

1988 ANNUAL REPORT DUKE POWER

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-NOTICE-

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**FORGING A MORE
COMPETITIVE COMPANY**

THE YEAR IN REVIEW:

**MOVING AHEAD
ACCORDING TO PLAN**

**EMPLOYEES LOOK
TO THE FUTURE**

Duke Power
Statistical Supplement

1978-1988

CONTENTS

	Page
Highlights	2
Financial Data	
Statements of Income	3
Balance Sheets	4-5
Statements of Retained Earnings	6
Common Stock Data	6
Statements of Cash Flows	
Statements of Cash Flows	7
Statements of Changes in Financial Position	8
Statements of Source of Funds For Plant Construction Costs	9
Financial Statistics	10
Preferred & Preference Stocks	11
Long-Term Debt	12
Security Financings	13
Sales and Revenue Statistics	14
Industrial Sales	15
Customer Data	15
Generating and Capability Data	16
Operating Statistics	17
Electric Plant Statistics	18
Employee Data	18
Construction Program	19
Major Generating Units Placed in Service	19
Generating Capability	19
Subsidiaries	19
Regulation	20
General Rate Changes	20
List of Executive Committee, Outside Directors and Other Officers	21

ABOUT THE COMPANY

Duke Power Company is an investor-owned electric utility engaged in the generation, transmission, distribution and sale of electric energy in the central portion of North Carolina and the western portion of South Carolina, comprising the area in both states known as the Piedmont Carolinas. The Company's service area, approximately two-thirds of which lies in North Carolina, covers about 20,000 square miles. An estimated population of approximately 4,500,000 includes a number of cities, of which the largest are Charlotte, Greensboro, Winston-Salem and Durham in North Carolina and Greenville, Spartanburg and Anderson in South Carolina. In 1988, Duke Power completed the acquisition of Nantahala Power and Light Company. Nantahala serves about 47,000 customers in a five-county area of Western North Carolina. Duke Power Company ranks seventh in the United States among investor-owned utilities in kilowatt-hour sales. The executive offices of the Company are located in the Power Building, 422 South Church Street, Charlotte, North Carolina 28242.

This booklet has been prepared primarily for security analysts in the hope that it will be a convenient and useful reference. This supplement should be used in conjunction with the Company's Annual Report to Shareholders to prevent any misinterpretation of financial data. It is not intended for use in connection with any sale, or offer to sell, or solicitation of an offer to buy any securities.

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HIGHLIGHTS

(Dollars in Thousands Except Per Share Data)

	Calendar Year		Rate of Growth (%)		
	1988	1987	1988 1 Year	1983-1988 5 Years (1)	1978-1988 10 Years (1)
Kilowatt-Hour Sales (millions) (2)	66,199	64,751	2.2	4.1	2.9
Electric Revenues	\$ 3,626,985	\$ 3,705,784	(2.1)	8.4	10.0
Income Before Cumulative Effect of Change in Accounting Method	\$ 448,131	\$ 500,198	(10.4)	.8	6.9
Cumulative Effect of Change in Accounting Method	\$ 102,255	—	∞	∞	∞
Net Income	\$ 550,386	\$ 500,198	10.0	5.0	9.1
Earnings for Common Stock	\$ 497,057	\$ 445,934	11.5	6.2	10.5
Common Stock Data					
Average Shares Outstanding (thousands)	101,266	101,250	—	.7	3.7
Earnings Per Share Before Change in Accounting Method	\$ 3.90	\$ 4.40	(11.4)	.7	4.1
Cumulative Effect of Change in Accounting Method	\$ 1.01	—	∞	∞	∞
Earnings Per Share	\$ 4.91	\$ 4.40	11.6	5.4	6.5
Dividends Per Share	\$ 2.88	\$ 2.74	5.1	4.4	5.2
Book Value Per Share (year-end)	\$34.01	\$31.96	6.4	5.3	4.8
Return on Average Common Equity (%) (3)	13.4	14.2	(5.6)	(2.0)	.5
Coverage Ratios					
Fixed Charges					
SEC Method (4)	4.25 ×	4.49 ×	(5.4)	4.2	3.9
Bond Indenture Method (4)	5.08 ×	5.60 ×	(9.3)	3.3	3.9
Fixed Charges and Preferred Dividends (4)	3.24 ×	3.26 ×	(.6)	5.0	4.3
Fuel Used in Electric Generation	\$ 626,191	\$ 624,814	.2	(3.3)	1.4
Interest on Long-Term Debt	\$ 235,061	\$ 237,367	(1.0)	(2.9)	3.5
Plant Construction Costs	\$ 949,267	\$ 777,626	22.1	6.9	2.6
Electric Plant in Service	\$10,659,521	\$10,072,552	5.8	11.2	10.4
Peak Load — KW (5)	13,618,000	12,691,000	7.3	3.3	3.5
Customers — Year-End	1,565,110	1,520,709	2.9	2.9	2.5

(1) Compound annual growth rate.

(2) Excludes a portion of the energy sold to the other joint owners of the Catawba Nuclear Station.

(3) In 1988, excludes the cumulative effect of the accounting change for unbilled revenues, and the provision for loss associated with court affirmation of the Federal Energy Regulatory Commission order denying recovery of abandonment cost in supplemental power rates to the other joint owners of Catawba.

(4) In 1988, includes the cumulative effect of the accounting change for unbilled revenues.

(5) Includes 100% of the load of the other joint owners of the Catawba Nuclear Station.

STATEMENTS OF INCOME

Years Ended December 31

(Dollars in Thousands)

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
ELECTRIC REVENUES	\$3,626,985	\$3,705,784	\$3,400,933	\$2,898,911	\$2,710,015	\$2,420,252	\$2,244,480	\$1,908,454	\$1,682,822	\$1,492,557	\$1,396,720
ELECTRIC EXPENSES											
Operation											
Fuel used in electric generation	626,191	624,814	726,151	719,254	683,563	739,829	781,406	790,967	680,693	589,402	543,319
Net interchange and purchased power	587,145	581,175	378,377	107,145	(36,408)	(19,819)	(10,685)	25,068	(12,908)	(17,254)	17,271
Wages, benefits and materials	529,129	485,192	488,631	435,701	393,448	350,162	329,954	264,488	211,014	180,338	155,443
Maintenance of plant facilities	383,307	375,085	291,164	260,361	207,951	187,267	177,766	131,670	114,597	94,598	78,605
Depreciation and amortization	417,503	411,182	327,844	319,295	303,429	209,750	186,080	142,899	131,441	125,437	120,839
Taxes											
General	182,000	173,897	166,385	141,343	194,095	173,826	158,289	139,140	124,422	112,655	103,816
Federal and State income	252,960	314,277	279,012	237,390	319,836	(265)	79,812	41,427	85,255	76,278	53,466
Deferred income, net	26,098	95,710	165,981	130,804	77,169	344,160	49,835	45,370	36,403	40,708	44,033
Investment tax credit, net	(6,899)	(13,505)	(7,388)	19,583	18,831	(13,872)	102,255	51,075	31,805	36,518	42,927
Total electric expenses	2,997,434	3,047,827	2,816,157	2,370,876	2,161,914	1,971,038	1,854,712	1,632,104	1,402,722	1,238,680	1,159,719
Electric operating income	629,551	657,957	584,776	528,035	548,101	449,214	389,768	276,350	280,100	253,877	237,001
OTHER INCOME											
Allowance for equity funds used during construction	52,616	36,742	52,444	62,741	98,711	144,048	146,214	159,285	150,846	121,701	87,810
Other, net (deduction) (1)	16,978	18,002	50,689	80,122	51,055	15,806	19,587	43,453	119	(9,867)	25,327
Provision for losses (net of tax) (2)	(47,032)	—	—	—	—	—	(30,000)	—	—	—	—
Income taxes net, credit (3)	23,649	18,158	24,747	20,958	13,029	53,147	39,247	51,305	57,400	56,778	18,762
Total other income	46,211	72,902	127,880	163,821	162,795	213,001	175,048	254,043	208,365	168,612	131,899
Income before interest deductions	675,762	730,859	712,656	691,856	710,896	662,215	564,816	530,393	488,465	422,489	368,900
INTEREST DEDUCTIONS											
Interest on long-term debt	235,061	237,367	252,503	267,345	276,520	272,349	254,643	245,070	220,271	179,363	165,926
Other interest	7,979	3,853	5,764	3,926	3,075	6,766	12,802	11,694	17,287	9,752	6,533
Allowance for borrowed funds used during construction (credit)	(15,409)	(10,559)	(13,445)	(17,008)	(30,030)	(48,177)	(52,506)	(62,622)	(60,184)	(41,386)	(34,160)
Total interest deductions	227,631	230,661	244,822	254,263	249,565	230,938	214,939	194,142	177,374	147,729	138,299
Income before accounting change or extraordinary item	448,131	500,198	467,834	437,593	461,331	431,277	349,877	336,251	311,091	274,760	230,601
ACCOUNTING CHANGE AND EXTRAORDINARY ITEM (4)	102,255	—	—	—	—	—	48,304	—	—	—	—
NET INCOME	550,386	500,198	467,834	437,593	461,331	431,277	398,181	336,251	311,091	274,760	230,601
Dividends on preferred and preference stocks	53,329	54,264	58,767	60,912	61,786	62,600	62,164	57,895	58,612	52,562	46,632
EARNINGS FOR COMMON STOCK	\$ 497,057	\$ 445,934	\$ 409,067	\$ 376,681	\$ 399,545	\$ 368,677	\$ 336,017	\$ 278,356	\$ 252,479	\$ 222,198	\$ 183,969

(1) Reclassified in 1987 and 1986 to conform with 1988 classifications to reflect consolidation of subsidiaries. 1978 through 1985 includes earnings of subsidiaries net of taxes.

(2) In 1988, loss associated with court affirmation of the Federal Energy Regulatory Commission order denying recovery of abandonment cost in supplemental power rates to the other joint owners of Catawba. In 1982, loss on disposal of assets.

(3) Reclassified in 1987 and 1986 to conform with 1988 classifications. 1986 through 1988 includes taxes on subsidiary income.

