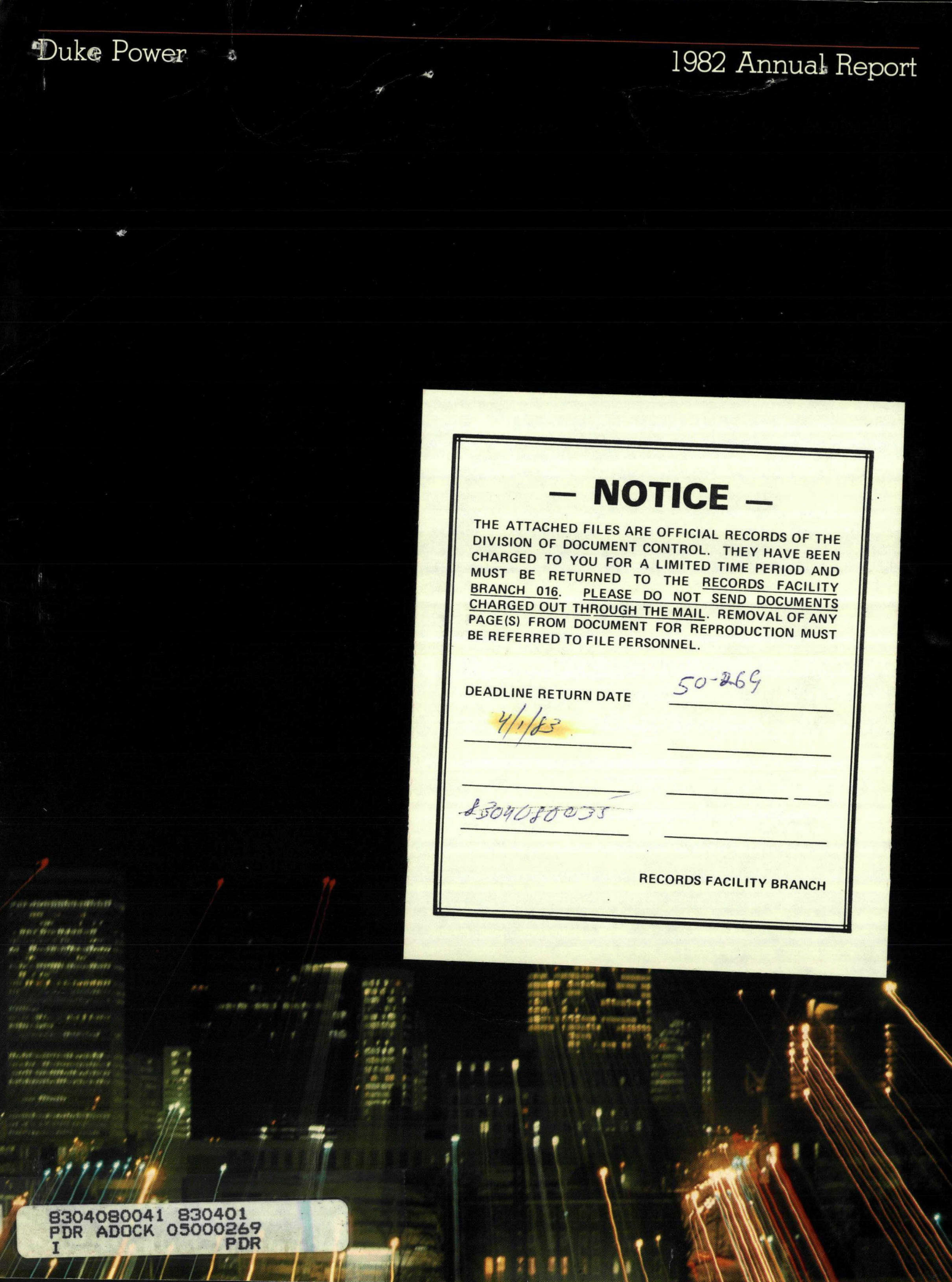
Duke Power

1982 Annual Report



Duke Power Company Statement of Purpose

Our purpose at Duke Power, working together in a creative environment, is to serve our customers with reliability, serve our communities with citizenship, and provide our investors with a fair, competitive reward for the use of their money. To this end, we:

- will conduct our business with self-evident integrity;
- will provide our customers with low-cost, reliable electric service at fair, non-discriminatory prices;
- will reward our investors with a fair, competitive return;
- will strive as stewards to enhance investor assets and remain financially sound;
- will provide an equitable, safe and stimulating work environment, pledging equal opportunity to all for personal growth and offering rewards commensurate with performance;
- will be innovative, anticipatory, productive, and cost efficient in all our activities;
- will help each other achieve company goals established for individuals and for groups of employees;
- will engage selectively in other business activities that will complement our success as an electric utility;
- will communicate forthrightly and lift the level of understanding in ourselves and others;
- will honor and protect environmental quality and human welfare in the area we serve;
- will demonstrate good citizenship in all of our public actions;
- and will seek excellence in all that we do.

Contents

Notice of Annual Meeting

The 1983 meeting of holders of Duke Power Company common stock will be held at 10 a.m. Friday, April 29, 1983, in the O.J. Miller Auditorium of the Electric Center, 526 South Church Street, Charlotte, N.C.

About the Cover

The skyline of Charlotte, N.C. shines against the night with light and energy supplied by Duke Power. The largest city in Duke's 20,000-square-mile service territory is representative of the rapid economic growth that has transformed the Piedmont Carolinas into one of the most vibrant, progressive regions in the nation. Electricity's essential role in the past, present and future development of the area is highlighted in the feature section of this year's annual report, beginning on page 11.

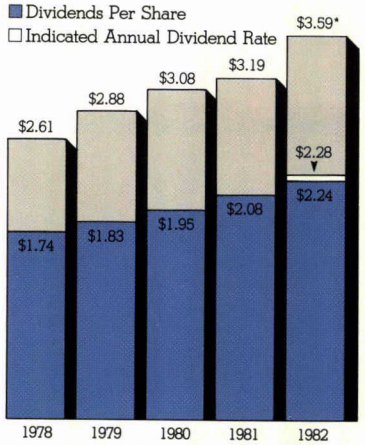
Highlights

DUKE POWER COMPANY

	1982	1981	Percent Increase (Decrease)
Kilowatt-hour sales	**51,380,037,000**	53,547,929,000	(4.0)
Electric revenues	**$2,244,480,000**	$1,908,454,000	17.6
Earnings for common stock before extraordinary item	**$ 287,713,000**	$ 278,356,000	3.4
Extraordinary item	**$ 48,304,000**	—	—
Earnings for common stock	**$ 336,017,000**	$ 278,356,000	20.7
Common stock data			
Average shares outstanding	**93,679,000**	87,313,000	7.3
Earnings per share before extraordinary item	**$ 3.07**	$ 3.19	(3.8)
Extraordinary item	**$ 0.52**	—	—
Earnings per share	**$ 3.59**	$ 3.19	12.5
Dividends per share	**$ 2.24**	$ 2.08	7.7
Book value per share (year-end)	**$24.89**	$23.83	4.4
Return on average common equity	**13.9%***	13.7%	1.5
Plant construction costs	**$ 736,060,000**	$ 804,371,000	(8.5)
Total electric plant, net	**$6,385,691,000**	$5,998,307,000	6.5
Peak load (Kw)			
Summer	**10,097,000**	10,602,000	(4.8)
Winter	**11,145,000**	10,530,000	5.8

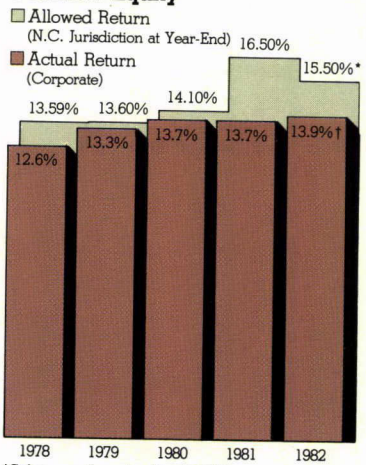
*Excluding extraordinary item — gain on retirement of bonds, and excluding provision for loss on pending sale of certain coal mining assets.

Earnings Per Share



*Including extraordinary item—gain on retirement of bonds - $0.52.

Return on Average Common Equity



*Subsequently revised to 15.22%.

†Excluding extraordinary item—gain on retirement of bonds, and excluding provision for loss.

To Our Shareholders:

1982 was a year of modest financial progress for Duke Power.

- Earnings per share rose to $3.59 from the $3.19 reported in 1981. This includes an extraordinary gain of 52 cents from the exchange of new common stock for outstanding bonds and a provision for loss of 32 cents on the pending disposal of certain coal mining assets.
- Total earnings increased to $336 million from the $278.4 million earned in 1981.
- Return on common equity, excluding the effects of the extraordinary item and the provision for loss, improved slightly to 13.9 percent from 13.7 percent a year ago.
- The quarterly cash dividend on common stock was raised to 57 cents per share from its previous level of 55 cents, increasing the indicated annual dividend to $2.28.

These improvements, however, were clouded in many respects by economic, political and regulatory difficulties, raising renewed uncertainties about the future availability of adequate electricity supplies in the Piedmont Carolinas.

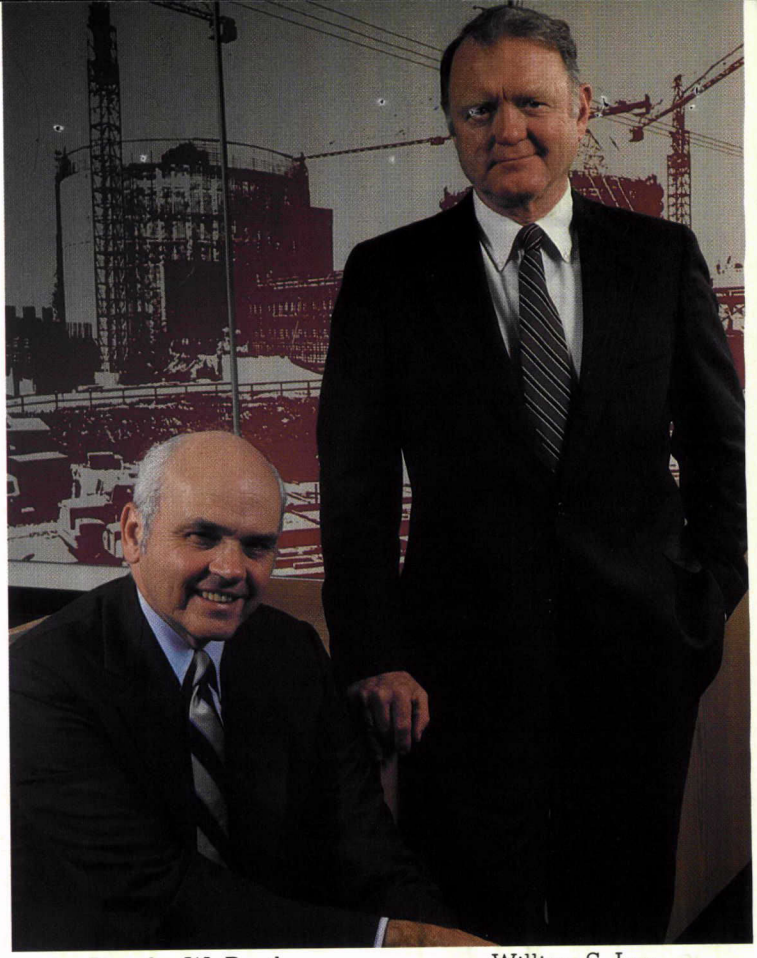
The impact of the adverse economy on industrial production and employment contributed to a 4 percent decline in overall kilowatt-hour sales.

The public's frustration with economic conditions was reflected in the political process in North Carolina. Legislation was enacted that hampers the full and timely recovery of fuel expenses, as well as financing costs for projects under construction.

Despite the continuing impact of inflation and double-digit interest rates, the North Carolina Utilities Commission disallowed about two-thirds of a requested rate increase, while lowering the authorized rate of return on common equity.

Financial improvements were clouded by economic, political and regulatory difficulties.

To protect the interests of our shareholders while continuing to provide adequate, economical service to our 1.3 million customers, management acted to offset these developments by restraining capital expenditures and operating expenses; embarking on new programs to achieve a higher level of understanding among legislators, the news media and the public; and taking steps to strengthen our capital structure and enhance the value of our securities.



Douglas W. Booth William S. Lee

In recognition of reduced forecasts for future growth, regulatory and economic uncertainties, and difficulties in attracting the necessary capital, we abandoned plans for the three-unit Perkins Nuclear Station and Units 2 and 3 of the Cherokee Nuclear Station. The status of Cherokee Unit 1 remains unchanged. Cancellation of these units will minimize the need for additional stock offerings below book value and lessen exposure to volatile capital markets. We will seek to recover through rates costs associated with these units.

To further reduce capital requirements, we continued to expand our comprehensive Load Management Program with the addition of several new programs. This effort, which has been cited as among the most aggressive in the nation, is designed to reduce growth in winter peak demand by more than 6 million kilowatts through 1997, eliminating the need to build six major, new generating units.

To enable the Company to fully recover its operating costs and increase current earnings, we are continuing to seek adequate rates in our regulatory jurisdictions. In South Carolina, our request for a 17.56 percent rate increase is pending a final decision. A portion of this request was placed into effect on an interim basis in September, subject to refund. In February 1983, we filed for a 7.68 percent retail rate increase in North Carolina.

Even with these increases, our rates remain well below the national average and among the lowest on the Eastern Seaboard.

To minimize the level of future rate increases, we took additional steps in 1982 to control our operating expenses. These included a freeze on the hiring of new employees and introduction of a program encouraging our employees to step forward with suggestions for reducing costs.

We also expanded the Corporate Goals Program this past year to include improved profitability as an objective. The program includes specific performance targets in such areas as generating efficiency, load management, safety and reliability of service. Our 20,000 employees again met the challenge, achieving eight of the nine incentive goals established under this program, which will be expanded further in 1983.

Our efforts to minimize fuel costs through increased generating efficiency again were cited by *Electric Light and Power* magazine, which awarded us top honors in its most recent survey for the most efficient fossil-fired generating system in the nation — the eighth consecutive year we have earned this distinction.

To improve political and regulatory climates, we initiated a series of meetings with small groups of legislators, newspaper editors and opinion leaders to communicate our corporate goals and financial needs more effectively.

In early 1983, we began offering our customers the opportunity to purchase Duke Power stock directly from the Company. This program is designed to help us raise needed capital, as well as provide our customers with a new perspective and understanding of our financial situation.

Electricity is essential to growth, prosperity and the quality of life in the Piedmont Carolinas.

Two new community action programs were developed and introduced in 1982 to demonstrate our concern for our customers in these uncertain economic times. Through our 96 local offices, we recruited and trained volunteers from churches, civic organizations and the community, as well as many Duke employees, to weatherize the homes of more than 1,700 low-income families, using materials provided by the Company. We also established a Community Challenge Heating Fund, through which we are contributing $1 to designated community assistance agencies for every $4 they raise to help the needy pay their heating bills. The Company has committed up to $100,000 for this purpose.

We made overall progress in 1982 in strengthening our financial structure and flexibility. Through an innovative exchange of common stock for low-interest, outstanding mortgage bonds, for example, we strengthened our equity base without further diluting the financial interests of existing shareholders.

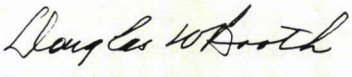
We also continued to explore the potential for increasing unregulated earnings and expanding our financial base by offering a variety of design, engineering and management consulting services to other companies and utilities. We plan to market aggressively the expertise we have acquired in designing, building and operating our own power plants.

Although we have made great strides in restraining long-term growth in demand, greater supplies of electricity will be needed by the mid-1990s. In the current economic, political and regulatory environments, however, we face severe limitations in continuing to provide this necessary service without jeopardizing our financial integrity and the interests of our shareholders. This places us in a dilemma for which there are no easy or instant solutions. As highlighted in this year's annual report, electricity is essential to growth, prosperity and the quality of life in the Piedmont Carolinas.

As we work to resolve this dilemma, we are seeking to balance fairly the interests of both our customers and investors by providing high-quality, low-cost electric service while striving simultaneously for higher earnings and greater financial stability. Your board of directors has set forth these objectives in a Statement of Purpose, which appears on the inside front cover of this report. Supported by the energies and talents of our dedicated employees, we are confident in our ability to meet these goals.

We thank you for your support and encourage your interest and participation in helping to build a secure and promising future for Duke Power and the people we are in business to serve.

William S. Lee
Chairman of the Board and
Chief Executive Officer



Douglas W. Booth
President and
Chief Operating Officer

February 18, 1983

Year in Review

The quarterly cash dividend on common stock was increased to 57 cents per share.

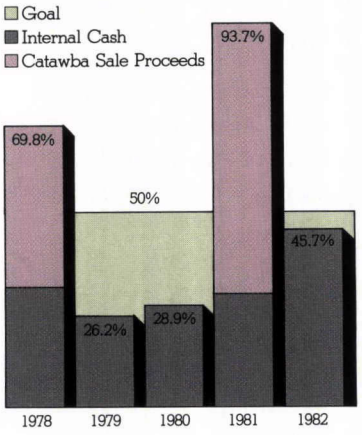
Financial Results

Earnings per share rose to $3.59 in 1982 from the $3.19 reported in 1981. Earnings for common stock totaled $336 million, up from $278.4 million in 1981.

Earnings per share for 1982 include an extraordinary gain of 52 cents from the exchange of new common stock for outstanding bonds and a provision for loss of 32 cents on the pending disposal of certain coal mining assets.

The extraordinary gain totaled $48.3 million and resulted from the January 1982 exchange of 3.7 million shares of new common stock for $119.9 million principal amount of outstanding bonds.

