company (bearings), and International Wire Products. Announcements of large expansions were made by PPG Industries, Inc. (glass fibers), Broyhill Industries (furniture), Dow Badische Company (synthetic fibers), and Parke, Davis and Company (pharmaceuticals).

The Company now has 9,529 employees, 1,449 of whom were added in 1969. The Keowee-Toxaway Project required the addition of 906 of the new employees as construction of that large generating facility moved into its peak period. Duke Power is one of the few utilities in the United States which designs and builds most of its generating plants.

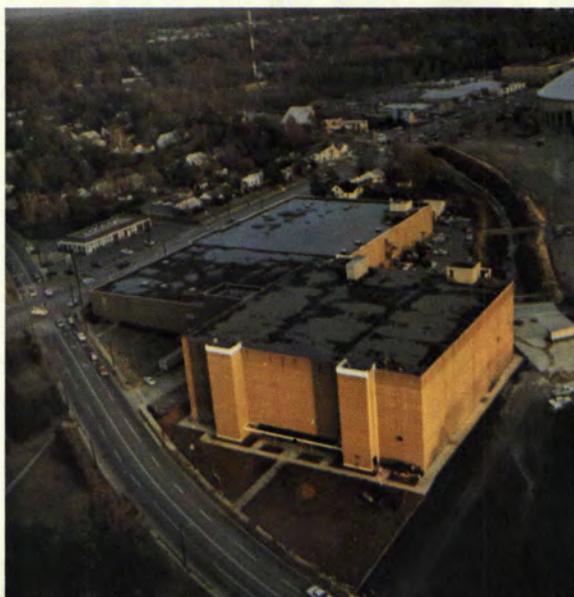
The Company's Stock Purchase-Savings Program again attracted heavy participation by employees, with 85 per cent of all eligible employees purchasing stock in the Company during 1969. Employees have purchased 529,585 shares of common stock through payroll deduction since the plan's inception.

The Comprehensive Medical Insurance Plan was improved during the year to provide broader medical coverage for employees (active and retired) and their dependents. All active employees except those with the Company less than 90 days are insured under the Plan and 7,164 employees are insuring their dependents.

During the year the Company's stockholders approved substantial changes in the Employees Retirement Plan.

The formula for computing benefits under the Plan was re-designed, thereby increasing the expected over-all retirement income for employees at their retirement. The benefits of the Plan have also been integrated with Social Security.

The retirement income for employees who retired prior to January 1, 1969, was adjusted upward on a sliding scale from 1 per cent to 15 per cent depending on the length of time each had been retired under the Plan. Presently there are 907



(top) In October Governor Robert Scott dedicated Wilkes Community College, one of the most beautiful and functional community colleges yet constructed in North Carolina. The three-building complex is heated and cooled electrically and contains 92,205 square feet.

(center) Wright Machine Company of Durham expanded into this new plant facility in 1969, a part of the \$661 million invested in new and expanded industry in the Duke service area during the year. The company manufactures packaging machines and the new 50,000-square-foot plant is total-electric.

(bottom) The Charlotte Merchandise Mart built this 210,000-square-foot total-electric addition in 1969, giving the Mart a total of 440,000 square feet and making it the largest such facility in the Carolinas. The Mart serves as home to many of the mid-south's largest trade shows.

Working With Youth

Duke Power Company and its employees are helping mold the youth of the Piedmont Carolinas in many ways. These contacts with service area youth can come as a part of an employee's job, but just as often they result from the employee's sense of service to his community. Duke Power firmly believes that one of its most important duties as an investor-owned utility is to be a quality citizen in the area it serves. This, as these pages show, includes working with our young people.

School children by the thousands are flocking to the Keowee-Toxaway Visitors Center to see *The Story of Energy*. Many Carolinas schools are making a visit to the Center a part of their annual program.



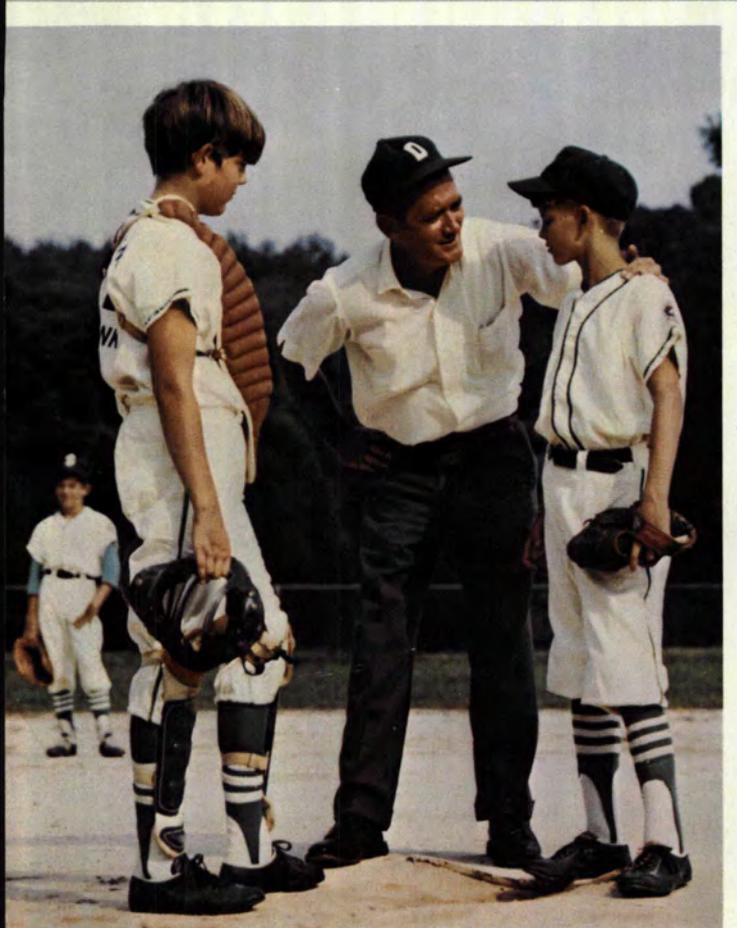
Duke Power contributes one share of its common stock to each Science Fair winner in the Company's service area. One school, Wilkes Central of Wilkes County, posted the remarkable record of five winners in 1969 Science Fair competition. The school's superb science program is headed by Richard Harris, Jr. (center).