(4) In 1988, cumulative effect of change in method of accounting for accrual of estimated unbilled revenues effective January 1, 1988. In 1982, extraordinary gain on retirement of bonds.

BALANCE SHEETS

December 31

(Dollars in Thousands)

ASSETS

ELECTRIC PLANT (at original cost)

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Electric plant in service	\$10,659,521	\$10,072,552	\$9,445,032	\$8,609,284	\$7,810,094	\$6,270,799	\$5,940,941	\$5,662,674	\$4,419,152	\$4,126,513	\$3,964,825
Less accumulated depreciation and amortization	4,323,916	3,859,917	3,407,345	3,034,473	2,646,266	2,405,150	2,106,427	1,842,831	1,629,109	1,399,032	1,239,250
Electric plant in service, net	6,335,605	6,212,635	6,037,687	5,574,811	5,163,828	3,865,649	3,834,514	3,819,843	2,790,043	2,727,481	2,725,575
Construction work in progress	1,038,091	704,610	601,064	817,350	988,790	2,296,843	2,551,177	2,178,464	3,114,807	2,481,957	1,844,323
Total electric plant, net	7,373,696	6,917,245	6,638,751	6,392,161	6,152,618	6,162,492	6,385,691	5,998,307	5,904,850	5,209,438	4,569,898

OTHER PROPERTY AND INVESTMENTS

Other property — at cost (less accumulated depreciation) (1)	106,843	73,657	40,100	39,951	38,774	34,773	28,675	26,444	22,447	22,267	21,623
Investments in and advances to subsidiaries (1)	—	—	85,153	88,812	77,785	61,808	75,430	54,981	34,373	18,412	23,558
Other investments — at cost or less (1)(2)	115,957	166,594	289,721	254,356	22,596	29,317	24,900	22,592	8,845	8,809	8,759
Total other property and investments	222,800	240,251	414,974	383,119	139,155	125,898	129,005	104,017	65,665	49,488	53,940

CURRENT ASSETS

Cash	20,676	21,509	3,614	2,743	5,754	596	4,053	4,526	1,835	4,833	20,794
Short-term investments (1)	89,711	237,658	113,129	293,262	815,628	125,590	—	—	—	—	17,000
Receivables (less allowance for losses) (1)(3)	456,554	332,120	325,915	244,658	262,669	232,577	162,671	189,036	128,549	142,751	102,924
Fuel clause revenues accrued	—	—	—	—	—	—	—	—	—	—	16,672
Refundable income taxes	—	—	—	—	—	41,209	—	—	—	—	—
Materials and supplies — at average cost											
Coal	83,405	86,923	84,137	150,085	114,787	138,217	179,987	126,581	133,156	130,889	122,586
Other	169,622	161,901	148,850	126,268	107,831	105,735	98,815	93,457	79,552	67,800	61,062
Prepayments	12,124	13,754	15,077	14,706	8,073	10,316	8,841	6,172	5,334	1,528	—
Total current assets	832,092	853,865	690,722	831,722	1,314,742	654,240	454,367	419,772	348,426	347,801	341,038

DEFERRED DEBITS

Canceled construction projects	182,542	251,085	296,016	341,214	395,519	414,633	77,794	—	—	—	—
Purchased capacity costs	192,084	153,793	101,160	41,872	—	—	—	—	—	—	—
Debt expense, being amortized over terms of related debt	75,835	78,978	62,106	16,946	4,068	4,045	4,961	3,113	3,282	2,932	11,926
Other	11,556	16,577	23,000	17,129	12,716	18,137	5,962	5,835	5,951	5,713	7,819
Total deferred debits	462,017	500,433	482,282	417,161	412,303	436,815	88,717	8,948	9,233	8,645	19,745

TOTAL ASSETS

	\$ 8,890,605	\$ 8,511,794	\$8,226,729	\$8,024,163	\$8,018,818	\$7,379,445	\$7,057,780	\$6,531,044	\$6,328,174	\$5,615,372	\$4,984,621
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(1) Reclassified in 1987 to conform with 1988 classifications to reflect consolidation of subsidiaries.

(2) Primarily includes marketable securities from 1985 through 1988.

(3) In 1988, includes unbilled revenues. From 1979 through 1982, includes amounts accrued under South Carolina retail fuel cost recovery procedures.

BALANCE SHEETS

December 31

(Dollars in Thousands)

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Capital stock and retained earnings

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Common stock, no par	\$1,862,495	\$1,862,177	\$1,861,628	\$1,860,623	\$1,859,639	\$1,820,828	\$1,734,611	\$1,579,093	\$1,535,895	\$1,414,791	\$1,271,028
Retained earnings	1,581,901	1,374,093	1,210,229	1,071,814	952,360	795,512	653,981	529,842	433,245	343,225	266,173
Total common stock equity	3,444,396	3,236,270	3,071,857	2,932,437	2,811,999	2,616,340	2,388,592	2,108,935	1,969,140	1,758,016	1,537,201
Preferred and preference stocks — excluding current maturities	683,533	691,876	690,541	696,564	705,960	717,201	728,061	697,284	712,417	677,106	637,447
Total capital stock and retained earnings	4,127,929	3,928,146	3,762,398	3,629,001	3,517,959	3,333,541	3,116,653	2,806,219	2,681,557	2,435,122	2,174,648
Long-term debt — excluding current maturities	2,728,794	2,723,382	2,752,302	2,721,041	2,696,795	2,745,889	2,712,372	2,545,694	2,594,008	2,300,488	1,974,209
Total capitalization	6,856,723	6,651,528	6,514,700	6,350,042	6,214,754	6,079,430	5,829,025	5,351,913	5,275,565	4,735,610	4,148,857

CURRENT LIABILITIES

Accounts payable (1)	264,988	198,011	143,039	159,125	275,112	116,297	87,664	87,290	61,127	94,191	112,568
Taxes accrued	26,652	49,590	104,282	52,923	214,064	56,063	61,037	59,958	45,610	41,286	68,993
Interest accrued	67,945	67,075	68,542	86,539	88,114	89,973	85,453	71,615	71,056	55,501	53,366
Other	57,334	51,143	49,718	77,217	67,668	26,075	25,360	26,872	24,282	11,301	9,946
Total	416,919	365,819	365,581	375,804	644,958	288,408	259,514	245,735	202,075	202,279	244,873
Notes payable for construction — pending permanent financing	—	—	—	—	—	—	57,210	171,350	197,000	112,000	—
Current maturities of long-term debt and preferred stocks (2)	51,343	59,579	38,911	133,342	119,819	55,993	60,851	79,646	74,110	41,267	149,107
Total current liabilities	468,262	425,398	404,492	509,146	764,777	344,401	377,575	496,731	473,185	355,546	393,980

ACCUMULATED DEFERRED INCOME TAXES	1,117,383	1,028,427	913,426	775,333	683,023	605,399	486,834	419,958	374,684	341,650	313,058
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DEFERRED CREDITS & OTHER LIABILITIES

Investment tax credit	331,644	335,647	341,124	353,227	329,376	313,139	349,327	249,208	193,276	162,945	111,661
Other	116,593	70,794	52,987	36,415	26,888	37,076	15,019	13,234	11,464	19,621	17,065
Total deferred credits & other liabilities	448,237	406,441	394,111	389,642	356,264	350,215	364,346	262,442	204,740	182,566	128,726

TOTAL CAPITALIZATION AND LIABILITIES	\$8,890,605	\$8,511,794	\$8,226,729	\$8,024,163	\$8,018,818	\$7,379,445	\$7,057,780	\$6,531,044	\$6,328,174	\$5,615,372	\$4,984,621
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(1) Beginning in 1986 for North Carolina retail and in 1983 for South Carolina retail and FERC, includes amounts accrued under fuel cost recovery procedures. In 1984 \$122 million of nuclear fuel disposal costs were also included and paid to the Department of Energy in June 1985.

(2) For 1979 "Current maturities of long-term debt and preferred stocks" were restated to include estimated nuclear fuel trust maturities.

STATEMENTS OF RETAINED EARNINGS

Years Ended December 31

(Dollars in Thousands)

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
BALANCE — Beginning of year	\$1,374,093	\$1,210,229	\$1,071,814	\$ 952,360	\$ 795,512	\$ 653,981	\$529,842	\$433,245	\$343,225	\$266,173	\$207,897
ADD											
Net Income	550,386	500,198	467,834	437,593	461,331	431,277	398,181	336,251	311,091	274,760	230,601
Total	1,924,479	1,710,427	1,539,648	1,389,953	1,256,843	1,085,258	928,023	769,496	654,316	540,933	438,498
DEDUCT											
Dividends											
Common Stock	291,635	277,427	267,224	256,995	242,791	226,964	210,206	181,703	159,240	141,035	121,961
Preferred and preference stocks	53,329	54,264	58,767	60,912	61,786	62,600	62,164	57,895	58,612	52,562	46,632
Capital stock transactions, net	(2,386)	4,643	3,428	232	(94)	182	1,672	56	3,219	4,111	3,732
Total deductions	342,578	336,334	329,419	318,139	304,483	289,746	274,042	239,654	221,071	197,708	172,325
BALANCE — End of year	\$1,581,901	\$1,374,093	\$1,210,229	\$1,071,814	\$ 952,360	\$ 795,512	\$653,981	\$529,842	\$433,245	\$343,225	\$266,173