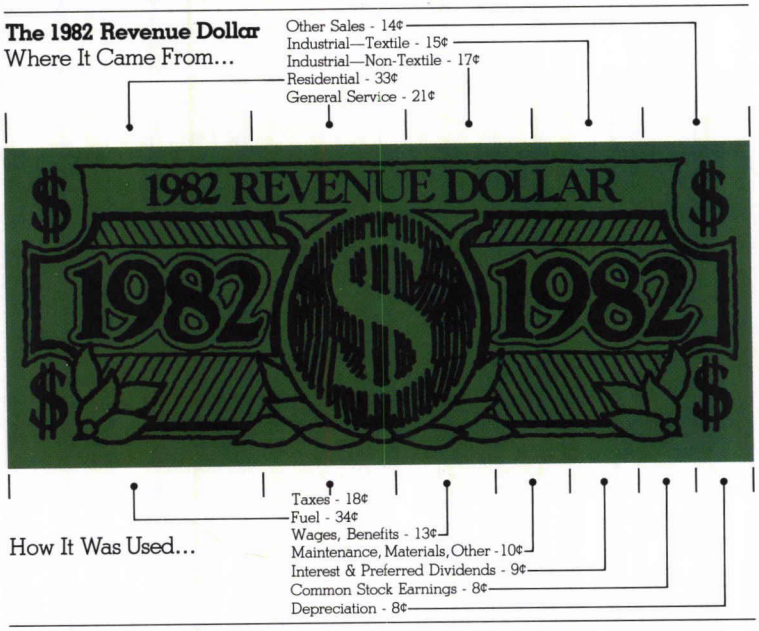
Internal Cash Generation



The provision for loss was $30 million, net of income taxes. It was recorded in anticipation of the disposition of the assets of Eastover Mining Company and the land it leases from Eastover Land Company. Both Eastover companies are wholly-owned subsidiaries of Duke Power. The Company determined to sell these properties after the most recent rate order from the North Carolina Utilities Commission prohibited full recovery of the cost of Eastover coal.

The 1982 Revenue Dollar

Where It Came From...



How It Was Used...

Earnings for the year were favorably affected by rate increases in late 1981 and the fourth quarter of 1982. The impact of these rate increases was partially offset by lower kilowatt-hour sales.

Return on common equity increased slightly from 13.7 percent in 1981 to 13.9 percent, excluding the effects of the extraordinary item and the provision for loss.

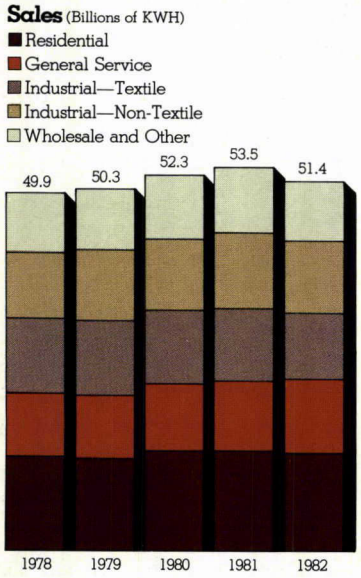
Earnings coverage of fixed charges rose to 2.98 times at year-end, but remained below the Company's goal of 3.5 times. The Company generated approximately 46 percent of its capital requirements internally. The long-range objective is to achieve a 50 percent level of internal cash generation.

The board of directors raised the quarterly cash dividend on common stock to 57 cents per share from 55 cents per share, effective with the dividend paid in September 1982. This increased the Company's indicated annual dividend to $2.28 from its previous level of $2.20.

Sales and Customers

Sales of electricity declined in 1982 due to unfavorable economic conditions and mild weather. Sales totaled 51.4 billion kilowatt-hours, down 4 percent from 1981.

Sales to the textile industry showed a substantial decline, dropping 8.8 percent, largely as a result of adverse economic conditions that reduced production levels. Sales to non-textile industrial customers fell 4.1 percent.



Sales to general service and commercial customers increased 3.7 percent over 1981.

Sales to residential customers declined 1.1 percent, reflecting mild weather and increased conservation efforts.

Wholesale and other energy sales decreased 11.3 percent.

Of the Company's total sales in 1982, residential customers accounted for 27 percent, general service and commercial customers 19 percent, non-textile industrial customers 20 percent and textile customers 18 percent. Wholesale and other energy sales accounted for the remaining 16 percent.

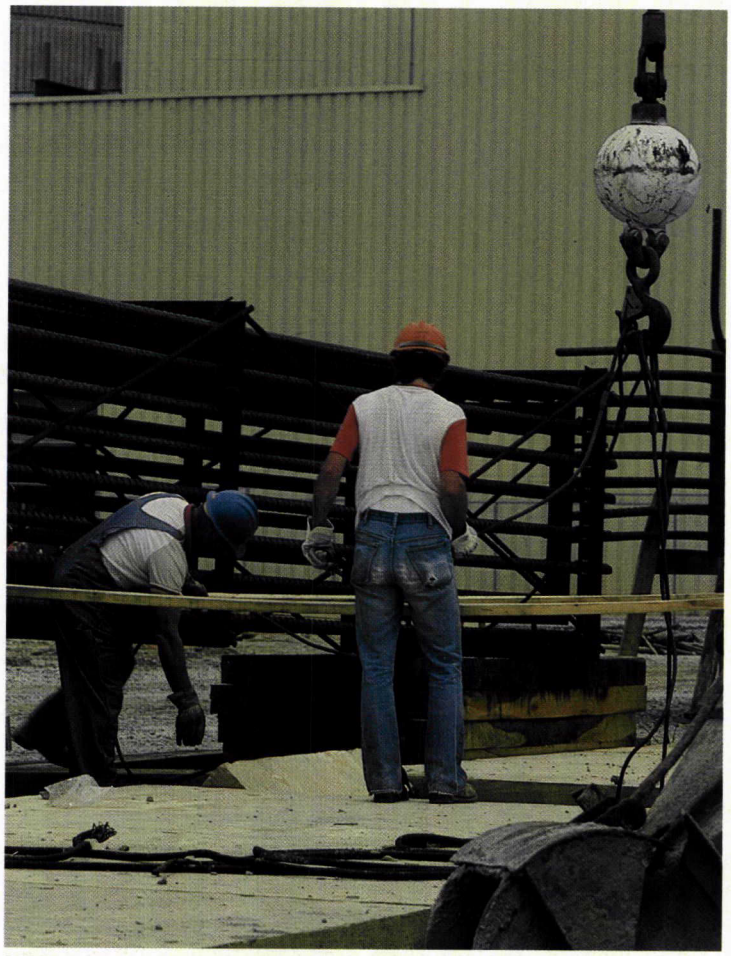
Continued growth in the Piedmont Carolinas resulted in a 1.2 percent increase in the Company's customer base in 1982. As of December 31, 1982, the Company served 1.3 million customers.

Status of Construction Program

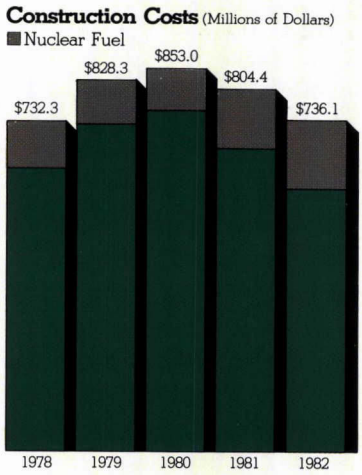
The Company's board of directors canceled plans for the Perkins Nuclear Station and for Units 2 and 3 of the Cherokee Nuclear Station. These decisions were based on reduced growth projections, uncertain economic and regulatory climates, and difficulties in attracting capital on acceptable terms.

The proposed three-unit Perkins plant was canceled in February 1982. The Company had never initiated work on the project, nor had it received the necessary federal construction permits. Approximately $8.9 million was incurred for preliminary engineering and licensing. The Company is recovering through rates the portion of these costs allocated to its North Carolina jurisdiction. It is seeking similar recovery in its South Carolina retail and its wholesale jurisdictions.

Plans for Cherokee Units 2 and 3 were canceled in November 1982. Work on Unit 2 was suspended in February 1981. Construction had not begun, nor had any equipment commitments been made on Unit 3. At the time of cancellation, the Company had incurred costs of approximately $70 million. Additional costs will be incurred as the Company negotiates the termination of contracts related to Unit 2. The Company will seek approval in each of its regulatory jurisdictions to recover costs incurred for these units.



With more than 7,700 engineering and construction personnel, Duke Power is the only investor-owned electric utility in the nation that designs and builds its own generating facilities.



Catawba Unit 1 is about 92 percent complete and is scheduled for commercial operation in 1985.

Work on Cherokee Unit 1 is continuing at the limited pace authorized by the board in February 1981. While the unit will be needed to meet customer demand by the early 1990s, a schedule for its completion has not been established because of financial constraints. As of December 31, 1982, $538 million had been invested

in this unit.

Construction timetables for the two-unit Catawba Nuclear Station, in which the Company has a 25 percent interest, were revised in 1982 to reflect more accurately the current status of the project. Catawba Unit 1 now is scheduled for completion in 1985, with Catawba Unit 2 scheduled for operation in 1987. The two units previously had been scheduled for completion in 1984 and 1985, respectively. As of December 31, 1982, Catawba Unit 1 was approximately 92 percent complete. Catawba Unit 2 was about 47 percent complete. When placed into commercial operation, the Catawba plant will have the capability of generating 2,290,000 kilowatts of electricity.

Construction work on Unit 2 of the McGuire Nuclear Station is virtually complete. Initial testing was begun in 1982, and fuel loading and further testing are scheduled for the spring of 1983. Commercial operation is planned for no later than early 1984.

In anticipation of projected demand in the early 1990s, the Company is continuing site preparation work for the Bad Creek Hydroelectric Station, a four-unit, 1-million-kilowatt, pumped storage facility to be located above Lake Jocassee in South Carolina. While required state and federal permits for this facility have been obtained, construction will continue only to the extent the Company is able to raise sufficient capital on reasonable terms. No timetable has been established for completion of the project.

Costs for plant construction and investment in additional nuclear fuel totaled $736 million in 1982, compared with $804 million in 1981.

Legislation

The North Carolina General Assembly enacted legislation in June 1982 changing procedures for the recovery of fuel expenses and modifying the treatment of construction work in progress (CWIP) for rate-making purposes.

Unfavorable legislation in North Carolina may hamper the full and timely recovery of fuel costs.

Under the new law, the fuel-cost component of Duke's retail rates will be established in general rate case proceedings. In addition, fuel costs will be reviewed again within one year of the resolution of a general rate case. Previously, the North Carolina Utilities Commission (NCUC) allowed three fuel-cost adjustments annually based on the Company's fuel costs over a prior four-month period.

Legislators also modified the statute permitting current recovery of carrying costs for construction projects. The law previously required the inclusion in rates of carrying costs requested by the Company and incurred after July 1,

The Company is embarking on new programs to achieve a higher level of understanding of its needs among state lawmakers.

1979. Under the revised statute, the NCUC may include these costs in rates at its discretion, after considering the public interest and the Company's financial stability.

The ultimate impact of this revision will depend on how it is applied by the NCUC. In the Company's most recent rate case, the NCUC allowed in rates the carrying costs on $276 million of CWIP, representing almost 90 percent of the amount requested by the Company.

Duke Power attorneys presented the Company's case for higher electric rates in all rate jurisdictions in 1982. The Company will continue to pursue adequate rates from regulatory bodies in the future.

Rate Increases

Rates to all customers were increased in 1982 to help offset increased costs brought about primarily by inflation and the high cost of money.

A 4.38 percent rate increase, designed to generate $61.7 million in additional revenues annually, was approved by the NCUC in November 1982. The approved rates were based on a 15.5 percent allowed return on common equity, which subsequently was revised to 15.22 percent. The Company had sought a $197 million increase in its North Carolina retail rates, including a 17.5 percent allowed return on common equity.

The Public Service Commission of South Carolina (PSC) currently is considering the Company's request for a 17.56 percent retail rate increase. If granted in its entirety, this increase would generate $99.5 million in additional revenues annually, based on a requested 17.5 percent rate of return on common equity. The Company placed a portion of this request, an 11.5 percent increase, into effect in September 1982, subject to refund. A final ruling from the PSC on the full request is expected in March 1983.

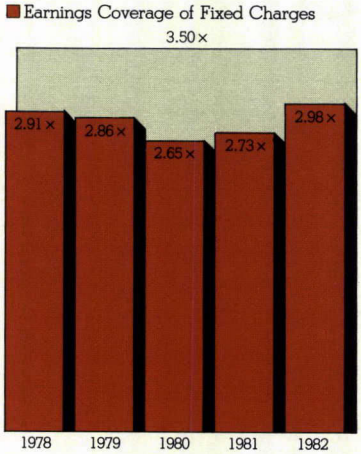
Rates to all customers were increased to help offset higher costs.

The Company and its wholesale customers settled on a $26 million rate increase designed to approximate the rate of return approved for North Carolina retail industrial customers. The higher rates, effective as of November 1982, are subject to refund and final approval by the Federal Energy Regulatory Commission.

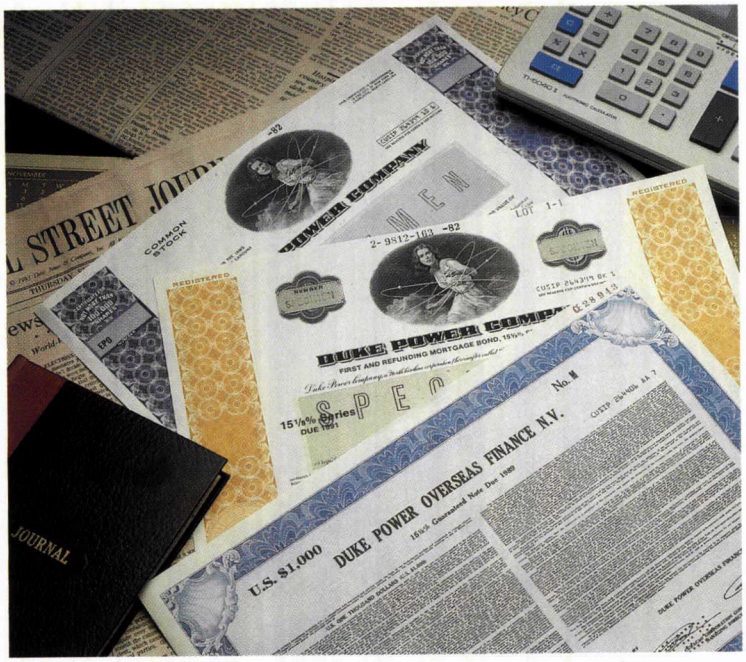
Financing

The Company issued 3.7 million shares of new common stock in January 1982 in exchange for $119.9 million of outstanding first mortgage bonds. An extraordinary gain of $48.3 million was recognized from the retirement of the bonds, which were trading at discounts from face value. The transaction strengthened the Company's equity base without the dilutive effect of selling new common stock below book value.

Earnings Coverage of Fixed Charges (SEC Method)



External financing in 1982 included the sales of $100 million of nine-year bonds at 15 1/8 percent; $40 million of Preferred Stock A ($25 par) with a 15.4



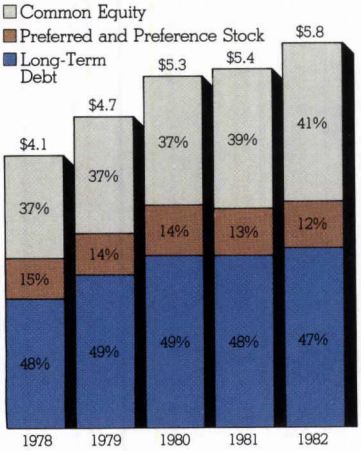
Duke raised $423 million in domestic and foreign markets in 1982.

percent dividend rate; and $125 million of 30-year bonds at 14 1/2 percent. In addition, the Company borrowed the proceeds of $60 million of seven-year notes issued by a subsidiary to foreign investors. The Company has filed a registration statement with the Securities and Exchange Commission for the prospective sale of up to two million shares of additional Preferred Stock A. No timetable has been established for this sale.

The Company also raised $77 million from the issuance of 3.5 million shares of new common stock through the Dividend Reinvestment and Stock Purchase Plan, the Stock Purchase-Savings Program for Employees, and the Employees' Stock Ownership Plan.

As of December 31, 1982, the Company's capital structure consisted of 47 percent long-term debt, 12 percent preferred and preference stocks, and 41 percent common equity. These ratios are consistent with the Company's current objectives.

Capital Structure (Billions of Dollars)
(Excludes Current Maturities)



Sale of Assets

The Company plans to sell 25 percent of Unit 2 of the Catawba Nuclear Station to the Piedmont Municipal Power Agency (PMPA), representing a group of 10 South Carolina cities and towns. The Company had anticipated finalizing the sale in 1982, but a legal challenge has delayed the sale indefinitely.

Under the agreement with PMPA, the Company would sell the interest in Catawba at a price based primarily on the Company's investment at the time of closing. In addition, PMPA would make monthly progress payments to finance the continued construction of its portion of Catawba Unit 2, scheduled for completion in 1987.

A group of North Carolina municipalities purchased the other 75 percent of Catawba Unit 2 in 1978. The sale of 75 percent of Catawba Unit 1 to a group of the Company's North Carolina and South Carolina rural electric cooperative customers was finalized in early 1981. Duke will retain ownership of the remaining 25 percent of Catawba Unit 1 and operate the facility on behalf of the joint owners.

Generation and Capacity

Coal and nuclear plants provided the bulk of the Company's generation in 1982.

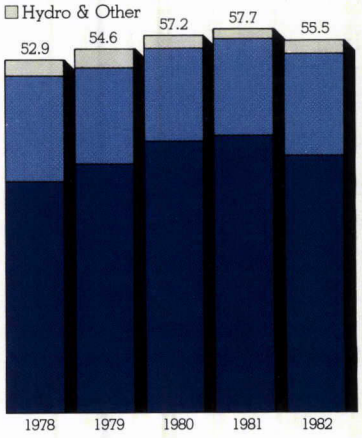
Coal-fired generation decreased slightly from 1981, providing 70 percent of total generation. Nuclear plants supplied 27 percent of total output. Hydroelectric facilities contributed 3 percent.