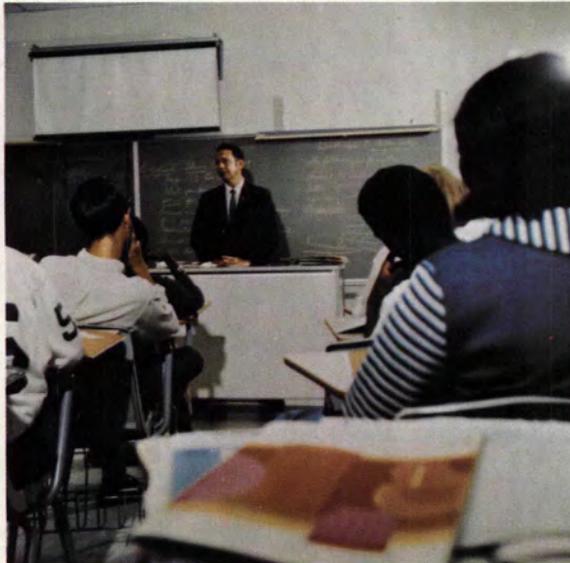
The Company's Home Service Advisors conduct dozens of homemaking classes for all ages during a year. On this particular day Eugenia Miles of the Greenville District was teaching Brownie Scouts the art of cookie baking.



James Loflen, a meter reader in the Company's Mount Airy branch, has spent 2,200 hours teaching Red Cross first aid courses to community groups such as Boy Scouts, Girl Scouts, fire departments and rescue squads since 1961.



A number of employees take the Duke Power Story into the schoolroom, such as Jack McCachern of the Charlotte District office is doing here. Each of the Company's districts will supply "teachers" if asked to do so.



The loss of a leg in the Korean War prevented Gary Bass, Real Estate Department, from playing baseball, his favorite game. But Gary has put his knowledge of the sport to good use coaching Little Leaguers. His 1969 team almost made it to the state playoffs.



Duke Power participates in the 4-H Electric Congress in both Carolinas, and in 1969 the winners in each state were from the Duke service area. Shown checking airline schedules for their trip to the National 4-H Electric Congress in Chicago are North Carolina winner Sylvia Walters of Davidson County and South Carolina winner Ricky Loper of Pickens County. Helping with the plane selection is Doug Booth, Vice President — Marketing.



The Junior Achievement program has long received enthusiastic support from Duke Power, and this interest is reflected in the number of awards won by the youth companies sponsored by Duke and its subsidiaries. President W. B. McGuire is obviously pleased to offer congratulations to the instructors and officers of the Junior Achievement companies which represented Duke Power and Mill Power Supply Company in Charlotte during 1969.

employees and the surviving spouses of 16 employees receiving benefits from the Plan.

Two union elections were held in 1969. On January 9th the employees of Allen Steam Station voted for union representation, and on February 5th the employees of Riverbend Steam Station rejected the union. Twenty-three per cent of the Company's eligible electric-system employees are represented by unions.

Employee publications and communication programs helped keep employees aware of all developments affecting the Company business.

RECRUITING

The Company's recruiting efforts kept pace with other record-breaking aspects of Company operation in 1969. Although competition for the top-level college graduate remained intense, Duke Power's total placement activity increased by approximately 50 per cent over the previous year.

Results were particularly pleasing in the acquisition of engineering graduates. A total of 85 engineers joined the Company during the year, 62 of whom were June graduates. Twenty-one of these 1969 graduates were attracted to the Company through a program of summer employment for students. Training in areas of electric operations, computer programming and economics of the free enterprise system is included in this program.

Two hundred and twenty-six engineering students visited Duke Power's generating plants during the year, and these visits affected a number of job decisions in favor of the Company. Hundreds of other students also were guests at Company facilities.

Recruiting at technical schools and community colleges for draftsmen and technicians was intensified. This resulted in the hiring of 40 technical school graduates during the year.

TRAINING PROGRAMS

Full use was made of additional facilities at the Company's Lake Hickory Training Center as 228 supervisors and middle-management employees participated in the Supervisory-Management Development Program. This program has provided training for 1,703 management-level employees since its inception in 1959, plus review sessions for 910 of these employees.

Seventy-six employees completed 106 courses of study under the Company's Tuition Refund Program in 1969. Seventy-two employees are currently enrolled in classes under this system. This involves primarily technical schools and correspondence schools.

Another program, which is providing many of the licensed reactor operators to be needed at the Oconee Nuclear Station, continued in 1969. Under this program selected employees are given two years of intensive training leading toward an Atomic Energy Commission operators license.

SAFETY

Observation of safe work practices by employees held the Company's frequency of accidents well below the industry



The Company's program of hiring college students for summer jobs has attracted many of these students back for fulltime employment following graduation. In 1969 over 400 students worked in this program, and 29 June graduates who accepted employment had become acquainted with the Company through summer jobs in prior years.

Many of the licensed reactor operators needed for the Oconee Nuclear Station will be provided by a Company training program. These men are given two years of intensive instruction preparatory to applying for an AEC operators license.

average. One distribution district, Gastonia, highlighted the accident prevention program by completing an entire year without a single vehicle accident or disabling injury. Five other Company units achieved safety records of 1,000,000 consecutive manhours without a disabling injury. These achievements were cited by state and national organizations.

ROBINSON AWARDS

Lifesaving, a display of courageous citizenship, and psychological assistance that saved a distraught child from injury or death won Robinson Awards for three Duke Power employees in May.

The Robinson Awards, given annually and named for the late W. S. O'B. Robinson, former Board Chairman, recognizes employees for outstanding service categories. The winners are nominated and selected by fellow employees.