COMMON STOCK DATA

NUMBER OF SHAREHOLDERS (year-end)	120,277	119,107	108,045	116,549	120,395	124,609	121,218	123,975	129,042	120,218	107,087
SHARES OUTSTANDING (thousands)											
Year-end	101,272	101,259	101,236	101,194	101,153	99,634	95,949	88,483	86,294	79,489	72,132
Weighted Average	101,266	101,250	101,220	101,178	100,346	97,784	93,679	87,313	81,985	77,168	70,367
BOOK VALUE PER SHARE (year-end)	\$34.01	\$31.96	\$30.34	\$28.98	\$27.80	\$26.26	\$24.89	\$23.83	\$22.82	\$22.12	\$21.31
MARKET PRICE											
High	49	51 $\frac{3}{4}$	52	36 $\frac{7}{8}$	30 $\frac{1}{8}$	26 $\frac{3}{8}$	24	22 $\frac{1}{2}$	19 $\frac{1}{4}$	20 $\frac{5}{8}$	22
Low	42$\frac{1}{4}$	39 $\frac{3}{8}$	34 $\frac{7}{8}$	28 $\frac{1}{2}$	22 $\frac{1}{4}$	21 $\frac{3}{4}$	20 $\frac{5}{8}$	15 $\frac{7}{8}$	14 $\frac{1}{8}$	16 $\frac{1}{4}$	18 $\frac{1}{8}$
Year-end	46$\frac{1}{4}$	42 $\frac{7}{8}$	45 $\frac{1}{4}$	35 $\frac{3}{8}$	29	25 $\frac{1}{8}$	23 $\frac{1}{4}$	20 $\frac{5}{8}$	18 $\frac{1}{8}$	17 $\frac{1}{4}$	19 $\frac{3}{8}$
PRICE-EARNINGS RATIO (year-end)	9.42	9.74	11.20	9.51	7.29	6.66	6.48	6.47	5.88	5.99	7.42
PER SHARE											
Earnings before change in accounting method or extraordinary item	\$3.90	\$4.40	\$4.04	\$3.72	\$3.98	\$3.77	\$3.07	\$3.19	\$3.08	\$2.88	\$2.61
Cumulative effect of a change in method of accounting (1)	\$1.01	—	—	—	—	—	—	—	—	—	—
Extraordinary item (2)	—	—	—	—	—	—	\$.52	—	—	—	—
Earnings	\$4.91	\$4.40	\$4.04	\$3.72	\$3.98	\$3.77	\$3.59	\$3.19	\$3.08	\$2.88	\$2.61
Dividends	\$2.88	\$2.74	\$2.64	\$2.54	\$2.42	\$2.32	\$2.24	\$2.08	\$1.95	\$1.83	\$1.74
DIVIDEND PAYOUT RATIO (%)	59	62	65	68	61	62	62	65	63	64	67
TOTAL COMPANY RETURN ON AVERAGE COMMON EQUITY (%) (3)	13.4	14.2	13.7	13.1	14.8	14.8	13.9	13.7	13.7	13.3	12.6

(1) Cumulative effect of change in method of accounting for accrual of estimated unbilled revenues effective January 1, 1988.

(2) Gain on retirement of bonds.

(3) In 1988 excludes the cumulative effect of the accounting change for unbilled revenues, and the provision for loss associated with court affirmation of the Federal Energy Regulatory Commission order denying recovery of abandonment cost in supplemental power rates to the other joint owners of Catawba. In 1982 excludes extraordinary item-gain on retirement of bonds, and excludes provision for loss on coal mining assets.

STATEMENTS OF CASH FLOWS

Years Ended December 31

(Dollars in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

	1988	1987	1986
Net income	\$ 550,386	\$ 500,198	\$ 467,834
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash items			
Depreciation and amortization	632,866	616,956	477,423
Deferred income taxes and investment tax credit, net of amortization	(16,699)	82,623	161,596
Allowance for equity funds used during construction	(52,616)	(36,742)	(52,444)
Purchased capacity levelization	(95,738)	(134,452)	(77,258)
Provision for abandonment loss	81,999	—	—
Cumulative effect of a change in method of accounting for unbilled revenues, net of income taxes	(102,255)	—	—
Other, net	62,970	46,367	(2,837)
(Increase) Decrease in			
Accounts receivable	(5,464)	(6,360)	(81,162)
Materials and supplies	(4,203)	(15,837)	43,366
Prepayments	1,630	1,323	(371)
Increase (Decrease) in			
Accounts payable	41,935	42,396	(11,606)
Taxes accrued	(19,010)	(54,692)	51,359
Interest accrued and other liabilities	7,061	(43)	(45,496)
Total adjustments	532,476	541,539	462,570
Net cash provided by operating activities	1,082,862	1,041,737	930,404

CASH FLOWS FROM INVESTING ACTIVITIES

Construction expenditures and investment in nuclear fuel	(896,651)	(740,884)	(642,388)
Purchase of Nantahala Power and Light	(29,576)	—	—
Proceeds from sale of assets	—	23,496	—
Net change in investment securities	198,586	55,656	153,619
Net cash used in investing activities	(727,641)	(661,732)	(488,769)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from the issuance of			
First and refunding mortgage bonds	—	245,866	394,006
Pollution-control bonds	1,283	38,734	7,251
Nuclear fuel trusts	85,612	77,388	57,597
Preferred stock	—	49,563	98,612
Payments for the redemption of			
First and refunding mortgage bonds	—	(285,752)	(426,495)
Pollution-control bonds	—	(25,000)	—
Nuclear fuel trusts	(85,612)	(76,388)	(57,597)
Preferred stock	(8,025)	(50,848)	(104,775)
Term notes	—	—	(79,725)
Payments under capital lease obligation	(4,348)	(3,982)	(3,647)
Dividends paid	(344,964)	(331,691)	(325,991)
Net cash used in financing activities	(356,054)	(362,110)	(440,764)

Net increase (decrease) in cash	(833)	17,895	871
Cash at beginning of year	21,509	3,614	2,743
Cash at end of year	\$ 20,676	\$ 21,509	\$ 3,614

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended December 31

(Dollars in Thousands)

SOURCES OF FUNDS

	1985	1984	1983
Operations			
Net income	\$ 437,593	\$ 461,331	\$431,277
Non-fund items:			
Depreciation and amortization	484,527	469,711	324,608
Deferred income taxes and investment tax credit, net of amortization	141,105	103,800	333,045
Allowance for equity funds used during construction	(62,741)	(98,711)	(144,048)
Purchased capacity levelization	(22,440)	—	—
Other, net	(67,219)	(13,137)	(6,073)
Total funds from operations	910,825	922,994	938,809
Funds from financing			
Issuance of first and refunding mortgage bonds	172,404	—	—
Proceeds from the sale of an interest in the Catawba Nuclear Station	—	457,086	—
Issuance of common stock	—	37,194	84,326
Issuance of pollution-control bonds	34,114	60,720	45,648
Nuclear fuel trusts	57,638	84,461	60,645
Total funds from financing	264,156	639,461	190,619
Change in short-term position and other marketable securities	294,222	(690,038)	(182,800)
Total sources of funds	\$1,469,203	\$ 872,417	\$946,628

APPLICATIONS OF FUNDS

Construction expenditures	\$ 594,431	\$ 546,043	\$535,678
Long-term debt, capital stocks retired or reacquired	247,192	138,652	81,097
Dividends paid	317,907	304,577	289,564
Change in working capital (1)	308,500	(386,086)	45,389
Other applications, net	1,173	269,231	(5,100)
Total applications of funds	\$1,469,203	\$ 872,417	\$946,628

CHANGE IN WORKING CAPITAL:

Increase/(Decrease) in current assets			
Cash	\$ (3,011)	\$ 5,158	\$ (3,457)
Receivables	(18,011)	30,092	69,906
Refundable income taxes	—	(41,209)	41,209
Materials and supplies	53,735	(21,334)	(34,850)
Prepayments	6,633	(2,243)	1,475
Decrease/(Increase) in current liabilities			
Accounts payable	(6,016)	(36,812)	(28,633)
Nuclear fuel disposal costs payable	122,003	(122,003)	—
Taxes accrued	161,141	(158,001)	4,974
Interest accrued and other liabilities	(7,974)	(39,734)	(5,235)
Change in working capital (1)	\$ 308,500	\$(386,086)	\$ 45,389

(1) Excludes change in short-term position and change in current maturities of long-term debt and preferred stock.

STATEMENTS OF SOURCE OF FUNDS FOR PLANT CONSTRUCTION COSTS

Years Ended December 31

(Dollars in Thousands)

	1982	1981	1980	1979	1978
FUNDS FROM OPERATIONS					
Income before non-fund extraordinary item	\$349,877	\$336,251	\$311,091	\$274,760	\$230,601
Non-fund items					
Depreciation and amortization (includes nuclear fuel amortization)	268,651	224,675	210,600	190,110	170,373
Deferred income taxes, net of amortization	57,272	53,640	36,393	40,708	44,033
Investment tax credit, net of amortization	102,243	55,932	31,805	51,283	45,753
Equity component of the allowance for funds used during construction	(146,214)	(159,285)	(150,846)	(121,701)	(87,810)
Other, net	25,171	(13,146)	2,989	(5,854)	(2,669)
Funds from operations	657,000	498,067	442,032	429,306	400,281
Dividends paid on common stock	(210,206)	(181,703)	(159,235)	(141,023)	(121,961)
Dividends paid on preferred and preference stocks	(61,909)	(57,895)	(58,383)	(52,562)	(46,312)
Funds retained in the business	384,885	258,469	224,414	235,721	232,008
FUNDS FROM FINANCING AND SALE OF ASSETS — NET PROCEEDS					
First and refunding mortgage bonds	221,521	—	271,150	295,768	123,249
Common stock	199,134	35,954	105,829	131,561	124,667
Term notes and pollution control obligations	79,721	—	10,000	—	80
Preferred and preference stocks	38,296	—	49,323	49,251	89,674
Sale and sale/lease-back transactions	33,052	42,248	30,664	76,254	48,953
Sale of an interest in the Catawba Nuclear Station	—	520,562	—	—	260,047
Increase (decrease) in notes payable for construction	(114,140)	(25,650)	85,000	112,000	(174,095)
Funds from financing and sale of assets	457,584	573,114	551,966	664,834	472,575
Total available funds	842,469	831,583	776,380	900,555	704,583
WORKING CAPITAL REQUIREMENT (INCREASE) DECREASE					
	(58,068)	(92,946)	(31,000)	(43,536)	11,330
LONG-TERM DEBT RETIRED AND PREFERRED STOCK REACQUIRED					
	(194,555)	(93,551)	(43,211)	(150,412)	(71,405)
PLANT CONSTRUCTION EXPENDITURES EQUITY COMPONENT OF THE ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION					
	589,846	645,086	702,169	706,607	644,508
	146,214	159,285	150,846	121,701	87,810
PLANT CONSTRUCTION COSTS	\$736,060	\$804,371	\$853,015	\$828,308	\$732,318
SUMMARY OF PLANT CONSTRUCTION COSTS					
Production	\$405,329	\$504,292	\$590,420	\$571,023	\$507,130
Transmission	40,599	36,233	51,300	42,566	27,326
Distribution	113,881	112,073	92,990	89,841	77,685
General	23,895	22,557	25,000	26,812	17,468
Subtotal	583,704	675,155	759,710	730,242	629,609
Nuclear fuel	152,356	129,216	93,305	98,066	102,709
PLANT CONSTRUCTION COSTS	\$736,060	\$804,371	\$853,015	\$828,308	\$732,318