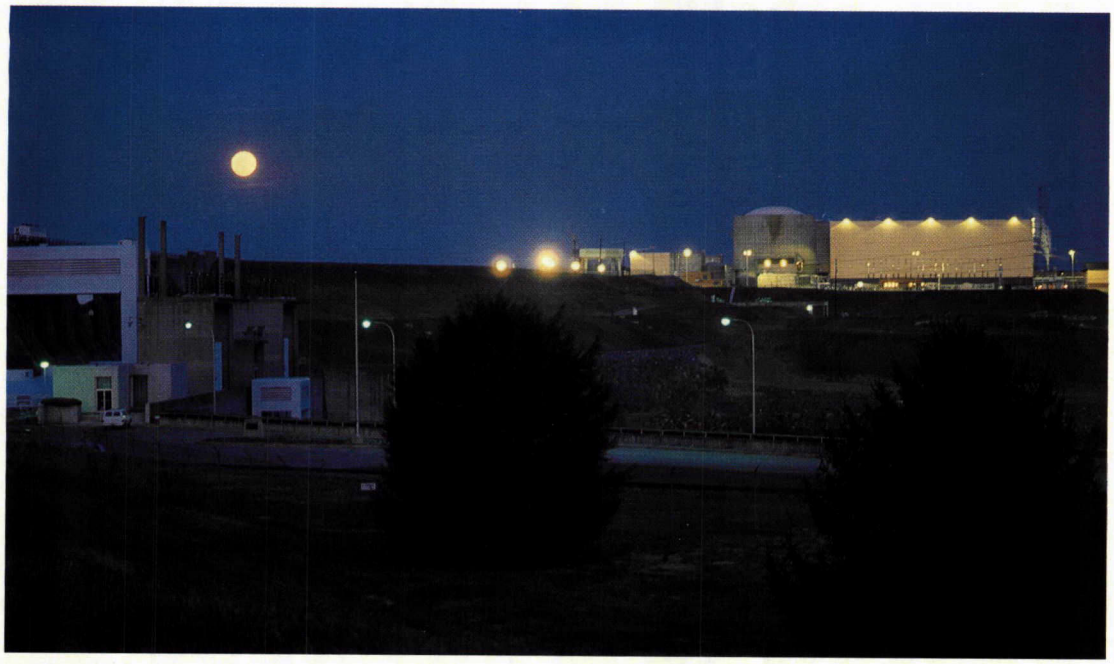
Modifications to McGuire Unit 1 should be completed in early 1983.

Unit 1 of the McGuire Nuclear Station operated at reduced levels because of problems with the manufacturer's design of its steam generators. Despite this, the unit operated reliably, generating more than 4 billion kilowatt-hours of electricity, representing 29 percent of total nuclear generation. The Company is working with the manufacturer of the unit's steam generators on modifications to allow full-power operation. These modifications, which are expected to be made at no charge to the Company, are scheduled to be completed in early 1983.

Units 2 and 3 of the Oconee Nuclear Station were out of service for extended periods in 1982 for

Generation (Billions of KWH)





McGuire Nuclear Station Unit 1 generated approximately 4 billion kilowatt-hours of electricity in 1982, representing 29 percent of total nuclear generation.

required 10-year inspection procedures and refueling. Bolts securing thermal shields in both units also were replaced. Similar work was completed on Oconee Unit 1 in 1981. Despite these planned outages, Oconee generated almost 11 billion kilowatt-hours of electricity in 1982 and achieved a 47 percent capacity factor.

As of December 31, 1982, the Company's installed net generating capacity totaled 13,234,000 kilowatts, consisting of 7,423,000 kilowatts of coal-fired units, 3,760,000 kilowatts of nuclear units, 1,452,000 kilowatts of hydroelectric facilities and 599,000 kilowatts of combustion turbine units. The Company subsequently upgraded certain of its coal-fired units, increasing total capability to 13,411,000 kilowatts.

Efficiency

For the second consecutive year, the Company's combined coal and nuclear generating system led the nation in overall efficiency in 1981, according to a survey conducted by *Electric Light and Power (EL&P)* magazine.

EL&P also cited the Company's fossil-fired generating system as the most efficient in the United States — the eighth consecutive year the Company has earned that honor.

The *EL&P* survey was based on comparative heat rates of the nation's 100 largest electric utilities in 1981, the latest year for which industry statistics are available. (Heat rate is a measure of the amount of energy required to produce a kilowatt-hour of electricity.)

In addition to winning the top awards for both overall and fossil-system efficiency, Duke plants swept the first six places in the survey's unit-by-unit efficiency rankings for fossil units. Unit 4 of the Company's Marshall Steam Station was the most efficient single generating unit of the 2,100 units evaluated in the survey.

A Duke plant has led the nation in efficiency 14 of the past 16 years.

The Marshall station was recognized in another industry survey as the most efficient coal-fired generating plant in the nation in 1981. A Duke plant has led the nation in efficiency 14 of the last 16 years.

This unparalleled efficiency record has helped save Duke customers millions of dollars on their electric bills. If the Company's generating system heat rate had been equal to the median of the companies in the *EL&P* survey, Duke customers would have faced more than $90 million in additional fuel costs in 1981.

Based on information compiled by the Nuclear Regulatory Commission, the Company's Oconee Nuclear Station was the most efficient pressurized water reactor nuclear plant in the nation in 1981.

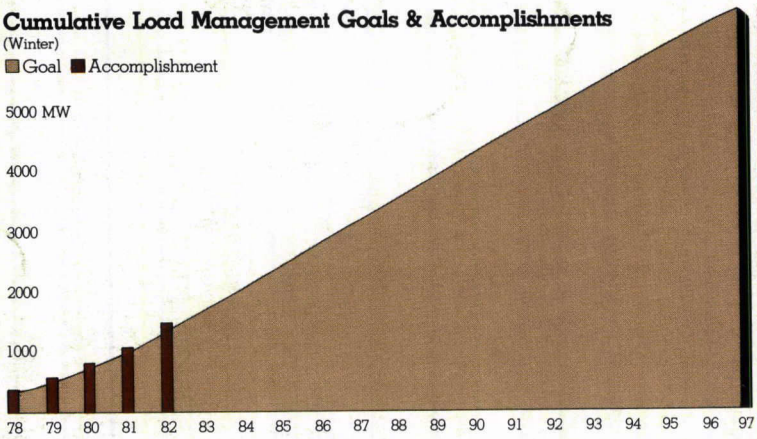
Peak Demand

A new system peak was set January 11, 1982 when customer demand reached 11,145,000 kilowatts, 5.8 percent above the previous winter peak of 10,530,000 kilowatts set January 12, 1981. Summer peak demand reached 10,097,000 kilowatts on July 28, 1982, 4.8 percent below the record summer peak of 10,602,000 kilowatts set August 5, 1981.

In June 1982, the Company reduced its projection for long-term growth in peak demand to 2.8 percent annually from 3.8 percent.

Load Management

The Company's load management program again met established goals in 1982, achieving an additional reduction of 291,000 kilowatts in summer peak demand and



340,000 kilowatts in winter peak demand.

As of December 31, 1982, the Company had achieved an accumulated reduction of 1.1 million kilowatts in summer peak demand and 1.4 million kilowatts in winter peak demand through load management.

The long-range goal of the program is to eliminate 5.2 million kilowatts in summer peak demand and 6.6 million kilowatts in winter peak demand through 1997.

Dividend Reinvestment

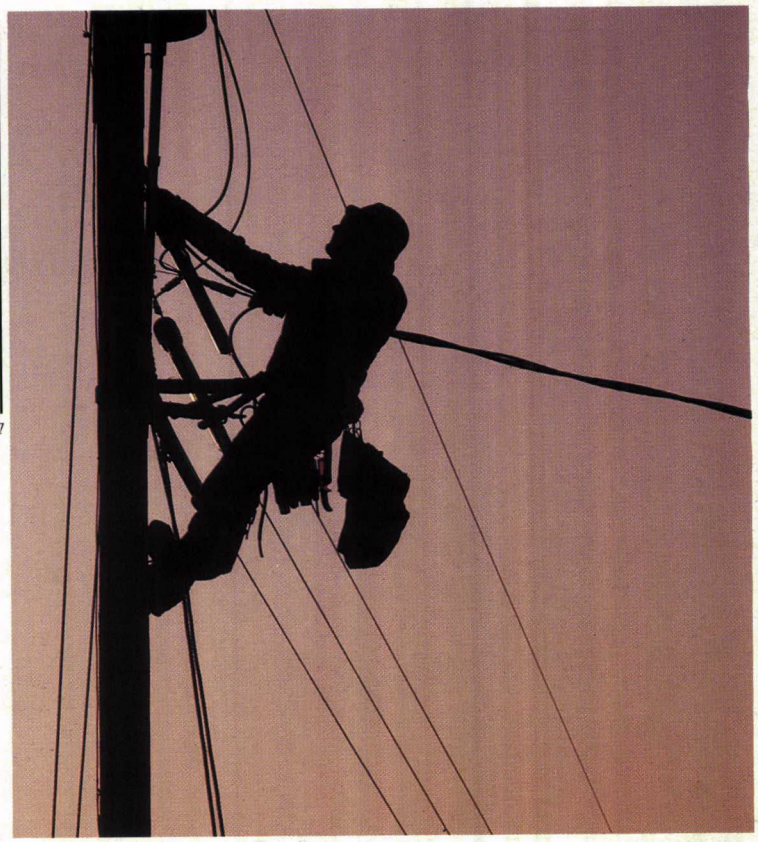
The number of participants in the Company's Dividend Reinvestment and Stock Purchase Plan increased 65 percent in 1982, largely as a result of legislation allowing the deferral of federal income taxes on dividends reinvested in qualified plans.

There were 38,090 shareholders enrolled in the plan as of December 31, 1982, compared with 23,065 participants on December 31, 1981.

Under the new federal law, applicable through 1985, plan participants who file joint returns are eligible to defer income taxes on up to $1,500 of dividends reinvested in additional stock. A $750 limit applies to shareholders filing individual returns. If the additional stock purchased through the plan is held for at least one year and no other shares of stock are sold during the period, the reinvested dividends will be taxed as long-term capital gain when the shares are sold.

The Company also modified the plan in 1982 to allow participation by the owners of preferred and preference stock and to allow participants to reinvest dividends on only a portion of the shares they hold.

Investment in new common stock through the Dividend Reinvestment and Stock Purchase Plan doubled in 1982.



Duke employees achieved eight of nine targets in the Company's 1982 Corporate Goals Program, including improved customer service reliability.

More than $67 million has been invested through the plan since its inception in 1973, including $22 million in 1982.

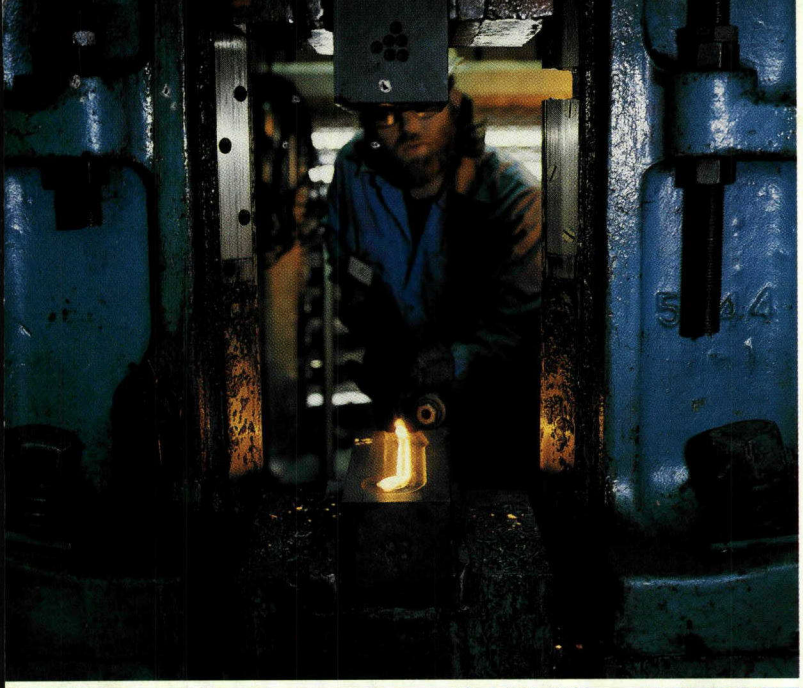
Inquiries concerning the plan should be directed to the Investor Relations Department, Duke Power Company, P.O. Box 33189, Charlotte, N.C. 28242.

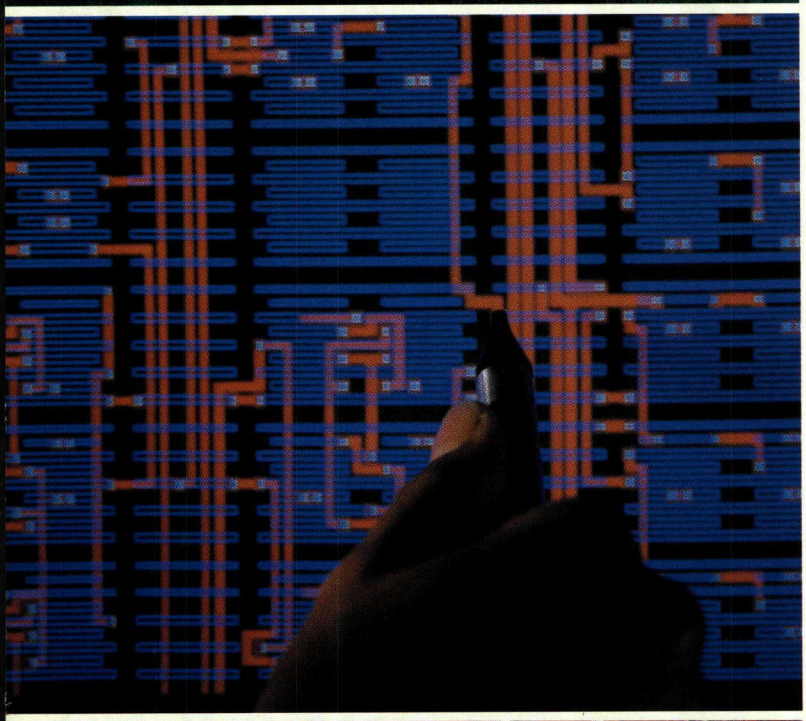
Employee Incentive Program

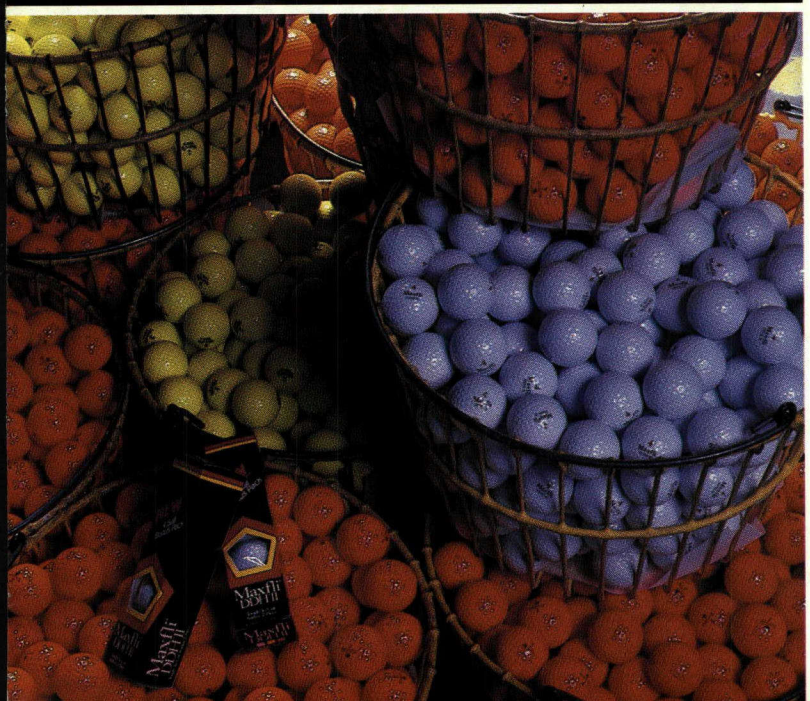
The Company's 20,000 employees achieved eight of nine performance targets established under the 1982 Corporate Goals Program.

Goals were achieved in vehicle and employee safety, service reliability, load management, generating efficiency, design and construction and affirmative action. Employees also met the Company's target of improving profitability.

Achievement of these goals will be rewarded with an additional Company contribution to the Stock Purchase-Savings Program for Employees.







products as chemicals, ball bearings, heavy machinery, aluminum, telephone cable, plastics and pharmaceuticals now are located in the Company's service area.

Electricity-fueled economic development has created more than 500,000 new jobs in the Carolinas since 1970. This economic growth has contributed directly to the expansion of service and related industries: hotels, restaurants, banks, retail sales and homebuilding, to name a few. This, in turn, has added significantly to the revenue base of local governments, helping to finance improvements in highways, urban redevelopment, schools and other public services. According to U.S. Chamber of Commerce ratios, every new manufacturing plant that creates 1,000 new jobs generates an additional 680 jobs in the local economy.

To accommodate this expanding economy, Duke has invested about $5 billion in new generating facilities since 1970, while adding 8 million kilowatts of additional capacity. To meet future demand, the Company is investing in new power plants that will provide more than 3 million kilowatts of new capacity by 1987.

Seeking to minimize the amount of capital required to meet future growth, Duke is working aggressively with both new and existing manufacturers and industries to maximize the energy efficiency of their facilities and thereby limit growth in peak demand. With guidance from Duke's load management experts, for example, one of the Company's largest industrial customers — Bowater Carolina Corporation — reduced demand at its Catawba, S.C. plant by more than 20,000 kilowatts. As a result, Bowater will save an estimated $1.3 million on its annual electric bill. This effort recently was cited as the most outstanding example of industrial conservation retrofit in the Southeast in 1982. Through load management, Duke is seeking to reduce projected growth in industrial summer peak demand by nearly 1.2 million kilowatts by 1997.

Continued industrial development and diversification will be absolutely essential to provide expanded job opportunities not only for the 425,000 Carolinians who were out of work in 1982, but also for millions of young people who will enter the job market in the future. But this economic growth cannot be assured due to uncertainty over the availability of adequate electricity beyond the 1990s. Without this supply, the Piedmont Carolinas face the prospect of economic stagnation.

From left to right: Burroughs Wellcome automated office; forging surgical instruments at Squibb's Edward Weck & Company; dining at Greenville's new Hyatt Regency; microelectronics by General Electric; spinning at J. P. Stevens; golf balls produced by Dunlop Sports.