Winners were David Glenn Beam, Marshall Steam Station construction force; Curtis Ward, Supervisor of Transmission Line Maintenance, Greenville, S. C., and E. James Tyson, Supervisor of Mobile Home Sales, Charlotte. Beam saved a fellow employee from drowning, Ward talked an 11-year-old girl into accepting his aid in leaving a perch high in a transmission tower, and Tyson stopped and helped apprehend thieves who were ransacking a neighbor's house.

Since the awards were instituted in 1961, twelve have been given for improved design and procedures, six for community and civic activities and five for lifesaving.

Subsidiary Formed

In April the directors approved the transfer of all of the Company's non-utility lands to Crescent Land & Timber Corp. Crescent is a wholly owned subsidiary and will manage and develop the approximately 300,000 acres of property involved for its best use.

About 250,000 acres is presently considered forestry land, and about 150,000 acres of this is being used by the Wildlife Commissions of the Carolinas for game management areas. Over 9,000 acres is devoted to recreational cottage sites.

It was announced in October that Crescent Land & Timber would be a participating partner in a \$250 million amusement, resort, and residential development to be built astride the North Carolina and South Carolina state line near Charlotte. The project will feature a Disneyland type amusement area and part of the land included in the total development is now owned by Crescent.

Crescent Land & Timber also was the instrument for the donation of 1,000 acres of wooded land to the state of South Carolina for a state park. To be known as the Keowee-Toxaway State Park, the area lies across a peninsula formed by the entrance of two creeks, Eastatoe and Cedar, into Lake Keowee, and is split by the new S. C. Scenic Highway 11.

The park will contain a museum of area artifacts including many of those found by the Duke Power-financed archeological explorations of historical sites in the lake bed. These explorations were conducted by the S. C. Department of



Robinson Awards, given to employees for exceptional accomplishments or contributions, went to these three men in 1969 (left to right): E. James Tyson, Supervisor of Mobile Homes, Charlotte; David Glenn Beam, Marshall Steam Station Construction; and Curtis Ward, Transmission Lines Maintenance, Greenville, South Carolina.



Duke Power, through its subsidiary, Crescent Land & Timber Corp., gave the state of South Carolina 1,000 acres of land on Lake Keowee for a state park. Governor Robert McNair (left) receives a deed to the property from Duke Power President W. B. McGuire and Herman Hermelink, president of Crescent Land & Timber.

Archeology. The park's recreation area will be called the Duke Power Recreation Area.

The Company's Forestry Program, begun in 1939, will continue as part of the responsibilities of Crescent Land & Timber Corp. Crescent planted over 1.8 million trees in 1969 on 2,942 acres of watershed lands. This brought the total number of trees planted by Duke Power and its subsidiary to over 38 million on 49,812 acres in 30 years. Company lands now under scientific forest management total 270,852 acres.

Crescent harvested 33,409,000 board feet of timber in 1969, along with 53,532 cords of pulpwood. The timber and pulpwood are sold on the stump to private contractors who harvest it and prepare it for sale to pulp, furniture and construction industries in the Carolinas. The operations of Crescent Land & Timber produced about \$1.2 million gross income in 1969.

ENVIRONMENTAL CONCERN

Environmental consideration, which has been an integral part of Company programs for many years, played its usual prominent role in Company actions and decisions in 1969.

The Company expanded its program for installing air pollution control equipment at coal-burning power plants. All new coal-burning plants are being built to include high efficiency fly ash collection equipment. In addition, the collection effectiveness at existing plants is being upgraded through a separate \$12.8 million program. This comprehensive air pollution abatement program is scheduled to be essentially completed before the end of 1972.

All Duke plants burn low-sulphur coal and no special equipment is required for the control of sulphur oxides in the discharged gasses.

Large steam electric generating units, whether nuclear or coal fired, require large quantities of cooling water, and provisions have been made to prevent the accumulation of objectionable heat in this cooling water.

Duke's existing large steam generating units are or will be served either by man-made cooling lakes or cooling towers to dissipate the heat absorbed by the cooling water. Two new generating plants now being constructed, the Oconee Nuclear Station and the Belews Creek coal-burning station, will have cooling lakes. The new coal-burning unit at Cliffside Station will utilize cooling towers.

The Company is continuing its fourth year of participation in the industry's large-scale research project with Johns Hopkins University to study the biological effects of cooling water discharges on marine life. Thus far, the study has determined some beneficial and no ill effects in Duke lakes.

The environmental aspects of nuclear power entered into the Company's November announcement that it would build a second nuclear plant. The Company's conclusion is that large nuclear power plants definitely can be compatible with the environment, and the absence of conventional air pollutants is a significant advantage for nuclear power.

Strong public interest in environment was evidenced during the year by an unusually large number of invitations for

Environmental Concern



Recognizing that the news media of its service area was becoming more interested in environmental problems, the Company staged a Thermal Effects Conference in April. Company personnel and outside experts participated in the conference, which included a tour of Marshall Steam Station and its cooling water discharge area (above). There the conferees saw North Carolina Wildlife personnel catch and tag fish as part of a continuing research program, and construction workers catching fish during their lunch hour on the banks of the discharge canal.

W. S. Lee, Vice President—Engineering (right), was among Company personnel available during the April Thermal Effects Conference for news media and Carolinas regulatory representatives. Lee is shown in deep discussion with Harry Cornell, Chief of Inland Fisheries, North Carolina Wildlife Resources Commission (left), and Bob Simpson, field editor for the North Carolina Wildlife Federation magazine.

Company personnel to participate in programs on the subject. Programs describing the Company's environmental activities are being constantly requested by groups such as college campus seminars, technical society meetings, civic clubs and high school science classes. The Company staged a Thermal Effects Conference for its service area news media and regulatory agency personnel in April which was well received.

Tax Reform and Your Electric Bill

A main goal of the proposed tax reforms you've been hearing about is fairer distribution of taxes. You may not know that the Federal tax included in the electric bill of electric company customers is omitted from the electric bill of customers of government financed electric power businesses.

For the future the U. S. Treasury has expressed interest in additional reforms, including reforms affecting exempt organizations. It would seem to be only a matter of time before a change in favor of tax equality among electric users is made.