FINANCIAL STATISTICS

December 31

(Dollars in Thousands)

CAPITALIZATION AND CURRENT DEBT

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Common stock equity											
Common stock	\$1,862,495	\$1,862,177	\$1,861,628	\$1,860,623	\$1,859,639	\$1,820,828	\$1,734,611	\$1,579,093	\$1,535,895	\$1,414,791	\$1,271,028
Retained earnings	1,581,901	1,374,093	1,210,229	1,071,814	952,360	795,512	653,981	529,842	433,245	343,225	266,173
Total common stock equity	3,444,396	3,236,270	3,071,857	2,932,437	2,811,999	2,616,340	2,388,592	2,108,935	1,969,140	1,758,016	1,537,201
Preferred and preference stocks											
Preferred stock without sinking fund requirements	425,000	425,000	465,000	415,000	415,000	415,000	415,000	375,000	375,000	375,000	375,000
Preferred stock with sinking fund requirements	263,875	271,900	229,925	288,950	298,475	308,000	313,500	317,000	318,500	270,000	220,000
Preference stock	2,683	3,001	3,550	4,552	5,534	7,148	9,035	13,610	20,858	33,606	42,447
Current sinking fund requirement	(8,025)	(8,025)	(6,645)	(6,400)	(6,400)	(6,400)	(4,000)	(2,000)	—	(1,500)	—
Reacquired shares of preferred stock	—	—	(1,289)	(5,538)	(6,649)	(6,547)	(5,474)	(6,326)	(1,941)	—	—
Total preferred and preference stocks	683,533	691,876	690,541	696,564	705,960	717,201	728,061	697,284	712,417	677,106	637,447
Long-term debt											
First and refunding mortgage bonds	2,630,803	2,630,506	2,635,790	2,614,136	2,530,506	2,511,370	2,474,598	2,376,250	2,418,000	2,149,750	1,896,500
Sinking fund debentures	—	—	—	—	—	—	—	25,000	25,000	25,000	25,000
Term notes and pollution control obligations	—	—	—	21,000	23,000	25,000	29,500	11,000	12,500	2,500	102,500
Promissory note due subsidiary	—	—	—	58,725	58,725	58,725	58,725	—	—	—	—
Capitalized leases and nuclear fuel trusts	161,560	165,908	168,890	172,537	215,877	218,937	221,738	226,579	228,862	176,591	100,486
Unamortized debt discount and premium, net	(20,251)	(21,478)	(20,112)	(18,415)	(17,894)	(18,550)	(15,338)	(15,489)	(16,244)	(13,586)	(1,170)
Current maturities of long-term debt	(43,318)	(51,554)	(32,266)	(126,942)	(113,419)	(49,593)	(56,851)	(77,646)	(74,110)	(39,767)	(149,107)
Total long-term debt	2,728,794	2,723,382	2,752,302	2,721,041	2,696,795	2,745,889	2,712,372	2,545,694	2,594,008	2,300,488	1,974,209
Total capitalization	6,856,723	6,651,528	6,514,700	6,350,042	6,214,754	6,079,430	5,829,025	5,351,913	5,275,565	4,735,610	4,148,857
Short-term notes payable	—	—	—	—	—	—	57,210	171,350	197,000	112,000	—
Current maturities and sinking funds (1)	51,343	59,579	40,200	138,880	126,468	62,540	66,325	85,972	76,051	41,267	149,107
Total capitalization and current debt	\$6,908,066	\$6,711,107	\$6,554,900	\$6,488,922	\$6,341,222	\$6,141,970	\$5,952,560	\$5,609,235	\$5,548,616	\$4,888,877	\$4,297,964
CAPITALIZATION RATIOS (%) (2)											
Common stock equity	50.2	48.7	47.2	46.2	45.2	43.0	41.0	39.4	37.3	37.1	37.0
Preferred and preference stocks	10.0	10.4	10.6	11.0	11.4	11.8	12.5	13.0	13.5	14.3	15.4
Long-term debt	39.8	40.9	42.2	42.8	43.4	45.2	46.5	47.6	49.2	48.6	47.6
EMBEDDED COST (%)											
Preferred and preference stocks	7.94	7.93	8.21	8.75	8.75	8.62	8.61	8.22	8.22	8.00	7.91
Long-term debt	8.67	8.64	8.87	9.47	9.59	9.67	9.81	9.32	9.34	8.48	8.07
Weighted average	8.53	8.50	8.74	9.32	9.42	9.40	9.55	9.02	9.10	8.37	8.03
COVERAGE RATIOS											
Fixed charges and preferred dividends (3)	3.24	3.26	3.03	2.77	2.90	2.54	2.21	2.09	2.03	2.13	2.12
Fixed charges											
SEC method (3)	4.25	4.49	4.26	3.87	4.21	3.46	2.98	2.73	2.65	2.86	2.91
Bond indenture method (3)	5.08	5.60	5.37	4.80	5.16	4.31	3.60	2.61	2.73	3.11	3.47
INTERNAL CASH TO TOTAL AVAILABLE CASH (%) (4)	78.6	67.4	56.8	62.0	85.5 (5)	83.0	45.7	93.7 (5)	28.9	26.2	69.8 (5)

(1) Includes shares reacquired for sinking fund requirements — at cost.

(2) Calculation excludes short-term notes payable, current maturities and sinking funds.

(3) In 1988, includes the cumulative effect of the accounting change for unbilled revenues.

(4) In 1988, based on net cash from operating activities as a percentage of total cash from operating, financing, and investing activities.

(5) Includes proceeds from the sale of a portion of the Catawba Nuclear Station.

PREFERRED & PREFERENCE STOCKS

	Dec. 31, 1988 (000's)	Regular Redemption Price At Dec. 31, 1988 (\$)	Non-Refundable Prior to Date Indicated (1)	Date of Next Redemption Price Change	Next Redemption Price (\$)	Sinking Fund Requirements	
						Number Shares Annually	Commencing
<u>Without sinking fund requirements</u>							
4.50% Series C (350,000 shares)	\$ 35,000	101.00		(2)	(2)		
5.72% Series D (350,000 shares)	35,000	101.00		(2)	(2)		
6.72% Series E (350,000 shares)	35,000	102.00		(2)	(2)		
8.70% Series F (600,000 shares)	60,000	101.00		(2)	(2)		
8.20% Series G (600,000 shares)	60,000	101.00		(2)	(2)		
7.80% Series H (600,000 shares)	60,000	103.52		(2)	(2)		
8.28% Series K (500,000 shares)	50,000	104.11		September 16, 1992	101.35		
8.84% Series M (400,000 shares)	40,000	103.98		September 16, 1993	101.03		
<u>With sinking fund requirements</u>							
7.35% Series I (480,000 shares)	48,000	101.00		(2)	(2)	24,000	March 16, 1984
8.20% Series J (360,000 shares)	36,000	104.00		June 16, 1992	102.00	20,000	June 16, 1982
8.375% Series L (380,000 shares)	38,000	104.89		June 16, 1989	104.54	20,000	June 16, 1983
8.84% Series N (418,750 shares)	41,875	105.00		June 16, 1989	103.00	16,250	June 16, 1984
7.875% Series P (500,000 shares)	50,000	107.88	June 16, 1991	June 16, 1991	105.25	15,000	June 16, 1992
7.12% Series Q (500,000 shares)	50,000	107.12	March 16, 1992	March 16, 1992	104.75	15,000	March 16, 1993
<u>Adjustable Rate</u>							
Adjustable Rate A (500,000 shares)	50,000	(3)	June 16, 1991 (3)	(3)	(3)		
<u>Convertible</u>							
6¾% Convertible Series AA (26,830 shares)	2,683	100.00		(2)	(2)		
<u>Current sinking fund requirements</u>							
7.35% Series I	(2,400)						
8.20% Series J	(2,000)						
8.375% Series L	(2,000)						
8.84% Series N	(1,625)						
Total preferred & preference stocks	<u>\$683,533</u>						

(1) Prior to the date indicated, no redemption at the regular redemption price may take place if such redemption is in connection with certain refunding operations at a lower cost of money to the Company.

(2) No Change.

(3) This issue is not redeemable prior to June 16, 1991. The issue will be redeemable on or after June 16, 1991 and prior to June 16, 1996 at a redemption price equal to \$103.00 per share and thereafter at \$100.00 per share.