Part II: Health, Education, Environmental Quality

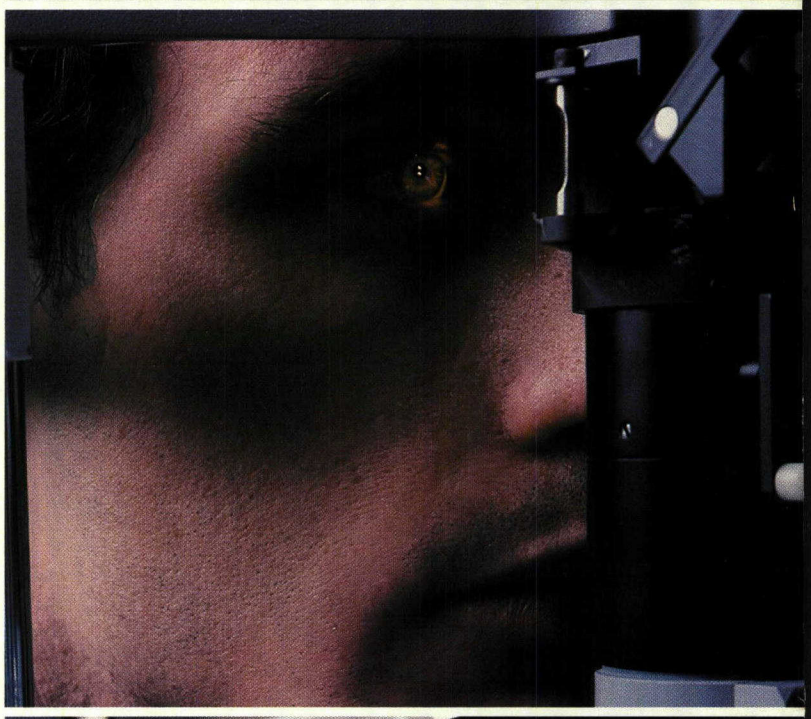
Remarkable advances in electronics and computer technology in recent years have propelled our society into an exciting new age in health care, education and communications. The common denominator in this technological revolution has been electricity. By providing a dependable, affordable supply to the hospitals, universities, schools and government agencies of its service territory, Duke Power has enhanced the lives of millions of Piedmont Carolinians.

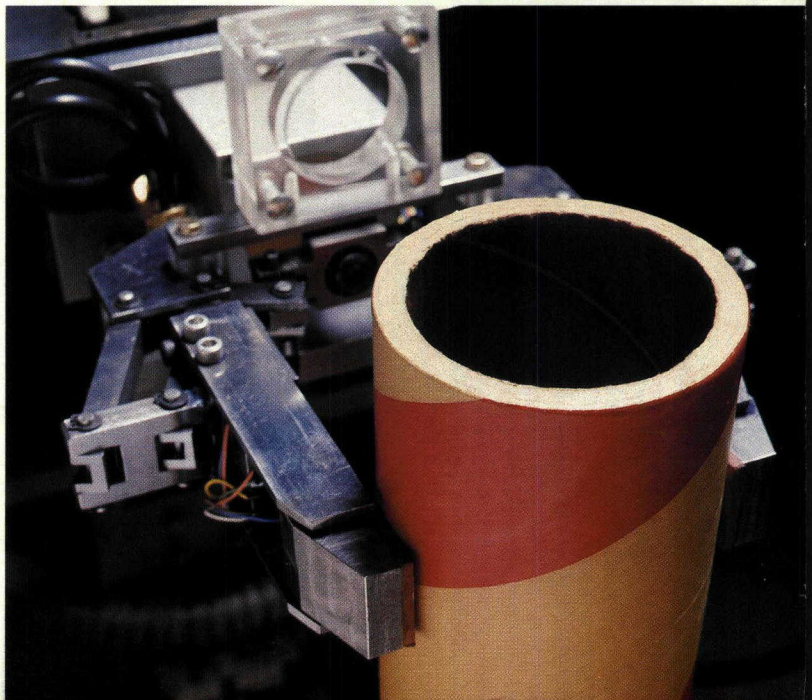
Today, this supply of electricity is helping ophthalmologists at Duke University Medical Center treat glaucoma patients with lasers and dermatologists at North Carolina Memorial Hospital heal burn victims with skin grafts. At many major hospitals, the Company is powering computerized axial tomography (CAT) scanners and ultrasound units to enable radiologists to locate and treat cancerous tumors by displaying cross sections of the brain and other organs on video-screens. This vital energy source also is keeping emergency rooms and intensive care units functioning at hospitals throughout the Piedmont.

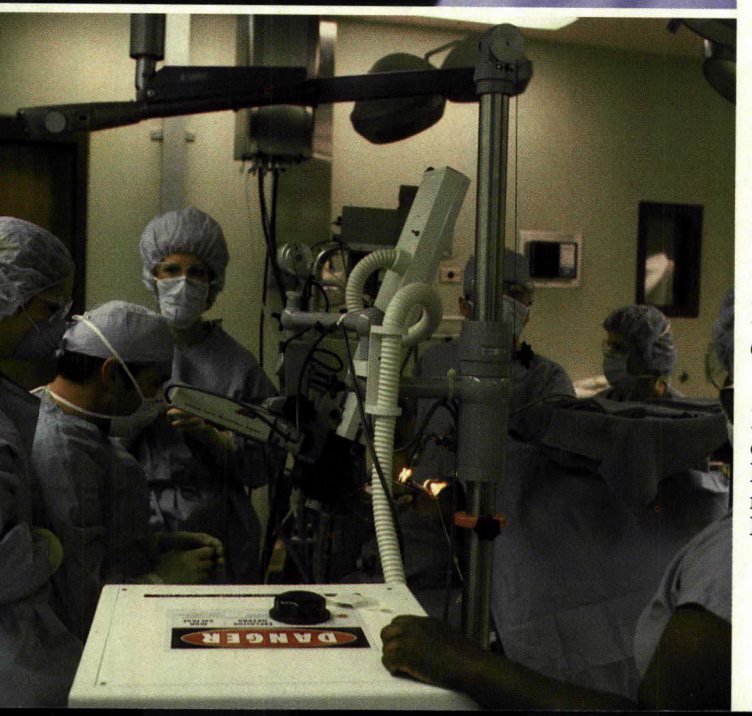
At North Carolina, Wake Forest and Duke universities, the electricity Duke generates plays an essential role in medical research into cancer, hypertension, cell transplants, blood diseases and arthritis. And at more than 80 other colleges and universities in the Carolinas, electricity is contributing to the development of new technological advances that promise to surpass those of the past 20 years. At Clemson University, for example, the new Center for Automated Manufacturing Technology is investigating the relationship between humans and machines, and will serve as a magnet to draw high-technology industries to the Piedmont.

Electric-powered technology is being incorporated increasingly into secondary and elementary schools to prepare today's youth for tomorrow's world. More than 700 North Carolina public schools now are equipped with classroom microcomputers. At the North Carolina School of Science and Math, for instance, students are offered an advanced computer curriculum supported by a network of 37 microcomputers and terminals.

Highly sophisticated electronic networks dependent on electricity are used in many cities to coordinate the delivery of essential services. Computerized dispatching systems, for example, keep track of police and fire units, matching incoming calls with the closest available assistance. Most major cities in the Piedmont are using computers to coor-







dinate street lighting and traffic signals. And air traffic controllers are using computers and video-screens to safely coordinate incoming and outgoing flights.

Duke Power has incorporated much of this sophisticated technology into its own operations to improve productivity, service, safety and efficiency. At the Company's generating stations, for example, computers monitor temperatures, pressures and heat rates, helping Duke's fossil-fired system lead the nation in efficiency for eight consecutive years. Duke engineers use computer-assisted graphics to design new generating facilities and thereby minimize costs and maximize efficiency. All of the Company's nuclear plant operators are trained on elaborate simulators, exposing them to actual control room procedures and conditions.

These advanced tools also are helping Duke continue its commitment to preserving the environmental integrity of the Carolinas. The Company's new Physical Sciences Complex on the shores of Lake Norman, for example, is equipped with state-of-the-art chemistry, biology, radiochemistry and chromatography laboratories.

Duke first established an environmental department in the 1920s — long before state and federal environmental agencies existed. Today, more than 170 environmental specialists are employed by Duke to monitor and safeguard the air, water and other natural resources surrounding its generating facilities. Last year, they assisted state scientists in relocating more than 4,000 endangered Oconee Bell wildflowers from the rolling hills of South Carolina to the North Carolina Botanical Gardens.

To minimize the environmental impact of producing more than 55 billion kilowatt-hours of electricity annually, the Company uses low-sulfur coal and has equipped its plants with electrostatic precipitators to reduce emissions. And by relying on nuclear plants for more than a fourth of this electricity, Duke has provided the Piedmont with the cleanest and safest source of large-scale power available today.

By supplying the energy to advance the quality of health care, education and communications, and by minimizing the environmental impact of producing this electricity, Duke is contributing to an improved quality of life for all the people of the Carolinas.

From left to right: radar tracking at Charlotte airport; Duke environmentalists on Lake Norman; laser treatment at Duke Medical Center; North Carolina School of Science and Math; robotics at Clemson University; microsurgery at Presbyterian Hospital.

Part III: Comfort, Convenience, Recreation

Twenty years ago, Duke Power's 658,000 residential customers used an average of about 5,900 kilowatt-hours of electricity in their homes each year. Even with individual conservation efforts, average consumption for today's 1.1 million residential customers has more than doubled, rising to about 12,100 kilowatt-hours annually.

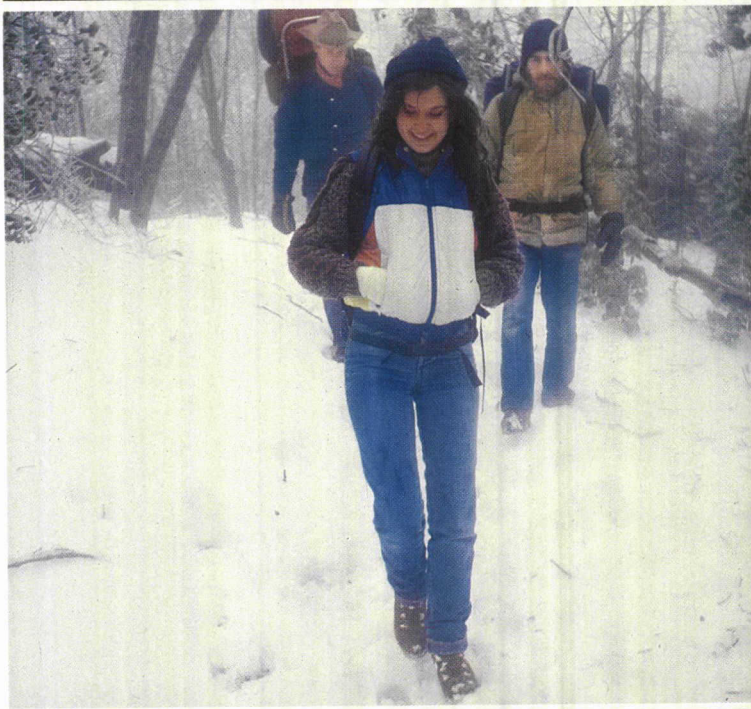
This greater reliance on electricity to run the home has provided the people of the Piedmont with a more convenient and comfortable lifestyle. It also has helped create more personal freedom and flexibility for the pursuit of individual goals and ambitions.

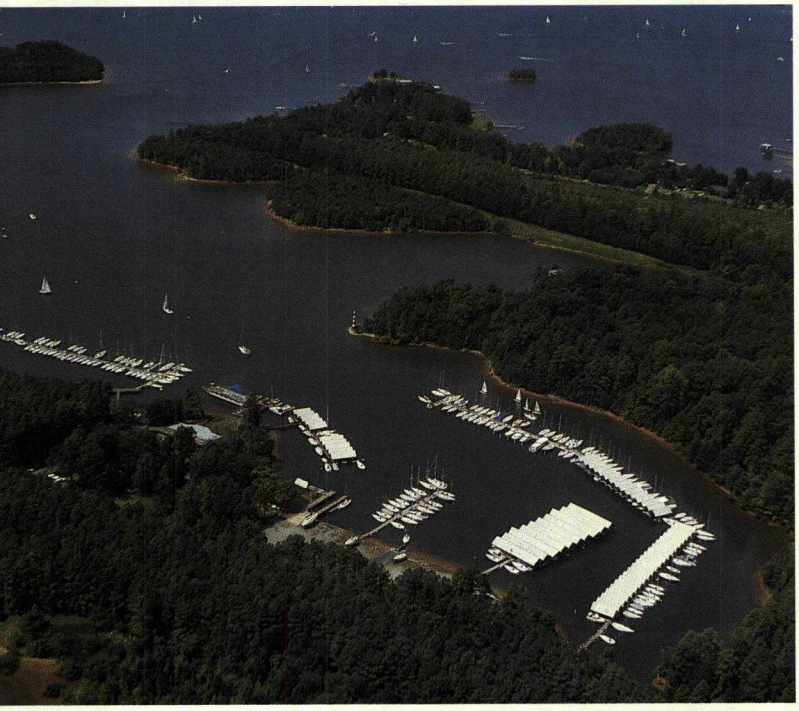
While inflation has pushed up the cost of all goods and services, including electricity, Duke Power residential customers paid only about 5.4 cents — substantially less than the national average — for each of the 14 billion kilowatt-hours they used in 1982. Duke's average residential customer still pays about the same percentage of the average manufacturing wage for electric service as in 1955.

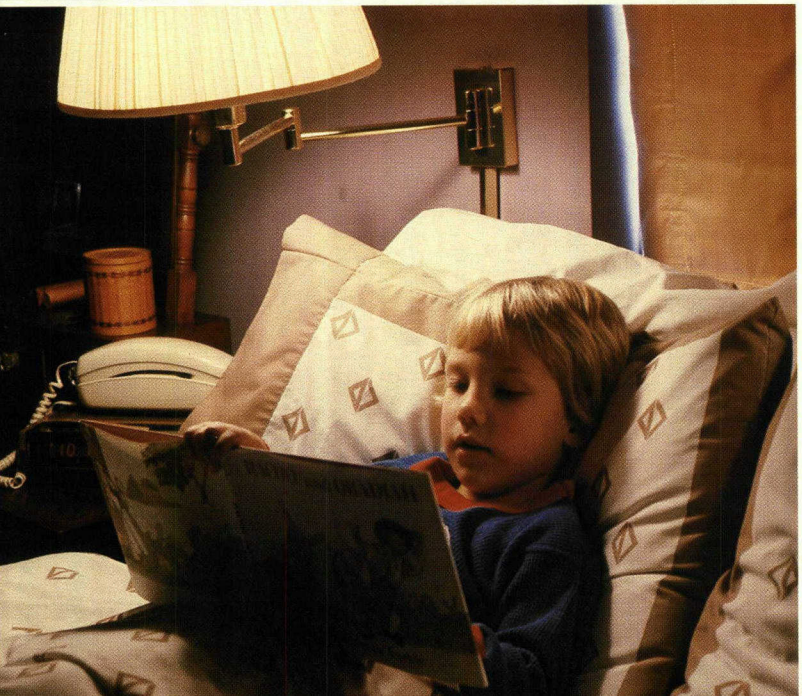
The invisible nature of Duke's product makes it easy to take for granted the day-to-day amenities it provides: a hot shower, steaming cup of coffee and warm kitchen on a cold winter morning...iced tea and air conditioning on a hot summer afternoon...instantaneous news and home entertainment...computers and microwave ovens to save time in the home...power tools to build with...security lights to protect against prowlers. For the benefits of electricity, the average Duke Power residential customer pays only about $2 a day — about the same as the price of a meal at a fast-food restaurant.

To help reduce the need for higher rates, Duke has created one of the most innovative and comprehensive residential load management programs in the nation. By building or upgrading their homes to Duke's recommended insulation standards, for example, residential customers automatically qualify for the Company's lowest available rate. Today, nearly 80 percent of the new homes in Duke's service territory are being built to Energy Efficient Structure standards. And under a recently introduced program, the Company is offering to pay a portion of the interest rate on bank loans obtained by homeowners to upgrade their houses to its recommended standards.

To provide a ready supply of electricity 24 hours a day, 365 days a year, Duke operates two nuclear power complexes, eight coal-burning plants and 26 hydroelectric stations. And much of the land surrounding these generating facilities has been developed into recreational areas for the public.







Lake Norman, near Charlotte, for example, was designed and built by Duke engineers to power the Cowans Ford Hydroelectric Station and provides cooling water to both the Marshall Steam Station and the new McGuire Nuclear Station. As North Carolina's largest body of fresh water, Lake Norman offers more than 32,000 acres of open water for boating, sailing and water skiing, and nurtures some 40 species of fish. Its 520-mile shoreline is home to more than 6,000 year-round residents and attracts an estimated 3 million summer visitors each year.

Less than 25 miles south of its corporate headquarters, Duke is building the two-unit Catawba Nuclear Station on the shores of Lake Wylie. Created in 1904 to drive the turbines of the Company's first hydroelectric plant, Lake Wylie provides home sites to more than 2,500 families along its 325-mile shoreline and offers nearby residents more than 12,000 acres of recreational opportunities.

In developing its award-winning Keowee-Toxaway Energy Complex in the early 1970s, Duke created Lake Jocassee and Lake Keowee near Clemson. Together, they provide 26,000 acres of open water for recreation and supply more than 3 million kilowatts of generating capacity. In addition to powering the Jocassee and Keowee hydroelectric plants, the lakes provide cooling water to Duke's Oconee Nuclear Station. Since beginning operation in 1973, Oconee has saved Duke customers more than $500 million, compared with the cost of producing the same amount of energy at the Company's most efficient, comparable coal-fired plant.

Duke completed work this past year on a 43-mile segment of the Foothills Trail, a hiking path which winds more than 80 miles from Table Rock State Park to Oconee State Park. The trail was designed in harmony with the natural beauty of the surrounding area, which encompasses more than 60,000 acres of timberland and wildlife preserves, and includes Whitewater Falls — the highest cascade in the eastern United States. The trail features camp sites and lake access areas, as well as a two-mile hiking section specially designed for the handicapped.

In providing these resources while producing a reliable and reasonably priced supply of electricity, Duke has contributed immeasurably to the comfort, convenience and recreational opportunities of the people of the Piedmont.

From left to right: modern electric kitchen; Duke home energy analysis; hiking on Foothills Trail; sailing on Lake Norman; collegiate basketball at Charlotte Coliseum; comfort and security of home.

Electricity: Will There Be Enough?