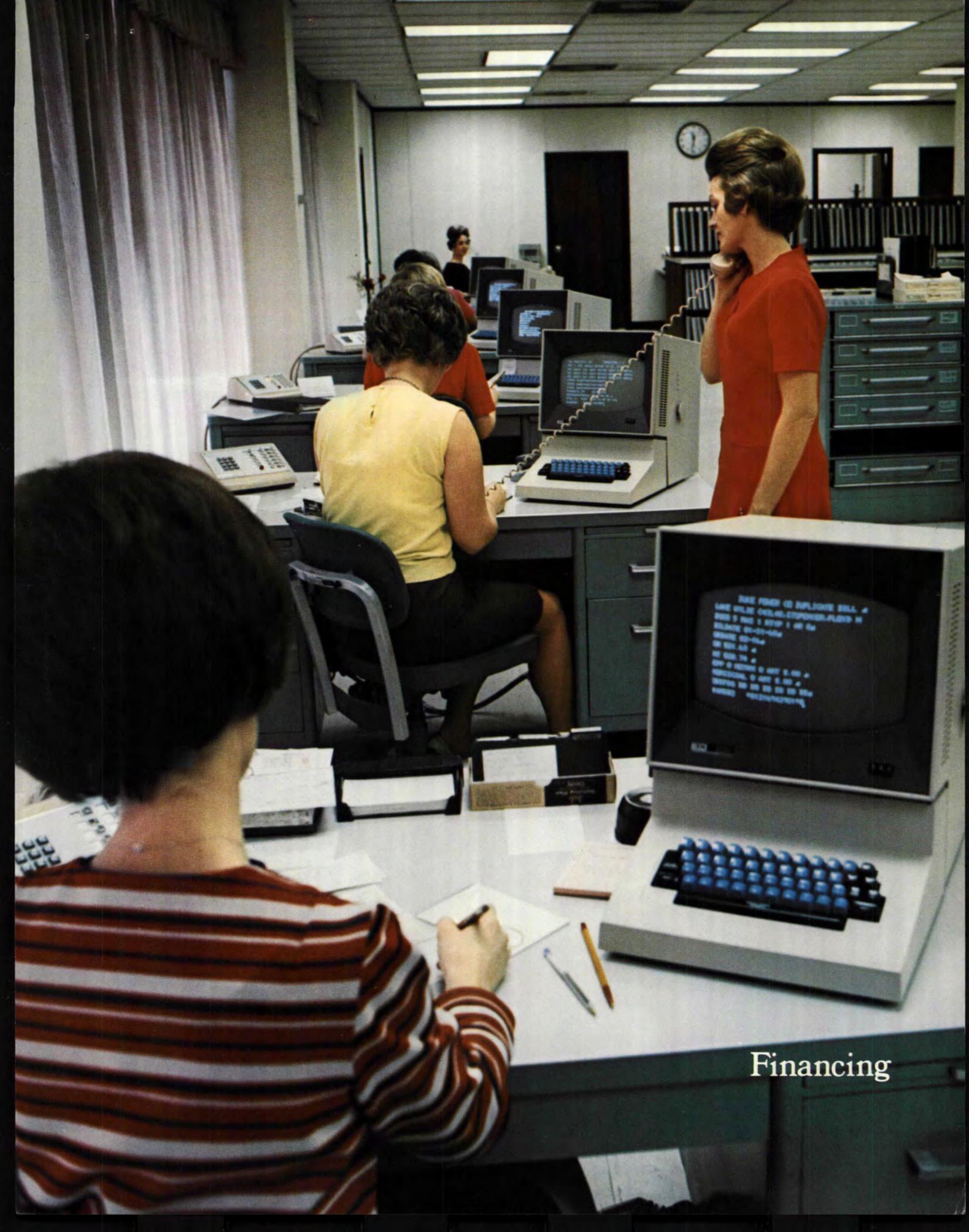
Meanwhile, the Federal tax bill paid through the investor-owned electric utility amounts to over \$1.5 BILLION a year. No Federal income taxes are collected from government power operations. Federal power projects, however, are very big business . . . more than \$8 BILLION is invested in government plant and equipment to make and sell electricity.

Since the government collects taxes through some electric bills, it's clearly fairer to collect taxes through all electric bills and not just those of customers of investor-owned companies. Both kinds of customers benefit from government services paid for through such taxes. The four out of every five electric users in this country served by investor-owned companies pay an average of about 22¢ out of every electric-revenue dollar in taxes. The 20 per cent of customers served by government financed power businesses pay only a fraction of this amount, paying no Federal income tax and usually lower state and local taxes.

There is no good reason to continue this discrimination, especially when the government is trying desperately to balance the budget and arrest inflation. Equality of taxes imposed on electric bills would not only be fair for all concerned but also would provide additional millions in support of the Federal budget.

Even among our shareholders, people often are not aware that government-operated power businesses do not pay the same taxes as do investor-owned companies. But when it is brought to their attention, surveys show that most people feel that government power businesses and government power consumers should pay their fair share of taxes.

As future tax reforms are considered by the Congress, your Senators and Representatives in Washington would be helped in carrying out your wishes if they knew how you feel on this important issue.



Financing

Financing

Capital expenditures during 1969 for new and improved electric plant and other facilities amounted to \$282,806,000. This represented an increase of \$85,658,000 or 43.4 per cent over the amount expended in 1968, reflecting a steadily increasing demand for electric service as well as the effects of inflation.

About 20 per cent of the cash funds required to finance the 1969 construction program was obtained from current operations, after payment of interest and dividends to investors. The balance was obtained from the sale of the Company's securities and from bank borrowings and sales of commercial paper.

Permanent financing during 1969 consisted of an issue in February of \$75,000,000 principal amount of First and Refunding Mortgage Bonds, 1999 Series, at an interest rate of 7 per cent; an issue in September of \$75,000,000 principal amount of First and Refunding Mortgage Bonds, 1999 Series B, at an interest rate of 8 per cent; and a \$50,000,000 issue, also in September, of 6¾ per cent Cumulative Preference Stock, Convertible Series AA. The Preference Stock is convertible into the Company's Common Stock at an initial conversion price of \$35.00 per share. During the year, a total of 79,440 shares of Common Stock were sold to the Trustee of the Stock Purchase-Savings Program for Duke Power Employees for \$2,791,000.