LONG-TERM DEBT

	Dec. 31, 1988 (000's)	Regular Redemption Price At December 31, 1988 (%)	Non-Refundable Prior to Date Indicated (2)	Date of Next Redemption Price Change	Next Redemption Price (%)
First and refunding mortgage bonds (1)					
4½% Series due 1992 (Feb.)	\$ 50,000	100.57		February 1, 1989	100.38
4¼% Series B due 1992 (Aug.)	50,000	100.55		August 1, 1989	100.37
4½% Series due 1995 (Feb.)	40,000	101.04		February 1, 1989	100.87
8½% Series B due 1995 (Jul.)	125,000	105.50	July 1, 1991	July 1, 1989	104.13
7⅞% Series due 1996 (Apr.)	100,000	(3)	April 1, 1993 (3)	(3)	(3)
7½% Series B due 1997 (Mar.)	100,000	105.46	March 1, 1992	March 1, 1989	104.55
5⅞% Series due 1997 (Apr.)	72,600	101.76		April 1, 1989	101.54
6⅞% Series due 1998 (Feb.)	68,500	102.30		February 1, 1989	102.04
7% Series due 1999 (Feb.)	56,075	102.76		February 1, 1989	102.49
8% Series B due 1999 (Sep.)	64,739	102.94		September 1, 1989	102.64
8½% Series due 2000 (Mar.)	69,244	103.52		March 1, 1989	103.20
8⅞% Series B due 2000 (Aug.)	95,635	103.18		August 1, 1989	102.89
7½% Series due 2001 (Mar.)	97,900	103.52		March 1, 1989	103.23
7⅞% Series B due 2001 (Dec.)	38,050	102.90		December 1, 1989	102.64
7¼% Series due 2002 (Apr.)	78,100	103.74		April 1, 1989	103.46
7⅞% Series B due 2002 (Dec.)	67,900	103.56		December 1, 1989	103.28
7¼% Series due 2003 (Jun.)	94,872	104.03		June 1, 1989	103.74
8⅞% Series B due 2003 (Nov.)	98,050	103.79		November 1, 1989	103.52
9¼% Series due 2004 (May)	95,623	105.04		May 1, 1989	104.71
9½% Series due 2005 (Feb.)	92,800	104.97		February 1, 1989	104.66
8⅞% Series due 2006 (Oct.)	96,850	104.63		October 1, 1989	104.36
8½% Series due 2007 (Sep.)	119,500	104.53		September 1, 1989	104.28
9⅞% Series due 2008 (Aug.)	120,610	105.66		August 1, 1989	105.36
10⅞% Series due 2009 (May)	145,050	106.64		May 1, 1989	106.31
12⅞% Series due 2015 (Mar.)	62,916	110.50	March 1, 1990	March 1, 1989	110.00
10⅞% Series B due 2015 (Dec.)	50,000	108.04	December 1, 1990	December 1, 1989	107.67
9% Series due 2016 (May)	175,000	106.84	May 1, 1991	May 1, 1989	106.46
8½% Series due 2017 (Feb.)	150,000	107.15	February 1, 1992	February 1, 1989	106.85
Pollution Control Revenue Bonds					
9⅞% Series A due 2013 (May)	77,000				
6⅞% Series A due 2014 (Aug.)	40,000 (4)				
6.25% Series 1987 due 2012 (Oct.)	20,000 (4)				
5.45% Series 1987 A due 2017 (Feb.)	25,000 (4)(5)				
5.85% Series 1987 B due 2017 (Feb.)	10,000 (4)(5)				
Less: Funds held in trust	(16,211)				
Capitalized leases	75,560				
Nuclear fuel trusts	86,000				
Unamortized debt discount and premium, net	(20,251)				
Current maturities of long-term debt	(43,318)				
Total long-term debt	<u>\$2,728,794</u>				

(1) Under the terms of its indenture, the Company must maintain a Replacement Fund with the trustee of the mortgage. The Company may satisfy the requirements of this fund by depositing cash with the trustee. The Company has never done so, however, and if any such deposits of cash were to be made, the Company has agreed that such cash would be applied only to the retirement of bonds in the sequence in which they were issued.

(2) Prior to the date indicated, no redemption at the regular redemption price may take place if such redemption is in connection with certain refunding operations at a lower cost of money to the Company.

(3) The 7⅞% Series bonds are not redeemable prior to April 1, 1993, but are redeemable on and after such date at 100% of their principal amount.

(4) Annual tender bonds, with the interest rate to be reset annually by the Company.

(5) In February 1989, the 1987 Series A and B bonds were remarketed to a fixed rate of 7.50% and 7.75%, respectively, until maturity.

SECURITY FINANCINGS

(Dollars in Thousands)

1988	
Pollution Control Series	\$ <u>1,283</u>
1987 (1)	
Pollution Control Series	\$ 38,734
First Mortgage Bonds, 7½% Series B due 1997 (issued March 5)	100,000
First Mortgage Bonds, 8½% Series due 2017 (issued February 4)	150,000
Preferred Stock, 7.12% Series Q (500,000 shares) (issued February 4)	50,000
Premium, discount and expenses of above items	(4,571)
Net proceeds	<u>\$334,163</u>
1986 (1)	
Pollution Control Series	\$ 7,251
First Mortgage Bonds, 7½% Series due 1996 (issued April 1)	100,000
First Mortgage Bonds, 9% Series due 2016 (issued May 15)	175,000
Preferred Stock, 7.875% Series P (500,000 shares) (issued May 15)	50,000
Preferred Stock, Adjustable Rate Series A (500,000 shares) (issued May 28)	50,000
First Mortgage Bonds, 8½% Series B due 1995 (issued June 12)	125,000
Premium, discount and expenses of above items	(7,382)
Net proceeds	<u>\$499,869</u>
1985 (1)	
Pollution Control Series	\$ 34,114
First Mortgage Bonds, 12½% Series due 2015 (issued April 1)	125,000
First Mortgage Bonds, 10½% Series B, due 2015 (issued December 12)	50,000
Premium, discount and expenses of above items	(2,596)
Net proceeds	<u>\$206,518</u>
1984	
Common Stock (1,451,607 shares) (2)	\$ 37,194
Pollution Control Series	60,720
Net proceeds	<u>\$ 97,914</u>
1983	
Common Stock (3,605,980 shares) (2)	\$ 84,326
Pollution Control Series	45,648
Net proceeds	<u>\$129,974</u>

1982	
Common Stock (3,727,544 shares) (issued January 7) (3)	\$121,793
Preferred Stock, 15.40% Series A (1,600,000 shares) (issued March 2)	40,000
First Mortgage Bonds, 15½% Series due 1991 (issued March 2)	100,000
Term Note, floating rate due 1987 (issued April 21)	21,000
Promissory Note due Subsidiary, 16½% due 1989 (issued April 22)	58,725
First Mortgage Bonds, 14½% Series due 2012 (issued September 16)	125,000
Common Stock (3,547,180 shares) (2)	77,341
Premium, discount, and expenses of above items	(5,187)
Net proceeds	<u>\$538,672</u>
1981	
Common Stock (1,884,944 shares) (2)	\$ 35,954
1980	
Preferred Stock, 11% Series O (500,000 shares) (issued February 14)	\$ 50,000
First Mortgage Bonds, 14¾% Series due 2010 (issued March 19)	100,000
First Mortgage Bonds, 14¾% Series due 1987 (issued March 19)	50,000
First Mortgage Bonds, 12% Series due 1990 (issued August 26)	75,000
First Mortgage Bonds, 13½% Series B due 2010 (issued August 26)	50,000
Common Stock (4,000,000 shares) (issued August 26)	69,500
Common Stock (2,278,820 shares) (2)	38,861
Premium, discount, and expenses of above items	(7,059)
Net proceeds	<u>\$426,302</u>
1979	
Common Stock (5,500,000 shares) (issued March 21)	\$107,250
Preferred Stock 8.84% Series N (500,000 shares) (issued June 14)	50,000
First Mortgage Bonds, 10½% Series due 2009 (issued June 14)	150,000
First Mortgage Bonds, 10½% Series B due 2009 (issued October 10)	150,000
Common Stock (1,499,292 shares) (2)	27,674
Premium, discount, and expenses of above items	(8,344)
Net proceeds	<u>\$476,580</u>
1978	
Common Stock (5,500,000 shares) (issued March 9)	\$110,000
Preferred Stock, 8.375% Series L (500,000 shares) (issued June 16)	50,000
Preferred Stock, 8.84% Series M (400,000 shares) (issued August 16)	40,000
First Mortgage Bonds, 9¾% Series due 2008 (issued August 1)	125,000
Pollution Control Obligations (issued September 18)	80
Common Stock (898,149 shares) (2)	18,074
Premium, discount, and expenses of above items	(5,484)
Net proceeds	<u>\$337,670</u>

(1) The issuance of first mortgage bonds and preferred stock was limited to refinancings from 1985 through 1987.

(2) Issued through the Company's Stock Purchase-Savings Program for Employees, Stock Purchase and Dividend Reinvestment Plan for shareholders and Duke Power electric customers and/or Employees' Stock Ownership Plan. As of January 1, 1985, all plan shares are being purchased on the open market.

(3) Issued in exchange for outstanding first mortgage bonds with a face value of \$119,902,000.

SALES AND REVENUE STATISTICS

Years Ended December 31

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
KILOWATT-HOUR SALES (millions)											
Residential	16,744	16,580	15,636	14,241	14,493	14,219	13,711	13,861	13,765	12,832	12,959
General Service	13,634	13,026	12,312	11,338	10,922	10,339	10,087	9,731	9,395	8,778	8,920
Industrial											
Textile	11,134	11,236	10,595	9,961	10,169	10,115	9,215	10,101	10,152	10,394	10,446
Other	14,020	13,738	12,617	11,876	11,652	10,792	10,130	10,566	9,908	9,866	9,077
Total Industrial	25,154	24,974	23,212	21,837	21,821	20,907	19,345	20,667	20,060	20,260	19,523
Other energy and wholesale sales	10,667	10,171	9,353	8,642	7,163	8,686	8,237	9,289	9,091	8,453	8,537
Total (1)	66,199	64,751	60,513	56,058	54,399	54,151	51,380	53,548	52,311	50,323	49,939
KILOWATT-HOUR SALES (%)											
Residential	25.3	25.6	25.8	25.4	26.6	26.3	26.7	25.9	26.3	25.5	25.9
General Service	20.6	20.1	20.3	20.2	20.1	19.1	19.6	18.2	18.0	17.4	17.9
Industrial											
Textile	16.8	17.4	17.5	17.8	18.7	18.7	18.0	18.9	19.4	20.7	20.9
Other	21.2	21.2	20.9	21.2	21.4	19.9	19.7	19.7	18.9	19.6	18.2
Total Industrial	38.0	38.6	38.4	39.0	40.1	38.6	37.7	38.6	38.3	40.3	39.1
Other energy and wholesale sales	16.1	15.7	15.5	15.4	13.2	16.0	16.0	17.3	17.4	16.8	17.1
Total (1)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
ELECTRIC REVENUES (dollars in thousands)											
Residential	\$1,205,471	\$1,226,529	\$1,088,886	\$ 914,513	\$ 886,065	\$ 806,085	\$ 741,255	\$ 624,986	\$ 565,633	\$ 499,936	\$ 469,389
General Service	833,709	829,466	748,722	642,006	593,351	521,568	485,064	386,141	340,691	303,858	284,752
Industrial											
Textile	495,100	511,026	471,718	420,817	409,635	374,138	335,727	293,081	263,024	254,877	233,277
Other	651,420	661,736	593,407	523,041	487,604	419,755	384,191	320,838	271,766	253,728	215,273
Total Industrial	1,146,520	1,172,762	1,065,125	943,858	897,239	793,893	719,918	613,919	534,790	508,605	448,550
Other energy and wholesale sales	446,368	459,182	426,882	358,385	291,435	324,595	309,241	270,623	232,506	201,938	188,428
Other revenues (deduction)	(5,083)	17,845	71,318	40,149	41,925	(25,889)	(10,998)	12,785	9,202	(21,780)	5,601
Total	\$3,626,985	\$3,705,784	\$3,400,933	\$2,898,911	\$2,710,015	\$2,420,252	\$2,244,480	\$1,908,454	\$1,682,822	\$1,492,557	\$1,396,720
ELECTRIC REVENUES (%)											
Residential	33.2	33.1	32.0	31.6	32.7	33.3	33.0	32.7	33.6	33.5	33.6
General Service	23.0	22.4	22.0	22.2	21.9	21.6	21.6	20.2	20.3	20.4	20.4
Industrial											
Textile	13.6	13.8	13.9	14.5	15.1	15.5	15.0	15.4	15.6	17.1	16.7
Other	18.0	17.9	17.4	18.0	18.0	17.3	17.1	16.8	16.1	17.0	15.4
Total Industrial	31.6	31.7	31.3	32.5	33.1	32.8	32.1	32.2	31.7	34.1	32.1
Other and wholesale revenues	12.2	12.8	14.7	13.7	12.3	12.3	13.3	14.9	14.4	12.0	13.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) Does not include sales of Nantahala Power and Light Company or unbilled kilowatt-hour sales. Beginning in 1983, excludes a portion of the energy sold to the other joint owners of the Catawba Nuclear Station.