The continued progress of the Piedmont Carolinas and its four million people is tied inextricably to assurances of an adequate supply of electricity. But Duke Power's ability to provide power needed for the future is uncertain.

Despite plans to invest billions of dollars in new facilities, and one of the most ambitious load management programs in the nation, projections show that demand for electricity will exceed available supplies in the late 1990s.

While plans exist for projects that would add 2.3 million kilowatts of new capacity, a lack of adequate financing on reasonable terms has prevented a firm schedule for their completion. Even with adequate financial resources, it now takes 10 to 13 years to design and build a new power plant. Unless regulatory, legislative and financial obstacles are overcome soon, the Company will be unable to supply the electricity that will be needed in the future.

Duke must offer potential investors a competitive return if new capital is to be attracted. Yet over the last decade, Duke investors have earned less than compensatory returns, as rates have failed to fully reflect the cost of service. As a result, the Company's common stock continues to be traded at a discount to its book value.

To reverse this trend, the Company is seeking more realistic electric rates and more competitive rates of return to enhance the value of its securities. Yet, regulatory commissions and governmental bodies have been slow to recognize the long-term consequences of failing to compensate investors adequately, opting instead for the expediency of responding to the short-term preferences of consumers and voters. Frequently, the paramount issue of an adequate supply of electricity is overlooked in debates over near-term issues. A reliable supply of electricity is taken for granted simply because it has been there for so long. And most assume it always will be.

In looking at future prospects, there really is no question as to whether greater amounts of electricity will be required. Within the limits of its financial resources, Duke Power is committed to meeting the challenges that lie ahead. This can be accomplished, however, only to the extent that providing the needed energy benefits both customers and investors. Duke Power is working actively to make that a reality.

Financial Statements and Other Financial Data

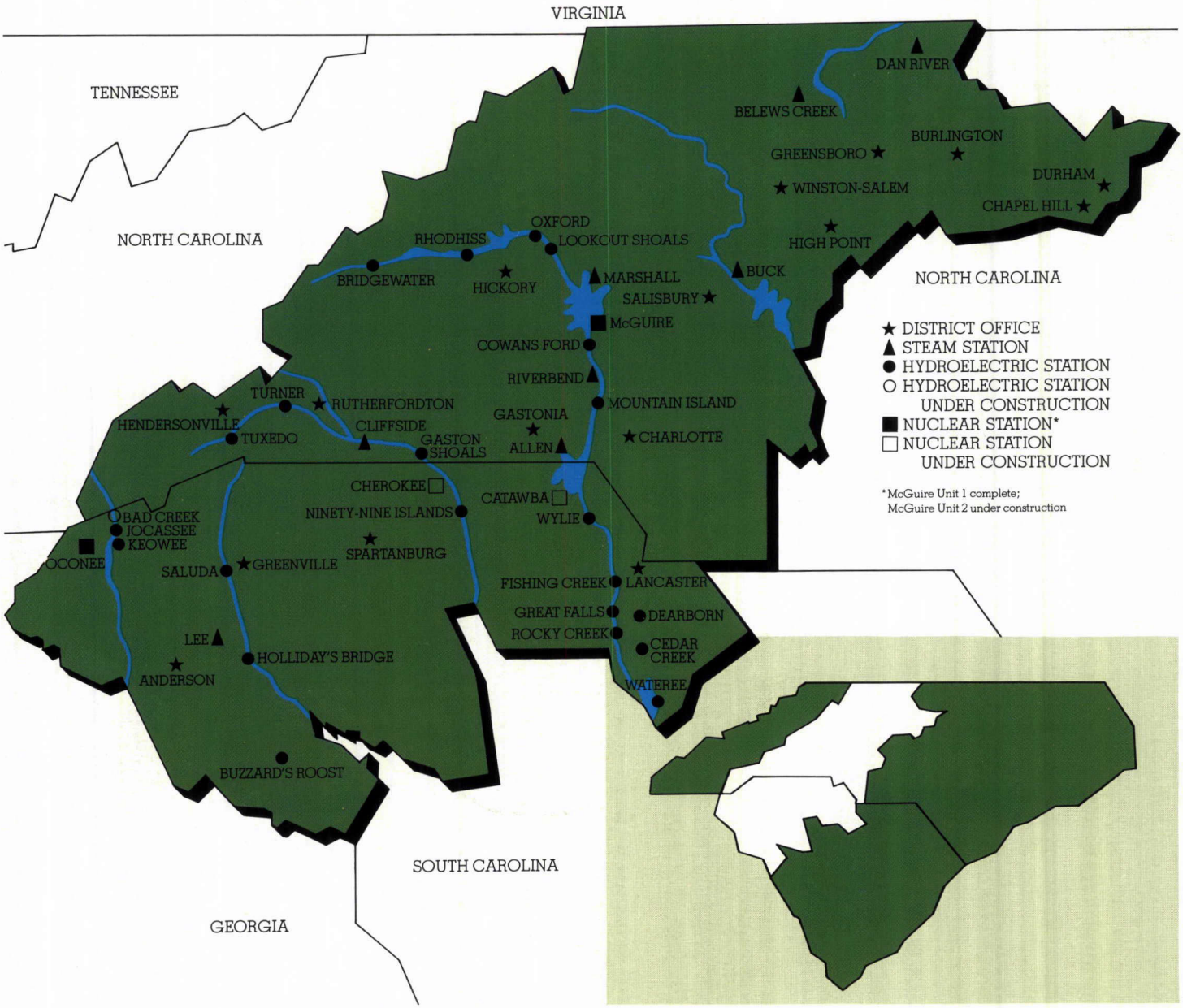
About Your Company

Duke Power Company is an investor-owned electric utility serving approximately 1.3 million customers in North Carolina and South Carolina. The Company's service area encompasses about 20,000 square miles through the Piedmont sections of the two states. Retail customers are served locally through 96 district and branch offices.

In addition to selling electricity directly to its own retail customers, the Company sells bulk electricity to 55 major wholesale customers, primarily municipal electric systems and rural electric cooperative systems.

During the 12 months ended December 31, 1982, Duke's electric revenues were $2.2 billion, of which approximately 70 percent was derived from sales in North Carolina and 30 percent from sales in South Carolina.

Duke Power Service Area



Responsibility for Financial Statements

The financial statements of Duke Power Company were prepared by management which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances to reflect in all material respects the substance of events and transactions that should be included. The other information in the annual report is consistent with the financial statements. In preparing the financial statements, management makes informed judgements and estimates of the expected effects of events and transactions that are currently being reported.

The Company's system of internal accounting control is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected by employees within a timely period in the normal course of performing their assigned functions. The Company's accounting controls are continually reviewed for effectiveness and are augmented by written policies, standards and procedures, and a strong program of internal audit.

The Board of Directors pursues its oversight role for the financial statements through the audit committee, composed solely of directors who are not officers or employees of the Company. The audit committee meets with management and internal auditors periodically to review the work of each and to monitor the discharge by each of their responsibilities. The audit committee also meets periodically with the Company's independent auditors, Deloitte Haskins & Sells, who have free access to the audit committee or the Board of Directors, without management present, to discuss internal accounting control, auditing and financial reporting matters.

Norman P. Morrow
Controller

Auditors' Opinion

Duke Power Company:

We have examined the balance sheets and the statements of capitalization of Duke Power Company as of December 31, 1982 and 1981 and the related statements of income, retained earnings and source of funds for plant construction costs for each of the three years in the period ended December 31, 1982. Our examinations were 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.

As discussed in Note 12, the Company has canceled plans for construction of two nuclear generating units and is requesting permission in each of its regulatory jurisdictions to recover all costs related to such units. The final outcome of this matter cannot presently be determined. In our report dated February 15, 1982, our opinion on the 1981 and 1980 financial statements referred to above was unqualified; however, in view of the uncertainty referred to above, our present opinion on such financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of the Company at December 31, 1982 and 1981 and the results of its operations and the source of its funds for plant construction costs for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells
Certified Public Accountants

Charlotte, North Carolina
February 18, 1983

Statements of Income

DUKE POWER COMPANY

(dollars in thousands)	Year Ended December 31 1982	1981	1980
Kilowatt-Hour Sales (thousands)	**51,380,037**	53,547,929	52,311,276
Electric Revenues (Notes 1 and 2)	**$2,244,480**	$1,908,454	$1,682,822
Electric Expenses			
Operation			
Fuel used in electric generation (Note 1)	**781,406**	790,967	680,693
Net interchange and purchased power (credit)	**(10,685)**	25,068	(12,908)
Wages, benefits and materials	**329,954**	264,488	211,014
Maintenance of plant facilities	**177,766**	131,670	114,597
Depreciation and amortization (Note 1)	**186,080**	142,899	131,441
General taxes	**158,289**	139,140	124,422
Income taxes (Notes 1 and 8)	**231,902**	137,872	153,463
Total electric expenses	**1,854,712**	1,632,104	1,402,722
Electric operating income	**389,768**	276,350	280,100
Other Income (Notes 1, 8 and 11)			
Allowance for equity funds used during construction	**146,214**	159,285	150,846
Earnings of subsidiaries, net	**7,039**	14,662	3,418
Provision for loss on disposal of assets	**(30,000)**	—	—
Other, net (deduction)	**12,548**	28,791	(3,299)
Income taxes—other, net (deduction)	**(11,687)**	(9,442)	(982)
Income taxes—credit	**50,934**	60,747	58,382
Total other income	**175,048**	254,043	208,365
Income before interest deductions	**564,816**	530,393	488,465
Interest Deductions			
Interest on long-term debt	**254,643**	245,070	220,271
Other interest	**12,802**	11,694	17,287
Allowance for borrowed funds used during construction (credit) (Note 1)	**(52,506)**	(62,622)	(60,184)
Total interest deductions	**214,939**	194,142	177,374
Income before extraordinary item	**349,877**	336,251	311,091
Extraordinary Item (Note 3)	**48,304**	—	—
Net Income	**398,181**	336,251	311,091
Dividends on preferred and preference stocks	**62,164**	57,895	58,612
Earnings for Common Stock	**$ 336,017**	$ 278,356	$ 252,479
Common Stock Data			
Average shares outstanding (thousands)	**93,679**	87,313	81,985
Earnings before extraordinary item	**$3.07**	$3.19	$3.08
Extraordinary item	**0.52**	—	—
Earnings per share	**$3.59**	$3.19	$3.08
Dividends per share	**$2.24**	$2.08	$1.95

See Notes to Financial Statements.

Statements of Source of Funds for Plant Construction Costs

DUKE POWER COMPANY

(dollars in thousands)	Year Ended December 31 1982	1981	1980
Funds from Operations			
Income before non-fund extraordinary item	**$349,877**	$336,251	$311,091
Non-fund items			
Depreciation and amortization (includes nuclear fuel amortization)	**268,651**	224,675	210,600
Deferred income taxes and investment tax credit, net of amortization	**159,515**	109,572	68,198
Equity component of the allowance for funds used during construction	**(146,214)**	(159,285)	(150,846)
Other, net	**25,171**	(13,146)	2,989
Funds from operations	**657,000**	498,067	442,032
Dividends paid	**(272,115)**	(239,598)	(217,618)
Funds retained in the business	**384,885**	258,469	224,414
Funds from Financing and Sale of Assets—Net Proceeds			
First mortgage bonds	**221,521**	—	271,150
Common stock (Note 3)	**199,134**	35,954	105,829
Term notes	**79,721**	—	10,000
Preferred stock	**38,296**	—	49,323
Nuclear fuel trusts	**33,052**	42,248	30,664
Sale of an interest in the Catawba Nuclear Station (Note 11)	—	520,562	—
Increase (decrease) in notes payable for construction	**(114,140)**	(25,650)	85,000
Funds from financing and sale of assets	**457,584**	573,114	551,966
Total available funds	**842,469**	831,583	776,380
Increase in Working Capital Requirement	**(58,068)**	(92,946)	(31,000)
Retirements of Long-Term Debt and Preferred Stock (Note 3)	**(194,555)**	(93,551)	(43,211)
Plant Construction Expenditures	**589,846**	645,086	702,169
Equity component of the allowance for funds used during construction	**146,214**	159,285	150,846
Plant Construction Costs	**$736,060**	$804,371	$853,015
Summary of Plant Construction Costs			
Production	**$405,329**	$504,292	$590,420
Transmission	**40,599**	36,233	51,300
Distribution	**113,881**	112,073	92,990
General	**23,895**	22,557	25,000
Subtotal	**583,704**	675,155	759,710
Nuclear fuel	**152,356**	129,216	93,305
Plant Construction Costs	**$736,060**	$804,371	$853,015

See Notes to Financial Statements.

Balance Sheets

DUKE POWER COMPANY

Assets

(dollars in thousands)

	December 31 1982	1981
Electric Plant (at original cost—Notes 1, 7, 12 and 13)		
Electric plant in service	**$5,940,941**	$5,662,674
Less accumulated depreciation and amortization	**2,106,427**	1,842,831
Electric plant in service, net	**3,834,514**	3,819,843
Construction work in progress	**2,551,177**	2,178,464
Total electric plant, net	**6,385,691**	5,998,307
Other Property and Investments		
Other property—at cost (less accumulated depreciation: 1982 - $7,384; 1981 - $6,781)	**28,675**	26,444
Investments in and advances to subsidiaries (Note 1)	**75,430**	54,981
Other investments—at cost or less (Note 11)	**24,900**	22,592
Total other property and investments	**129,005**	104,017
Current Assets		
Cash (Note 10)	**4,053**	4,526
Receivables (less allowance for losses: 1982 - $3,983; 1981 - $3,998)	**162,671**	189,036
Materials and supplies—at average cost		
Coal	**179,987**	126,581
Other	**98,815**	93,457
Prepayments	**8,841**	6,172
Total current assets	**454,367**	419,772
Deferred Debits		
Debt expense, being amortized over terms of related debt	**4,961**	3,113
Canceled construction projects (Note 12)	**77,794**	—
Other	**5,962**	5,835
Total deferred debits	**88,717**	8,948
Total Assets	**$7,057,780**	$6,531,044

See Notes to Financial Statements.

Capitalization and Liabilities

(dollars in thousands)	December 31 1982	1981
Capitalization (see Statements of Capitalization)		
Common stock equity	**$2,388,592**	$2,108,935
Preferred and preference stocks without sinking fund requirements	**424,035**	388,610
Preferred stocks with sinking fund requirements	**304,026**	308,674
Long-term debt	**2,712,372**	2,545,694
Total capitalization	**5,829,025**	5,351,913
Current Liabilities		
Accounts payable	**87,664**	87,290
Interest accrued	**85,453**	71,615
Taxes accrued	**61,037**	59,958
Other	**25,360**	26,872
Total	**259,514**	245,735
Notes payable for construction—pending permanent financing (Note 10)	**57,210**	171,350
Current maturities of long-term debt and preferred stock	**60,851**	79,646
Total current liabilities	**377,575**	496,731
Accumulated Deferred Income Taxes (Notes 1 and 8)	**486,834**	419,958
Deferred Credits		
Investment tax credit (Notes 1 and 8)	**349,327**	249,208
Other	**15,019**	13,234
Total deferred credits	**364,346**	262,442
Commitments and Contingencies (Notes 12 and 13)		
Total Capitalization and Liabilities	**$7,057,780**	$6,531,044

See Notes to Financial Statements.

Statements of Capitalization and Retained Earnings

DUKE POWER COMPANY

Capitalization

(dollars in thousands)

	December 31 1982	1981
Common Stock Equity (Notes 3 and 4)		
Common stock, no par, 150,000,000 shares authorized; 95,948,783 and 88,482,596 shares outstanding for 1982 and 1981, respectively	**$1,734,611**	$1,579,093
Retained earnings	**653,981**	529,842
Total common stock equity	**2,388,592**	2,108,935
Preferred and Preference Stocks Without Sinking Fund Requirements (Note 5)		
Preferred stock	**415,000**	375,000
Preference stock	**9,035**	13,610
Total preferred and preference stocks without sinking fund requirements	**424,035**	388,610
Preferred Stocks With Sinking Fund Requirements (Note 6)	**304,026**	308,674
Long-Term Debt (Note 7)		
First and refunding mortgage bonds	**2,474,598**	2,376,250
Promissory note due subsidiary, 16 1/2%—due 1989	**58,725**	—
Term note, floating rate—due 1987	**21,000**	—
Term note, 9.025%—due 1985	**6,000**	8,500
Pollution control obligations, 75% of prime rate—due 1983	**2,500**	2,500
Sinking fund debentures, 4 7/8%—due 1982	—	25,000
Capitalized leases	**96,738**	101,579
Nuclear fuel trusts	**125,000**	125,000
Unamortized debt discount and premium, net	**(15,338)**	(15,489)
Current maturities of long-term debt	**(56,851)**	(77,646)
Total long-term debt	**2,712,372**	2,545,694
Total Capitalization	**$5,829,025**	$5,351,913

Retained Earnings

(dollars in thousands)

	Year Ended December 31 1982	1981	1980
Balance—Beginning of year	**$529,842**	$433,245	$343,225
Add—Net income	**398,181**	336,251	311,091
Total	**928,023**	769,496	654,316
Deduct			
Dividends			
Common stock	**210,206**	181,703	159,240
Preferred and preference stocks	**62,164**	57,895	58,612
Capital stock expense	**1,672**	56	3,219
Total deductions	**274,042**	239,654	221,071
Balance—End of year	**$653,981**	$529,842	$433,245

See Notes to Financial Statements.

1. Summary of Significant Accounting Policies

A. Additions to Electric Plant

The Company capitalizes all construction-related direct labor and materials, as well as indirect construction costs, including general engineering, taxes and the cost of money (allowance for funds used during construction). The cost of renewals and betterments of units of property is capitalized; the cost of repairs and replacements representing less than a unit of property is charged to electric expenses. The original cost of property retired, together with removal costs less salvage value, is charged to accumulated depreciation.

B. Allowance for Funds Used During Construction (ADC)

ADC is an accounting procedure whereby the net composite interest and equity costs of capital funds used to finance construction are capitalized in the same manner as construction labor and material costs. ADC, a non-cash, non-operating item, is recognized as a cost of "Electric Plant" with offsetting credits to "Other Income" and "Interest Deductions." Under established regulatory rate practices, a utility is permitted to capitalize ADC with respect to construction work in progress (CWIP) not included in rate base, but is not permitted to do so with respect to CWIP included in rate base. After construction is completed, a utility is permitted to include a fair return on, and the recovery of, these capital costs through their inclusion in rate base and in the provision for depreciation. CWIP included in the Company's North Carolina rate base and excluded for purposes of capitalizing ADC was $276 million and $145 million at December 31, 1982 and 1981, respectively.