During the first quarter of 1970, the Company will issue 2,500,000 shares of Common Stock through a negotiated public offering, and \$75,000,000 principal amount of First and Refunding Mortgage Bonds at competitive bidding. The proceeds from these two issues will be used to repay short-term obligations incurred to finance construction.

Estimated expenditures for electric plant facilities for the three years 1970-1972 are \$1.04 billion, including \$358 million in 1970. Of the three-year total about 62 per cent will be expended for new generating facilities, including the Oconee Nuclear Station, Units 1, 2 and 3, the Keowee and Jocassee hydroelectric units, Cliffside Steam Station Unit 5, Belews Creek Steam Station Units 1 and 2, two additional nuclear units to be built at a site near Cowans Ford Hydro Station, and several peaking units. The balance of plant additions will consist of electric transmission, distribution and other facilities.

It is estimated that about 27 per cent of the funds required for the 1970-1972 construction program will be obtained from operations and about 73 per cent from outside financing.

Statement of Source of Funds for Plant Construction Expenditures

	Year Ended December 31	1969	1968
SOURCE OF FUNDS:			
Operations—			
Earnings for common stock		\$ 47,448,000	\$ 44,171,000
Less—Dividends on common stock		<u>32,478,000</u>	<u>30,069,000</u>
Earnings retained for use in the business		14,970,000	14,102,000
Add—Noncash charges—			
Depreciation and amortization		42,720,000	38,393,000
Investment tax credit, net		<u>1,507,000</u>	<u>2,280,000</u>
Funds from operations		<u>59,197,000</u>	<u>54,775,000</u>
Financing—			
First mortgage bonds		150,000,000	75,000,000
Preferred stock		—	35,000,000
Preference stock		50,000,000	—
Common stock		2,791,000	2,470,000
Increase in notes payable		28,477,000	18,940,000
Retirement of sinking fund debentures		<u>(1,250,000)</u>	<u>(1,250,000)</u>
Funds from financing		<u>230,018,000</u>	<u>130,160,000</u>
Total available funds		<u>289,215,000</u>	<u>184,935,000</u>
Other—			
(Increase) decrease in working capital, etc.		(6,409,000)	12,213,000
PLANT CONSTRUCTION EXPENDITURES		<u>\$282,806,000</u>	<u>\$197,148,000</u>

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

DUKE POWER COMPANY:

We have examined the balance sheet of Duke Power Company as of December 31, 1969 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of the Company at December 31, 1969 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change to accelerated tax depreciation and "flow-through" income tax accounting for certain electric plant additions as explained in (c) of note 1 to the financial statements) on a basis consistent with that of the preceding year.

Charlotte, North Carolina
January 26, 1970

Haskins & Sells

Balance Sheet

ASSETS		December 31	1969	1968
ELECTRIC PLANT	At original cost—			
	Electric plant in service.....		\$1,425,463,000	\$1,251,993,000
	Construction work in progress.....		<u>310,398,000</u>	<u>214,881,000</u>
			1,735,861,000	1,466,874,000
	Less—Accumulated depreciation (Note 2)		<u>451,802,000</u>	<u>418,298,000</u>
	Electric plant, net.....		<u>1,284,059,000</u>	<u>1,048,576,000</u>
OTHER PROPERTY	At cost		14,688,000	21,650,000
	Less—Accumulated depreciation		<u>2,148,000</u>	<u>3,807,000</u>
	Other property, net.....		<u>12,540,000</u>	<u>17,843,000</u>
INVESTMENTS	Common stock and advances to unconsolidated subsidiaries—at cost.....		21,874,000	9,446,000
	Other securities—at cost or less.....		<u>685,000</u>	<u>684,000</u>
			<u>22,559,000</u>	<u>10,130,000</u>
CURRENT ASSETS	Cash		14,790,000	14,315,000
	Receivables, less allowance for losses.....		26,873,000	24,341,000
	Materials and supplies—at average cost.....		33,991,000	34,067,000
	Prepayments.....		<u>407,000</u>	<u>335,000</u>
			<u>76,061,000</u>	<u>73,058,000</u>
DEFERRED DEBITS	Debt discount, premium and expense, being amortized		2,180,000	804,000
	Other		<u>1,577,000</u>	<u>2,664,000</u>
			<u>3,757,000</u>	<u>3,468,000</u>
			<u>\$1,398,976,000</u>	<u>\$1,153,075,000</u>

LIABILITIES

December 31

1969
1968
CAPITALIZATION

Capital stock and retained earnings (Note 3):		
Common stock, no par—outstanding 23,239,739 shares and 23,160,299 shares, respectively	\$ 319,249,000	\$ 316,458,000
Retained earnings	66,941,000	52,775,000
Total common stock equity . . .	<u>386,190,000</u>	<u>369,233,000</u>
Preference stock—\$100 par:		
6¾% Convertible Series AA, outstanding 500,000 shares	50,000,000	—
Preferred stock—\$100 par:		
4.50% Series C, outstanding 350,000 shares	35,000,000	35,000,000
5.72% Series D, outstanding 350,000 shares	35,000,000	35,000,000
6.72% Series E, outstanding 350,000 shares	35,000,000	35,000,000
Total capital stock and retained earnings	541,190,000	474,233,000
Long-term debt (Note 4)	663,750,000	515,000,000
Total capitalization	<u>1,204,940,000</u>	<u>989,233,000</u>

CURRENT LIABILITIES

Accounts payable	12,615,000	12,729,000
Customers' deposits	2,460,000	2,101,000
Taxes accrued	13,914,000	19,174,000
Interest accrued	12,877,000	8,705,000
Other	1,128,000	957,000
	<u>42,994,000</u>	<u>43,666,000</u>
Notes payable for construction—pending permanent financing (Note 5)	128,817,000	100,340,000
	<u>171,811,000</u>	<u>144,006,000</u>

DEFERRED CREDITS, ETC.