INDUSTRIAL SALES

Years Ended December 31

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
INDUSTRIES (millions of KWH)											
Food and kindred products	874	851	847	810	741	725	704	645	606	583	529
Tobacco manufacturers	519	567	551	556	527	479	428	408	397	397	375
Textile products, apparel, fabrics, etc.	11,382	11,491	10,831	10,182	10,393	10,335	9,428	10,314	10,355	10,581	10,638
Furniture, lumber and other wood products	1,076	1,040	941	885	906	839	727	786	758	789	755
Paper and allied products and industries	1,930	1,954	1,589	1,351	1,328	1,300	1,271	1,264	1,156	1,119	1,107
Chemicals and allied products (including synthetic fiber manufacturing)	2,411	2,409	2,296	2,235	2,215	2,168	2,047	2,266	2,137	2,320	2,061
Rubber and miscellaneous plastic products	1,657	1,583	1,477	1,398	1,322	1,170	1,085	1,087	995	985	887
Stone, clay, glass and concrete products	1,066	1,035	981	928	937	822	758	834	792	875	839
Metal products and industries — fabricated and primary	1,117	1,046	1,007	939	913	776	718	768	690	623	529
Machinery and equipment	2,933	2,808	2,539	2,406	2,418	2,197	2,085	2,186	2,026	1,902	1,726
Other	189	190	153	147	121	96	94	109	148	86	77
Total industrial sales	25,154	24,974	23,212	21,837	21,821	20,907	19,345	20,667	20,060	20,260	19,523

CUSTOMER DATA

Years Ended December 31

CUSTOMERS (average)

Residential	1,327,452	1,292,293	1,259,655	1,221,419	1,186,962	1,158,123	1,136,431	1,118,534	1,095,933	1,068,194	1,039,275
General Service	206,359	199,086	192,317	185,308	178,416	172,611	167,895	166,500	163,303	160,697	157,942
Industrial											
Textile	1,417	1,378	1,356	1,336	1,345	1,308	1,307	1,321	1,323	1,318	1,299
Other	7,202	7,049	6,945	6,785	6,632	6,514	6,450	6,339	6,218	6,055	5,811
Total Industrial	8,619	8,427	8,301	8,121	7,977	7,822	7,757	7,660	7,541	7,373	7,110
Other and wholesale	7,031	6,798	6,590	6,461	6,329	6,416	6,387	6,292	6,180	5,915	5,768
Total	1,549,461	1,506,604	1,466,863	1,421,309	1,379,684	1,344,972	1,318,470	1,298,986	1,272,957	1,242,179	1,210,095

CUSTOMERS (end of period)

	1,565,110	1,520,709	1,483,090	1,439,457	1,395,710	1,357,175	1,322,309	1,306,702	1,284,405	1,253,677	1,222,169
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RESIDENTIAL CUSTOMER STATISTICS

Average annual KWH use	12,614	12,830	12,413	11,659	12,210	12,278	12,065	12,392	12,560	12,013	12,469
Average annual billing	\$908.11	\$949.11	\$864.43	\$748.73	\$746.50	\$696.03	\$652.27	\$558.75	\$516.12	\$468.02	\$451.65

AVERAGE ANNUAL BILLED REVENUE PER KWH

Residential	7.20¢	7.40¢	6.96¢	6.42¢	6.11¢	5.67¢	5.41¢	4.51¢	4.11¢	3.90¢	3.62¢
General Service	6.11¢	6.37¢	6.08¢	5.66¢	5.43¢	5.04¢	4.81¢	3.97¢	3.63¢	3.46¢	3.19¢
Industrial	4.56¢	4.70¢	4.59¢	4.32¢	4.11¢	3.80¢	3.72¢	2.97¢	2.67¢	2.51¢	2.30¢
Other energy and wholesale sales (1)	4.18¢	4.51¢	4.56¢	4.15¢	4.07¢	3.74¢	3.75¢	2.91¢	2.56¢	2.39¢	2.21¢

(1) Beginning in 1983, excludes a portion of the energy sold to the other joint owners of the Catawba Nuclear Station.

GENERATING AND CAPABILITY DATA

Years Ended December 31

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
NET SOURCES OF ENERGY (millions of KWH)											
Coal	23,930	23,617	30,249	27,619	26,394	32,466	38,927	42,513	40,984	37,404	34,589
Nuclear (1)	47,934	44,810	35,044	33,700	32,632	25,059	15,009	14,229	14,213	14,228	15,905
Hydro and other	434	1,453	785	1,175	1,995	2,122	1,576	989	2,023	2,972	2,425
Total Generation	72,298	69,880	66,078	62,494	61,021	59,647	55,512	57,731	57,220	54,604	52,919
Purchased power and net interchange	437	5	(822)	(1,742)	(2,908)	(1,003)	(301)	494	(472)	(512)	1,016
Total output	72,735	69,885	65,256	60,752	58,113	58,644	55,211	58,225	56,748	54,092	53,935
Less: Catawba other joint owners' share	12,166	11,961	6,261	3,827	—	—	—	—	—	—	—
Plus: Purchases from other Catawba joint owners	10,244	10,872	5,953	3,769	—	—	—	—	—	—	—
Total sources of energy	70,813	68,796	64,948	60,694	58,113	58,644	55,211	58,225	56,748	54,092	53,935
Line loss and company usage	(4,614)	(4,045)	(4,435)	(4,636)	(3,714)	(4,493)	(3,831)	(4,677)	(4,437)	(3,769)	(3,996)
Total Kilowatt-hour sales	66,199	64,751	60,513	56,058	54,399	54,151	51,380	53,548	52,311	50,323	49,939
TOTAL GENERATION (%)											
Coal	33.1	33.8	45.8	44.2	43.2	54.4	70.1	73.6	71.6	68.5	65.4
Nuclear	66.3	64.1	53.0	53.9	53.5	42.0	27.0	24.7	24.9	26.1	30.0
Hydro and other	.6	2.1	1.2	1.9	3.3	3.6	2.9	1.7	3.5	5.4	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
CAPABILITY — Net KW (year-end)											
Coal	6,428,000	6,428,000	6,393,000	6,603,000	6,603,000	7,600,000	7,423,000	7,423,000	7,417,000	7,417,000	7,622,000
Nuclear (2)	7,054,000	7,170,000	7,170,000	6,085,000	4,940,000	3,760,000	3,760,000	3,760,000	2,580,000	2,580,000	2,580,000
Hydro	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000	1,452,000
Oil and gas	599,000	599,000	599,000	599,000	599,000	599,000	599,000	599,000	599,000	599,000	668,000
Total generating capability	15,533,000	15,649,000	15,614,000	14,739,000	13,594,000	13,411,000	13,234,000	13,234,000	12,048,000	12,048,000	12,322,000
Firm purchases	241,000	241,000	241,000	188,000	188,000	183,000	143,000	143,000	93,000	114,375	129,375
Total	15,774,000	15,890,000	15,855,000	14,927,000	13,782,000	13,594,000	13,377,000	13,377,000	12,141,000	12,162,375	12,451,375
TOTAL CAPABILITY — Net KW (time of peak)											
Summer	15,774,000	15,984,000	15,372,000	14,927,000	13,782,000	13,554,000	13,377,000	12,141,000	12,162,375	12,451,375	12,451,375
Winter	15,774,000	15,984,000	14,190,000	13,782,000	13,594,000	13,554,000	13,377,000	12,141,000	12,162,375	12,451,375	12,446,375
PEAK LOAD — KW (3)											
Summer	13,618,000	12,691,000	12,471,000	11,204,000	11,043,000	11,554,000	10,097,000	10,602,000	10,364,000	9,833,000	9,472,205
Winter	12,728,000	11,451,000	12,586,000	12,687,000	10,863,000	10,378,000	11,145,000	10,530,000	9,892,000	9,844,000	9,690,170
RESERVE — % of load											
Summer	15.8	25.9	23.3	33.2	24.8	17.3	32.5	14.5	17.4	26.6	31.5
Winter	23.9	39.6	12.7	8.6	25.1	30.6	20.0	15.3	23.0	26.5	28.4

(1) Includes Catawba Unit 2 prior-to-commercial generation of 539,763 MWH for 1986 and Catawba Unit 1 prior-to-commercial generation of 904,566 MWH for 1985. Also includes McGuire Unit 2 prior-to-commercial generation of 836,655 MWH for 1984 and 2,514,934 MWH for 1983.