ADC, which is compounded semiannually, was calculated on average embedded rates (net of applicable income taxes) of 9.38 percent, 8.67 percent and 8.10 percent for 1982, 1981 and 1980, respectively.

C. Depreciation and Amortization

Provisions for depreciation are recorded using the straight-line method. The year-end composite weighted average depreciation rates were 3.47 percent for 1982, 3.44 percent for 1981 and 3.33 percent for 1980. All coal-fired generating units are depreciated at the rate of 3.57 percent. Nuclear units are depreciated at a 4.00 percent rate, which includes an allowance for decommissioning costs.

Under the Nuclear Waste Policy Act of 1982, all electric utilities with nuclear facilities will be required to make payments to fund development and implementation of nuclear waste repositories. Provisions for amortization of nuclear fuel include estimates for disposal costs. Such provisions, which are included in "Fuel used in electric generation," are recorded using the unit-of-production method.

D. Subsidiaries

The Company accounts for investments in its subsidiaries, all of which are wholly-owned, using the equity method. (See "Subsidiaries" on page 42.) Retained earnings include $47,709,738 of undistributed earnings of subsidiaries at December 31, 1982. Dividends received from subsidiaries were $1,600,000 in 1982, $981,302 in 1981 and $1,675,000 in 1980.

The Company intends to dispose of the assets of Eastover Mining Company and the related land leased from Eastover Land Company. In anticipation of this disposition, a provision for loss of $30 million was recorded in 1982 (after the effect of income tax benefits of approximately $28 million).

E. Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to each company based on its taxable income or loss.

Income taxes are allocated to electric operating expense and to non-electric operations under "Other Income." The "Income taxes-credit" classified under "Other Income" results from tax deductions of interest costs relating to investments in non-utility properties, mainly CWIP not included in rate base.

Deferred income taxes are provided for timing differences between book and tax income, principally resulting from accelerated tax depreciation, capitalized taxes and employee benefits, and nuclear fuel disposal costs. Investment tax credit is deferred and amortized over the useful lives of the related properties.

F. Fuel Cost Adjustment Procedures

The Company has procedures in all three of its regulatory jurisdictions to adjust rates for fluctuations in fuel costs. In the South Carolina retail jurisdiction, fuel costs are reviewed semiannually with provisions for changing such costs in base rates. This jurisdiction allows the Company to reflect in revenues the difference between actual fuel costs incurred and fuel costs recovered through base rates. In the North Carolina retail jurisdiction, fuel costs in base rates are reviewed during general rate case proceedings. Also, an annual fuel hearing is required to review such costs in base rates. Procedures for the wholesale jurisdiction provide for monthly fuel cost adjustments.

2. Rate Matters

General rate increases since January 1, 1980 are as follows (dollars in thousands):

Jurisdiction and Date Implemented	Percent Increase	Annualized on 1982 Sales	Approximate Revenue Recorded 1982	1981	1980
N.C. Retail					
October 3, 1980	6.03	$ 66,100	$ 66,100	$ 66,700	$14,800
December 1, 1981	14.99	165,000	165,000	13,400	—
November 1, 1982	4.38	65,300	7,000	—	—
S.C. Retail					
December 1, 1981	13.00	55,000	55,000	21,600	—
September 15, 1982	11.50*	52,700	11,300	—	—
Wholesale					
October 3, 1980	6.71	13,500	13,500	13,700	3,300
January 23, 1981	2.10	4,500	4,500	4,100	—
December 1, 1981	11.86	29,400	29,400	2,700	—
November 2, 1982	10.16*	23,800	2,900	—	—
Total		$475,300	$354,700	$122,200	$18,100

*Subject to refund with interest.

3. Extraordinary Item

On January 7, 1982, the Company issued 3,727,544 shares of common stock with a market value of $73,489,000 in exchange for portions of several series of outstanding first and refunding mortgage bonds with a face value of $119,902,000.

The transaction resulted in a non-taxable gain of $48,304,000, or $.52 per share, on the retirement of the bonds. The North Carolina Utilities Commission approved the classification of the transaction as an extraordinary item.

4. Common Stock and Retained Earnings

Common Stock

In 1982, 1981 and 1980, the Company received $199,134,000, $35,954,000 and $108,361,000 from the issuance of 7,274,724 shares, 1,884,944 shares and 6,278,820 shares of common stock, respectively. (See Note 3.)

At December 31, 1982, certain shares of common stock were reserved for issuance as follows:

	Shares
Stock Purchase-Savings Program for Employees	3,629,642
Conversion of Preference Stock	390,164
Dividend Reinvestment and Stock Purchase Plan	2,490,580
Employees' Stock Ownership Plan	1,998,738
Total	8,509,124

Retained Earnings

None of the Company's retained earnings as of December 31, 1982 were restricted with respect to the declaration or payment of dividends.

5. Preferred and Preference Stocks Without Sinking Fund Requirements

At December 31, 1982 and 1981, 10,000,000 shares of preferred stock ($100 par value) and 10,000,000 shares of preferred stock A ($25 par value) were authorized and issuable with or without sinking fund requirements. In addition, 1,500,000 shares of preference stock ($100 par value) were authorized at December 31, 1982 and 1981.

The outstanding Preference Stock, 6 3/4 percent Convertible Series AA, is convertible into shares of common stock at the adjusted conversion price of $23.89 per share, with each share of preference stock valued at $100 par for such purpose. The conversion price is subject to certain adjustments designed to protect the conversion privilege against dilution. In 1982, 1981 and 1980, 45,759 shares, 72,477 shares and 127,476 shares were converted into 191,463 shares, 303,236 shares and 526,657 shares of common stock, respectively.

Preferred and preference stocks without sinking fund requirements at December 31, 1982 and 1981 were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1982	1981
4.50% C	1964	350,000	$ 35,000	$ 35,000
5.72% D	1966	350,000	35,000	35,000
6.72% E	1968	350,000	35,000	35,000
8.70% F	1970	600,000	60,000	60,000
8.20% G	1971	600,000	60,000	60,000
7.80% H	1972	600,000	60,000	60,000
8.28% K	1977	500,000	50,000	50,000
8.84% M	1978	400,000	40,000	40,000
15.40% A	1982	1,600,000	40,000	—
6 3/4%, AA Convertible	1969	90,350	9,035	—
		136,109	—	13,610
Total			$424,035	$388,610

6. Preferred Stocks With Sinking Fund Requirements

At December 31, 1982 and 1981, 10,000,000 shares of preferred stock ($100 par value) and 10,000,000 shares of preferred stock A ($25 par value) were authorized and issuable with or without sinking fund requirements.

Preferred stocks with sinking fund requirements at December 31, 1982 and 1981 were as follows (dollars in thousands):

Rate/Series	Year Issued	Shares Outstanding	1982	1981
7.35% I	1973	600,000	$ 60,000	$ 60,000
8.20% J	1977	480,000	48,000	—
		500,000	—	50,000
8.375%L	1978	500,000	50,000	50,000
8.84% N	1979	500,000	50,000	50,000
11.00% O	1980	500,000	50,000	50,000
10.76% A	1975	2,220,000	55,500	—
		2,280,000	—	57,000
Less: Preferred shares reacquired for current and future sinking fund requirements—at cost				
		Shares Reacquired		
10.76% A		83,998	(1,826)	—
		119,998	—	(2,660)
8.84% N		32,500	(2,419)	(2,430)
11.00% O		13,750	(1,229)	(1,236)
Less: Current sinking fund requirements				
8.20% J			(2,000)	(2,000)
8.375%L			(2,000)	—
Total			$304,026	$308,674

The annual sinking fund requirements through 1987, net of amounts reacquired, are $4,000,000 in 1983, $7,300,050 in 1984, $7,900,000 in 1985, $9,525,000 in 1986 and $9,525,000 in 1987, with some additional redemptions permitted at the Company's option.

The call provisions for the outstanding preferred and preference stocks specify various redemption prices not exceeding 115 percent of par values plus accumulated dividends to the redemption date.

7. Long-Term Debt

First and refunding mortgage bonds outstanding at December 31, 1982 and 1981 were as follows (see Note 3) (dollars in thousands):

Series	Year Due	1982	1981
3 5/8%	1986	$ 30,000	$ 30,000
14 3/8%	1987	50,000	50,000
12%	1990	75,000	75,000
15 1/8%	1991	100,000	—
4 1/2%	1992	50,000	50,000
4 1/4%B	1992	50,000	50,000
11%	1994	84,500	91,250
4 1/2%	1995	40,000	40,000
5 3/8%	1997	72,600	75,000
6 3/8%	1998	68,500	75,000
7%	1999	56,075	75,000
8%B	1999	64,739	75,000
8 1/2%	2000	69,244	75,000
8 5/8%B	2000	95,635	100,000
7 1/2%	2001	97,900	100,000
7 3/8%B	2001	38,050	40,000
7 3/4%	2002	78,100	100,000
7 3/8%B	2002	67,900	75,000
7 3/4%	2003	94,872	100,000
8 1/8%B	2003	98,050	100,000
9 3/4%	2004	95,623	100,000
9 1/2%	2005	92,800	100,000
8 3/8%	2006	96,850	100,000
8 1/8%	2007	119,500	125,000
9 3/8%	2008	120,610	125,000
10 1/8%	2009	145,050	150,000
10 7/8%B	2009	148,000	150,000
14 7/8%	2010	100,000	100,000
13 1/8%B	2010	50,000	50,000
14 1/2%	2012	125,000	—
Total		$2,474,598	$2,376,250

Substantially all electric plant was mortgaged at December 31, 1982.

The annual maturities of long-term debt (including sinking fund requirements and capitalized lease principal payments) through 1987 are $56,851,000 in 1983, $49,589,000 in 1984, $45,734,000 in 1985, $51,160,000 in 1986 and $81,727,000 in 1987.

Included in the annual maturities are amounts relating to $125,000,000 in outstanding obligations under two nuclear fuel trusts. Such maturities are based on estimated nuclear fuel consumption. The Company intends to transfer title of additional nuclear fuel to the trusts as fuel is consumed.

8. Income Tax Expense

Income tax expense consisted of the following (dollars in thousands):

	1982	1981	1980
Electric Expenses			
Current income taxes			
Federal	$ 58,118	$ 30,244 (a)	$ 69,134
State	21,694	11,183	16,121
	79,812	41,427	85,255
Deferred taxes, net			
Excess tax over book depreciation	46,985	49,353	25,114
Capitalized taxes, employee benefits, etc.	9,431	16,672	17,680
Revenues refundable	6,456	(8,281)	—
Repair allowance and cost of removal	(144)	(38)	5,872
Nuclear fuel disposal costs	(12,893)	(12,336)	(12,263)
	49,835	45,370	36,403
Investment tax credit			
Deferred	109,596	56,146	36,854
Amortization of deferments (credit)	(7,341)	(5,071)	(5,049)
	102,255	51,075	31,805
Total electric expenses	231,902	137,872	153,463
Other Income			
Income taxes—other, net (deduction)	11,687	51,592 (b)	982
Income taxes—credit	(50,934)	(60,747)	(58,382)
Total other income	(39,247)	(9,155)	(57,400)
Total income tax expense	$192,655	$128,717	$ 96,063

(a) Reflects substantial investment tax credit utilization related to the tax gain on sale of assets in February 1981.

(b) Includes $42,150,000 resulting from the sale of assets in February 1981 and nominal amounts thereafter. (See Note 11.) Such income taxes, which are included in "Other, net (deduction)" on the Statements of Income, reflect a taxable gain in excess of book gain resulting principally from the treatment of ADC.

Total current income taxes were $33,128,000, $24,002,000 and $30,037,000 of which state income taxes were $15,687,000, $11,086,000 and $10,753,000 for 1982, 1981 and 1980, respectively.

Total deferred income taxes were $57,272,000, $53,641,000 and $34,221,000 of which deferred state income taxes were $7,430,000, $7,899,000 and $3,896,000 for 1982, 1981 and 1980, respectively.

Income taxes differ from amounts computed by applying the statutory tax rate to pretax income as follows (dollars in thousands):

	1982	1981	1980
Income taxes on pretax income at the statutory federal rate of 46%	$263,365*	$213,885	$187,291
Increase (reduction) in tax resulting from:			
Allowance for all funds used during construction (ADC)	(91,411)	(102,077)	(97,074)
Amortization of electric investment tax credit deferrals	(7,341)	(5,071)	(5,049)
State income taxes, net of federal income tax benefit	12,132	13,595	9,044
Increase in tax expense primarily because of excess of tax gain over book profit on sale of assets	—	12,468	—
Other items, net	15,910	(4,083)	1,851
Total income tax expense (see above)	$192,655	$128,717	$ 96,063

*Pretax income excludes the provision for loss on disposition of assets of subsidiaries, recorded net of applicable income taxes. (See Note 1.)

9. Retirement Plan

The Company and two of its subsidiaries have a non-contributory, defined benefit retirement plan covering substantially all their employees. The Company's policy is to fund pension costs accrued. Total pension expense amounted to $32,000,000 in 1982, $31,896,000 in 1981 and $26,782,000 in 1980. Effective September 1, 1980, the plan was amended to provide for certain plan changes including increased benefits for active and retired employees. In 1981, the actuarial cost method and certain actuarial assumptions were changed. The effect of these changes did not significantly increase the Company's pension cost.

A comparison of accumulated plan benefits and plan net assets at December 31, 1981, the date of the latest actuarial report, and December 31, 1980 is as follows (dollars in thousands):

	1981	1980
Actuarial present value of accumulated plan benefits		
Vested	$229,783	$202,851
Non-Vested	71,742	60,332
Total	$301,525	$263,183
Net assets available for benefits	$263,241	$244,008

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9.0 percent in 1981 and 8.3 percent in 1980.

10. Short-Term Borrowings

As of December 31, 1982, the Company had lines of credit with 72 commercial banks. These lines, plus the sale of commercial paper, were used to finance current cash requirements. The lines of credit were on either a fee basis and/or a compensating balance basis, with total balance requirements of $1,658,500. Bank loans, normally for 90 days or less, are either at the lending bank's commercial prime interest rate or market rate. Certain of the Company's bank line arrangements may require additional balances related to usage.

A summary of short-term borrowings and credit arrangements is as follows (dollars in thousands):

	1982	1981	1980
Amount outstanding at year-end—average rates of 10.38%, 11.69% and 17.74%, respectively	$ 57,210	$171,350	$197,000
Maximum amount outstanding during the year	$189,950	$250,398	$197,000
Average amount outstanding during the year	$ 74,148	$ 38,829	$ 84,466
Weighted average interest rate for the year—computed on a daily basis	12.38%	15.39%	12.91%
Lines of credit at year-end	$385,400	$305,400	$280,400

11. Other Income

In February 1981, the Company sold a 75 percent interest in Unit 1 of the Catawba Nuclear Station (Catawba) and a 37.5 percent interest in the station's support facilities to groups of North Carolina and South Carolina rural electric cooperative customers. At closing, $521 million and two notes totaling $76 million were received. The notes are non-interest bearing until 10 years after the first Catawba unit begins commercial operation, after which, interest and principal payments commence. The Company has discounted the notes and recorded the present value ($15.7 million and $13.8 million at December 31, 1982 and 1981, respectively) under "Other investments." The implicit interest on the notes is accrued monthly. At December 31, 1982 and 1981, "Construction work in progress" included $516,951,000 and $401,502,000, respectively, representing the Company's investment in its remaining interest in Catawba.

12. Canceled Construction Projects

The Board of Directors, at its February 23, 1982 meeting, approved the withdrawal of the Company's application for a construction permit for the proposed Perkins Nuclear Station. The Company has been permitted to recover the cost of Perkins allocated to its North Carolina retail jurisdiction over a five-year period beginning November 1, 1982. It is seeking similar recovery from the wholesale and South Carolina retail jurisdictions. Accordingly, the entire $8,927,000 cost of Perkins, excluding land, has been classified as a deferred debit and is being amortized to electric operations. As of December 31, 1982, the remaining unamortized balance was $8,630,000.

The Board of Directors, on November 2, 1982, announced the cancellation of Units 2 and 3 of the Cherokee Nuclear Station. Costs incurred related to Units 2 and 3 totaled $69,164,000 as of December 31, 1982. Significant costs relating to the cancellation will be incurred; however, the amount of such costs cannot be determined pending negotiations with suppliers. The Company is requesting permission in each of its regulatory jurisdictions to recover all costs related to these units.

13. Commitments and Contingencies

A. Construction Program

The Company is engaged in a construction program for which substantial commitments have been made. Projected construction and nuclear fuel costs are $1.93 billion and $581 million, respectively, for the years 1983 through 1985. The program is subject to periodic review and revision, and actual construction costs incurred may vary from such estimates. This is due to various factors including changing levels of inflation, revised load estimates, the cost and availability of capital, and the outcome of licensing and environmental matters.

On February 24, 1981, the Board of Directors, because of the uncertainty of the availability of funds on reasonable terms, indefinitely delayed completion of Unit 1 of the Cherokee Nuclear Station. This status remains unchanged. As of December 31, 1982, $538 million had been spent on this unit.

B. Nuclear Insurance

The Company's public liability for claims resulting from any nuclear incident is limited to $560 million under provisions of the Price-Anderson Act, which provides for nuclear liability insurance up to that amount. A portion of this insurance is provided through Nuclear Regulatory Commission regulations pursuant to which the Company could be assessed up to $5 million for each of its licensed reactors in the event there is a nuclear incident involving any licensed facility in the nation, with a maximum of $10 million a year for each of its licensed reactors in the event of more than one incident. At December 31, 1982, the Company had four licensed reactors.

Property damage coverage for certain of the Company's nuclear facilities is provided through membership in Nuclear Mutual Limited (NML). If NML's losses were to exceed its reserves, the Company could be liable, on a pro rata basis, for additional assessments of up to $86 million, representing 14 times the Company's current annual premium to NML.