Investment tax credit, being amortized (Note 1)	13,248,000	11,741,000
Injuries and damages reserve	2,264,000	2,258,000
Contributions in aid of construction	5,988,000	5,235,000
Other deferred credits	725,000	602,000
Commitments (Note 6)		
	<u>22,225,000</u>	<u>19,836,000</u>
	<u>\$1,398,976,000</u>	<u>\$1,153,075,000</u>

See the accompanying notes to financial statements

Statement of Income

	Year Ended December 31	1969	1968
ELECTRIC REVENUES		<u>\$342,242,000</u>	<u>\$312,246,000</u>
ELECTRIC EXPENSES AND TAXES:			
Operation—			
Fuel used in electric generation		91,135,000	76,035,000
Purchased power		11,127,000	10,635,000
Wages and benefits, materials, etc.		43,996,000	39,407,000
Maintenance of plant facilities—wages, materials, etc. . .		16,146,000	14,020,000
Depreciation		41,934,000	38,075,000
Taxes—			
General		31,242,000	28,104,000
Federal income		25,176,000	35,740,000
State income		3,788,000	4,861,000
Investment tax credit:			
Tax credit deferred		4,819,000	2,830,000
Amortization of deferments (credit)		(3,312,000)	(550,000)
Total electric expenses and taxes		<u>266,051,000</u>	<u>249,157,000</u>
Electric operating income		<u>76,191,000</u>	<u>63,089,000</u>
 OTHER INCOME:			
Dividends from subsidiaries		1,200,000	750,000
Other dividends and interest		156,000	385,000
Other, net		984,000	1,592,000
Total other income		<u>2,340,000</u>	<u>2,727,000</u>
Gross income		<u>78,531,000</u>	<u>65,816,000</u>
 INCOME DEDUCTIONS:			
Interest on long-term debt		29,044,000	21,887,000
Other interest		9,663,000	3,460,000
Interest charged to construction (credit)		(15,711,000)	(9,667,000)
Other		1,118,000	995,000
Total income deductions		<u>24,114,000</u>	<u>16,675,000</u>
Net income (Note 1)		<u>54,417,000</u>	<u>49,141,000</u>
 DIVIDENDS ON PREFERENCE AND PREFERRED STOCK...		<u>6,969,000</u>	<u>4,970,000</u>
Earnings for common stock		<u>\$ 47,448,000</u>	<u>\$ 44,171,000</u>
 PER SHARE OF COMMON STOCK (Note 1)		<u>\$2.05</u>	<u>\$1.91</u>

See the accompanying notes to financial statements

Statement of Retained Earnings

Year Ended December 31	1969	1968
RETAINED EARNINGS —Beginning of year.....	\$ 52,775,000	\$ 69,162,000
ADD —Net income for the year.....	54,417,000	49,141,000
Total	107,192,000	118,303,000
DEDUCT:		
Cash dividends—		
Common stock (\$1.40 and \$1.30 per share, respectively)	32,478,000	30,069,000
Preference stock (annual rate \$6.75 per share).....	1,040,000	-
Preferred stock—		
Series C (\$4.50 per share).....	1,575,000	1,575,000
Series D (\$5.72 per share).....	2,002,000	2,002,000
Series E (\$6.72 per share).....	2,352,000	1,393,000
Transfer to common capital stock account.....	-	30,000,000
Capital stock expense.....	804,000	489,000
Total deductions	40,251,000	65,528,000
RETAINED EARNINGS —End of year.....	\$ 66,941,000	\$ 52,775,000

Notes to Financial Statements

1. **ACCOUNTING CHANGES.** Net income for 1969 has been increased by \$5,125,000 (\$.22 per common share) as a result of certain changes effective January 1, 1969, as follows: (a) \$725,000 from reduction of depreciation rates for electric generating facilities to the Internal Revenue Service guideline rates (\$1,629,000 reduction in depreciation less related income taxes); (b) \$2,650,000 from reduction of the amortization period of deferred investment tax credits from twenty-five to five years; and (c) \$1,750,000 from the adoption of "flow-through" income tax accounting in connection with the use for income tax purposes of accelerated depreciation on additions to electric generating, transmission and certain general plant facilities acquired after December 31, 1967.

2. **DEPRECIATION OF ELECTRIC PLANT.** Provisions for depreciation are recorded using the straight-line method at annual rates which averaged 3.30% for 1969 and 3.34% for 1968.

3. **CAPITAL STOCK.** The Company's authorized capital stock consists of 1,500,000 shares of preference stock, 2,250,000 shares of preferred stock and 30,000,000 shares of common stock. The outstanding preference stock, 6¾% Convertible Series AA, is convertible into shares of common stock at the initial conversion price of \$35 per share, each share of such preference stock being taken at \$100 for such purposes. The conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution. At December 31, 1969, 1,428,571 shares of the common stock were reserved for the conversion (at the initial conversion price) of the Series AA Preference Stock and an additional 470,415 shares were reserved for issuance under the Stock Purchase-Savings Program for Employees.

The outstanding preference and preferred capital stocks are callable at the option of the Company at various redemption prices not exceeding \$110 a share plus accumulated dividends to redemption date.

4. LONG-TERM DEBT.

First and Refunding Mortgage Bonds:	December 31	
	1969	1968
3% Series due 1975.....	\$ 40,000,000	\$ 40,000,000
2.65% Series due 1977.....	40,000,000	40,000,000
2¾% Series due 1979.....	40,000,000	40,000,000
3¼% Series due 1981.....	35,000,000	35,000,000
3¾% Series due 1986.....	30,000,000	30,000,000
4½% Series due 1992.....	50,000,000	50,000,000
4¼% Series B due 1992....	50,000,000	50,000,000
4½% Series due 1995.....	40,000,000	40,000,000
5¾% Series due 1997.....	75,000,000	75,000,000
6¾% Series due 1998.....	75,000,000	75,000,000
7% Series due 1999.....	75,000,000	-
8% Series B due 1999.....	75,000,000	-
Sinking Fund Debentures:		
4¾% due 1982.....	38,750,000	40,000,000
Total.....	\$663,750,000	\$515,000,000

5. **FINANCING.** See page 26 under "Financing" concerning debt and equity securities issued during 1969 and to be issued early in 1970.