(2) Beginning in 1986, includes 100% of the capability of the Catawba Nuclear Station.

(3) Includes 100% of the load of the other joint owners of the Catawba Nuclear Station.

OPERATING STATISTICS

Years Ended December 31

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
FUEL EXPENSE (thousands) (1)											
Coal	\$391,102	\$398,866	\$529,923	\$498,987	\$487,615	\$573,038	\$693,732	\$708,232	\$599,483	\$525,201	\$471,564
Nuclear (2)	230,362	221,791	190,393	196,262	200,906	126,445	86,833	72,795	71,085	57,367	55,068
Oil and gas	4,727	4,157	4,392	6,494	6,568	7,633	841	9,940	10,125	6,834	16,687
Fuel adjustments (3)	—	—	1,443	17,511	(11,526)	32,713	—	—	—	—	—
Total	\$626,191	\$624,814	\$726,151	\$719,254	\$683,563	\$739,829	\$781,406	\$790,967	\$680,693	\$589,402	\$543,319
OPERATING RATIOS (% of Operation and Maintenance Expense)											
Fuel expense	28.5	28.6	35.7	43.5	55.2	57.7	61.1	65.2	68.5	69.6	68.4
Other operation expense	54.0	54.2	49.8	40.3	28.3	27.0	25.0	23.9	20.0	19.2	21.7
Maintenance expense	17.5	17.2	14.5	16.2	16.5	15.3	13.9	10.9	11.5	11.2	9.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE FUEL COST PER MILLION BTU ON A BURNED BASIS (cents) (2)											
Coal	175.79	181.18	189.64	194.96	199.06	189.55	190.87	178.39	155.64	148.86	144.46
Nuclear (4)	63.55	68.40	65.57	64.71	61.40	54.19	55.04	48.98	48.22	38.51	33.32
Oil and gas	356.36	381.48	410.74	543.49	562.59	530.82	439.40	416.17	300.16	285.79	262.76
Weighted average	98.75	105.10	120.32	121.39	121.24	131.66	149.86	144.33	127.00	116.81	109.09
AVERAGE FUEL COST PER KWH GENERATED (cents) (2)											
Coal	1.634	1.689	1.752	1.807	1.847	1.765	1.782	1.666	1.463	1.404	1.363
Nuclear	.644	.675	.683	.673	.632	.561	.579	.512	.500	.403	.346
Oil and gas	14.834	—	—	—	—	—	11.296	6.785	4.985	4.199	3.448
Weighted average	1.048	1.107	1.189	1.202	1.195	1.285	1.449	1.390	1.229	1.138	1.066
HEAT RATE (BTUs per KWH generated)											
Fossil	9,327	9,362	9,261	9,300	9,318	9,353	9,340	9,363	9,434	9,465	9,454
Nuclear	10,362	10,370	10,418	10,401	10,291	10,350	10,512	10,445	10,373	10,471	10,390
System average	10,021	10,024	9,881	9,900	9,853	9,762	9,666	9,633	9,675	9,742	9,769
SYSTEM LOAD FACTOR (%)	59.8	62.5	59.8	55.8	62.2	58.6	56.8	61.9	61.6	62.3	62.9

(1) Beginning in 1983 fuel expense includes cost of light-off.

(2) Nuclear fuel expense and all cost statistics exclude the effect of prior-to-commercial generation for Catawba Unit 2 in 1986, Catawba Unit 1 in 1985 and McGuire Unit 2 in 1984 and 1983.

(3) Fuel adjustments include prior-to-commercial fuel expenses and displaced fuel costs for Catawba Unit 2 in 1986, Catawba Unit 1 in 1985 and McGuire Unit 2 in 1984 and 1983.

(4) Includes 100% of Catawba Unit 2 in 1986 and 100% of Catawba Unit 1 in 1985.

ELECTRIC PLANT STATISTICS

Years Ended December 31

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
ELECTRIC PLANT IN SERVICE											
(thousands)											
Production and Nuclear Fuel	\$6,444,378	\$6,225,212	\$5,980,611	\$5,409,073	\$4,842,595	\$3,431,205	\$3,302,862	\$3,204,051	\$2,137,782	\$1,995,911	\$1,977,384
Transmission	1,114,761	1,092,584	1,059,157	1,017,194	981,907	970,514	903,377	850,500	794,988	771,644	734,580
Distribution	2,477,568	2,223,589	2,016,336	1,850,179	1,693,776	1,595,252	1,464,502	1,360,583	1,262,939	1,178,994	1,096,764
General	622,814	531,167	388,928	332,838	291,816	273,828	270,200	247,540	223,443	179,964	156,097
Total electric plant in service	10,659,521	10,072,552	9,445,032	8,609,284	7,810,094	6,270,799	5,940,941	5,662,674	4,419,152	4,126,513	3,964,825
Less accumulated depreciation and amortization	4,323,916	3,859,917	3,407,345	3,034,473	2,646,266	2,405,150	2,106,427	1,842,831	1,629,109	1,399,032	1,239,250
Total electric plant in service, net	6,335,605	6,212,635	6,037,687	5,574,811	5,163,828	3,865,649	3,834,514	3,819,843	2,790,043	2,727,481	2,725,575
CONSTRUCTION WORK IN PROGRESS											
(thousands)											
Production and Nuclear Fuel	776,479	508,870	441,897	704,751	910,642	2,236,334	2,471,698	2,081,257	3,010,026	2,405,866	1,771,998
Transmission	81,299	36,826	16,444	22,154	22,555	26,112	51,638	63,990	75,323	49,883	44,501
Distribution	55,938	60,210	29,378	20,357	23,463	13,658	17,250	20,756	17,256	18,201	21,984
General	124,375	98,704	113,345	70,088	32,130	20,739	10,591	12,461	12,202	8,007	5,840
Total construction work in progress	1,038,091	704,610	601,064	817,350	988,790	2,296,843	2,551,177	2,178,464	3,114,807	2,481,957	1,844,323
Total electric plant, net	\$7,373,696	\$6,917,245	\$6,638,751	\$6,392,161	\$6,152,618	\$6,162,492	\$6,385,691	\$5,998,307	\$5,904,850	\$5,209,438	\$4,569,898
ELECTRIC PLANT IN SERVICE											
Accumulated depreciation & amortization — %	41	38	36	35	34	38	35	33	37	34	31
Per dollar of electric revenues (average plant) (1)	\$3.71	\$3.49	\$3.34	\$3.09	\$2.60	\$2.52	\$2.58	\$2.64	\$2.54	\$2.71	\$2.77
Per unit (MWH) sold (average plant) (1)	\$197.48	\$196.97	\$184.34	\$156.75	\$129.42	\$112.76	\$112.92	\$94.14	\$81.68	\$80.39	\$77.36
PRODUCTION PLANT IN SERVICE											
Per KW of generating capability (year-end) (2)	\$633	\$606	\$582	\$481	\$356	\$256	\$250	\$242	\$177	\$166	\$160
Per customer (year-end)	\$4,118	\$4,094	\$4,033	\$3,758	\$3,470	\$2,528	\$2,498	\$2,452	\$1,664	\$1,592	\$1,618
CONSTRUCTION WORK IN PROGRESS											
% of electric plant, net	14.1	10.2	9.1	12.8	16.1	37.3	40.0	36.3	52.8	47.6	40.4
EMPLOYEE DATA											
NUMBER OF EMPLOYEES AT YEAR-END (3)											
	19,630	20,527	20,304	20,473	20,325	20,965	20,274	20,077	19,612	20,130	17,734
EMPLOYEE WAGES & BENEFITS											
(thousands)	\$862,007	\$800,493	\$754,016	\$743,710	\$729,067	\$657,038	\$588,593	\$517,161	\$445,636	\$382,812	\$317,712

(1) Beginning in 1985, excludes impact of joint ownership of Catawba Nuclear Station.

(2) Beginning in 1986, includes 100% of the capability of the Catawba Nuclear Station.

(3) In 1988, excludes employees who were notified in November 1988 of layoff effective January 31, 1989.

CONSTRUCTION PROGRAM

The Company, utilizing its own construction and engineering force, carries on a construction program, the nature and extent of which is based upon current and estimated future loads of its system. During the period January 1, 1978 through December 31, 1988 gross property additions (including nuclear fuel) and retirements amounted to approximately \$8,405 million and \$1,985 million, respectively, resulting in a net increase of approximately \$6,420 million. Net retirements reflect the sales of portions of the Catawba Nuclear Station and the cancellation of the Perkins Nuclear Station and the Cherokee Nuclear Station. The net KW generating capability rose from 12,317,000 KW to 15,533,000 KW during the same period.

MAJOR GENERATING UNITS PLACED IN SERVICE

1978-1988

Year	Plant	Unit No.	Capability (Megawatts)	Cost Per KW (1)
1981	McGuire Nuclear Station	1	1,129	\$ 828
1984	McGuire Nuclear Station	2	1,129	\$ 828
1985	Catawba Nuclear Station	1	1,129	\$1,560
1986	Catawba Nuclear Station	2	1,129	\$1,560

(1) Total station cost per KW at date of commercial operation.

GENERATING CAPABILITY

December 31, 1988

Source	Facility	Net MW	Percent
Coal	Belews Creek	2,240	14.4
	Marshall	2,090	13.5
	Allen	810	5.2
	Cliffside	562	3.6
	Others	726	4.7
			6,428
Nuclear	Oconee	2,538	16.4
	McGuire	2,258	14.5
	Catawba (1)	2,258	14.5
		7,054	45.4
Hydro	26 stations	1,452	9.3
Oil and gas	Combustion turbines	599	3.9
		15,533	100.0

(1) The Company owns 12½ percent of the Catawba Nuclear station.

PRINCIPAL SUBSIDIARIES AND AFFILIATES

Mill-Power Supply Company was organized in 1910 to supply electrical equipment to the area's textile mills in order to facilitate conversion to electricity from other forms of energy. Since 1984, this subsidiary has also been a leading supplier of high-tech industrial electronic equipment through its Mill-Power Technologies division. In 1988, Mill-Power reorganized and transferred its utility purchasing function to the parent Duke Power Company.