The Company is a member of Nuclear Electric Insurance Limited (NEIL), which provides insurance for the increased cost of generation and/or purchased power resulting from the accidental outage of a nuclear unit. If losses were to exceed the accumulated funds available to NEIL, the Company would be liable for a retrospective premium adjustment currently estimated to be $31 million, which is up to 5 times the regular annual premium.

The Company purchases from NEIL, through its Excess Property Insurance Program, $400 million of property damage insurance. This is in addition to the $500 million of coverage provided by the Company's underlying property damage policies issued through NML. If losses were to exceed the accumulated funds available to NEIL for the Excess Property Insurance Program, the Company would be liable for a retrospective premium adjustment of up to 7.5 times the regular annual premium. The maximum potential liability per incident currently is estimated to be $17 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

DUKE POWER COMPANY

Capital Needs

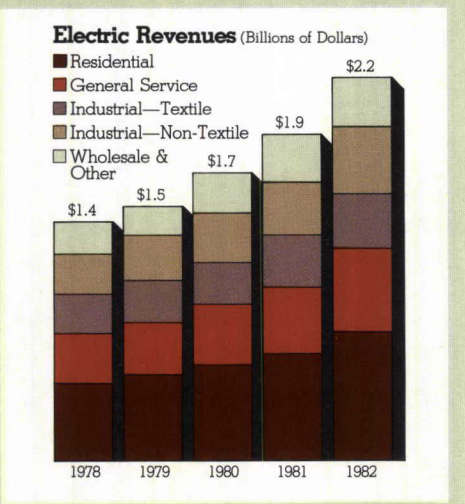
Since January 1, 1978, additions to property of $4.0 billion (including nuclear fuel) and retirements of $800 million have resulted in a net increase in gross plant of $3.2 billion. Retirements were unusually large because of sales of portions of the Catawba Nuclear Station in 1978 and 1981. During 1982 additions to property of $736 million (including nuclear fuel) and retirements of $82 million resulted in a net increase in gross plant of $654 million. Plant construction costs were lower in 1982 than in previous years because of the completion in late 1981 of Unit 1 of the McGuire Nuclear Station, prior sales of portions of the Catawba Nuclear Station, and recent curtailments in the construction program.

Projected construction and nuclear fuel costs are $2.5 billion for the years 1983 through 1985, excluding costs related to the portions of the Catawba Nuclear Station which have been sold. Construction plans reflect a decline in the projected growth rate of peak load. This decline is due in part to the Company's comprehensive load management program and energy conservation. The load management program is designed to limit future construction costs without restricting the continued economic development of the service area by encouraging consumers to reduce demands on the system.

The construction program includes plans for three nuclear units to begin operation within the next five years. Commercial operation of Unit 2 of the McGuire Nuclear Station is scheduled for early 1984. Total estimated costs, including nuclear fuel, for both units of the McGuire Station are $2.2 billion, including $2.0 billion spent as of December 31, 1982. The Company's portion of the total estimated construction and nuclear fuel costs for both units of the Catawba Nuclear Station is $1.0 billion, including $517 million spent as of December 31, 1982.

During the past two years, several planned generating units have been delayed or canceled. In 1982 Units 2 and 3 of the Cherokee Nuclear Station were canceled and the application for a construction permit for the proposed Perkins Nuclear Station was withdrawn. (See Note 12 in Notes to Financial Statements.) Completion of Unit 1 of the Cherokee Nuclear Station was indefinitely delayed in 1981. As of December 31, 1982, $538 million had been spent on this unit. Projected construction costs include nominal amounts for the Bad Creek Hydroelectric Station. As of December 31, 1982, $22 million had been spent on this pumped storage facility, although construction completion has not been definitely scheduled.

Expenditures for construction of major generating facilities and for nuclear fuel constituted approximately 80 percent of the Company's capital requirements during the past five years. Additional funds were required for transmission and distribution facilities, the refunding of maturing securities and sinking funds, and increased working capital.



Liquidity and Resources

The Company's long-term financial plan has three key goals: to improve the percentage of internal cash generation, to raise fixed charges coverage, and to strengthen capital structure. Achieving these goals should assist in attaining improved ratings on the Company's securities. The Company also seeks to sell common stock at or above book value. During the past five years, the market price of common stock has averaged 85 percent of book value.

The construction program currently requires expenditures greater than cash generated internally from operations. The Company initially funds the excess with short-term bank borrowings and commercial paper. While the Company prefers to limit short-term debt to about $150 million, it presently has bank lines of credit of $385 million. Short-term debt was $57 million as of December 31, 1982. The Company's policy is to refund short-term debt at least once each year, and such refundings have occurred in each of the past five years.

To supplement the internal generation of funds, the Company obtained an additional $781 million from the 1978 and 1981 sales of the Catawba Nuclear Station. Funds from the Catawba sale eliminated the need for external financing in 1981. Additional funds were obtained in the other years by issuing $1.2 billion in long-term debt (principally first and refunding mortgage bonds), $225 million in preferred stock, and $600 million in common stock, including the non-cash exchange for bonds in January 1982. (See Note 3 in Notes to Financial Statements.) To increase financing flexibility and to facilitate financing in the European market, Duke Power Overseas Finance N.V., a subsidiary in the Netherlands Antilles, was established. In April 1982, the net proceeds of a sale of $60 million principal amount of notes were borrowed from this subsidiary.

The Company's long-range objective is to generate at least 50 percent of its capital requirements from internal sources. From 1978 through 1982, funds from operations provided approximately 33 percent of the Company's capital requirements. In 1982, however, funds generated internally increased to 46 percent, mainly as a result of the inclusion of McGuire Unit 1 and additional construction work in progress (CWIP) in rate base.

During the past five years, the North Carolina Utilities Commission (NCUC) has granted rate increases allowing approximately 60 percent of the requested additional revenues. During 1982 legislation was enacted which could have a negative effect on the Company's ability to generate funds internally. This legislation revised the statutes under which the NCUC adjusts base rates to reflect fuel costs and under

which the NCUC includes CWIP in rate base. In the Company's first rate order subsequent to this legislation, the NCUC allowed only 31 percent of the requested additional revenues to be implemented effective November 1, 1982; however, the amount of CWIP included in rate base was increased from $145 million to $276 million, which was almost 90 percent of the amount requested.

During the past five years, rate increases allowing approximately 60 percent of the requested additional revenues have been granted by The Public Service Commission of South Carolina. A January 1982 rate order allowed 55 percent of the requested additional revenues. On February 15, 1982, a request was filed for an additional increase in retail rates. An 11.5 percent increase, representing a portion of this request, was implemented subject to refund effective September 15, 1982. A rate order is anticipated in March 1983.

The Company and its wholesale customers generally settle on rate increases based on the most recent NCUC rate order as it pertains to North Carolina retail industrial customers. A rate increase was implemented in November 1982, subject to refund and final approval by the Federal Energy Regulatory Commission.

To recover increasing costs and to include additional CWIP in rate base, a request for a 7.68 percent retail rate increase in North Carolina was filed in February 1983. Additional requests for increased rates are planned in the South Carolina and wholesale jurisdictions.

The Company seeks to maintain a capital structure containing no more than 47 percent debt and 40 to 42 percent common equity in order to improve financial strength. To improve capital structure while avoiding the dilution of shareholders' existing equity and to increase coverage ratios, 3,727,544 shares of common stock were issued in exchange for portions of several series of first and refunding mortgage bonds in January 1982. (See Note 3 in Notes to Financial Statements.) As of December 31, 1982, the capital structure was 47 percent long-term debt, 12 percent preferred stock, and 41 percent common equity.

The Company's goal for fixed charges coverage, using the Securities and Exchange Commission (SEC) method, is 3.5 times. During the past five years, actual coverage has not changed significantly because higher earnings have been offset by increasing embedded costs of debt. For the year 1982, this coverage was 2.98 times, but it is expected to improve as increased internal cash generation reduces external financing requirements.

The Company continually analyzes and implements alternative methods to meet its long-term financial goals. These methods have included cost reductions by means of a more stringent budgeting system and the adoption of an employee incentive plan for reducing costs. Unregulated business opportunities are being explored to enhance earnings. In addition, flexibility has been built into long-term construction plans to minimize financings under unfavorable conditions.

Results of Operations

Net Income and Dividends

From 1978 through 1982, earnings per share increased at an annual rate of 8 percent from $2.61 to $3.59. Earnings per share for 1982 includes a provision for loss of $.32 per share on the pending disposal of certain coal mining assets and an extraordinary gain of $.52 per share from the debt/equity exchange. (See Notes 1 and 3 in Notes to Financial Statements.) Although the earned return on common equity fluctuated during the past five years, the average earned return was consistently below the average return granted by the NCUC. During 1982 the Company's earned return was 13.9 percent, excluding the extraordinary item and the provision for loss on the disposal of assets. Dividends per share increased at an annual rate of 7 percent from $1.74 in 1978 to $2.24 in 1982.

Revenues

Revenues increased at an annual rate of 13 percent over the 1978-1982 period because of increases in rates and kilowatt-hour sales. The rate increases were necessitated by the effects of inflation, the inclusion of construction work in progress and McGuire Unit 1 in rate base, and the increased cost of capital. Kilowatt-hour sales increased an average of 1 percent annually. This increase is principally attributable to a higher number of customers. Sales in 1982, however, were 4 percent lower than in 1981 because of milder weather conditions, a decline in the average kilowatt-hour usage per residential customer, and a decrease in industrial sales as a result of the current economic environment.

Operating Expenses

Increases in total electric expenses have substantially offset the increase in revenues during the 1978-1982 period. The most significant increase was in non-fuel operating and maintenance expense, which rose at an annual rate of 21 percent. Key factors were the commencement of commercial operation for McGuire Unit 1 on December 1, 1981, increased requirements by the Nuclear Regulatory Commission, and inflation. (See "Selected Financial Data — Effects of Changing Prices.") Fuel and purchased power expenses increased at an annual rate of 8 percent over the five-year period. In 1982, however, these expenses declined primarily because of reduced generation as a result of decreased kilowatt-hour sales.

Other

From 1978 through 1981, allowance for funds used during construction (ADC), included in both other income and interest deductions, increased as a result of higher construction work in progress and higher embedded costs of funds. In 1982, however, ADC decreased because McGuire Unit 1 began commercial operation on December 1, 1981, and additional construction work in progress was included in rate base. Interest income for 1981 was $20 million, which was unusually high because of the investment of proceeds from the Catawba sale. Earnings of subsidiaries amounted to $7 million in 1982. Since 1978 interest deductions and dividends on preferred and preference stocks have increased at annual rates of 12 percent and 7 percent, respectively. These increases are attributable to higher financing rates and the issuance of additional securities.

In anticipation of the disposition of the assets of Eastover Mining Company and the related land it leases from Eastover Land Company, a provision for loss of $30 million was recorded in 1982 (after the effect of income tax benefits of approximately $28 million). Both Eastover companies are wholly-owned subsidiaries. The Company determined to sell these properties after the most recent rate order from the NCUC prohibited full recovery of the cost of coal from these mines.

Long-Term Financing and Sale of Assets

DUKE POWER COMPANY

To meet its capital requirements, the Company has financed extensively with long-term debt and equity securities and has raised additional capital through other types of financing plus the sale of certain assets (dollars in thousands).

	Price Per Share	**1982 Net Proceeds**	1981 Net Proceeds	1980 Net Proceeds
Financing				
Common stock				
Public sales				
(4,000,000 shares; August 26)	$17.375			$ 66,968
Stock Purchase-Savings Program for Employees*				
(1,624,436 shares)	21.79	**$ 35,390**		
(1,236,180 shares)	18.88		$ 23,344	
(1,104,545 shares)	17.03			18,815
Dividend Reinvestment and Stock Purchase Plan*				
(1,019,484 shares)	21.62	**22,042**		
(534,151 shares)	19.49		10,412	
(552,000 shares)	16.67			9,201
Employees' Stock Ownership Plan*				
(903,260 shares)	22.04	**19,909**		
(114,613 shares)	19.18		2,198	
(622,275 shares)	17.43			10,845
Bond/Stock Exchange				
(3,727,544 shares)	19.715	**121,793**		
Total common stock		**199,134**	35,954	105,829
Preferred stock, $100 par				
15.40% Series A, 1982 (1,600,000 shares; March 2)		**38,296**		
11% Series O (500,000 shares; February 14)				49,323
Total preferred stock		**38,296**		49,323
Long-term debt				
First mortgage bonds				
15 1/8% Series due 1991 (March 2)		**98,680**		
14 1/2% Series due 2012 (September 16)		**122,841**		
14 7/8% Series due 2010 (March 19)				98,410
14 3/8% Series due 1987 (March 19)				49,533
12% Series due 1990 (August 26)				73,857
13 1/8% Series B due 2010 (August 26)				49,350
Total first mortgage bonds		**221,521**		271,150
Other financing				
Nuclear fuel trusts		**33,052**	42,248	30,664
Promissory note due subsidiary—due 1989		**58,725**		
Term note—due 1987		**20,996**		
Term note—due 1985				10,000
Total other financing		**112,773**	42,248	40,664
Total long-term debt		**334,294**	42,248	311,814
Total financing		**571,724**	78,202	466,966
Sale of Assets				
Sale of an interest in the Catawba Nuclear Station			520,562	
Total long-term financing and sale of assets		**$571,724**	$598,764	$466,966

*Average price per share

See Notes to Financial Statements.

Selected Financial Data

DUKE POWER COMPANY

	1982	1981	1980	1979	1978
Condensed Statements of Income (thousands)					
Electric revenues	**$2,244,480**	$1,908,454	$1,682,822	$1,492,557	$1,396,720
Electric expenses	**1,854,712**	1,632,104	1,402,722	1,238,680	1,159,719
Electric operating income	**389,768**	276,350	280,100	253,877	237,001
Other income	**175,048**	254,043	208,365	168,612	131,899
Income before interest deductions	**564,816**	530,393	488,465	422,489	368,900
Interest deductions	**214,939**	194,142	177,374	147,729	138,299
Income before extraordinary item	**349,877**	336,251	311,091	274,760	230,601
Extraordinary item	**48,304**	—	—	—	—
Net income	**398,181**	336,251	311,091	274,760	230,601
Dividends on preferred and preference stocks	**62,164**	57,895	58,612	52,562	46,632
Earnings for common stock	**$ 336,017**	$ 278,356	$ 252,479	$ 222,198	$ 183,969
Common Stock Data					
Shares of common stock—year-end (thousands)	**95,949**	88,483	86,294	79,489	72,132
—average (thousands)	**93,679**	87,313	81,985	77,168	70,367
Per share of common stock					
Earnings before extraordinary item	**$3.07**	$3.19	$3.08	$2.88	$2.61
Extraordinary item	**0.52**	—	—	—	—
Earnings	**$3.59**	$3.19	$3.08	$2.88	$2.61
Dividends	**$2.24**	$2.08	$1.95	$1.83	$1.74
Book value—year-end	**$24.89**	$23.83	$22.82	$22.12	$21.31
Market price—high-low	**$24-20 3/8**	$22 1/2-15 7/8	$19 1/4-14 1/8	$20 5/8-16 1/4	$22-18 1/8
—year-end	**$23 1/4**	$20 5/8	$18 1/8	$17 1/4	$19 3/8
Balance Sheet Data (thousands)					
Total assets	**$7,057,780**	$6,531,044	$6,328,174	$5,615,372	$4,984,621
Long-term debt	**$2,712,372**	$2,545,694	$2,594,008	$2,300,488	$1,974,209
Preferred stocks with sinking fund requirements	**$ 304,026**	$ 308,674	$ 316,559	$ 268,500	$ 220,000
Electric and Other Statistics					
Kilowatt-hour sales (millions)					
Residential	**13,711**	13,861	13,765	12,832	12,959
General service	**10,087**	9,731	9,395	8,778	8,920
Industrial	**19,345**	20,667	20,060	20,260	19,523
Wholesale and other energy sales	**8,237**	9,289	9,091	8,453	8,537
Total kilowatt-hour sales	**51,380**	53,548	52,311	50,323	49,939
Number of customers—year-end					
Residential	**1,139,248**	1,125,371	1,105,035	1,078,419	1,049,543
Other	**183,061**	181,331	179,370	175,258	172,626
Total customers	**1,322,309**	1,306,702	1,284,405	1,253,677	1,222,169
Residential customer data					
Average annual KWH use	**12,065**	12,392	12,560	12,013	12,469
Average revenue billed per KWH	**5.41¢**	4.51¢	4.11¢	3.90¢	3.62¢
Number of employees—year-end					
Operating and maintenance	**12,539**	12,134	11,463	10,758	9,895
Engineering and construction	**7,735**	7,943	8,149	9,372	7,839
Source of energy (millions of KWH)					
Generated—Coal	**38,927**	42,513	40,984	37,404	34,598
—Nuclear	**15,009**	14,229	14,213	14,228	15,905
—Hydro	**1,569**	843	1,820	2,809	1,941
—Oil and gas	**7**	146	203	163	484
Net interchange and purchased power	**(301)**	494	(472)	(512)	1,016
System average heat rate	**9,666**	9,633	9,675	9,742	9,769
System load factor	**56.8%**	61.9%	61.6%	62.3%	62.9%

See Notes to Financial Statements.

Selected Financial Data

DUKE POWER COMPANY

Quarterly Financial Data

A summary of quarterly financial data for 1982 and 1981 is as follows (dollars in thousands except per share data):

	Electric Revenues	Electric Operating Income	Net Income	Earnings Per Share
1982 by Quarter				
Fourth	$540,925	$105,358	$ 71,127	$0.58
Third	578,902	97,144	97,702	0.87
Second	531,204	86,069	83,027	0.72
First	593,449	101,197	146,325	1.42
1981 by Quarter				
Fourth	$484,782	$ 64,388	$ 79,626	$0.74
Third	499,216	64,188	83,740	0.79
Second	426,200	70,397	80,111	0.76
First	498,256	77,377	92,774	0.90

Net income and earnings per share for the first quarter of 1982 include an extraordinary item of $48,304,000, or $0.52 per share. Net income and earnings per share for the fourth quarter of 1982 include a provision for loss on disposal of assets of $30,000,000, or $0.32 per share. Generally, quarterly earnings fluctuate with seasonal weather conditions, timing of rate increases (including fuel cost adjustment procedures) and maintenance of electric generating units, especially nuclear-fueled units.

See Notes to Financial Statements.