6. **COMMITMENTS.** Capital expenditures for property additions for 1970-1972 are estimated at \$1.04 billion of which \$358 million is expected to be spent in 1970. A substantial portion of such expenditures has already been committed.

7. **RETIREMENT PLAN COST.** The cost of the Company's non-contributory Employees' Retirement Plan is based on the consulting actuary's computation of requirements. The Company's policy is to fund pension costs accrued. Costs for the year 1969 were \$3,979,000 including \$885,000 for past service. As of December 31, 1969 past service costs were fully funded, with minor exceptions.

10-Year Financial and Statistical Summary

INCOME DATA (DOLLARS IN THOUSANDS)

	1969	1968	1967	1966
Electric revenues:				
Residential sales	\$ 126,145	\$ 114,576	\$ 103,127	\$ 95,902
Commercial sales	66,378	59,650	52,490	47,547
Industrial sales	109,688	102,627	93,730	86,596
Other energy sales	36,576	32,255	30,036	25,933
Other revenues	3,455	3,138	2,939	2,716
Total electric revenues	342,242	312,246	282,322	258,694
Electric expenses and taxes:				
Operation and maintenance	162,404	140,097	123,121	111,396
Depreciation	41,934	38,075	34,544	31,524
Taxes	61,713	70,985	64,731	61,538
Total electric expenses and taxes	266,051	249,157	222,396	204,458
Electric operating income	76,191	63,089	59,926	54,236
Other income	2,340	2,727	2,235	2,472
Income deductions	39,825	26,342	20,213	16,612
Interest charged to construction-credit	15,711	9,667	4,245	1,638
Income before extraordinary items	54,417	49,141	46,193	41,734
Extraordinary items	-	-	854	4,103
Net income (a)	54,417	49,141	47,047	45,837
Dividends on preference and preferred stock	6,969	4,970	3,514	2,141
Earnings for common stock	47,448	44,171	43,533	43,696
Dividends on common stock	32,478	30,069	27,676	25,309
Earnings retained for use in the business	\$ 14,970	\$ 14,102	\$ 15,857	\$ 18,387

COMMON STOCK DATA

Shares of common stock—year end (thousands) (b)	23,240	23,160	23,094	23,033
Per share of common stock (a) (average shares outstanding):				
Earnings before extraordinary items	\$ 2.05	\$ 1.91	\$ 1.85	\$ 1.72
Extraordinary items, net of related income taxes	-	-	.04	.18
Earnings for common stock (a)	2.05	1.91	1.89	1.90
Dividends paid	1.40	1.30	1.20	1.10
Market value—high-low	43½-27½	43¼-33½	43¼-30	43-35½
—Year end	29½	38¼	37	40¾

BALANCE SHEET DATA (DOLLARS IN THOUSANDS)

Electric plant (original cost)	\$1,735,861	\$1,466,874	\$1,281,135	\$1,124,220
Accumulated depreciation	451,802	418,298	387,959	354,512
Capitalization and short-term notes:				
Common stock equity	386,190	369,233	353,150	335,016
Preference stock	50,000	-	-	-
Preferred stock	105,000	105,000	70,000	64,700
Long-term debt	663,750	515,000	441,250	367,500
Short-term notes payable	128,817	100,340	81,400	41,000

ELECTRIC AND OTHER STATISTICS

Kilowatthour sales (millions):				
Residential	7,340	6,547	5,777	5,320
Commercial	4,767	4,197	3,579	3,148
Industrial	14,593	13,634	12,337	11,442
Other	5,180	4,521	4,223	3,532
Total kilowatthour sales	31,880	28,899	25,916	23,442
Number of customers (year end):				
Residential	810,743	785,830	762,658	743,504
Other	124,496	119,959	114,874	110,174
Total customers	935,239	905,789	877,532	853,678
Residential customer data:				
Average annual KWH use	9,179	8,432	7,664	7,306
Average revenue per KWH	1.72¢	1.75¢	1.79¢	1.80¢
Number of employees (year end):				
Operating and maintenance	7,210	6,666	6,290	5,988
Plant construction	2,319	1,413	906	493
Source of energy (millions of KWH):				
Generated—Steam	30,591	28,019	26,276	24,067
—Hydro	1,784	1,521	1,315	1,401
—Combustion turbines	643	173	2	-
Purchased and net interchange	1,758	2,024	799	430
Loss and company use	2,672	2,615	2,223	2,259
% loss and company use	7.7%	8.2%	7.8%	8.7%
System average heat rate	9,738	9,700	9,691	9,619
System load factor	68.9%	65.9%	70.1%	66.1%

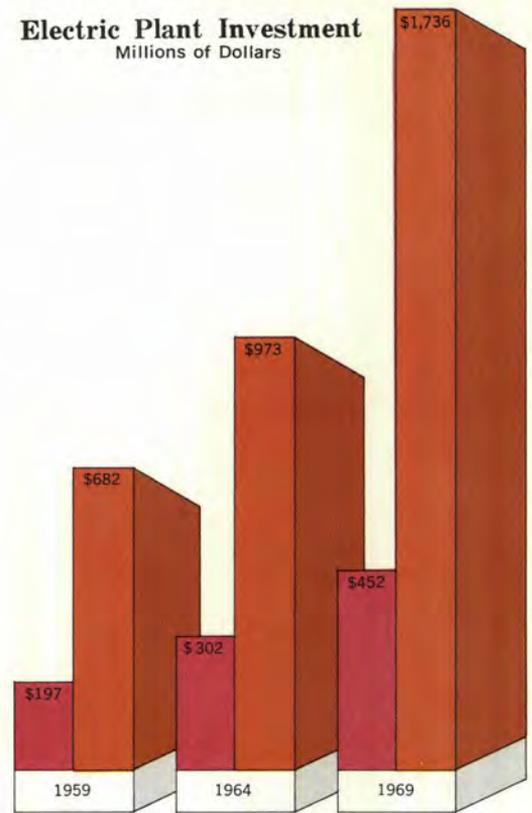
(a) See Note 1 in the accompanying Notes to Financial Statements.