Crescent Land & Timber Corp., organized in 1969, owns and manages approximately 270,000 acres of property not used in utility operations and plans to continue to pursue real estate and development opportunities in both the residential and commercial arenas.

Church Street Capital Corp. was organized in 1985 to facilitate investment of the Company's intermediate-term funds, which are transferred back to Duke as needed for use in the utility business or other operations requiring funding.

Duke Engineering & Services, Inc. was formed in 1987 to keep Duke engineers and designers abreast of new technologies and to seize market opportunities presented by the evolving deregulation of electric utilities. During 1988 Duke Engineering provided engineering and technical services on 91 projects for 57 clients.

Duke Power obtained all required regulatory approvals in 1988 for its purchase of Nantahala Power and Light Company, announced in 1987. Duke bought the electric utility from the Aluminum Company of America in November 1988 for the net book value of its stock, \$30 million. Nantahala, formed in 1929, serves about 47,000 customers in a five-county area of the western North Carolina mountains, adjacent to the Duke Power service area. Nantahala operates 11 hydroelectric stations and currently purchases supplemental power from the Tennessee Valley Authority.

The Company formed a new affiliate in 1988, Duke Energy Corp., to develop generating plants outside the Duke Power service area. Duke Energy will develop cogeneration plants to supply electricity and heat by-products to industrial facilities. Duke Engineering will design the plants.

The Company formed a new entity in 1988, Mint Street Capital Associates, a partnership of Duke Power subsidiaries with financial investment portfolios. Mint Street consolidates all financial investments of the non-utility groups, and is managed by Church Street Capital Corp.

REGULATION

The Company is subject to regulation by the United States Environmental Protection Agency and the Nuclear Regulatory Commission as to design, construction and operation of certain of its generating facilities.

North Carolina Utilities Commission

In North Carolina, the Company is subject to regulation by the North Carolina Utilities Commission (NCUC) which, among other things, establishes retail electric rates and regulates security issues and accounting matters. The NCUC determines allowable rates of return and sets rates using original cost and a historical test year, with the requirement to consider current financial data up to the time the hearing on a particular rate adjustment request is closed.

Members of the NCUC are appointed by the governor for eight-year terms, subject to confirmation by the general assembly.

Commissioner	Term expires June 30
Robert O. Wells, Chairman	1993
William W. Redman, Jr.	1995
Ruth E. Cook	1991
Edward B. Hipp, Jr.	1989
Sarah Lindsay Tate	1993
Julius A. Wright	1993

Charles Hughes was nominated in January 1989 to replace Robert Koger who resigned in 1988.

The Public Service Commission of South Carolina

In South Carolina, the Company is subject to regulation by The Public Service Commission of South Carolina (PSC) which, among other things, establishes retail electric rates and regulates security issues and accounting matters. The PSC determines allowable rates of return and sets rates using an original cost rate base and a historical test year.

Members of the PSC are nominated by a merit selection panel and elected by the general assembly for four-year terms.

Commissioner	Term expires June 30
Caroline H. Maass, Chairman	1990
Marjorie Amos-Frazier, Vice Chairman	1990
Cecil A. Bowers	1990
Guy Butler	1990
Fred A. Fuller	1990
Rudolph Mitchell	1990
Henry G. Yonce	1990

Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission regulates wholesale and interstate transmission rates, acquisition and disposition of certain property, licensing of hydroelectric projects, and other matters. Closely related is its responsibility to oversee accounting and reporting functions under the Federal Power Act to ensure that reliable and consistent financial information is available for regulatory and public purposes.

GENERAL RATE CHANGES

(Dollars in Millions)

Jurisdiction and Date Filed	Requested Revenues	Approved		Implemented (1)
		Revenues	% of Request Effective	
N.C. Retail				
January 1978	70.5	40.3	57.2	September 1978
March 1979	35.5	28.3	79.7	October 1979
February 1980	91.6	57.5	62.7	October 1980
March 1981	211.0	166.4	78.9	December 1981
March 1982	197.0	61.7	31.3	November 1982
February 1983	112.9	76.2	67.5	September 1983
November 1983	212.8	131.0	61.6	June 1984
February 1985	340.0	157.7	46.4	September 1985
March 1986	289.3	133.1	46.0	October 1986
December 1986 (2)	(48.6)	(48.6)	100.0	January 1987
November 1987 (2)	(63.3)	(63.3)	100.0	January 1988
S.C. Retail				
April 1978	34.5	18.2	52.8	May 1979
August 1979	25.8	23.4	90.7	September 1980
December 1980	103.7	57.0	54.9	January 1982
February 1982	99.4	40.7	40.9	March 1983
September 1983	136.0	99.7	73.3	March 1984
April 1985	143.0	78.4	54.8	October 1985
May 1986	137.8	79.1	57.4	November 1986
December 1986 (2)	(20.9)	(20.9)	100.0	January 1987
October 1987 (2)	(26.4)	(26.4)	100.0	January 1988
FERC Wholesale				
June 1978	15.3	15.0	98.0	January 1980
June 1980	26.3	18.6	70.7	February 1981
June 1981	46.9	30.7	65.5	December 1981
August 1982	44.1	26.0	59.0	March 1983
December 1983	9.5	8.0	84.2	October 1984
July 1985	9.2	5.2	56.5	March 1986
August 1986 (2)	6.4	1.9	30.4	July 1987
January 1988 (2)	(1.4)	(1.4)	100.0	January 1988

(1) In the past, the Company has collected interim rate increases, subject to refund, in all three jurisdictions. On occasion the Company has implemented its entire request on such a basis prior to the final rate order.

(2) Reflects the impact of a lower federal income tax rate.

Fuel Clause Procedures

The level of fuel costs in rates are reviewed semiannually in the wholesale and South Carolina retail jurisdictions, and are reviewed annually and during general rate case proceedings in the North Carolina retail jurisdiction.

All jurisdictions allow the Company to adjust for past over- or under-recovery of fuel costs. Therefore, the Company reflects in revenues the difference between actual fuel costs incurred and fuel costs recovered in rates.

EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

William S. Lee (59/34)
Chairman of the Board
and Chief Executive Officer

Douglas W. Booth (64/36)
President and
Chief Operating Officer

William H. Grigg (56/25)
Executive Vice President
Customer Group

Warren H. Owen (62/41)
Executive Vice President
Power Group

Steve C. Griffith, Jr. (55/24)
Senior Vice President
and General Counsel

Figures in Parentheses Denote Age and
Length of Service as of March 31, 1989.

OUTSIDE DIRECTORS

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

Dr. Robert L. Albright
President
Johnson C. Smith University

Crandall C. Bowles
President
The Springs Company

Thomas H. Davis
Chairman of the Executive Committee
Piedmont Aviation, Inc.

John L. Fraley
Chairman of the Board
Carolina Freight Corporation

Alester G. Furman, III
Retired Chairman of the Board
The Furman Co., Inc.

Paul H. Henson
Chairman
United Telecommunications, Inc.

Dr. George R. Herbert
President
Research Triangle Institute

George Dean Johnson, Jr.
President
Johnson Development
Associates, Inc.

James V. Johnson
Retired Vice Chairman and Director
of Public Affairs
Coca-Cola Bottling Co. Consolidated

W. W. Johnson
Chairman of the Executive Committee
NCNB Corporation

Dr. Max Lennon
President
Clemson University

Buck Mickel
Chairman RSI Corporation
Director
Fluor Corporation

Reece A. Overcash, Jr.
Chairman of the Board
and Chief Executive Officer
Associates Corporation
of North America

James C. Self
Chairman of the Executive Committee
Greenwood Mills, Inc.
Trustee
The Duke Endowment

OTHER OFFICERS

William A. Coley
Senior Vice President
Power Delivery

Henry L. Cranford
Senior Vice President
Customer Services

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

Richard B. Priority
Senior Vice President
Generation and
Information Services

James R. Bavis
Vice President
Human Resources

Thomas C. Berry
Vice President
Southern Division

Shem K. Blackley, Jr.
Vice President
Transmission and Distribution

J. Kenneth Clark
Vice President
Corporate Communications

Robert L. Dick
Vice President
Construction and Maintenance

Excell O. Ferrell, III
Vice President
Operation

Donald E. Hatley
Vice President
Public Affairs

John P. Holland
Vice President
Central Division

F. Alfred Jenkins
Vice President
Western Division

James C. Leathers
Vice President
Production Support Department

John F. Lomax
Vice President
Northern Division

Paul G. Martin
Vice President
Eastern Division

Ted C. McMeekin
Vice President
Design Engineering

John P. O'Keefe
Vice President
Taxes

Richard J. Osborne
Vice President
Finance

William O. Parker, Jr.
Vice President
Fossil Production Department

W. T. Robertson, Jr.
Vice President
Procurement, Services
and Materials

William R. Stimart
Vice President
Regulatory Affairs

George E. Stubbins
Vice President
Information Systems

Hal B. Tucker
Vice President
Nuclear Production Department

Fred E. West, Jr.
Vice President
Charlotte Division

Sue A. Becht
Treasurer

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

David L. Hauser
Controller

†**C. Joe Sherrill**
Assistant Vice President
Transmission-Substation
Division

Carolyn R. Duncan
Assistant Secretary

Billie M. Henderson
Assistant Secretary

***Sherry L. Love**
Assistant Treasurer

‡**W. Bruce Shannon**
Assistant Treasurer

Phyllis T. Simpson
Assistant Secretary

Eugene C. Sites
Assistant Controller

†**Hansel D. Whitley**
Assistant Controller

*Effective March 1, 1989

†Retired effective January 31,
1989

‡Will retire effective May 1, 1989

Principal Subsidiaries and Affiliates

William H. Grigg
President
Church Street Capital Corp.

Elbert N. Hedgepeth, Jr.
President and
Chairman of the Board
Nantahala Power and Light
Company

Richard C. Ranson
President
Crescent Land & Timber Corp.
Chairman and
Chief Executive Officer
Mill-Power Supply Company

Robert C. Vaughn
President
Mill-Power Supply Company

A. Parks Cobb, Jr.
President
Duke Engineering & Services,
Inc.

Richard J. Osborne
President
Duke Energy Corp.

Duke Power Service Area

- ◆ Nantahala Power and Light Company
- ◆ Duke Power Company