Stock Market Information

At December 31, 1982 and 1981, the Company had approximately 121,218 and 123,900 holders of record of common stock, respectively. During 1982 approximately 47,462,800 shares of common stock were traded, compared to 30,610,000 during the previous year. The Company's common stock is traded on the New York Stock Exchange.

	Dividends Per Share	Stock Price Range	
		High	Low
1982 by Quarter			
Fourth	$0.57	$23 1/2	$20 5/8
Third	0.57	23 5/8	20 1/2
Second	0.55	24	20 3/8
First	0.55	23 1/2	20 3/8
1981 by Quarter			
Fourth	$0.55	$22 1/2	$19 5/8
Third	0.51	21 1/4	18 3/4
Second	0.51	20 1/8	17 1/8
First	0.51	19 1/4	15 7/8

Effects of Changing Prices

In recent years, the impact of general inflation and changes in specific prices has caused distortions in traditional accounting measurements of income and capital. Although the rate of inflation in 1982 substantially decreased, the replacement of existing plant capacity occurs at a significantly higher cost than recovered through historical cost depreciation due to the high levels of inflation in previous years. In response to this problem, the Financial Accounting Standards Board (FASB) issued Statement No. 33 requiring disclosure of the effects of inflation on a company's operations and financial position.

Because the accompanying supplementary information involves various assumptions and approximations, it should be viewed as an estimate of the effects of inflation, rather than a precise measurement.

Constant Dollar Accounting

Constant dollar accounting reflects the overall decline in the purchasing power of the dollar by restating historical costs in terms of dollars of equal purchasing power.

Constant dollar amounts for electric plant in service were determined by indexing surviving historical costs of plant with the Consumer Price Index for all Urban Consumers (CPI-U). Historical depreciation rates were applied to the restated amounts of plant thereby trending the provision for depreciation to reflect the impact of general inflation.

Current Cost Accounting

Current cost accounting reflects changes in specific prices of the property used in the Company's operations from the date the property was acquired to the present. This method differs from constant dollar accounting to the extent that costs of specific utility property have increased more or less rapidly than the rate of general inflation. The current cost amounts of plant in service represent the estimated cost for replacing existing plant facilities and were determined by indexing surviving plant costs by internally generated indices or the Handy-Whitman Index of Public Utility Construction Costs. Since plant facilities are not expected to be replaced precisely in kind, "current cost" does not necessarily represent the replacement cost of existing productive capacity. Current cost depreciation is computed by applying the same rates used in the historical cost and constant dollar statements to the current cost plant amounts.

Effects of Rate Regulation

Under the Company's present ratemaking procedures, only the historical cost of plant in service is recoverable in rates as depreciation. Therefore, the excess of the cost of plant stated in terms of constant dollars or current costs over the historical cost of plant, resulting from inflation in the current year, is not presently recoverable in rates as depreciation, and is reflected as a reduction to net recoverable cost.

The reduction is offset by the Company having significant amounts of long-term debt outstanding, as well as other net monetary liabilities, which will be paid back in dollars of less purchasing power. Thus, the gain from decline in purchasing power of net amounts owed in the accompanying schedules results from inflation's effect on obligations to pay cash at a future date.

Other

Income statement items other than depreciation have not been adjusted. The Company's operation and maintenance expenses already include the average effects of changing prices during the period and, therefore, no adjustments have been made to them.

No adjustments to income tax expense have been made in computing the impact of inflation since only historical costs are deductible for income tax purposes.

Supplementary Statement of Earnings for Common Stock Adjusted for Changing Prices

DUKE POWER COMPANY

(dollars in thousands)	Year Ended December 31, 1982 Historical $	Constant Dollar	Current Cost
Electric revenues	$2,244,480	$2,244,480	$2,244,480
Operating expenses	1,100,675	1,100,675	1,100,675
Maintenance of plant facilities	177,766	177,766	177,766
Depreciation	186,080	392,536	410,277
Taxes	390,191	390,191	390,191
Total operating expenses	1,854,712	2,061,168	2,078,909
Operating income	389,768	183,312	165,571
Other income	175,048	175,048	175,048
Income before interest	564,816	358,360	340,619
Interest expense	214,939	214,939	214,939
Income before extraordinary item	349,877	143,421	125,680
Extraordinary item	48,304	48,304	48,304
Net income	398,181	191,725	173,984
Dividends on preferred and preference stocks	62,164	62,164	62,164
Earnings for common stock	$ 336,017	$ 129,561*	$ 111,820
Increase in specific prices (current cost) of utility plant held during the year**			$ 287,288
Reduction to net recoverable cost		$ (9,078)	
Effect of increase in general price level			(386,771)
Excess of increase in general price level over increase in specific prices			(99,483)
Gain from decline in purchasing power of net amounts owed		146,148	146,148
Net		$ 137,070	$ 46,665

* If the reduction to net recoverable cost of $9,078,000 were reflected, and no recognition were given to the $146,148,000 purchasing power gain, earnings for common stock on a constant dollar basis would have been $120,483,000.

**At December 31, 1982, current cost of electric plant, net of accumulated depreciation, was $10,419,359,000.

Five Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices

DUKE POWER COMPANY

(in thousands of average 1982 dollars, except per share figures)	**1982**	1981	1980	1979	1978
Electric revenues					
In historical dollars	**$2,244,480**	$1,908,454	$1,682,822	$1,492,557	$1,396,720
In constant dollars	**2,244,480**	2,025,455	1,971,247	1,984,812	2,066,488
Income from continuing operations					
In historical dollars	**349,877**	336,251	311,091	274,760	
In constant dollars	**143,421**	175,087	197,199	216,211	
In current cost	**125,680**	153,604	177,474	188,889	
Earnings per share before extraordinary item					
In historical dollars	**3.07**	3.19	3.08	2.88	
In constant dollars	**0.86**	1.31	1.57	1.90	
In current cost	**0.67**	1.05	1.33	1.54	
Common stock dividends per share					
In historical dollars	**2.24**	2.08	1.95	1.83	1.74
In constant dollars	**2.24**	2.21	2.28	2.43	2.57
Market price per common share at year-end					
In historical dollars	**23.25**	20.625	18.125	17.25	19.375
In constant dollars	**22.99**	21.18	20.28	21.69	27.61
Net assets at year-end					
In historical dollars	**2,388,592**	2,108,935	1,969,140	1,758,016	
In constant dollars	**2,361,635**	2,165,872	2,203,090	2,210,711	
In current cost	**2,361,635**	2,165,872	2,203,090	2,210,711	
Purchasing power gain on net monetary items	**146,148**	346,958	482,925	514,678	
Decrease in the current cost of electric plant in service, net of inflation, after reduction to net recoverable cost	**99,483**	280,634	524,346	584,586	
Average Consumer Price Index	**289.1**	272.4	246.8	217.4	195.4

Subsidiaries

DUKE POWER COMPANY

Subsidiary Investments

(dollars in thousands)

	December 31 1982	1981
Property and investments—at cost		
Real estate, recreational and land development	**$ 33,391**	$ 32,057
Coal mining	**56,545**	89,457
Net current assets, principally investments, receivables and inventories	**46,820**	7,104
Total assets	**136,756**	128,618
Coal production commitments	**(24,868)**	(37,272)
Deferred income taxes	**(36,458)**	(36,365)
Total liabilities	**(61,326)**	(73,637)
Investments in and advances to subsidiaries	**$ 75,430**	$ 54,981

Crescent Land & Timber Corp.

Formed in 1969, this subsidiary manages approximately 270,000 acres of "non-utility" property consisting primarily of timber lands surrounding Duke Power's hydroelectric facilities, but also including recreational, industrial and commercial sites.

Crescent has instituted new programs to search for other natural resources which may exist on its properties, including oil, gas and various minerals. Additional programs are under way to determine the best use for properties, which may lead to expanded industrial, commercial and residential development.

In 1982 Crescent harvested 32 million board feet of timber and 62,000 cords of pulpwood. Approximately 2 million new trees are being planted each year. Since Duke Power initiated its reforestation activities in 1939, some 57 million seedlings have been planted on 81,000 acres.

Duke Power Overseas Finance N.V.

This subsidiary was formed in Curacao, Netherlands Antilles to provide Duke Power with financial resources from outside the United States. In 1982 Duke Power made a capital contribution to the subsidiary, which has been invested in short-term securities. In April 1982, the subsidiary loaned Duke Power the net proceeds of a sale in the Eurodollar market of $60 million principal amount of notes.

The Eastover Companies

Eastover Mining Company and Eastover Land Company were founded in the early 1970s to help ensure Duke Power an adequate supply of quality coal for its fossil-fueled generating stations.

In 1982 Eastover Mining Company shipped 2.7 million tons of coal to Duke Power plants, representing about 17 percent of the system's total annual requirements. The completion of the processing plant modernization program in late 1980 allowed Eastover to ship a consistent quality product to Duke Power during 1982.

The Company intends to dispose of the assets of Eastover Mining Company and the related land leased from Eastover Land Company. In anticipation of this disposition, a provision for loss of $30 million was recorded in 1982 (after the effect of income tax benefits of approximately $28 million). The Company determined to sell these properties after the most recent rate order from the North Carolina Utilities Commission prohibited full recovery of the cost of coal from these mines.

Mill-Power Supply Company

Duke Power's oldest active subsidiary, Mill-Power Supply, was organized in 1910 to supply the necessary equipment to textile mills and other industries then converting to electricity. From its main location in Charlotte, N.C. and its new warehouse facilities in Greensboro, N.C., Mill-Power Sales Division continues to perform as one of the largest electrical distributors in the Southeast.

Responding to the need for equipment which reduces on-peak power demand, in January 1982, Mill-Power formed the Applied Energy Products Department to market energy-saving equipment. Another major development this year was the installation of a fully-integrated data-based business computer system. This development enhances the operating efficiency of Mill-Power, especially the decentralized warehousing function. The capabilities of the system also provide Mill-Power's management with a better means of evaluating the possibilities for future expansion.

Mill-Power Supply also acts as purchasing agent for Duke Power. In this role, the purchasing division contracted for more than $1 billion worth of supplies, equipment, fuel and services required by Duke Power in 1982.

Western Fuel, Inc.

This subsidiary was formed in June 1978 to participate in a uranium exploration and mining venture with Ogle Petroleum Inc. of California.

Western Fuel has expended approximately $12 million, including capital costs, in connection with the venture. In August 1981, the joint venture began commercial production. As a result of certain geological problems in the mining process, the cost per pound of uranium produced exceeded expectations. The additional cost required to resolve such problems, coupled with a declining uranium market, led to a curtailment of operations. In September 1982, operations were suspended, and Western Fuel currently does not anticipate any further uranium production.

Board of Directors

DUKE POWER COMPANY

Left to right: Davis, Henson, Mickel, Owen, Furman, Sloan, Watkins, Fraley, Hicks, Grigg, Booth, Albanese, Thies, Self, Edwards, Herbert, Lee, Johnson, Overcash. Not pictured: Griffith.

William S. Lee ◄■★
Chairman and
Chief Executive Officer
Duke Power Company

Naomi G. Albanese ●
Dean Emeritus, School
of Home Economics
University of North Carolina
at Greensboro

Douglas W. Booth ■★
President and
Chief Operating Officer
Duke Power Company

Thomas H. Davis ●
Chairman of the Board
and Treasurer
Piedmont Aviation, Inc.

Robert C. Edwards ◄
Chairman of the Board
Textile Hall Corporation

John L. Fraley ●◄
Vice Chairman and
Chief Executive Officer
Carolina Freight Carriers
Corporation

Alester G. Furman, III ★
Chairman of the Board
Furman Realty Co., Inc.

Steve C. Griffith, Jr. ■
Senior Vice President
and General Counsel
Duke Power Company

William H. Grigg ■★
Executive Vice President
Finance and Administration
Duke Power Company

Paul H. Henson ★
Chairman and
Chief Executive Officer
United Telecommunications,
Inc.

George R. Herbert ●
President
Research Triangle Institute
(diversified research for corporations and government agencies)

John D. Hicks ■
Senior Vice President
Public Affairs
Duke Power Company

James V. Johnson ●
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Director of Public Affairs
Coca-Cola Bottling Co.,
Consolidated

Buck Mickel ◄
Chairman of the Board
Daniel International
Corporation
(industrial and commercial construction)

Reece A. Overcash, Jr. ★
Chairman of the Board and
Chief Executive Officer
Associates Corporation of
North America
(finance-consumer lending, commercial lending and insurance)

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Engineering and Construction
Duke Power Company

James C. Self ★
President
Greenwood Mills, Inc.
Trustee
The Duke Endowment

Maceo A. Sloan ★
Executive Vice President and
Chief Operating Officer
North Carolina Mutual Life
Insurance Company

Austin C. Thies ■
Executive Vice President
Power Operations
Duke Power Company

William L. Watkins ●
Partner in the law firm of
Watkins, Vandiver, Kirven,
Gable & Gray

- ● Member of Audit Committee
- ◄ Member of Compensation Committee
- ■ Member of Executive Committee
- ★ Member of Finance Committee

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DUKE POWER COMPANY

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Chairman of the Board and
Chief Executive Officer

Douglas W. Booth
President and
Chief Operating Officer

William H. Grigg
Executive Vice President
Finance and Administration

Warren H. Owen
Executive Vice President
Engineering and Construction

Austin C. Thies
Executive Vice President
Power Operations

Henry L. Cranford
Senior Vice President
Division Operations

Donald H. Denton, Jr.
Senior Vice President
Marketing and Rates

Steve C. Griffith, Jr.
Senior Vice President
and General Counsel

John D. Hicks
Senior Vice President
Public Affairs

Frank A. Jenkins
Senior Vice President
Transmission and Distribution

Thomas C. Berry
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Corporate Communications

Linwood C. Dail
Vice President
Design Engineering

Robert L. Dick
Vice President
Construction

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Vice President and
Deputy General Counsel

M. Thomas Hatley, Jr.
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Rates

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Samuel T. Lattimore
Vice President
Finance Administration

John F. Lomax
Vice President
Western Division

Joe S. Major, Jr.
Vice President
Personnel

Joseph G. Mann
Vice President
Northern Division

Paul H. Mann, Jr.
Vice President
Operation

Paul G. Martin
Vice President
Eastern Division

Dwight B. Moore
Vice President
Central Division

William O. Parker, Jr.
Vice President
Fossil Production

Richard R. Pierce
Assistant to the President

E. Bruce Shuler
Vice President
Transmission

William R. Stimart
Vice President
Regulatory Affairs

George E. Stubbins
Vice President
Information Systems

Hal B. Tucker
Vice President
Nuclear Production

Fred E. West, Jr.
Vice President
Charlotte Division

James W. White
Vice President
General Services

Lewis F. Camp, Jr.
Secretary and
Associate General Counsel

Norman P. Morrow
Controller

Richard J. Osborne
Treasurer

C. Joe Sherrill
Assistant Vice President
Transmission-Substation Division

Carolyn R. Duncan
Assistant Secretary

John C. Goodman, Jr.
Assistant Secretary

Charles A. Markel
Assistant Treasurer

W. Bruce Shannon
Assistant Treasurer

Eugene C. Sites
Assistant Controller

H. D. Whitley
Assistant Controller

Subsidiaries

Richard C. Ranson
President
Crescent Land & Timber Corp.

W. T. Robertson, Jr.
President
Mill-Power Supply Company
and Western Fuel, Inc.

Robert M. Moore
President
Eastover Land Company

Norman Yarborough
Chairman of the Board and
Chief Executive Officer
Eastover Mining Company

Management Changes

The following management changes were made in 1982:

William S. Lee was elected Chairman of the Board and Chief Executive Officer;

Douglas W. Booth was elected President and Chief Operating Officer;

William H. Grigg was elected Executive Vice President - Finance and Administration;

Warren H. Owen was elected Executive Vice President - Engineering and Construction;

Austin C. Thies was elected Executive Vice President - Power Operations;

Henry L. Cranford was elected Senior Vice President - Division Operations;

Donald H. Denton, Jr. was elected Senior Vice President - Marketing and Rates;

Steve C. Griffith, Jr. was elected Senior Vice President and General Counsel;

Frank A. Jenkins was elected Senior Vice President - Transmission and Distribution;

Ralph W. Bostian, formerly Manager - Steam Results and Fuel Management, was elected Vice President - Production Support;

George W. Ferguson, Jr. was elected Vice President and Deputy General Counsel;

E. N. Hedgepeth, Jr. was elected Vice President - Distribution;

Samuel T. Lattimore was elected Vice President - Finance Administration;

Paul G. Martin, formerly Assistant Division Manager, was elected Vice President - Eastern Division;

William O. Parker, Jr. was elected Vice President - Fossil Production;

Richard R. Pierce was elected Assistant to the President;

E. Bruce Shuler was elected Vice President - Transmission;

George E. Stubbins, formerly Manager - Load Analysis, was elected Vice President - Information Systems;

Hal B. Tucker, formerly Manager - Nuclear Production, was elected Vice President - Nuclear Production;

Norman P. Morrow was elected Controller;

Norman Yarborough was elected Chairman of the Board and Chief Executive Officer of Eastover Mining Company.

(Effective January 1, 1983, **E. D. Slone** succeeded **Norman Yarborough** as Chairman of the Board and Chief Executive Officer of Eastover Mining Company.)

Other Information

Transfer Agents and Registrars for Common Stock

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, NY 10015

North Carolina National Bank
P.O. Box 120
Charlotte, NC 28255

Transfer Agent and Registrar for Preferred and Preference Stocks

Morgan Guaranty Trust Company
of New York
30 West Broadway
New York, NY 10015

Stock Exchange Listing

Duke Power Company common stock is listed and traded on The New York Stock Exchange. The trading symbol for the stock is DUK.

General Offices

422 South Church Street
P.O. Box 33189
Charlotte, NC 28242
(704/373-4011)

SEC Form 10-K and Statistical Supplement

Upon written request, the Company will provide, without charge, a copy of its 1982 annual report on Form 10-K as filed with the Securities and Exchange Commission. Also available without charge is a Statistical Supplement to the 1982 Annual Report to Shareholders. Requests for such documents should be directed to Sue H. Cannon, Investor Relations Department, Duke Power Company, P.O. Box 33189, Charlotte, NC 28242.

Duke Power Company
P.O. Box 33189
Charlotte, N.C. 28242

Bulk Rate
U.S. Postage
PAID
Charlotte, N.C.
Permit No. 41