(b) Adjusted for 2 for 1 split in 1964

	1965	1964	1963	1962	1961	1960
\$	88,591	\$ 83,757	\$ 79,272	\$ 74,574	\$ 71,972	\$ 65,973
	45,867	41,317	37,177	34,550	31,616	29,238
	75,003	68,983	64,357	60,062	54,331	52,376
	22,337	19,986	20,381	18,605	16,647	15,172
	2,567	2,730	2,185	1,886	1,758	1,954
	234,365	216,773	203,372	189,677	176,324	164,713
	96,344	89,063	85,450	78,082	73,069	69,645
	28,855	27,693	26,199	25,063	23,604	21,267
	58,268	54,496	51,195	45,679	44,471	41,049
	183,467	171,252	162,844	148,824	141,144	131,961
	50,898	45,521	40,528	40,853	35,180	32,752
	1,970	1,613	1,747	1,477	1,335	1,277
	15,321	14,079	13,335	14,763	11,306	10,730
	2,215	2,488	2,983	2,430	2,025	2,292
	39,762	35,543	31,923	29,997	27,234	25,591
	1,067	-	(1,244)	-	-	-
	40,829	35,543	30,679	29,997	27,234	25,591
	1,575	1,553	1,360	1,360	1,360	1,360
	39,254	33,990	29,319	28,637	25,874	24,231
	22,956	21,768	20,576	19,410	18,088	15,963
\$	16,298	\$ 12,222	\$ 8,743	\$ 9,227	\$ 7,786	\$ 8,268
	22,979	22,935	22,896	22,855	22,812	22,038
\$	1.66	\$ 1.48	\$ 1.34	\$ 1.25	\$ 1.15	\$ 1.10
	.05	-	(.05)	-	-	-
	1.71	1.48	1.29	1.25	1.15	1.10
	1.00	.95	.90	.85	.80	.72
	44-35	37-31½	33-26¾	30½-21½	31½-25¾	27-20¾
	42½	36½	31½	28½	27¼	27
\$1,038,386	\$ 973,121	\$ 916,790	\$ 854,968	\$ 798,849	\$ 743,704	
327,166	302,251	280,588	256,194	234,986	214,649	
314,985	296,404	285,058	275,071	264,656	239,361	
35,000	35,000	25,273	25,284	25,284	25,284	
368,750	330,000	331,250	332,500	283,750	285,000	
18,000	30,700	14,000	-	14,800	5,200	
4,817	4,503	4,175	3,832	3,690	3,347	
2,955	2,509	2,131	1,938	1,737	1,587	
10,032	9,041	8,390	7,778	6,995	6,736	
2,878	2,536	2,589	2,346	2,087	1,901	
20,682	18,589	17,285	15,894	14,509	13,571	
711,942	691,492	671,508	657,916	638,117	628,875	
107,560	103,715	98,518	95,377	91,537	90,938	
819,502	795,207	770,026	753,293	729,654	719,813	
6,856	6,590	6,279	5,900	5,636	5,382	
1.84¢	1.86¢	1.90¢	1.95¢	1.95¢	1.97¢	
5,735	5,761	5,613	5,629	5,537	5,595	
500	666	693	641	1,023	723	
20,386	17,736	17,206	15,378	13,854	12,904	
1,862	2,126	1,125	1,515	1,643	1,956	
-	-	-	-	-	-	
599	679	583	567	350	109	
1,967	1,734	1,629	1,566	1,488	1,398	
8.6%	8.4%	8.6%	9.0%	9.4%	9.3%	
9.557	9.649	9.578	9.490	9.546	9.611	
67.6%	65.7%	64.1%	62.4%	63.8%	64.0%	

Electric Plant Investment

Millions of Dollars

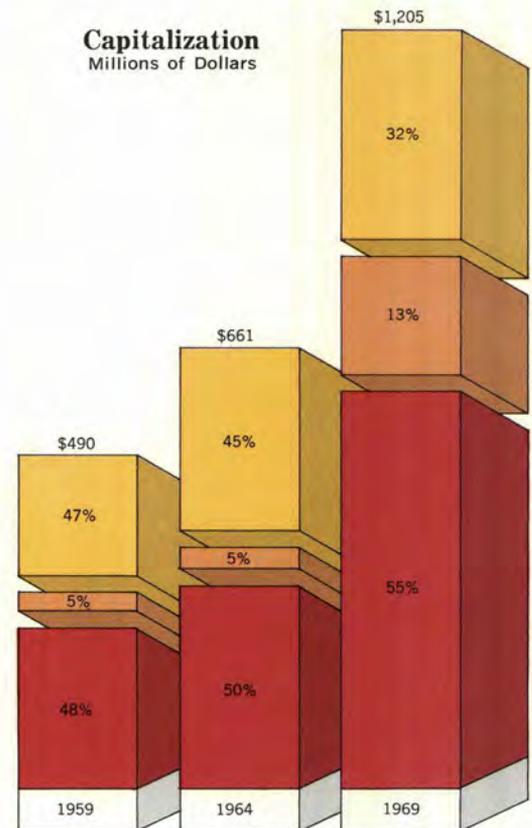


Legend:
■ Gross Investment in Electric Plant
■ Accumulated Depreciation

Over \$1 billion was invested in electric plant in the 10-year period and more than \$1 billion is scheduled for the years 1970-1972.

Capitalization

Millions of Dollars



Legend:
■ Common Equity
■ Preference and Preferred Stock
■ Bonds

LUCAS HICKS HENNEY HORN



HOLDERNESS JONES



LAY



EDWARDS MATTISON McGUIRE

BOOTH
LEE
PICKENS



PARKER
PERKINS

The Company's Directors got a first-hand look at progress being made at the Keowee-Toxaway Project during a visit to the site in September, 1969. They are shown inspecting various portions of the project, such as the Keowee Dam, Visitors Center, Reactor Building, Turbine Building, and some of the hundreds of blueprints and drawings involved in the project.